

# *Dreams to Life*



**John Keells Holdings PLC**  
Annual Report 2023/24



# Dreams to Life

The John Keells Group has spent the past 150 years in diversifying our business sectors, while ensuring that good governance, social responsibility and sustainability remain the guiding principles of all that we do. We are committed to enhancing and advancing our business model to deliver value to our stakeholders, while actively participating in the broader economic activities of our nation.

Although the past years have been daunting, the country and its citizens have yet again proved themselves to be resilient and spirited in difficult times. A more stable economic atmosphere now prevails and we have great confidence in the potential for growth and development in the future, both for the nation and our Group.

2024 marks a significant culmination of events for the Group's iconic integrated resort, which has been under construction over the last decade - the largest and most ambitious private sector investment in the country, valued at over USD 1 billion. The Group announced the successful achievement of a game-changing partnership, in which global hospitality and entertainment giant Melco Resorts & Entertainment Limited will partner John Keells in launching 'City of Dreams Sri Lanka', previously known as 'Cinnamon Life Integrated Resort'.

'City of Dreams Sri Lanka' is an iconic project that was conceived over a decade ago; a one-of-a-kind venture that will undoubtedly transform Colombo into a preferred destination for leisure and entertainment in the region, offering world-class shopping and lifestyle and entertainment spaces while re-imagining the ways in which people live, work and play. The project embraces the shifts of modern-day Sri Lanka, and creates employment opportunities for thousands of Sri Lankans.

The West Container Terminal project remains firmly on track for commencement in early 2025. This terminal will add the vital deep-water capacity to the Port of Colombo, catalysing the significance of the Port of Colombo in the region, once operational. Our dreams have not been limited to our large and transformational projects. We have made significant strides in many of our other businesses as well. From advanced analytics and data-driven decision-making, to a preliminary foray into the Indian market with our Beverages, even as we play our part to improve the nation's carbon footprint by introducing energy efficient vehicles into the market, we have brought to life our vision of transformation in multiple ways.

As a humble contributor to the wealth and prosperity of our stakeholders and the nation, the Group constantly evaluates and reviews the decisions we make and our plans for the future; the planning and thought that lie at the heart of all that we choose to do. As we go forward, we will continue to expand, strengthen and, where necessary, re-design our industry portfolio, as we look to grow with the nation, by bringing 'dreams to life'.



# REPORTING UNIVERSE

In furtherance of the Group's comprehensive and integrated environmental, social and governance (ESG) reporting framework, the 2023/24 JKH Annual Report continues to be supplemented by various online publications and additional information, as outlined below.

Aspects we cover:

	FINANCIAL AND OPERATIONAL REPORTING	ENVIRONMENTAL AND SOCIETAL REPORTING	GOVERNANCE AND RISK MANAGEMENT REPORTING
COVERAGE	<ul style="list-style-type: none"> <li>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.</li> <li>Includes regulatory disclosures.</li> </ul>	<p>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.</p>	<p>Contains 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.</p> <p>Also entails the circulars to shareholders, notices of meeting and forms of proxies.</p>
STAKEHOLDERS CONCERNED	Primarily of interest to capital providers and regulators.	Primarily of interest to investors, prospective and current employees, regulators, non-governmental organisations (NGOs), customers and society.	Primarily of interest to capital providers, customers, employees, regulators, suppliers and members of society.

## Key Reporting Channels:

<b>2023/24 JKH Annual Report</b> <span style="float: right;">A</span>  <a href="https://www.keells.com/resource/reports/annual-reports/John_Keells_Holdings_PLC_AR_2023_24_CSE.pdf">https://www.keells.com/resource/reports/annual-reports/John_Keells_Holdings_PLC_AR_2023_24_CSE.pdf</a>	<b>Investor Presentations/Updates</b> <span style="float: right;">A Q</span>  <a href="https://www.keells.com/investor-relations/#annual-reports">https://www.keells.com/investor-relations/#annual-reports</a>	<b>Recordings of Investor Webinars</b> <span style="float: right;">A Q</span>  <a href="https://www.keells.com/investor-relations/#annual-reports">https://www.keells.com/investor-relations/#annual-reports</a>
<b>Corporate Website</b> <span style="float: right;">R</span>  <a href="https://www.keells.com/">https://www.keells.com/</a>	<b>Market announcements</b> <span style="float: right;">R</span>  <a href="https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=JKH.N0000">https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=JKH.N0000</a>	<b>Notice of meeting and related proxies</b> <span style="float: right;">R</span>  <a href="https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=JKH.N0000">https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=JKH.N0000</a>
<b>Communication on progress for the UN Global Compact</b> <span style="float: right;">A</span>  <a href="https://cop-report.unglobalcompact.org/COPViewer/2023?responselid=R_40YXUOrzuarr2cv">https://cop-report.unglobalcompact.org/COPViewer/2023?responselid=R_40YXUOrzuarr2cv</a>	<b>Dedicated website for Group's Corporate Social Responsibility</b> <span style="float: right;">R</span>  <a href="https://www.johnkeellsfoundation.com/">https://www.johnkeellsfoundation.com/</a>	<b>Corporate Governance Framework</b> <span style="float: right;">R</span>  <a href="https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2023_24-Corporate-Governance.pdf">https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2023_24-Corporate-Governance.pdf</a>
<b>Social media updates of key highlights through LinkedIn, Facebook and Instagram</b> <span style="float: right;">R</span>  <a href="https://lk.linkedin.com/company/john-keells-holdings">https://lk.linkedin.com/company/john-keells-holdings</a>  <a href="https://www.facebook.com/johnkeells/">https://www.facebook.com/johnkeells/</a>  <a href="https://www.instagram.com/lifeatjkh/?hl=en">https://www.instagram.com/lifeatjkh/?hl=en</a>	<b>Dedicated website for Group's Social Entrepreneurship Project aimed at reducing plastic pollution</b> <span style="float: right;">R</span>  <a href="https://www.keells.com/esg/#plasticcycle">https://www.keells.com/esg/#plasticcycle</a>	<b>Performance and disclosures for Transparency in Corporate Reporting (published by Transparency International Sri Lanka)</b> <span style="float: right;">R</span>  <a href="https://www.tisirilanka.org/trac2023/">https://www.tisirilanka.org/trac2023/</a>

Frequency: A Annually Q Quarterly R Regularly

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- Outlook and Risks

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# INTRODUCTION TO THE REPORT

## We are pleased to present our ninth 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 Capital in the short, medium and long-term
- Governance, risk management and sustainability frameworks entrenched within the John Keells Group
- Financial, operational, environmental and social review and results of the Group

### INTEGRATED THINKING AND OUR INTEGRATED REPORTING PROCESS

Integrated Reporting process:	COMPILING	VALIDATING	APPROVING
Related sub-processes:	<p><b>01</b> Process of completing the Integrated Report</p> <p><b>02</b> Standards and principles</p> <p><b>03</b> Integrated Report and Reporting Principles</p>	<p><b>04</b> Information integrity verification and quality assurance</p>	<p><b>05</b> Sign-off by the Group Executive Committee</p> <p><b>06</b> Board Approval</p>
Parties involved:	Board, Group Executive Committee (GEC), Integrated Reporting team	Board, GEC, Internal Audit and External Auditors	Board, GEC

#### 01 Process of Completing the Integrated Report

- 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 and 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, produces 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 and are responsible for reviewing and approving the reported information. All such members involved in the various approval processes are illustrated through the above integrated reporting process.
- 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 Regulations, Standards and Principles

##### Narrative Reporting

- International <IR> Framework of the IIRC

##### Governance, Risk Management and Operations

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

##### Financial Reporting

- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka
- Companies Act No.7 of 2007
- Listing Rules of the CSE

##### Sustainability Reporting

- Reported in accordance with the Global Reporting Initiative (GRI) Standards
- 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

\*CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023) in December 2023. The updated Code has been reviewed and will be adopted to the extent of business exigency and as required by the John Keells Group.

### 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.



### 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, including through external assurance from independent auditors.

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

- The Board of Directors
- Audit Committee of the Company
- The Group Executive Committee
- 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.

### MATERIALITY

The Group conducts an internal comprehensive materiality assessment annually, in collaboration with various sectors to assess and monitor progress against key sustainability concerns. This is complemented by a biennial stakeholder engagement survey, facilitated by an independent third party, which gauges the impact of ongoing activities and the Group's engagement, tracking performance against material topics and monitoring shifts in the material topics landscape.

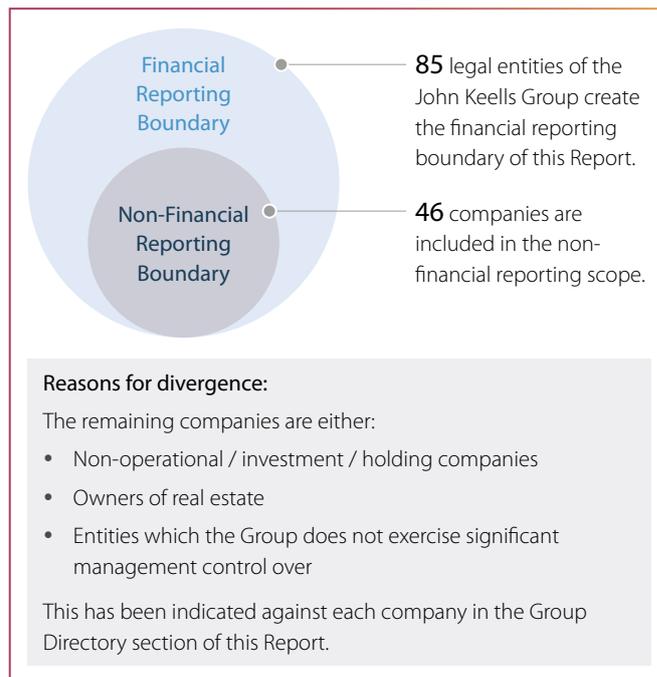
In 2022/23, as a part of the Group's ongoing efforts towards increasing emphasis on ESG aspects, the Group embarked on re-formulating its ESG framework in collaboration with an international third-party consulting firm, setting revised Group-wide ESG ambitions and translating such ambitions to ESG-related targets.

### REPORTING SCOPE

#### Reporting Period

The John Keells Annual Report 2023/24 is a reflection of the Group's integrated approach of management during the period from 1 April 2023 to 31 March 2024. Material events post this reporting period, up to the sign-off date by the Board of Directors on 21 May 2024, have been included in this Report, ensuring a more relevant and up to date Report.

#### Scope and Boundary



Key changes to the Group structure during the year:

- John Keells CG Auto (Private) Limited, a joint venture between the Company and Chaudhary Group, Nepal was incorporated. The purpose of the entity is to provide cutting-edge and eco-friendly vehicles to the Sri Lankan market. The entity is accounted as an equity accounted investee for the purposes of financial reporting. This will be included in the Group's non-financial reporting boundary for 2024/25.

Changes to the sustainability reporting boundary during the year:

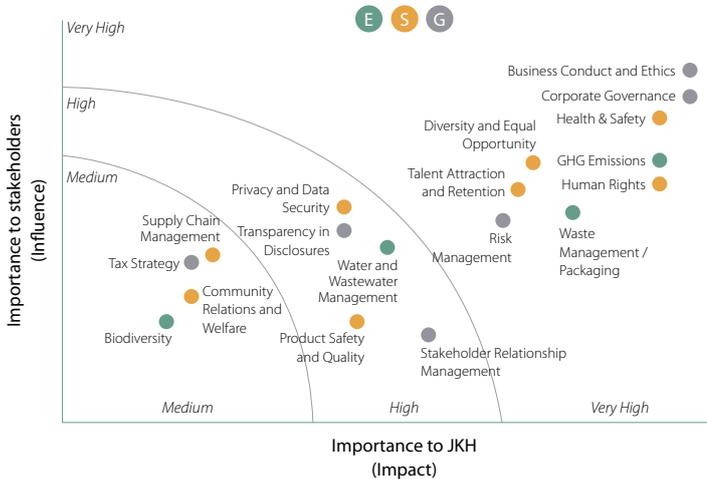
- Updated to include four new 'Keells' outlets, while removing one outlet that was closed.

# INTRODUCTION TO THE REPORT

As a part of this collaboration, the Group conducted in-depth studies and workshops within each industry group to identify areas of significant impact, risk and materiality, thereby arriving at material ESG topics through a formalised and more refined process. Similar to previous materiality assessments, benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders, regional peers and best-in-class practices of the respective industries in which the businesses operate. Similarly, stakeholder engagement sessions were also held with both internal and external stakeholders to gather insights. These efforts culminated in the determination of material ESG topics for each industry group and sector-specific ambitions, which thereafter dovetailed into Group-level priorities based on relevance and materiality.

To enhance the materiality approach, the Group adopted the double materiality assessment which considers the impact of the material topics on the Group as well as the environment and its stakeholders.

## John Keells Group Materiality Matrix



- |  |   |   |
|--|---|---|
| <p><b>Very High</b></p> <ol style="list-style-type: none"> <li>Business Conduct and Ethics</li> <li>Corporate Governance</li> <li>Health &amp; Safety</li> <li>GHG Emissions</li> <li>Human Rights</li> <li>Diversity and Equal Opportunity</li> <li>Waste Management/Packaging</li> <li>Talent Attraction and Retention</li> <li>Risk Management</li> </ol> | <p><b>High</b></p> <ol style="list-style-type: none"> <li>Water and Waste Water Management</li> <li>Privacy and security</li> <li>Disclosures</li> <li>Stakeholder Relationship Management</li> <li>Product Safety and Quality</li> </ol> | <p><b>Medium</b></p> <ol style="list-style-type: none"> <li>Supply Chain Management</li> <li>Tax Strategy</li> <li>Community Relations and Welfare</li> <li>Biodiversity</li> </ol> |
|--|---|---|

A detailed explanation of the process and how the material topics were arrived at can be found in the Determining 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](mailto:investor.relations@keells.com)  
Tel: +94 11 230 6170



## DISCLAIMER FOR THE PUBLICATION OF FORECAST DATA

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

## 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 21 May 2024.

## NAVIGATING THIS REPORT



This Annual Report is available on our website:

[https://www.keells.com/resource/reports/annual-reports/John\\_Keells\\_Holdings\\_PLC\\_AR\\_2023\\_24\\_CSE.pdf](https://www.keells.com/resource/reports/annual-reports/John_Keells_Holdings_PLC_AR_2023_24_CSE.pdf)

<p style="text-align: center;"><b>Reporting Guides</b></p> <ul style="list-style-type: none"> <li> Reference to other pages within the Report</li> <li> Reference to further reading online</li> <li> Details of CSR projects available on <a href="http://www.johnkeellsfoundation.com/">www.johnkeellsfoundation.com/</a></li> </ul>	<p style="text-align: center;"><b>Capital Guides</b></p> <ul style="list-style-type: none"> <li> Financial and Manufactured Capital</li> <li> Natural Capital</li> <li> Human Capital</li> <li> Social and Relationship Capital</li> <li> Intellectual Capital</li> </ul>
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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 the largest listed company on the Colombo Stock Exchange (CSE) with an operating history of over 150 years. 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.

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.

 Refer: Corporate Information section of this Report for more details.

## INDUSTRY GROUPS

	<b>Transportation</b>	<ul style="list-style-type: none"> <li>• Transportation</li> <li>• Ports and Shipping</li> </ul>
	<b>Consumer Foods</b>	<ul style="list-style-type: none"> <li>• Beverages</li> <li>• Frozen Confectionery</li> <li>• Convenience Foods</li> </ul>
	<b>Retail</b>	<ul style="list-style-type: none"> <li>• Supermarkets</li> <li>• Office Automation</li> <li>• New Energy Vehicles</li> </ul>
	<b>Leisure</b>	<ul style="list-style-type: none"> <li>• Cinnamon Hotels &amp; Resorts</li> <li>• Destination Management</li> <li>• Hotel Management</li> </ul>
	<b>Property</b>	<ul style="list-style-type: none"> <li>• Property Development</li> <li>• Property Management</li> </ul>
	<b>Financial Services</b>	<ul style="list-style-type: none"> <li>• Insurance</li> <li>• Banking</li> <li>• Stockbroking</li> </ul>
	<b>Other, including Information Technology and Plantation Services</b>	<ul style="list-style-type: none"> <li>• Information Technology</li> <li>• Plantation Services</li> <li>• Other (which also comprises of Centre Functions*)</li> </ul>

\* Centre Functions include 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, Legal and Secretarial, New Business Development, Social Entrepreneurship, Sustainability, and Enterprise Risk Management, and Group Initiatives.

Operating history of 150+ years

A full member of the World Economic Forum since 2002

Participant of the Global Compact of the United Nations - Sponsored International Corporate Citizenship Initiative since 2002

LMD's Most Respected Entity for the 18<sup>th</sup> consecutive year

Ranked first in LMD Readers' Choice as Sri Lanka's Most Loved Corporate Brand for 2024

Ranked first in the Transparency in Corporate Reporting Assessment by Transparency International Sri Lanka (TISL) for the fourth consecutive year, with a 100% score for transparency in disclosure practices

Gold award for Best Investor Relations at the Capital Market Awards 2023 of CFA Society Sri Lanka

# 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 2024.

I trust our Report will provide you with an in-depth understanding of the Group's value creation process, the strategies in place to manage the diverse portfolio of businesses towards driving sustainable growth, the governance philosophy and underlying principles in which the Group conducts its affairs, internally and externally, and the way ahead for the Group.

The Group recorded a satisfactory financial performance during the year, in line with our expectations that it was a year of consolidation considering the priority of reaching stability and gradual recovery, thereon, post the economic crisis, coupled with the strong focus of the Group on operationalising our two large investments in the ensuing financial year. Although overall growth was muted, on a positive note, the momentum gathered pace towards the latter half of the year, with the Group recording a strong performance in the third and fourth quarters of 2023/24, which has continued into the new financial year.

Overall, the year under review was rewarding and defining in that we were able to conclude on the much-awaited commercial arrangements for the Group's iconic and largest investment to date, the 'City of Dreams Sri Lanka', which is elaborated in detail in this Message and the Report. This landmark project, which has been 10 years in the making encountered numerous unprecedented challenges due to events beyond our control, will be transformational for your Group, and the country as a whole. The project is coming together as ambitiously conceptualised and visualised over a decade ago, with the potential to transform Colombo as a destination for leisure and entertainment. That vision is fast becoming a reality as we look forward to launching operations by the third quarter of 2024, with the full commencement of operations, including the casino and the mall, expected in mid-2025. We are of the view that a convergence of the timing of an economic revival and our own landmark projects, which have moved from conceptualisation to operationalisation, or from 'Dreams to Life', will be a catalyst for tremendous opportunities for the country and the Group.

Sri Lanka witnessed the continuation of normal day-to-day activities, with the recovery being faster than anticipated, supported by the implementation of difficult policy reforms and new legislative enactments regarding fiscal responsibility. After a period of consecutive severe challenges in the country, it was refreshing and encouraging to operate in an environment with significantly lower volatility and a more certain macroeconomic outlook, which has resulted in the restoration of confidence in the prospects for the country.

In line with the target of the Central Bank of Sri Lanka (CBSL), headline inflation significantly decelerated to low single-digit levels on the back of numerous policy actions, from the peak levels of 70% in the previous year. The improving trade balance in the country and substantial increases in tourism receipts and foreign currency remittances resulted in strong net foreign currency inflows into the country. Outflows were curtailed, to an extent, due to lower import demand as the economy gradually recovers, while the suspension of foreign currency debt servicing, until such time the external debt restructuring process is complete, resulted in a significant saving of outflows. This resulted in the Rupee appreciating by approximately 11% while the CBSL continued to build its foreign currency reserves position which was approximately USD 5 billion as at 30 April 2024, a significant improvement from the levels witnessed two years ago.

Following the strengthening of the Rupee and positive outlook for the economy, import restrictions on items were relaxed, with the exception of motor vehicles. The progress on the International Monetary Fund (IMF) 48-month Extended Fund Facility (EFF) programme and the Domestic Debt Optimisation (DDO) plan has been commendable. It is encouraging that Sri Lanka's international financing partners continued to extend their support to help achieve this balance between critical reforms and ensuring a strong safety net for vulnerable segments of the community. With clarity on the DDO, the risk premia attached to the uncertainty surrounding domestic debt diminished. Together with the conclusion of the DDO and considering the relatively stable inflation indicators, the CBSL reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 basis points each, respectively, in 2023 to support the rebound of domestic economic activity. As a result, the SDFR and SLFR rates reached 8.50% and 9.50%, respectively, while prime lending rates declined below 11% compared to the previous peak rates of 25%-28%.

As part of the cost reflective pricing mechanism to reduce the cost of subsidies to the Government, electricity tariffs were significantly revised upwards, thrice, during the year under review. The tariffs were revised downwards in March 2024, although they remain significantly higher compared to 12 months ago. In this context, the new Sri Lanka Electricity Bill, which was gazetted recently, is welcome, as it paves the way for the liberalisation and competitive distribution of power. It is imperative to address the fundamental inefficiencies in the cost of energy generation in the medium to long-term to ensure competitiveness of Sri Lankan industries with our competing markets.

The State-Owned-Enterprise (SOE) reforms process has progressed steadily although we are yet to see any definitive outcomes on divestitures or partnerships. Whilst it must be acknowledged that a lot of groundwork has been carried out, both internationally and locally, the complexity of some of the transactions and the impending elections has possibly resulted in a slower pace to reach finality. However, while practical challenges may exist, given the criticality of the SOE reforms for Sri Lanka, we urge the authorities to expedite the process.

**“Overall, the year under review was rewarding and defining in that we were able to conclude on the much-awaited commercial arrangements for the Group's iconic and largest investment to date, the 'City of Dreams Sri Lanka'.**

**We are of the view that a convergence of the timing of an economic revival and our own landmark projects, which have moved from conceptualisation to operationalisation, or from 'Dreams to Life', will be a catalyst for tremendous opportunities for the country and the Group.”**

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

(Rs.000)	Recurring EBITDA*			
	2023/24	2022/23	Variance	%
Transportation	7,570,157	11,963,136	(4,392,980)	(37%)
Consumer Foods	4,992,718	3,184,139	1,808,578	57%
Retail	8,762,069	8,778,841	(16,772)	0%
Leisure	9,059,055	8,604,117	454,939	5%
Property	(822,302)	(265,486)	(556,816)	(210%)
Financial Services	9,296,200	6,451,249	2,844,951	44%
Other, incl. Information Technology and Plantation Services	4,938,374	7,024,106	(2,085,732)	(30%)
<b>Group</b>	<b>43,796,270</b>	<b>45,740,102</b>	<b>(1,943,832)</b>	<b>(4%)</b>

\*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.

- The Group recorded a satisfactory financial performance during the year, in line with our expectations that it was a year of consolidation considering the priority of reaching stability and gradual recovery, thereon, post the economic crisis, coupled with the strong focus of the Group on operationalising the two large investments in the ensuing financial year.
- The momentum gathered pace towards the latter half of the year, with the Group recording a strong performance in the third and fourth quarters of 2023/24, which has continued into the new financial year.
- Group revenue (excluding equity accounted investees) recorded a marginal growth of 1% to Rs.280.77 billion, mainly on account of the decline in revenue in the Group's Bunkering business, Lanka Marine Services (LMS). LMS recorded a decline in revenue in the current year primarily due to the sharp reduction in global fuel oil prices as compared to the previous year.
- Group recurring EBITDA was recorded at Rs.43.80 billion in 2023/24, in comparison to the recurring Group EBITDA of Rs.45.74 billion in 2022/23, mainly as a result of the lower EBITDA recorded at LMS and the lower interest income recorded at the Holding Company.
- Excluding LMS and the Holding Company, Group revenue and recurring Group EBITDA recorded a growth of 12% and 3%, respectively.
- As announced, Melco Resorts & Entertainment (Melco) will be the operator of the gaming facility at the 'City of Dreams Sri Lanka'. Melco will also invest ~USD 125 million in the fit-out and equipping of the gaming space. As part of the collaboration between JKH and Melco, the integrated resort, which had previously been branded as 'Cinnamon Life Integrated Resort', will be rebranded as 'City of Dreams Sri Lanka'.
- The Group's Ports and Shipping business, South Asia Gateway Terminals (SAGT) recorded an increase in throughput of 7% in line with the overall Port of Colombo volumes, although profitability was impacted by a change in the throughput mix while ancillary revenues declined from the peak levels witnessed last year.
- The construction work on the West Container Terminal (WCT-1) at the Port of Colombo is progressing well. The first batch of quay and yard cranes is expected to arrive in August 2024.
- The Consumer Foods industry group recorded a significant increase in EBITDA, attributable to both the Beverages and the Frozen Confectionery businesses driven by both volume growth and improved margins.
- The Supermarket business recorded a strong performance in revenue during the year, with same store sales recording encouraging growth, driven by growth in customer footfall.
- Profitability of the Leisure industry group was driven by a strong recovery in the Sri Lankan Leisure businesses, on the back of a sustained recovery in tourist arrivals to the country.
- The 'TRI-ZEN' project, an 891-unit residential development, received the required clearances, including the Certificate of Conformity. Handing over of units has commenced from April 2024.
- The strong growth in profitability at Union Assurance PLC (UA) was driven by an increase in gross written premium (GWP), supported by an increase in regular new business premiums and renewal premiums while Nations Trust Bank (NTB) recorded growth in profitability aided by loan growth.
- In February 2024, HWIC Asia Fund (HWIC) exercised its option to convert 110,000,000 debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares of the Company. The remaining outstanding debentures post this conversion amount to 98,125,000 debentures with a face value of Rs.12.76 billion. The remaining debentures are eligible for conversion till 12 August 2025.
- OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, transitioned into an independent advanced analytics practice as originally designed when the Group's analytics transformation programme was initiated in 2019. 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 are being sustained at scale once fully implemented.
- As a part of the Group's ongoing efforts towards increasing emphasis on Environmental, Social and Governance (ESG) aspects, the Group undertook initiatives to further strengthen its ESG framework and identify focus areas for each industry Group that dovetail into Group level priorities based on relevance and materiality.
- The Group's carbon footprint per million rupees of revenue increased by 14%, while water withdrawn per million rupees of revenue increased by 9%, respectively. At a Group level, the efficiency indicators demonstrate a negative trend, primarily on account of the muted revenue growth of 1% whereas activity levels across the main contributing areas to the carbon footprint of Retail, Consumer Foods and Leisure have increased.

## CHAIRPERSON'S MESSAGE

In November 2023, the Government presented the Budget for the fiscal year 2024, with a focus on continuing the stabilisation of the economy with revenue-based consolidation and rationalisation in Government spending. In this context, marking a significant achievement given the ambitious target setting, Sri Lanka's Government revenue for the first quarter of 2024 was higher than budget. Whilst there were short-term impacts to consumer spending and inflation due to the imposition of direct and indirect taxes, the momentum witnessed in our consumer-focused businesses, particularly in the fourth quarter and in the month of April 2024, is encouraging with a gradual recovery in volumes and sales seen across the wider FMCG industry. While macroeconomic conditions have improved significantly, we are conscious of the impact some of the reforms have had on the more vulnerable segments of the community and it is important that the Government continues and expands the measures to address this.

While enhancing tax revenue and sustaining collections is a priority, which we are fully supportive of, the authorities should also focus on economic revival and growth with consumer and business confidence gradually recovering from its lows. In this context, maintaining a consistent overall policy framework, including taxes and other measures, should be done with the long-term impacts of such initiatives in mind and be in consultation with the private sector and relevant stakeholders. There should also be a focus on rationalising public expenditure, particularly in areas that are considered non-essential. This will not only bridge the budget deficit but have a strong signalling effect and demonstrate consistency with the other reform measures undertaken. The implementation of governance reforms to support and widen revenue collection will also be key to restoring economic activity and investment, thereby enabling improved revenue collection, while the 'checks and balances' through the necessary fiscal responsibility legislation is welcome, and necessary, to ensure independent functioning of the state institutions.

In May 2024, it was announced that Sri Lanka will hold presidential elections, in line with the provisions of the constitution, between 17 September and 16 October 2024. While the uncertainty surrounding the outcome of the elections may result in some of the reforms slowing down, we do not anticipate a change in the economic recovery momentum, at this juncture, given the slew of policy measures and reforms that have been enacted. While the prospective candidates will have their own policy agenda, Sri Lanka has a very clear, albeit narrow, path to consolidation and recovery as prescribed and agreed under the framework of the IMF-EFF programme. As the space to deviate from the financial targets is extremely limited, this leaves no choice for an alternate approach. These policy actions and targets, together with the necessary legislation surrounding fiscal and monetary responsibility and independence, will also ensure that the fundamental reform agenda will have to be adhered to.

**“The strong economic growth in India and the resultant increase in outbound travel from India, similar to what China witnessed over the last two decades, is a significant opportunity for Sri Lanka, particularly considering the proximity to key Indian cities.”**

Sri Lanka's cumulative tourist arrivals for the calendar year 2023 reached close to 1.5 million arrivals, in line with the Sri Lanka Tourism Development Authority's (SLTDA) target. The momentum of tourism is encouraging with arrivals for the first four months of 2024 crossing 784,000, which is ~90% of the arrivals recorded in the same period of 2018. Sri Lanka recorded its highest ever arrivals figure in the calendar year 2018. The SLTDA anticipates a further increase in tourist arrivals as more flights resume services and international airlines expand their frequencies. Tourism will be a key catalyst to drive the continued recovery of the economy, particularly in the context of the positive impact it will have on foreign exchange earnings and improving disposable incomes considering the cascading and multiplier effects of tourism. It is encouraging that Sri Lanka was ranked as the fourth most popular tourist destination in the world for 2024 by the Forbes magazine whilst the world-renowned travel guide, 'Travel Off Path', ranked Sri Lanka among the top five fastest growing tourism destinations for 2024.

Given the strategic importance of tourism to Sri Lanka and the recovery momentum we are witnessing after consecutive years of severe disruption to the industry, we urge the authorities to expeditiously implement the destination marketing campaign which has been delayed for many years and fast-track the construction of the new airport terminal. The strong economic growth in India and the resultant increase in outbound travel from India, similar to what China witnessed over the last two decades, is a significant opportunity for Sri Lanka, particularly considering the proximity to key Indian cities. Given the nascent stage of the development of the tourism industry, Sri Lanka must adopt all measures to attract more arrivals – one such measure is to have negligible or no visa fees similar to other regional countries which have comparatively lower or no visa fees or a visa waiver for nationals of many countries. The economic benefits of higher arrivals are far greater than the one-off, relatively small benefit of higher visa fees.

The year 2024 marks a significant culmination of events for the Group's iconic integrated resort, which has been under construction over the last decade. Being the largest and most ambitious private sector investment in the country at an investment of over USD 1 billion, we are pleased and excited to announce our partnership with Melco Resorts & Entertainment Limited (Melco), as disclosed to the Colombo Stock Exchange on 30 April 2024. Melco is one of the world's leading integrated resort operators with internationally renowned integrated resorts around the world. Melco will be the operator of the luxury-standard gaming facility at the integrated resort.

Having a partner of the calibre of Melco committing to an investment and long-term operations in Sri Lanka is a show of confidence for the country, where this is one of the largest foreign investments post the economic crisis in Sri Lanka. The positive impact on tourism and the economy will be significant, as seen with the impact other integrated resorts in the region have created – even in more advanced markets such as Singapore. Similarly, an operator of the reputation and calibre of Melco, committing to, not only manage the gaming operations, but, also lending their 'City of Dreams' and 'Nuwa' brands to the project, together with the commitment of an investment of USD 125 million, is a testament to the belief in the quality of the offering and the development, supported by a strong alignment of the shared vision of both JKH and Melco.

## “Having a partner of the calibre of Melco committing to an investment and long-term operations in Sri Lanka is a show of confidence for the country, where this is one of the largest foreign investments post the economic crisis in Sri Lanka.”

As part of the collaboration between JKH and Melco, the integrated resort, which had previously been branded as 'Cinnamon Life Integrated Resort', will be rebranded as 'City of Dreams Sri Lanka'. 'City of Dreams' is the flagship integrated resort brand of Melco and will be the fourth such property in its network of integrated resorts across the world. The 687-room 'Cinnamon Life' hotel at the 'City of Dreams Sri Lanka' integrated resort will commence operations in the third quarter of 2024, with full commencement of operations, including the casino and the mall, expected in mid-2025. The Group is confident that the convergence of all elements in the launch of 'City of Dreams Sri Lanka' will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand, foreign exchange earnings for Sri Lanka and generating employment, similar to other cities that have opened iconic integrated resorts of this nature. I have elaborated further on the current status of the project and details within the 'City of Dreams Sri Lanka' section in this Message.

In addition to the developments surrounding 'City of Dreams Sri Lanka', the Group continued its other investments steadfastly, where the construction work on the West Container Terminal at the Port of Colombo is progressing well with the entirety of the dredging works for both phases complete. The first batch of quay and yard cranes is expected to arrive in August 2024. The construction of the 891-residential apartment complex of the Group, 'TRI-ZEN', is now complete and ready for handover and the Property industry group launched a suburban residential development project, 'VIMAN', where the preliminary interest and sales traction has been very encouraging. Further, the Group entered into a partnership with the Reliance Group of India to manufacture, market, distribute and sell beverages under the legendary 'Elephant House' brand which paves the way to expand our brand in the Indian market with a partner of the scale and reputation of Reliance. Similarly, the Group partnered with BYD Auto Industry Company Limited, the world's leading manufacturer of new energy vehicles (NEV), to provide cutting-edge and eco-friendly vehicles to the Sri Lankan market.

We look to the future with confidence and a positive outlook as we see our landmark investments reaching fruition. While challenges remain, the country has, possibly for the first time in its post-independence history, implemented a fundamental framework of economic policies that has stabilised the economy and positioned it for stronger growth in the future. We are optimistic that Sri Lanka is on the correct recovery path. The resolve to continue to stay on this path of consolidation, and ensure we address the calls for better governance, including public sector reform, will be pivotal to achieving sustainable growth.

## GROUP PERFORMANCE

For the financial year 2023/24, Group revenue (excluding equity accounted investees) recorded a marginal growth of 1% to Rs.280.77 billion. The muted growth in revenue is mainly as a result of the decline in revenue of the Transportation industry group on account of the Bunkering business, Lanka Marine Services (LMS). LMS recorded a decline in revenue in the current year primarily due to the sharp reduction in global fuel oil prices as compared to the previous year.

The Group recorded a recurring earnings before interest expense, tax, depreciation and amortisation (EBITDA) of Rs.43.80 billion in the financial year 2023/24, in comparison to the recurring Group EBITDA of Rs.45.74 billion in the previous year, mainly as a result of the lower EBITDA recorded at LMS, the lower interest income recorded at the Holding Company and the decline in EBITDA in the Information Technology and Plantation Services businesses. Interest income recorded a decline driven by lower domestic interest rates, the translation impact on the foreign currency denominated interest income due to the appreciation of the Rupee, as well as a decline in cash and cash equivalents at the Holding Company on account of the planned utilisation for equity infusions in investments. Excluding the Holding Company and LMS, Group revenue and recurring Group EBITDA recorded a growth of 12% and 3%, respectively.

The recurring Group profit before tax (PBT) decreased by 30% to Rs.16.59 billion from the Rs.23.77 billion recorded in the previous year. The previous year included net exchange gains of Rs.6.63 billion, primarily on account of the net US Dollar denominated cash holdings and liabilities at the Holding Company which benefited due to the steep depreciation of the Rupee, whilst the PBT for the year under review comprises of net exchange gains of Rs.3.37 billion, including the net exchange gain on the USD 219 million term loan facility at Waterfront Properties (Private) Limited on account of the transition of its functional currency from US Dollars to Rupees. PBT was also impacted on account of the interest charged on the convertible debentures issued to HWIC Asia Fund (HWIC), including a notional non-cash interest of approximately Rs.3.02 billion, whereas the previous year included notional interest of approximately Rs.1.83 billion on the debenture. Interest expense also increased on account of higher Rupee borrowing costs due to an increase in Rupee debt in line with the planned funding strategy of the Group. Excluding the impacts of the exchange gain and notional interest, the recurring PBT declined by 14% to Rs.16.24 billion as against Rs.18.97 billion recorded in the previous year.

The recurring profit attributable to equity holders of the parent decreased by 49% to Rs.10.21 billion for the financial year ended 31 March 2024.

The recurring EBITDA analysis in the industry group discussion 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 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 2023/24.

# CHAIRPERSON'S MESSAGE

## TRANSPORTATION

The Transportation industry group recurring EBITDA of Rs.7.57 billion in 2023/24 is a decrease of 37% over the recurring EBITDA of the previous financial year [2022/23: Rs.11.96 billion]. The recurring EBITDA for 2023/24 eliminates a one-off deferred tax credit amounting to Rs.1.20 billion while 2022/23 eliminates a one-off deferred tax charge of Rs.1.34 billion in the Group's Ports and Shipping business, SAGT, as the share of results of equity accounted investees are consolidated net of all related taxes.

The decline in profitability is mainly attributable to the Group's Bunkering business, LMS which reported an exceptional performance in the previous year. Given the predominant dollar denominated revenue streams of the businesses within the industry group, profitability was also adversely impacted by the appreciation of the Sri Lankan Rupee, by approximately 11%, during the year under review, whereas both SAGT and LMS benefited from gains on account of the steep depreciation of the Rupee in the previous year, both in terms of revenue and costs.

It should be noted that LMS recorded a substantial increase in profitability in its core ship bunkering operations in the previous year, driven by higher margins on account of the significant increase in global fuel oil prices and the subdued competitive environment in the local bunkering market. Further, volumes in the previous year included local fuel sales as licensed bunkering businesses were permitted to import and supply fuel oil to local industries, from April 2022 until June 2023, to ensure continuity of operations in light of the fuel shortages which were prevalent in the country at the time.

Despite a growth in overall volumes over the previous year, the sharp reduction of global fuel oil prices from the peak levels in the last year resulted in a contraction of margins in the current year, which, coupled with the discontinuation of local sales, impacted the overall profitability of LMS. During the year under review, LMS continued to retain its market leadership position in the Sri Lankan bunker market. LMS recorded a significantly higher volume growth of over 50% in the fourth quarter of the year due to the Red Sea crisis which resulted in an increase in vessel traffic to the coastal waters of Sri Lanka.

SAGT recorded an increase in throughput of 7% in line with the overall Port of Colombo volumes, although profitability was impacted to an extent by a change in the throughput mix while ancillary revenues declined from the peak levels witnessed last year.

**“The construction work on the West Container Terminal (WCT-1) at the Port of Colombo is progressing well, with all work relating to the first phase of the project (800 metres of quay length) being awarded. The first batch of quay and yard cranes is expected to arrive in August 2024.”**

The construction work on the West Container Terminal (WCT-1) at the Port of Colombo is progressing well, with all work relating to the first phase of the project (800 metres of quay length) being awarded. The first batch of quay and yard cranes is expected to arrive in August 2024, following which the commissioning and automation is expected to be completed by the third quarter of 2024/25. The first phase of the terminal is slated to be operational in the fourth quarter of 2024/25. 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. The quay length of 800 metres 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 in mid-2026.

## CONSUMER FOODS

The Consumer Foods industry group recurring EBITDA of Rs.4.99 billion in 2023/24 is an increase of 57% over the recurring EBITDA of the previous financial year [2022/23: Rs.3.18 billion]. The significant increase in EBITDA is attributable to both the Beverages and the Frozen Confectionery businesses driven by both volume growth and improved margins.

The Beverages and Frozen Confectionery businesses recorded a volume growth of 10% and 2%, respectively. It is encouraging to witness the recovery momentum in volumes with the fourth quarter recording growth of 42% and 24%, respectively. The performance of Beverages in the fourth quarter was despite the selling price adjustments on select SKUs on account of passing on the higher duty on sugar and the increase in the VAT rate from 15% to 18%, effective from January 2024.

In line with expectations and actions undertaken by the businesses, both Beverages and Frozen Confectionery recorded an improvement in margins. Apart from price adjustments on select SKUs, margins improved on account of declining raw material prices, further aided by the appreciation of the Rupee and the higher operating leverage enabling absorption of fixed costs. Given the improvement in margins on account of input cost decreases, the business undertook price reductions in select SKUs, where possible, particularly in the impulse segment, to pass on the price benefit to consumers while also enabling a stronger recovery in volumes.

The PBT of the Beverages and Frozen Confectionery businesses recorded a significant improvement driven by the increase in EBITDA, further supported by the decline in finance expenses on account of easing interest rates and reductions in working capital requirements and overall debt levels.

TRANSPORTATION			
<b>Revenue incl. Associates</b>		<b>Recurring EBITDA</b>	
Rs. <b>68.92</b> billion	▼	Rs. <b>7.57</b> billion	▼
2022/23: Rs.94.28 billion	27%	2022/23: Rs.11.96 billion	37%
<b>Recurring PBT</b>		<b>Recurring PAT</b>	
Rs. <b>6.40</b> billion	▼	Rs. <b>6.27</b> billion	▼
2022/23: Rs.10.90 billion	41%	2022/23: Rs.10.42 billion	40%

## CONSUMER FOODS

### Revenue incl. Associates

Rs. **32.90** billion   
2022/23: Rs.31.27 billion **5%**

### Recurring EBITDA

Rs. **4.99** billion   
2022/23: Rs.3.18 billion **57%**

### Recurring PBT

Rs. **2.96** billion   
2022/23: Rs.1.05 billion **181%**

### Recurring PAT

Rs. **2.16** billion   
2022/23: Rs.2.14 billion **0.7%**

**“The Beverages and Frozen Confectionery businesses recorded a volume growth of 10% and 2%, respectively. It is encouraging to witness the recovery momentum in volumes with the fourth quarter recording growth of 42% and 24%, respectively.”**

In January 2024, Ceylon Cold Stores PLC (CCS), entered into a partnership with one of India's largest conglomerates, Reliance Group, to manufacture, market, distribute and sell beverages under the 'Elephant House' brand across India. The partnership marks a significant milestone in amplifying presence in India, where market entry is challenging. The collaboration with a reputed partner such as Reliance, together with synergies due to the expertise and experience of both organisations, is expected to provide a strong platform for success.

During the year, CCS acquired a polyethylene terephthalate (PET) bottling and can manufacturing plant which will support the expansion of its product portfolio in a new market segment via canned beverages. The plant also provides additional PET capacity which will support existing manufacturing operations. The canning plant commenced operations in March 2024.

The Convenience Foods business recorded a volume decline of 9% as a result of a moderation in consumer spend on processed meats, which is more discretionary and at a higher price point as compared to the Beverages and Frozen Confectionery businesses. The volumes were also affected on account of the reduction in general food prices and the relative prices of protein substitute products in the processed meat category. However, the business experienced an encouraging recovery in the second half of the year, driven by an increase in demand on account of improved consumer discretionary spend and price revisions, which improved product affordability.

## RETAIL

The Retail industry group recorded a recurring EBITDA of Rs.8.76 billion in 2023/24 [2022/23: Rs.8.78 billion]. The Supermarket business recurring EBITDA of Rs.7.64 billion in 2023/24 is an increase of 2% against the previous financial year [2022/23: Rs.7.46 billion].

The Supermarket business recorded a strong performance in revenue during the year, with same store sales recording an encouraging growth of 12%, driven by growth in customer footfall. The sustained increase in footfall is encouraging as it demonstrates the continued potential for higher penetration of certain customer segments. The growth in revenue and higher contribution to EBITDA was, however, offset to a large extent on account of the significant cost escalations in operations compared to the previous year, primarily due to the material increase in electricity tariffs and, to a lesser extent, staff costs and other overheads.

The imposition of the social security contribution levy (SSCL) had a further impact on the margins of the business during the first half of the year. SSCL is a revenue-based tax similar to the nation building tax in force a few years ago, where the retail industry is subject to SSCL at half the applicable rate. The business had to absorb the impact of the SSCL although measures were undertaken to mitigate its full impact. The business is expected to see an improvement in energy costs in 2024/25 due to the downward revision of electricity tariffs in March 2024, although tariffs are still higher than at the beginning of the previous year.

The increase in revenue, as witnessed during the year, is expected to drive an improvement in EBITDA together with the benefits accruing from various productivity and cost efficiency initiatives and supplier negotiations. The business will continue to place emphasis on cost optimisation and working capital management.

The relaxation of import restrictions during the year facilitated the improved availability of inventory and resulted in minimal supply chain related disruptions. The business continued to proactively ramp 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, ensuring a higher proportion of the spend remained within the 'Keells' outlet network. 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' offerings.

As expected, the business recorded an improvement in PBT due to the decrease in debt as the business strategically rebalanced its portfolio of borrowings in light of the enhanced generation of cash and the reducing interest rate environment.

Although the expansion of the 'Keells' outlet network was moderate during the first half of the year under review, given the easing of construction costs and the normalisation of the macroeconomic environment in the country, the business gradually ramped up outlet expansions on a case-by-case basis. Four new outlets were opened during the year, whilst one outlet was closed, bringing the total outlet count to 134 outlets as at 31 March 2024. In expanding its brand and outlet network, the business leverages on a standard and an extended format depending on the income distribution levels of the locality, the maturity of the market and competitive dynamics. In line with its brand expansion plans, four outlets were upgraded to the '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, a wider offering, particularly in the prepared food space and premium range, and improved ambience. Despite the additional investment associated with the conversion of the standard format outlets to the 'iconic' format, the payback on these investments, based on incremental performance, has been attractive.

**“The Supermarket business recorded a strong performance in revenue during the year, with same store sales recording an encouraging growth of 12%, driven by growth in customer footfall. The sustained increase in footfall is encouraging as it demonstrates the continued potential for higher penetration of certain customer segments.”**

## CHAIRPERSON'S MESSAGE

### RETAIL

#### Revenue incl. Associates

Rs. **122.50** billion   
2022/23: Rs.106.85 billion 15%

#### Recurring EBITDA

Rs. **8.76** billion   
2022/23: Rs.8.78 billion 0.2%

#### Recurring PBT

Rs. **2.93** billion   
2022/23: Rs.504 million 482%

#### Recurring PAT

Rs. **2.05** billion   
2022/23: Rs.1.42 billion 45%

During the year under review, the Office Automation business recorded a significant improvement in PBT driven by an increase in mobile phone sales volumes and lower finance costs on working capital requirements with the easing of interest rates. Volume growth was driven by the relaxation of import restrictions on non-essential items during the second half of the year.

In November 2023, JKH partnered with BYD Auto Industry Company Limited, the world's leading manufacturer of new energy vehicles (NEV), to provide cutting-edge and eco-friendly vehicles to the Sri Lankan market. This new business will operate under the Retail industry group considering its alignment with the business and potential synergies. Optimising the supermarket outlet network and other locations of the Group's businesses across the country will enable the creation of the necessary eco-system required for the NEV business.

### LEISURE

The Leisure industry group recurring EBITDA of Rs.9.06 billion in 2023/24 is an increase of 5% against the recurring EBITDA of the previous financial year [2022/23: Rs.8.60 billion]. The EBITDA growth was driven by a strong recovery in the Sri Lankan Leisure businesses, on the back of a sustained recovery in tourist arrivals to the country.

Excluding the 'City of Dreams Sri Lanka' integrated resort, which carries costs pertaining to the ramp up associated with the impending opening of the hotel, the Leisure industry group recurring EBITDA recorded an increase of 11% to Rs.10.12 billion.

Sri Lanka's cumulative tourist arrivals for the calendar year 2023 reached close to 1.5 million arrivals in line with the annual arrivals target of the SLTDA. Arrivals for each of the months from December 2023 – March 2024 crossed 200,000 for the first time since 2019, recording the strongest winter season since the pandemic. With international tourism levels close to pre-pandemic levels as per the United Nations World Tourism Organisation, the Group is confident that the current recovery trend in arrivals in Sri Lanka will continue, particularly given Sri Lanka's tourism offering and the positive publicity and accolades received as a top tourism destination, together with the increase in frequencies of flights by several major airlines.

### LEISURE

#### Revenue incl. Associates

Rs. **48.17** billion   
2022/23: Rs.39.86 billion 21%

#### Recurring EBITDA

Rs. **9.06** billion   
2022/23: Rs.8.60 billion 5%

#### Recurring PBT

Rs. **3.31** billion   
2022/23: Rs.(386) million 958%

#### Recurring PAT

Rs. **3.03** billion   
2022/23: Rs.(618) million 589%

**“With international tourism levels close to pre-pandemic levels as per the United Nations World Tourism Organisation, the Group is confident that the current recovery trend in arrivals in Sri Lanka will continue, particularly given Sri Lanka's tourism offering and the positive publicity and accolades received as a top tourism destination, together with the increase in frequencies of flights by several major airlines.”**

The Sri Lankan Leisure businesses continued to record an improvement in performance, with an increase in occupancies and room rates across properties. The Colombo Hotels segment continued its strong performance in restaurant operations whilst recording an increase in the number of events and banquets.

The Group's Maldivian Resorts recorded a decline in performance on account of the translation impact stemming from the appreciation of the Sri Lankan Rupee by approximately 11% in comparison to the previous year, although the underlying operating performance recorded a marginal increase on account of an increase in ARR and a reduction in power and energy costs against the previous year. Occupancies of the Maldivian Resorts segment were lower in comparison to the previous year given a change in the mix of overall arrivals to the Maldives, where arrivals from source markets with higher yields were lower while higher volumes into the guest houses segment also impacted business to an extent, although this was limited to the off-season period. At a PBT level, performance was also impacted by a notable increase in US Dollar borrowing rates.

### City of Dreams Sri Lanka

The construction work at the integrated resort progressed well during the year under review, with the hotel, gaming and retail components currently in the final stages of completion and fit-out. The project obtained a key approval in the third quarter of 2023/24 with the receipt of the Certificate of Conformity (COC) on building construction for the first 24 floors of the hotel complex, which will comprise of the 'Cinnamon Life' hotel, due to be launched in the third quarter of 2024/25. The remainder of the integrated resort comprising of the 113-key 'Nuwa' hotel, casino and the mall is slated for opening in mid-2025.

The 687-key 'Cinnamon Life' hotel and related facilities are in the final stages of fit-out and completion. In April 2024, the contractors of the project commenced the handover of the building to enable 'Cinnamon Life' to complete the final stages of furnishing, equipping and other interior works for the rooms and common areas.

'Cinnamon Life' carried out various activities including participating in international trade fairs, conducting interviews and providing briefings to travel publications, and direct marketing initiatives for selected market segments to increase awareness on the hotel and its offerings, given the impending commencement of operations of the hotel. The business took part in the Arabian Travel Mart (ATM) in early May 2024 where the 'City of Dreams Sri Lanka' brand was showcased for the first time. Marking a further significant milestone, the 'Cinnamon Life' hotel commenced accepting bookings for stays and banqueting functions.

During the year under review, the business commenced the process of onboarding new employees with the requisite skills to operate 'Cinnamon Life' in line with international hospitality standards. The implementation of training and skill development platforms continued to be a key priority during the year, given the dynamic nature associated with a project of this scale and offering.

As mentioned previously in this Message, I am pleased that Melco will be the operator of the gaming facility at the 'City of Dreams Sri Lanka' given their access to the technical, marketing, branding and loyalty programmes, expertise and governance structures, which will be a boost not only for the integrated resort of the John Keells Group but a strong show of confidence in the tourism potential of the country. I also wish to confirm that a wholly-owned locally incorporated subsidiary of Melco has been awarded a license from the Government of Sri Lanka for a period of 20 years, under the stipulated criteria, to operate a casino at the integrated resort. Waterfront Properties (Private) Limited (WPL), the project company of the 'City of Dreams Sri Lanka', and Melco, have finalised all key aspects of the commercial agreements, including the rental framework commensurate with the terms of the license. Melco has carried out a significant amount of advanced design work, engineering and other construction and planning work, and based on the substantial groundwork carried out and completion of the main regulatory requirement, the fit-out of the space is expected to commence shortly with operations currently expected to commence in mid-2025. Melco will also invest ~USD 125 million in the fit-out and equipping of the gaming space.

Given the announcement on the gaming operator and re-branding of the integrated resort, discussions with potential tenants of the retail mall will commence on a more definitive basis, to ensure the presence of unique attractions and offerings in the mall, while optimising the commercial aspects from a WPL perspective. 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.

The commencement of operations will lay the platform for transformative growth as all elements of the integrated resort converge and ramp up over the years ahead. Based on the opening dates of the respective components of the integrated resort, the immediate ensuing financial year will see the non-cash impacts of the depreciation being accounted for while the finance expense in relation to the USD 219 million loan will not be capitalised in the project cost from commencement of operations, in accordance with accounting standards. These impacts, however, will not have a bearing on the EBITDA of the project or Group.

**“I am pleased that Melco will be the operator of the gaming facility at the 'City of Dreams Sri Lanka' given their access to the technical, marketing, branding and loyalty programmes, expertise and governance structures, which will be a boost not only for the integrated resort of the John Keells Group but a strong show of confidence in the tourism potential of the country.”**

As detailed in the Report, the functional reporting currency of WPL was transitioned from USD to LKR, given the impending commencement of operations of the project in the current year. The appreciation of the LKR against the USD, subsequent to this transition, resulted in a non-cash exchange gain of Rs.3.00 billion on the USD 219 million term loan facility at WPL.

**“The 'TRI-ZEN' project, an 891-unit residential development comprising of three towers, received the required clearances, including the Certificate of Conformity (CoC). Handing over of units has commenced from April 2024.”**

## PROPERTY

The Property industry group recurring EBITDA is a negative Rs.822 million in 2023/24 against the previous financial year [2022/23: negative Rs.265 million]. The Property industry group EBITDA includes an asset write-off amounting to Rs.639 million relating to the closure of the 'K-Zone' mall in Ja-Ela for the development of the 'VIMAN' residential project, resulting in the existing assets becoming redundant. Given the demand for suburban living spaces, the Group is of the view that the project is the optimum route to monetisation of such land through development and sales. Excluding the asset write-off, the Property industry group EBITDA was a negative Rs.183 million.

Whilst the year under review includes profit recognition from 'TRI-ZEN', the profitability of 'TRI-ZEN', which records the Group's share of profit after tax, as it is an equity accounted investee, was impacted by higher finance expenses on account of temporarily higher working capital requirements for the construction of the project. In addition, profitability was also impacted by approved cost escalations in the project which was recognised in the fourth quarter of the year.

Marking a milestone for John Keells Properties, the 'TRI-ZEN' project, an 891-unit residential development comprising of three towers, received the required clearances, including the Certificate of Conformity (CoC). Handing over of units has commenced from April 2024. 'TRI-ZEN' witnessed an encouraging momentum in sales during the current financial year, where the cumulative sales and purchase agreements (SPAs) signed for the 'TRI-ZEN' residential development project increased by 45 SPAs to 700 SPAs. Further traction in sales is expected given the completion of the project, the market adjusting to the new price levels in the industry, given the relatively higher replacement costs, and the easing interest rates.

The sales momentum for the residential apartments at the 'City of Dreams Sri Lanka' integrated resort has been slow in line with the trends seen in the luxury segment in Colombo. The subdued demand for residential units was further impacted by the introduction of value added tax (VAT) and the social security contribution levy (SSCL) in the previous year, which increased the price of apartments by ~17.5%, although it had a greater impact on the luxury segment considering its higher price point. The Group is confident that the sales momentum will gradually pick-up given the completion of the integrated resort and conclusion of many vital elements, as discussed in this Message, relating to the gaming space. Further, the cost of constructing similar apartments today would be significantly higher, where existing units will be an attractive and valuable proposition with almost no new inventory in the luxury segment in the pipeline.

## CHAIRPERSON'S MESSAGE

PROPERTY			
<b>Revenue incl. Associates</b>		<b>Recurring EBITDA</b>	
Rs. <b>5.23</b> billion	↑ 14%	Rs. <b>(822)</b> million	↓ 210%
2022/23: Rs.4.58 billion		2022/23: Rs.(265) million	
<b>Recurring PBT</b>		<b>Recurring PAT</b>	
Rs. <b>(857)</b> million	↑ 61%	Rs. <b>(569)</b> million	↑ 75%
2022/23: Rs.(2.19) billion		2022/23: Rs.(2.26) billion	

In September 2023, John Keells Properties launched its latest residential project, 'VIMAN', located in the heart of Ja-Ela, a suburban area in close proximity to Colombo. Spread across six acres, offering a harmonious blend of modern comforts with 418 apartments, 'VIMAN' is designed to provide a secure, family-friendly environment with convenient access to the city of Colombo, while retaining the charm of a small-town setting. 'VIMAN' offers the distinct advantage of proximity to the Colombo Port Access Elevated Highway, facilitating convenient connectivity between Ja-Ela and Colombo. The preliminary sales interest for the project has been very encouraging, with the first phase of the project consisting of a total of 114 units, nearly sold out within six months since the launch of the project in September 2023. Given the traction for the project, the second phase, comprising of 76 units, was launched in March 2024. The construction of the first phase of the project is expected to commence mid-2024.

### FINANCIAL SERVICES

The Financial Services industry group recurring EBITDA of Rs.9.30 billion in 2023/24 is an increase of 44% over the recurring EBITDA of the previous financial year [2022/23: Rs.6.45 billion]. The strong growth in profitability was driven by both Nations Trust Bank PLC (NTB) and Union Assurance PLC (UA).

NTB recorded growth in profitability aided by loan growth and increased returns on its investments in Government securities due to the higher interest rates that prevailed during the first half of the year. The Bank's loan portfolio grew by 12%, with a selective and strategic focus on certain clients and customer segments, compared with a 5% contraction in industry loan growth. Profitability also benefited from the absence of impairment charges on Sri Lankan Government foreign securities given the higher provisioning adopted by NTB, relative to its peers, in the previous year.

FINANCIAL SERVICES			
<b>Revenue incl. Associates</b>		<b>Recurring EBITDA</b>	
Rs. <b>33.34</b> billion	↑ 20%	Rs. <b>9.30</b> billion	↑ 44%
2022/23: Rs.27.77 billion		2022/23: Rs.6.45 billion	
<b>Recurring PBT</b>		<b>Recurring PAT</b>	
Rs. <b>9.29</b> billion	↑ 45%	Rs. <b>7.79</b> billion	↑ 47%
2022/23: Rs.6.40 billion		2022/23: Rs.5.32 billion	

**“UA is a very strong player in the bancassurance industry in Sri Lanka, with higher banking penetration facilitated by strategic bancassurance partnerships with leading banks.”**

The strong growth in profitability at UA was driven by an increase in gross written premium (GWP), supported by an increase in regular new business premiums and renewal premiums. Net investment income recorded an increase facilitated by both the asset allocation strategy and higher yields on its fixed income portfolio, together with the increase in the size of the life fund. UA is a very strong player in the bancassurance industry in Sri Lanka, with higher banking penetration facilitated by strategic bancassurance partnerships with leading banks. UA recorded an annual life insurance surplus of Rs.2.80 billion in 2023/24, an increase against the surplus of Rs.2.30 billion recorded in the previous year, mainly arising from an increase in GWP and increased net investment income.

### OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

The Information Technology sector recurring EBITDA of Rs.415 million in 2023/24 is a decrease of 45% over the recurring EBITDA of the previous financial year [2022/23: Rs.758 million]. Profitability was impacted as a result of the appreciation of the Rupee during the year although the underlying business performance also recorded a decline, primarily as a result of escalating staff costs which were not fully recovered due to a lag in increasing revenue and margins.

The Plantation Services sector recurring EBITDA of Rs.350 million in 2023/24 is a decrease of 63% over the recurring EBITDA of the previous financial year [2022/23: Rs.944 million]. The decline in profitability is primarily on account of the decrease in tea prices relative to the high price levels witnessed in the previous year.

Other, comprising of the Holding Company and other investments, the Information Technology and Plantation Services sectors, together, recorded a recurring EBITDA of Rs.4.94 billion in 2023/24, which is a decrease of 30% over the recurring EBITDA of the previous financial year [2022/23: Rs.7.02 billion]. The decline in EBITDA is mainly on account of the decrease in interest income, which was driven by lower domestic interest rates, the translation impact on the foreign currency denominated interest income due to the appreciation of the Rupee, as well as a decline in cash and cash equivalents at the Holding Company on account of the planned utilisation for equity infusions in investments. PBT of the Holding Company was further impacted on account of the notional non-cash interest of Rs.3.02 billion [2022/23: Rs.1.83 billion] charged in line with market rates on the convertible debentures. 2022/23 includes the notional non-cash charge from August 2022 onwards whilst 2023/24 includes the full year impact. Further, the Group recorded an increase in Rupee borrowing costs due to higher Rupee debt in line with the planned funding strategy of the Group at this juncture.

As detailed in the JKH Annual Report 2022/23, JKH issued 208,125,000 LKR denominated debentures, with a face value of Rs.27.06 billion, to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, in August 2022. The debentures were issued at Rs.130 per debenture and with the option for conversion to shares at a ratio of 1:1, based on the approval granted by the shareholders at the time. In February 2024, HWIC exercised its option to convert 110,000,000 debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares of the Company. The remaining outstanding debentures post this conversion amount to 98,125,000 debentures with a face value of Rs.12.76 billion. The remaining debentures are eligible for conversion till 12 August 2025.

## OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICE

<b>Revenue incl. Associates</b> Rs. <b>6.06</b> billion 2022/23: Rs.6.87 billion	 <b>12%</b>	<b>Recurring EBITDA</b> Rs. <b>4.94</b> billion 2022/23: Rs.7.02 billion	 <b>30%</b>
<b>Recurring PBT</b> Rs. <b>(7.45)</b> billion 2022/23: Rs.7.48 billion	 <b>199%</b>	<b>Recurring PAT</b> Rs. <b>(9.61)</b> billion 2022/23: Rs.4.32 billion	 <b>322%</b>

**"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 are being sustained at scale once fully implemented."**

### ADVANCED ANALYTICS

OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, transitioned into an independent advanced analytics practice as originally designed when the Group's analytics transformation programme was initiated in 2019. The relative stability in the macro environment during 2023/24, in comparison to prior years, enabled the successful deployment of a higher number of use cases, at scale, across the Supermarket and Consumer Foods businesses as well as the piloting of several new use cases to optimise the synergies among the businesses in the Group. 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 are being sustained at scale once fully implemented.

A revised detailed roadmap of advanced analytics use cases was developed for Leisure and Financial Services, while preliminary engagement with the Transportation industry group was also initiated. A programme aimed at developing a holistic understanding of customers within the Group and how they interact with the different consumer brands across the Group portfolio, was further institutionalised with all the necessary data governance and privacy considerations being prioritised.

Use cases rolled-out in the Supermarket business continued to make positive contributions across core aspects of the business value chain. The use cases include augmenting the efficacy of pricing and promotions, marketing, store operations, and supply chain interventions, which supported to drive healthy and sustainable margins while retaining sound 'value for money' for customers.

Use cases developed and piloted for the Beverages business have been successfully deployed in optimising promotional spend across modern trade and general trade segments as well as in augmenting production planning. The use cases aimed at augmenting the efficiency of the distribution network of the Beverages and Frozen Confectionery businesses are in advanced stages of deployment.

### 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 the year under review.

Over the years, we have attracted the best talent towards building a strong team that reflects the diversity of the customers we serve and the communities we operate in. 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 foundation of the 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 over the previous year, softened during the period under review, extending relief to the people across the country. This eased the pressure on talent pools exploring alternate careers overseas, which was a significant trend last year. However, the revisions in the personal income tax structures introduced last year together with the material increases in indirect taxes continued to place pressure on disposable incomes. The Temporary Crisis Allowance, which was introduced as a measure to mitigate increases in costs and other macroeconomic pressures during the previous year, was maintained during the year under review, and is set to continue for the ensuing year as well.

During the year, the Group embarked on a project to transform the Group Competency Framework which has been in use for over a decade. The outcome was a refreshed and more relevant set of new competencies termed 'Success Drivers' which will be implemented for use during the ensuing year. The 'Success Drivers' evolved through the establishment of a series of workshops and discussions, and has been developed to be current, relevant and flexible in the context of the diversity of the Group's talent pool and range of demographics it operates in.

The Corporate Governance Commentary and the Human Capital 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

Launched in 2020 by consolidating our Group's past and ongoing efforts in diversity, equity, and inclusion (DE&I), ONE JKH has been committed to increasing female participation in our workforce towards achieving gender parity, enhancing career opportunities for Persons with Disabilities (PWD) and ensuring inclusivity towards the LGBTIQ+ community.

We were recognised for our long-term sustainable initiatives in DE&I with the award for 'Organisation Promoting Equity/ Equality and Diversity of the Year' at the 'Top50 Professional & Career Women Global Awards – Thirteenth Edition' in June 2023. This accolade was presented by Women in Management (WIM) in collaboration with the International Finance Corporation (IFC) and the Australian Government. Our Group successfully completed its commitments under the 'Together We Can+' programme by the IFC Sri Lanka where we focused on commitments on conducting a PWD needs analysis, the development of a PWD policy and enhancing both physical and digital accessibility for customers and employees with disabilities. This year as well, we were a sponsor of Colombo PRIDE, continuing to be a corporate ally for the LGBTIQ+ community.

# CHAIRPERSON'S MESSAGE

In August 2023, the Group was invited by The Family Health Bureau (FHB) and the UN World Food Programme (WFP) to discuss the success and positive impacts of our Equal Parental Leave Policy and associated services. This policy underscores the critical role of fathers in early childhood development, combats hiring biases against women, and aids women's re-entry into the workforce, extending its benefits beyond our Group. In September 2023, we underscored our commitment to promoting public-private partnerships for the employment of PWD by participating in a job coaching training workshop. This initiative was a collaborative effort between the Japan International Cooperation Agency (JICA) and the Department of Social Services.

As of 31 March 2024, the Group remains at 33% female participation, and we continue to work towards the internal five-year goal of achieving 40% women in the workforce by the end of 2025/26. While the Group has made its best efforts and done a lot of groundwork to break role stereotypes and develop a pipeline of female leaders, the disruptive environment in the country, together with some of the other challenges, may result in the Group falling short of the target established in 2020/21. While we have made progress in moving from the 30% participation, we were at three years ago, we will continue to work relentlessly on our various initiatives and strive to reach the target of 40%, although beyond our original timelines.

## 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 2017, issued by 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 in 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 fourth 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 125 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. As a part of the Group's ongoing efforts towards increasing emphasis on ESG aspects, the Group undertook initiatives to further strengthen its ESG framework and identify focus areas for each industry group that dovetail into Group-level priorities based on relevance and materiality. In collaboration with an international consulting firm, the Group conducted an in-depth study across its businesses to identify areas of significant impact, risk and materiality. As a part of this process, businesses were benchmarked against regional peers and best-in-class practices of the respective industries the businesses operate in.

The Group strengthened its internal policy universe, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies from a holistic perspective and ensuring improved alignment in terms of its interdependencies with other related policies which have been developed over time.

The Data Governance Steering Committee was established to facilitate the review and enhancement of existing data governance practices of the Group, in compliance with applicable laws (including the Personal Data Protection Act No 9 of 2022) and best practice. The Committee focused on revisiting internal data governance policies and engaging with the respective industry groups to review, and, where relevant, facilitate the enhancement of its personal data protection processes towards ensuring a robust and more transparent data protection framework.

The Group engaged with a leading international consultancy firm to conduct a comprehensive assessment of the Group's cybersecurity resilience, by aligning with industry best practice and recommended technological principles. This initiative was carried out to strengthen the efficiency, security and reliability of the Group's cloud eco-system to proactively manage risk. As a part of the ongoing commitment towards improving cyber security and digitisation to achieve optimum operational excellence, an 'Endpoint Detection and Response' (EDR) solution was implemented across the Group. A SMART Office mobile application was also rolled-out across the Group to empower employees with the necessary tools to improve mobility, streamline and automate processes, and increase productivity.

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. It details the Group's integrated approach to sustainable business practices, the management framework and the Group's overall sustainability performance over the reporting year.

The Group's strategy continues to embed sustainability considerations into all business operations, emphasising energy and water conservation, carbon emissions reduction, responsible waste disposal, employee training and development, maintaining a safe working environment, and ensuring high product stewardship standards. Over time, this commitment has extended to the value chain through ongoing engagements and awareness creation with key suppliers, promoting the sharing of best practices, adherence to the supplier code of conduct, and conducting on-site assessments.

Our unwavering commitments to Environmental, Social, and Governance (ESG) principles are underscored by our recognition for good governance and ethical business conduct, reaffirming our status as Sri Lanka's Most Respected and Most Transparent entity. Our initiatives, such as the Cinnamon Rainforest Restoration project, the Good Water Initiative, various projects to reduce plastic waste, such as the Gunadamin project by our Consumer Foods business, and a move towards zero single-use

plastics by 'Cinnamon Hotels & Resorts' exemplify our commitment to creating positive environmental impacts. Further, the installation of solar panels in 107 out of 134 'Keells' supermarket outlets, among other energy related initiatives, further underscores our commitment to reducing the carbon footprint of the Group. Our recent partnership with BYD Auto Industry Company Limited, China, facilitates providing cutting-edge and eco-friendly vehicles to the Sri Lankan market. The prospect of contributing towards a more environmentally friendly and energy efficient alternative, which will support the country, is in alignment with the Group's sustainability agenda.

In further enhancing the Group's ESG strategy framework, ambitious short and long-term targets have been established at a Group and industry group level. These targets were identified after a process of extensive research, interviews, and workshops with external stakeholders and the Group's leadership, where high-level material themes under ESG pillars were identified. These areas will be championed by appointed members of the Group Executive Committee and cascaded to sector-level targets through steering committees. Long-term Group ambitions include reaching plastic-positive goals and achieving Net Zero under the environmental pillar while a key initiative in the social pillar centres around enhancing the sustainability of our supply chains. The monitoring and governance structures to implement these initiatives will include all internal stakeholders from operations, new business and product development, complementing ongoing structures.

Given the higher operational activity compared to the previous year, in absolute terms, the Group recorded increases in emissions and resource usage. The Group reported a 16% increase in its carbon footprint to 117,591 MT, a 10% increase in water withdrawal to 2,221,494 cubic meters and a 16% increase in waste generation to 9,581 MT. The Group's carbon footprint per million rupees of revenue increased by 14%, while water withdrawn per million rupees of revenue increased by 9%, respectively. At a Group level, the efficiency indicators demonstrate a negative trend, primarily on account of the muted revenue growth of 1% whereas activity levels across the main contributing areas to the carbon footprint of Retail, Consumer Foods and Leisure have increased. The reason for muted growth in revenue in the Group is mainly on account of the significant drop in the revenue of LMS on account of the sharp reduction in global fuel oil prices. Excluding the revenue reduction impact of LMS from both the current and comparative year, the efficiency of carbon footprint is largely in line with the previous year. At a Group level, the efficiency ratio is also impacted by a change in the proportionate contribution from each of the businesses. In the current year, Leisure, which has a relatively higher carbon footprint than our other businesses, recorded a higher contribution to revenue. Overall, many of the Group's initiatives towards carbon footprint reduction have yielded positive results although there are areas for improvement.

254 incidences of occupational injuries were recorded during the year. Employees were provided with an average of 92 hours of training per person.

The Group's businesses continue to work towards the established sustainability goals to be achieved by 2024/25, which include renewable energy generation, reduction of energy, steam, carbon footprint and waste, and reduction in use of non-recyclable plastics. The performance against these goals is disclosed in the Natural Capital Review section of this Report.

## PLASTICCYLE

The Group's social entrepreneurship project, 'Plasticcycle', continues its stewardship of tackling the critical issue of plastic pollution through its key focus areas of encouraging the reduction in the use of single-use plastics, supporting responsible plastic disposal and promoting recycling initiatives. During the current year, the collection bin network expanded with over 43,900 Kg of recyclable plastic waste collected.

The partnership between 'Plasticcycle' and the youth-led marine conservation organisation, The Pearl Protectors, on the 'Cleaner Seabeds for Sri Lanka Expedition', initiative continued with positive traction and results. Our funding in 2023/24 supported 9 reef clean-ups through 41 underwater dives in the Western and Eastern provinces, by which 1,319 kgs of plastic waste – such as discarded nylon fishing nets were collected and disposed in a responsible manner.

In August 2023, 'Plasticcycle', launched 'Start-Up-Cycle', a challenge platform in collaboration with John Keells X – the Group's startup accelerator, and John Keells Research – the Group's R&D and Innovation arm. This aimed to provide Sri Lankan innovators and entrepreneurs the opportunity to pitch their solutions relating to challenges in reducing plastic usage and waste, in an effort to seek innovative, implementable long-term solutions. Three applicants were selected and will receive seed funding and support from our businesses to incubate and develop their ideas towards developing commercially viable prototypes.

## CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) remains an integral part of the Group's ethos. Under the CSR vision of 'Empowering the Nation for Tomorrow', John Keells Foundation (JKF), our dedicated CSR entity, drives initiatives focused on partnering our communities to become productive, self-reliant and resilient and to empower a cohesive, healthy and strong Sri Lanka.

Our CSR initiatives are aligned to Sri Lanka's national priorities and the Sustainable Development Goals as well as principles of the United Nations Global Compact, of which JKH is a participant. Staff volunteerism in CSR at both JKF and business level has been key to building authentic community engagement and tangible impact while enhancing team spirit and personal fulfilment.

While the Capital Review sections in this Report set out details of our initiatives, following are a few highlights during the reporting period:

### Education, essential skills and career readiness

- JKF continued to upskill school children and teachers, youth and undergraduates through programmes impacting 2,202 individuals, such as English Language Scholarships, Higher Education Scholarships, Soft Skills workshops, a career guidance programme and a customised teacher training programme in Habarana.

### School nutrition

- The 'Pasa Diriya' school meal programme, initiated during the economic crisis in collaboration with the Ministry of Education, successfully completed its final phase recording the nutrition of 3,918 children through 538,888 school meals while also enhancing their attendance and academic performance levels. JKF will transition out of this programme at the end of the reporting year, with the focus shifting towards strengthening sustainable mechanisms in selected schools by, increasing nutritional awareness among students, parents, and teachers, establishing nutrition clubs, and promoting school gardens.

# CHAIRPERSON'S MESSAGE

## Combating gender-based violence, child abuse and substance abuse

- Aimed at fostering a healthy and productive community, JKF, through Project WAVE, conducted trainings for 50 police officers, awareness programmes and initiatives for 380,154 members of our communities as well as awareness and training for 1,987 Group staff. Awareness on substance abuse prevention, in partnership with the National Dangerous Drugs Control Board and Humedica Lanka, benefited 17,485 individuals.
- JKF partnered with the Children & Women's Bureau of Sri Lanka Police in the establishment of a crime investigation unit through the sponsorship of a vital software tool for swift analysis of complaints related to abuse and violence against children and women. This tool facilitates access to call records and enables quick responses to ensure the safety of victims.

## Fostering sustainable livelihoods and self-reliance through John Keells 'Praja Shakthi'

- Sustainable livelihood programmes with a focus on women were expanded with the introduction of a beekeeping project and experiential tourism initiative launched in Habarana. JKF also expanded the Government's mushroom cultivation project in Ja-Ela together with 'Cinnamon' Hotel Complex, Habarana and 'Keells Food Products'. All initiatives benefited a total of 236 persons.

## Enhancing biodiversity

- Successful completion of the inaugural 3-year Cinnamon Rainforest Restoration Project, a public-private collaboration involving the Forest Department of Sri Lanka, Ruk Rakaganno, JKF, 'Cinnamon Hotels & Resorts', and Deutsche Bank, Colombo. The planting of 19,577 trees and removal of invasive plants has well exceeded project targets while various eco-systems such as ponds and bat caves have been established to enhance biodiversity. This project engaged 982 internal and external volunteers for various tasks including research and provides livelihoods to 15 local families. 'Cinnamon Hotels and Resorts' will continue the second phase of this project.

## Supporting creative industries towards fostering social cohesion

Several strategic programmes act as a foundation for the creative economy, inclusivity through participation of rural youth, enhancing livelihoods for art graduates and promoting Sri Lankan artistic talent in the global art community:

- JKF collaborated with The George Keyt Foundation in presenting the 31<sup>st</sup> Kala Pola which was attended by an estimated 38,000 visitors and generating an estimated revenue in excess of Rs.51 million for 368 artists. JKF was also the Patron Sponsor of the inaugural Matara Festival for the Arts which attracted an estimated 4,000 visitors, many of which were rural youth.
- JKF remains a major benefactor of The Museum of Modern and Contemporary Art, Sri Lanka which engaged more than 29,000 visitors during the year by providing an essential cultural and tourism offering in Colombo and catalysing international recognition for Sri Lankan artists.
- JKF also continues as primary sponsor to support the Gratiaen Prize and the H A I Goonetilleke Prize for Literary Translation as well as other activities of the Gratiaen Trust dedicated, to in uplifting Sri Lanka's literary creative industry.

- In building resources to develop local craft and artisans, JKF supported the Ena De Silva Foundation in archiving and exhibiting the works of Ena de Silva, a pioneer in Sri Lanka's batik and embroidery industry and the Chitrasena Vajira Dance Foundation.

## Group Volunteerism

- During the year in review, JKF recorded a total of 4,243 hours of CSR volunteerism by 565 staff volunteers in 1,061 instances across the John Keells Group in respect of activities conducted by JKF. This number excludes substantial volunteer activities undertaken at the business or sector level.

## DIVIDENDS

The Company paid a first and second interim dividend of Rs.0.50 per share in December 2023 and March 2024, respectively.

Your Board maintained the final dividend for 2023/24 at Rs.0.50 per share. Accordingly, the dividend declared for 2023/24 is Rs.1.50 per share. The final dividend for 2023/24 will be paid on or before 25 June 2024.

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.

## RETIREMENT AND APPOINTMENT OF DIRECTORS

Ms. Premila Perera retired from the JKH Board with effect from 1 July 2023, having completed nine years on the Board. I wish to place on record our deep appreciation for the invaluable contribution made by Ms. Perera during her tenure on the Board.

Mr. Nihal Fonseka will retire from the JKH Board with effect from 1 July 2024, having served on the Board for over nine years. I would like to place on record our deep appreciation for the invaluable contribution made by Mr. Fonseka during his tenure on the Board and as the Senior Independent Director.

As announced to the Colombo Stock Exchange, Mr. Suren Fernando was appointed as an Independent Non-Executive Director of JKH, with effect from 9 August 2023.

Dr. Hans Wijayasuriya, who has functioned as an Independent Non-Executive Director since 2016, will be appointed as the Senior Independent Director with effect from 1 July 2024.

Further, Mr. Manil Jayasinghe will be appointed as an Independent Non-Executive Director of JKH, with effect from 1 July 2024.

**“The macroeconomic recovery momentum and the path to fiscal and monetary consolidation is still in its early days but the authorities and Government has been steadfast and disciplined in its management of the economy and broadly kept to the parameters of the IMF-EFF programme, which is an imperative if we are to continue to emerge from the crisis. It is crucial that we support and continue on this path with no deviation as the space to do so is extremely limited, or possibly non-existent.”**

## CONCLUSION

The year under review was a year of consolidation for the country as we emerged from multiple years of turmoil and disturbances. It was the first year since 2018 where the country had a relatively stable environment, economically, socially and politically. The macroeconomic recovery momentum and the path to fiscal and monetary consolidation is still in its early days but the authorities and Government have been steadfast and disciplined in its management of the economy and broadly kept to the parameters of the IMF-EFF programme, which is an imperative if we are to continue to emerge from the crisis. It is crucial that we support and continue on this path with no deviation as the space to do so is extremely limited, or possibly non-existent. While the authorities have implemented measures to ensure social safety nets are in place, a transparent and full roll-out of the direct cash transfer mechanism will be vital to ensure the most vulnerable segments of our community are protected.

As reflected in the theme of our Annual Report last year, we anticipated a 'Re-Rating' for the country and the John Keells Group. As highlighted in this Message and throughout this Report, it is pleasing that both the country and your Group has made steady and certain progress towards this ambition which should pave the way for a sustained and strong period of growth in the years ahead.

While the country witnessed a period of consolidation and strong recovery momentum in the second half of the year, your Group also witnessed a similar trend. While the financial results for the year demonstrate a steady performance, this year, as expected, it was a period of consolidation as we focus on bringing to life the transformational projects of the Group. In that context, the current financial year has been an extremely satisfying and rewarding one as many of the significant components of work, particularly to do with our integrated resort project, began to fall into place.

Our theme of the Report this year of 'Dreams to Life' epitomises and encapsulates the efforts of numerous teams over the last many years and how what started out as a vision, has now, after many obstacles, setbacks, challenges and trials, converted into the iconic and transformational project that was begun a decade ago. The culmination of these efforts from numerous teams over the years, both internal and external, is a testament to the resolve and resilience of the people of the Group.

As this Dream transforms to Life, with the initial opening of the 'Cinnamon Life' hotel at 'City of Dreams Sri Lanka', we are committed to ensure that all our efforts will be focused on operationalising and delivering the best-in-class service and hospitality that will ultimately define the success of this project.

The announcement regarding the varying aspects of the partnership with Melco is a culmination of the efforts over the last 12 months, and beyond, in terms of the development and vision of the integrated resort project itself and is an achievement which will hold the Group in good stead over the years to come. While the journey has just begun, and we have to ensure we optimise commercial aspects of the 'City of Dreams Sri Lanka', we are conscious that laying a strong platform and having the necessary and right formulae for success is also crucial as we embark on operationalising 'City of Dreams Sri Lanka'. We look forward to the opening of the 'Cinnamon Life' hotel and related facilities, including uniquely positioning itself to capitalise on the Meetings, Incentives, Conferences and Events (MICE) segments, from the third quarter of 2024/25 with much excitement and confidence that the physical infrastructure developed will be brought to life with the standards and experience that we believe 'Cinnamon' is known for.

**“Our theme of the Report this year of 'Dreams to Life' epitomises and encapsulates the efforts of numerous teams over the last many years and how what started out as a vision, has now, after many obstacles, setbacks, challenges and trials, converted into the iconic and transformational project that was begun a decade ago. The culmination of these efforts from numerous teams over the years, both internal and external, is a testament to the resolve and resilience of the people of the Group.”**

We have also made significant progress with the West Container Terminal project with phase 1 of operations expected to commence in the fourth quarter of 2024/25. As disclosed previously, this terminal will add the much-needed deep water capacity for the Port of Colombo and will result in capacity lead growth, as seen before, for the overall Port of Colombo, which will also benefit the investment by the Group.

While the two transformational investments have naturally been a focus of the Group, I am pleased that we have made significant strides in many of our other businesses which will pave the way for strong growth, particularly as the country recovers and we look forward to a period of sustained growth. Our investments in data-driven decision-making and transformation have provided our businesses with the necessary tools to significantly improve customer centricity and creating an eco-system where we can understand and deliver services to our customers at exceptional levels. The partnership with BYD Auto Industry Company Limited, uniquely positions the Group to drive Sri Lanka's new energy vehicles (NEV) market with eco-friendly vehicles. Similarly, the partnership with the Reliance Group, while in its early days, creates a platform for entering into a vast market such as India and paves the way to establish our 'Elephant House' brand in the minds of the Indian consumer. This will not be a task that can be achieved easily, but having strong partnerships, as we have done, will improve our probability for success.

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 this year, which has collectively contributed towards building our strong foundation.

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



**Krishan Balendra**  
Chairperson

21 May 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

### Recurring EBITDA Analysis - Fourth Quarter

Rs.million	Q4 2023/24	Q4 2022/23	Variance	%
Transportation	2,328	1,537	791	51
Consumer Foods	2,140	540	1,600	297
Retail	2,402	2,176	226	10
Leisure	5,150	3,831	1,319	34
Property	(634)	466	(1,100)	(236)
Financial Services	1,861	1,899	(38)	(2)
Other*	725	1,198	(473)	(40)
<b>Group</b>	<b>13,971</b>	<b>11,647</b>	<b>2,324</b>	<b>20</b>

\*Other, including Information Technology and Plantation Services.

- During the fourth quarter, the Group reported a strong performance across most businesses, with Consumer Foods, Transportation and Leisure, in particular, recording significant growth. The performance seen in most of the businesses is a reflection of the improving macroeconomic conditions in the country and is a continuation of the growth momentum witnessed in the third quarter of 2023/24.
- Recurring Group EBITDA in the fourth quarter of 2023/24 recorded a growth of 20% to Rs.13.97 billion [Q4 2022/23: Rs.11.65 billion]. This growth is despite a higher surplus recognition at UA in the fourth quarter of the previous year due to a timing difference, and the appreciation of the Sri Lankan Rupee by ~12%. The average exchange rate was Rs.355 in the fourth quarter of 2022/23 compared to Rs.313 in the fourth quarter 2023/24, which had a negative translation impact on businesses with foreign currency denominated revenue streams. Further, the Group recognised an asset write-off amounting to Rs.639 million in the Property industry group, as explained below.
- The strong growth in the Transportation industry group was driven by the Bunkering business, Lanka Marine Services, on account of a significant growth in volumes over 50% due to the Red Sea crisis which resulted in an increase in vessel traffic to the coastal waters of Sri Lanka. The Group's Port and Shipping business, South Asia Gateway Terminals (SAGT), recorded an increase in throughput of 13%, which drove growth in profitability.
- Both the Frozen Confectionery and Beverages businesses recorded strong growth in profitability, driven by improved margins and significant volume increases of 24% and 42%, respectively. It should be noted that volumes in the fourth quarter of the previous year were lower given the reduction in consumer discretionary spend.

The volume growth is encouraging, particularly in Beverages, where selling prices of certain SKUs were increased to cover the higher sugar tax and VAT rate increase. Favourable weather conditions, where the country encountered higher than usual temperatures, also supported the growth in volumes.

- Profitability of the Supermarket business was driven by growth in same store sales of 11%, driven by a growth in footfall of 14%. EBITDA recorded growth despite the cost escalations compared to the previous quarter, primarily due to the significant increase in electricity tariffs. The business is expected to see an improvement in energy costs in 2024/25 due to the downward revision of electricity tariffs in March 2024.
- Profitability of the Leisure industry group was driven by a strong recovery in the Sri Lankan Leisure businesses, on the back of a sustained recovery in tourist arrivals to the country, which resulted in higher occupancy and a significant improvement in ARR's across the portfolio. The Maldivian Resorts and Destination Management businesses also saw encouraging growth in EBITDA. The costs pertaining to the ramp up associated with the 'Cinnamon Life' hotel at 'City of Dreams Sri Lanka' increased on account of the impending opening of the hotel in Q3 2024/25.
- The Property industry group EBITDA includes an asset write-off amounting to Rs.639 million relating to the closure of the 'K-Zone' mall in Ja-Ela for the development of the 'VIMAN' residential project, resulting in the existing assets becoming redundant. Given the demand for suburban living spaces, the Group is of the view that the project is an optimum monetisation of such land through development and sales. Excluding the asset write-off, the Property industry group EBITDA was Rs.5 million.
- NTB recorded a significant growth in profitability driven by robust loan growth. UA recorded a higher surplus and shareholder profit although this did not reflect in the quarterly performance due to a timing difference of the recognition of the surplus in the previous year which impacted the base.

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

Rs. **203.90** billion  
2022/23: Rs.211.37 billion

✓  
4%

#### Net debt (excluding both lease liabilities and the convertible debenture liability)

Rs. **117.07** billion  
2022/23: Rs.111.03 billion

⬆️  
5%

## Financial Highlights

Group (Rs.million)	2023/24	2022/23	2021/22
Revenue – consolidated	317,109	311,478	244,295
Recurring profit before interest and tax (EBIT)	32,888	34,944	31,149
Recurring profit before interest, tax, depreciation and amortisation (EBITDA)	43,796	45,740	39,259
Recurring profit before tax (PBT)	16,593	23,771	24,432
Recurring profit after tax (PAT)	11,115	20,739	20,760
Net debt*	117,071	111,029	77,611

\*Excludes both lease liabilities and the convertible debenture liability.

## Annual Recurring PBT

Rs.million	2023/24	2022/23	2021/22	2020/21
Transportation	6,401	10,903	5,712	3,269
Consumer Foods	2,957	1,052	2,319	2,304
Retail	2,933	504	3,056	1,608
Leisure	3,313	(386)	(1,512)	(8,546)
Property	(857)	(2,186)	7,650	(109)
Financial Services	9,293	6,400	4,995	3,360
Other, incl. Information Technology and Plantation Services	(7,446)	7,483	2,213	1,612
<b>Group</b>	<b>16,593</b>	<b>23,771</b>	<b>24,432</b>	<b>3,498</b>



Refer Financial and Manufactured Capital Review - page 56

### Insights - Capital Expenditure

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 investments to enhance capacity and capability in the Frozen Confectionery and Insurance businesses have been undertaken. The Group's integrated resort 'City of Dreams Sri Lanka', which has been under construction for the past 10 years and comprises of a significant allocation of capital employed, is near complete and slated to commence operations in the third quarter of 2024/25.

The key investments the Group will focus on in the near-term:

- Balance investment towards the completion of 'City of Dreams Sri Lanka'
- Investment towards the West Container Terminal (WCT-1) of the Port of Colombo
- Roll-out of the Supermarket outlets
- Completion of the 215-key hotel in Kandy, which follows an asset-light investment model, where the Group will hold a 40% minority equity stake.

## Annual Recurring EBITDA

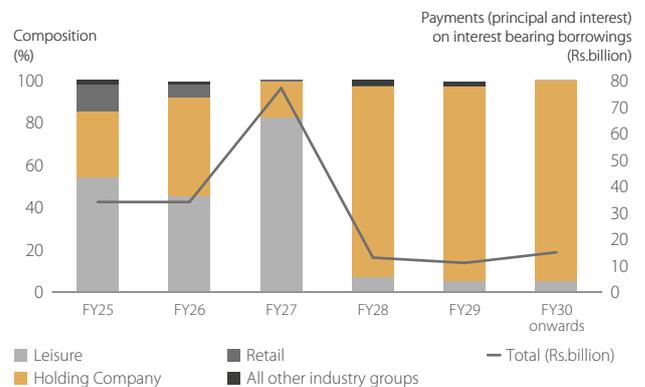
Rs.million	2023/24	2022/23	2021/22	2020/21
Transportation	7,570	11,963	6,141	3,610
Consumer Foods	4,993	3,184	3,485	3,318
Retail	8,762	8,779	7,549	5,523
Leisure	9,059	8,604	3,785	(3,588)
Property	(822)	(265)	7,867	(17)
Financial Services	9,296	6,451	5,024	3,645
Other*	4,938	7,024	5,408	3,082
<b>Group</b>	<b>43,796</b>	<b>45,740</b>	<b>39,259</b>	<b>15,572</b>

\*Other, including Information Technology and Plantation Services.



The key operational and financial highlights of our performance during the year under review, can be found in the Chairperson's Message - page 9

## Maturity Analysis of Interest Bearing Borrowings



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

1. Interest bearing borrowings do not include the convertible debentures issued in August 2022. The liability component amounting to Rs.10.20 billion is recognised under Non-Current Financial Liabilities. In the event the debenture is not converted during the conversion window, since a portion of debentures were already converted, an obligation for Rs.12.76 billion will materialise in August 2025.
2. The USD 219 million term loan facility at Waterfront Properties (Private) Limited, 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 the IFC, captured under the Holding Company, falls due for repayment in equally amortising capital repayments from December 2024 onwards.

### Group Revenue excl. equity accounted investees

Rs. **280.77** billion  
2022/23: Rs.276.64 billion



1%

### Recurring Group EBITDA

Rs. **43.80** billion  
2022/23: Rs.45.74 billion



4%

### Recurring Group PBT

Rs. **16.59** billion  
2022/23: Rs.23.77 billion



30%

### Total Assets

Rs. **771.19** billion  
2022/23: Rs.744.51 billion



4%

# INVESTOR RELATIONS

## GROUP HIGHLIGHTS

### Industry group-wise quarterly performance

As evident from the table below, the Group's performance across the quarters illustrates the recovery momentum during the year under review. Profitability gathered pace from quarter to quarter in line with overall economic activity.

- Q1: Sri Lanka continued to witness normal day-to-day activities with all key macroeconomic indicators showing sustained improvement, with inflation and interest rates recording a decline and the Rupee appreciating on the back of improved foreign exchange inflows and confidence. Most of the Group's businesses, particularly in Transportation and Leisure, had a negative impact on the financial performance due to the translation impact on account of the appreciation of the Rupee by ~11% over the comparative period, which impacted the overall EBITDA of the Group in Q1. Strong growth in the Financial Services industry group helped cushion this impact.
- Q2: Group businesses, except for Transportation and Property, recorded growth in profitability. The operating environment in the country continued its gradual normalisation supported by sustained improvement in the country's key macroeconomic indicators, and enhanced confidence levels. Similar to Q1, performance of the Transportation industry group was impacted by the strong domestic currency in comparison to the comparative period.
- Q3: The Group recorded a strong performance in Q3 with all businesses, other than the Transportation industry group, recording strong growth in recurring profits, on the back of a more stabilised operating environment. The Transportation industry group continued to be affected by the stronger Rupee.
- Q4: The notable increase in tourism and the overall macroeconomic stability of the country, aided Group businesses, especially the Leisure industry group. Both the Beverages and Frozen Confectionery businesses also recorded strong volume growth and improved profitability as a result of a better absorption of fixed costs. The Transportation industry group was able to leverage on the various opportunities that arose from increased shipping traffic in the region stemming from the rerouting of ships due to the Red Sea crisis.

Group Revenue FY24	Rs.million				YoY %			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Transportation	11,373	8,871	12,584	18,337	(53)	(56)	(18)	30
Consumer Foods	7,967	8,082	6,931	9,917	4	(4)	(5)	26
Retail	29,996	30,079	32,569	29,858	17	16	16	9
Leisure	8,653	10,708	12,809	15,715	0	33	20	27
Property	356	332	449	466	(40)	(52)	12	7
Financial Services	4,086	4,544	5,436	4,599	22	14	12	15
Other, including Information Technology and Plantation Services	1,348	1,498	1,482	1,729	(20)	(19)	(11)	3
<b>Group</b>	<b>63,778</b>	<b>64,114</b>	<b>72,260</b>	<b>80,621</b>	<b>(11)</b>	<b>(7)</b>	<b>6</b>	<b>19</b>

Recurring EBITDA FY24	Rs.million				YoY %			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Transportation	1,615	1,700	1,928	2,328	(65)	(44)	(32)	51
Consumer Foods	720	1,237	897	2,140	(42)	23	123	297
Retail	1,987	1,983	2,390	2,402	(14)	1	3	10
Leisure	284	1,065	2,560	5,150	(85)	6	35	34
Property	187	(435)	60	(634)	234	(56)	119	(236)
Financial Services	1,693	1,702	4,040	1,861	93	54	57	(2)
Other, including Information Technology and Plantation Services	1,937	810	1,466	725	(26)	(44)	(16)	(40)
<b>Group</b>	<b>8,422</b>	<b>8,061</b>	<b>13,342</b>	<b>13,971</b>	<b>(37)</b>	<b>(13)</b>	<b>16</b>	<b>20</b>

## Dividend

- The Company paid two interim dividends for 2023/24, amounting to Rs.0.50 per share, each, in December 2023 and March 2024.
- Accordingly, the final dividend for 2023/24 was maintained at Rs.0.50 per share. The final dividend is to be paid on or before 25 June 2024. The total dividend declared for 2023/24 is Rs.1.50 per share (2022/23: Rs.2.00 per share).
- The Company dividend payout ratio for 2023/24 is 28% with a total dividend outlay of Rs.2.08 billion [2022/23: Rs.2.77 billion]. The Group payout ratio was at 18% during the year [2022/23:15%].
- 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

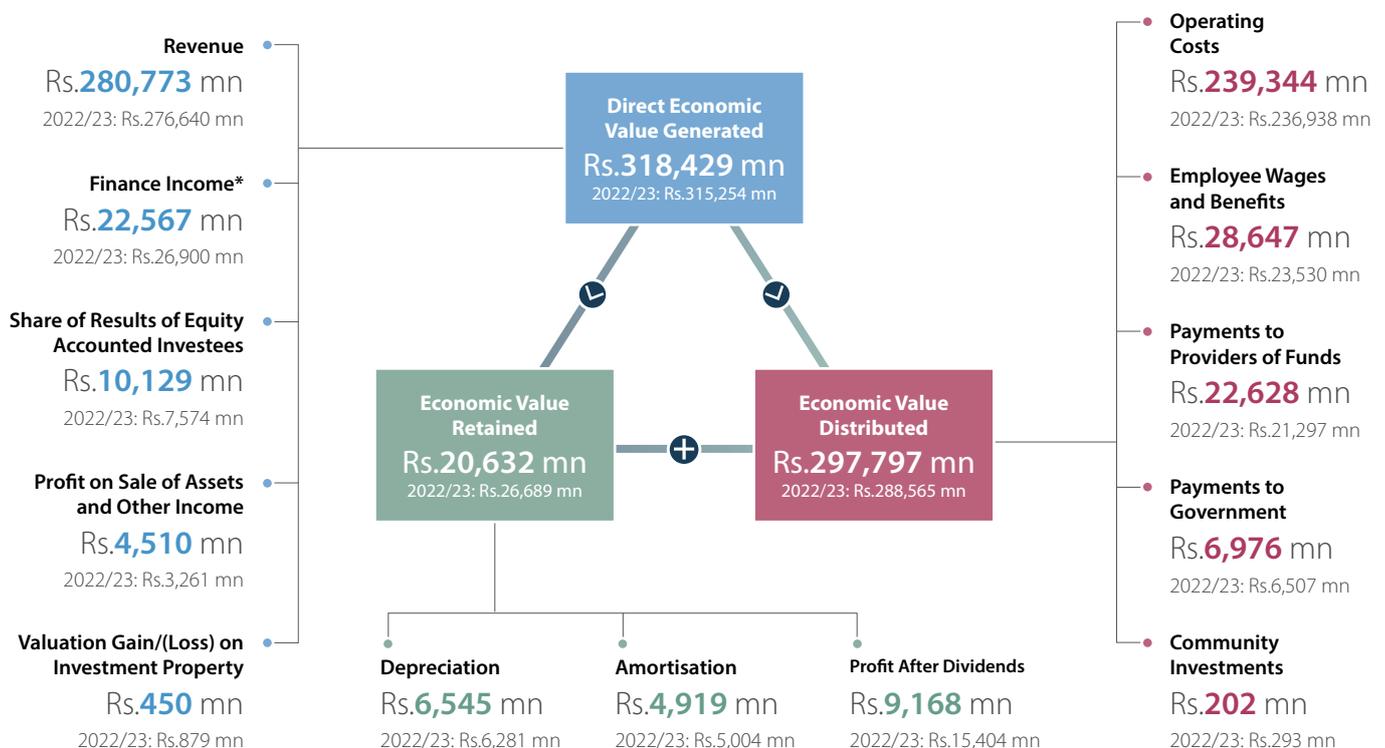


## Market Information of the Ordinary Shares of the Company

	2023/24	2022/23
Average daily turnover (Rs.million)	725	105
Percentage of total market turnover (%)	12.4	5.0
Market capitalisation (Rs.million)	290,771	193,888
Percentage of total market capitalisation (%)	6.4	5.0



## ECONOMIC VALUE ADDED STATEMENT



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

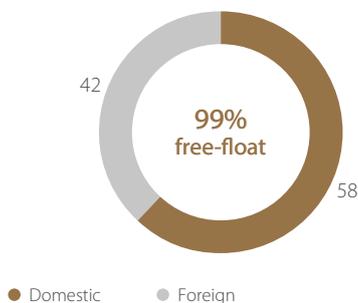
# INVESTOR RELATIONS

## GROUP HIGHLIGHTS

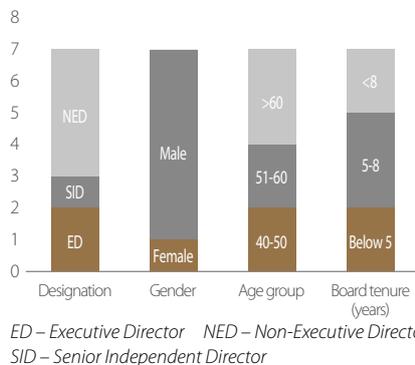


### GOVERNANCE

Shareholding Structure (%)



The current composition of the JKH Board



### INTERNAL GOVERNANCE STRUCTURE

Board of Directors and Senior Management Committees



Refer the Corporate Governance Commentary for further details – Page 213

### Environmental, Social and Governance (ESG) Initiatives

- As a part of the Group's ongoing efforts towards increasing emphasis on ESG aspects, the Group undertook initiatives to further strengthen its ESG framework and identify focus areas for each industry Group that dovetail into Group level priorities based on relevance and materiality.
- In collaboration with an international consulting firm, the Group conducted an in-depth study across its businesses to identify areas of significant impact, risk and materiality. This initiative was led by a steering committee appointed by the Group Executive Committee (GEC).
- Workshops were convened across the industry groups to assess and formulate ESG ambitions for the respective businesses to aid the Group in developing comprehensive roadmaps aimed at achieving the set ESG ambitions. As a part of this process, businesses were benchmarked against regional peers and best-in-class practices of the respective industries the businesses operate in.
- Data governance initiatives:
  - The Data Governance Steering Committee was established to facilitate the review and enhancement of existing data governance practices of the Group, in compliance with applicable laws and best practice.
  - The Group piloted and implemented a series of new initiatives throughout the year to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement Continuous Controls Monitoring (CCM) and internal audit engagements.
- Cybersecurity initiatives:
  - The Group engaged with a leading international consultancy firm to conduct a comprehensive assessment of the Group's cybersecurity resilience, by aligning with industry best practice and recommended technological principles.
  - As a part of the ongoing commitment towards improving cyber security and digitisation, an 'Endpoint Detection and Response (EDR)' solution was implemented across the Group. A SMART Office mobile application was also rolled-out across the Group to empower employees with the necessary tools to improve mobility, streamline and automate processes, and increase productivity.
- The Group strengthened its internal policy universe, keeping in line with best practice and the revised CSE Listing Rules.

### Board Appointments and Retirements in 2023/24

- Having completed nine consecutive years, Ms. P Perera (Independent, Non-Executive Director) retired from the Board of Directors with effect from 1 July 2023.
- Mr. S Fernando was appointed to the Board as an Independent, Non-Executive Director of the Company with effect from 9 August 2023.



### One JKH - Diversity, Equity and Inclusion Initiative

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 2023/24 stood at 33%.

### Transparency in Corporate Reporting

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



## NATURAL CAPITAL



Total water consumed across all business units.

**1,091,471 m<sup>3</sup>**



Percentage of treated water out of total water consumption.

**25%**



Percentage of recycled water out of treated water.

**51%**



Total carbon footprint across all business units.

**117,591 MT**



Total units of energy consumed across all business units.

**964,266 GJ**



Total units of renewable energy consumed across all business units.

**124,455 GJ**



Total waste generated across all business units.

**9,581 MT**



Percentage of treated non-hazardous waste recycled.

**56%**



Total plastics waste collected.

**186 MT**

	2023/24	2022/23*	2021/22
Energy consumption: non-renewable sources (GJ) 1	358,933	352,771	301,172
Energy consumption: non-renewable sources (GJ) per Rs.million of revenue	1.28	1.28	1.65
Energy consumption: renewable sources (GJ) 2	124,455	122,568	127,825
Energy consumption: renewable sources (GJ) per Rs.million of revenue	0.44	0.44	0.70
Purchased energy: national grid (GJ) 3	480,878	399,319	390,654
Purchased energy: national grid (GJ) per Rs.million of revenue	1.71	1.44	2.14
Total energy consumption (1) + (2) + (3)	964,266	874,658	819,651
Direct greenhouse gas emissions – Scope 1 (MT)	26,545	25,979	27,507
Indirect greenhouse gas emissions – Scope 2 (MT)	91,046	75,604	71,188
Total carbon footprint (MT)	117,591	101,584	98,695
Total carbon footprint (MT) per Rs.million of revenue	0.42	0.37	0.53
Greenhouse gas emissions from combustion of biomass (MT)	7,152.61	8,050.34	9,171.51
Water withdrawal (m <sup>3</sup> )	2,221,494	2,032,035	1,843,259
Water withdrawal (m <sup>3</sup> ) per Rs.million of revenue	7.92	7.35	10.10
Water discharge (m <sup>3</sup> )	1,130,023	1,297,369	1,305,676
Volume of hazardous waste generated (MT)	365	314	337
Volume of non-hazardous waste generated (MT)	9,216	7,993	7,855
Non-hazardous waste recycled/reused by Group companies and through third party contractors (%)	56	46	32
Significant environmental fines	Nil	Nil	Nil

\*2022/23 has been restated.



## INTELLECTUAL CAPITAL

### OCTAVE

- OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, transitioned into an independent advanced analytics practice during the year.
- 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 are being sustained at scale once fully implemented.
- A number of use cases are deployed at scale across the Supermarket and Consumer Foods businesses, while a detailed roadmap of advanced analytics use cases are developed for Leisure and Financial Services.



### AWARDS

- Ranked first as the 'Most Respected Entity' in Sri Lanka for the 18<sup>th</sup> year at the 19<sup>th</sup> 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.
- Gold award for Best Investor Relations at the Capital Market Awards 2023 organised by the CFA Society Sri Lanka.
- Received the 'Organisation Promoting Equity/Equality and Diversity of the Year' at the 'Top 50 Professional & Career Women Global Awards – Thirteenth Edition' in 2023, by Women in Management (WIM) in partnership with IFC and the Government of Australia.

# INVESTOR RELATIONS

## GROUP HIGHLIGHTS



### HUMAN CAPITAL



Total staff members of the group.

**15,314**



Average employee attrition rate.

**28%**



Gender ratio (Male: Female)

**67:33**



Total Number of Injuries.

**254**



Total training hours.

**1,404,614 h**



Total investment on training and development

**Rs. 18.4 million**

	2023/24	2022/23*	2021/22
Total workforce (employees and contractors' staff)	20,614	22,250	21,200
Employees**	15,314	15,415	14,700
Outsourced personnel (neither staff employees nor seasonal workers)	5,300	6,835	6,500
Employee benefit liability as of 31 March (Rs.million)	3,590	2,559	3,107
Total attrition (%)	28	31	29
New hires (%)	68	64	76
Number of people educated on serious diseases	***	***	***
Average hours of training per employee	92	26	25
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

\*2022/23 has been restated.

\*\*Of the Group's total employees, 543 are placed in the Maldives, with the remainder domiciled in Sri Lanka.

\*\*\* Not conducted this year.



### SOCIAL AND RELATIONSHIP CAPITAL



Total CSR Spend.

**Rs. 187 million**



Sourcing from Local Suppliers.

**86%**



People benefited from Education-related projects.

**7,114**



People benefited from Arts and Culture projects.

**105,669**



Total Land Area Impacted.

**75.25 Acres**



Businesses Analysed for Risk of Corruption.

**100%**



People benefited from Livelihood Development projects.

**512,889**



People benefited from Disaster Relief projects.

**255**



Number of Suppliers Engaged.

**83**



Total people impacted.

**1,952,511**



People benefited from Health-related projects.

**1,325,631**



People benefited from Environment-related projects.

**953**

	2023/24	2022/23*	2021/22
Community services and infrastructure projects (Rs.million)	187	397	97
Proportion of purchases from suppliers within Sri Lanka (%)	86	81	90
Community engagement (no. of persons impacted)	1,952,511	1,553,971	1,955,639
Sustainability integration awareness (no. of business partners)	200	201	89
Business partners screened for labour, environment and human rights (no. of business partners)	83	63	65
Proportion of labels carrying ingredients used (%)	77	76	76
Proportion of labels carrying information on disposal (%)	96	95	89
Proportion of labels carrying sourcing of components (%)	3	3	1
Monetary value of significant fines** (Rs.)	***	***	***
Proportion of businesses analysed for risk of corruption (%)	100	100	100

\*2022/23 has been restated.

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

\*\*\* No significant fines.

# INDUSTRY GROUP HIGHLIGHTS



## TRANSPORTATION

### Industry Potential

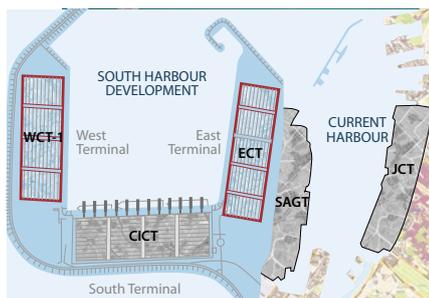
- Ongoing capacity enhancements at the POC and shipping lines opting for 'hub and spoke' services will spearhead the thrust to establish Colombo as a leading transshipment hub in the region.
- Envisaged increase in bunkering market share driven by increased storage and infrastructure.
- Growing demand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

### 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 both in the West Coast and the Sri Lankan market.
- One of the largest cargo and logistics service providers in the country.
- JVs 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.



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 construction work on WCT-1 at the Port of Colombo is progressing well. The first batch of quay and yard cranes is expected to arrive in August 2024.
- The first phase of the terminal is slated to be operational in the fourth quarter of 2024/25.
- The remainder of the terminal is expected to be completed in mid-2026.

### Key Performance Indicators

		2023/24	2022/23	%	2021/22
SAGT volumes	(TEU '000)	1,818	1,704	7	1,831
Transshipment: Domestic mix		90:10	87:13		86:14
Port of Colombo volumes	(TEU '000)	7,339	6,632	11	7,351
LMS volume growth	(%)	2	8		7
Warehouse space under management	(sq. ft. '000)	370	317*	17	337

\* The Kotikawatta and Ekala warehouses were discontinued during the year under review.

### Quarterly Performance

2023/2024		Q1	Q2	Q3	Q4	Full Year
SAGT volumes	(TEU '000)	446	482	428	462	1,818
Port of Colombo volumes	(TEU '000)	1,838	1,809	1,683	2,009	7,339
LMS volume growth*	(%)	(19)	(11)	10	61	10

\*Excluding local sales

### Strategy and Outlook

#### Immediate to Short-Term

##### Ports, Shipping and Bunkering

- Higher vessel movement through the POC as well as increased bunker demand driven by the Red Sea crisis expected to continue until the resolution of the crisis.
- The sustained economic growth in India will continue to support regional trade volumes which will benefit the POC considering its location and proximity to India.

##### Logistics and Transportation

- The macroeconomic recovery and the gradual normalisation of export volumes are anticipated to result in increased volumes.
- Increased airline frequencies into the country is likely to bode well for more competitive fares and supply which will translate to higher passenger volumes.



#### 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.
- While it's expected that majority of the new traffic stemming from the Red Sea crisis will revert to the Suez Canal post-resolution, Sri Lanka stands to benefit from heightened visibility and trust, potentially retaining some business in the long-term.
- Sustained growth of the Indian economy will, in addition to current volumes, be a long-term driver of volumes to the Port of Colombo.
- 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, stemming from global economic recovery, and ongoing infrastructure developments in the country.
- Increased trading activity and investment in the tourism industry is expected to benefit the Airline segment.

# INVESTOR RELATIONS

## INDUSTRY GROUP HIGHLIGHTS



### CONSUMER FOODS

#### Industry Potential

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

**100,000+**

Outlet reach

**13**

CSD flavours

**42:58**

Revenue mix:  
Beverages (CSD):FC  
[FY23: 38:62]

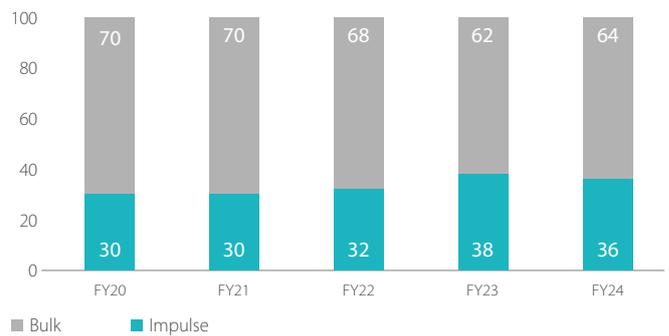
**47**

Ice Cream flavours

**2**

Frozen yoghurt flavours

**Bulk:Impulse Volume Mix of the FC Business**  
(%)



#### Key Performance Indicators

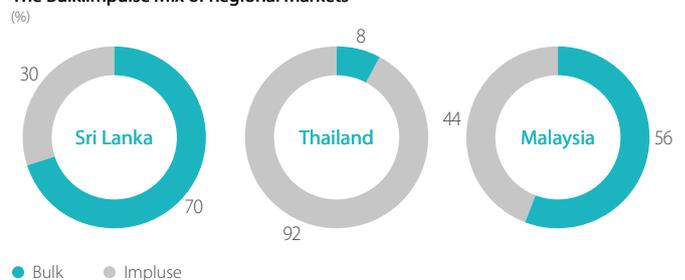
%	2023/24	2022/23	2021/22
<b>Volume Growth</b>			
Beverages (CSD)	10	(7)	18
Frozen Confectionery (FC)	2	(7)	17
Convenience Foods	(9)	(22)	12
<b>EBITDA Margins</b>			
Beverages and FC	17.1	10.8	16.8
Convenience Foods	2.7	9.0	16.1
<b>PBT Margins</b>			
Beverages and FC	11.4	4.2	11.2
Convenience Foods	(6.3)	1.1	11.3

#### Insight into Quarterly Performance

Volume Growth 2023/24 (%)	Q1	Q2	Q3	Q4	Full Year
Beverages (CSD)	(3)	5	0	42	10
Frozen Confectionery	(10)	(2)	(2)	24	2
Bulk	(7)	1	1	29	5
Impulse	(14)	(6)	(7)	17	(2)
Convenience Foods	(35)	(18)	(1)	42	(9)

- Volumes continued to recover during the first half of the year supported by the gradual recovery of the economy and consumer activity.
- In the second half of the year, growth in volumes of the Consumer Foods businesses were driven by seasonal sales, albeit from a lower base in the fourth quarter of 2022/23, as consumer disposable income was impacted by the increase in personal income taxes implemented with effect from 1 January 2023.
- The volumes of the Beverages (CSD) and FC businesses noted an encouraging recovery in Q4 2023/24 compared to the steep volume declines recorded in the fourth quarter of 2022/23.

#### The Bulk:Impulse Mix of Regional Markets



## Expansion Strategies

- Ceylon Cold Stores PLC (CCS), entered into a partnership with one of India's largest conglomerates, Reliance Group, to manufacture, market, distribute and sell beverages under the 'Elephant House' brand across India.
- The partnership marks a significant milestone in amplifying presence in India, where market entry is challenging. The collaboration with a reputed partner such as Reliance, together with synergies due to the expertise and experience of both organisations, is expected to provide a strong platform for success.
- CCS acquired a polyethylene terephthalate (PET) bottling and can manufacturing plant, to support the expansion of the business's product portfolio into new market segments.

## Strategy and Outlook

### Immediate to Short-Term

- Consumer discretionary spend is envisaged to continue its encouraging recovery momentum similar to the trends witnessed in the latter half of 2023/24.
- Margin pressure is likely to ease on the back of the recent reduction in electricity tariffs and the appreciation of the Rupee.
- Focus on operationalising the launch of the Beverages business's partnership with Reliance Consumer Products (RCPL) in India.
- The hotels, restaurants, and catering (HORECA) channel is expected to gradually recover in tandem with tourism recovery.
- Advanced data analytics will be utilised to optimise promotional spend, distribution networks, and production planning.

### Medium to Long-Term

- Domestic demand conditions are envisaged to remain resilient in the medium-term driven by economic revival and improved consumer confidence.
- Significant growth potential exists in the consumer food products industry in Sri Lanka given the 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

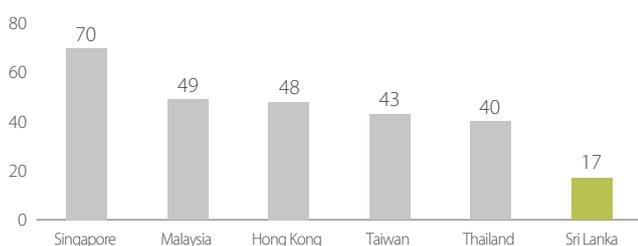
#### Supermarket Business

- Modern trade penetration at 17% 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: Company Analysis

### Our Business

#### Supermarket Business

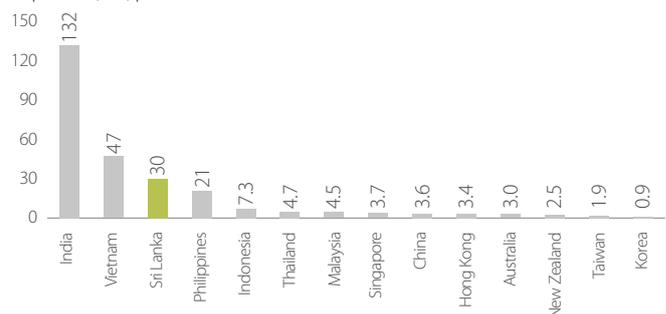
- 134 modern trade outlets uniquely branded to cater to evolving consumer lifestyles.
- A state-of-the-art distribution centre (DC) centralising offerings across the dry, fresh, and chilled categories with a capacity for ~250 outlets.
- Private label consisting of over 320 SKUs.
- 'Nexus' - a loyalty programme with ~2.4 million members.

#### Office Automation Business

- John Keells Office Automation (JKOA) is the authorised distributor for Office Automation and IT enabled, world-renowned brands and a market leader in providing print solutions for corporates. Brands offered include Samsung, Toshiba and Asus.

#### Modern Trade Density

Population ('000) per Store



Source: Retail and shopper trends in the Asia Pacific, AC Nielsen

# INVESTOR RELATIONS

## INDUSTRY GROUP HIGHLIGHTS

### Key Performance Indicators

Supermarkets %	2023/24	2022/23*	2021/22*
Same store sales growth	12.3	47.6	12.9
Same store footfall growth	12.3	28.3	4.5
Average basket value growth	(0.1)	15.1	8.0
EBITDA margin	6.9	7.5	7.8
PBT margin	1.5	1.1	1.3

\*Given the pandemic-related disruptions, unprecedented inflation and changes in shopping patterns resulting in shifts in frequency, basket items, and purchase patterns of customers, the KPIs were distorted for the year.

2023/24 (%)	Q1	Q2	Q3	Q4
Same store sales growth	17.6	10.4	10.7	10.7
Same store footfall growth	8.8	10.6	15.7	14.4
ABV growth	8.1	(0.2)	(4.3)	(3.2)

- The Supermarket business recorded a growth in same store sales driven by higher customer footfall.
- Growth in same store footfall was driven by both existing and new customers.
- Inflation moderated significantly from Q2 2023/24 onwards. As a result, the increase in the retail selling price (RSP) was relatively muted. This marginal increase in RSP was more than offset by the decline in weight of purchase (WOP) due to the reduction in spending on non-essential items, which impacted ABV growth.
- The business witnessed an improving trend of WOP in Q4 given the recovering consumer sentiment, despite the reducing trend of inflation.
- EBITDA margins declined to 6.4% in 2023/24 primarily due to the impact of the electricity tariff revisions.

### Key Performance Indicators

Office Automation %	2023/24	2022/23	2021/22
EBITDA margin	10.0	18.8	9.9
PBT margin	11.1*	(8.2)**	(3.5)**

\*Impacted by exchange gains due to the appreciation of the Rupee.

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

### New Energy Vehicles

- JKH partnered with BYD Auto Industry Company Limited, the world's leading manufacturer of new energy vehicles (NEVs), to provide cutting-edge and eco-friendly vehicles to the Sri Lankan market.
- The prospect for contributing towards a more environmentally friendly and energy efficient alternative, which will support the country, is in alignment with the Group's sustainability agenda.

## Strategy and Outlook

### Immediate to Short-Term

#### Supermarket Business

- Growth in footfall expected to continue driven by higher modern trade participation and the initiatives undertaken by 'Keells' to attract customers.
- ABV is likely to recover as the WOP – the number of items purchased in a basket – recovers in line with the recovery of the economy and improving consumer sentiment.
- Margins will be supported by the increase in revenue as well as the reduction of electricity costs from the peak levels seen in 2023/24.
- The private label range and direct import portfolio to be enhanced to offer customers better choice and value for money.
- The distribution centre is expected to contribute significantly to process and operational efficiencies as business volumes continue to ramp up.

#### Office Automation Business

- Volumes are expected to continue its recovery in line with the improvement in economic conditions although the disparity in pricing between the formal and grey market channels due to the imposition of VAT is a concern.

### Medium to Long-Term

#### Supermarket Business

- Capitalise on the relatively low penetration of modern trade in the country.
- Expansion of outlets in both urban and suburban areas through a mix of standard and 'extended format' stores, including rolling out more 'iconic' format stores given its success.
- 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.

#### 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.

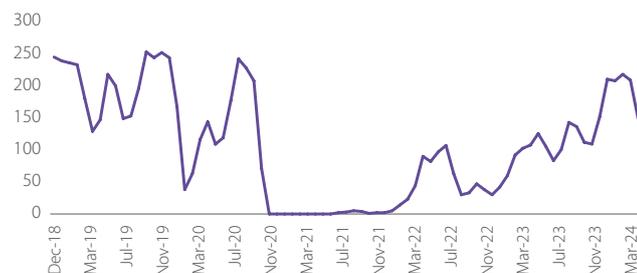
### Our Business

- 'Cinnamon', a well-established hospitality brand in Sri Lanka and the Maldives:
  - 3 Colombo Hotels
  - 8 Sri Lankan Resorts
  - 4 Maldivian Resorts
- 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.



### Tourist Arrivals to Sri Lanka

Arrivals ('000)



### Key Performance Indicators

		2023/24	2022/23	2021/22
<b>Colombo Hotels*</b>				
Occupancy	(%)	60	42	29
ARR	(USD)	78	64	70
EBITDA margin	(%)	11.8	7.0	1.5
<b>Sri Lankan Resorts</b>				
Occupancy	(%)	68	41	32
ARR	(USD)	79	65	78
EBITDA margin	(%)	14.7	1.2	(7.2)
<b>Maldivian Resorts</b>				
Occupancy	(%)	86	88	75
ARR**	(USD)	275	255	272
EBITDA margin	(%)	30.5	32.5	34.8

### Quarterly Performance

2023/24	Q1	Q2	Q3	Q4	
<b>Colombo Hotels*</b>					
Occupancy	(%)	49	67	57	67
ARR	(USD)	70	69	88	84
EBITDA margin	(%)	(3)	13	16	18
<b>Sri Lankan Resorts</b>					
Occupancy	(%)	55	71	66	81
ARR	(USD)	59	62	80	106
EBITDA margin	(%)	(18)	4	15	35
<b>Maldivian Resorts</b>					
Occupancy	(%)	82	82	88	90
ARR**	(USD)	235	212	282	362
EBITDA margin	(%)	23	17	31	44

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

\*\*Net of green tax and allocation (F&B charge).

### Tourist Arrivals to the Maldives

Arrivals ('000)



# INVESTOR RELATIONS

## INDUSTRY GROUP HIGHLIGHTS

### Strategy and Outlook

#### Immediate to Short-Term

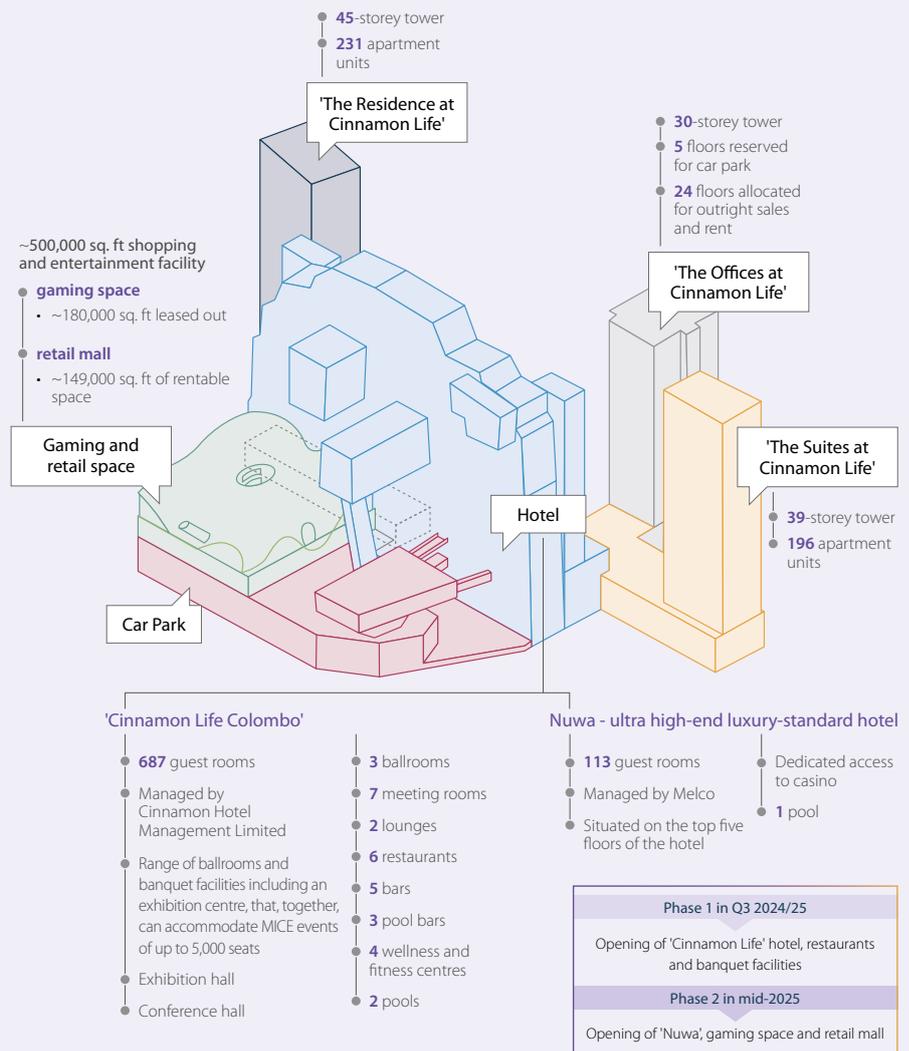
- The current recovery trend in arrivals is expected to continue with growth across all major source markets and the increase in flight capacity.
- Comprehensive yield management strategy to ensure optimum returns.

#### Medium to Long-Term

- The prospects for tourism remain extremely positive considering the diversity of the offering and the potential for higher regional tourism, particularly out of India considering the growing middle class driven by the strong growth of its economy.
- 'City of Dreams Sri Lanka' to be a key catalyst for tourism given its unique offering as a one-of-a-kind destination in South Asia. The collaboration with Melco, including access to the technical, marketing, branding and loyalty programmes, expertise and governance structures to further drive synergies and demand.
- Continued focus on asset-light investment models as a part of the strategy to enhance the 'Cinnamon' footprint.

### 'City of Dreams Sri Lanka'

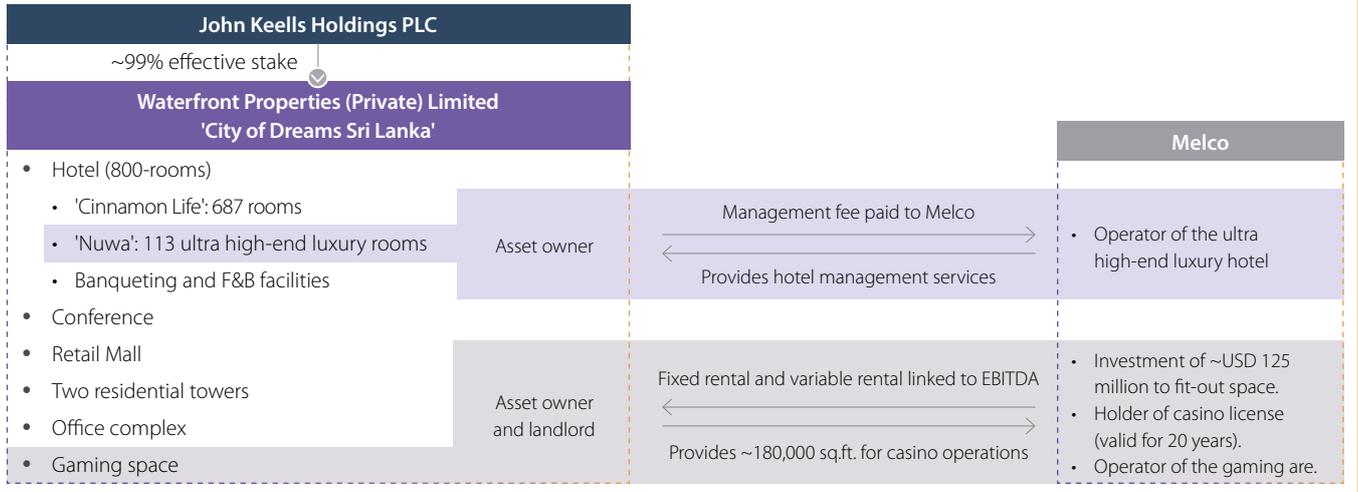
- The year 2024 marks a significant culmination of events for the Group's iconic integrated resort, which has been under construction over the last decade.
- Being the largest and most ambitious private sector investment in the country at an investment of over USD 1 billion, the Group announced its partnership with Melco Resorts & Entertainment Limited (Melco).
- As part of the collaboration between JKH and Melco, the integrated resort, which had previously been branded as 'Cinnamon Life Integrated Resort', will be rebranded as 'City of Dreams Sri Lanka'. 'City of Dreams' is the flagship integrated resort brand of Melco.



#### The Salient features of the collaboration between JKH and Melco are:

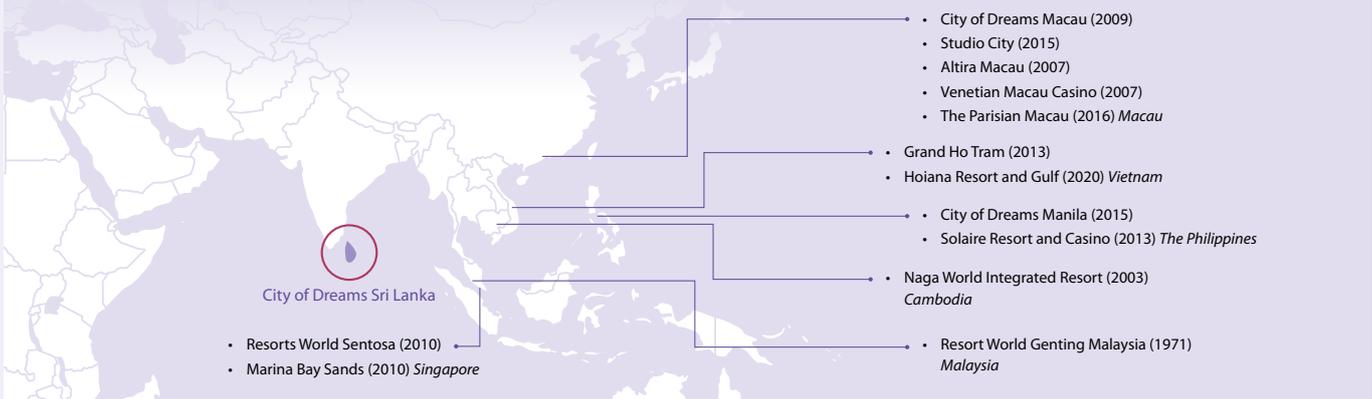
- Melco Resorts & Entertainment Limited ('Melco') will be the operator of the gaming facility.
- Melco will invest ~USD 125 million in the fit-out and equipping of the gaming space.
- As part of the collaboration between JKH and Melco, the 'Cinnamon Life Integrated Resort' will be rebranded as 'City of Dreams Sri Lanka'.
- The structure of the gaming operations:
  - Melco to invest in the fit-out of the casino and lease ~180,000 sq. ft. Melco is also the 100% shareholder of the gaming space.
  - JKH will function in the capacity of owner and landlord.
  - The 113-key exclusive hotel will be operated by Melco under its 'Nuwa' ultra high-end luxury brand.

### Structure of 'City of Dreams Sri Lanka':



### First fully fledged Integrated Resort (IR) in South Asia:

- The strong economic growth in India and the resultant increase in outbound travel from India, is a significant opportunity for Sri Lanka, similar to what China witnessed about two decades ago,



Note: The IRs depicted in the above map represent a selection and is not exhaustive.

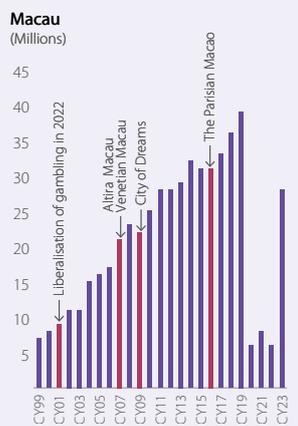
Sources: Las Vegas Sands Corp, Sentosa, Genting Highlands, NagaCorp, BloomBerry Resorts Corporation, Forbes, Hoiana, Melco Resorts and Sands China websites.

The positive impact on tourism and the economy will be significant, as seen with the impact other integrated resorts in the region have created – even in more advanced tourism markets such as Singapore.

### Integrated resorts are a key driver of tourism\*



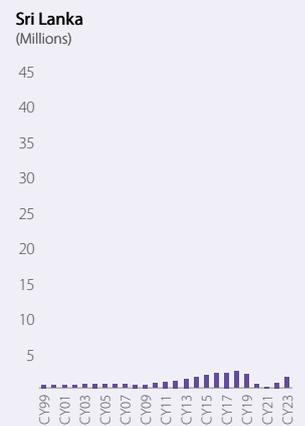
Source: Department of Statistics Singapore.



Source: Government of Macao Special Administrative Region - Statistics and Census Service.



Source: World Bank.



Source: Sri Lanka Tourism Development Authority.

\* The graphs illustrated show some of the key IRs in these jurisdictions and is not an exhaustive list.

# INVESTOR RELATIONS

## INDUSTRY GROUP HIGHLIGHTS



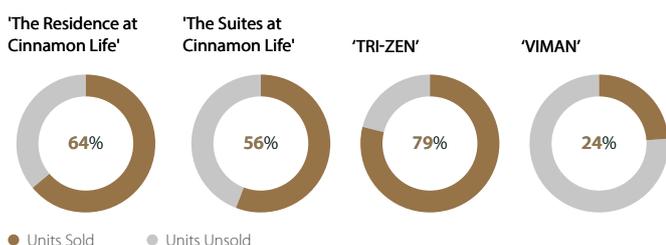
### PROPERTY

#### Industry Potential

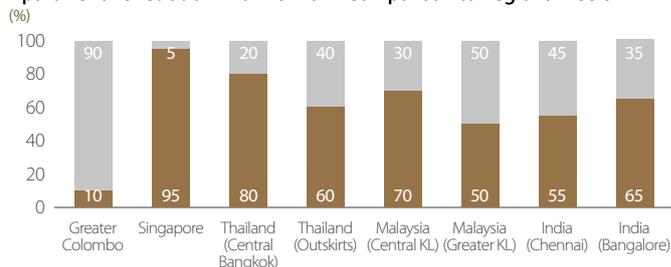
- An urban population of 17%, far below regional peers.
- Emerging suburban multi-family housing market.
- Increasing demand for mid-tier housing units within the city.
- Port City Colombo project, positioning Sri Lanka as a regional financial and trade hub.
- Increased demand for commercial space.

#### 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'.
- 'TRI-ZEN', a residential apartment development based on smart living in the heart of the city.
- 'VIMAN', a suburban residential apartment development located in the heart of Ja-Ela.
- Ownership and operation of the 'Crescat Boulevard' mall and management of the 'K-Zone' mall in Moratuwa.
- 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 and a developable land extent of ~80 acres.



#### Apartment Penetration in Sri Lanka in Comparison to Regional Peers



Source: Company analysis.

#### Key Highlights

- The construction of 'TRI-ZEN', an 891-unit residential development project, received the required clearances to commence handing over of units from April 2024.
- Launched the first suburban residential development project, 'VIMAN', located in the heart of Ja-Ela, a suburban area in close proximity to Colombo. The preliminary sales interest for the project has been very encouraging, with the first phase of the project consisting of a total of 114 units, nearly sold out within six months since the launch of the project. The construction of the first phase of the project is expected to commence in mid-2024.

Mall Occupancy (%)	2023/24	2022/23	2021/22
K-Zone Moratuwa	100	99	99
Crescat Boulevard	80	73	61*

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

Cumulative Sales (SPAs)	2023/24	2022/23	2021/22
The Residence	147	151	152
Suites	109	115	115
Commercial complex	4	4	4
TRI-ZEN	700	655	652
VIMAN	100	N/A	N/A

#### Strategy and Outlook

##### Immediate to Short-Term

- Buyer interest and momentum in sales is envisaged to continue given the gradually improving macroeconomic environment, including declining interest rates, and market adjustments to new price levels in the industry, considering the relatively higher replacement costs.
- Continued exploration of investment opportunities in the emerging suburban areas of Colombo.
- Sales at the 'City of Dreams Sri Lanka' is expected to pick up given the completion of project construction, on the back of the limited inventory available in the luxury segment and commencement of operations of the 'Cinnamon Life' hotel and related facilities in 3Q 2024/25.

##### Medium to Long-Term

- Prospects for the housing market in Colombo and the suburbs continue to be promising on the back of drivers such as the expanding middle-class demographic, increased commercial activity within Colombo and potential for increased GDP per capita.
- Significant growth expected in the market for vertical and middle-income housing due to high land prices and construction costs of single-family houses.
- Monetisation of the existing land bank of the industry group, subject to market conditions, through systematic development strategies to roll-out a robust pipeline of developments via the land parcels available.



## FINANCIAL SERVICES

### Industry Potential

#### Life Insurance Industry

- Shifting demographics creating demand for health, retirement and financial protection insurance solutions.

#### Banking Industry

- Advances in technology around the integration of Artificial Intelligence (AI) and Robotic Process Automation (RPA) in operational, customer servicing and administrative tasks in the long-term.
- Increasing demand for digital infrastructure.
- Shift towards cashless payments.

### Our Business

#### Life Insurance

- Operating footprint of 85 branches, excluding virtual locations.
- Total agency cadre of 2,690.
- Market share of ~12%.

#### Banking

- Branch network of 96 outlets, 81 ATMs and 87 CRMs.
- Strong online presence.
- Sri Lanka's first digital bank, 'FriMi'.
- Largest issuer of credit cards in Sri Lanka.

### Strategy and Outlook

#### Immediate to Short-Term

##### Life Insurance

- Focus on maintaining persistency of existing policies and strengthening its position as the third largest new business producer in the insurance industry in CY2023.
- Strengthening partnerships with leading banks to consolidate its status as a leading bancassurance provider.
- Expanding the agency channel to broaden market reach, fostering deeper connections with customers.

##### Banking

- Continue to proactively manage its operations to capture market opportunities, as demand for credit rises, while effectively managing risks.
- Focus on building resilience and sustainability by prioritising credit quality, margin management, return-focused lending, and financial stability.
- Continue to leverage on its digital platforms and channels, driven by increasing demand for digital infrastructure.

#### Medium to Long-Term

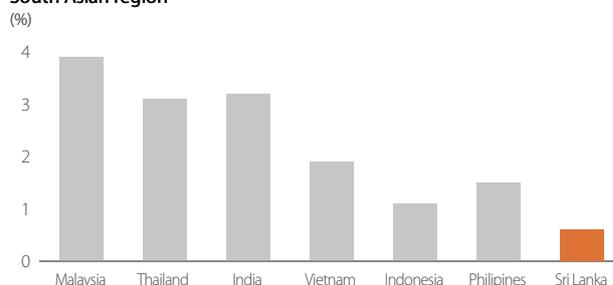
##### Life Insurance

- Significantly lower level of insurance penetration in comparison to regional peers, an ageing population, and the increasing prevalence of non-communicable diseases are expected to aid growth in the life insurance industry.
- Integration of AI and Robotic Process Automation (RPA) in operational, customer servicing and administrative tasks is expected to be seen in the long-term.
- Focus on diversifying its channels through an omni-channel distribution model and optimising bancassurance partnerships.

##### Banking

- Further augmenting its digital infrastructure and processes to ensure better customer service, innovative solutions and efficiency in operations.
- Continued expansion and positioning of 'FriMi' as a lifestyle application and digital bank.

#### Life insurance premium as a per centage of GDP, in the South Asian region



Source: Swiss Re sigma No 4 /2022.

### Key Performance Indicators

	CY2023	CY2022	CY2021
<b>Life Insurance</b>			
Premium growth (%)	13	8	18
Market share (%)	12	12	12
Life fund (Rs.billion)	65.0	55.4	48.9
Capital adequacy ratio (%)	291	194	228
<b>Banking</b>			
Growth in loans and advances (%)	12.3	(3)	18
Return on equity (%)	21	17	18
Net interest margin (%)	7.7	7.0	3.9
Stage 3 loan ratio (%)	2.3	2.6	2.1
Capital adequacy ratio – total capital (%)	19.1	16.3	17.5

# INVESTOR RELATIONS

## INDUSTRY GROUP HIGHLIGHTS



### OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

#### Industry Potential

##### Information Technology

- Increased digital adoption within the country and growing digital literacy.
- Investment in futuristic technology infrastructure.
- Businesses and operations 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 five of the seven factories owned. Two factory are 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.
- Digital literacy among the populace is ever-growing, along with increased digital adoption, creating ample opportunity for the industry to leverage on.



###### 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, is expected to augur well for the industry.

##### Plantation Services

###### Immediate to Short-Term

- Production levels in the country are expected to gradually increase to pre-2021/22 numbers in tandem with the improvement in fertiliser application.
- Market prices are envisaged to remain at current levels, given the relatively stabilised macroeconomic environment, although global commodity price movements will have a significant impact on auction prices.
- Geopolitical issues, devaluation of currency in key export markets and volatile exchange rates may impact demand as well as lead to higher insurance and freight costs for tea exporters.



###### 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.
- The business will face increased regulations and controls on chemical usage in the tea plantation industry to meet maximum residue levels (MRLs).
- Adverse and increasingly unpredictable weather conditions caused by climate change pose a significant challenge.
- Continually evaluate new opportunities such as those arising from the emerging Chinese market for Ceylon orthodox black tea.

*A journey in Life*

## MANAGEMENT DISCUSSION AND ANALYSIS

### GROUP CONSOLIDATED REVIEW

41 Operating Environment • 48 Our Business Model • 51 Financial and Manufactured Capital Review • 63 Natural Capital Review  
79 Human Capital Review • 89 Social and Relationship Capital Review • 103 Intellectual Capital Review • 107 Group Outlook and Risks  
119 Group Strategy, Resource Allocation and Portfolio Management • 124 Share Information

**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 Group Consolidated Review of the Management Discussion and Analysis (MD&A) segment consists of the following sections.**

**+ Operating Environment**

Entails a discussion of key economic, political and regulatory, social, environmental and technological variables, which favourably or unfavourably, impacted the Group's ability to create value.

**+ Our Business Model**

Illustrates the value creation process of the Group, encapsulating the interrelation among the inputs, frameworks, and processes, which collectively drive value creation.

**+ 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. The discussion on each form of Capital comprises of two parts, as applicable:

- An analysis of value creation/deterioration under the Capital during the year under review
- Management approach in each form of Capital

**+ Group Outlook and Risks**

Entails a discussion of the Group's approach to navigating through the socio-economic and socio-political landscape, as well as the way forward for the Group. The discussion comprises of three parts:

- Macroeconomic Outlook, from both a global and local perspective and the implications on the Group
- Group Outlook, which discusses the key focus areas of the Group going forward
- Key Risks to the Group outlook based on the risks identified as a part of the Group's Enterprise Risk Management framework and its approach to managing such risks optimally

**+ Strategy, Resource Allocation and Portfolio Management**

Analyses the performance of the overall portfolio, the overall strategy and means by which each form of 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 locally, 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.

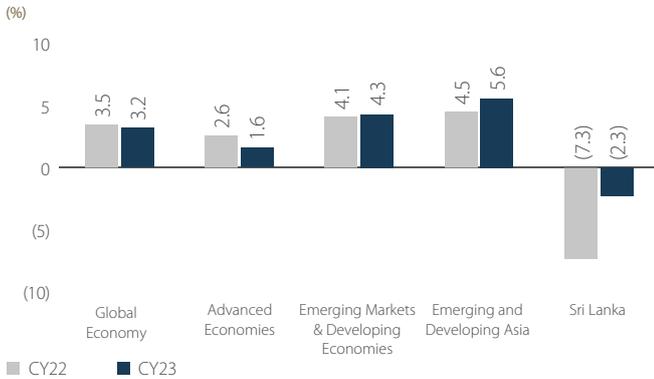
# OPERATING ENVIRONMENT

This section covers the external landscape within which the Group operates from an economic, political and regulatory, environmental and social, and technological standpoint, and the resultant impacts on the Group during the year.

## GLOBAL ENVIRONMENT

Global growth remained resilient at 3.2% in CY2023, despite the decline in global inflation from its peak in mid-2022 which is usually reflective of sluggish demand and hawkish monetary policies in most parts of the world which are contractionary in nature. The International Monetary Fund (IMF) estimates that employment and income growth remained steady during CY2023, driven by expansionary fiscal policy and higher-than-expected household consumption on the demand side, and an unexpected increase in labour force participation from a supply perspective. The easing of pandemic-era supply chain constraints also aided growth.

CY2022 vs. CY2023 Economic Growth (%)



Source: World Economic Outlook April 2024, International Monetary Fund.

## LOCAL OPERATING ENVIRONMENT

### Economic Landscape

The Sri Lankan economy recorded a gradual recovery during the latter part of CY2023, marking the end of a prolonged period of economic contraction spanning six consecutive quarters. Growth was primarily driven by multiple much-needed policy adjustments and structural reforms implemented by the Government and the Central Bank of Sri Lanka (CBSL) since end-2022. Inflation significantly decelerated to single digits by the end of the calendar year, on the back of various policy actions aimed at controlling inflation levels, from the peak levels of 70% witnessed in CY2022. Considering the relatively stable inflation indicators, and in order to support the rebound of domestic economic activity, the CBSL reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 550 basis points each, respectively, in CY2023. The persistent twin deficits in the Government's overall budget and the external current account, which contributed to the economic downturn, among many other contributory factors, exhibited signs of significant improvement in CY2023. Both the Government's primary balance and the external current account recorded a surplus in CY2023. There was also a sustained and strong build-up of the external reserves position of the country to USD 4.4 billion by end CY2023 [CY2022: USD 1.9 billion].

The country witnessed a notable increase in foreign exchange inflows primarily driven by tourism and other services exports, particularly remittances from overseas workers. This recovery in foreign exchange inflows coupled with lacklustre import demand, including import

restrictions during most parts of the year, and a cessation of foreign currency debt service obligations helped alleviate the severe foreign exchange shortage experienced during the economic crisis. Bolstered by such developments and aided by improved market confidence, the Sri Lankan Rupee also strengthened significantly by ~11% on average during 2023/24.

### IMF and the Extended Fund Facility (EFF) Arrangement

The IMF's USD 3 billion EFF support programme over 48 months stands as a critical pillar within the Sri Lankan economic landscape, exerting substantial influence on restoring macroeconomic stability and stepping up structural and governance reforms to unlock Sri Lanka's growth potential. Commencing with the staff-level agreement reached in September 2022, the Government has progressed steadily in meeting the financial conditions stipulated under the IMF programme while also addressing the reform driven agenda and the external debt restructuring requirements.



The IMF-EFF programme is a comprehensive economic reform programme which is based on certain key aspects:

- Revenue based fiscal consolidation.
- Stronger social safety net.
- Sovereign debt restructuring aiming public debt sustainability.
- Strategy to restore price stability and rebuild international reserves under greater exchange rate flexibility.
- Policies to safeguard financial stability.
- Reforms to address corruption and governance, including reform of state owned enterprises (SOEs).

At the end of the second review in March 2024, Sri Lanka had made encouraging progress:

- Gross official reserves stood at USD 5 billion by March 2024, from USD 1.9 billion in end-2022.
- Achieved a primary surplus in CY2023 - beyond the target set by the IMF.
- Overall budget deficit in CY2023 improved due to the increase in revenue.
- Domestic debt optimisation was concluded in September 2023, as noted below.
- Encouraging discussions and progress with key partners regarding the restructuring of external debt.
- Final stages of formulating an action plan to address governance and corruptions concerns.

# OPERATING ENVIRONMENT

## Debt Restructuring

As part of the IMF-EFF programme, Sri Lanka is required to undertake debt restructuring efforts to safeguard the country's debt sustainability.

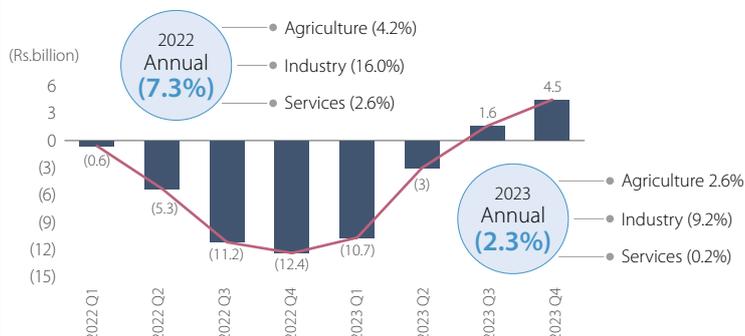
In July 2023, the Government commenced the Domestic Debt Optimisation (DDO) initiative, marking a significant step towards resolving uncertainties around the impact of the domestic debt restructuring, particularly on financial system stability. The DDO covered Treasury Bills, Treasury Bonds, and Sri Lanka Development Bonds and entailed:

- Re-profiling of the maturity schedule and coupon payments of local currency Treasury bonds held by superannuation funds while converting the Treasury bill portfolio held only by the CBSL into long-term Treasury bonds.
- Both the banking and insurance sector holdings of bonds were excluded from the DDO on the basis of ensuring financial stability and minimising the impacts on deposit holders and domestic retail savings, also taking into consideration the impact already borne by such stakeholders due to inflation.
- The clarity on the DDO contributed to an improvement in the risk premia attached to the local economy, aiding increased fund flows and lower cost of funds.
- S&P Global raised Sri Lanka's local currency rating to CCC+/C from SD (selective default), post the completion of the DDO with a stable outlook.

In relation to external debt, authorities and the Official Creditors Committee (representing India, Japan, France and the Paris Club) reached an agreement, in principle, while a preliminary agreement was also reached with the EXIM Bank of China. Presently, discussions with private creditors are ongoing.

## Economic Activity

### Steady rebound in real GDP growth...

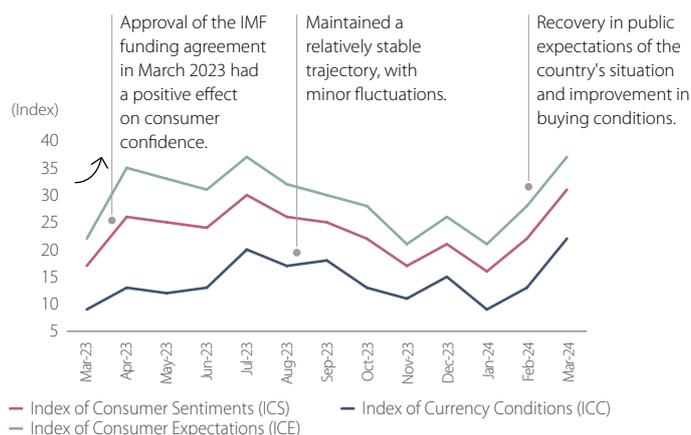


Source: Central Bank of Sri Lanka

The Sri Lankan economy, based on GDP at constant (2015) market prices, contracted by 2.3% in CY2023 compared to the 7.3% contraction in CY2022.

## Consumer Confidence

### Consumer confidence recorded an improvement from January 2024 onwards...



Source: Institute for Health Policy

The consumer confidence indices of the Institute for Health Policy noted 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.

## Impact/Response

The Group recorded strong growth in cash profits across most businesses in tandem with the steady normalisation of the country's operating environment across the quarters.

Although disposable income was negatively impacted from direct and indirect taxes, and an increase in power and energy costs during a majority of the year, an improvement in overall spending was evident across the quarters, aiding business performance.

Consumer confidence remained subdued during most parts of the year, with an uptick from January 2024 onwards in line with the expansion in economic activity.

The uptick in overall economic activity and consumer confidence was reflected in the recovery of volumes and sales values towards the latter end of the year, across the consumer-facing businesses of the Group.

## Inflation

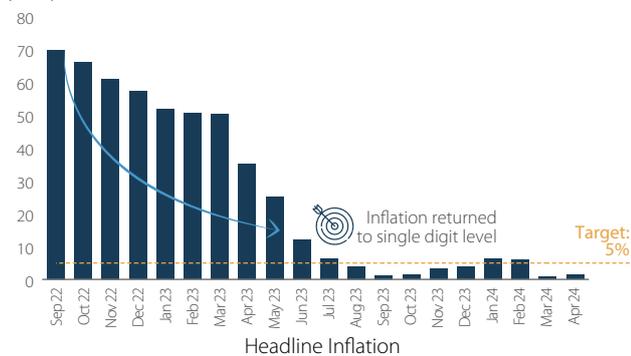
Inflation registered a rapid disinflation process...

Aided by:

- Gradual absorption of the effects of the previously contractionary monetary policies.
- Stable exchange rates.
- Improved domestic supply conditions on the back of a moderation of global prices.

However, electricity tariffs which recorded net increases during the year, resulting from the adoption of a cost-based pricing mechanism, also shaped inflation.

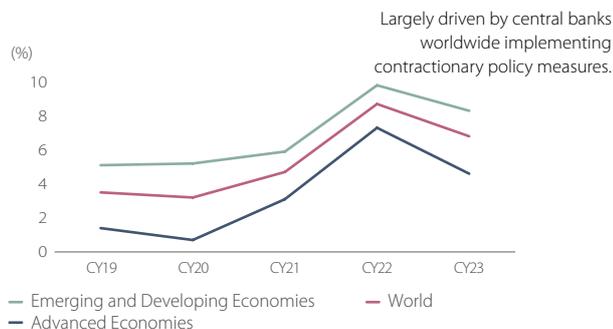
**Colombo Consumer Price Index (CCPI) based Inflation**  
(YoY %)



Source: Central Bank of Sri Lanka

Year-on-year headline inflation, based on the National Consumer Price Index (NCPI), was 2.5% in March 2024 compared to 33.6% in April 2023.

Global inflation noted a slowdown...



Source: World Economic Outlook April 2024, International Monetary Fund. Global inflation declined to 6.8% in CY2023 [CY2022: 8.7%].

## Impact/Response

Businesses experienced greater stability in pricing dynamics, enabling businesses to maintain more predictable pricing strategies.

The Group witnessed a normalisation in input costs which aided better cost management contributing to margin improvements across most Group businesses.

On the demand side, a reduction in inflationary pressures had a positive impact on the purchasing power of consumers, benefiting the Group's Consumer Foods industry group and Supermarket business. Purchasing power primarily benefited through a reduction in the prices of food and transport, which were two of the largest contributors to high inflation in the past, which noted deflation in several months.

## Exchange Rates

The Sri Lankan Rupee noted an appreciation...

Primarily attributed to increased market liquidity predominately emanating from:

- Favourable market sentiments stemming from the approval of the IMF funding arrangement.
- Increased foreign currency disbursements from multilateral institutions.
- Robust tourism revenue and steady inflows from workers' remittances throughout the year.

(LKR/USD)



Source: Central Bank of Sri Lanka

The average LKR/USD exchange rate in 2023/24, based on the mid exchange rates published by the CBSL, stood at Rs.318.00 in contrast to Rs.358.17 in 2022/23.

## Impact/Response

The appreciation of the LKR also contributed to lower costs of imported raw material and goods, which had a positive impact on the cost base of the Group.

The appreciation of LKR had a negative impact on businesses which have dollar-denominated revenue streams, particularly in the Leisure and Transportation industry groups. The operational performance of such businesses is somewhat moderated in evaluating the performance in LKR terms due to these impacts.

The Holding Company has foreign currency cash holdings earmarked for equity infusions to the 'City of Dreams Sri Lanka' (previously referred to as 'Cinnamon Life Integrated Resort') project and funds raised for the Group's investment pipeline via various corporate actions in the past three years. As a result, the Holding Company recorded foreign exchange losses on its net USD cash holdings.

At a Group level, the appreciation of the LKR resulted in a translation impact on the Group's foreign currency denominated liabilities and related payments, including the USD 175 million loan from the International Finance Corporation (IFC) and the USD 219 million loan at Waterfront Properties (Private) Limited, notwithstanding the partial hedge against foreign currency denominated assets.

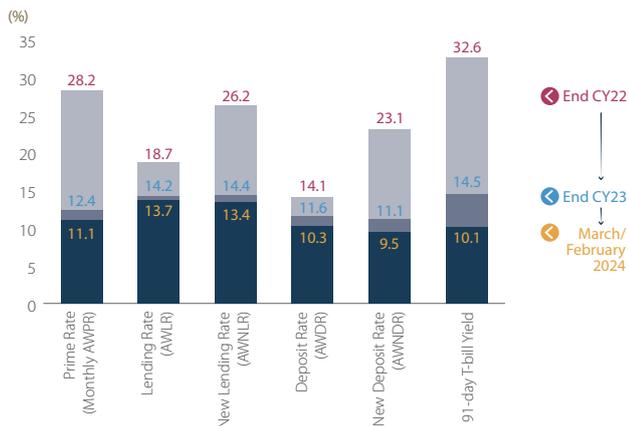
# OPERATING ENVIRONMENT

## Domestic Interest Rates

Notable decline in market interest rates...

Driven by:

- An accommodative monetary policy
- A decrease in risk premiums resulting from domestic debt optimisation.



Source: Central Bank of Sri Lanka

The Average Weighted Prime Lending Rate (AWPLR) decreased from 21.80% in April 2023 to 11.11% in March 2024.

The 3-month Treasury bill rate was 10.07% in March 2024 compared to 25.99% in March 2023.

## Impact/Response

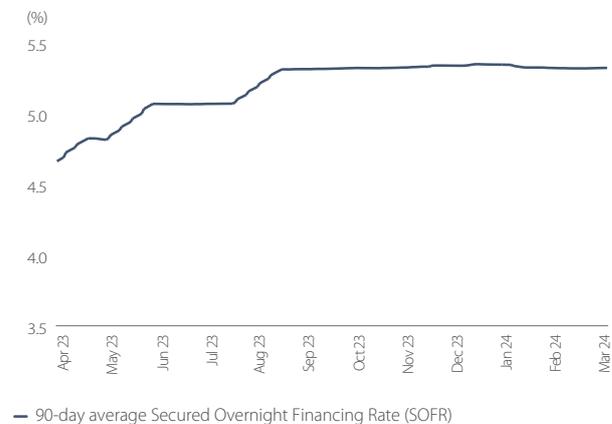
Finance expenses of the Group, excluding the Holding Company, also noted a contraction primarily driven by the decline in market interest rates. The increase in LKR finance expenses of the Holding Company was driven by an increase in the borrowing base in line with the Group's funding strategy, which offset the impact of lower interest rates which prevailed during the year under review.

The Group (excluding the Insurance business) recorded a decrease in finance income owing to lower domestic interest rates.

From a consumer demand perspective, the marked reduction in interest rates also resulted in a shift of funds from debt to alternative investments such as real estate and equity. This was evident in the Property industry group, where the business noted an increase in apartment sales excluding the luxury segment. This shift also aided certain businesses in managing risks, such as in the Insurance business, where the investment portfolio benefited from higher rates in the early parts of the year, whilst thereafter, the equity portfolio noted an encouraging performance in line with the recovery in equity markets aided by the gradual reduction in rates.

## Global Interest Rates

Global interest rates noted an upward trajectory...



Source: Federal Reserve Bank of New York

Throughout 2023/24, the US Federal Reserve (FED) continued its tightening interest rate policy to address inflationary pressures. Although rates increased at the outset of the year, rates stabilised from mid-year onwards, as inflation rates moderated. Nonetheless, the US has yet to commence an easing cycle, although common consensus is for rates to start easing from mid-2024 onwards.

## Impact/Response

In respect of the Group's foreign currency borrowings 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.

The Group noted a reduction in the Group's USD cash holding which impacted the interest income of the Group, despite higher interest rates.

Note: The increase in global interest rates had a negative impact on foreign currency linked interest in USD terms. However, the translation impact stemming from the appreciation of the LKR, offset this impact contributing to a decrease in foreign currency linked interest in LKR terms.

## Political and Regulatory Landscape

Developments during the year	Impact/Response
<b>Political and Economic Stability</b>	
<ul style="list-style-type: none"> <li>The political and macroeconomic landscape of the country stabilised significantly compared to the previous year, creating a conducive environment for business. A Presidential election is constitutionally due between September and October 2024 while Parliamentary elections are due in CY2025.</li> </ul>	<p>The more stabilised governance landscape and predictable economic conditions has eased the Group's decision-making processes, providing the confidence needed to explore new ventures and opportunities. The Group has placed focus on actively pursuing investment opportunities, initiating strategic investments, and engaging with external stakeholders with a sense of assurance. The improved environment has also driven growth, particularly in sectors such as tourism.</p> <p>The relatively stable environment aided the Group in securing major investments, such as its partnership with Melco Resorts and Entertainment to operate the casino at 'City of Dreams Sri Lanka' (previously referred to as the 'Cinnamon Life Integrated Resort') and helped in exploring new ventures with strategic partners, such as the partnership with BYD Auto Industry Company Limited, the world's leading manufacturer of new energy vehicles (NEVs), Reliance Consumer Products Limited (RCPL), to manufacture, market, distribute, and sell 'Elephant House' beverages in India, and Millennium Imports Limited, to launch 'Elephant House' sausages in the Australian market.</p>
<b>Geopolitical Conflicts</b>	
<ul style="list-style-type: none"> <li>The Israel-Palestine conflict emerged as the predominant geopolitical concern of the year, causing widespread socio-economic disruptions worldwide. This also contributed to disruptions to global shipping, especially in the Red Sea, amplifying the conflict's impact on international trade and stability.</li> </ul>	<p>The rerouting of ships has resulted in an increase in shipping and logistics cost and delivery times, particularly towards the latter end of the year, which impacted businesses that import raw materials and goods, and export-oriented businesses. However, this created various opportunities which benefited the Transportation industry group given increased shipping traffic in the region.</p>
<b>Tax Regime</b>	
<ul style="list-style-type: none"> <li>The value added tax (VAT) rate was increased from 15% to 18%, with effect from 1 January 2024, together with a withdrawal of a multitude of VAT exemptions. Only select essential categories of goods and services continue to be exempt from VAT.</li> </ul>	<p>The increase in VAT and the elimination of VAT exemptions resulted in an increase in prices of non-discretionary items. This contributed to an erosion of purchasing power, adversely affecting the Group's consumer-facing businesses.</p>
<b>New Laws Enacted</b>	
<ul style="list-style-type: none"> <li>The Central Bank of Sri Lanka Act No.16 of 2023 (CBA) was enacted in September 2023, in furtherance of the CBSL's mandate of achieving and maintaining domestic price and financial stability.</li> <li>Most capital flow management and exchange restrictions introduced during the foreign exchange crisis from mid-2022 onwards, were gradually relaxed.</li> <li>Import restrictions were gradually eased out, apart from restrictions on vehicle imports.</li> <li>A new Electricity Bill was gazetted in April 2024, which paved way for the liberalisation and distribution of power.</li> <li>The Anti-Corruption Act No.9 of 2023 was implemented during the year under review. This act aims to enhance transparency in governance and public confidence.</li> <li>The Casino Business Licensing Regulation No. 1 of 2022, which formalise the process of issuing licences and monitoring casino operations in Sri Lanka, was further expanded to provide more clarity on the regulations alongside an expansion in scope which provided the much-required framework for international players to enter the domestic gaming market.</li> </ul>	<p>The recent enactment of new laws has brought about significant changes to the regulatory framework, impacting businesses within the Group. These laws aim to enhance transparency, accountability, stability and sustainability.</p> <p>While these changes may present initial challenges in adaptation, they also offer opportunities for businesses to strengthen their operational resilience, mitigate risks, and align with evolving societal expectations. For select businesses, these also aid in identifying potential business opportunities.</p> <p>The implementation of these new laws underscores the importance of proactive engagement with regulatory authorities and continuous monitoring of compliance obligations. Group businesses proactively work towards compliance, in order to ensure adherence with all applicable laws and regulations. Such enactments, if done following rigorous analysis and stakeholder engagements, aid businesses emerge stronger, more agile, and better positioned to thrive in an increasingly complex global marketplace.</p>
<b>Privatisation of State Owned Enterprises (SOEs) and related reforms</b>	
<ul style="list-style-type: none"> <li>The Government called for requests for qualifications (RFQ) from potential investors for the divestiture of selected SOEs. The Government envisages to conclude all SOE transactions within CY2024.</li> </ul>	<p>The Group will pursue opportunities which align with the overall strategy of the Group and its industry verticals.</p>

# OPERATING ENVIRONMENT

## Environmental and Social Aspects

### Behaviour

### Impact/Response

#### Increased Focus on Environment, Social and Governance (ESG) Aspects

- The International Sustainability Standards Board (ISSB) made notable headway on finalising global frameworks for ESG and climate reporting, with the aim of standardising ESG reporting.
- Governments worldwide implemented stricter ESG regulations, such as the Corporate Sustainability Reporting Directive (CSRD) issued by the European Union (EU). This forces a deeper focus on ESG practices.
- While overall demand for ESG investments dipped, there was a growing emphasis on transparency and impact investing, focusing on measurable positive social and environmental outcomes. As per the Association of Investment Companies' annual ESG Attitudes Tracker, just over half (53%) of investors considered ESG factors in CY2023, down from 60% and 65% in CY2022 and CY2021, respectively.

In 2022/23, as a part of the Group's ongoing efforts towards increasing emphasis on 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. During the year under review, an in-depth study was conducted within each industry group to identify material ESG topics through a formalised and more refined process. Similar to previous materiality assessments, benchmarking studies as well as stakeholder engagement sessions were held across sectors to gather insights.. A series of ambition-setting workshops were convened to define both Group-level and sector-specific ESG ambitions, to ensure alignment between the overarching Group goals and the specific objectives of each sector.

#### Non-Discrimination and Equal Opportunity

- Growing awareness on gender equality and LGBTIQ+ rights is transforming workplaces globally, promoting inclusivity and creating an atmosphere of acceptance and respect for all stakeholders.
- Regulatory pressure and investor demands were evident requiring companies to prioritise diversity on boards of directors, including gender, race, and ethnicity, such as the requirements of the newly enacted amendments to Listing Rules of the Colombo Stock Exchange.

The Group remained steadfast in its commitment to DE&I initiatives, actively championing inclusivity and diversity across its workforce and value chains, under the ONE JKH brand. A multitude of activities were implemented both at a Group level and by individual businesses.

#### Poverty Levels

- The World Bank estimates that poverty rates continued to rise for the fourth year in a row, with an estimated 25.9% of Sri Lankans living below the poverty line in CY2023.
- A survey by LirneAsia, a regional policy research organisation, notes that Sri Lanka's poor population surged to 31% in CY2023, an increase of 4 million people since CY2019.
- A joint assessment conducted by the Food and Agriculture Organisation (FAO) and the World Food Programme (WFP) in May 2023 indicated that 3.9 million people in Sri Lanka were experiencing moderate food insecurity, while over 10,000 households faced even more severe conditions. The assessment estimated that more than 2.9 million children require urgent support in accessing essential services like nutrition, healthcare, education, water and sanitation, protection, and social safety nets.

In addition to the various initiatives rolled-out to aid Group employees, business partners and suppliers, the corporate social responsibility (CSR) arm of the Group implemented various interventions, planned and reviewed in the context of national priorities, towards addressing key universal development needs, focusing on the three dimensions of sustainable development - economic growth, social inclusion and environmental protection.

Some key initiatives of the Group included:

- The school meal programme which continued to support children, enhancing their nutrition, attendance, and learning engagement.
- Food redistribution and farmer food waste reduction projects of the Supermarket business.
- The 'John Keells Praja Shakthi' programme aimed at skills development, capacity enhancement and creating sustainable livelihoods and income, amongst others.
- Scholarship programmes to provide students better education and career prospects.

## Technological Environment

### Behaviour

### Impact/Response

#### Growing Use of Big Data and Increased Technology Adoption

- The global big data market reached ~USD 308 billion in CY2023 as per DemandSage, showcasing significant growth compared to previous years. The abundance of data, particularly from technologies such as social media and artificial intelligence (AI), has elevated the significance of big data analytics. Big data analytics is instrumental in enhancing decision-making processes and delivering personalised customer experiences.

Octave, the Data and Advanced Analytics Centre of Excellence of the Group, in liaison with Group businesses continued to develop and roll-out use cases to capitalise on data analytics.

Increased adoption of automation solutions and digitisation initiatives.

#### Cyber Risks, Data Protection and Internal Controls

- CY2023 witnessed a 72% increase in data breaches since CY2021, which held the previous all-time record for the most number of cybersecurity concerns. As per an article published on Forbes, this amounted to 2,365 cyber attacks in CY2023 with 343 million victims. The average cost of a data breach is estimated at ~USD 4.45 million.

The Group continued to monitor the effectiveness of its information technology (IT) governance system in place to address any risks and capitalise on any opportunities. The Group engaged with a leading international consultancy firm to conduct a comprehensive assessment of the Group's cybersecurity resilience, by aligning with industry best practice and recommended technological principles.

The Group also established the Data Governance Steering Committee, which aims to strengthen data governance practices in compliance with relevant laws, notably the Personal Data Protection Act No. 9 of 2022. Initiatives included benchmarking, data lifecycle management, appointment of data protection officers for each industry group, gap analysis and awareness creation.

An 'Endpoint Detection and Response (EDR)' was implemented alongside the Group-wide roll-out of the SMART Office mobile application in order to improve the Group's cybersecurity and digitisation efforts.

#### Statistics based on cyber security

##### Incidents reported to SL CERT/CC

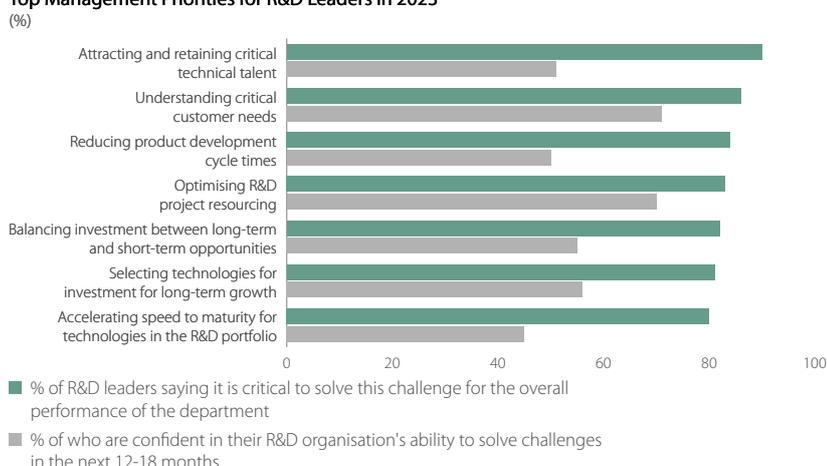
<b>20,033</b>	<b>31</b>	<b>9</b>	<b>10</b>	<b>44</b>
Social Media Incidents	Ransomware	Phone Hacking	Malicious Software Issues	DoS/DDoS*
<b>58</b>	<b>10</b>	<b>20</b>	<b>37</b>	<b>98</b>
Financial /Email Frauds	Server Compromised	Phishing	Website Compromise	Scams

\*Denial-of-service/ Distributed denial-of-service  
Source: National Centre for Cyber Security

- A recent study by Sprinto estimates that ~68% of occupational fraud stemmed from issues associated with internal control deficiencies. These issues encompassed a variety of factors, including inadequate internal controls, instances of bypassing established controls, or inadequate oversight from senior management.

#### Research and Development (R&D)

##### Top Management Priorities for R&D Leaders in 2023



Source: Gartner

The Group's R&D arm, John Keells Research, actively pursued the discovery of innovative and efficient business solutions.

Octave and the businesses across the Group are exploring the impacts and opportunities of AI in its business strategies to enhance productivity, and more importantly, improve customer centricity and competitiveness.

The current trend in R&D is leaning towards prioritising the development of sustainable materials and cleaner technologies, while also embracing the incorporation of AI and robotics into various business operations.

# OUR BUSINESS MODEL

Here, we look at how our Business Model shapes and directs our widely diversified operations and activities, taking us steadily forward on our journey in Life.

This includes the six capitals that provide inputs - the relationships and resources we employ to create and deliver our Group strategy. We also describe our Risk Management Framework and policies, our progress in terms of ESG targets and our commitments to the UN Sustainable Development Goals, together with an evaluation of the economic, social and environmental impacts of our value creation activities.



INPUTS	VALUE CREATION ACTIVITIES
<ul style="list-style-type: none"> <li>Shareholder funds: Rs.358 billion</li> <li>Net Debt: Rs.127 billion</li> <li>Land bank</li> <li>Machinery, plant and equipment</li> </ul>	<ul style="list-style-type: none"> <li>Effective and responsible investments of shareholder funds</li> <li>Business development activities</li> <li>Cost reduction initiatives</li> </ul>
<ul style="list-style-type: none"> <li>Energy</li> <li>Water</li> <li>Waste</li> <li>Biodiversity</li> <li>Extended Product Responsibility</li> <li>Other natural resources</li> </ul>	<ul style="list-style-type: none"> <li>Development of ambitions and goals</li> <li>Identification and implementation of continuous improvement initiatives and strategic initiatives to manage impacts of operations.</li> <li>Quarterly monitoring and reporting of environmental parameters</li> <li>Implementation of strategic initiatives</li> </ul>
<ul style="list-style-type: none"> <li>Total Employees: 15,314</li> <li>Employee diversity, equity, and inclusion (DE&amp;I)</li> <li>Skills and competencies</li> <li>Health and safety initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Leveraging on employee skills and expertise for business growth</li> <li>Training and development of employee cadre</li> <li>Performance management and appraisals</li> <li>Employee survey initiatives</li> <li>Structured career development programmes</li> </ul>
<ul style="list-style-type: none"> <li>Dedicated corporate social responsibility (CSR) team</li> <li>Strategic and sustainable community development</li> <li>Affiliations with industry and other governing bodies</li> <li>Staff volunteerism</li> <li>Investor relations and stakeholder management</li> <li>Health and safety initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Investment in community and livelihood development</li> <li>Regular dialogue with investors, analysts and other stakeholders</li> <li>Social impact assessments</li> <li>Identification of key stakeholders and material aspects in relation to them</li> <li>Awareness creation and engagement of suppliers</li> <li>Social needs assessment based on Sustainable Development Goals (SDGs)/ UN Global Compact/national agenda</li> </ul>
<ul style="list-style-type: none"> <li>Brand equity and stewardship</li> <li>Research and development</li> <li>Technological expertise</li> <li>Digital infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Development of intangible infrastructure, processes and procedures to improve efficiency</li> <li>New product development</li> <li>Innovation</li> </ul>

**VISION:** Building businesses that are leaders in the region

**VALUES:** Caring | Excellence | Trust | Innovation | Integrity

**STRATEGIC INITIATIVES**

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- Driving growth and value that is consistent, competitive, profitable and responsible
- Flexible cost structures to ensure optimisation of costs and thereby driving efficiencies and profit maximisation
- Increasing brand equity through a comprehensive understanding of its target market, value proposition, and internal alignment to the brand promise and vision
- Recruiting, developing and retaining a talented pool of employees
- Re-engineering, process improvement, enterprise risk management and quality management
- Minimising environmental impacts through impact analysis and stakeholder engagement
- Advancing a culture of equitable inclusion amongst the workforce and value chain and ensuring that the dignity and diversity of all employees and value chain partners
- 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'



**PROCESSES AND FRAMEWORKS**

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JKH Code of Conduct	Corporate Governance Framework	Group Policies
Integrated Risk Management Framework	Information Technology Governance	Human Resource Governance
Tax Governance	Sustainability Governance	Stakeholder Management and Effective Communication
Resource Allocation and Portfolio Management	Corporate Social Responsibility	Strategy Formulation and Decision-Making



# OUR BUSINESS MODEL

	OUTPUT	OUTCOME	Stakeholder returns and engagement
 <p><b>FINANCIAL AND MANUFACTURED CAPITAL</b></p>	<ul style="list-style-type: none"> <li>Shareholder returns and dividends</li> <li>Payments to other stakeholders</li> <li>Share price appreciation</li> </ul>	<p><b>Rs.45 billion</b> EBITDA</p> <p><b>Rs.28 billion</b> Capital expenditure</p> <p><b>Rs.12 billion</b> Profit after tax</p>	<ul style="list-style-type: none"> <li>Financial stability</li> <li>Financial growth</li> <li>Creation of wealth</li> </ul> <p> Page 256</p> <p> Customers</p> <p> Employees</p>
 <p><b>NATURAL CAPITAL</b></p>	<ul style="list-style-type: none"> <li>Disposal of all effluent and waste efficiently</li> <li>Reduction of carbon footprint</li> <li>Reduced resource consumption through better monitoring</li> </ul>	<p><b>0.42 MT</b> Carbon footprint (per Rs.million of revenue)</p> <p><b>56%</b> Non-hazardous waste reused/ recycled</p> <p><b>964,266 GJ</b> Energy used</p>	<ul style="list-style-type: none"> <li>Sustainable natural resource utilisation</li> <li>Bio-diversity preservation</li> </ul> <p> Community</p> <p> Institutional investors, fund managers, analysts, multilateral lenders</p>
 <p><b>HUMAN CAPITAL</b></p>	<ul style="list-style-type: none"> <li>Staff motivation</li> <li>Talented and efficient workforce</li> <li>Job satisfaction</li> <li>Career progression</li> <li>Safe and equitable environment</li> </ul>	<p><b>99%</b> Employee retention rate</p> <p><b>254</b> Injuries</p> <p><b>92 hours</b> Average hours of training per employee</p> <p><b>67:33</b> Male:Female staff ratio</p>	<ul style="list-style-type: none"> <li>Alignment of workforce with Group vision</li> <li>Profitable businesses through improved productivity and efficiency</li> </ul> <p> Government, Government institutions and departments</p>
 <p><b>SOCIAL AND RELATIONSHIP CAPITAL</b></p>	<ul style="list-style-type: none"> <li>Community skills development</li> <li>Well informed and sound investment decisions</li> <li>Better supplier/distributor and stakeholder relations</li> </ul>	<p><b>1,952,511</b> Persons impacted by community engagements</p> <p><b>Rs.187 million</b> Spend on CSR</p> <p><b>86%</b> Purchases from local suppliers</p>	<ul style="list-style-type: none"> <li>Brand visibility and reputation</li> <li>Strengthened supply chain</li> <li>Adherence to UN SDGs</li> </ul> <p> Legal and regulatory bodies</p> <p> Business partners, principals, suppliers</p>
 <p><b>INTELLECTUAL CAPITAL</b></p>	<ul style="list-style-type: none"> <li>Patents</li> <li>Copyrights</li> </ul>	<p><b>Rs.6.3 billion</b> Intangible assets</p> <ul style="list-style-type: none"> <li>Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) 2023</li> <li>LMD's Most Respected Entity</li> <li>LMD Top 100 Entities</li> <li>Best Investor Relations at the Capital Market Awards 2023</li> </ul> <p>Awards and Accolades</p>	<ul style="list-style-type: none"> <li>Evolving businesses to suit the ever changing, dynamic consumer</li> <li>An entity better prepared to face disruptive business models</li> </ul> <p> Society, media, pressure groups, NGOs, environmental groups</p> <p> Industry peers and competition</p>



# FINANCIAL CAPITAL REVIEW

The Group recorded an encouraging performance during the year, aided by the country's stabilised macroeconomic and socio-political landscape compared to the previous year. The growth momentum gathered pace towards the latter part of the year, with the Group recording a strong performance in the third and fourth quarters of 2023/24.

The improved operating environment and gradual improvement of consumer confidence enabled the Group to have a more positive outlook towards its investment and capital expenditure pipeline considering the significantly lower volatility and more certain macroeconomic outlook.

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 Page 51
	Financial Position Page 58
	Leverage and Capital Structure Page 59
	Cash and Liquidity Management Page 62

For a discussion on each of the industry groups, please refer the Industry Group Review section of this Report.

## FINANCIAL PERFORMANCE

### Revenue

Group revenue recorded a marginal increase of 1% to Rs.280.77 billion during the year under review [2022/23: Rs.276.64 billion]. Despite the strong double-digit revenue growth recorded by most businesses, overall Group revenue growth was muted primarily due to the decline in revenue of the Transportation industry group on account of the Bunkering business. The Bunkering business recorded a decline in revenue in the current year solely due to the sharp reduction in global fuel oil prices as compared to the previous year. Additionally, the US Dollar denominated revenue streams of the Group, including revenue of the Bunkering business, were adversely impacted, on translation, by the appreciation of the Sri Lankan Rupee by ~11% on average, in comparison to the comparative period. Revenue increases across most other businesses aided the Group in cushioning the revenue decline of the Bunkering business. Group Revenue excluding the Transportation industry group stood at Rs.229.61 billion, a 13% increase against the previous year [2022/23: Rs.202.99 billion].

The notable increases in revenue primarily stemmed from,

- + The Retail industry group, mainly from the Supermarket business, due to a double-digit growth in same store sales driven by higher footfall and additional revenue from four new outlets. The notable traction for mobile phones also aided growth in revenue of the Office Automation business.
- + The Leisure industry group, driven by strong growth in the Group's Leisure properties in Sri Lanka and an uptick in the Destination Management sector as a result of higher tourist arrivals. All Sri Lankan hotel properties of the Group recorded encouraging growth in room rates and occupancy.
- + The Insurance business owing to the increase in new business premiums and renewal premiums.

Revenue emanating from domestic sources was Rs.196.90 billion [2022/23: Rs.183.95 billion].

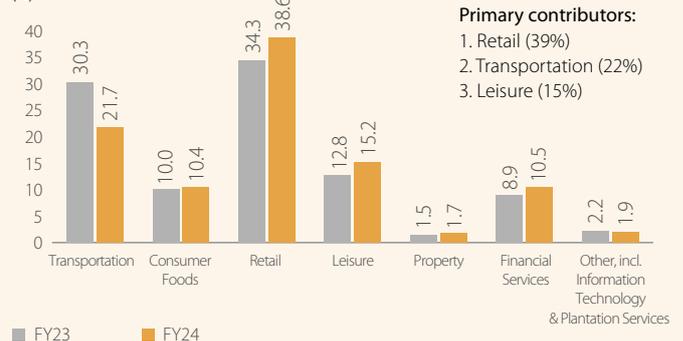
Group revenue, inclusive of equity accounted investees, increased by 2% to Rs.317.11 billion [2022/23: Rs.311.48 billion]. Revenue from equity accounted investees at Rs.36.34 billion, was an increase of 4% against the Rs.34.84 billion recorded in 2022/23. The increase stemmed primarily from Nations Trust Bank (NTB) and the 'TRI-ZEN' residential development project.

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

Revenue including Equity Accounted Investees (Rs.million)	2023/24	2022/23	%
Transportation	68,916	94,281	(27)
Consumer Foods	32,897	31,269	5
Retail	122,502	106,849	15
Leisure	48,167	39,859	21
Property	5,234	4,577	14
Financial Services	33,336	27,770	20
Other, incl. Information Technology and Plantation Services	6,057	6,874	(12)
<b>Group</b>	<b>317,109</b>	<b>311,478</b>	<b>2</b>

For a detailed analysis of performance, refer the Industry Group Review.

### Composition of Revenue (incl. Equity Accounted Investees) (%)



# FINANCIAL CAPITAL REVIEW

## Earnings Before Interest Expense, Tax, Depreciation and Amortisation

Group Earnings Before Interest Expense, Tax, Depreciation and Amortisation (EBITDA) increased by 1% to Rs.45.22 billion during the year under review [2022/23: Rs.44.56 billion]. Although the Financial Services, Consumer Foods and Leisure industry groups recorded growth in EBITDA, the increase was partly offset by a decline in the rest of the industry groups. The overall trend in EBITDA mirrored that of the growth and consumer sentiment in the overall economy, with a notable recovery in EBITDA across the quarters; growth in Q1, Q2, Q3 and Q4 stood at a negative 31%, a negative 13%, 32%, and 23% YoY growth, respectively.



Refer Page 54 for a discussion on the quarterly EBITDA movement.

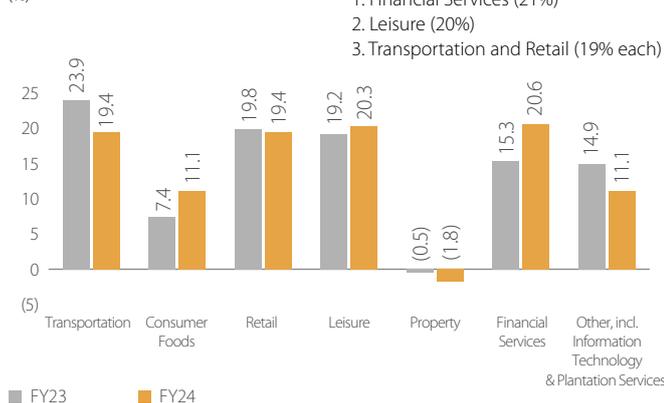
Note: EBITDA includes interest income and the share of results of equity accounted investees which is based on the share of profit after tax but excludes all impacts from foreign currency exchange gains and losses (other than of equity accounted investees), to demonstrate the underlying cash operational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

Group EBITDA Reconciliation (Rs.million)	2023/24	2022/23	%
Group revenue excl. equity accounted investees	280,773	276,640	1
(-) Cost of sales	(226,491)	(227,534)	0
(+) Other operating income	4,510	3,261	38
(-) Selling and distribution expenses	(10,063)	(8,266)	22
(-) Administration expenses	(25,172)	(21,584)	17
(-) Other operating expenses	(8,188)	(9,826)	(17)
(+) Finance income	22,568	26,900	(16)
(+/-) Change in insurance contract liabilities	(10,833)	(7,650)	42
(+/-) Change in fair value of investment property	450	879	(49)
(+) Share of results of equity accounted investees	10,129	7,574	34
(+) Depreciation and amortisation	11,466	11,284	2
(-) Exchange gain*	(3,374)	(6,630)	(49)
	45,774	45,046	2
(-) Adjustments relating to policyholders at UA**	(557)	(488)	14
<b>Group EBITDA</b>	<b>45,217</b>	<b>44,558</b>	<b>1</b>

\*To the extent captured under other operating income/expense and finance income.

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

### Composition of EBITDA (%)



As Group EBITDA includes one-off impacts, the ensuing section discusses EBITDA on a recurring basis, excluding such one-off impacts that skew the year-on-year comparison.

### 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):

Fair value impacts on IP were recorded at a gain of Rs.450 million in 2023/24 [2022/23: gain of Rs.879 million], primarily due to gains in:

- Property - Rs.233 million
- Leisure - Rs.98 million
- Other, including Information Technology and Plantation Services - Rs.97 million

Since the assets at the Property industry group are held as a part of the Group's land banking strategy and aimed at monetising such assets in the medium-term, IP gains are reflective of the core operations of the Property industry group. Hence, for the recurring performance analysis, only IP gains pertaining to industry groups other than Property have been adjusted at a Group level.

On this basis, fair value gains, other than Property, stood at Rs.218 million [2022/23: Rs.353 million].

#### Other one-offs/adjustments specific for 2023/24:

**Note 2** - South Asia Gateway Terminals (SAGT) revisited the basis of its deferred tax computation, and, accordingly, recognised a deferred tax credit amounting to Rs.1.20 billion.

**Note 3** - Deferred tax assets from tax losses and capital allowances brought forward in previous years, which cannot be recouped within the stipulated regulatory timelines, mainly due to the prolonged and numerous disruptions over the last few years, were written off at some of the Group's Maldivian and Sri Lankan Resorts.

#### Other one-offs/adjustments specific for 2022/23:

**Note 4** - The following one-off impacts from performance related initiatives were excluded:

- 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 the previous four years of disruption, and the resultant performance impact to businesses.
- The Group identified a roadmap 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 was 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 envisaged to be passed down to the related businesses, were written off, as a prudential measure.

**Note 5** – Further to the impairment loss recognised in 2021/22 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 past few 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 (WBTL) was recorded during 2022/23.

**Note 6** – Due to the significant revision of corporate income tax rates in 2022/23, as per the Inland Revenue Act No. 45 of 2022, the Group revisited the cumulative deferred tax provisions 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 provisions 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 for deferred tax provisions of equity accounted investees. This is applicable for adjustments detailed under both Note 2 and Note 6.

#### Adjustments (as already captured in reported results) (Rs.million)

##### Routine adjustments:

		Group	
		2023/24	2022/23
Impact of fair value gains/(losses) on investment property (IP) excl. the Property industry group	Note 1	218	353

##### Adjustments stemming from 2023/24:

Deferred tax (DT) credit at SAGT from a change in the computation base	Note 2	1,203	N/A
One-off DT write-off in select Leisure businesses	Note 3	(408)	N/A

##### Adjustments stemming from 2022/23:

One-off impacts from performance related initiatives*	Note 4	N/A	(56)
Provision for impairment of WBTL's shares in SAF	Note 5	N/A	(422)
DT impact from a change in tax rates	Note 6	N/A	(1,057)

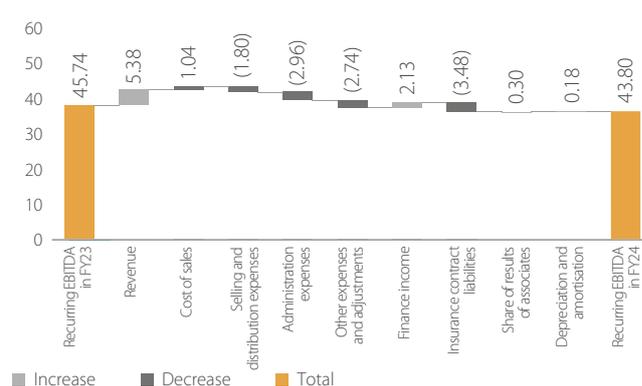
\*The impact on the Holding Company amounted to Rs.533 million and is the only recurring adjustment that will be applied to reflect the recurring performance of the Holding Company.

## 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 stood at Rs.43.80 billion, a 4% decline against the Rs.45.74 billion recorded in 2022/23. As evident from the graph below, the marginal growth in revenue and finance income was offset by higher operating costs.

### Recurring EBITDA (Rs.billion)



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

Recurring EBITDA (Rs.million)	2023/24	2022/23	%
Transportation	7,570	11,963	(37)
Consumer Foods	4,993	3,184	57
Retail	8,762	8,779	0
Leisure	9,059	8,604	5
Property	(822)	(265)	(210)
Financial Services	9,296	6,451	44
Other, incl. Information Technology and Plantation Services	4,938	7,024	(30)
<b>Group</b>	<b>43,796</b>	<b>45,740</b>	<b>(4)</b>

Key impacts to EBITDA stemming from the respective industry groups are as follows:

- Transportation industry group – decrease in EBITDA in line with the decline in revenue, particularly owing to the appreciation of the Rupee given its predominant foreign currency denominated business portfolio, while the EBITDA margin remained the same as the previous year.
- Other, including Information Technology and Plantation Services industry group – decrease in foreign currency-linked interest income in LKR terms primarily due to the translation impact stemming from the appreciation of the LKR, which was partially offset by higher foreign currency interest income.
- Property industry group – the Group recognised an asset write-off, under other operating expenses, amounting to Rs.639 million on account of the closure of the 'K-Zone Ja-Ela' mall which is the site where the new residential development will be undertaken, therefore resulting in the existing assets becoming redundant.

# FINANCIAL CAPITAL REVIEW

+ Financial Services – fuelled by robust performance in both the Insurance business, which saw double-digit growth in gross written premiums and net interest income, and the Banking business, which experienced strong growth in net interest income alongside benefits from various cost optimisation measures.

+ Consumer Foods – driven by higher volumes and the decline in input costs which contributed to notable margin improvements in the Beverages and Frozen Confectionery businesses.

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

## Recurring EBITDA Margins

Recurring EBITDA Margins (%)	2023/24	2022/23
Transportation	11.0	12.7
Consumer Foods	15.2	10.2
Retail	7.2	8.2
Leisure	18.8	21.6
Property	(15.7)	(5.8)
Financial Services	27.9	23.2
Other, incl. Information Technology and Plantation Services	81.5	102.2
<b>Group</b>	<b>13.8</b>	<b>14.7</b>

## Industry group-wise quarterly performance

As evident from the table below, the Group's performance across the quarters illustrates the recovery momentum during the year under review. Profitability gathered pace from quarter to quarter in line with overall economic activity.

- Q1: Sri Lanka continued to witness normal day-to-day activities with all key macroeconomic indicators showing sustained improvement, with inflation and interest rates recording a decline and the Rupee appreciating on the back of improved foreign exchange inflows and confidence. Most of the Group's businesses, particularly in Transportation and Leisure, had a negative impact on the financial performance due to the translation impact on account of the appreciation of the Rupee by ~11% on average over the comparative period, which impacted the overall EBITDA of the Group in Q1. Strong growth in the Financial Services industry group helped cushion this impact.
- Q2: Group businesses, except for Transportation and Property, recorded growth in profitability. The operating environment in the country continued its gradual normalisation supported by sustained improvement in the country's key macroeconomic indicators, and enhanced confidence levels. Similar to Q1, performance of the Transportation industry group was impacted by the strong domestic currency in comparison to the comparative period.
- Q3: The Group recorded a strong performance in Q3 with all businesses, other than the Transportation industry group, recording strong growth in recurring profits, on the back of a more stabilised operating environment and improvement in consumer sentiment. The Transportation industry group continued to be affected by the stronger Rupee.
- Q4: The notable increase in tourist arrivals and the overall macroeconomic stability of the country, aided Group businesses, especially the Leisure industry group. Both the Beverages and Frozen Confectionery businesses also recorded strong volume growth and improved profitability as a result of a higher absorption of fixed costs. The Transportation industry group was able to leverage on the various opportunities that arose from increased shipping traffic in the region stemming from the rerouting of ships due to the Red Sea crisis.

2023/24	Rs.million				YoY %			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Group Revenue</b>								
Transportation	11,373	8,871	12,584	18,337	(53)	(56)	(18)	30
Consumer Foods	7,967	8,082	6,931	9,917	4	(4)	(5)	26
Retail	29,996	30,079	32,569	29,858	17	16	16	9
Leisure	8,653	10,708	12,809	15,715	0	33	20	27
Property	356	332	449	466	(40)	(52)	12	7
Financial Services	4,086	4,544	5,436	4,599	22	14	12	15
Other, including Information Technology and Plantation Services	1,348	1,498	1,482	1,729	(20)	(19)	(11)	3
<b>Group</b>	<b>63,778</b>	<b>64,114</b>	<b>72,260</b>	<b>80,621</b>	<b>(11)</b>	<b>(7)</b>	<b>6</b>	<b>19</b>
<b>Group Recurring EBITDA</b>								
Transportation	1,615	1,700	1,928	2,328	(65)	(44)	(32)	51
Consumer Foods	720	1,237	897	2,140	(42)	23	123	297
Retail	1,987	1,983	2,390	2,402	(14)	1	3	10
Leisure	284	1,065	2,560	5,150	(85)	6	35	34
Property	187	(435)	60	(634)	234	(56)	119	(236)
Financial Services	1,693	1,702	4,040	1,861	93	54	57	(2)
Other, including Information Technology and Plantation Services	1,937	810	1,466	725	(26)	(44)	(16)	(40)
<b>Group</b>	<b>8,422</b>	<b>8,061</b>	<b>13,342</b>	<b>13,971</b>	<b>(37)</b>	<b>(13)</b>	<b>16</b>	<b>20</b>

## Depreciation and Amortisation

The depreciation and amortisation expense for the year stood at Rs.11.46 billion, an increase of 2% against the depreciation for 2022/23 at Rs.11.28 billion. It is noted that the depreciation and amortisation expense also includes the amortisation of lease liabilities as per SLFRS 16 - Leases.

The key impacts to the depreciation and amortisation expenses were as follows:

- the translation impact on the amortisation of leases across the Maldivian Resorts, given its US Dollar denomination, contributed to the decline in the depreciation and amortisation charge.
- + 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 four outlets to the extended store format, and capitalisation costs pertaining to the advanced data analytics transformation programme.
- + the Consumer Foods industry stemming from higher investments in furniture, fixtures and equipment during the year and capitalisation of advanced analytics costs on the Frozen Confectionery business.

## Finance Income

Group finance income stood at Rs.22.57 billion during the year under review, a decrease of 16% [2022/23: Rs.26.90 billion], the composition of which is given in the table below.

Finance Income (Rs.million)	2023/24	2022/23
Interest income from life insurance policy holder funds at Union Assurance PLC (UA)	11,085	8,474
Interest income of Group excluding UA	6,942	8,385
Other finance income	4,541	10,041
<b>Total</b>	<b>22,568</b>	<b>26,900</b>

- Interest income associated with the life insurance policy holder funds at UA of Rs.11.09 billion [2022/23: Rs.8.47 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. This figure increased on account of higher yields on its fixed income portfolio together with the increase in the size of the life fund.
- The interest income of the Group, excluding UA, decreased to Rs.6.94 billion [2022/23: Rs.8.39 billion], primarily stemming from the Holding Company. The decrease in interest income was driven by lower interest rates locally, the translation impact on the foreign currency denominated interest income due to the appreciation of the Rupee, as well as a decline in cash and cash equivalents at the Holding Company on account of the planned utilisation, including for equity infusions. It should be noted that the 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 under finance expenses.

- The decrease in other finance income to Rs.4.51 billion is primarily attributable to the comparative period 2022/23 comprising of an exchange gain amounting to Rs.9.46 billion, whilst 2023/24 comprised of an exchange loss of Rs.369 million on account of the appreciation of the domestic currency and the lower base of the Holding Company's net foreign currency denominated cash holdings during the current year as compared to the higher base in the previous year. As outlined, the foreign currency cash holdings include the funds earmarked for the equity infusions of the 'City of Dreams Sri Lanka' project (previously referred to as 'Cinnamon Life Integrated Resort') and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC long-term loan facility.
- The impact was partially offset from exchange impacts at Waterfront Properties (Private) Limited (WPL). The functional reporting currency of WPL, the project company of 'City of Dreams Sri Lanka', was transitioned from USD to LKR, given the impending commencement of operations of the project in the current year. The appreciation of the LKR against the USD, subsequent to this transition, resulted in a non-cash exchange gain of Rs.3.00 billion on the USD 219 million term loan facility at WPL and was captured under Finance Income. This impact on the Income Statement purely arises from the transition of the functional currency to Rupees, as this was previously captured under Statement of Changes in Equity.

Although Finance Income may include exchange impacts, for the purposes of computing EBITDA, this has been eliminated.

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

## Finance Expense

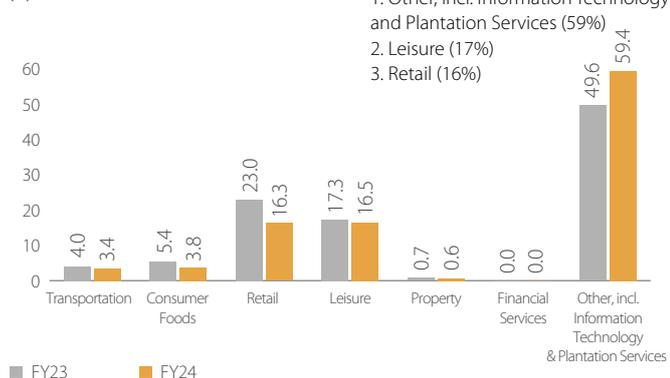
The finance expense, which includes interest expense of the Group, increased by 10% to Rs.19.67 billion, compared to the Rs.17.80 billion recorded in 2022/23. Finance expenses recorded an increase despite a decrease in the total debt levels of the Group, as detailed further in the ensuing section, and the declining trend of local interest rates.

The key impacts to finance expenses stemmed from:

- + Holding Company – on account of (1) notional non-cash interest of Rs.3.02 billion [2022/23: Rs.1.83 billion] charged in line with market rates on the convertible debentures issued during the year, in line with the accounting treatment, on account of the significant difference between the market rate and the 3% coupon rate and (2) an increase in Rupee borrowing costs due to an increase in Rupee debt in line with the planned funding strategy of the Group at this juncture. To this end, total debt (including lease liabilities) increased by Rs.5.14 billion to Rs.95.25 billion.
- + Maldivian Resorts segment – stemming from (1) higher working capital requirements resulting in an increase in borrowings and (2) higher USD interest rates given the hawkish monetary policy stance of the US Federal Reserve.
- Supermarket business – decrease in base debt as the business strategically rebalanced its portfolio of borrowings in light of the enhanced generation of cash in its business and the low interest rate environment.
- Office Automation business – in lieu of (1) a notable reduction in its borrowing base and (2) declining interest rate trends during the year.

# FINANCIAL CAPITAL REVIEW

## Composition of Finance Expense (%)

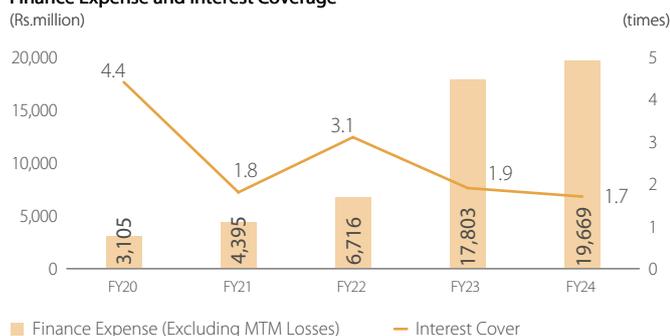


### Primary contributors:

1. Other, incl. Information Technology and Plantation Services (59%)
2. Leisure (17%)
3. Retail (16%)

The interest cover of the Group, excluding unrealised losses on UA's equity portfolio, stood at 1.7 times in comparison to 1.9 times in 2022/23. The movement in the interest coverage stems primarily from the 10% increase in finance expense compared to only a 2% increase in EBIT, as outlined in the previous section.

## Finance Expense and Interest Coverage



## Profit Before Tax

The Group profit before taxation (PBT) stood at Rs.18.01 billion for the year under review, a 20% decrease against the previous year [2022/23: Rs.22.59 billion].

The recurring Group PBT stood at Rs.16.59 billion for the year under review, a 30% decrease against the previous year [2022/23: Rs.23.77 billion]. In addition to the recurring adjustments, the exchange impact also has a significant bearing on Group PBT, especially at the Holding Company. Group PBT excluding the impact of exchange gains/losses stood at Rs.14.64 billion [2022/23: Rs.15.96 billion], due to the reasons discussed before.

## Taxation

The Group tax expense increased by 59% to Rs.5.89 billion during the year under review [2022/23: Rs.3.69 billion]. The Group tax expense primarily comprises of a current tax charge of Rs.4.65 billion [2022/23: Rs.4.61 billion] and a deferred tax charge of Rs.1.23 billion [2022/23: reversal of Rs.921 million].

Noteworthy impacts on the Group tax expense:

- Current Year 2023/24
  - The Holding Company recorded a current tax charge of Rs.6.30 million as opposed to Rs.2.06 billion recorded in the previous year. The notable decline in the tax charge stems from the business recording a net exchange loss, whilst 2022/23 entailed an exchange gain of Rs.9.46 billion. Additionally, dividends received

during the year was post the deduction of withholding tax at source at 14%. Hence, this is not reflected in the current tax charge. In contrast, the tax on dividends received during the first three quarters of 2022/23 was paid by the Company and is captured in the tax charge for 2022/23.

- Deferred tax assets from tax losses and capital allowances brought forward in previous years, which cannot be recouped within the stipulated regulatory timelines, mainly due to the prolonged and numerous disruptions over the last few years, were written off at some of the Group's Maldivian and Sri Lankan Resorts. As discussed under Recurring adjustments, this amounted to Rs.408 million.
- As noted previously, the Group recognised an asset write-off, under other operating expenses, on account of the closure of the 'K-Zone Ja-Ela' mall which is the site where the new residential development will be undertaken, therefore resulting in the existing assets becoming redundant. Resultantly, the Group recognised a deferred tax reversal amounting to Rs.239 million.
- Comparative Year 2022/23
  - 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 allowances on its investment in the impulse ice cream factory.
  - The new Inland Revenue (Amendment) Act No. 45 of 2022 was introduced which entailed 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%	
Consumer Foods	18% applicable on the manufacturing sector	
Retail	24%	
Leisure	14% for the promotion of tourist activities	30%
Property	14% for construction services	15% on dividends
Financial Services	24% for insurance, banking and stock broking businesses	(withheld at source)
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	

- Due to the significant revision of corporate income tax rates in 2022/23 as outlined above, the Group revisited and adjusted the cumulative deferred tax provisions across its businesses.

The effective tax rate (ETR) on Group profits increased to 33%, as against 16% recorded in 2022/23, due to the distortions mentioned above.

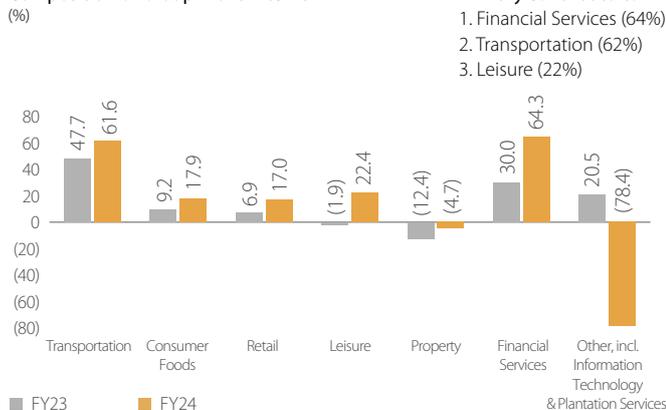
Other, including Information Technology and Plantation Services, Financial Services, Retail and Consumer Foods were the highest contributors to the Group tax expense with Rs.2.16 billion, Rs.1.50 billion, Rs.882 million and Rs.800 million, respectively.

 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.12.13 billion for the year under review, a decrease of 36% [2022/23: Rs.18.90 billion].

### Composition of Group Profit After Tax



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 46% to Rs.11.12 billion [2022/23: Rs.20.74 billion].

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

Rs.million	2023/24	2022/23	%
PAT attributable to equity holders	11,248	18,174	(38)
Non-controlling interest (NCI)	879	722	22
<b>Group PAT</b>	<b>12,128</b>	<b>18,896</b>	<b>(36)</b>

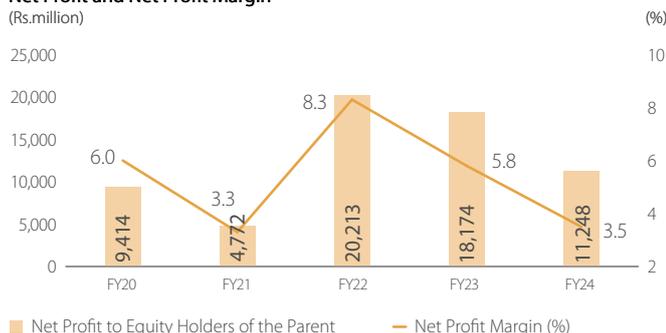
### Non-Controlling Interests (NCI)

PAT attributable to shareholders with NCI stood at Rs.879 million in 2023/24, a 22% increase primarily on account of improved performance at Ceylon Cold Stores PLC (CCS) in which the Group owns an ~81% stake, better profitability of 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.

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

PAT attributable to equity holders of the Parent decreased by 38% to Rs.11.25 billion [2022/23: Rs.18.17 billion]. The net profit margin of the Group decreased to 3.5% from 5.8% in the previous year. The recurring net profit attributable to equity holders decreased by 49% to Rs.10.21 billion [2022/23: Rs.20.03 billion], whilst the recurring net profit margin of the Group decreased to 3.2%, against 6.4% in 2022/23.

### Net Profit and Net Profit Margin



## INSIGHTS

### Impact of the Conversion of Convertible Debentures issued to HWIC Asia Fund

As detailed in the JKH Annual Report 2022/23, in August 2022, JKH issued 208,125,000 LKR denominated debentures ('Debentures'), with a face value of Rs.27.06 billion, to HWIC Asia Fund ('HWIC'), a subsidiary of Fairfax Financial Holdings Limited. The Debentures were issued at Rs.130 per Debenture and with the option for conversion to shares at a ratio of 1:1, based on the approval granted by the shareholders at the time.

In February 2024, HWIC exercised its option to convert 110,000,000 Debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares of the Company. The remaining outstanding Debentures post this conversion amount to 98,125,000 Debentures with a face value of Rs.12.76 billion. The remaining Debentures are eligible for conversion till 12 August 2025.

#### Accounting Impact:

- The liability corresponding to the Debentures converted was moved to stated capital. Accordingly, the revised liability post accounting for the conversion in February 2024 is as noted below. In the event of a conversion of the remaining Debentures in future, the liability outstanding as at the date of conversion will be transferred to equity.

Rs.million	2022/23	2023/24	2024/25	2025/26
Opening balance	-	18,380	10,201	12,028
Recognition of liability	16,550	-	-	-
Interest charge to P&L	2,239	3,833	2,230	918
Interest paid	(409)	(812)	(404)	(190)
Conversion to equity/repayment	-	(11,200)	-	(12,756)
<b>Closing balance</b>	<b>18,380</b>	<b>10,201</b>	<b>12,028</b>	<b>-</b>

- As noted in the JKH Annual Report 2022/23, at the point of issuing the Debentures, both a liability and an equity component under other capital reserves were recognised in the accounts, given that the instrument had both debt-like and equity-like features. Alongside the conversion, the portion under other capital reserves attributable to the Debentures converted was also moved to stated capital.
- Whilst the cash outlay in lieu of the interest paid on the Debentures stands at a nominal interest of 3% charged on the par value of the 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 rate will remain static throughout the tenure of the instrument, the liability will increase quarterly since the interest paid, on a cash basis, remains at 3%.
- The early conversion has reduced the notional interest impact from the levels originally envisaged; but will continue the trend of increasing marginally across successive quarters until conversion/repayment.

# FINANCIAL CAPITAL REVIEW

## Performance of the Holding Company

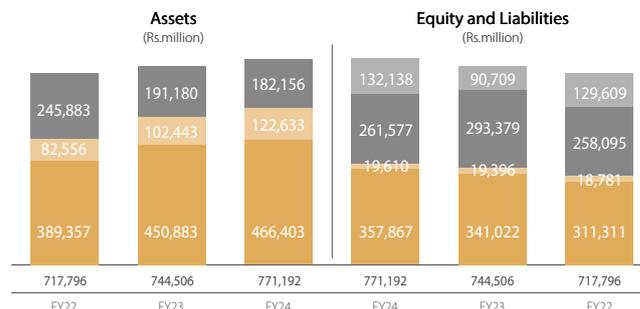
Rs.million	2023/24	2022/23	%
Revenue	2,916	2,544	15
Dividend income	11,503	10,635	8
Finance income	5,787	16,328	(65)
Finance expenses	(11,971)	(8,779)	36
Profit before tax	4,259	16,767	(75)
Recurring profit before tax*	4,259	17,300	(75)
Profit after tax	4,252	14,709	(71)
Recurring profit after tax*	4,252	15,243	(72)

\*Adjusted for the recurring impacts discussed under Page 52.

- 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 2023/24 recorded an increase primarily due to higher dividend payments from the Group's Insurance business, Union Assurance, in lieu of a significant growth in profits, strong balance sheet and a healthy capital adequacy ratio (CAR).
- Finance income, which comprises both interest income and net exchange gains on the Group's USD denominated net cash balance, recorded a decrease as a result of:
  - 2022/23 comprising of an exchange gain amounting to Rs.9.46 billion, whilst 2023/24 comprised of an exchange loss of Rs.369 million. The lower base of the Holding Company's net foreign currency denominated cash holdings characterised 2023/24, as compared to the higher base in the previous year.
  - a decrease in interest income stemming from the translation impact on the foreign currency denominated interest income, as well as a decline in cash and cash equivalents at the Holding Company on account of the planned utilisation for equity infusions in investments, as outlined earlier.
  - given the significant foreign currency borrowings at the Holding Company, primarily the USD 175 million loan facility from the IFC, the Company has interest rate swap agreements in place for a sizeable portion of the foreign currency borrowings at the Holding Company. These agreements are in place to mitigate the Holding Company's exposure to volatility in global interest rates, resultant on finance costs, and to cap the maximum risk exposure. During the year under review, this underlying hedge instrument recorded a gain of Rs.1.46 billion. This was captured under finance income as per the accounting standards, although closely tied to the underlying loan.
- Finance costs recorded an increase during the year on account of (1) notional non-cash interest of Rs.3.02 billion [2022/23: Rs.1.83 billion] charged in line with market rates on the convertible debentures issued during the year, in line with the accounting treatment, on account of the significant difference between the market rate and the 3% coupon rate and (2) an increase in Rupee borrowing costs due to an increase in Rupee debt in line with the planned funding strategy of the Group at this juncture.



## FINANCIAL POSITION



- Property, plant and equipment, leasehold rentals paid in advance, investment property and other non-current assets
- Investments in subsidiaries, associates and non-current financial assets
- Current assets, deferred tax assets and intangible assets
- Shareholders' funds
- Non-controlling interests
- Non-current liabilities
- Current liabilities

### Group Assets

The Group's total assets as at 31 March 2024 stood at Rs.771.19 billion, an increase of Rs.26.69 billion [2022/23: Rs.744.51 billion], primarily driven by an increase in property, plant and equipment, other non-current financial assets and investments in associates.

- The increase in property, plant and equipment was primarily driven by the higher level of project completion related to 'City of Dreams Sri Lanka' (previously referred to as 'Cinnamon Life Integrated Resort'), revaluation gains on land and buildings, primarily in the Colombo Hotels segment and capital investments in the Retail and Consumer Foods industry groups.
- The increase in other non-current financial assets stemmed from UA, due to a mark-to-market valuation gain on available for sale financial assets as a result of the relatively low interest rates and a reinvestment of maturities which includes accrued interest.
- The increase in investment in associates mainly stemmed from the retention of the share of profits of NTB and investments made in the West Container Terminal (WCT-1) project at the Port of Colombo.

### Group Assets

Rs. **771.19** billion  
2022/23: Rs.744.51 billion



4%

### Group Debt\*

Rs. **214.10** billion  
2022/23: Rs.229.75 billion



7%

### Group Net Debt/(Cash)\*

Rs. **127.27** billion  
2022/23: Rs.129.41 billion



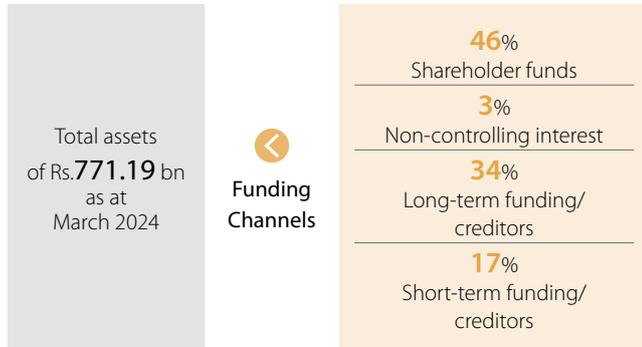
2%

\*Excludes lease liabilities.



## LEVERAGE AND CAPITAL STRUCTURE

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



### INSIGHTS

#### Capital Expenditure

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 outlet footprint in the Supermarket business to over 130 outlets and investments to enhance capacity and capability in the Frozen Confectionery and Insurance businesses have been undertaken. The Group's integrated resort 'City of Dreams Sri Lanka', which has been under construction for the past 10 years and comprises of a significant allocation of capital employed, is near complete and slated to commence operations in the third quarter of 2024/25.

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 'City of Dreams Sri Lanka'
- Investment towards the West Container Terminal (WCT-1) of the Port of Colombo
- Roll-out of the Supermarket outlets
- Completion of the 215-key hotel in Kandy, which follows an asset-light investment model, where the Group will hold a 40% minority equity stake. 40% minority equity stake

## Group Debt and Net Debt/Cash

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 convertible debentures have both a debt-like and equity-like nature, all indicators will be additionally discussed separately excluding the liability arising from the issuance of convertible debentures.

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

Group Debt (Rs.million)	2023/24	2022/23	%
<b>Including Convertible Debentures</b>			
Including leases	246,065	264,060	(7)
Excluding leases	214,101	229,749	(7)
<b>Excluding Convertible Debentures</b>			
Including leases	235,864	245,680	(4)
Excluding leases	203,899	211,369	(4)

Debt, in general, recorded a decrease across all businesses, stemming from higher operational cash flows which aided the businesses in better managing its debt obligations, as well as the positive translation impact on foreign currency loans given the significant appreciation of the Rupee during the year under review. The decrease in Group debt (excluding both lease liabilities and the convertible debenture liability) by Rs.7.47 billion was primarily as a result of:

- Repayment of interest-bearing borrowings, particularly at the Holding Company and at Waterfront Properties (Private) Limited (WPL), the project company of 'City of Dreams Sri Lanka'. This is captured under the Leisure industry group.
- Translation impact on USD denominated loan facilities stemming from the appreciation of the Rupee. The key foreign currency facilities comprise the USD 219 million syndicate loan facility at WPL and the USD 175 million loan facility from the IFC at the Holding Company. These are captured under the Leisure and Other, including Information Technology and Plantation Services industry groups, respectively.
- Better working capital and supplier management arrangements both at the Supermarket and the Office Automation businesses, which are captured under the Retail industry group. Repayments of borrowings by the Supermarket business also aided the reduction of the overall debt position.

The Group recorded a net debt position (excluding both lease liabilities and the convertible debenture liability) of Rs.117.07 billion, a 5% increase against the net debt position of the previous year, which stood at Rs.111.03 billion, owing to the reduction in cash balances and short-term investments of the Group.



The basis of computing cash and cash equivalents and the reasons for the decline is discussed in detail in the ensuing section – page 62.

# FINANCIAL CAPITAL REVIEW

The Group's net debt position (excluding lease liabilities but including convertible debenture liability) stood at Rs.127.27 billion, a decrease of 2% against the previous year.

Rs.million	Group Debt (excluding leases)			Net Debt (excluding leases)		
	2023/24	2022/23	%	2023/24	2022/23	%
Transportation	6,808	8,610	(21)	111	(1,068)	(110)
Consumer Foods	5,238	6,536	(20)	4,509	5,988	(25)
Retail	14,687	20,510	(28)	13,093	18,930	(31)
Leisure	90,826	102,439	(11)	85,733	98,569	(13)
Property	1,033	1,161	(11)	(1,183)	(7,752)	85
Financial Services	75	141	(47)	(9,045)	(5,882)	(54)
Other, including Information Technology and Plantation Services	85,232	71,972	18	23,854	2,244	963
<b>Total (excluding convertible debenture liability)</b>	<b>203,899</b>	<b>211,369</b>	<b>(4)</b>	<b>117,071</b>	<b>111,029</b>	<b>5</b>
Convertible debenture liability*	10,201	18,380	(44)	10,201	18,380	(44)
<b>Total (including convertible debenture liability)</b>	<b>214,101</b>	<b>229,749</b>	<b>(7)</b>	<b>127,272</b>	<b>129,409</b>	<b>(2)</b>

\*Convertible debenture liability is captured under the Other, incl. Information Technology and Plantation Services industry group, in the segmental analysis under the Financial Statements.

\*\* In February 2024, HWIC exercised its option to convert 110,000,000 Debentures, with a face value of Rs.14.30 billion. This resulted in the reduction of the convertible debenture liability by Rs.11.20 billion. However, the delta during the year is lower than the reduction stemming from the conversion, as the balance debenture value continued to increase across the year with the aim of reaching par value of the Debentures at maturity, in line with the accounting treatment of such instruments, as discussed on page 57.

The discussions above on both Group debt and net debt excluded the impact of lease liabilities recorded from the adoption of SLFRS 16 – Leases. Lease liabilities as at 31 March 2024 stood at Rs.31.96 billion, a 7% decrease against last year [2022/23: Rs.34.31 billion]. The primary decreases in lease liabilities stem from:

- Rental payments at the Supermarket business and payment of leasehold rental on the islands occupied by the Maldivian Resorts.
- Translation impact on USD denominated right-of-use liabilities in the Maldivian Resorts segment, stemming from the appreciation of the Rupee.

		Including Convertible Debenture Liability		Excluding Convertible Debenture Liability	
		2023/24	2022/23	2022/23	2022/23
Asset turnover	(times)	0.4	0.4	**	**
Capital employed	(Rs.million)	623,542	624,478	613,340	606,098
Total debt*	(Rs.million)	214,101	229,749	203,899	211,369
Net debt / (cash)*	(Rs.million)	127,272	129,409	117,071	111,029
Debt/equity ratio*	(%)	56.7	63.7	54.0	58.6
Net debt / (cash) to equity ratio*	(%)	33.7	35.9	31.0	30.8
Long-term debt to total debt*	(%)	64.2	77.5	62.4	75.6
Debt/total assets*	(%)	27.8	30.9	26.4	28.4
Liabilities to tangible net worth	(times)	1.1	1.1	**	**
Debt/EBITDA*	(times)	4.7	5.2	4.5	4.7
Net debt (cash) /EBITDA*	(times)	2.8	2.9	2.6	2.5

\*Excludes lease liabilities.

\*\*No impact from the inclusion of the convertible debenture liability

Key indicators such as the net debt/equity ratio at ~30-35% indicate the Group's ability to fund its investment pipeline, as and when required. The net debt/EBITDA marginally decreased against the previous year since Group net debt noted a decline whilst EBITDA remained largely in line with that of 2022/23. The net/debt to EBITDA at below 3 times demonstrates a comfortable leverage position against the cash generating capacity of the Group businesses. The Group will, however, continue to focus on reducing the exposure and volatility while ensuring the funding to complete its significant and transformative pipeline of projects.

### 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.137.51 billion of overall debt is denominated in foreign currency, which translates to ~62% of total debt [2022/23: ~65%].

In terms of foreign currency debt of the Group, the Leisure industry group comprises of the USD 219 million term loan obtained by WPL (final repayment in December 2026 with a significant bullet payment at the end), whilst the Holding Company includes the USD 175 million term loan obtained from the IFC (final repayment in June 2030 with equal installments commencing from December 2024 onwards).

However, the Group is mindful of the impact of foreign currency volatility, and will continue to adopt prudent measures, as and when required, to manage the financial impacts arising from currency fluctuations. The exposure on the loan at WPL arises due to the Group's decision to shift the functional reporting currency of the project entity to Sri Lankan Rupees, as disclosed during the year. However, the translation risk is/will be 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. The exposure at WPL will continue till such time operations commence and ramp up at the 'City of Dreams Sri Lanka', whereas the Group already has a 'natural hedge' in its current operations in the rest of the Leisure portfolio. Similarly, as at present, there is no foreign exchange translation risk on the IFC loan since the cash is retained in foreign currency at the Holding Company.

### INSIGHTS

#### 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 and nature of facilities, among other factors.

The maturity profile of the Group's debt as at 31 March 2024, based on debt service (principal plus interest) on interest-bearing loans and borrowings, is illustrated below.

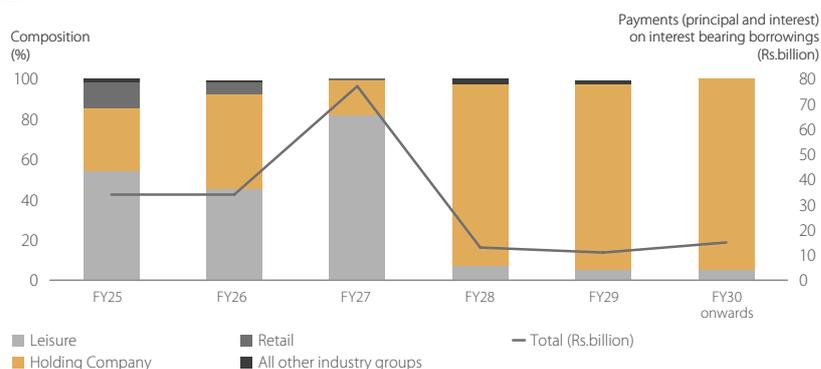
Apart from the analysis of the long-term debt, the following should be noted in the context of the total debt of the Group.

- Short-term borrowings stood at Rs.21.06 billion and bank overdrafts at Rs.32.45 billion, which are primarily working capital and trade finance facilities which are payable within one year. A majority of such facilities are revolving working capital debt and is continually repaid and re-borrowed, 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.

Applicable time horizon (years)	≤ 1	1-2	2-3	3-4	4-5	>5	Total
Debt Service* (Rs.million)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30 onwards	
Group	34,199	34,378	76,589	13,222	11,389	15,335	185,113
Holding Company	10,646	16,203	13,024	11,834	10,511	14,590	76,809

\*Interest-bearing loans and borrowings: principal plus interest payments

Note: The notable increase in contractual undiscounted (principal plus interest) payments in 2026/27 is in lieu of the USD 219 million term loan facility at WPL, captured under Leisure, which falls due for repayment in December 2026.



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

1. Interest bearing borrowings do not include the convertible debentures issued in August 2022. The liability component amounting to Rs.10.20 billion is recognised under Non-Current Financial Liabilities. In the event the debenture is not converted during the conversion window, since a portion of debentures were already converted, an obligation for Rs.12.76 billion will materialise in August 2025.
2. The USD 219 million term loan facility at WPL, 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 the IFC, captured under the Holding Company, post the four-year grace period, falls due for repayment in equally amortising capital repayments over a period of six years from December 2024 onwards.

# FINANCIAL CAPITAL REVIEW

## Statement of Changes in Equity

Total equity of the Group as at 31 March 2024 stood at Rs.377.48 billion [2022/23: Rs.360.42 billion].

### The key impacts stemmed from:

- + Group profit after tax amounting to Rs.12.13 billion during the year under review.
- + Conversion of debentures amounting to Rs.11.20 billion, transferred from other non-current financial liabilities.
- Partly offset by a Rs.4.06 billion decrease in other comprehensive income, primarily owing to a Rs.12.95 billion loss stemming from the exchange translation impact which was partly offset by a Rs.6.02 billion fair value gain on debt financial instruments stemming from UA's investment portfolio.

 For a discussion on the ROCE and ROE of the Group, refer 'Strategy, Resource Allocation and Portfolio Management'.

## CASH AND LIQUIDITY MANAGEMENT

The Group remained steadfast in its commitment to have robust cash and liquidity management practices and continued to evaluate its resilience under various stress-tested scenarios. Building upon the foundation and practices laid during the recent years, the Group prioritises agility in the operating model, with a focused view on cash management and liquidity, even in times of stability.

### Cash and Cash Equivalents

Group cash and cash equivalents as at 31 March 2024 stood at Rs.95.45 billion against Rs.107.31 billion in 2022/23. Group cash and cash equivalents comprises of:

- Cash in hand and at bank amounting to Rs.15.42 billion.
- Short-term investments amounting to Rs.80.03 billion. It is pertinent to note that short-term investments include the life fund at UA which amounts to Rs.4.97 billion and the restricted regulatory fund at UA which amounts to Rs.3.38 billion. For the purposes of computing net debt, the life fund and the restricted regulatory fund at UA has been eliminated.

The primary impacts on Group cash and cash equivalents stem from:

- A reduction in the Group's USD cash holdings, stemming from investments towards projects such as 'City of Dreams Sri Lanka' and the West Container Terminal -1.
- Funds earmarked for debt service at 'City of Dreams Sri Lanka' was utilised, as envisaged, reducing the cash holdings in the Property industry group. Further to the transition of the assets of the hotel, retail and entertainment components of the project to the Leisure industry group in 2022/23, the residual cash designated for the project captured under the Property industry group, was also transferred to the Leisure business.

In terms of the composition of the liquid assets of the Group, Other, including Information Technology and Plantation Services accounted for 71% 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	2023/24	2022/23	%
Current assets	174,110	182,806	(5)
Current liabilities	132,138	90,709	46
Working capital	41,972	92,097	(54)

**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 46% increase, primarily owing to increase in trade and other payables by Rs.12.72 billion, short-term borrowings by Rs.12.36 billion, and the current portion of interest-bearing loans and borrowings by Rs.10.38 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 2024, cash and cash equivalents decreased by Rs.30.37 billion, to Rs.9.94 billion.

- Net cash flow from operating activities reflected an inflow of Rs.32.75 billion for 2023/24, primarily on account of cash generation from operations.
- Net cash flow from investment activities reflected an outflow of Rs.60.08 billion, primarily due to purchases of property, plant and equipment (stemming from 'City of Dreams Sri Lanka', investments by the Supermarket business and the Beverages and Frozen Confectionery businesses as outlined earlier), purchase of Government securities in the Life Insurance business as part of the fund portfolio and investments in equity accounted investees.
- Net cash from financing activities was an outflow of Rs.5.04 billion, primarily on account of the repayment of long-term borrowings across Group businesses, as outlined in detail in the Industry Group Review.

Rs.million		2023/24	2022/23
Current ratio	(times)	1.32	2.02
Quick ratio	(times)	1.02	1.58
Working capital	(Rs.million)	41,972	92,097



# NATURAL CAPITAL REVIEW

<b>Carbon footprint</b> <b>117,591</b> MT <small>FY23 101,584 MT</small>	<b>Energy used</b> <b>964,266</b> GJ <small>FY23 876,824 GJ</small>	<b>Water withdrawn</b> <b>2,221</b> ML <small>FY23 2018 ML</small>	<b>Waste generated</b> <b>9,581</b> MT <small>FY23 8,280 MT</small>
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The Group has an extensive environmental management framework in place to integrate sustainable practices into its business operations. The Group has focused on material areas and integrated various initiatives into the business processes to address any negative impacts, while achieving environmental, social, and economic benefits. The discussion on Natural Capital comprises of two parts:

- (1) A performance analysis of main focus areas under Natural Capital and details of efforts during the year under review, to keep the Group's operations resilient to environmental risks while adopting environment and climate-positive action across the business.
- (2) The Group's approach to managing its environmental impacts.

## Key highlights on focus areas under Natural Capital

### Key Highlights of the Year:

- 'Good Water' was initiated by the Group to address water pollution resulting from the improper disposal of non-biodegradable waste.
- ~14% of the Group's total energy requirement was met through renewable energy sources.
- 39.7 MT of recyclable plastic waste (equivalent to ~1,191,000 polyethylene terephthalate (PET) bottles) was channelled to responsible recycling and repurposing under the 'Plasticycle' initiative.

### Industry Group-Wise Highlights of Initiatives

#### Consumer Foods

- Implemented the ISO 50001:2018, Energy Management System at CCS.

#### Leisure

- 'Cinnamon' hotels in Sri Lanka and the Maldives successfully reduced guest facing single-use plastics by ~20.8% through the implementation of alternatives.
- John Keells Foundation, completed the three-year collaboration with Ruk Rakaganno and the Forest Department of Sri Lanka, on the 'Cinnamon Rainforest Restoration Project'. 'Cinnamon Hotels & Resorts' will continue to oversee progress moving forward.

#### Retail

- 20% of the Retail industry group's total energy requirement is powered through rooftop solar panels, installed in 13 outlets, bringing the total solar powered outlet count to 107 from 133 outlets.

#### Property

- Energy usage in common areas of the 'Crescat Boulevard' Mall was optimised through the design and modification of the HVAC system, saving 68,524 kWh per month on average.

#### Financial Services

- Power-saving equipment was introduced for outdoor air conditioner units at branches with high energy consumption.

#### Other, including Information Technology and Plantation Services

- Enhancing the sustainable agriculture of 44 green leaf suppliers by supplying 18,950 tea plants for 28 acres.

### SDG's Impacted through Initiatives:



**Clean Water and Sanitation**

Ensure availability and sustainable management of water and sanitation for all.



**Affordable and Clean Energy**

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



**Responsible Consumption and Production**

Encouraging reuse and recycling of waste alongside responsible waste disposal.



**Climate Action**

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



**Life Below Water**

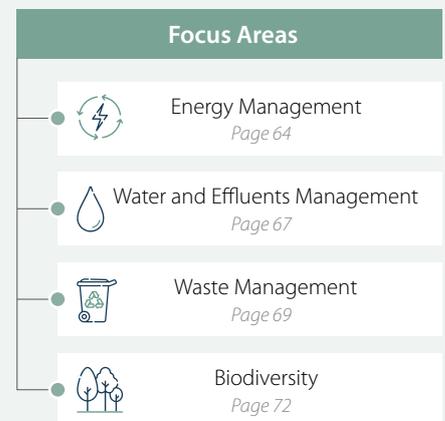
Conservation of biodiversity and preservation of marine habitats

**“Clear targets for reducing energy usage and increasing renewable energy adoption were set within energy-intensive sectors, aiding the Group in effectively managing its environmental footprint.”**

## Focus Areas:

The Group determines its environmental focus areas via a comprehensive materiality assessment process. Clear objectives were established within industry groups, aligning with the material significance of each focus area.

Pivotal industry group-specific indicators undergo benchmarking against globally recognised standards, with quarterly monitoring of performance relative to these benchmarks.



Note: The above initiatives disclosed are based on materiality. The Transportation industry group continued its environmental initiatives during the year.

# NATURAL CAPITAL REVIEW

## ENERGY MANAGEMENT



Energy management, conservation, and transitioning to alternative and renewable energy sources continues to be key priorities for the Group. Clear targets for reducing energy usage and increasing renewable energy adoption were set within energy-intensive sectors, aiding the Group in effectively managing its environmental footprint. The Group maintains its commitment to invest more in renewable energy as a key focus area.

### Energy Consumption by Industry Group (GJ '000)



### Group and industry group-wide performance comparison:

Group performance	2023/24	2022/23*	2021/22
Energy consumption: non-renewable sources (GJ)	358,933	352,771	301,172
Energy consumption: renewable sources (GJ)	124,455	122,568	127,825
Renewable Energy Sold (GJ)	1,702	2,167	-
Purchased energy: national grid (GJ)	480,878	399,319	390,654
Total energy consumption within the organisation (GJ)	964,266	874,657	819,651
Total energy consumption (GJ) per Rs.million of revenue within the organisation	3.44	3.16	4.49

Note: Energy consumption includes Diesel, Petrol, Furnace Oil, Other types of oil and LP gas as non-renewable energy sources and Solar and Biomass as Renewable energy sources.

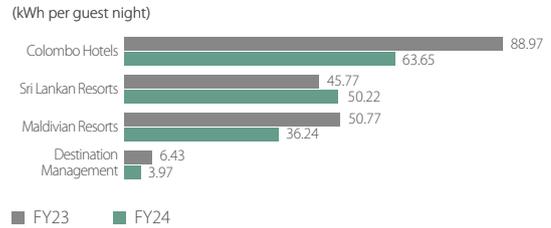
\*2022/23 has been restated



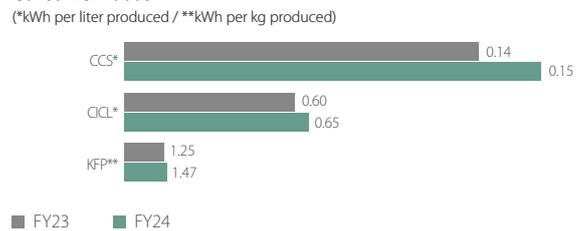
Rooftop Solar Installation at 'Cinnamon Hotel & Resorts'

## Energy consumption per operational intensity factor in applicable\* industry groups

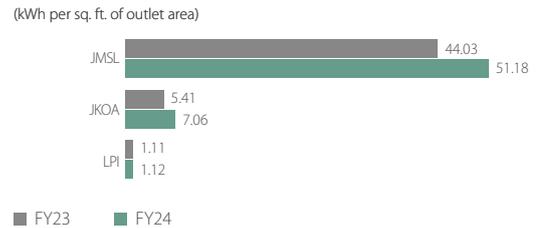
### Leisure



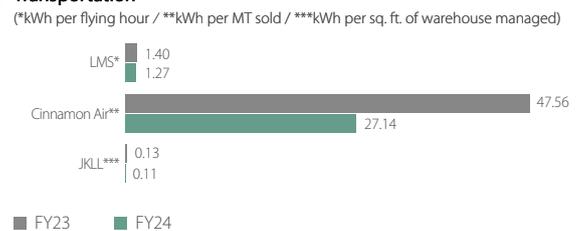
### Consumer Foods



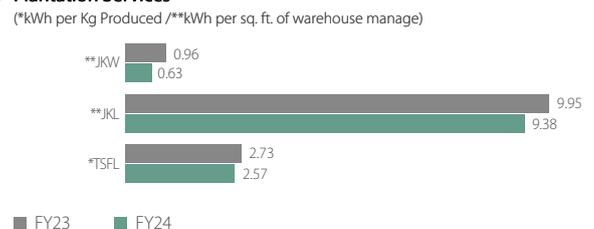
### Retail



### Transportation



### Plantation Services



\*Based on materiality, energy consumption within the Property, Financial Services and Other, including Information Technology and Plantation Services industry groups are not material.

## Energy Efficiency

The Group reported a 5% increase in energy consumption due to increased levels of operational activity in the Retail and Leisure industry groups.

### 2023/24 Energy Reduction Goals, Initiatives and Progress

#### Consumer Foods

- CCS installed 160kW Variable Frequency Drive (VFD) to Mycom Chiller contributing to an energy saving of 33,800kWh on average per year.

Goal	Status	Progress
CCS : <b>-1.5%</b>	●	<b>-1%</b>
KFP : <b>-1.5%</b>	●	<b>57%</b>
CICL : <b>-2%</b>	●	<b>6%</b>

All goals are either on a per l/m<sup>3</sup> or per kg basis.

#### Steam

Goal	Status	Progress
CCS : <b>-1.5%</b>	●	<b>-24%</b>

#### Leisure

- Installation of new solar street lights to reduce energy usage.
- Energy saved through the installation of variable speed drives for chilled water pumps and reverse osmosis plants.
- Saving 1.2 million in energy costs by controlling set point temperatures of the chillers.

Goal	Status	Progress
Leisure : <b>-4%</b>	●	<b>8%</b>

#### Transportation

Goal	Status	Progress
JKLL Seeduwa and Enderamulla Warehouses : <b>10%</b>	●	<b>-3%</b>

#### Other initiatives:

##### Plantation Services:

- Installed light weight metal Michie sifters for five tea sieving machines resulting of a 1413Kwh/annual saving.

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.

<b>1,041 GJ</b> of energy saved through initiatives	<b>8.8%</b> increase in energy intensity per Rs.million of revenue
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## Carbon Footprint

The primary source of the Group's carbon emissions was electricity obtained from the national grid, with diesel, furnace oil, liquefied petroleum gas (LPG), petrol, and jet fuel also accounting for a notable portion. The increase in carbon emissions was a result of increased operational activities within the Leisure and Retail industry groups.

The Group currently measures the carbon footprint only for the scope 1 and scope 2 emissions across the industry groups.

### 2023/24 Carbon Footprint Goals, Initiatives and Progress

#### Consumer Foods

Goal	Status	Progress
To reduce the carbon footprint of KFP by reducing the scope 1 and 2 carbon emissions by <b>1%</b>	●	<b>26%</b>

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.

<b>16%</b> increase in carbon footprint	<b>13%</b> increase in emission intensity per Rs.million of revenue
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### Group and industry group-wide performance comparison:

Group performance	2023/24	2022/23*	2021/22
Direct greenhouse gas emissions - Scope 1 (MT)	26,545	25,979	27,507
Indirect greenhouse gas emissions - Scope 2 (MT)	91,046	75,604	71,188
Total carbon footprint (MT)	117,591	101,584	98,695
Total carbon footprint (MT) per Rs.million of revenue*	0.42	0.37	0.53
Greenhouse gas emissions from combustion of biomass (MT)	7153	8,050	9,172

\*2022/23 has been restated, \*In the carbon footprint/revenue includes direct and indirect GHG emissions

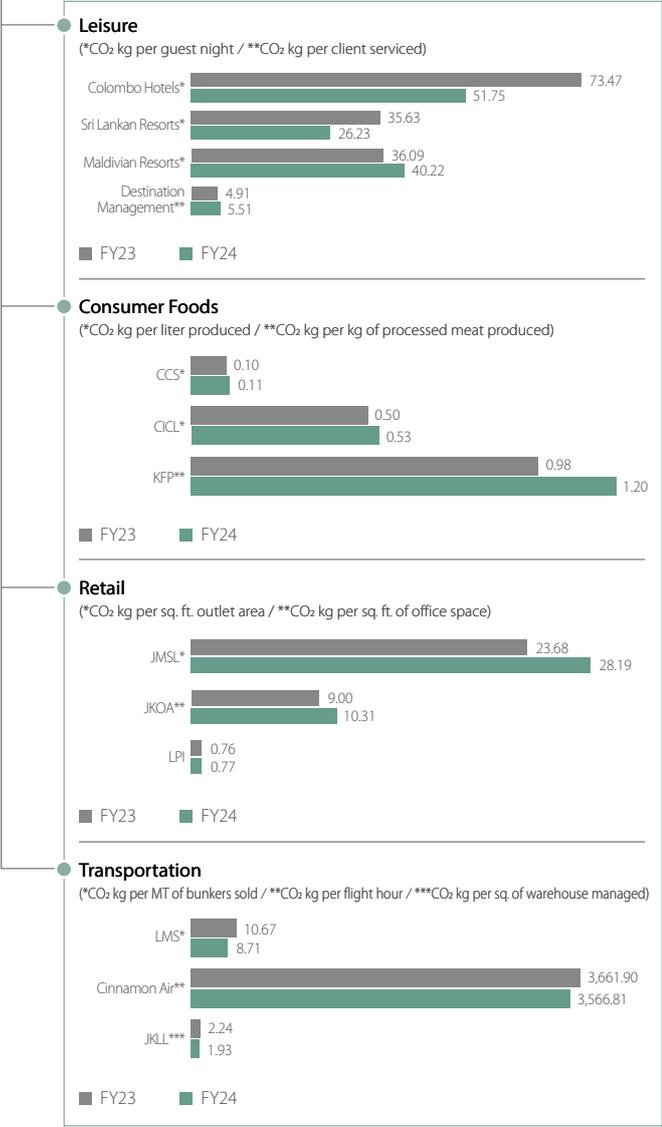
### Carbon Footprint by Industry Group

(CO<sub>2</sub> MT '000)



# NATURAL CAPITAL REVIEW

## Carbon footprint scope 1 and 2 per operational intensity factor in applicable\* industry groups

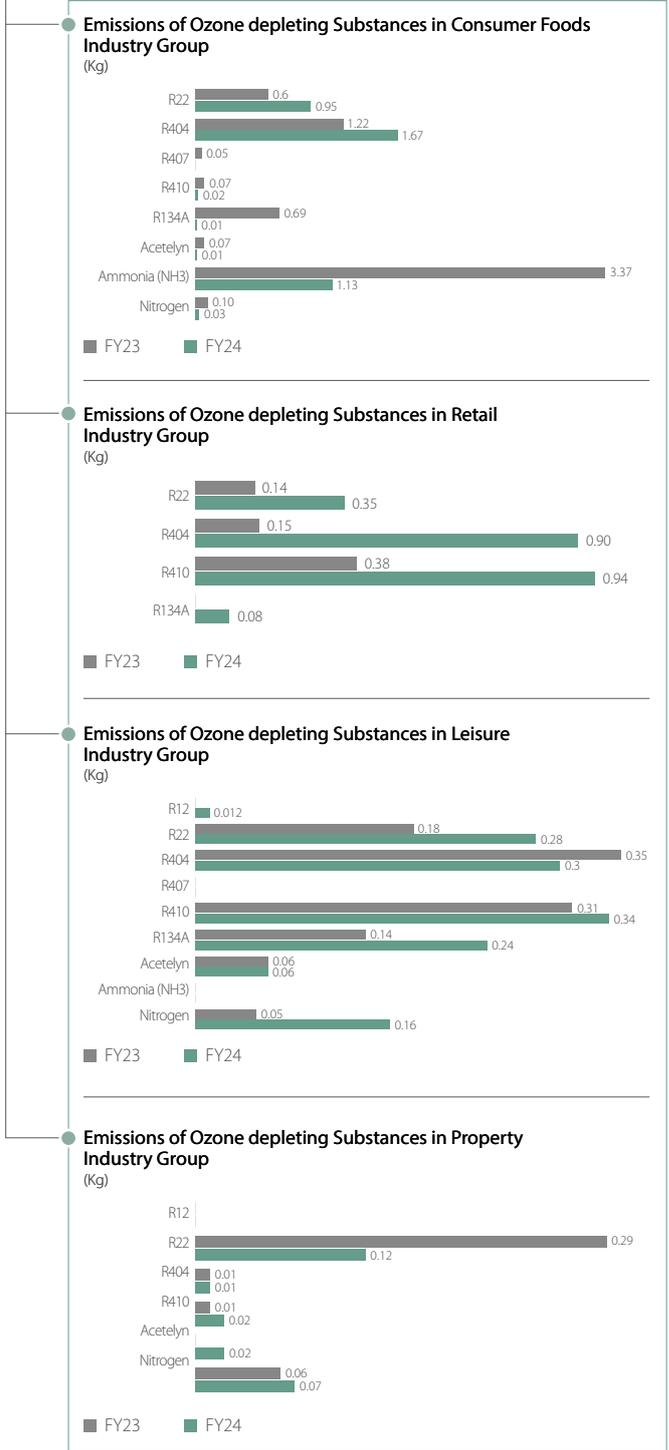


\*Based on materiality. Carbon footprint within the Property, Financial Services and Other, including Information Technology and Plantation Services industry groups are not material.

## Emissions of ozone depleting substances

The Group consistently tracks and monitors ozone depletion substances across various sectors, providing quarterly tracking and reporting to business units. The increase in ozone depletion substances was a result of increased operational activities within the Consumer Foods industry group.

## Emissions of ozone depleting substances



## Renewable Energy

The Group continued to drive investments in renewable energy to reduce its dependency on fossil fuels and reliance on the national power grid. Renewable energy sources such as solar power and biomass are utilised to the extent possible, especially in businesses with energy-intensive operations.



Fast Drying Firewood shed - Broadlands Tea Factory

### 2023/24 Renewable Energy Goals, Initiatives and Progress

#### Retail

- 13 'Keells' outlets installed solar panels during the year, increasing the total number of outlets using renewable energy to 107 outlets. The renewable energy generated constituted ~20% of its total energy requirements.

Goal	Status	Progress
Solar photovoltaic (PV) energy generation across the outlets: <b>+125%</b>	●	<b>95%</b>

#### Other Initiatives

##### Consumer Foods

- CCS installed PV panels which generated 209,728kWh of energy annually and which contribute to its warehouse energy.
- KFP installed solar panels in collaboration with a third-party investor, which generated 314,640kWh of energy on average per year.

##### Leisure

- 'Cinnamon Hotels & Resorts' generated renewable energy in the form of solar power.
- Walkers Tours continued to maintain a carbon neutral certified fleet by prioritising hybrid and electric vehicles to the extent possible in its operations. Additionally, the company invests in renewable energy projects to effectively counterbalance any emissions produced by its fleet.

##### Plantation

- Tea Smallholder Factories generates renewable energy through the use of biomass and solar power which produces an average of 72,000 kWh of energy annually.

<b>124,455 GJ</b> of renewable energy	<b>13%</b> of energy generated through renewable energy sources
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## WATER AND EFFLUENTS MANAGEMENT



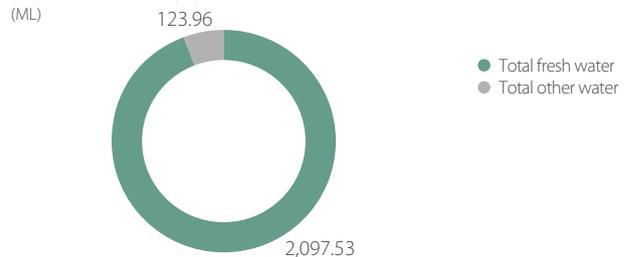
Water management is a key priority for the Group with ongoing monitoring and strategic initiatives executed to meet targeted goals in water usage optimisation. Water serves as a critical resource utilised across all business units within the Group. It plays a pivotal role in manufacturing processes within the Consumer Foods industry group, while also being essential for operations in the Retail and Leisure industry groups. Additionally, water is consumed by employees across all business units, highlighting its widespread importance throughout the organisation. Water is withdrawn for its various operations from surface water, ground water and third parties. Some of the business units are currently assessing desalination options as well in some of the water stress areas of the country. The Group is committed to recycling water whenever feasible and ensures the treatment of wastewater prior to its release.

### Water Withdrawal

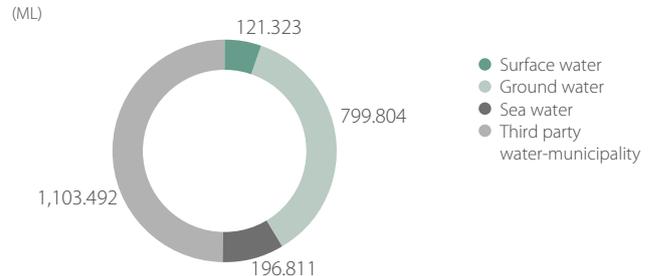
#### Water Withdrawn by Industry Group (m<sup>3</sup> '000)



#### Water Withdrawal by type (ML)



#### Water Withdrawal by Source (ML)

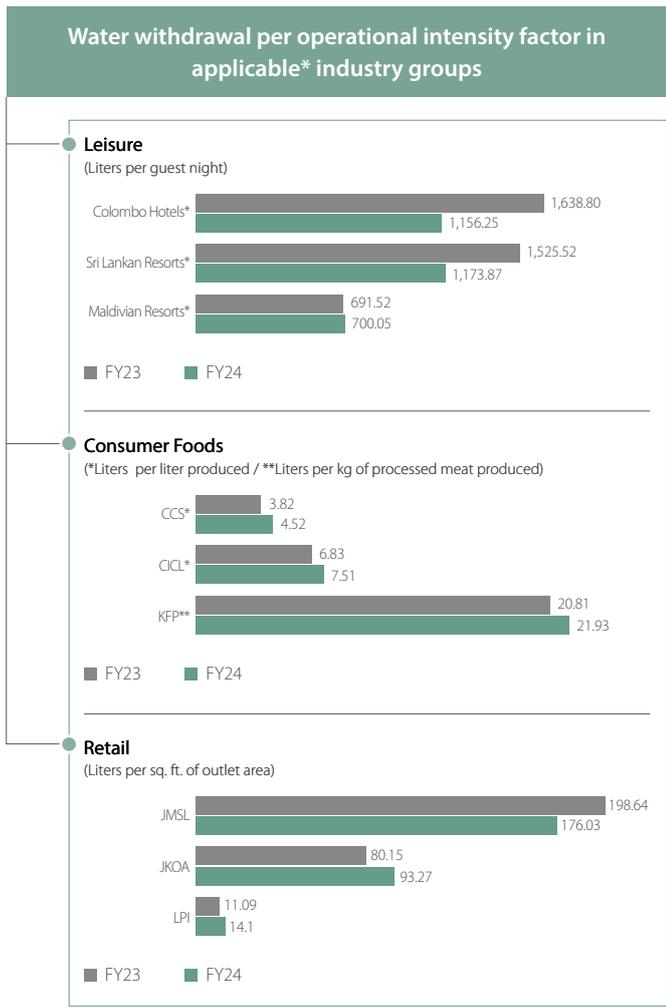


### Group and industry group-wide performance comparison:

Group performance	2023/24	2022/23*	2021/22
Water withdrawal (ML)	2,221.49	2,032.01	1,843.259
Water withdrawal (m <sup>3</sup> ) per Rs.million of revenue	7.92	7.35	10.10
Water discharge (ML)	1,130.02	1,297.37	1,305.676
Water Consumption (ML)	1,091.47	734.67	537.5829

\*2022/23 has been restated.

# NATURAL CAPITAL REVIEW



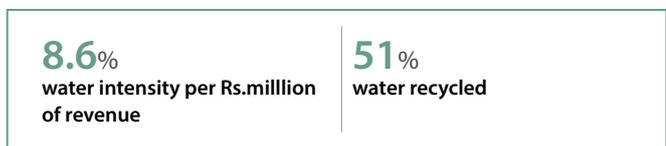
\*Based on materiality, water consumption within the Transportation, Property, Financial Services and Other, including Information Technology and Plantation Services industry groups are not material.

## Water Efficiency

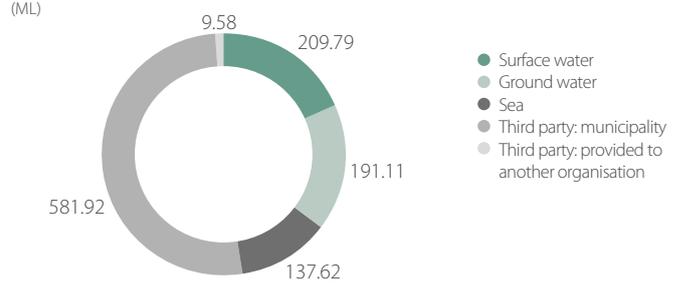
The Group consistently monitors and evaluates water consumption across various industry groups, providing quarterly tracking and reporting on usage and intensity metrics to business units. These parameters are compared against EarthCheck benchmarks where applicable, ensuring alignment with industry standards and best practice. The Group reported a 5% increase in water withdrawal, driven by increased operational activities within the Leisure industry group.

## Effluent Treatment and Discharge

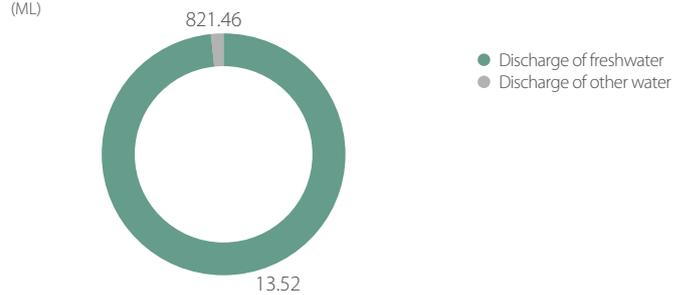
The Group adheres to regulatory standards concerning effluent treatment and discharge procedures, ensuring compliance of the discharge of water into the environment, as stipulated by environmental protection licenses (EPL) or that stipulated by the BOI (Board of Investments) for entities operating in the BOI zones.



## Water Discharge by Method (ML)



## Water Discharge by Category (ML)



## 2023/24 Water and Effluent Management Goals, initiatives and Progress

### Consumer Foods

Goal	Status	Progress
CCS : -1.3%	●	-7%
KFP : -1.5%	●	63%
CICL : -2%	●	7%

All goals are either on a per l/m<sup>3</sup> or per kg basis.

### Leisure

- 'Cinnamon Hotels & Resorts' installed low flow rate faucets and shower heads in guest rooms, staff quarters and public areas.
- Rainwater harvesting was continued in 'Cinnamon Hotels & Resorts' in hotels where the facilities were installed.
- 'Cinnamon Hotels & Resorts' continued their practice of treating wastewater on-site, through aerated system sewage treatment plants, reverse osmosis plants, and effluent treatment plants across operational sites. The treated water was thereafter utilised for gardening purposes within the hotel properties and to replenish the ground water.

Goal	Status	Progress
CCS : -1.3%	●	6%

### Other Initiatives

#### Plantation Services

- Engaged in rainwater harvesting and used the harvested water for general cleaning purposes of the factories.

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 2018/19.

## The John Keells Group 'GOOD WATER' Initiative



2 Ocean Strainers Setup

Rs 1.16 million Pilot Invested

2,197 kg Waste diverted

**Purpose:** The John Keells 'Good Water' initiative was launched with the aim of minimising the pollution of waterways due to improper disposal of non-biodegradable waste.

Employs a multifaceted approach, incorporating projects focused on, reactive, preventive, proactive measures.

Phase 1: Mitigating pollution in strategically significant waterways for the Group

The improper disposal of polyethylene, plastic, and other non-biodegradable waste near beaches and inland waterways has a significant impact on the beaches and the surrounding areas of hotels adjacent to these water bodies. To prevent disruptions to operations and ensure that guests can enjoy the beaches, multiple beach cleanups would be required daily.

The debris washed ashore comprises ocean waste as well as waste originating from inland waterways that finds its way into the ocean. To prevent inland waterway waste from reaching the ocean, the Group implemented measures to divert it.

On the 4<sup>th</sup> of July, two pilot initiatives were launched, leveraging the Group's internal programmes such as 'Gunadamin' by CCS and 'Plasticycle', in collaboration with the private foundations, representation from local municipalities, and the local Government, other private organisations. These collaborations were formalised through the signing of multiple Memorandums of Understanding (MOUs).

Collaborating with the MAS Foundation for Change, the Group installed 'Ocean Strainers,' floating barriers designed to effectively redirect floating waste away from entering the ocean via inland waterways. Importantly, these strainers operate without disrupting underwater life or eco-systems beneath the surface.

1. 'Mawakada' canal adjacent to 'Hikka Tranz by Cinnamon'
2. 'Dunkolage waththa' canal adjacent to 'Cinnamon Bentota Beach'

Substantial improvements were observed on the beaches in these areas, which had a positive ripple effect on other small businesses located along the same shoreline. The next phase for these locations involves engaging the local community to develop mitigation strategies aimed at preventing waste from entering the inland waterways.

Efforts are currently in progress to identify additional strategic locations within the Group that require interventions aligned with the objectives of this initiative.



Strainer at 'Maawakada' Canal -Hikkaduwa



## WASTE MANAGEMENT

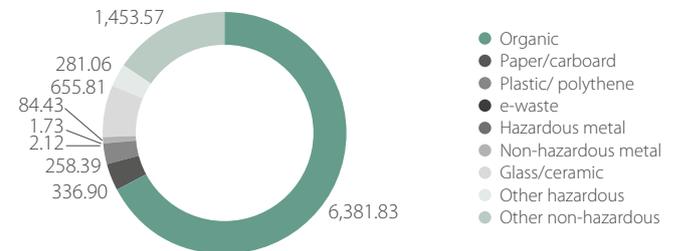


The Group's waste management approach follows best practice and guidelines to responsibly manage waste generated. Waste segregation procedures are followed across all businesses, and efforts are made to explore alternative disposal methods to divert waste away from landfills wherever possible. Continuous process evaluations are conducted to minimise waste generated through its operations, complemented by the introduction of various initiatives aimed at recycling and disposing waste responsibly. Considerable emphasis is also placed on material substitution efforts to reduce the usage of plastic and consumer waste generation, alongside efforts to reduce waste volumes through multiple process efficiency initiatives.

### Waste Generated by Industry Group (MT '000)



### Waste by Composition (MT)



### Group and industry group-wide performance comparison:

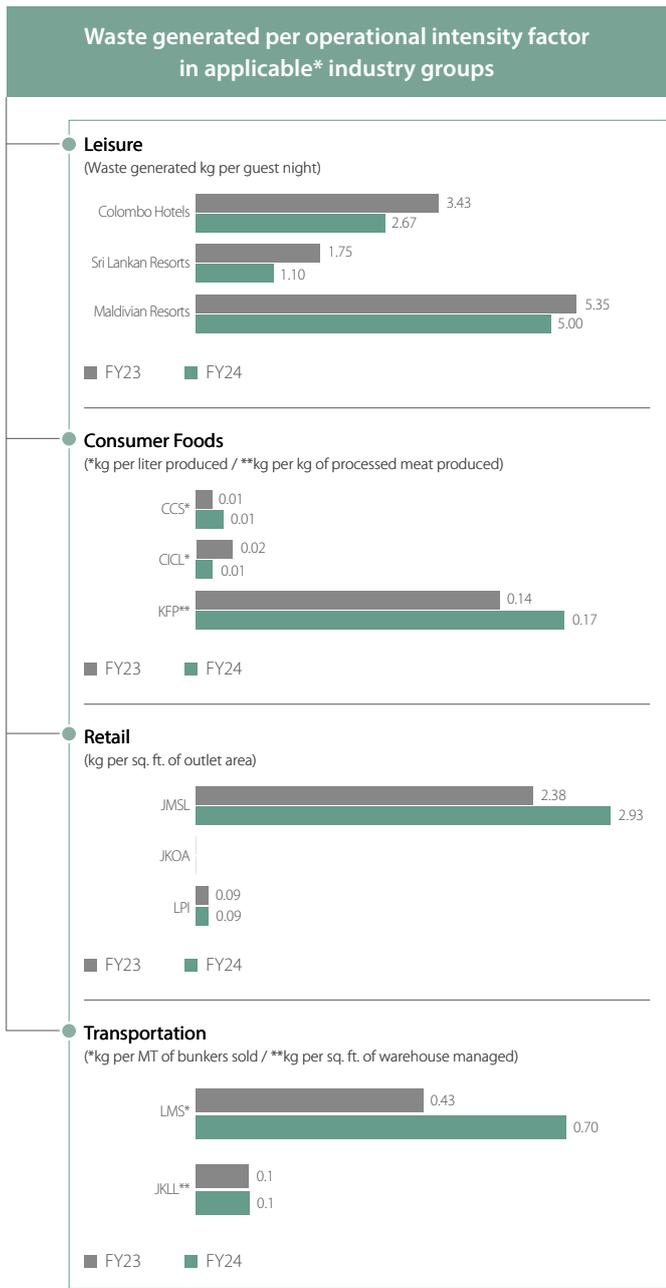
Group performance	2023/24	2022/23*	2021/22
Volume of hazardous waste generated (MT)	365.42	314.26	337.81
Volume of non-hazardous waste generated (MT)	9216.44	7992.67	7855.24
Non-hazardous waste recycled/ reused by Group companies and through third party contractors (%)	56.00	46.00	32.00
Total Waste generation (MT)	9581.86	8280.81	8193.05
Total waste diverted from disposal (MT)	5329.35	3815.37	2607.87
Total waste directed to disposal (MT)	4252.51	4491.56	5585.18

\*2022/23 has been restated

**56%**

**of total non-hazardous waste either recycled or reused by Group companies and through third party contractors.**

# NATURAL CAPITAL REVIEW



- Introduced compostable bags at fish, meat, fruit, and vegetable counters, promoting sustainable packaging solutions.
- Trash2Cash machines, located at 10 outlets, collected ~1,000 kg of plastic waste per month, promoting recycling.
- Project aimed at recycling Plastic Point of Sale Materials (POSM) initiated by the Supermarket business contributed to waste reduction efforts.
- Achieved a 22% reduction in shrink wrap usage across the Distribution Centres of the Supermarket business through the implementation of a safety belt.

Goal	Status	Progress
Usage of single-use <sup>1</sup> polythene bags at 'Keells' outlets by 2024/25: <b>-50%</b>	●	<b>-30%</b>
Usage of single use packaging for fresh food by ensuring they are reusable, recyclable, or compostable by 2024/25: <b>-50%</b>	●	<b>-30%</b>

### Consumer Foods

- Expanded its plastic collection project to diversify into managing other waste types, such as e-waste, as a crucial step towards holistic environmental stewardship.
- Increased the volume of plastic recycled through more 'material recovery facilities'.

Goal	Status	Progress
CCS : <b>-1.5%</b>	●	<b>3%</b>

### Leisure

- Implementation of the NORDAQ water bottling plant at 'Cinnamon Grand Colombo' and 'Cinnamon Bentota Beach' has successfully reduced plastic waste generation by ~200 kg per month.
- Reduced 20.8% the consumption of guest facing single-use plastic.

Goal	Status	Progress
Single-use plastic : <b>-50%</b>	●	<b>-38%</b>

### Property

Goal	Status	Progress
RHL: Reduce waste to landfill against the 2018/19 baseline : <b>-80%</b>	●	<b>-100%</b>

<sup>1</sup> Usage of single-use packaging for fresh food by ensuring they are reusable, recyclable, or compostable by 2024/25. 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.

<b>14%</b> increase in waste intensity per Rs.million of revenue	<b>56%</b> waste reused/recycled
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## 2023/24 Waste Reduction and Plastic Reduction Goals, initiatives and Progress

### Retail

- Launched a food waste reduction initiative by redistributing excess prepared food to deserving individuals and communities during lunch and dinner slots resulting in over 140,000 kg distributed monthly.
- Minimised waste at collection centres by maximising crop utilisation, thereby supporting farmers and passing on cost savings to customers.
- The Supermarket business continued the green bag initiative to minimise the use of polythene bags by providing eco-friendly reusable bags and encouraging re-use.
- Customers were encouraged through various reward schemes to bring their own containers (BYOC) and eco-friendly reusable bags to minimise the use of polythene bags.



### Zero single-use plastic consumption

'Cinnamon Hotels & Resorts' (CH&R) have implemented measures, both in Sri Lanka and the Maldives, to gradually eliminate single-use plastic consumption in operations. Alternatives to plastic has been introduced to staff and guests.

Through the implementation of various initiatives, 'Cinnamon Hotels and Resorts' have successfully reduced single-use plastic consumption by 20.8% compared to the baseline year of 2021/22.

- Introduced reusable water bottles to the executive staff as an alternative for PET bottles.
- Wet wipes and polythene laundry bags were replaced with paper towels and reusable cloth bags.
- Plastic amenity bottles, butter and jam sachets and cutlery were replaced with reusable ceramic, glass and wooden alternatives.



### Reduce usage of stretch film

The Stretch Film Cost Reduction Project at CICL was initiated with the aim of reducing the environmental impact associated to stretch film usage.

- As the first phase, a reusable belt was used to pack and secure boxes on pallets in warehouses reducing the usage of stretch film.

Expects to prevent 326 per month of stretch film from being disposed to the environment.



### Transitioning from PET to Glass Bottles in Hotel Operations

'Cinnamon Hotels & Resorts' installed a state-of-the-art NORDAQ water bottling plant, enabling the production and refilling of glass water bottles, thereby eliminating the use of single-use plastic bottles in guest rooms

- Water dispensers are strategically positioned to provide guests and staff with convenient access to filtered water, further reducing plastic consumption and promoting environmental responsibility.
- Two pilots are currently in-progress at 'Cinnamon Bentota Beach' and 'Cinnamon Grand Colombo'. Compared to base year, reduction of plastic bottle waste generation per month was,
  - 'Cinnamon Grand Colombo': 48.23%
  - 'Cinnamon Bentota Beach': 75.56%

**“Clear targets for reducing energy usage and increasing renewable energy adoption were set within energy-intensive sectors, aiding the Group in effectively managing its environmental footprint.”**



### Paper Conservation

The Group ensures that wastepaper disposed by its businesses is collected and recycled responsibly.

During the year in review, 19,261 kgs of paper was collected for recycling. Impact:

- 327 Trees
- 33,803 Litres of Oil
- 58 m3 of landfill
- Reduction of Green House Gas Emission by 19,261 kg of Carbon equivalent
- 612,115 Litres of Water
- 77,044 kWh of electricity

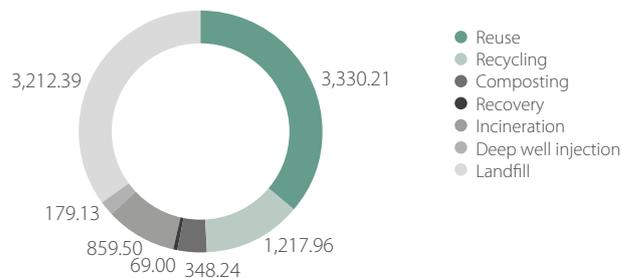


### Responsible e-waste Disposal

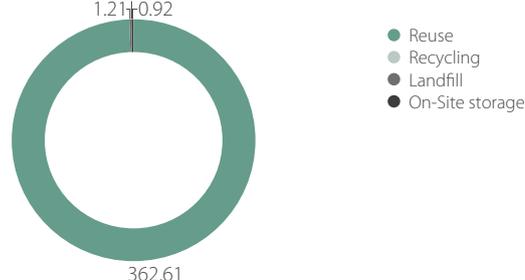
The Group entered into an agreement with a third party recycler, registered with the Central Environmental Authority of Sri Lanka to ensure responsible recycling of e-waste generated in operations.

- 970 Kgs of e-waste was channelled to recycling during the year under review.
- Through a similar project launched by JKOA, Toshiba toners and cartridges of 65,000 kg was collected by the business during the year.

Non-hazardous Waste Disposal by Method (MT)



Hazardous Waste Disposal by Method (MT)



Note: In waste disposal, it includes both waste diverted from disposal and waste directed to disposal

# NATURAL CAPITAL REVIEW



Preserving and conserving biodiversity is a significant focus for the Group owing to its reliance on natural resources. This aspect holds significant importance to all businesses within the Group and is an integral part of decision-making processes. It holds particular consequence for the Leisure industry group, which depends on the diverse eco-systems integral to its service offerings. The Group's CSR arm, John Keells Foundation (JKF), also carries out various initiatives under its 'Environment' focus area to further support this cause.

The Group's biodiversity initiatives have many facets, including preserving marine eco-systems, conserving temperatures, biodiversity on land and aquatic environment and promoting employee engagement.

Out of the Group's businesses, the Leisure industry group had carried out an assessment to identify any operational properties managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

## Proximity to biodiversity and its features – Sri Lankan Resorts

**Cinnamon Citadel Kandy**

- Mahaweli river and freshwater eco-systems, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.0234
- \*IUCN Category 4 - Habitat/ Species Management Area

**Trinco Blu by Cinnamon**

- Marine eco-system, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.1143
- \* IUCN Category 2 - National Park

**Cinnamon Bey Beruwala**

- Marine eco-system, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.045
- \*IUCN Category 2 - National Park

**Habarana Village by Cinnamon**

- Minneriya tank sanctuary, 15 km away from property
- Extent of Site (km<sup>2</sup>) - 0.0378
- \*IUCN Category 2 - National Park

**Cinnamon Bentota Beach**

- Marine eco-system, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.0446
- \* IUCN Category 2 - National Park

**Cinnamon Lodge Habarana**

- Minneriya tank sanctuary, 15 km away from property
- Extent of Site (km<sup>2</sup>) - 0.1031
- \*IUCN Category 2 - National Park

**Hikka Tranz by Cinnamon**

- Marine eco-system, adjacent to property
- Subsurface Land at Site (km<sup>2</sup>) - 3,600
- Extent of Site (km<sup>2</sup>) - 0.0176
- \*IUCN Category 2 - National Park

**Cinnamon Wild Yala**

- Yala national park, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.0405
- \*IUCN Category 2 - National Park

Note: All properties have obtained EPLs.  
 Unless explicitly specified, subsurface land at site (km<sup>2</sup>) - Nil.  
 \*Protected through the Flora and Fauna Protection Ordinance 1937.

## Proximity to biodiversity and its features – Maldivian Resorts

**Velana International Airport**

**Cinnamon Dhonveli Maldives**

- Marine eco-system, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.1496

**Ellaidhoo Maldives by Cinnamon**

- Marine eco-system, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.0556

**Cinnamon Velifushi Maldives**

- Marine eco-system, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.05351

**Cinnamon Hakuraa Huraa Maldives**

- Marine eco-system, adjacent to property
- Extent of Site (km<sup>2</sup>) - 0.0543

Note: Subsurface land at site (km<sup>2</sup>) - Nil.  
 Protected through The Environmental Protection and Preservation Act.



'Cinnamon' rainforest restoration



Biodiversity mapping at 'Cinnamon Ellaidhoo by Maldives'

## Biodiversity Initiatives

Among the Group's entities, the Leisure industry group often operates in or near high biodiversity areas, reflecting the nature of its activities. Each new hotel construction adheres to LEED Gold or Platinum standards to mitigate environmental impact. Furthermore, with the introduction of the Group's ESG strategy, there's a commitment to restore habitat on a 1:1 basis if affected by the Group's activities. Additionally, the Group pledges to champion high-impact biodiversity projects aligned with its core business and operations at a national level. Additionally, the Group has undertaken various initiatives on biodiversity assessment and habitat conservation in various parts of the country that is of significance or of material importance to the Group.



### Cinnamon Rainforest Restoration Project

The Cinnamon Rainforest Restoration Project, a joint endeavour between JKF, 'Cinnamon Hotels & Resorts', Ruk Rakaganno (The Tree Society of Sri Lanka), and the Forest Department of Sri Lanka, successfully completed a fruitful three-year collaboration.

The project focuses on revitalising a degraded 59-acre plot in Suduwelipotha, nestled within the Kalawana range near the Sinharaja forest reserve, a UNESCO World Heritage Site.

Surpassing the targeted number of seedlings outlined in the MOU with the Forest Department, 16,285 seedlings comprising 70 diverse species of wet zone indigenous forest plants were planted by second quarter of 2023/24.

Beyond tree planting, the project's impact reverberates through various environmental initiatives. Four bat caves and two ponds were constructed to bolster biodiversity, fostering habitats for amphibians, dragonflies, and other pond-associated species. Furthermore, the introduction of 200 butterfly-friendly plant species and the establishment of 56 seed banks under UV Poly tunnel technology further enhanced eco-system resilience and promoted conservation efforts.

As per the ecological assessment done by a team of experts during the year, considering the ecological progression during the short time span and many other social benefits that are attached to the project, it was decided to continue land management for a further 3-5 years to witness the stronger ecological impact of the project.



### Mangrove Conservation Programme

In a bid to safeguard coastal eco-systems, 'Hikka Tranz by Cinnamon' embarked on a Mangrove Conservation Programme by planting 25 mangrove trees along the banks of Mawakada Ela.

Volunteers partook in planting saplings to restore and protect vital mangrove habitats.

Recognising the significance of mangroves in shoreline stabilisation and biodiversity preservation, this initiative aimed to fortify coastal resilience and promote eco-system health.



### Sea Turtle Conservation Initiatives

Sea turtle conservations are a priority at both 'Cinnamon Hakuraa Huraa Maldives' and 'Hikka Tranz by Cinnamon'.

At 'Cinnamon Hakuraa Huraa Maldives', the team, led by their in-house lifeguard with over five years of experience in turtle, shark, and coral conservation, oversee the entire incubation cycle of sea turtles. With the support of guests, they successfully released 90 baby turtles into the ocean, ensuring their safety. Collaborating with the Maldives Environment Protection Agency, they aim to save even more hatchlings in the future.

Meanwhile, 'Hikka Tranz by Cinnamon' hosted a comprehensive sea turtle conservation programme. Informational boards on turtle conservation and hatchlings are strategically placed and an awareness session was conducted, followed by the release of hatchlings into the ocean. To date, a remarkable total of 10,123 hatchlings have been released, primarily consisting of green turtles and Batu Kasbewa (olive ridley) turtles.



### Biodiversity Mapping

'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 the Maldives, the 'Cinnamon' Complex in Habarana, 'Cinnamon Wild Yala' and 'Trinco Blu by Cinnamon', especially endangered flora and fauna. 'Cinnamon Bey Beruwala', 'Hikka Tranz by Cinnamon' and 'Cinnamon Bentota Beach', in collaboration with the Zoo Net Association of the Open University of Sri Lanka conducted an assessment of the biodiversity on the hotel's property. Subsequently, a biodiversity action plan has been formulated. Mapping at the 'Cinnamon' Maldivian Resorts, 'Cinnamon' Hotel Complex in Habarana and 'Cinnamon Wild Yala' have already been completed.



### Nature Field Centre, Rumassala

Rumassala in Galle is a mountain rich in biodiversity including several species of endemic birds, marine life, coral reefs and a number of rare medicinal plants. 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 conservation of the rich biodiversity and facilitate experiential learning for school children and others. In 2023/24, the Centre attracted 11 programmes for 521 persons.



Mangrove Conservation Programme at 'Cinnamon Bentota Beach' Hotel

# NATURAL CAPITAL REVIEW



## Coral Restoration Program

Teaming up with universities and marine conservation organisations, 'Cinnamon Dhonveli Maldives', 'Ellaidhoo Maldives by Cinnamon' and 'Cinnamon Hakuraa Huraa Maldives' spearheaded coral restoration programmes. These initiatives encompassed the transplantation of coral fragments, ongoing reef monitoring endeavours, and pioneering research endeavours to develop sustainable reef management protocols. By fostering collaborative partnerships and community engagement, the hotels played a pivotal role in safeguarding fragile coral ecosystems and promoting marine biodiversity conservation.



Coral Restoration Programme - 'Cinnamon Dhonveli Maldives'.



Sea Turtle conservation initiative at 'Hikka Tranz by Cinnamon'.

## Extended Product Responsibility

The Group places significance emphasis on the entire lifecycle of its products which goes beyond traditional environmental responsibility. The Group aims to manage the entire lifecycle of the product manufactured, including their end-of-life disposal.

By implementing initiatives related to identified material areas, the Group demonstrates the commitment to sustainability, minimise the environmental footprint, and contribute to the transition to a more circular economy where resources are used more efficiently, and waste is minimised.

## 'PLASTICCICLE'



**289**  
recyclable plastic waste collection bins placed island-wide since the inception in 2017/18

**11**  
standard format recyclable waste collection bins were added to the bin network during the year in review

**~43.9** MT  
of recyclable plastic waste (the equivalent of ~1,191,000 PET bottles) collected in 2023/24

'Plasticcycle', the Group's social entrepreneurship project, achieved significant progress in encouraging the reduction in single-use plastics through awareness, supporting responsible disposal through their bin network and promoted recycling initiatives driving their vision of being a catalyst in significantly reducing plastic waste in Sri Lanka despite encountering economic roadblocks.

In 2023/24, Plasticcycle's focus expanded towards cleaner oceans, encouraging innovation and promoting the 4Rs (Refuse, Reduce, Reuse, Recycle) among diverse stakeholder groups.

### Key initiatives in 2023/24:

#### Awareness creation

- Hosted a panel discussion as part of the World Environment Day event 2023, organised by a leading pharmaceutical company and the Sri Lanka College of Pulmonologists.
- Conducted an awareness session for the Beach Clean-up organised by the LEO club of the University of Moratuwa, in collaboration with the Synopsis group and the Panadura Police.
- Participated in a panel discussion organised by the Sri Lanka Association for Software and Services Companies (SLAASCOM).

#### Improving collection and expanding the 'Plasticcycle' bin network

- Entered into an agreement with the Pearl Protectors, a youth-led marine conservation organisation, to partner on a project 'Cleaner Seabeds for Sri Lanka Expedition' (CSFSLE) to remove underwater marine litter from sensitive marine eco-systems and reefs located around Sri Lanka.
- Teamed up with 'Cinnamon Grand Colombo' and 'Cinnamon Red Colombo' for a beach clean-up at the Crow Island Beach Park.



'Plasticcycle' partners with The Pearl Protectors.

## 'GUNADAMIN BY ELEPHANT HOUSE'



<p><b>306</b> bins strategically placed across the country</p>	<p><b>~600 MT</b> plastic collected for 2023/24 (equivalent to ~ 21 million bottles)</p>
<p><b>4</b> pioneering women-led plastic collection centres</p>	<p>Empowering over <b>200</b> women and their families economically</p>

- 'Gunadamin Elephant House' was initiated as the CSR arm of the Beverages and Frozen Confectionery businesses with the aim of encapsulating all initiatives that are carried out for the benefit of the wider society. The project aims to leave a lasting positive impact on society, ensuring that the Group's actions today, pave the way for a brighter tomorrow. This initiative not only contributes to environmental sustainability but also generates employment opportunities, particularly within the informal sector, thereby bolstering the national Gross Domestic Products (GDP).

### During the year, under this project:

- Steps were taken to invest in infrastructure development for responsible disposals and to increase the collection and recycling rates of PET and other recyclable products in Sri Lanka.
- Focus was placed towards Material Recovery Facilities (MRF) centres, encouraging innovation and promoting the 4Rs (Refuse, Reduce, Reuse, Recycle) among diverse stakeholder groups.
- Significant strides were made in expanding the plastic waste collection network; a total of 100 new bins were invested in, bringing the nationwide bin network to a commendable 306 bins strategically placed across the country. The collection of plastic waste is closely monitored and periodically managed by Material Recovery Facilities (MRF) centres, with eight operational centres efficiently segregating, washing, baling, and crushing plastic waste for recycling.
- Over 600 metric tons of plastic waste was collected and recycled during the year, equivalent to ~21 million bottles, marking a significant milestone in waste management and recycling efforts.
- In collaboration with USAID's Ocean Plastic Reduction Activity, 'Gunadamin Elephant House' embarked on a ground-breaking initiative to establish MRF centres along the coastal belt. Four pioneering women-led plastic collection centres were established in Dickwella, Batticaloa, Mannar, and Trincomalee areas, empowering over 200 women and their families economically while contributing to environmental conservation.
- The introduction of e-bikes for plastic waste collection marked a milestone, enhancing collection rates and efficiency. These innovative vehicles, capable of holding up to 50 kilograms of plastic waste, represent a significant step forward in streamlining waste collection processes and promoting sustainable practices.
- Sponsored large-scale clean-up events, such as the Sri Pada season for the third consecutive year, underscoring the projects' commitment to environmental stewardship and community engagement.
- Extensive awareness sessions on plastic waste management were conducted nationwide, targeting schools, Government institutions, private organisations, and local communities, furthering the initiative's reach and impact.



E – Bike concept for plastic waste collection.



E – Bike and bins handing over to community.

**“The introduction of E-bikes for plastic waste collection capable of holding up to 50 kilograms of plastic waste marked a milestone, enhancing collection rates and efficiency.”**

## 'Keells': Promoting Sustainable Practices and Reducing Plastic Usage

Over 92,669 reusable bags sold per month

Over 179,386 bag reuses per month

Upcycles ~ 440kg of flex material

Uses 97,307 boxes per month on average for packing

Collects around 1,000 kg of plastic waste per month through Trash2Cash machines

The Supermarket business has been at the forefront of promoting sustainable practices and reducing plastic usage through various initiatives aimed at minimising environmental impact. These initiatives include:

### Reduce reliance on plastic and polythene

- Shrink Wrap Reduction:** Has achieved a 22% reduction in shrink wrap across its Distribution Centres by implementing safety belt usage.
- Compostable Bags:** Offers compostable bags at fish, meat, fruit, and vegetable counters, promoting sustainable packaging solutions.

# NATURAL CAPITAL REVIEW

- **Paper Straws:** Juice counters now offer paper straws, reducing reliance on single-use plastic straws.
- **BYOB (Bring Your Own Bag) and BYOC (Bring Your Own Container):** Customers are encouraged to bring their own eco-friendly reusable bags and containers, further reducing the reliance on polythene bags. Discount for customers who bring their own bags or containers has been increased to Rs.6 per bag/container, incentivising sustainable practices.
- **Green Bag Initiative:** Provides eco-friendly reusable bags, minimising the use of polythene bags and encouraging customers to reuse.

### Promoting Recycling

- **Recycling bins:** 48 outlets equipped with recycling bins provided through the 'plasticycle' initiative to encourage and provide means for customers to recycle used plastic items.
- **Trash2Cash Machines:** Located in 10 outlets collecting 1,000 kgs a month.



Trash2cash machine located at 'Keells' Outlet.



### Key business risks associated with Natural Capital

- Regulatory Environment
- Environment and Health and Safety
- Reputation and Brand Image
- Climate Risk



Refer Outlook and Risks.

## Management Approach

The John Keells Group places great importance on effectively managing its Natural Capital. The Group is dedicated to fostering environmentally responsible practices across our key businesses by implementing policies and procedures that support sustainable and eco-friendly operation.

The Group has operations in a variety of industries, with businesses in the Retail, Leisure, Consumer Foods, Transportation, Property and Plantation Services verticals, which have high environmental impacts. All Group companies adhere to all relevant local environmental laws and regulations, whilst goals and targets have been established in the majority of the Group's significant entities through an external benchmarking assessment and are monitored and reported internally on a regular basis. The resources assigned for the industry-specific initiatives fall under the horizon of each industry group and the resourcing of Human and Financial Capital is based on the feasibility of the initiative which is in concern.

The Group tracks its environmental performance every quarter through the tracking of the related GRI disclosures with annual audits and management review at quarterly management committee meetings, as well as obtaining regular formal and informal feedback from our significant stakeholders. Internal sustainability information is tracked and monitored through a dedicated IT system through which quarterly analytical reports are circulated to the Group's highest governance bodies and external stakeholders. Business Unit Heads also uses these reports to track and monitor the environmental performance of their respective companies, identify areas for improvement and implement necessary initiatives. Based on horizon scanning and external review, the Group will continuously review and improve its policies and management approach with regard to the environment.

Complementing Group's overall Environmental Policy, specific policies and management approach on the above environmental topics are operationalised through each Business Unit head and its relevant Sustainability Champion. With the recent study undertaken to further enhance the Groups' approach to ESG, all of the Group's policies, including those related to Natural Capital, are undergoing review. These reviews will lead to further enhancements in Group policies, including the introduction of new policies and position statements, reflecting additional efforts to align the Group's strategy.

The Sustainability Standard Operating Procedures (SOPs) established, ensure consistency of processes and data accuracy, and robust internal and external audits are carried out on an annual basis to ensure that the processes are adopted by the business units are in line with these SOPs.

The Group's value chain forms an important component of its operations, and the Group expects compliance and environmental responsibility from its partners across the supply chain in their day-to-day operations. Business units have also been encouraged to identify their significant suppliers and assess them on key environmental impact areas, with the Group's Supplier Code of Conduct reiterating the Group's commitment in this regard.

The Group has established standard protocols for data measurement; all energy and fossil fuel consumption are metered, and these meters undergo regular calibration. Water withdrawal is measured using divisional water meters and inlet water meters, while wastewater outflow is measured using meter readings and estimates based on pump time. The majority of waste statistics come from the weighing at the point of handing over to third-party waste handlers when exact measurements cannot be obtained, conservative estimations are made.

Group's carbon emissions are calculated according to the greenhouse gas protocol governed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Calculations use the carbon emission factor source of the Intergovernmental Panel on Climate Change (IPCC) guidelines for national greenhouse gas inventories, published by the Institute for Global Environmental Strategies (IGES) and include only CO<sub>2</sub>, which the Group has been comparing on a per Rupee of revenue basis since 2009/10. All business units identified in the reporting boundary for sustainability have been considered for the computation of their carbon footprint. Based on horizon scanning and external review, the Group will continuously evaluate and improve its policies and management approach regarding the environment.

The Group broadly tracks, manages, reports on key focus areas with respect to the natural environment. Through comprehensive stakeholder engagement conducted at the sector level and subsequently consolidated at the Group level, the reporting year's GHG emissions and energy Management, water management, and waste management themes were identified as material topics. Along with the actions the Group has been doing to manage these areas, some general goals were decided upon at a Group level and would then be cascaded down to the industry group level in accordance with materiality. The ambitions are then discussed and agreed upon by the industry group management as well as the Group's highest governance body.

### GHG Emissions and Energy Management

The Group policy requires that all businesses take actions to curtail their environmental footprint resulting due to the use of energy, and for all businesses to seek out methods for energy conservation through embracing lean energy management practices and investment in energy efficient alternatives. Businesses are also encouraged to evaluate the feasibility of adopting renewable sources of energy where possible. The Group seeks to monitor and manage its carbon footprint through diligent direct and indirect energy management. The Group is working towards a long-term NetZero goal with short and medium-term goals that would be agreed upon at a Group-level and cascaded to industry group-levels. The group steering committees comprising cross-sectoral representatives would be tasked with developing these roadmaps in achieving these ambitions.

### Water Management

Water and wastewater management deeply impacts the economy, environment, and human rights. The Group acknowledges its potential involvement in negative impacts through its operations and business relationships. This may include wastewater discharge, water pollution, or depletion due to extraction activities. The Group actively manages positive impacts by promoting water conservation and supporting community water projects. As initiatives to reduce the intake of water from blue water sources, the Group policy requires all business units to conserve and optimise their usage of water obtained from surface and ground water sources, and to re-use wastewater after treatment wherever possible. Further, the policy conveys on the discharge of wastewater, at a minimum should adhere to the quality levels stipulated by regulations, with recommendations to reuse treated wastewater as far as practically possible, for purposes such as gardening, toilet flushing etc. to reduce the quantity of effluents discharged to the environment. All Group companies employ monitoring processes including water quality testing and usage tracking, to assess the effectiveness of our actions, identify key points of usage and identify and implement applicable technologies, process improvements, and motivate changes in staff behaviour to conserve water.

The Group continuously monitors its water consumption efficiency per unit of product or service, benchmarking it against international standards within industry groups where a substantial portion of the Group's water consumption is allocated. This enables the Group to maintain alignment with industry benchmarks and enhance its operational sustainability.

Additionally with the study carried out to enhance the ESG strategy framework, the Group also conducted a study with the aid of a third-party consultant to benchmark the water consumption initiatives, and other parameters against selected peers for industry groups that water is of material importance to its operations. When arriving at the short, medium and long-term goals these factors were considered and targets at a

Group-level as well as industry group-levels were agreed upon to improve performance. The Group is working towards achieving water neutrality and identifying opportunities to work towards water positivity in the medium to long-term.

### Waste Management

The Group's waste management strategy consists of two facets.

1. To manage waste generated through its internal operations.
2. To manage and reduce the generation of waste due to products or services sold.

To efficiently manage waste, the Group employs the 4R's approach: reduce, reuse, recycle and recover. Waste data, including hazardous and non-hazardous waste breakdowns by compositions and disposal method-based waste kilograms, is captured and reported quarterly across all Group businesses. These figures are compared to the previous quarters' performances and established benchmarks from prior studies. Continuous efforts are made within the Group's business units to enhance material efficiency and diminish waste generation. In sectors generating non-biodegradable waste, ongoing initiatives focus on process efficiency enhancements and research into biodegradable alternatives.



*Refer pages 70 and 71 for some initiatives that took place in the reporting year.*

Significant waste arises from the products and services offered, particularly within the Consumer Foods, Retail, and the Leisure industry groups. Past commitments, such as eliminating single-use plastics in the leisure industry group and transitioning packaging materials for frozen confectioneries to biodegradable alternatives, have been pursued and progressed upon in the review year. Initiatives such as 'Gunadamin' by CCS, the Group's 'Good Water' initiative, and 'Plasticcycle' initiatives aim to reclaim non-biodegradable waste through material recovery facilities and bin networks, while addressing improperly disposed waste on land and in water bodies.

With the enhancement of the ESG strategy framework, the Group is also in the process of working towards reducing the amount of non-recyclable plastic in its operations and working towards diverting as much as possible waste from landfill, thereby aligning to the zero waste to landfill strategy. As the Beverages business consumes and produces PET in its operations, the Group is also working towards reclaiming as much as possible from the environment and channelling recyclables to responsible recycling and recovery processes to subsequently work towards achieving plastic neutrality.

### Conservation of Biodiversity

With the country recognised globally as rich in biodiversity, the Group is aware of the global and national value of Sri Lanka's naturally endowed resources and seeks to safeguard the flora and fauna biodiversity of the localities in which its businesses operate. Protection of biodiversity and the environment is linked to the performance of some of its key operating sectors, in particular the Leisure industry group, as the Group strives to sustain the unique value proposition of Sri Lanka's natural beauty. While many of the Group's operations are in urban, suburban and industrial zones, thereby having minimal impact on biodiversity, the Group's hotels operate, in certain instances, in proximity to protected areas. Details of such sites can be found in the group consolidated review of the Report, and the specific biodiversity conservation projects carried out by the Group can be found in the Group Consolidated Review section of the Report.

# NATURAL CAPITAL REVIEW

## Key Policies

### Group Environmental Policy

The John Keells Group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct operations in a sustainable and environmentally sound manner. We will strive to continuously identify all potential impacts on the environment and manage such impacts whilst using resources in a sustainable and efficient manner.

### Group Energy Management Policy

Minimising energy-related environmental impact and enhancing the Group's competitiveness through energy costs savings by embracing lean energy management practices.

### Group Water Management Policy

The Group's water policy seeks to conserve and optimise its use of water obtained from surface and ground water sources and wherever possible shall seek to re-use waste water after treatment in its operations with a view to reducing the intake of fresh water.

### Group Waste Management Policy

The John Keells Group Policy with regard to waste management is based upon the tenets of 'Reduce, Reuse, Recycle', and we encourages employees to conscious in terms of reducing consumption and reuse and recycle wherever possible.

### Group Hazardous Waste Policy

Defined as substances which are dangerous or potentially harmful. 'Hazardous Waste' which is generated from various commercial, industrial and other institutional sources cause immense environmental and health problems across the globe. Assuming its role as a responsible corporate citizen, the John Keells Group seeks to streamline and enhance proper management of hazardous waste within the Group, to mitigate the impact of such waste on the environment.

### Group Biodiversity Conservation Policy

The Group shall seek to conserve, and where possible, enhance biodiversity of the locality through the adherence of local and Governmental laws and the implementation of best practice relating to conservation and protection of biodiversity in areas where operations of the Group are carried out.

The Group understands and acknowledges its responsibility in conserving and protecting the biodiversity of the areas it carries out operations, not only for the purpose of ensuring sustainable business, but to take care of the planet and preserve its diversity, beauty, resources and strength for future generations.



# HUMAN CAPITAL REVIEW

## Employees within seven industry groups

**15,314**

FY23 – 15,415

## Employees on fixed term contracts

**6,499**

FY23 – 6,495

## Permanent employees

**8,815**

FY23 – 8,920

## Male : Female ratio

**67:33**

FY23 – 67:33

**“The Group places great emphasis on capacity and skill building through human capital investment, and providing development opportunities towards enhancing skills, and competencies.”**

### Focus Areas

The Group Human Resource Division (Group HR) ensures that the Group Human Resource Framework functions as planned, ensuring the development and implementation of effective HR strategies, policies, processes and systems. This entails formulating 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.

Significant emphasis is placed on the focus areas identified under the Group HR framework which enables the Group to ensure sustainable value creation for all its employees. The following focus areas have been identified as material in developing the Human Capital base of the Group.

Focus Areas	
	Learning and Development Page 81
	Talent Management Page 82
	Employee Engagement Page 82
	Diversity, Equity and Inclusion Page 83
	Compensation and Benefits Page 84
	Health and Safety Page 84

The management of Human Capital is of paramount importance as it is a key contributor to the Group's value creation process. Attracting, retaining, and fostering talent, along with providing development opportunities, are imperative to ensure the long-term sustainability of the Group's operations. The discussion on Human Capital comprises of two parts:

- (1) A performance analysis of the main focus areas of the Group's Human Capital during the year under review.
- (2) The Group's approach to managing Human Capital.

### Key highlights on focus areas under Human Capital

#### Key highlights of the year:

##### Talent Acquisition

- The Group Management Trainee Programme was completed for the 17<sup>th</sup> consecutive year.

##### Compensation and Benefits\*

- Special budgetary allocations were made towards employee recognition schemes at both Group and business levels.

##### Learning and Development

- The Group launched a set of new competencies as 'Success Drivers', replacing the 'Group Roof Competencies'.

##### Employee Engagement\*

- Implementation of action plans based on the climate survey conducted by the independent third-party organisation 'Great Place to Work', took place throughout the year to enhance employee experience.

##### Health and Safety\*

- The Group continued multiple health and safety awareness sessions and actions reinforcing its commitment to ensure a safe working environment for its employees, contractors and visitors who are involved in any business or transaction with the John Keells Group.

#### SDG's Impacted through Initiatives:



##### Quality Education

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



##### Gender Equality

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



##### Decent Work and Economic Growth

Encouraging reuse and recycling of waste alongside responsible waste disposal.



##### Reduced Inequalities

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

*These areas are governed by Group-wide policies and processes. Therefore, initiatives apply across all industry groups.*

# HUMAN CAPITAL REVIEW

## Composition of Group workforce:

<b>7,424</b> <b>Retail</b> [FY23: 7,703]	<b>5,042</b> <b>Leisure</b> [FY23: 6,280]	<b>4,190</b> <b>Financial Services</b> [FY23: 4,515]	<b>1,684</b> <b>Consumer Foods</b> [FY23: 1,568]	<b>1,341</b> <b>Other, incl. Information Technology and Plantation Services</b> [FY23: 1,350]	<b>630</b> <b>Transportation</b> [FY23: 535]	<b>303</b> <b>Property</b> [FY23: 299]
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## Employee composition by Gender and by Age (%)

■ <30   
 ■ 30-50   
 ■ >50   
   

Total Employees	Gender	67	33
	Age	56	35
Board of Directors	Gender	67	33
	Age	42	58
Group Executive Committee (GEC)	Gender	88	12
	Age	50	50
Group Operating Committee (GOC)	Gender	86	14
	Age	43	57
Senior Management	Gender	82	18
	Age	71	29
Middle Management	Gender	73	27
	Age	12	75
Workforce	Gender	64	36
Contractor's Personnel	Gender	56	44

The Group has 5300 contractor's personnel directly employed from third parties.

<b>1,348</b> <b>Janitorial</b>	<b>1,756</b> <b>Security</b>	<b>617</b> <b>Transportation</b>
<b>177</b> <b>Labour</b>	<b>803</b> <b>Supporting staff</b>	<b>59</b> <b>Other</b>



Women empowered outlet in Supermarket Businesses

## Employee composition by Region

	Local		Overseas	
Total	14,750		564	
	9,756	4,994	462	102
New hires : <sup>1</sup> New hire rate	10,235 : 69%		193 : 34%	
Permanent employees	8,815		-	
	5,947	2,868	-	-
Contract employees	5,935		564	
	3,799	2,136	462	102

New Hires				
Total by gender	6,263		4,165	
<sup>1</sup> Rate by gender	61%		82%	
Total by Age	9,271	1,046	111	
<sup>1</sup> Rate by age	108%	19%	08%	

<sup>1</sup> New hire rate is calculated as new hires per category/ number of employees in the category

\*All employees of the Group are employed as full time workers as the Group does not employ any part time employees.

\*The methodology used to report all Employee numbers are in headcount.

\*Assumption:

Number of working hours per employee = 8 hours per day  
 Total number of days worked for the year = 252 days  
 In the year under review, the group has hired a total of 10428 personnel.

**“The Group's continuous efforts on a diverse range of recruitment and retention initiatives, resulted in an increase in female participation to 33% in the year under review.”**



## 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' knowledge and skills, to drive better business performance.

Average training hours per employee by gender	
Male	77
Female	121

Employee category	Average training hours per employee
AVP & above	3
Managers	13
Assistant Managers	14
Executives	51
Non-executives	112

### Total Trainings



### Learning and Development Initiatives:

- A new set of competencies termed 'Success Drivers' was launched to replace the Group's roof competencies that existed previously. The Success Drivers are expected to serve as the bedrock of Group's leadership development, talent attraction, and learning and development initiatives. The following pool of 9 Success Drivers were identified through discussions and workshops, with a diverse range of internal stakeholders, at different levels.



The internal training of the Success Drivers was championed by a group of 60+ manager level and above employees from across the Group. The year under review focused on the training of these champions, and the communication roll-out for all AVP+ leaders in the Group.

- The 'Outlet Manager Development' programme was conducted by the Supermarket business with the objective of developing selected employees for future outlet manager roles.
- The 'Cinnamon Brand Ambassador' programme was initiated by the Leisure industry group with the objective of improving service levels of identified associates.
- Development programmes such as 'Super Six' were conducted with the aim of developing leadership skills of the associates at 'Cinnamon Hotels & Resorts'.
- Internal Auditor training programmes were conducted across the Leisure industry group on ISO 22000, ISO 14001 and ISO 45001 standards.
- Several training initiatives, including 'Cinnamon Connect Training' and 'Train the Trainer' Programmes, were carried out on hospitality practices for the staff in the Leisure businesses.
- 'Middle Management Development Programme', 'Manager Acceleration Programme', 'Supervisory Talent Enhancement Programme' (STEP), and 'Good to Grand', among others, were conducted, to continuously upscale the quality of employees in the Leisure industry group.
- 'Empower Her Programme' was conducted to empower and motivate women in leadership roles within the Leisure businesses.

# HUMAN CAPITAL REVIEW



## TALENT MANAGEMENT



The Group's talent management strategy focuses on hiring, engaging, developing, and retaining high performing employees.

### Initiatives adopted by the Group during the year:

- The Management Trainee Programme of the Group was completed for the 17<sup>th</sup> consecutive year, where 6 management trainees were chosen out of 233 applied candidates.
- The Group offered the 'FastTrack' summer internship programme in partnership with London Stock Exchange Group Sri Lanka and Unilever Sri Lanka. Under this programme, 15 undergraduates were provided with corporate exposure over a period of four-weeks.
- The Group partnered with Sysco Labs Sri Lanka and Brandix Lanka Limited to facilitate a two-week corporate human resource exposure programme to 20 human resources undergraduates from local universities.
- As a part of employer branding initiatives of the Group, Group HR participated in the career fairs organised by the Faculty of Management and Finance of University of Colombo, University of Moratuwa and the University of Kelaniya. The Group also participated in the career fair and panel discussion hosted by Universal College Lanka.

### Key Initiatives by Industry Groups

#### Retail

- The retail module was offered to undergraduates of local universities under which the Supermarket businesses delivered multiple knowledge-sharing sessions, facilitating skill enhancement of undergraduates.
- 90+ university undergraduates were provided the opportunity to visit the 'Keells' Distribution Centre to enrich their knowledge on retail operations.
- 37 members were promoted to managerial positions under the 'Retail Management Trainee Programme'. This Programme offers the recruits an opportunity to fast-track their career progression to managerial positions.

## Performance Management

The Group's performance cycle enables the identification of high performers and formulation 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 action steps and record progress and feedback on a continuous basis. The cloud-based Human Resource Information System enables all performance appraisals and career committee reviews to be performed virtually.

## Transition assistance

The Internal Job Posting Programme (IJPP) of the Group facilitates the movement of employees within its different sectors and business units, encouraging employee mobility across the Group. Employees who have completed two years of service in a specific role are eligible to apply to other vacant positions within the same company, the same industry group, or another industry group through the process under the IJPP. All internal postings of the Group has to first be advertised internally via the employee portal and internal communications and it is mandatory to interview all internal employees who apply for specific positions within the Group.

When an employee is due to retire, the particular employee will be notified at the beginning of their retirement year facilitating them to plan their life after retirement, as well as support internal succession planning. If an employee is due to retire from specific functional role where replacements cannot be found due to specific skill sets or capabilities they acquire, and if suitable candidates are not available in the market, pre-discussed working arrangements can be made where these employees are onboarded on fixed-term contracts. This decision will be made by the Group or the sector's management at their discretion.



## EMPLOYEE ENGAGEMENT



### Great Place to Work

The Group continues to implement initiatives to sustain the highly-rated areas and uplift the areas identified as concerns in the culture survey conducted through the independent third-party organisation 'Great Place to Work', in order to enhance the employee experience.

### Sports and Engagement

- Various activities were held during the year to improve employee engagement, such as a step challenge scaled to a virtual map of Mount Everest and a Group-wide talent show, among others.
- Employees represented the Group in mercantile tournaments for netball, hockey, cricket, rugby, basketball, badminton and athletics.
- 'Career Week 2023' was held with the aim of encouraging and assisting staff in steering one's career towards their goals.
- Championship in Women's D division and 2<sup>nd</sup> Runner-up in Men's E Division, Mixed D division and Veterans B division at the 39<sup>th</sup> Mercantile Inter-firm badminton championship and 16 medals at the 38<sup>th</sup> mercantile annual athletic championships.



Spotlight 2023.

### Staff Volunteerism

Staff volunteers continued to play a pivotal role in supporting the John Keells Foundation (JKF) – the CSR entity of the Group - in project coordination, implementation and monitoring activities. Volunteer opportunities serve as a both community engagement and unifying force among staff, fostering cross-learning, networking and motivating experiences. Our volunteers, ranging from project champions to sector CSR coordinators, volunteer trainers, and those engaged in skill-based volunteerism, field work, and administrative support, have contributed significantly to the CSR achievements of both JKF and at Industry Group level.

A total of 566 staff volunteers participated in JKF initiatives, resulting in 1,061 volunteer instances and recording a total of 4,243 hours.

*\*Figures do not include CSR initiatives undertaken independently at a sector or business level.*



Employees volunteering in Cinnamon Rainforest Restoration project.

### Employee Recognition

Employee recognition schemes available at both Group and Industry Group level:

- Awards for innovation, disruptive digitisation, sustainability, CSR volunteerism and diversity, equity and inclusion.
- Online recognition tools such as 'Badges' on the HRIS for employees to recognise and appreciate their colleagues for displaying Group values, for going the extra mile, outstanding work and great teamwork, which are recorded on employee profiles and linked to their performance appraisal.
- Continuous feedback 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 launched in 2004, is the highest internal recognition programme aimed at appreciating and recognising individuals and teams that have made a significant contribution towards the Group's triple bottom line. This annual recognition has evolved to comprise awards in the categories of Outstanding Achievement for individuals and teams, Corporate Social Responsibility, Sustainability, Innovation, Disruptive Innovation and Diversity Equity, and Inclusion. In November 2023, eight winners were recognised in the aforementioned categories.

## DIVERSITY, EQUITY AND INCLUSION



### LGBTIQ+ inclusivity

The Group was a key sponsor of Colombo PRIDE for the second consecutive year, demonstrating Group's ongoing commitment as an ally to the LGBTIQ+ community and to promoting diversity, equity, and inclusion within our community.

The Group actively drives knowledge-sharing sessions together with EQUAL GROUND Sri Lanka, to the corporate sector, to promote workplace inclusivity.

### Increasing career opportunities for persons with disabilities (PWD)

The Group completed the 'Together We Can+' programme, by the International Finance Corporation (IFC). The Group's commitments in TWC+ included conducting a PWD needs assessment.

Developing a policy for PWD inclusivity and improved accessibility in physical and digital spaces for customers and employees with disabilities.

### Promoting diversity in the Group's value chains

The third issue of the annual bi-lingual DE&I newsletter, 'JK Connect', was disseminated amongst the partners in the value chain, in April 2023. This newsletter is aimed at keeping the Group's partners up-to-date on the ONE JKH initiatives and to act as a platform for sharing knowledge and insights on success stories on DE&I, from across the value chains.

### Gender parity and challenging gender stereotypes

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 reaching female participation to 33% in 2023/24.

In line with the focus to achieve gender parity, an interactive session in commemoration of International Men's Day 2023 was held to highlight the topics of gender equity, positive masculinity, mental well-being, and the importance of challenging harmful stereotypes.



'Organisation Promoting Equity/Equality and Diversity of the Year' at the Top50 Professional & Career Women Global Awards - Thirteenth Edition' in 2023, by Women in Management (WIM) in partnership with IFC and the Government of Australia.

# HUMAN CAPITAL REVIEW

## 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 538 employees, and accounts for 3.5% of the Group's total employee count. TSFL's wage structure is aligned with the regulations of the country's plantation industry.

**“The Group strives to ensure that its work environment is safe and enabling with health and safety, given high importance at industry group level in accordance with all legal and regulatory requirements, while maintaining international health and safety standards as appropriate.”**



## COMPENSATION AND BENEFITS



The compensation ratios of each industry of the John Keells Group differs from each other due to the nature of the business, the ratio of the executives carder to the non-executive carder and breadth and depth of each sector's organisational structure. Furthermore, due to the pay for performance and focus on variable pay philosophy of the Group, a significant variation of the compensation ratio on a year on year basis will also be experienced within each sector. Additionally, due to the approach of the Group on pay benchmarking based on market data on a role specific basis, also addresses gender bias and ensures a pay structure free of gender discrimination.

Permanent employees regardless being full or part time in nature, receive the same type of benefits. While contract employees receive the same benefits as full time employees with the exception of increments and short-term incentives depending on the terms of contracts, temporary workers benefits will differ to a greater extent. Additionally, employee benefits of Sri Lanka and the Maldives may vary according to the respective country's laws and regulations.

### Initiatives during the year:

- Continued the payment of the Temporary Crisis Allowance which was provided in addition to employees' basic salary from January 2023, to assist employees in navigating the challenging macroeconomic environment.
- Initiatives such as employee discounts, awareness sessions and webinars to aid employees in managing their personal finances.

### Employee Benefit Plans

- As per 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 Employees' Trust Fund for 2023/24 amounted to Rs.413 million (3% of salary contributed by the employer), whilst the total contribution made to the Employees' Provident Fund was Rs.1.32 billion.
- In Sri Lanka, employees are also entitled to retirement gratuity. The employee benefits liability as at 31 March 2024 stood at Rs.3.59 billion and this value is met by the organisation's general resources.

## Parental Leave

- All permanent employees of the organisation are entitled to 100 days of parental leave.
- Under the equal 100 days of parental leave Initiative, 37 female employees and 51 male employees availed themselves for leave and 33 female employees and 48 male employees returned to work after their parental leave period.
- Return to work rate after parental leave is 92% which depicts the success of 100 days parent leave policy implemented within the Group.
- Overall retention rate of employees who took parental leave in previous period was 98%.

Return to work rate		Overall retention rate	
94.1%	89.1%	98%	100%
Male	Female	Male	Female



## HEALTH AND SAFETY



The Group believes in the importance of its Human Capital as an integral part of its long-term strategy of sustainable business growth. It is committed to ensuring a safe working environment for its employees, contractors and visitors involved in any business or transaction with the John Keells Group. All sectors carry out operations under a well-established Occupational Health and Safety Management System which is discussed under the management approach below.



Firefighting training at Colombo Ice Company Limited

## Health services provided to employees across the Group

As an ongoing effort to promote employee health and well-being, health services provided to employees throughout the financial year across the Group.

Industry Group	Access provided to non-occupational medical and healthcare services	Voluntary health promotion services and programmes offered to staff
Consumer Foods	Health Insurance Coverage Health and Wellness Programmes	Annual medical checkups with risk assessment pop-ups, Fits & Bits Session
Transportation	Occupational health screening programme	N/A
Plantation Services	Annual medical screening for all workers, awareness on non-communicable diseases, health camps on awareness on non-communicable disease	Annual medical screening for all workers, awareness on non-communicable diseases, health camps on awareness on non-communicable disease
Leisure	Health Insurance Coverage, Employee Assistance Programmes Health and Wellness Programmes Flexible Work Arrangements Health Education and Resources	Health Risk Assessments – Medical assessments for employees above the age of 40, food handlers, fitness medical assessments for new recruits, health education workshops and seminars, fitness and wellness programmes and gymnasium facility, nutrition counselling and mental health support services – Anagram and Sarvodaya
Property	Medical tests, medical insurance	N/A

The health services provided by the sectors are evaluated by Health and Safety Supplier Evaluations, Contractor Declarations and routine inspections and audits.

In reporting work related hazards, awareness sessions are carried out for all employees according to Industry Group level and Group level Occupational Health and Safety (OHS) policies. While all incident records are maintained, employees are given awareness on addressing such situation and thereby maintaining a safe and healthy workplace and how to work on such situations. The data recording and compiling is done according to the GRI 403 standards.

In order to ensure a healthy and safe environment, in addition to Group-wide initiatives, the businesses carried out the following programmes:

- Plantation Services - Establishment and maintaining of ISO worker friendly environment by assessing the associated hazards and risks in the manufacturing process.
- Substance abuse control for outsourced employees of the Consumer Foods industry group.

Injuries	Employees	Contractors' personnel
High consequence injuries (number)	0	0
High consequence injury rate (%)	0	0
Recordable Injuries (number)	254	2
**Recordable injury rate (%)	1.66	0.06
Number of hours worked (million)	30.6	10.6
No. of fatalities	0	1
Fatality rate (%)	0	0

\*\* The rates have been calculated based on 200,000 hours worked.

### Leisure

- Internal auditor qualification programmes were conducted to train compliance executives on ISO 22000, ISO 14001 and ISO 45001 at 'Cinnamon Bey Beruwala', 'Cinnamon Wild Yala' and 'Cinnamon Lakeside Colombo'.
- Programmes on workplace hazards awareness and chemical handling training.
- Emergency preparedness and awareness on business continuity plan (BCP) and BCP Drills.
- Health, Safety and Environment (HSE) Consequence Policy initiative to create awareness related to HSE Consequences and how to address related issues.
- Conducting programmes on Food Safety - Legionella training on food safety, Lobster Link Training programme on food safety, food poisoning and allergen awareness session.
- Training and programmes on child protection, grooming and hygiene.
- Awareness programmes on breast cancer and AIDS at 'Ellaidhoo Maldives by Cinnamon'.

The effectiveness of the above trainings are assessed based on the employee feedback and frequent evaluation programmes. As practical measures, mock drills are conducted to test the effectiveness of the trainings conducted.

Employee injury types	Total No
Injuries due to falling	79
Injuries due to explosions and exposure to harmful rays/substances	9
Injuries due to malfunctioning equipment	1
Injuries due to lifting or moving heavy items	124
Injuries due to cuts, pricks and sharp objects	40
Injuries due to roadside accidents/ vehicle collisions	1
Injuries due to natural disasters and other causes	3

# HUMAN CAPITAL REVIEW

## ATTRITION

The Group closely monitors attrition, with a particular focus on addressing attrition in Industry Groups which experience relatively higher rates due to nature of the business and competitive market conditions for talent attraction. During the year under review, the Group's attrition rate was 28%. The Group continues to work on adopting measures to manage attrition.

### Total number of employees who exited during FY 2023/24

	No.	Composition (%)
<b>by Gender</b>		
Male	5,177	59
Female	3,560	41
<b>by Age</b>		
Below 30	7,324	84
Between 30-50	1,248	14
Above 50	165	2
<b>by Region</b>		
Local	8,630	99
Foreign	107	1

### Total number of new hires who exited in FY2023/24

	No.	Composition (%)
<b>by Gender</b>		
Male	1,451	57
Female	1,078	43
<b>by Age</b>		
Below 30	2,363	93
Between 30-50	150	6
Above 50	16	1
<b>by Region</b>		
Local	2,529	100
Foreign	-	-



#### Key business risks associated with Human Capital

- Regulatory environment.
- Global competition including availability of key skills and changing working demographics.
- Human resources and talent management including readiness to respond to risks, rising employee benefits and pension costs.
- Health and safety.



Refer Risk, Opportunities and Controls Review.

## Management Approach

The Group has strategic human capital initiatives in place for effective human capital management that optimises human potential. Policies relating to all aspects of human resources, including labour relations, training, equal opportunity and health and safety of its workforce are in place outlining the Group's stance on these topics. Furthermore, the Group facilitates employee career development through a structured process of identification of development goals and requisite investment in training and development in line with the competency framework of the Group. Whilst continuous feedback is given to employees on their performance, formal Performance appraisals are conducted on an annual basis for all staff in employment.

The Group's operating structure is designed in a manner that ensures all key people-related decisions are made by committees, and not by individuals. Such people related decisions are based on the strategic requirements of the Group and of each business unit. Decisions relating to hiring, performance, promotion, learning and development, career development, compensation management, talent management and reward and recognition are also made in this manner, ensuring meritocracy rules at every stage of an employee's journey in the Group.

The Group's human resource information platform (HRIS) HIVE, enables systematic management of its Human Capital, ranging from recruitment, onboarding, performance management learning and development, and employee engagement, to recognition and rewards.

The achievement of its strategic initiatives lies with the operationalisation of policies at business unit-level which is monitored via metrics such as attrition, diversity, training hours per employee and health and safety incidences.

The Group is an equal opportunity employer and continues to implement benchmark practices to drive diversity and inclusivity.

## Diversity and Equal Opportunity

The Group maintains a sustained focus on employee diversity, equity, and inclusion. It has in place a DE&I Policy, a Gender Policy, and a Persons With Disabilities (PWD) policy monitoring the diversity of its workforce and continuously works on ensuring that the Group's workforce is truly diverse and has equal opportunities.

Since 2015, the Group has used inclusive language in all its policies with the Code of Conduct and Group policies reflecting its commitment towards non-discrimination. The culture of inclusion is promoted internally with the support of awareness sessions and forums as well as strategic ONE JKH (the Group's DE&I Brand) initiatives across the Group.

## Talent attraction and Retention

Staff retention continues to be closely monitored by both HR and Business heads, with the Group tracking attrition of employees identified as 'Talent' at both a sector and Group level, paying particular attention to the career development of such personnel, with ongoing dialogue to understand and manage aspirations and ensure retention.

## Performance Appraisals

All Group employees undergo regular appraisals aimed at driving performance and receive feedback and support in order to improve areas of development. The Group performance management policy requires bi-annual formal feedback to be provided to the executive cadre and to all others at least once a year, whilst continuously recording and obtaining feedback on performance via the HRIS throughout the year.

## Employee Recognition

Employee recognition and rewards are carried out at a Group level through the Chairperson's Awards including awards for Innovation, CSR and Sustainability. In addition, each sector and business unit rewards and recognises employee performance and values through schemes such as 'Employee of the Year', 'Champion of the Year', 'HIVE Badges' and 'Bravo'. Peer to peer recognition is also enabled via functionalities available on HIVE, the Group's HRIS, such as badges and peer feedback.

## Learning and development

The Group places great emphasis on capacity and skill building through human capital investment, and employees are provided development opportunities towards enhancing skills, and competencies, for personal and leadership growth required to address current and future needs. The Group has identified nine success drivers which will serve as the foundation of leadership development, talent attraction, and learning and development initiatives. The Group's learning and development philosophy and practices are flexible and dynamic, accommodating lifelong learning crucial to building sustainable competitive advantage. The Group has always fostered a culture of learning, where people and organisational development have been at the forefront. As technology continues to transform the corporate landscape, the ways in which people learn constantly evolve, and the Group remains agile and adept towards aligning with this learning environment.

Sustaining a robust culture of learning, complemented by development focused systems and processes enable learning to be accessible, relevant, and more personalised. Industry Groups such as Leisure, Consumer Foods, Retail, and Financial Services – Insurance have dedicated learning and development teams that design and implement customised initiatives, while supervisors are empowered and assigned development goals to mentor and coach employees on an ongoing basis.

Career development programmes and coaching initiatives focusing on leadership development, learning engagement opportunities that encourage knowledge-share and social learning are encouraged and recognised at every level.

## Employee Relations and Collective bargaining

The Group is committed to engaging with its people in the spirit of open dialogue aimed at improving the employee experience. Such engagements are reinforced by an open door policy, skip-level meetings and engagement platforms such as joint consultative committees and collective bargaining discussions.

Formal collective bargaining agreements are found in the manufacturing segments such as in the Consumer Foods and Retail industry groups, while Tea Small holder Factories (TSF) in the Plantation Services sector customarily follow the wage structures of the plantation industry of the country. Additionally, the resort hotels have entered into memoranda of understanding with staff representatives.

## Employee benefit plans

The Group adheres to the statutory provisions regarding superannuation and best in class Insurance benefits. In some instances, as in the case of Private Provident Funds in Sri Lanka, the company exceeds the legal minimum requirements in the interests of securing a better benefit for its employees.

The Group offers flexible working and remote working wherever feasible which is a benefit valued by employees who appreciate the work-life balance that such policies afford.

## Employee Engagement

The Group conducts periodic employee engagement surveys with the aim of listening to its employees and obtaining direct feedback on the employee experience. Going beyond quantitative and qualitative survey mechanisms, the Group also conducts focus group discussions to better understand the feedback provided in such surveys.

The introduction of Parental leave of one hundred days and Adoption leave in addition to seven days of sick leave were among actions taken based on feedback received via the employee engagement surveys.

The Group also provides opportunities to its staff to make a contribution beyond their routine job roles by such mechanisms as innovation teams and, CSR volunteerism programmes. There is regular communication with employees using channels such as group emails, social media forums and other e-communication channels.

## Health and Safety

The Group places prime importance on occupational health and safety for its workforce. Driven by the John Keells Group's health and safety policy, all business units within the Group have been empowered to undertake any measure deemed necessary to ensure that it is a 'Safe Place to Work'. The Group strives to ensure that its work environment is safe and enabling with health and safety, given the high importance at industry group level in accordance with all legal and regulatory requirements, while maintaining international health and safety standards as appropriate.

All the business units adhere to the occupational health and safety standards as there is no legal requirement specified to be complied with health and safety standards in the country's legislation. Therefore, all Industry Groups of the Group comply with ISO 45001 standard on occupational health and safety and have their respective industry group health and safety committee to ensure compliance. Whilst maintaining ISO 450001, the sectors have adopted additional health and safety guidelines specific to each of the sectors to enable health and safety to its employees as well as consumers.

Health & Safety Standards followed by Industry Groups		
<b>Consumer Foods</b> <ul style="list-style-type: none"> <li>ISO 450001 : 2018</li> <li>ISO 220000</li> </ul>	<b>Leisure</b> <ul style="list-style-type: none"> <li>ISO 14001</li> <li>ISO 220000</li> <li>Travel life goal certificate</li> </ul>	<b>Transportation</b> <ul style="list-style-type: none"> <li>ISO 22000</li> <li>ISO 45001</li> </ul>
<b>Property</b> <ul style="list-style-type: none"> <li>ISO 45001</li> </ul>	<b>Retail</b> <ul style="list-style-type: none"> <li>ISO 45001</li> <li>GMP</li> </ul>	<b>Plantation Services</b> <ul style="list-style-type: none"> <li>ISO 45001</li> <li>ISO 22000</li> </ul>

# HUMAN CAPITAL REVIEW

The Group follows a carefully designed process to identify the health and safety risks and hazards and to set ways to mitigate and prevent the identified risks.

- Identification of risks and hazards is conducted by each industry group using different methods based on the nature of their operations.

Sector	Process or systems to identify health related risks/hazards
Consumer foods	Task, equipment and location based health and safety risk assessment/ SHE House APP/ Gemba walks by top management
Transportation	Yearly review of hazard identification and risk assessment
Plantation Services	Risk assessment including all health-related activities of all departments/Identification of the risk factors considering probability and severity - ergonomics
Leisure	Task and operational based health and safety risk assessment

- The effectiveness of the risk identification process is assessed by the OHS professionals appointed at each industry group. The results of the process of risk identification are continuously used throughout the operations to improve OHS Management systems.
- To work on maintaining this standard, each of the Industry Groups has formal health and safety committees. This ensures the participation of all employees and workers in the OHS process. These committees hold annual/bi-annual /monthly meetings for the evaluation of the OHS process.
- The improvement points captured through that process are formally discussed with the OHS committees and immediate action are taken to address any gaps.
- To eliminate and mitigate the identified health and safety risks, the Industry Groups use a common methodology consisting of five steps - Elimination, Substitution, Engineering Controls, Administrative Controls and Personal Protective Equipment (PPE).
- Reporting of work-related hazards or such situations and maintenance of incident reports are mandatory for all businesses. Records and reports on rates of injury, lost days, and total number of work-related casualties among its workforce, including contractors' personnel are recorded across all businesses. Minor occupational injuries or diseases that cause an employee to be unable to report to work for less than one day have been excluded from reporting, although records are maintained for such injuries which allow for root cause analysis and implementation of any preventive action if required.
- These statistics are monitored through the Group's management processes including attendance registers and accident logs and is furthermore captured on the Group's sustainability IT platform and is considered within the Group's risk management framework.
- In addition to routine awareness trainings, awareness sessions are also conducted to avoid similar incidents in the future.

## Key Policies

### Policy on Health and Safety

The John Keells Group is committed to ensuring a safe working environment for its employees and prides itself in providing a 'Safe Place to Work'. The Group is similarly committed towards its contractors and visitors who are involved in any business or transaction with the John Keells Group.

### Policy on Child Labour

The John Keells Group does not engage children in employment. As a general practice, the Group does not employ any person below the age of eighteen years at the workplace.

### Policy on Forced or Compulsory Labour

No employee of the John Keells Group is forced to work against his/her will or is subject to corporal punishment or coercion of any type related to work.

### Policy on Equal Opportunities

The John Keells Group is an equal opportunity employer. Accordingly, the Group is committed to hiring, developing and promoting individuals who best meet the requirements of available positions, possess the required competencies, experience and qualifications to carry out assigned tasks and have the potential for growth within the organisation.

### Anti-Corruption Policy

The John Keells Group places the highest value on ethical practices, with a zero-tolerance policy towards corruption and bribery in all its transactions.

### Diversity, Equity and Inclusion Policy

The John Keells Group recognises the importance of diversity, equity, inclusion and the role it plays in ensuring workplace respect, organisational success and sustainability for all stakeholders.

### Policy Against Sexual Harassment

The John Keells Group is committed to providing a safe environment for all its employees free from discrimination on any ground and from harassment at work including sexual harassment. The Group will operate a zero-tolerance policy for any form of sexual harassment in the workplace, treat all incidents seriously and promptly investigate all allegations of sexual harassment ensuring appropriate corrective action.



# SOCIAL AND RELATIONSHIP CAPITAL REVIEW

## Purchases from local suppliers

**86%**

FY23 – 81%

## Persons impacted through community engagement

**1,952,511**

FY23 – 1,553,971

## Spend on CSR

**Rs. 187 million**

FY23 – Rs.397 million

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

Building sustainable relationships with customers, suppliers, community and all other stakeholders is pivotal to the Group to unlock long-term sustainable value. Interventions are strategically designed to foster lasting positive effects, actively influencing the multitude of stakeholders the Group engages with. This approach builds trust and fosters relationships with all parties involved, concurrently establishing enabling mechanisms and supportive eco-systems. The discussion on Social and Relationship Capital comprises of two parts:

- (1) A performance analysis of main focus areas of the Group's Social and Relationship Capital during the year under review
- (2) Management approach to managing Social and Relationship Capital

## Focus Areas and priority SDGs under Social and Relationship Capital

### Key highlights of the year:

#### Social Responsibility\*

##### Education

- English and IT scholarships provided to children from underserved Government schools for better higher education and career prospects.
- Higher education scholarships encouraged disadvantaged youth to pursue Advanced Level and University education.
- University students improved their career readiness through Soft Skills workshops.
- Tab devices and data packages enabled online learning for selected school children in Colombo 2, Ja-ela, and Ranala.
- Career guidance sessions were conducted for Ordinary and Advanced Level students in Colombo.
- A customised teacher training programme was launched in Habarana to boost motivation among students and teachers.

##### Health

- School meal programme continued to support children, enhancing their nutrition, attendance, and learning engagement.
- Targeted awareness sessions on Gender Based Violence, Child Protection, and Substance Abuse Prevention were conducted to foster social well-being, cohesion and productivity of students, teachers, Government officials, police officers, lawyers and the general public.
- The Supermarket business continued the food redistribution project, and farmer food waste reduction project.

##### Livelihood Development

- Selected youth and SMEs (primarily women-based) around Group business locations continued to be supported under 'John Keells Praja Shakthi' with relevant skills, capacity, infrastructure and markets for sustainable livelihoods and income.
- The 'Keells Govidiri' programme was continued strengthening the agripreneurs, especially youth and female farmers.
- The Supermarket business continued to provide assistance to micro, small and medium enterprises (MSME) in collaboration with USAID.

### SDG's Impacted through Initiatives:



#### No Poverty

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



#### Zero Hunger

End hunger, achieve food security and improved nutrition, and promote sustainable agriculture



#### Good Health and Well-Being

Fostering healthy communities towards enhancing well-being and productivity.



#### Quality Education

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



#### Gender Equality

Working towards gender empowerment through skill development and infrastructure enhancement, eliminating gender-based violence through awareness and capacity building.



#### Clean Water and Sanitation

Ensure availability and sustainable management of water and sanitation for all.



#### 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.

# SOCIAL AND RELATIONSHIP CAPITAL REVIEW

## Arts and Culture

- 'Kala Pola', Sri Lanka's premier open air art fair, was held for the 31<sup>st</sup> year under the long-term collaboration between the George Keyt Foundation and the Group.
- JKF grants and in-kind support were provided to seven institutions, including the Museum of Modern and Contemporary Art Sri Lanka and The Gratiaen Trust, to safeguard and promote visual, performing, and literary arts and crafts in Sri Lanka.
- JKF was the patron sponsor of the inaugural Matara Arts Festival – a contemporary art and jazz-explorative music festival in Matara organised by the Mangala Samaraweera Foundation.

## Disaster Relief

- Facilitated well restoration efforts in flood-affected areas.

## SDG's Impacted through Initiatives:



### Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.



### Reduce inequality within and among countries

Empowering and promoting social, economic and political inclusion and ensuring equal opportunity and equity.



### 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.



### 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.



### Partnership for goals

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

\*Captures the key initiatives under the focus areas of the Group's Corporate Social Responsibility entity, John Keells Foundation. Initiatives under the 'Environment' pillar are captured under the Natural Capital Review.

## Focus Areas

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.



## 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. These values are crucial not only in maintaining trust and credibility but also in ensuring the long-term viability of the business. Actively seeking input from stakeholders on the ground through satisfaction surveys and other feedback channels not only pave the path for direct interactions, but also guide to identify areas for enhancement, strengthen relationships, and adapt to evolving market dynamics.

- The Group develops and markets products and services with the highest level of product quality and safety standards which meet customer requirements whilst ensuring customer health and safety.
- The Group follows the International Chamber of Commerce Code of Advertising and Marketing Communication for all its products and services.
- The Group adheres to all product labelling requirements stated in all relevant laws and regulations in its operating countries.



The Group's product related information is found in the relevant Industry Group Review section of the Annual Report 2023/24.

Product Labelling and Responsible Communication

**Consumer Foods industry group**

**Of the 380 stock keeping units (SKUs) manufactured:**

- 100% carried information on the ingredients used
- 5% carried information on raw materials sourced
- 77% carried information on safe use
- 95% on responsible disposal of products

**Retail industry group**

**Of the 457 SKUs sourced by JMSL for private labelling:**

- 58% carried information on the ingredients used
- 1% carried information on raw materials sourced
- 47% 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 long-term value, encompassing environmental, social, and economic aspects, for all stakeholders.

- The Group's Supplier Code of Conduct continued to be included along with standard contracts across the Group sourced suppliers.
- Annual supplier newsletter on Diversity, Equity, and Inclusion (DE&I) was continued for the fourth consecutive year to promote a culture of diverse and inclusive work environment within the supply chain.
- During the year under review, supplier forums were carried out for 42 Group sourced suppliers under the theme 'Partnering for health and safety excellence' to improve awareness creation on sustainability-related topics. Supplier assessments were also carried out on 83 suppliers.

The significant suppliers of industry groups of the Group are identified below.

<b>Transportation</b>	Outsourced vehicle fleets	Goods for warehouse storage and distributions	Maintenance, support services, and outsourced employees	Capital equipment			
<b>Consumer Foods</b>	Dairy	Poultry	Sugar	Glass bottle	Plastic packaging		
<b>Retail</b>	Dry food products	Frozen and chilled products	Fresh meat	Vegetable and fruits	Household items	Third party tenants (within premises)	Outsourced service providers
<b>Leisure</b>	<b>Cinnamon Hotels &amp; Resorts</b>	Food and beverage and amenities		Travel agents and travel websites		Casual workers	
	<b>Destination Management</b>	Hotels and other accommodation providers	Contracted retail stores	Freelance national guides	Jeeps and boats	Foreign travel agents and tour operators	Outsourced fleet
<b>Property</b>	<b>Property Development</b>	Construction contractors			Architects and interior designers		
	<b>RHL</b>	Food, beverage and amenities		Travel agents and travel websites		Casual employees	
<b>Financial Services</b>	Reinsurance partners		Outsourced service providers		Bancassurance partners		
<b>Other, including Information Technology and Plantation Services</b>	<b>Other and Information Technology</b>	Strategic software partners	Expert skill/knowledge partners	Outsourced operational functions	Outsourced support staff	Outsourced service providers	Transportation providers
	<b>Plantation Services</b>	Tea smallholder farmers			Tea plantations		

The Group's product related information is found in the relevant Industry Group Review section of the Annual Report 2023/24.

# SOCIAL AND RELATIONSHIP CAPITAL REVIEW

## Industry group-wise highlights of supply chain management initiatives

### Consumer Foods

- Ceylon Cold Stores PLC purchased a total of 6,937,266 kg of produce from 14,135 farmers during the year, thereby contributing to their livelihoods.

Product	Total annual supply (kg)	Number of farmers
Meat	2,535,690	2,530
Spices	49,766	2,500
Cashew nuts	68,845	1,210
Vanilla	395	3,500
Kithul jaggery	31,630	650
Vegetables	128,842	30
Treacle	89,310	215
Fresh milk	4,032,788	3,500

### Retail

- Under the 'Keells Govidiri' programme initiated by JMSL, an average volume of 156,420 Kg of products were sourced in 2023/24 through agripreneurs, valued at ~Rs.58 million. Through this programme the Supermarket business strives to ensure consistency in production and availability of produces sourced through the agripreneurs.

### Leisure

- Audits were conducted on key suppliers of 'Cinnamon Hotels & Resorts' and the central purchasing office.
- 158 suppliers participated in the awareness sessions which were carried out covering topics such as quality, environmental practices and health and safety.



## SOCIAL RESPONSIBILITY

During the year under review, the Group continued to drive its CSR vision of 'Empowering the Nation for Tomorrow', through the established six focus areas of the John Keells Foundation (JKF), namely, education, health, livelihood development, environment, arts and culture and disaster relief.

### Education

The Group's education initiatives are designed with the vision of bridging identified critical gaps to support progression from education to employability and entrepreneurship. These include a targeted approach through customised programmes for school children and teachers in Praja Shakthi locations, career skills for university students, scholarships and financial support for economically disadvantaged students.

Empowered the lives of  
**7,114** students in 2023/24



Soft Skills Workshop for Undergraduates of the University of Colombo



### English Language Scholarship Programme and Moratuwa University Transport and Logistics Degree Programme Scholarship

English, IT and soft skills scholarships under two tiers for 12-14 year students nominated from disadvantaged schools; a customised total immersion camp in English and soft skills for Engineering undergraduates of the University of Moratuwa.



### Digital Learning Initiative

Provision of digital devices and data packages to support online education of children nominated from selected disadvantaged schools, in collaboration with Deutsche Bank, Dialog Axiata PLC and John Keells Office Automation.



### Customised Programmes for Schools

A phased teacher training programme initiated in Habarana together with the Zonal Education Office, Kekirawa, targeting positive mindset creation among teachers and students in the aftermath of the pandemic and economic crisis in Sri Lanka.



### Higher Education Scholarship

Monthly need-based grants to pursue GCE Advanced Level and University education.



### Career Guidance Programme

Skills, knowledge and exposure for youth aged between 17-22 to enhance employability and entrepreneurship.



### University Soft Skills

Soft skills training to enhance the employability and entrepreneurship of university graduates.



### Career Opportunities for Undergraduates

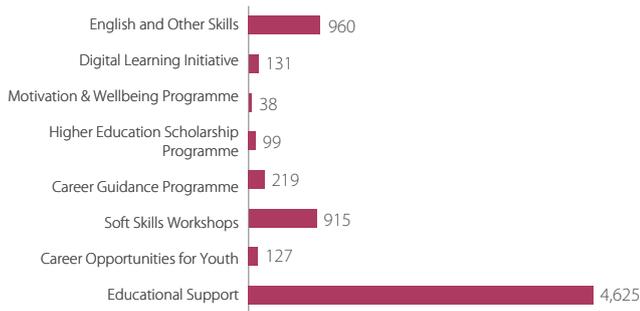
- The Supermarket business offered career advancement through its Retail Management Trainee Programme, facilitating recruits and employees to pursue managerial roles.
- Knowledge-sharing sessions on retail and substantial job placements are provided to undergraduates from state universities. Undergraduates are also provided the opportunity to learn about the operations of the Supermarket business's state-of-the-art distribution centre.
- 'Cinnamon Wild Yala' facilitated knowledge-sharing sessions for students of the Vocational Training Authority, focusing on the hospitality industry.



### Educational Support for School Children

- The Supermarket businesses partnered with Sri Lanka Unites for the Seasonal Book and Stationery donation campaign, through proceeds from the 'Keells' green bag initiative.
- TSFL supported Grade five students in Halwitigala, Neluwa, and Kurupanawa by organising a seminar on the Grade five scholarship examination and distributed stationery to students.
- The Insurance business supported:
  - selected preschools in Matara and schools in Balangoda with educational support.
  - access to clean and safe drinking water for five schools in Polonnaruwa.
- 'Cinnamon Hotels & Resorts' made various donations to schools and child development centres in its vicinity.

#### Number of Lives Impacted



### Transforming Futures: English Language Scholarship Programme

"In 2023 I got selected to the University of Moratuwa for the Hons. Degree in Transport Management and Logistic Engineering (BSc T&LM). The programme is conducted in English. The foundation I received through the ELSP has given me the confidence to come to Colombo and pursue my degree. Our lectures and assignments are all in English and I am able to learn thanks to ELSP"

**Jenuya Jokarasa**  
ELSP Beneficiary, 2020

## Health

The focus area of 'Health' encompasses a blend of supporting community well-being and resilience while combating critical social issues impeding productivity and social health such as gender-based violence, child abuse and substance abuse.

**Empowered the lives of  
1,325,631 people in 2023/24**



*Training of Trainers programme on sensitive and effective police responses on GBV and Child protection for officers attached to Gampaha Police Division.*

### Strategic Interventions:

- During the year in review JKF's Project WAVE (Working Against Violence through Education) continued to make significant strides in promoting child protection and addressing gender-based violence (GBV). Through a strategic partnership with Sri Lanka Police, JKF supported the Children and Women's Bureau in the establishment of a Crime Investigation Unit through sponsorship of essential software towards efficiently addressing cyber-crimes especially targeting women and children including the tracking and recording of perpetrators through a global tracking system.
- A nutrition awareness programme was piloted during the year in collaboration with Scaling Up Nutrition People's Forum as a means of developing good practices and habits of school children including school gardening and formation of nutrition clubs in schools. This initiative will replace the 'Pasal Diriya' school meal programme, which will be phased off at the end of the reporting year in consideration of the country context.



### School Nutrition Programmes

Address nutritional health and well-being of students via daily school meals, school gardening and nutrition awareness in collaboration with the Ministry of Education and Group businesses CCS, 'Cinnamon Hotels & Resorts' and John Keells Properties.



### Promoting Child Protection

Strategically implement mechanisms to enhance and sustain child protection, especially in the Leisure industry group, John Keells Praja Shakthi locations, and the broader community.

# SOCIAL AND RELATIONSHIP CAPITAL REVIEW



## Combating Gender-Based Violence, through Project WAVE (Working Against Violence through Education)

Combat gender-based violence (GBV) through strategic partnerships including Sri Lanka Police and electronic media networks.



## Substance Abuse Prevention

Proactively engage in capacity development of teachers as well as the early childhood development sector including parents and subject Government officers in fostering preventative awareness, in collaboration with National Dangerous Drugs Control Board, Humedica Lanka and local Government bodies.



## Donation to 'Suwa Seriya' (island-wide free emergency ambulance service)

Ambulance repairs, medical equipment repair, replacement of medical equipment and staff training, safety equipment and uniforms.



## Food Redistribution Project

'Keells' Food Redistribution Project assisted deserving individuals and communities in the vicinity of the 'Keells' outlets by providing excess fresh produce and distributing food for lunch and dinner.



## Medical Camp

A medical camp was jointly organised by TSFL and the Thawalama Divisional Secretariat for leaf suppliers and the Thawalama Community.



## Blood Donation Camp

TFSL and 'Cinnamon Hotels & Resorts' organised blood donation camps during the year.

## Empowering Change: Combating Gender-Based Violence

"We learned a lot of important things that we didn't know of before. It taught us to pay attention to what victims say, listen carefully, and figure out the main problem. We also learned about 'patriarchy' in the community, especially when working with males. We now understand how to effectively educate them, and as police officers, how to navigate certain situations. We're excited to use what we learned to make a positive impact in our community."

### A police officer

Gampaha Police Division

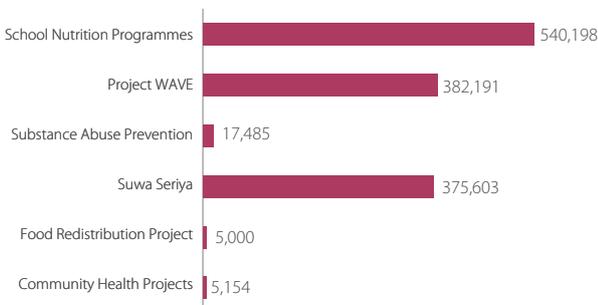
## Livelihood Development – Praja Shakthi

During the reporting year, JKF's 'John Keells Praja Shakthi' continued its endeavours to identify and empower communities around selected business locations, building mutually beneficial stakeholder relationships with the respective Group businesses including supply chain alignments as well as networking with Government agencies towards catalysing sustainable livelihoods. Empowerment initiatives have included upskilling and training on sustainable 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. Moreover, a livelihood survey was conducted in Colombo 2 during the reporting year with the overarching goal of evaluating the socio-economic landscape of residents of three Grama Niladhari Divisions, exploring existing livelihood opportunities in and around the location and assessing the potential for enhancing their socio-economic status.

Empowered the lives of

**512,889** people in 2023/24

## Number of Lives Impacted



A farmer beneficiary under the Beekeeping Project in Habarana



### Mushroom Project – 'Praja Shakthi' – Ja-Ela

A collaboration with the Ja-Ela Divisional Secretariat and KFP, this initiative aims to expand the number of mushroom farmers in Ja-Ela, catering to market demand while enhancing entrepreneurship and sustainable income generation, particularly among women.



### Beekeeping Project – Praja Shakthi – Habarana

A collaboration with the 'Cinnamon' hotels in Habarana, this initiative aims to enhance entrepreneurship and income generation, particularly among women in the community. Support is also extended through a buy-back mechanism of bees' honey via 'Cinnamon Hotels and Resorts'.



### Paper Project – Praja Shakthi – Ranala

A collaboration with the 'Elephant House' factory in Ranala, this initiative continued to support the 'Batewela Ranliya Women's Society of Ranala' who are engaged in paper-based product development. This is the third successive year of this initiative.



### Hikka Batiks – Praja Shakthi – Hikkaduwa

A collaboration with 'Hikka Tranz by Cinnamon', this initiative aims to support batik artisans in Hikkaduwa. Continuing for the fourth successive year, this enables sustained income generation for the women artisans and their families.



### Experiential Tourism – Praja Shakthi – Hikkaduwa

A collaboration with Cinnamon Nature Trails and Walkers Tours, this initiative aims to create shared value for the community of Horivila village and businesses involved.



### Home Gardening

A home gardening competition was conducted as Phase 2 of a crisis resilience initiative involving communities in the vicinity of 'Elephant House' factories, and 'Cinnamon Hotels & Resorts'.



### Sustainable Farming

Farmer support in best agri practices was continued through Phase 2 of a crisis resilience initiative to support the maintenance of livelihoods in selected farming communities, providing farming inputs, equipment, knowledge, and technical support.



### Supporting MSMEs

A partnership has been established between 'Keells' and USAID to enhance the competitiveness and resilience of 'Keells' MSMEs (Micro, Small, and Medium Enterprises), aiming to uplift standards and empower them.



### Keells Govidiri

'Keells Govidiri' strengthens the capacity of agripreneurs, with a particular focus on youth and female farmers, through safe and consumer-driven practices to ensure consistency in production and availability. This initiative also guarantees that certain fresh products available at outlets are sourced entirely from greenhouses.



### Microgrants to Deserving Communities

The 'Keells Microgrants' initiative allocated a set budget to selected store outlets, enabling them to engage with and support deserving communities during the period's seasonal celebrations.



### Keells 'Praja Diriya'

The Praja Diriya Project supports small-scale suppliers, vendors, and small business owners by providing space at the car parks at 'Keells' outlets for selling their products.



### Farmer Food Waste Reduction

'Keells' Project Imperfect Vegetables minimises waste at collection centres by maximising the use of imperfect vegetables, targeting consumers, and providing vital support to farmers.



### Business Process Outsourcing

Infomate (Private) Limited together with JKF continued their long-term partnership with Foundation for Advancing Rural Opportunities in supporting the rural BPOs in Mahavilachchiya, Seenigama and Jaffna engaged in sustained work outsourced by Infomate, carried out within their own localities.



### Cinnamon Rainforest Restoration

The Cinnamon Rainforest Restoration Project aims to reforest 59 acres of land in the wet zone of the country, creating a habitat for unique species of flora and fauna that are restricted to this region. This project not only helps conserve biodiversity but also provides livelihood opportunities, sustaining local families. Community engagement is crucial as the local community acts as the custodian of the land. Fifteen local families have actively participated in project activities such as site preparation, tree planting, and invasive species control. Moreover, community plant nurseries has been established, directly benefiting the local economy by purchasing required plants.



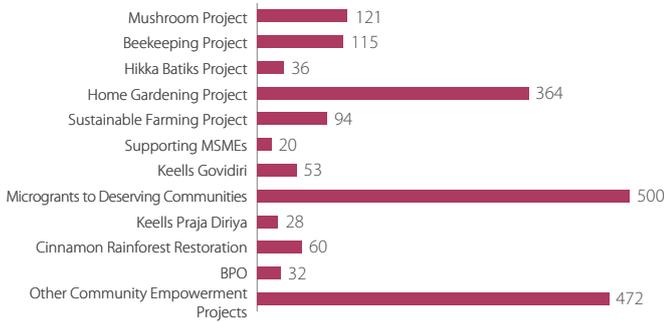
### Community Empowerment Projects

JKF continued to support the maintenance of Kompanna Vidiya Railway Station for the benefit of 510,994 commuters who travel to and from the city.

Several activities encompassing community welfare were conducted by the various Group Businesses that included distributing essentials to children's homes, organising cleaning campaigns, conducting awareness sessions, and supporting schools, community councils and elders home. These efforts aimed to foster community well-being and social inclusion.

# SOCIAL AND RELATIONSHIP CAPITAL REVIEW

## Number of Lives Impacted



### Empowering Growth: Nishara's Journey with the Transformative Mushroom Project

"By engaging in the mushroom project, I am generating income to cover household expenses. While my husband's earnings support our family, having this additional income allows me the independence to provide for my three daughters without an issue. Now, I can purchase requirements without relying on my husband or burdening him."

**Nishara Fernando**  
Mushroom Entrepreneur

## Arts and Culture

The Group is committed to the preservation and enhancement of arts and culture, recognising their vital role in safeguarding and promoting Sri Lanka's rich cultural heritage while nurturing the livelihoods and social well being of local communities. As such, the Group actively strives to foster social cohesion and enhance well-being through the powerful mediums of artistic and creative expression. The creative industries have the potential to contribute to significant GDP growth through the creative economy and these initiatives enhance tourism related products and activities.

Empowered the lives of  
**105,669** people in 2023/24



Figure 5: Kala Pola 2024



### Kala Pola

Sri Lanka's premier Open Air Art Fair presented in partnership with the Geoge Keyt Foundation, Kala Pola 2024, marked its 31<sup>st</sup> year of showcasing the work of hundreds of visual artists from various parts of Sri Lanka. It provided a valuable platform for artists to connect with buyers and the wider art community while promoting social cohesion through healthy dialogue and knowledge creation.



### Digital Art Gallery

The Sri Lankan Art Gallery is a free of charge online platform hosted by JKF for Sri Lankan visual artists to connect with potential buyers online throughout the year.



### Museum of Modern and Contemporary Art (MMCA)

The Museum of Modern and Contemporary Art (MMCA) is a dedicated art museum that showcases Sri Lankan's modern and contemporary art, reshaping the art scene both locally and globally. In 2023/24, JKF supported the MMCA with the opening of its third and fourth exhibitions titled 'The Foreigners' and '88 Acres - Minnette De Silva's Watapuluwa Housing Scheme', respectively, as well as launch of its first publication titled 'Second Volume'. This was in addition to regular programmes such as programmes targeting the public, education institutions, gallery talks, curator's tours and outreach programmes.

The MMCA has also catalysed international recognition for local artistic talent through its programming which has been featured in international art magazines and global cultural bodies.



### Gratiaen Trust

JKF supported the Gratiaen Trust as primary sponsor which enabled the trust to support Sri Lankan authors writing in English or undertaking English translations of Sinhala and Tamil literature. The Gratiaen Trust activities included the annual Gratiaen Prize, workshops for target groups, outreach programmes and commemorative events.



### 'Matara for Arts' Festival

JKF was a patron sponsor of the inaugural three-day Matara for Arts – a contemporary art and jazz-explorative music festival in Matara organised by the Mangala Samaraweera Foundation (Freedom Hub). This event was aimed at building bridges of vibrant and educative exchange via arts with individuals from other parts of the country and diasporic and international collaborators. It also aimed to revitalise Matara and empower its community.



### Chitrasena Vajira Dance Foundation

JKF sponsored the Archival Project of the Chitrasena Vajira Dance Foundation (CVDF), focusing on systematically collecting, recording, and preserving historical material. The project involved comprehensive cataloguing, digitisation, and the creation of a web-based digital archive.



### Sunera Support Workshop

Supported the Sunera workshop in Habaraduwa, Galle, focusing on creative activities for differently abled participants. This provided a space for artistic expression, fostering continuous skill development and social integration of differently abled participants.



### Ena De Silva Exhibition

JKF was a sponsor of the second Ena De Silva exhibition and archival work of renowned batik artisan Ena De Silva, involving the identification and categorisation of selected sections of work.



### George Keyt Foundation

Continued to provide logistical support for the George Keyt Foundation through the rent-free office space and associated overhead costs.

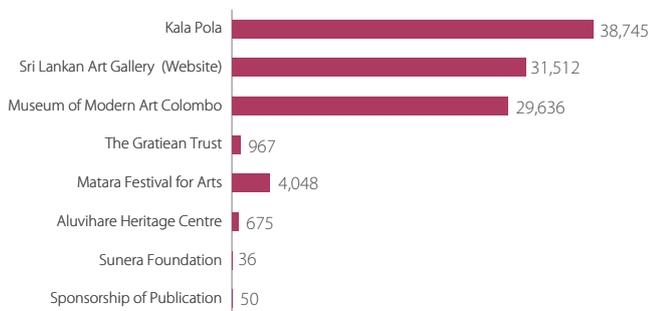
Restoration of two works of art by renowned artist George Keyt, held under JKH's patronage.



### Sponsorship of Publication

Provided part sponsorship for the publication 'Veins of Influence, View of Sri Lanka: Early Colonial Photography and Collections' by Shalini Amerasinghe Ganendra. This endeavour seeks to bring early images of Sri Lanka (Ceylon) into the global discourse of photography and promote visual appreciation.

#### Number of Lives Impacted



### Kala Pola: A Platform for Learning, Inclusivity and Equal Opportunity for All Artists

"Hats off to the organisers of Kala Pola for organising this event very methodically without any chaos! This is the only platform in Sri Lanka which gives equal opportunity to all the artists without any discrimination. This was my first time at Kala Pola as an artist and I am glad that it ended successfully."

**Swarna Abeytunge**  
Artist, Kala Pola 2024

### Disaster Relief

The Group remains steadfast in its commitment to supporting communities in times of need, a principle deeply embedded in the Group's corporate ethos. Throughout the years, JKF has played a leading role in relief efforts, responding swiftly and effectively to both post-conflict challenges and natural disasters.

Impacted the lives of  
**255** people in 2023/24



### Access to Clean Drinking Water

Well cleaning activities conducted in flood-affected areas to facilitate access to clean and safe water sources for the affected communities.



Assistance with well cleaning following floods

### Knowledge Sharing and Policy Dialogues

Considering the Group's scale of operations, businesses benefit from being immersed in a diverse range of information across its industries of operation, providing a more holistic understanding of doing business. 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.

Ongoing collaboration with the media, research institutions, studies, debates, and event sponsorship serve to illuminate and offer guidance on these complex issues. During the year under review, the Group continued to deploy such strategies to facilitate knowledge sharing and advocate for best practice.

# SOCIAL AND RELATIONSHIP CAPITAL REVIEW

A notable portion of Group employees remain active members of various organisations and associations spanning diverse industries, fields, and societal interests, 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 the society at large.

The industry associations, other membership associations, and national or international advocacy organisations in which the Group participates in a significant capacity are noted below.

Industry Groups	Membership Associations
Transportation	Airport and Aviation Private Limited
	Association of Licensed Bunker Operators of Sri Lanka (ALBOSL)
	Chartered Institute of Logistics and Transport (CILT)
	Civil Aviation Authority
	Indo Lanka Chamber of Commerce
	International Air Transportation Agents Association (IATA)
	International Bunker Industry Association (IBIA)
	Lanka Association of Ship Owners (LASO)
	Ship Chandlers Association of Sri Lanka
	Sri Lanka - Greater Mekong Business Council
	Sri Lanka - Malaysia Business Council
	Sri Lanka - Pakistan Business Council
Sri Lanka Tourism Board	
Consumer Foods	Ceylon Chamber of Commerce
	Chamber of Commerce - Import Association
	Employers' Federation of Ceylon (EFC)
	Export Development Board
	Lanka Confectionery Manufacturers Association
	National Chamber of Commerce
	National Chamber of Exporters
Sri Lanka - Italy Business Council	
Sri Lanka Association of Testing Laboratories	
Retail	Chamber of Commerce - Import Association
	Sri Lanka - Australia - New Zealand Business Council
	Sri Lanka Retailers Association
Leisure	American Chamber Of Commerce
	Bentota Beruwala Hotel Association (BBHA)
	Benelux Business Council
	Biodiversity Sri Lanka
	Britain Business Council
	Ceylon Chamber of Commerce
	Ceylon Hotel School Graduates Association
	Chef Guild of Sri Lanka
	China Business Council
	Cultural Triangle Hoteliers Association
	Delegation of German Industry of Commerce
	Employer's Federation of Ceylon (EFC)
	European Network for Accessible Tourism
	Germany Business Council
	Italy Business Council
	Kandy Hoteliers Association

Industry Groups	Membership Associations
Leisure	Korean Business Council
	Nordic Business Council
	Pacific Asia Travel Association
	RateGain It Solutions Private Limited
	Russia Business Council
	SKAL International Colombo
	Sri Lanka Association of Inbound Tour Operators (SLAITO)
	Sri Lanka Institute of Tourism and Hotel Management
	Sri Lanka Tourism Development Authority
	Sri Lanka Wellness Tourism Associate
Property	The Ceylon Chamber of Commerce
	The Employer's Federation of Ceylon
	The Hotels Association of Sri Lanka (THASL)
	Travel Trade Sports Club
	Wildlife Nature Protection Society
Financial Services	Yala Hotel Association
	Chamber of Construction Industry of Sri Lanka
	Ceylon Chamber of Commerce
	Employers' Federation of Ceylon
	Condominium Developers Association
	Colombo Stock Exchange (CSE)
	Employees Federation of Ceylon
	Insurance Association of Sri Lanka(IASL)
	Insurance Regulatory Commission of Sri Lanka (IRCSL)
	Life Insurance and Market research Association
Sri Lanka Insurance Institute (SLII)	
Other, including Information Technology and Plantation Services	The Ceylon Chamber of Commerce
	American Chamber of Commerce
	Association of Chartered Certified Accountants (ACCA)
	Australian Tamil Chamber of Commerce (ATCC)
	Benelux Business Council
	Bureau Veritas
	Ceylon Chamber of Commerce
	Chartered Accountants Sri Lanka (CA)
	Chartered Institute of Management Accountants (Sri Lanka)
	Colombo Brokers Association
	Colombo Stock Exchange
	Colombo Tea Traders Association
	Council for Business with Britain
	Employers' Federation of Ceylon
	European Chamber of Commerce (ECCSL)
	Federation of Information Technology Industry Sri Lanka
	Gold partnership of Microsoft
Global Sourcing Association (GSA)	
Indo Lanka Chamber of Commerce and Industry	
Institute of Chartered Accountants of Sri Lanka	
International Chamber of Commerce Sri Lanka	
International Tea Committee	
National Chamber of Commerce of Sri Lanka	
Nordic Business Council	
Planters' Association of Ceylon	
SAP Australian User Group (SAUG)	

## Membership Associations

Sri Lanka Association of Software and Service Companies (SLASSCOM)
Sri Lanka Australia New Zealand business council
Sri Lanka France Business Council
Sri Lanka Institute of Directors
Sri Lanka Maldives Business Council
Sri Lanka Nordic Business council
Sri Lanka Tea Board
Sri Lanka Tea Factory Owners Association
Tea Research Board of Sri Lanka
The Association of Accounting Technicians Sri Lanka (AAT)
UN Global Compact
World Economic Forum



## 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, factors such as ethics, integrity, accountability, and transparency are crucial, as they have a significant influence on the Group's strategic direction.



Refer the Governance section for further details



## Key business risks associated with Social and Relationship Capital

- Regulatory environment
- Environment and Health and safety
- Reputation and brand image
- Supply chain risks
- Information technology risks



Refer Risk, Opportunities and Controls Review

## Management Approach

## Business Conduct and Ethics

The Group holds itself to the highest ethical standards in all its business operations whilst committed to upholding the universal human rights of all its stakeholders. This is reinforced by the Group's zero-tolerance policy toward corruption and bribery in all its transactions. Whilst all business units and functions of the Group are required to analyse and include the risk of corruption as part of their risk management process, the Group's stringent checks during its recruitment process ensures that the minimum age requirements are met and all businesses are educated on the possible sources of forced and compulsory labour. The Group has zero tolerance for physical or verbal harassment based on gender identity, race, religion, nationality, age, social origin, disability, sexual orientation, political affiliations or opinion.

The Group is dedicated to upholding universal human rights of all its stakeholders while maintaining the highest ethical standards in all its business operations. Carrying out business in an ethical manner is a key value driver for the Group, upholding its valued brand reputation and is of high importance to its stakeholders.

The Group has formulated stringent policies governing the areas of child labour, forced labour, human rights and anti-corruption, prioritising ethical practices within the Group's operations and its value chain. The Group ensures that all companies are educated on the possible sources of forced and compulsory labour and are expected to respect and uphold the rights of employees to enter, remain and terminate employment. The Group seeks to ensure that ethical practices are business norms from the business unit-level down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, customers, suppliers and business partners.

As per the Sri Lankan law, a 'Child' is defined as a person who is under the age of fourteen years while 'Young Worker' denotes a person who has attained the age of fourteen years but is under the age of eighteen years. The Group enforces a higher standard on the minimum age for employment than the statutory regulations and ILO conventions. Stringent checks followed during its recruitment process ensure the minimum age requirements are met. This also applies to Industry Groups such as Leisure and Consumer Foods which have a high degree of seasonal outsourced demand.

The Group provides necessary education to all companies on the possible sources of forced and compulsory labour. As per Group Policy, no employees of the Group should be forced or subject to overtime hours that exceed those stipulated by law, or subject to intimidation, nor are employees expected to surrender deposits or personal documents as an employment term. If a significant cost is allocated for a training to an employee, the employee is evaluated of the expectation that they will be required to work for a duration that does not exceed the value of the training provided.

Adequate compensation through overtime or variable pays which are in line with legal and industry norms are provided for employees that work beyond normal working hours, other than provided with meals and transport where appropriate.

The Group's equal opportunity policy is applied in the recruitment and promotion processes as well as in advertising for vacancies. In addition, John Keells Group is a member of the Employer Network on Disability of the Employer's Federation of Ceylon and currently provides employment opportunities for differently abled persons within the Group. The Group

# SOCIAL AND RELATIONSHIP CAPITAL REVIEW

follows zero tolerance towards physical or verbal harassment based on gender, race, religion, nationality, age, social origin, disability, political affiliations or opinion. Also, a comprehensive process is followed with regard to dealing with complaints regarding sexual harassment, with the option of seeking out either the Ombudsperson or an internal committee to tackle such an issue.

Every employee agrees to comply with the Group's Code of Conduct, Anti-Fraud and Policy Against Sexual Harassment, when accepting the terms and conditions of employment. All executive and above staff are essential to complete a mandatory learning course on the above-mentioned policies, which is facilitated through the learning management system. Hence, all employees are familiarised with the conditions of the Group's Anti-Corruption policy, which also extends to any agents who are authorised representatives of the Group and are educated on human rights practices. Employees are expected to report any breach of the Code with the assurance of discretion and are provided with several channels to facilitate such reporting, such as Chairperson Direct, Ombudsperson service and business unit-specific grievance handling process.

When considering the business units, each company has procedures and processes to enable the prevention and reduction of corruption. Each business unit is also expected to evaluate the risk of corruption as part of its risk management process and put in place mitigation measures to reduce such risks. When considering the Group's value chain, it ensures transparency and fair practices that foster mutually beneficial relationships based on open communication that stresses the importance of business partners adhering to the ethical standards that underlie all business practices. Further, a comprehensive selection process of key suppliers are carried out by the Group Initiatives Division which involves evaluation committees including independent category managers and neutral parties. All suppliers that are selected are required to agree to adhere to the Group's Supplier Code of Conduct which covers its human rights and anti-corruption expectations and is required to submit their audited financial statements for the two most recent financial years upon registration. Further, if it is discovered that the supplier has violated the supplier code of conduct including Anti-Corruption breaches, it is considered as a reason for termination of contracts and cessation of dealings.

## Community Relations and Welfare

The Group proactively contributes to the development of the communities in which it operates by aligning its focus areas to the Sustainable Development Goals (SDGs) while carrying out initiatives on infrastructure, public services and local community engagement and also on an ongoing basis, it seeks to identify stakeholder and community needs. The Group's values, corporate culture and operations, as well as the vision, focus areas and interventions of its Corporate Social Responsibility (CSR) function, are intrinsically intertwined and connected to social, economic and environment concerns.

John Keells Foundation ('Foundation'), a company duly incorporated under the law and also registered as a 'Voluntary Social Service Organisation' with the Ministry of Social Welfare, drives the Group's social responsibility initiatives from the centre, reaching out to underserved communities in various parts of Sri Lanka through multiple mediums to long-term strategic and sustainable projects, inspired by its vision 'Empowering the Nation for Tomorrow', within a framework of six focus areas. The Foundation collaborates strategically with businesses of the John Keells Group in planning and implementing its projects, while also continually seeking strategic, multi-sectoral partnerships with the State, Private and Development Sectors, as well as community-based organisations for purposes of optimising, and ensuring effective implementation, impact and sustainability of the undertakings.

## CSR Vision: Empowering the Nation for Tomorrow

In addition to partnering Group businesses, John Keells Foundation actively collaborates with Government agencies (central, provincial and local), NGOs, academia and other stakeholders in the cause of empowering the various target groups under its projects.

- **Our Businesses:** actively contribute through funding, facilitating ground support, conducting, monitoring and follow-up visits of CSR projects and implementing activities, enhancing the reach and effectiveness of initiatives while building strategic community linkages.
- **Government:** engagements with the aim of identifying and targeting national priorities, working collaboratively to enhance systems, efficiencies (cost, time and implementation) and sustainability.
- **NGOs and Private Entities:** partnerships to leverage on ground networks and expertise providing technical and/or co-funding resources, enhancing the operationalisation and impact of projects, and fostering collaborative efforts in collectively striving towards a unified goal while eliminating potential duplication of work and resources.

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 the three dimensions of sustainable development - economic growth, social inclusion and environmental protection.

## JKF Current Focus Areas



### Education

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



### Health

JKH is committed to foster healthy communities towards enhancing well-being and productivity of Sri Lankans and Sri Lankans



### Livelihood Development

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



### Environment

JKH is committed to minimise the impact of our operations and promote conservation and sustainability towards enhancing environmental and natural capital



### Arts and Culture

JKH is committed to nurture the livelihoods of artists and preserve our cultural heritage towards safeguarding and promoting Sri Lankan arts and culture



### Disaster Relief

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

The Group has access to a large volunteer network among its employees who, facilitated by the Group's flexible volunteer leave policies and volunteer recognition schemes, are encouraged to contribute through varied opportunities and roles towards the Group's CSR initiatives.

The Group's social performance is tracked through GRI disclosures focusing on areas such as the development and impact of infrastructure investments.

The Foundation's community engagement projects are structured based on an initial and ongoing needs assessment which includes formal and informal engagement with all significant stakeholders, specific selection criteria for identifying beneficiaries, and a periodic evaluation process. Each key activity under the project is evaluated to analyse the impact thereof and, where applicable, action plans to mitigate risks and address issues will be formulated by the project team, including at the Foundation's Management Committee meetings. In critical projects, this evaluation process has been carried out by independent third parties such as technical partners, project managers and/or auditors.

### Supply Chain Management

Supply chain management is a materially impactful topic to the Group and the Group recognises the importance of integrating sustainability across its value chain in its engagement with a vast number of business partners across its various industry groups. Periodic due diligence is carried out with its significant suppliers to assess their working conditions, respect and dignity towards employees, and the environmental impact of their operations as it minimises risks such as product quality issues, price volatility, disruption to operations and negative impacts on its brand reputation.

The Group suppliers are expected at a minimum, to operate in full compliance with the laws, rules, and regulations which are in force in the countries in which they operate. This is enforced through the Group supplier code of conduct and applies to all Group significant suppliers and business partners conducting business with the Group and is included in the legal contract signed with such parties. .

Most suppliers of the Group are in the main geographical areas in which the Group operates, namely in Sri Lanka and the Maldives. Maldivian suppliers consist of goods and services providers for the Group owned resorts in the Maldives. The types of suppliers include public limited companies, private limited companies and individuals who supply goods independently to the Group. Given the diversified nature of its industry groups, some of the significant suppliers are providing Group's primary activities, products, and services, including food and beverage, hotel suppliers, capital equipment, packaging and communication and IT services as well as other support services such as advertising and insurance.

Procurement drive of the Group is structured to cover items required commonly by all business units of the Group and those high in value through the Group sourcing initiative. Procurement of items that are specific to sectors or industry groups is obtained through the respective central purchasing offices, and individual business unit requirements through dedicated purchasing departments of companies. While the Group Initiatives division only engages in the sourcing of products and services, the central purchasing offices and purchasing departments of business units, are responsible for the purchasing of such items in addition to the sourcing of Industry Group or business unit-specific goods and services.

Sourcing for the Group is carried out by the Group Initiatives division through its supplier management platform and has established rigorous processes and mechanisms to ensure that supplier selection occurs in a transparent and fair manner. This is operationalised through an independent cross functional team assigned to each procurement category, a robust tendering process with necessary financial, operational, and legal terms and conditions to cover both the companies and supplier interests, documented evaluation process and a periodic supplier review and engagement process to understand and address supplier concerns, facilitated by its online sourcing platform.

As the product quality is of paramount importance, the Group only contracts with suppliers who have maintained the highest levels of quality of products and services, whilst ensuring and providing superior service levels. In addition to the stringent quality assurance processes carried across the Group, it has also begun to entrench its sustainability strategy down its value chain, through the introduction of a comprehensive supplier management framework.

### Supplier Management Framework

- Supplier Code of Conduct
- Awareness creation and engagement
- Internal reviews and identification of risks in value chain
- Carrying out external third-party assessments on a sample basis

The Group plans its supply chain function by identifying significant suppliers by type, the industry in which they operate and potential environmental and social impacts. These suppliers were categorised and selected on the basis of the ability to influence the Group's operations, as well as the Group being able to influence the operations of the supplier. Significant suppliers were identified based on specific criteria including supplier dependency, potential environmental, labour and human rights risks and industry market structures.

Annual Supplier fora are carried for Group-sourced suppliers for Sri Lankan operations and significant suppliers in the Maldives. Suppliers are briefed on the supplier management framework regarding sustainability, the Supplier Code of Conduct, the Group's sustainability practices and initiatives, and encouraged to embark on their own journey of sustainability.

The Group also evaluates its identified significant suppliers on an annual basis, with these suppliers being appraised for labour practices, human rights and environmental impacts, using an established Group-wide supplier assessment process, developed based on all relevant laws and regulations.

### Customer Relations and Product Responsibility

Delivering optimal levels of quality to all of its significant stakeholders has always been imperative and material for the John Keells Group. While meeting such optimum quality standards and ensuring maximum satisfaction with respect to its key stakeholders, the Group also focuses heavily on ensuring compliance with ethical business policies, with regards to responsible labelling, marketing communication and customer health & safety.

The Group attempts to maintain products and services at the highest standards while adhering to all relevant statutory and regulatory requirements, in the markets it serves, both locally and internationally.

# SOCIAL AND RELATIONSHIP CAPITAL REVIEW

No Group products or services are banned in the markets in which the applicable Group business operates. Stringent quality management processes are in place to ensure the highest quality in processes, responsible marketing and communications and stringent health and safety guidelines are also in place 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.

The management approach adopted by the Group is to develop and market products and services that meet customer requirements and meet the highest product quality standards, which ensures customer health and safety through assessing the product life cycle. In addition, compliance with the relevant product and service labelling requirements, ethical marketing communications and maintenance of customer privacy is addressed through its product stewardship practices. Stakeholder engagements have reinforced these material areas by highlighting the requirement of consumers for products and services that satisfy their needs, superior product quality, product information to be provided in a standard format by all industry players, clear product specific information, and the need for marketing communications that are contemporary in nature.

The Group identifies and adopts international and local standards on a voluntary basis to achieve recognised external quality certification and, where relevant, benchmarking quality processes and meet standards against national and/or international best practice.

All consumers expect a safe product or service, and the Group continuously reviews its products and services for safe use by consumers, through the assessment of its systems and procedures during the entire manufacturing and service delivery process.

In addition, Group companies closely monitor any incidences of product related fines or sanctions, setting a zero figure as their target whilst all companies are required to maintain lists of fines payable. Further, the Group recognises the importance of informing and engaging our customers with regard to important product specific information as identified by stakeholder engagements, and continues to adhere to product labelling requirements specified in the Food Act No. 26 of 1980, the regulations contained in the Food Regulations 2005, 2014, 2016, 2019, the Consumer Affairs Authority Act No. 9 of 2003 and directions thereunder Environmental (Plastic Material Identification Standards) Regulations No.01 of 2021 for all its products and services.

A special Group committee monitors and evaluates advertising campaigns for socially insensitive/unethical/irresponsible advertising against the guidelines and procedures laid down. All related information with regards to the Group's products and services, labelling and marketing communication, in keeping with customer needs, customer health & safety and global and regional trends, can be found in the Consumer Foods and Retail industry group write up, as per relevant.

As customer driven businesses, companies in the Consumer Foods, Retail and Leisure industry groups maintain dedicated channels to address any customer related grievances. Social media has increasingly become a significant means of communication and dedicated channels have been extended for the management of grievances on these platforms.

## Engagement with policymakers

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.

## Key Policies

### Products and Services Policy

The John Keells Group will strive to maintain products and services at the highest standards through embracing industry and corporate best practice and compliance with all relevant local and international statutory and regulatory requirements in the markets we serve. The Group strives to identify and assess environmental and social impact through communications, service, operations and supply chain of its products and services.

### Policy on Social Responsibility

The John Keells Group believes in wider societal needs than our own and meaningfully enriching the lives of communities of which we are an integral part. We abide by the values of 'Caring, Trust and Integrity' by ensuring that through our actions we demonstrate our commitment to and respect for all our stakeholders, including the communities and the environment in which our businesses operate.

### Supplier Code of Conduct

Compliance with applicable labour and other laws, rules, and regulations which are in force in Sri Lanka and the country in which they operate in the case of suppliers from outside Sri Lanka.

- Compliance with applicable human rights laws and regulations which are in force in Sri Lanka and the country in which they operate in the case of suppliers from outside Sri Lanka.
- Conduct operations in an ethical manner.
- Compliance with applicable environmental laws and regulations which are in force Sri Lanka and the country in which they operate in the case of suppliers from outside Sri Lanka and support a precautionary approach to environmental matters.

### Human Rights Policy

The John Keells Group recognises and promotes respect for fundamental human rights as a vital component of long-term sustainability and responsible corporate citizenship. It is committed to ensuring its workforce, value chain and communities affected by its operations are treated with dignity and respect and that its businesses are conducted in a manner which upholds and protects human rights.

### Anti-Fraud Policy

It is the Group's policy that all forms of fraud, misconduct and irregularity are very serious and violates its Values and has a negative impact on it, reputational and or monetary.



# INTELLECTUAL CAPITAL REVIEW

The Group's Intellectual Capital stands as a distinct competitive advantage and aids in navigating the business through a continuously evolving and challenging corporate landscape. It also enables the Group to achieve sustainable value creation, by enhancing the Group's earning potential, productivity, innovation, and long-term sustainability.

## Focus areas and priority SDGs under Intellectual Capital

### Key Highlights of the Year:

- OCTAVE transitioned into an independent advanced analytics practice. Many of the use cases that were developed, and pending pilot and roll-out were executed successfully.
- JKR entered into a technology sharing agreement for Germslay™, a silver nanoparticle antibacterial technology, to be used in the production of electronic products.
- A patent application for Silmetec™, a nano silver synthesised as a stable suspension with antibacterial properties which can be incorporated into skin care products, was filed in Singapore. This is currently being used in cosmetic production by a manufacturing partner in Sri Lanka.
- Patent rights for the novel energy storage material, which was developed in 2016/17, was granted in the jurisdictions of India and United States of America (USA).
- The accelerator programme of 'JKX 4.0' was launched with three winning start-ups receiving the initial funding tranche. 'Innovate 2.0' was launched with a broader focus.

### SDG's Impacted through Initiatives:



#### Affordable and Clean Energy

Develop innovative and efficient solutions surrounding modern energy services.



#### Decent Work and Economic Growth

Continue to collaborate with and support the start-up eco-system 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.



#### 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.



#### 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.



## DIGITISATION, DISRUPTION AND OPEN INNOVATION

The Group places emphasis on developing a foundation to enable the digital transformation drive, centred around the theme 'Disruption and Innovation', to exploit opportunities that arise from disruptive technology and research and development. The Group's digital transformation drive adopts a holistic approach, entailing investments in infrastructure, instilling a culture of change acceptance and training of staff, among others. The Group understands that disruptive technology is not just a catalyst for growth and opportunity, but also a crucial factor in gaining competitive advantage. While enabling the digital transformation drive, the Group is mindful of navigating the inherent uncertainty and challenges posed by disruptive technologies, by ensuring proactive measures are in place when adopting new technologies. The Group's digitisation drive involves:

- Digitisation and innovation initiatives at each industry group and business unit level, which are industry specific.
- Presentation of the digitisation strategy at minimum, annually to the Group Executive Committee.
- Various recognition channels, such as the annual Chairperson's Award for digitisation, to instil a culture of innovation and to encourage business units to pursue its digitisation strategy.



Refer the Industry Group Reviews for more details on product and process innovations.

- OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, which functions as an independent advanced analytics practice.
- Development and deployment of bespoke end-to-end advanced analytics solutions are aimed at addressing specific key business challenges towards unlocking measured financial impact while galvanising the adoption of greater data-driven decision-making in the operations of the business.
- The assessment of actual benefit stemming from the roll-out of use cases and the internal governance mechanisms of each of the use cases are overseen by a Financial Impact Tracking (FIT) committee headed by the Deputy Chairperson/ Group Finance Director. The FIT committee continuously monitors and tracks the progress of the actual versus plan financial and operational metrics of the businesses, and independently

### Focus Areas:

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 Page 103
	Research and Development Page 104
	Brand Stewardship Page 105
	Tactic Knowledge, Systems and Standards Page 105

# INTELLECTUAL CAPITAL REVIEW

approves the use case for roll-out based on pilot results. Progress thus far affirms that the evidence of material value measured during the pilot study of these use cases can be sustained at scale upon roll-out.

- OCTAVE Advanced Analytics Academy 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. Presently counts over 390 participants that have completed training across seven batches since inception.
- John Keells X, the Group's start-up accelerator and open innovation programme, which offers a unique platform to Sri Lankan start-ups, harnessing disruptive and innovative technologies.
  - Enables start-ups to develop and commercialise their businesses and solutions, especially in the industries the Group operates.
  - Provides support in the form of seed funding, mentoring, training, access to Group networks and support services, and other resources.

## Advanced Analytics Transformation Journey – Key developments during the year

- OCTAVE transitioned into an independent advanced analytics practice as originally designed when the Group's analytics transformation programme was initiated in 2019.
- The relative stability in the operating environment during 2023/24, in comparison to prior years, enabled the successful deployment of a higher number of use cases at scale across the Supermarket and Consumer Foods businesses as well as the piloting of several new use cases.
- A revised detailed roadmap of advanced analytics use cases was developed for the Leisure and Financial Services industry groups, while preliminary engagement with the Transportation industry group was also initiated.
- A programme aimed at developing a holistic understanding of customers within the Group and how they interact with the different consumer brands across the Group portfolio, was further institutionalised.
- Use cases rolled-out in the Supermarket business continued to make positive contributions across core aspects of the business value chain.
  - Includes augmenting the efficacy of pricing and promotions, marketing, store operations, and supply chain interventions.
  - Aids in driving healthy and sustainable margins while ensuring customers receive sound value for their money.
  - Among other benefits, optimises inventory holdings, improves availability of stock keeping units (SKUs) at outlets, personalises marketing communications, enhances the efficiency of outlet replenishment and rostering in outlet operations, and optimises the product mix at outlets.
- Use cases developed and piloted for the Beverages business have been successfully deployed in optimising promotional spend across modern trade and general trade channels as well as in augmenting production planning. The use cases aimed at augmenting the efficiency of the distribution network of the Beverages and Frozen Confectionery businesses are in advanced stages of deployment.

## John Keells X

- Following the pre-accelerator programme of 'JKX 4.0' during 2022/23, under which six start-ups were provided with seed funding, in September 2023 the accelerator programme was launched where three of the winning start-ups were provided with their initial funding tranche.
- Furthering innovation, 'Innovate 2.0' was launched in January 2024 with a broader focus, enabling start-ups to delve deep into the Group's operations. This programme seeks to identify the latest innovations and talented young entrepreneurs who can contribute to the Group's culture on innovation.
- Expanding its reach, JKX collaborated with Island Climate Initiative and 'Plasticcycle' on two green-focused start-up programmes in 2023/24.
- Select start-ups under JKX's purview made headway on follow-on investment opportunities during the year.



## RESEARCH AND DEVELOPMENT

Research and Development (R&D) drives continual growth and fosters innovation, while Intellectual Property (IP) safeguards innovations and ensures competitive advantage. Both these aspects are pivotal for sustaining market relevance and fostering long-term success. The Group fosters a culture of research and development through:

- R&D teams, as applicable, at business units which continually attempt to discover innovative and efficient products and solutions for the business.
  - For example, the R&D capabilities of the Beverages and Frozen Confectionery businesses have played an integral role in the delivery of its customer promise of choice, through the development of a diverse product portfolio that has evolved to reflect shifts in customer preferences.
  - In-house legal and financial expertise to aid businesses to file for IP rights.
- John Keells Research (JKR), the research and development arm of the Group, which engages 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.

## John Keells Research - Key developments

- Entered into a technology license agreement for JKR's proprietary Germslay™ technology, which is a composite material, infused with a nanotechnology-based antibacterial additive which can be incorporated into electronic products by the manufacturing partner. The material has been subjected to rigorous validation by independent accredited laboratories, establishing an impressive antibacterial efficacy of 99.9%.
- A patent application for JKR's proprietary Silmet™ technology was filed in Singapore. The technology is known for providing high antibacterial effect and can be incorporated into different applications. At present, Silmet™ technology is used in a range of antibacterial skin care products by a cosmetic product manufacturing partner based in Sri Lanka.
- The patent rights for JKR's novel energy storage material, which was developed in 2016/17, was granted in the jurisdictions of India and USA. This patented material was developed in collaboration with the National Metallurgical Lab of the Council for Scientific and Industrial Research India, (CSIR-NML) and JKR.



## BRAND STEWARDSHIP

Given evolving business trends and customer preferences, the Group's brand strategy aims at remaining relevant, whilst resonating the core values of the Group. 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.

<p><b>Transportation</b> Transportation Ports and Shipping</p>	
<p><b>Consumer Foods</b> Beverages Frozen Confectionery Convenience Foods</p>	
<p><b>Retail</b> Supermarkets Office Automation New Energy Vehicles</p>	
<p><b>Leisure</b> Cinnamon Hotels &amp; Resorts Destination Management Hotel Management</p>	
<p><b>Property</b> Property Development Property Management</p>	
<p><b>Financial Services</b> Insurance Banking Stockbroking</p>	
<p><b>Other, including Information Technology and Plantation Services</b> Information Technology Plantation Services Other*</p>	

\* Also comprises of Centre Functions



## AWARDS AND ACCOLADES

Key accolades received by John Keells Holdings PLC during the year under review:

- Ranked first as the 'Most Respected Entity' in Sri Lanka for the 18<sup>th</sup> year at the 19<sup>th</sup> 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 fourth consecutive year in the Transparency in Corporate Reporting Assessment by Transparency International Sri Lanka, obtaining a 100% score for transparency in disclosure practices.
- Gold award for Best Investor Relations at the Capital Market Awards 2023 organised by the CFA Society Sri Lanka.
- The 'Organisation Promoting Equity/Equality and Diversity of the Year' at the 'Top 50 Professional and Career Women Global Awards – Thirteenth Edition' in 2023, by Women in Management (WIM) in partnership with the International Finance Corporation (IFC) and the Government of Australia.
- Ranked first in LMD Readers' Choice as Sri Lanka's Most Loved Corporate Brand for 2024.



For the industry group specific awards, refer Industry Group Review – page 135.



## TACTIC KNOWLEDGE, SYSTEMS AND STANDARDS

### Tactic Knowledge

- The Group's longstanding presence spanning over 150 years, has honed its competitive advantage through industry insights and specialised knowledge.
- The Group continues to shape and transform Sri Lanka and Sri Lankan lives through unmatched products and services and legendary local brands benchmarked to international standards, including 'Cinnamon Hotels & Resorts', 'Elephant House', 'Keells' and 'Union Assurance' among a host of others. Landmark infrastructure projects which have shaped Sri Lanka's regional positioning in the past such as the South Asia Gateway Terminals at the Port of Colombo - the first private port terminal in Sri Lanka, and investments which build for the future such as the 'City of Dreams Sri Lanka' and the West Container Terminal, exemplify the Group's commitment to growth.
- This wealth of experience has immensely contributed to cultivating a distinctive Intellectual Capital base, bolstering adaptability to market dynamics and resilience in turbulent times. The Group's operations have further enriched this, fostering cross-industry expertise and enabling successful initiatives to be replicated across the Group.

# INTELLECTUAL CAPITAL REVIEW

## Systems and Processes

Effective information technology (IT) governance is crucial for nurturing the Group's Intellectual Capital base. By providing secure platforms for information exchange and decision-making, IT governance facilitates knowledge management, innovation, and collaboration. It promotes transparency, accountability, and compliance with regulatory standards, enhancing the Group's reputation. Through efficient resource utilisation and a culture of continuous improvement, IT governance enables the Group to maximise value creation, driving innovation, competitiveness, and growth.

### Key Initiatives during the Year

- Implementation of an 'Endpoint Detection and Response (EDR)' and the Group-wide roll-out of the 'SMART Office' mobile application in order to improve the Group's cybersecurity and digitisation efforts. The 'SMART Office' application empowers the workforce with advanced tools, improving mobility and streamlining processes.
- Adoption of 'Microsoft Defender' through a rigorous selection process, providing elevated security across operations.



*Refer IT Governance*

## Standards and Certifications

The Group's pursuit of operational excellence is demonstrated through its compliance with a range of standards and certifications, which are globally recognised. Responding to the needs of the plethora of stakeholders of the Group has spurred businesses to achieve stringent quality certifications, thereby complementing as well as strengthening internal systems and processes.

### Key business risks associated with Intellectual Capital

- Regulatory environment, including protectionism
- Global competition
- Reputation and brand image
- Information technology risks
  - Digital oversight and cyber threats
  - Speed of technological change
  - Data protection, information management and adoption



*Refer Group Outlook and Risks*

# OUTLOOK AND RISKS

The section that ensues entails a discussion of the Group's approach to navigating through the socio-economic and socio-political landscape, as well as the way forward for the Group.

The discussion comprises of three parts:

- Macroeconomic Outlook from both a global and local perspective and the implications on the Group.
- Group Outlook which discusses the key focus areas of the Group going forward.
- Key Risks to the Group's outlook based on the risks identified as part of the Group's Enterprise Risk Management framework and its approach to managing such risks optimally.

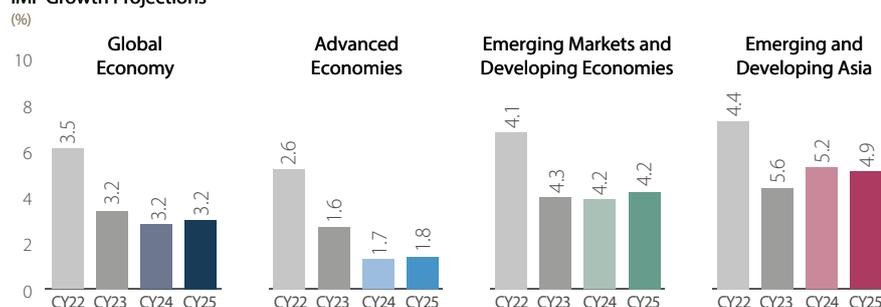
## MACROECONOMIC OUTLOOK

### Global Context

The International Monetary Fund (IMF) projects global growth to continue at the same pace as CY2023, expanding by 3.2% in both CY2024 and CY2025.

- The stagnation in growth is projected on the back of tightening monetary policy stances adopted in most major economies to contain inflationary pressures, lagged effects of the recent deterioration in financial conditions, and a withdrawal of fiscal support amid high debt weighing on economic activity. Ongoing geopolitical conflicts and growing geo-economic fragmentation have further added to the volatility and uncertainty resulting in relatively lower growth expectations.
- Downside risks to this outlook include potential aggravation of the Russia-Ukraine and Israel-Palestine crises, inflationary pressures stemming from geo-political tensions and more persistent core inflation compelling Central Banks worldwide to adopt a further policy tightening response.
- Upside risks to the outlook include higher fiscal policy interventions than currently anticipated in the near-term, a faster than planned decline in inflation and improved productivity through structural reforms and technological advances.

### IMF Growth Projections



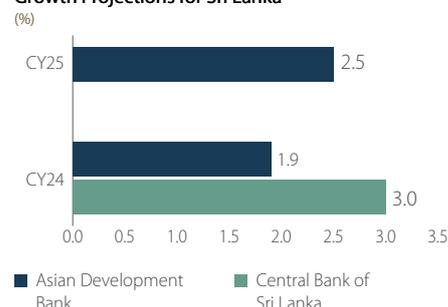
Source: World Economic Outlook April 2024, International Monetary Fund.

- Global headline inflation, as per IMF, is forecasted to slow down to 5.9% in CY2024 and 4.5% in CY2025 [CY2023: 6.8%], with advanced economies returning to their inflation targets sooner than emerging market and developing economies. With economies trending towards target inflation rates, the IMF predicts that Central Banks worldwide are likely to gradually reduce interest rates to pre-pandemic levels.

### Sri Lankan Context

The Government and the Central Bank of Sri Lanka (CBSL) have enacted a multitude of much required reforms and initiatives to stabilise the macroeconomy and the overall operating landscape, which has yielded positive outcomes, thus far, in stabilising the economy. These initiatives include effectively managing demand pressures, bringing inflation down to single-digits, enhancing Government revenue, building of foreign exchange reserves and exchange rate management 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 and growth. Against this backdrop, CBSL projects the economy to continue to recover in CY2024, recording a growth of 3.0%, as opposed to the contraction of 2.3% in CY2023.

### Growth Projections for Sri Lanka



The early indications of economic recovery observed in the latter half of CY2023 are anticipated to lead to a broad-based recovery across all sectors in the ensuing year as momentum has gathered in the fourth quarter of 2023/24 and in the month of April 2024.

## OUTLOOK AND RISKS

- Growth is envisaged to be driven by the dovish monetary policy stance of CBSL resulting in declining cost of credit and the low inflationary environment easing input costs. The recent relaxation of import restrictions is also envisaged to aid demand.
- The continued recovery of the tourism sector is also expected to spearhead growth in the near future, with positive spillover effects to other sectors of the economy, as already witnessed in the preceding few months.
- In addition to the downside risks globally, any uncertainty that may arise as a result of the presidential election and the parliamentary election, due to be held in CY2024 and CY2025, respectively, may slowdown the envisaged recovery.

CBSL projects inflation to hover around the target of 5%, on average, in CY2024, despite occasional fluctuations caused by supply-side shocks and reduced demand conditions.

- Inflation recorded a temporary uptick in early CY2024, primarily on account of the increase in value added tax (VAT) rates implemented in January 2024. CBSL estimates the direct impact of the VAT alteration on inflation, as well as its secondary effects, is not as significant as initially anticipated due to relatively subdued demand. The effects of this tax hike were also partially offset by the considerable downward revisions to electricity tariffs in March 2024 along with a moderation in food prices, while the appreciation of the exchange rate has also resulted in lower selling prices in some categories.
- Inflationary pressures stemming from the global economy, particularly commodity prices, arising from supply chain disruptions and geopolitical tensions are risks to price stability, and, resultantly, the growth outlook. Weather conditions also have an indirect impact on inflation given the country's reliance on hydro-generated power and agricultural output which has a direct correlation with food prices.
- Inflation is expected to remain stable over the medium-term through appropriate policy measures and the CBSL's inflation targeting policy. In order to achieve this, ensuring the independence of the CBSL and enhancing public accountability in monetary policymaking will play a pivotal role in sustaining domestic price stability in the medium to long-term.

Although the trade deficit could widen due to increased economic activity and revived imports, the external sector is expected to benefit from the revival of tourism, higher levels of workers' remittances, and anticipated non-debt creating inflows, as witnessed in recent quarters, thereby bolstering external buffers.

On the fiscal front, the Government is anticipated to persist with fiscal consolidation efforts while continuing necessary reforms to steer the economy towards sustainability. The sustained continuation of the Government's ongoing reforms and economic adjustments supported by the IMF-EFF programme will be crucial for continuing with the recovery and pivotal for overall macroeconomic stability and confidence.

- 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 much-required measures to enhance sustained revenue generation, including upwards revisions to direct and indirect tax rates, broadening the tax bases, among other actions. With a majority of such measures already been implemented, the economic performance is likely to have already absorbed the effect of such measures. While enhancing tax revenue is a priority, the authorities should also focus on economic revival and growth, to accelerate business confidence which is gradually recovering from its lows. Maintaining a consistent tax policy framework and building confidence will also be key to restoring economic activity and investment, thereby enabling improved revenue collection. It is noted that the stability and confidence in achieving fiscal consolidation will also lead to a more sustained recovery.
- Various reforms aimed at addressing longstanding issues of state owned enterprises (SOEs) and other corruption and transparency vulnerabilities are also envisaged to aid progress. While focus may shift towards elections, it is important that whichever successive Government, post elections, places emphasis on addressing corruption and accelerating the reforms to SOEs to ensure a lower strain on public finances, while also bringing in a culture of competition, productivity and accountability. The release of information on procurement contracts, public

disclosure of specific tax exemption details, and the formalisation of the Commission to Investigate Allegations of Bribery or Corruption (CIABOC) represent commendable steps in addressing corruption. These measures are likely to improve transparency, bolster accountability, and tackle bribery issues going forward.

Despite long-term challenges stemming from climate change, population aging, and geopolitical tensions, the medium to long-term outlook for the Sri Lankan economy hinges on the successful continuation of the IMF-EFF programme, completion of debt restructuring, and seamless execution of productivity and efficiency-enhancing reforms with broad political and social consensus.

With the appropriate policy response, the economy is envisaged to gather growth momentum in the medium-term. The Group remains confident of the underlying prospects for the economy with growth expected to be driven by higher exports, expansion of the services sector and the potential for higher foreign inflows. The continued 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 a low-hanging fruit with immense potential, and an area where Sri Lanka can capitalise on within a short period of time, particularly given the proximity to a significant tourism source market such as India. The geographical location of Sri Lanka will lend itself to further capitalising on the opportunity of a transportation and logistics hub for the region, particularly given the growth trajectory of the Indian economy. While expansion of the port operations is one area that will benefit the country, considering the new capacity due to come onstream, there are many other avenues from a logistics perspective which can be expanded on, given the location of the country.

**“The Group remains confident of the underlying prospects for the economy with growth expected to be driven by higher exports, expansion of the services sectors and the potential for higher foreign inflows.”**

## GROUP OUTLOOK

### Key risks, trends and opportunities relevant to the Group:

Risks 	
<i>Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section of this Review for a detailed discussion.</i>	
Macroeconomic and political environment	●
Regulatory environment	●
Supply chain disruptions	●
Financial exposure, in particular exchange rate and interest rate volatility	●
Global competitiveness	●
Human resources and talent management	●
Environment and health & safety, in particular climate risks	●
Information technology	●
Reputation and brand image	●
<b>Risk Rating:</b>	
● Ultra-High	● High
● Medium	● Low

Trends and Opportunities 	
<ul style="list-style-type: none"> <li>• Emphasis on environmental, social and governance (ESG) aspects across business operations</li> <li>• Increasing demand for digital infrastructure and integration of artificial intelligence (AI) into business processes</li> <li>• Increasing urbanisation and connectivity</li> <li>• Expansion of Sri Lanka as a transportation and logistics hub</li> <li>• Development of Colombo as a financial hub</li> <li>• Tourist arrivals poised for exponential growth</li> <li>• Demand for personalised product offerings</li> <li>• Shift in consumer behaviour towards more energy efficient and sustainable alternatives</li> </ul>	

 For a discussion of the outlook for each of the industries the Group operates in, refer:
<ul style="list-style-type: none"> <li>• Transportation – page 141</li> <li>• Consumer Foods – page 152</li> <li>• Retail – page 162</li> <li>• Leisure – page 177</li> <li>• Property – page 187</li> <li>• Financial Services – page 194</li> <li>• Other, including Information Technology and Plantation Services – page 202</li> </ul>

Significant improvement in macroeconomic conditions in the country, including the implementation of certain much needed reforms and roll-out of various policy initiatives has created a solid foundation for the country to recover while also enabling a normalised operating environment.

The Group expects the growth momentum witnessed in the recent quarters to continue with strong performance recorded in the short-to-medium-term driven by increased consumer confidence and economic activity.

Stabilising inflation levels, a complete turnaround of the country's foreign exchange (FX) liquidity position with freely available FX liquidity, and improved product availability, amongst others, are expected to augur well for business operations. Regardless, businesses will continue to take all necessary measures, including expense and portfolio optimisation strategies to ensure that costs are controlled. The Group will closely monitor electricity tariffs and make necessary investments, to the extent possible and not already implemented, to reduce the power and energy expense of the Group. The Group will continue to explore measures to reduce its carbon footprint. As already witnessed over the two preceding quarters, pressure on margins is envisaged to continue reducing gradually, although global inflation and commodity prices could be the only risk. Provided that the country continues the current recovery trajectory and further eases import restrictions, particularly on motor vehicles, the exchange rate is also expected to witness gradual and normalised depreciation once the external debt restructuring is finalised and the country re-commences certain debt servicing obligations. The consensus across many projections of the exchange rate are within a maximum depreciation threshold of 10% from current levels, which will support the external sector, while not materially impacting the other segments of the economy, considering the exchange rate has already witnessed appreciation.

This macroeconomic and funding 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 further build its foreign currency reserves position.

Indications suggest that the sluggish expansion in consumer demand observed in recent years is shifting, with volumes indicating a promising uptick. Against this backdrop, the Group is of the view that the impact of previous price increases stemming from the recent fiscal consolidation measures have now been fully absorbed. It is pertinent to note that the degree of impact of macroeconomic fundamentals on businesses will be divergent, depending on the elasticity of demand for products and services. For instance, the impact on businesses such as Supermarkets, where consumer baskets comprise of household necessities, personal care and other household items, is more insulated to variations in economic activity and consumer spend, in comparison to an industry group such as Consumer Foods which comprise of more discretionary, albeit low-value items.

## OUTLOOK AND RISKS

Interest rates in Sri Lanka have declined materially, following the highs of 2022/23. This is expected to aid Group performance as a result of lower funding costs. The Group mitigated the risk of decreasing interest rates by investing its excess cash, where applicable, in medium-term investments subject to liquidity requirements. The portfolio of borrowings was constantly repriced to ensure that reductions in borrowing rates were factored in a timely manner. Relatively high-cost facilities were refinanced with lower cost facilities in order to reduce the overall cost of funds. 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. The reduction in interest rates and low loan growth in the banking industry has created ample liquidity in the market which will help the Group optimise its funding cost and maturity profile of its borrowings.

As global inflation converges towards target levels, policymakers are likely to pivot towards policy easing, aiding interest rates to gradually ease, following the highs of the previous year. These conditions will have implications on the foreign currency cash portfolio held at the Holding Company, and the interest income therein. The Group's borrowings portfolio will be optimally managed, where the Group will look to leverage on the benefit of relatively lower rates, with the aim of locking in rates, where applicable, thereby mitigating the Group's exposure to unforeseen rate fluctuations going forward.

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 'City of Dreams Sri Lanka' (formerly referred to as the 'Cinnamon Life Integrated Resort') and the West Container Terminal in the Port of Colombo, which are slated to commence operations during the ensuing year. 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.

### 'City of Dreams Sri Lanka'



#### 'Cinnamon Life', managed by Cinnamon Hotel Management Limited

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

#### 'Nuwa' - ultra high-end luxury-standard hotel, managed by Melco Resorts & Entertainment

- 113 guest rooms
- dedicated access to casino
- 1 pool

#### Retail mall and entertainment space

- ~500,000 Sq. Ft.

#### 'The Offices at Cinnamon Life'

#### 'The Suites at Cinnamon Life'

#### 'The Residence at Cinnamon Life'

- 'City of Dreams Sri Lanka' will encompass a luxurious 687-key hotel branded as 'Cinnamon Life', which will comprise of a range of ballrooms and banquet facilities including an exhibition centre, that, together, can accommodate meetings, incentives, conferences, and exhibitions (MICE) events of up to 5,000 seats.
- 'City of Dreams Sri Lanka' will also include a 113-key exclusive ultra high-end luxury-standard hotel and a 500,000 square foot shopping and entertainment facility, including the gaming operations.
- Commencement of operations:
  - The 687-key 'Cinnamon Life' hotel and related facilities: third quarter of 2024/25.
  - Gaming and retail mall operations: mid-2025.
- The Group is confident that the convergence of all elements in the launch of 'City of Dreams Sri Lanka' will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand, foreign exchange earnings for Sri Lanka and generating employment while ensuring the synergies emanating from the various elements of the integrated resort, including the 'Cinnamon Life' hotel and its related facilities, will contribute towards ensuring the commercial aspects of the project are optimised.
- While the commencement of operations will lay the platform for transformative growth as all elements of the integrated resort converge and ramp up over the years ahead, the immediate ensuing financial year will see the non-cash impacts of the depreciation of the integrated resort being accounted for while the finance expense in relation to the USD 219 million loan will be reflected in the income statement as opposed to being capitalised as project cost, in accordance with accounting standards. These impacts, however, will not have a bearing on the EBITDA of the project or Group.



Refer Leisure Industry Group for a detailed discussion on 'City of Dreams Sri Lanka' and the resultant opportunity for both the Group and the country.

## Continual Advancements on Environmental, Social and Governance (ESG) Aspects

The Group is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model which can derive 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, mitigating impact of the Group's businesses on the environment, enhancing the well-being of all stakeholders, and ensuring effective governance mechanisms.

### Group's ESG Journey

- In 2022/23, 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.
- As a part of this collaboration, the Group conducted an in-depth study and workshops within each industry group to identify areas of significant impact, risk and materiality thereby, arriving at material ESG topics through a formalised and more refined process. Similar to previous materiality assessments, benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders, regional peers and best-in-class practices of the respective industries the businesses operate in. Similarly, stakeholder engagement sessions were held with both internal and external stakeholders to gather insights. These efforts culminated in the determination of material ESG topics for each industry group and sector-specific ambitions, which thereafter dovetailed into Group level priorities, based on relevance and materiality.
- The insights gathered will form the backbone of the ongoing redevelopment of the holistic ESG strategy and roadmap for the Group, which is envisaged to be formalised in the ensuing year.

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 Asian Development Bank (ADB) and IFC to further enhance the Group's existing ESG processes and frameworks, together with aligning its practices with stakeholder and shareholder considerations and expectations, as relevant and applicable, 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 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 and all stakeholders are treated with fairness and respect, free from discriminatory, exclusionary and/or harassing behaviours.
- Empowering employees, business partners and suppliers to be themselves by creating a working environment where they feel that their gender, background, sexual orientation, lifestyle and disability, among others, do not affect perceptions of them as professionals or as individuals.

- Building empathy and respect for stakeholders 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 enhancing accountability to diverse stakeholders, 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.

**“The Group is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model which can derive 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, mitigating impact of the Group's businesses on the environment, enhancing the well-being of all stakeholders, and ensuring effective governance mechanisms.”**

# OUTLOOK AND RISKS

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 will also work towards enhancing the effectiveness of its financial processes and optimise the available tools to improve access to real-time data and dashboards while also using artificial intelligence (AI) to complement the type of insights required to enable proactive decision-making. In this regard, a more focused finance transformation initiative will complement the current practices and progressive improvements.

Key initiatives under discussion for the near-term:

- Implementation of codes aimed at further strengthening compliance with Group policies and deviation monitoring and resolution
- Further improvement in public disclosure of governance framework and all applicable Group policies
- Further improvement in sustainability frameworks, disclosures and assurance, in addition to obtaining independent ESG ratings, if relevant
- Enhancing business continuity plans, risk mitigation, data protection and cybersecurity



*For a detailed discussion refer the Governance Outlook and Emerging Challenges section – page 248.*

## Emphasis on the Group's Advanced Analytics and Transformation Journey

OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, 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 as has been done throughout the last year with many of the use cases across the Supermarket and Consumer Foods businesses, in particular.

Use cases rolled-out in the Supermarket business are expected to continue its encouraging performance, making positive contributions across core aspects of the business value chain. Benefits of the use cases recently developed, piloted and deployed for the Beverages business are expected to accrue going forward, optimising promotional spend across modern trade and general trade segments as well as augmenting production planning. The use cases aimed at augmenting the efficiency of the distribution network of the Beverages and Frozen Confectionery businesses are in advanced stages of deployment and are envisaged to be concluded during the ensuing year. Discussions and pilot work are currently ongoing with the Leisure and Financial Services industry groups to implement use cases which have a high value capture rate. The Group will also continue to deploy use cases which optimise the synergies among its businesses.

## Managing Human Capital

The challenging 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 across Group businesses 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 its talented workforce and promote value creation. Despite these interventions to retain talent, higher 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.

## Initiatives Aimed at Managing the Group Cash and Liquidity Position

The multiple challenges faced by the country and the Group since 2018/19 have demonstrated the need for organisations to be agile, nimble and well-prepared for any unforeseen circumstances. 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. 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 collection targets, as relevant to the various business units.
- Use '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.
- Critically evaluate the need for capital expenditure.

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 final stages of capital expenditure on the two large-ticket investment projects of the Group and the possible risks to the recovery of the macroeconomic environment.

### 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's integrated resort 'City of Dreams Sri Lanka', which has been under construction for the past 10 years and comprises of a significant allocation of capital employed, is near complete and slated to commence operations in the third quarter of 2024/25.

The Group is confident of its ability to fund other expansion 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 'City of Dreams Sri Lanka'
- Investment towards the West Container Terminal (WCT-1) of the Port of Colombo
- Roll-out of the Supermarket outlets
- Completion of the 215-key hotel in Kandy, which follows an asset-light investment model, where the Group will hold a 40% minority equity stake.

### KEY RISKS

Whilst 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, the Group is mindful of the various risks impacting performance and consciously strives to ensure that various mechanisms and mitigatory interventions are in place to address such downside risks which impact the Group's outlook and may affect performance going forward. The Group's comprehensive enterprise-wide risk management process serves as the bedrock of this, ensuring a structured approach to risk identification and mitigation.

#### Risk Rating

● Ultra-High ● High ● Medium ● Low

#### Macroeconomic and Political Environment

	2023/24	2022/23	2021/22
Risk Rating	● High	● Ultra-High	● Ultra-High

**Risk Overview:** The risk was rated 'Ultra-high' in the past two financial years, given the uncertainty and volatility surrounding the pandemic, economic crisis and resultant socio-political tensions. The risk was reviewed and reduced to 'High' during the financial year under consideration, in tandem with the positive macroeconomic developments and an improvement in the economic, social and geopolitical environment. Despite the notable headway in the domestic economy with business continuing as usual, a rating of 'High' was assigned as the local economic and political environment is still in the early stages of recovery and it is too early to ascertain the impacts and uncertainty stemming from the elections which are due to be held this year.

**Mitigation Strategy:** Global and local economic and political trends are identified and analysed on an ongoing basis to understand potential impacts on the Group and implement necessary measures to adapt to any changes. The Group's senior management actively participates, and plays significant roles, in key decision and policy making bodies and consultative committees in support of the country's economic and development policies. The Group businesses also review and update their business resilience plans, taking into account potential changes to the external environment.

#### Capitals Impacted

 Financial and Manufactured Capital

#### Related Material Sustainability Topic

- Business conduct and ethics

# OUTLOOK AND RISKS

## Regulatory Environment

	2023/24	2022/23	2021/22
Risk Rating	● High	● High	● High

**Risk Overview:** The Group witnessed a restoration of stability in regulatory, legal and tax frameworks and policies stemming from measures put in place to stabilise the economy. Given that the country is still recovering and policymakers are required to make further adjustments in tandem with the path of recovery and fiscal consolidation measures, this risk rating remains at a 'high' rating.

**Mitigation Strategy:** The Group's senior executives actively participate in key industry chambers and associations which assist in building clarity and consistency in policies and regulations. The Group monitors regulatory and compliance requirements on an ongoing basis and has in place the necessary internal processes and structures to ensure seamless adoption of new or revised legislation.

**Capitals Impacted**

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

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**Related Material Sustainability Topic**

- Business conduct and ethics
- Corporate governance

## Financial Exposure

	2023/24	2022/23	2021/22
Risk Rating	● Medium	● Medium	● Medium

**Risk Overview:** Group Treasury, guided by the Group Executive Committee (GEC) and supported by the Finance functions of the businesses, is responsible for the management of certain financial risks through continuous monitoring of liquidity, financial exposures and funding requirements. Hedging mechanisms, liquidity management strategies, capital structuring, asset allocation limits, institutional limits and other Board approved strategies for interest rate, currency, counterparty and liquidity management are applied across the Group. Given the volatility and uncertainty in the global and domestic environment witnessed in recent years, the ensuing section details material sources of financial risk and the state of the Group's readiness to navigate such risks.

**Capitals Impacted**

-  Financial and Manufactured Capital

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**Related Material Sustainability Topic**

- Corporate governance

## Interest Rate

	2023/24
Risk Rating	● High

**Risk Overview:** Inflation expectations remained well anchored during the year, on the back of reduced Government debt financing requirements and improved liquidity. The dovish monetary policy stance coupled with improved liquidity conditions in the market aided financial institutions to pass on the benefits of rate reductions to market participants. The full benefits of the policy will be felt in the ensuing year, leading to an overall reduction in the cost of funds for the Group.

**Mitigation Strategy:** The Group will continue to mitigate the risk of decreasing interest rates by investing its excess cash in medium-term investments subject to liquidity requirements. The portfolio of borrowings will also be constantly repriced to ensure that reductions in borrowing rates are factored in. Similar to 2023/24, relatively high-cost facilities are earmarked to be refinanced with lower cost facilities in order to reduce the overall cost of funds. 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 Group will look to manage the exposure on the remainder of the facilities based on the interest rate outlook in the US considering expectations for the possible commencement of a rate easing cycle.

## Currency / Exchange Rate

	2023/24
Risk Rating	● High

**Risk Overview:** The Sri Lankan Rupee recorded a marked appreciation in the first quarter of the financial year, followed by some volatility during certain periods of the financial year. The foreign exchange liquidity continued to improve during the financial year on the back of an improvement in the 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 external financing position continued to strengthen during the year driven by resilience in exports and a strong recovery of tourism receipts and offshore worker remittances. The disbursement of the first tranche of the Extended Fund Facility from the International Monetary Fund (IMF), the completion of the Domestic Debt Optimisation programme and the ongoing positive negotiations with key lenders on the External Debt Optimisation programme contributed to the strengthening foreign exchange market.

**Mitigation Strategy:** The Group will continue to adopt prudent measures, as and when required, to manage the financial impacts arising from currency fluctuations by matching liabilities with corresponding inflows and by adopting currency hedging strategies. 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 are managed through US Dollar denominated revenue streams.

## INSIGHTS

### Managing the Group's foreign currency exposure

Managing the Group's exposure to foreign currency fluctuations is of utmost priority. The Rupee witnessed a notable appreciation of ~11% in 2023/24 as a result of fiscal and monetary policy measures and foreign fund flows. Movements in the exchange rate have the following implications on the Group's financial position, if not optimally managed.

- Gross debt will record a movement, given the translation impact on the USD 175 million long-term loan facility at the Holding Company and the USD 219 million long-term loan facility at Waterfront Properties (Private) Limited (WPL).
- 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 at 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 off-setting such impacts.
- The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'City of Dreams Sri Lanka' 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 foreign currency exposure is primarily on account of the USD 219 million long-term loan facility at WPL and other foreign currency linked borrowings across the rest of the businesses, particularly within the Leisure industry. The exposure on the loan at WPL arises due to the Group's decision to shift the functional reporting currency of the project entity to Sri Lankan Rupees, as disclosed during the year. However, the translation risk is/ will be 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. The exposure at WPL will continue till such time operations commence and ramp up at the 'City of Dreams Sri Lanka', whereas the Group already has a 'natural hedge' in its current operations in the rest of the Leisure portfolio.
- The Group will continue to manage its foreign currency portfolio and investment pipeline optimally, by matching liabilities against corresponding assets, where possible.

### Credit and Counterparty

	2023/24
Risk Rating	● Low

**Mitigation Strategy:** The Group will continue to liaise with only reputed creditworthy counterparties. All clients are subjected to credit verification procedures and are required to submit bank guarantees, performance bonds or counter guarantees, as applicable. These clients are regularly monitored, and subject arrangements are frequently reviewed. Concentration risk stemming from any single counterparty or asset class is mitigated due to internally set exposure limits, which are reviewed on a routine basis and amended as necessary. While certain exposures continue to be monitored, these are not significant in the context of the Group and should diminish with the improving macro environment.

### Liquidity

	2023/24
Risk Rating	● Low

**Mitigation Strategy:** The Group will continue 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 underutilised facilities within the Group. The Group is actively in discussion with its bankers regarding the new regulations on single borrower limits as stipulated by the CBSL. While all borrowers will be impacted by this regulation over the ensuing few years, the Group will proactively manage the limit allocations as well as expand its network of financing institutions, as required.

The daily cash management processes at the Holding Company include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

The GEC frequently reviews the ability of the Holding Company to fund the forecasted pipeline of projects for the ensuing five years, which is further stress-tested to include scenarios of extreme distress in the operating environment and the resulting adverse impacts on business profitability. Although the recent macroeconomic challenges have placed some pressure on cash flows and financial indicators, active liquidity management and cost management strategies across the Group have helped insulate this impact. The Group will continue to maintain adequate banking facilities and proactively manage its liquidity position.

### Information Technology

	2023/24	2022/23	2021/22
Risk Rating	● High	● Medium	● Medium

**Risk Overview:** As the employees of the Group settled into an agile work arrangement, with a certain portion of staff working remotely, cybersecurity has remained a priority to ensure no negative impacts on business operations and Group reputation. The stakeholder and consumer demand for availability and quality of online and digital tools for service and product offerings have continued in a post-pandemic environment, as expected. With the highly sensitive and continually evolving nature of IT related risks within the context of the current environment.

As the dependency on digital data is increasing, the impact of a breach in information security or data privacy is high, and the risk has been increased to a 'High' in acknowledging the repercussions and significance of this risk.

# OUTLOOK AND RISKS

**Mitigation Strategy:** The Group's risk-based Zero Trust Cybersecurity Policy Framework continues to ensure information accessed or processed, the devices and networks deployed, the workloads and applications used, and the services provided are secure and resilient. The policy framework sets out the minimum tools required, and the mandatory controls the organisation should possess. These tools and controls are designed to protect the Group from threat actors affecting the operations, detect the effectiveness of the controls implemented and respond and recover from malicious cyber activity across all operational environments.

The Policy Framework is based on the principles of continuous authentication, least privilege, assume breach, micro-segmentation, advanced encryption, endpoint security, automation and orchestration, visibility and analytics, and robust assurance, among other capabilities, to fortify the identities, devices, networks, data, applications, workloads, and ensures efficient architecture to deliver services and cyber resiliency that enhances security, the user experience, and overall performance.

The Policy Framework also enables the Group's business units and functional units to complement the Zero Trust Cybersecurity Policy Framework with necessary additional, business-specific policies and standard operating procedures (SOP) to strengthen the security posture, which is approved by their respective Business Unit Boards, Board Audit Committees as well as the GEC. Any audit review will be taken in this context to enable the businesses to make educated, conscious decisions with respect to full compliance with the policies vis-à-vis other business implications.

This Policy Framework also provides the Group with the required governance, resilience and assurance to implement the digital transformation strategies whilst ensuring the required flexibility to become a data-driven and digital first organisation.

**Capitals Impacted**

- Financial and Manufactured Capital
- Social and Relationship Capital

**Related Material Sustainability Topic**

- Business conduct and ethics

## Global Competition

	2023/24	2022/23	2021/22
Risk Rating	● Low	● Low	● Low

**Risk Overview:** Whilst the Group continues to be a leading player in industries in which it operates, it recognises that continuous improvement and adherence to global best practice and standards is required to maintain competitiveness, given increasing globalisation and investments into Sri Lanka by international companies and brands.

**Mitigation Strategy:** All Group businesses are required to develop a global outlook to ensure that their operations, employees and quality standards are benchmarked against international levels. The leadership teams constantly scan the external environments for new opportunities and potential for improvements while also obtaining the relevant expertise and know-how for particular aspects of their business. The

Group also has a Digitisation Steering Committee in place and continues to explore disruptive and innovative technologies, aiming to keep abreast of emerging technologies that will assist the Group in enhancing stakeholder satisfaction and internal productivity and efficiencies. This culture pervades through the Group, with a Chairperson's Award for Disruption Innovation awarded annually for businesses which best exemplify this ethos. Given the strategies in place, this risk remains at a 'Low' rating.

**Capitals Impacted**

- Financial and Manufactured Capital
- Human Capital
- Intellectual Capital

**Related Material Sustainability Topic**

- Business conduct and ethics

## Human Resources and Talent Management

	2023/24	2022/23	2021/22
Risk Rating	● High	● High	● High

**Risk Overview:** The 'High' risk rating continues for the period under review as the challenge of attracting and retaining talent remains, due to persons of employable potential moving to other countries due to the socio-political uncertainty that was prevalent recently.

The Group continued its efforts in skill building in line with its talent management strategy, and in offering additional support to its employees such as through financial care packages and temporary crisis allowances in order to sustainably manage its human capital and meet the businesses long-term objectives.

**Mitigation Strategy:** The Group's human capital strategy is to acquire, cultivate and retain talent, as it is a critical component in ensuring its businesses continue to grow, innovate and create long-term value for its stakeholders. It has in place robust policies and internal systems to ensure it is a preferred employer, ensuring its employees have ample opportunities for skill enhancement and career development, with a performance driven culture and strong performance management and reward and recognition schemes. Employee engagement is considered a key component of its retention strategy, with internal surveys and platforms for interaction with senior leadership in place, alongside close monitoring of talent attrition. The Group also has well-established grievance mechanisms, healthy relations with unions and also policies on sexual harassment and non-discrimination in place.

**Capitals Impacted**

- Human Capital

**Related Material Sustainability Topic**

- Talent attraction and retention
- Diversity and equal opportunity
- Occupational health & safety
- Business conduct and ethics
- Corporate governance

## Environment and Health & Safety

	2023/24	2022/23	2021/22
Risk Rating	● Low	● Low	● Low

**Risk Overview:** The Group continues to prioritise its environmental performance and the provision of a safe and healthy working environment for its workforce. The Group maintains and reports on standards required of local and global corporates by its key stakeholders. Such risks can be physical, regulatory or reputational, and stakeholder expectations and requirements continue to grow in this area of focus.

**Mitigation Strategy:** The Group has in place a multitude of environmental and health and safety policies, bolstered by a well-established sustainability management framework which ensures that environmental and safety concerns are embedded into the core of all business operations. Quarterly tracking of indicators such as energy, emissions, water, waste and effluents, injuries and lost days ensure that companies at a minimum, meet all applicable laws and regulations, while striving to meet international benchmarks. Businesses continuously align with global best practice through international certifications such as ISO 14001 Environmental Management standards and ISO 45001 Occupational Health and Safety standards among others. All businesses have environmental and social objectives built into their performance expectations and a culture of excellence is encouraged through recognition schemes such as the Chairperson's Award for Sustainability.

Safe and healthy working conditions have always been a priority for the Group. In the year under review, Group businesses further strengthened working conditions by ensuring workplaces operated in line with all guidelines and measures stipulated by Government and health authorities. Specific protocols were developed for the Group and stringent health and safety measures taken across all functions and businesses. The implementation of such health and safety standards will aid the business in managing such risks going forward. The Group will review and assess such procedures on a continuing basis to ensure new developments are adequately addressed. While this risk was rated a 'Low' based on the Group's robust approach to safeguarding the health and safety of its internal and external stakeholders, it remains an area that will be closely monitored.

Taking a proactive approach to adequately prepare for environment and climate related business disruptions, the Group will further update the Business Continuity Plans (BCP). Disaster Recovery (DR) tests will also be run across businesses to assess the effectiveness of the BCP's in place.

### Risk due to Climate Change

With climate changes increasingly affecting the business landscape in varied forms, the Group recognises the importance of assessing how climate change may impact its operations, including instilling mitigative actions to minimise such risks. The Group is also mindful of the role businesses have to play in minimising its impact to climate change.

Businesses recognised and recorded the risk in their respective risk portfolios while the impact of such risk is under continuous assessment and mitigation plans were put in place.

The Group is in the process of developing its Climate Change Mitigation Policy with the assistance of external subject experts.

### Capitals Impacted

-  Natural Capital
-  Human Capital
-  Social and Relationship Capital

### Related Material Sustainability Topic

- Greenhouse gas (GHG) emissions
- Waste management
- Water and wastewater management
- Corporate governance
- Occupational health and safety

## Reputation and Brand Image

	2023/24	2022/23	2021/22
Risk Rating	● Low	● Low	● Low

**Risk Overview:** The Group recognises that reputation and brand image have a direct bearing on an organisation's ability to operate and create value over a long-term horizon. As a result, it highly values its longstanding reputation as an ethical corporate, with zero tolerance for breaches in regulatory compliance or governance.

**Mitigation Strategy:** The Group has a stringent Code of Conduct that all businesses and employees are required to adhere to. This is strengthened through a robust governance framework that includes an anti-corruption, anti-bribery and anti-money laundering policy, a whistle-blower process, an independent ombudsperson and a 'Chairperson Direct' communication line. All businesses conduct risk assessments to identify significant risks related to corruption and address such risks through appropriate mitigative actions.

All marketing and public communications are vetted in line with the Group's policies on marketing and communications and product quality standards are maintained through stringent quality assurance processes. The Group uses a variety of means of communication and aims to ensure its brand presence is well established and its reputation is maintained on new social media platforms. The John Keells Foundation further reinforces the Group's reputation through its long-running and numerous strategic corporate social responsibility activities, ranging from areas such as community infrastructure and education to environmental protection. This risk was rated 'low'.

### Capitals Impacted

-  Social and Relationship Capital
-  Intellectual Capital

### Related Material Sustainability Topic

- Business conduct and ethics
- Corporate governance
- Risk management

# OUTLOOK AND RISKS

## Supply Chain Risk

	2023/24	2022/23	2021/22
Risk Rating	● Medium	● High	● Ultra-High

**Risk Overview:** Managing and retaining a mutually beneficial partnership with its supply chain is a priority to the Group. To this end, significant efforts are made to sustainably enhance this partnership. Stakeholders expect businesses to extend their sphere of influence beyond company boundaries and value chains. Sustainability continues to increase in significance as a means of showing maturity and completeness in sustainability performance reporting. Since the Group witnessed an ease in supply chain pressures in terms of the removal of import restrictions (other than for vehicles), stabilisation in fuel and other energy costs, and unrestricted access to power and energy with the removal of fuel quotas, the risk was revised to 'Medium', while being mindful of the situation.

**Mitigation Strategy:** The Group has in place a supplier management framework as a means of managing its supply chain risk. All suppliers are apprised of and expected to align with the Group's Supplier Code of Conduct which sets out expectations of supplier performance with respect to key sustainability aspects, including environmental, ethical labour practices, anti-corruption requirements and regulatory and legal compliances. Supplier assessments and audits aid in identifying suppliers in need of development. Annual engagements are carried out with suppliers through supplier fora and trainings to aid in knowledge transfer and sharing of best practice. The Group will make continual efforts to support its suppliers, wherever possible, through knowledge transfer sessions and other initiatives.

### Capitals Impacted

 Social and Relationship Capital

### Related Material Sustainability Topic

- Business conduct and ethics
- Risk management

# STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

The Strategy, Resource Allocation and Portfolio Management section aims to provide detailed insights into the process 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 commencing from the Easter Sunday attacks in April 2019, the Covid-19 pandemic and the domestic macroeconomic crisis have impacted the performance of businesses in the portfolio. Despite these challenges, the long-term strategic trajectory of the Group's portfolio and the strategic investments made over last few years have enabled the Group to withstand and navigate through such headwinds and position the portfolio to explore opportunities and to meet with the long-term aspirations of the Group.

In managing its portfolio, the Group places emphasis on identifying and pursuing growth prospects that would help deliver on its medium to long-term objectives and realise the Group's vision of 'Building businesses that are leaders in the region'. With this aim, businesses adopt a systematic approach to resource allocation that is aligned with the core values and overall strategic direction 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 endeavours to ensure that capital resources are efficiently employed in a manner that will ensure resilience, maintain relevance, enable agility, expand the reach of the portfolio, and provide the ability to compete, both locally and internationally. The Group believes the current portfolio continues to serve that purpose and that its investments over the last few years, and planned investments, in these core areas reinforce this strategy.

The Group is of the view that the fundamentals and potential of the industries the Group operates in, remain 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 digitisation, disruptive innovation, diversification, particularly across geographies and the need for offshore revenue streams.

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 and new opportunities being pursued by the Consumer Foods industry group. Although the year under review was impacted by the translation impact stemming from the appreciation of the Rupee, the balance in the portfolio enables the Group to deliver sustained value creation as evident in the past, where such businesses performed exceptionally well in cushioning the impacts from the domestic environment.

The Group's strategic investment in 'City of Dreams Sri Lanka' (previously branded as 'Cinnamon Life Integrated Resort') and the West Container Terminal (WCT-1) project at the Port of Colombo are poised to drive long-term capital returns and augment the Group's foreign currency income streams. The Group's partnership with Melco Resorts and Entertainment, to fit-out and operate the gaming facility and manage the 113-key exclusive ultra high-end luxury-standard hotel, is also envisaged to be a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka.



Refer the Leisure and Transportation industry groups for a discussion on 'City of Dreams Sri Lanka' integrated resort and WCT-1, respectively – Page 166 and 135.

The following are some of the key strategic initiatives pursued across Group businesses in furtherance of achieving its short, medium and long-term objectives.



## Sustainable Value Creation

The Group's strategy focuses on driving sustainable, consistent, competitive and responsible growth by expanding revenue channels, increasing market share and actively exploring opportunities through fostering a culture of disruptive innovation and digitisation in a sustainable and responsible manner.



## Cost Optimisation

Emphasis is placed on maintaining flexible cost structures, to enhance efficiencies and profit maximisation, in addition to agility and prudence. This has continued to assist businesses to navigate many challenges particularly in the recent past.



## Brand Development

The Group's strategy focuses on building brand equity through a comprehensive understanding of its target market and aligning with the brand's promise and vision to ensure a stakeholder-centric approach.



## Talent Management

The Group is committed to recruiting, developing, and retaining a talented pool of employees, fostering a diverse and performance-oriented culture that drives sustainable growth. 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.



## Process and Risk Management

Focus on strengthening the business processes and governance checks across the Group through re-engineering, process improvement, enterprise risk management and quality management in line with international best practice.

# STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT



## Digitisation

The Group's digitisation drive is aimed at identifying emerging and current disruptive business trends to enhance the digital quotient (DQ) of individuals and businesses. These efforts are expected to increase productivity and efficiency by leveraging digital technologies and disruptive business models.



## Environmental Responsibility

The Group strategy places significant emphasis on minimising environmental impacts of its operations through impact assessment and stakeholder engagement. Governed by a comprehensive environmental impact management system and Group-wide sustainability goals, all operational decisions consider the effect on the Group's sustainability goals and ensure that all possible actions are taken towards mitigating adverse environmental impacts.



## Diversity, Equity and Inclusion (DE&I)

Advances a culture of equitable inclusion through the ONE JKH initiative, aiming to encourage and embrace diversity, attract and retain the best talent and enhance productivity across the Group's value chains and communities.



## Community and Corporate Social Responsibility (CSR)

Places emphasis on rolling out community empowerment initiatives, to ensure a collective and targeted focus towards the three dimensions of sustainable development - economic growth, social inclusion and environmental protection. The initiatives are centrally planned and implemented by the John Keells Foundation.

## REGULAR ASSESSMENT OF RISK AND REWARD

In measuring operational performance, 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, cyclicity, 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 sensitised 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.

Given the Holding Company's diversified interests, resource allocation and portfolio management are imperative in creating value for all stakeholders through evaluation of the Group's fundamentals which are centred on the forms of Capital. Whilst there are potential opportunities in diverse industries, the Group continues to follow its four-step, structured methodology indicated below, in evaluating its portfolio and thereby guiding investment and divestment decisions.

### Financial Filter

Bedrock of the decision criteria based on the JKH hurdle rate



### Growth Filter

Evaluates the industry attractiveness and growth potential based on the industry lifecycle



### 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 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 in assessing 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 value exceeds a Board mandated threshold.

## 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.

As outlined in the 2022/23 JKH Annual Report, the Group followed a 'wait and see' approach last year to determine the need to revise its hurdle rate as an adjustment would be warranted only if the macroeconomic factors, which have seen significant volatility in the recent past, are expected to be sustained over the long-term. With the gradual normalisation of the macroeconomic indicators and reversion to mean levels, the hurdle rate was kept at the same level this year. The Group will continue to monitor the evolution of rates to determine if an adjustment to the long-term hurdle rate is warranted.

It is also noted that this hurdle rate is utilised as the initial benchmark rate in evaluating the feasibility and opportunity in all projects of the Group, and that project specific modifiers are also used in order to get a more granular view of the projects under consideration. For example, a country specific risk modifier would be applied for investments with a high proportion of foreign currency investment costs and operational cash flows. To this end, the modifier would use a project specific cost of debt and foreign currency denominated equity return benchmark commensurate with the investment, which in turn would be comparatively analysed against projects with similar risk profiles.

## CONCEPTUALISING PORTFOLIO PERFORMANCE

The Group aims to strike a balance between optimising immediate portfolio returns against returns in the medium to long-term. 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 'City of Dreams Sri Lanka' and the WCT-1 project which have long gestation periods, and as such, impact the short-term portfolio returns during the development phase of the project. Once operational and fully ramped up, both projects hold the potential for a transformative impact on the Group's performance and consequently, return on capital employed (ROCE).

The Group is conscious of the quantum of capital deployed in businesses, and, to this end, places significant emphasis on evaluating projects in a manner which optimises capital efficiency, especially in capital intensive businesses such as Leisure and Property Development. 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, Financial Services and Transportation. Looking beyond the short-term impacts of the challenges faced during the past years, 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

In February 2024, HWIC Asia Fund, a subsidiary of Fairfax Financial Holdings Limited exercised its option to convert 110,000,000 Debentures with a face value of Rs.14.30 billion.

From a portfolio management perspective, since the convertible debentures and the corresponding impact is already factored in the capital structure of the Group, the shift in the classification from a liability to equity has no impact on capital employed at the point of conversion. However, the increase in equity has a negative impact on ROE in the immediate-term.

 Refer Financial and Manufactured Capital Review for further details of the convertible debentures – Page 51

## LONG-TERM ASPIRATIONS

The Group continually endeavours to deliver value to its 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 multiple years of disruption, from 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 2024	31 March 2023	31 March 2022
EBIT growth	>20	1.6	59.6	166.7
EPS growth (fully diluted)	>20	(38.7)	(13.2)	318.0
Cash EPS growth (fully diluted)	>20	(49.6)	(5.3)	324.9
Long-term return on capital employed (ROCE)	15	5.5	5.5	4.2
Long-term return on equity (ROE)	18	3.2	5.6	7.5
Net debt (cash) to equity (with leases)	50	42.2	45.4	33.7
Net debt (cash) to equity (without leases)	50	33.7	35.9	23.5

## Performance of the Portfolio

The Group return on capital employed (ROCE) remained flat at 5.5% given the muted performance of the Group at an EBIT level, as more fully discussed under the Financial and Manufactured Capital Review while capital employed remaining largely unchanged. However, the Group return on equity (ROE) recorded a deterioration from 5.6% in 2022/23 to 3.2%, primarily on account of:

- a reduction in the profit attributable to equity holders by 38%, and;
- the increase in the equity base on account of the partial conversion of HWIC Debentures.



Refer Financial and Manufactured Capital Review for further details – Page 51

## Group Return on Capital Employed

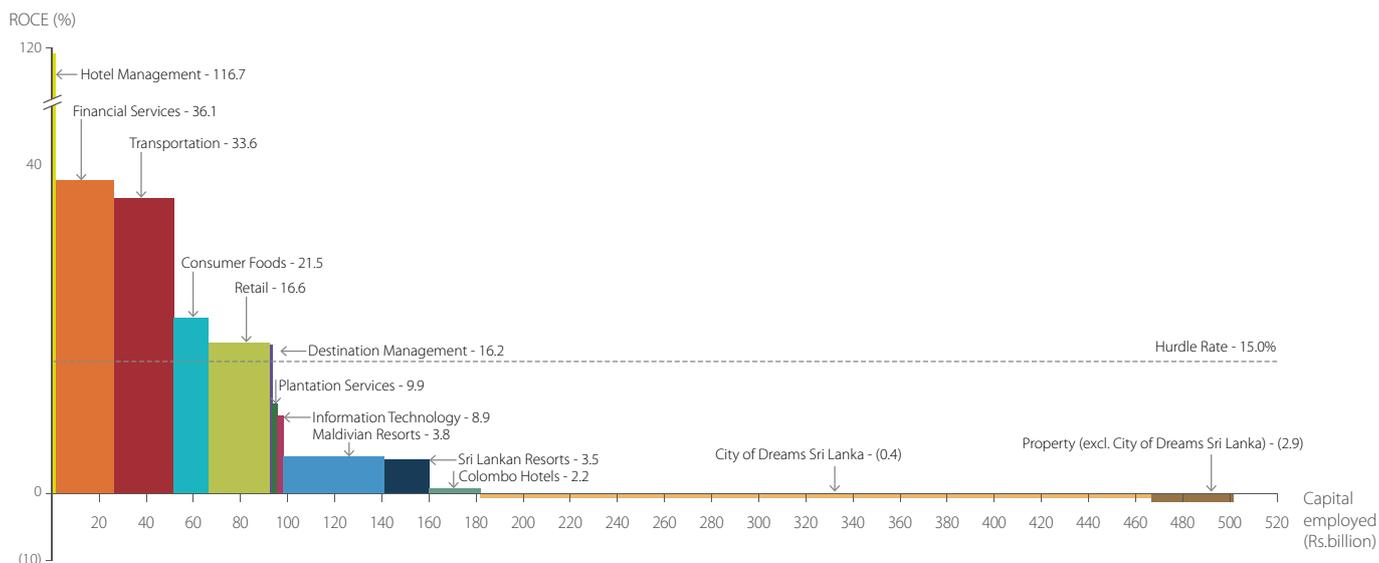
	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	5.5		10.8		0.42		1.21
2022/23	5.5		10.8		0.43		1.20

## Group Return on Equity

	ROE (%)	=	Return on assets (%)	x	Common earnings leverage	x	Equity multiplier
2023/24	3.2		1.6		0.93		2.17
2022/23	5.6		2.6		0.96		2.24

# STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

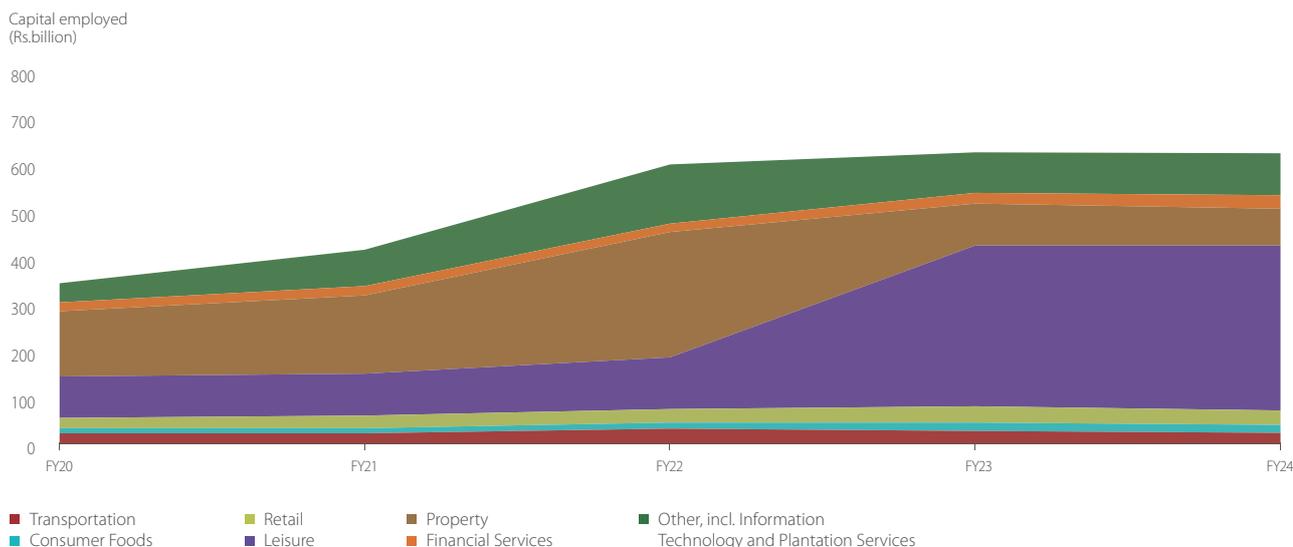
The multiple capital raising transactions in the past few years, commencing from the long-term financing facility obtained from the International Finance Corporation (IFC) in 2020/21, to the private placement of shares to the Asian Development Bank (ADB) and the convertible debenture issuance to HWIC Asia Fund has contributed to a notable increase in the capital base, all of which have negative impacts on ROCE, especially given that, across the years, capital employed has significantly increased as a result of the 'City of Dreams Sri Lanka' project, including the more recent WCT-1 project which is still in the development phase. These strategic choices, however, are catalysts for future growth and risk mitigation; while the Group is cognisant of the short-term effects on performance, priority has always been given to striking a balance between short-term performance and the accretive value creation in the long-term. The Group is of the view that strengthening the capital base has enabled it to navigate the past economic crisis and emerge resilient considering the investments in building its businesses and bringing transformational investments closer to reality. Although, admittedly, these decisions have resulted in negative impacts in the short-term, the Group is of the view that it will provide the impetus for and result in long-term value creation.



Refer Industry Group Review for further details – Page 135

## Portfolio Movements

Portfolio movements over the past five years are illustrated below.



### Key movements:

- Capital employed attributable to the 'City of Dreams Sri Lanka' project has increased across the years, and accounts for a significant proportion of the capital employed base. This is reflected under capital employed of the Leisure industry group.
- In 2022/23, assets pertaining to the hotel, retail and entertainment components of 'City of Dreams Sri Lanka' were transferred to the Leisure industry group from the Property industry group.

## Significant Movements of the Portfolio and Capital Employed

	2020/21	2021/22	2022/23	2023/24
Investments	JKH invested Rs.8.42 billion in Waterfront Properties (Private) Limited (WPL).	JKH invested Rs.13.55 billion in WPL.	JKH invested Rs.80.91 billion in WPL.	JKH invested Rs.19.58 billion in WPL.
	JKH 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%.	JKH 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.	JKH invested Rs.2.72 billion in WCT-1.	JKH invested Rs.5.17 billion in WCT-1.
	JKH invested Rs.215 million in preference shares in Saffron Aviation (Private) Limited.	JKH invested Rs.2.86 billion in Colombo West International Container Terminal (Private) Limited (WCT-1).		KHL further invested Rs.582 million in Indra Hotels and Resorts Kandy (Private) Limited, for the 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'.	JKH invested Rs.74 million in preference shares in Saffron Aviation (Private) Limited.	JKH invested Rs.16 million in Inchcape Mackinnon Mackenzie Shipping (Private) Limited.	JKH made an initial investment of Rs.400 in subscribing to the promoter shares of John Keells CG Auto (Private) Limited.
Divestments		JKH divested 98.88 perches of land in Tickell Road, Colombo 8, for a consideration of Rs.1.14 billion.		
		JKH 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.

## GLOBAL AND LOCAL EQUITY MARKET REVIEW

### Global Equity Market Review

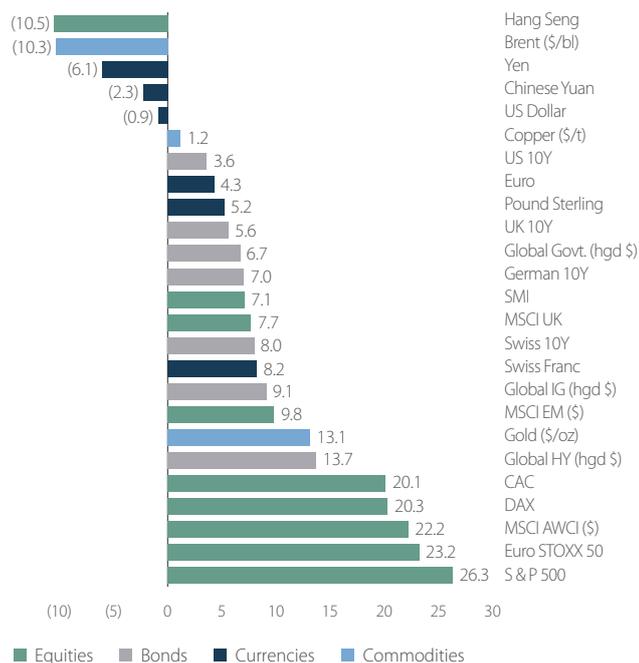
CY2023 marked a strong year for global equity markets, with double-digit returns across major indices worldwide. This surge in market activity was driven by positive investor sentiment which was spurred by easing inflation, resilience in the global economy and indications of dovish monetary policy stances going forward from most major central banks worldwide.

Accordingly, the MSCI World Index increased by 22.8%, marking its best performance in four years. The S&P 500 index increased by 26.3%, nearly reaching its record high of 26.9% in CY2021, whilst the Dow Jones Industrials Average Index also witnessed an increase of 13.7%. The Nasdaq Composite also posted an impressive return of 43.4% in CY2023, marking its strongest performance in two decades. The United Kingdom's FTSE 100 recorded a 3.8% increase in CY2023 while Europe STOXX 600 increased by 12.6%. In Asia, Japan's Nikkei 225 grew by 28.2%, while India's BSE Sensex increased by 18.7%. However, China's stock market was an outlier for CY2023, with the Shanghai Composite Index decreasing by 3.7% on the back of lower-than-expected economic recovery and other local challenges.

As evident from the graph below, equity markets outperformed other asset classes, on average, in CY2023.

### Shifts in Asset Classes

(CY23 YTD performance: %, end-of-week)



Source: Monthly Market Summary: December 2023 - Rothschild & Co.

Total number of shares in issue as at 31 March 2024*	1,489,819,707
Public shareholding as at 31 March 2024	99.24%
Stock symbol	JKH.N0000
<b>News wire codes of the JKH Share</b>	
Bloomberg	JKH.SL
Dow Jones	PJKH
Reuters	JKH.CM
Global Depository Receipts (GDRs)** balance	1,320,942

\*Includes GDRs.

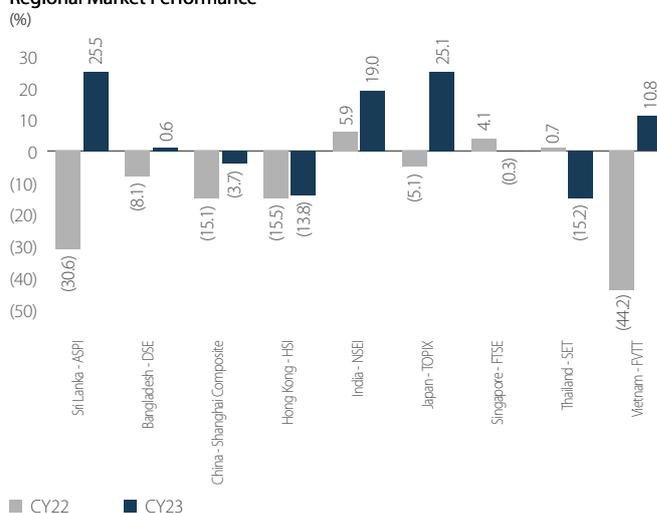
\*\*Terminated in November 2023, cancellations open until 14 June 2024.

### Sri Lanka Equity Market Review

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 CY2023. Accordingly, as at the end of CY2023, the ASPI and S&P SL20 closed at 10,654 and 3,068 points, recording gains of 25.5% and 16.4%, respectively.

The recovery of macroeconomic conditions in Sri Lanka, including easing of inflation and declining interest rates contributed to better market performance. Overall stability also aided inflow of foreign funds and heightened investor sentiment.

### Regional Market Performance



The momentum witnessed in CY2023 continued to the fourth quarter of the financial year (January – March 2024), primarily driven by domestic investor participation. Market dynamics showed a shift in foreign investment patterns in the fourth quarter of 2023/24, with total net foreign outflows recorded at Rs.7.92 billion during the quarter – a considerable portion of this outflow was attributable to one ticker. This resulted in the market recording Rs.4.21 billion of net foreign outflows during 2023/24.

In 2023/24, the overall market capitalisation recorded an increase to Rs.4,535 billion from Rs.3,904 billion recorded in the previous year. The ASPI closed at 11,444 points up from 9,301 points as at 31 March 2023. The average daily turnover declined to Rs.1.58 billion in 2023/24 from Rs.2.13 billion in 2022/23. Although the market price to earnings ratio

(PER) increased to 9.9 times in 2023/24 [2022/23: 5.0 times], the valuation levels are still very attractive. The CSE also facilitated capital raising through initial public offerings (IPOs) with Rs.14.82 billion raised through three IPOs by the end of 31 March 2024.

The performance of the equity market is envisaged to mirror the overall recovery momentum of the economy going forward. The Group remains confident in Sri Lanka's growth prospects in the medium to long-term, given the significant steps that have been taken to achieve economic stability. This growth of the overall economy, together with factors such as attractive forward valuation metrics of the market, the lowering of interest rates and providing tax free returns on equity, along with recent traction in equity markets, should help propel the indices further.

 Refer the Outlook and Risk section for a detailed discussion – Page 107

### Key Regulatory Highlights for the Year

- Regulated short selling (RSS) and stock borrowing and lending (SBL) was introduced by the CSE with the aim of enhancing trading opportunities, promoting market efficiency, liquidity and investor confidence, while aligning with international standards and practices. This initiative came into effect on 6 November 2023. Thereafter, in March 2024, the CSE facilitated the participation of non-resident investors in SBL and RSS transactions, which is carried out in terms of the rules enforced by a clearing house licensed under the Securities and Exchange Commission (SEC) Act No. 19 of 2021.
- Regulations to facilitate the issuing, listing and trading of infrastructure bonds, Shariah compliant debt securities, shares of state-owned enterprises, Green bonds and perpetual debt securities.
- Amendment, restructure and re-titling of Stockbroker Rules as trading participant rules and implementation of dispute resolution rules.
- Amendments to the Listing Rules of the CSE covering the areas of governance, continuous listing requirements and enforcements. The rules, which are applicable for listed entities, were amended after a period of 16 years. Key changes include:
  - specification of the minimum number of directors and independent directors;
  - appointment of a 'Senior Independent Director' in certain instances;
  - establishment of a Nomination and Governance Committee;
  - alteration to the composition and functions of various committees such as Audit and Remuneration;
  - introduction of a fit and proper criteria for board members and chief executive officers (CEOs);
  - revision of the criteria for independence, and;
  - added disclosure requirements on governance matters, among others.

## Indices

31 March	Value		%
	2024	2023	
<b>MSCI</b>			
All Country World Index	783.58	635.30	23
All Country World Index excluding USA	368.90	298.68	24
World (23 Developed markets)	2,366.97	2,791.44	(15)
USA	5,008.17	3,904.80	28
Europe	2,113.34	1,902.85	11
Europe, Australasia and Far East	2,349.41	2,092.60	12
Emerging Markets	1,043.20	990.28	5
Frontier Markets	530.82	483.76	10
<b>Peer</b>			
SENSEX	73,651.35	58,991.52	25
JKSE	7,288.81	6,805.28	7
STI	3,224.01	3,258.90	(1)
KLSE	1,536.07	1,429.48	7
<b>Local</b>			
ASPI	11,444.38	9,301.09	23
S&P SL20	3,317.62	2,682.83	24

### JKH Share Performance vs. ASPI

The JKH share increased by 38.6% to Rs.194.00 as at 31 March 2024 from Rs.140.00 on 31 March 2023.

### JKH Share Performance vs. ASPI (indexed)



As illustrated in the graph above, 63,118,576 shares amounting to 4.2% of the issued share capital of the Company was recorded as traded on 7 February 2024. It is noted that this was a result of a book transfer and does not represent a change in ultimate beneficial ownership.

# SHARE INFORMATION

## Market Information of the Ordinary Shares of the Company

	Q4	Q3	Q2	Q1	2023/24	2022/23
<b>Share Information</b>						
High (Rs.)	194.75	198.00	200.00	150.75	200.00	170.00
Low (Rs.)	178.00	186.00	150.00	134.75	134.75	116.25
Close (Rs.)	194.00	191.00	192.75	150.00	194.00	140.00
Dividends paid per share (Rs.)	0.50	0.50	-	0.50	1.50	2.00
<b>Trading Statistics</b>						
Number of transactions	6,390	8,339	17,802	5,815	38,346	36,181
Number of shares traded ('000)	90,119	43,835	84,331	47,350	265,636	184,582
Value of all shares traded (Rs.million)	16,550	8,430	14,935	6,665	46,580	24,805
Average daily turnover (Rs.million)	285	134	249	57	725	105
Percentage of total market turnover (%)	20.0	12.8	8.9	11.4	12.4	5.0
Market capitalisation (Rs.million)	290,771	265,117	267,322	207,737	290,771	193,888
Percentage of total market capitalisation (%)	6.4	6.2	5.9	5.3	6.4	5.0

### JKH High/Low Share prices per Month

JKH High/Low Share Prices per Month (Rs.)



### JKH Beta

The beta of the JKH share as of 31 March 2024 stood at 0.32. The beta is calculated based on the daily JKH share movements against movements of the ASPI for the five-year period commencing 1 April 2019 to 28 March 2024. The compounded annual growth rate (CAGR) of the JKH share over the five-year period stood at a 4.6%, compared to that of the market which stood at 15.5% for the same period.

### Issued Share Capital

The number of shares in issue by the Company increased from 1,384,916,632 shares as at 31 March 2023 to 1,489,819,707 shares as at 31 March 2024. This increase was primarily due to the partial conversion of the debentures of HWIC Asia Fund to ordinary shares. The Global Depository Receipts balance in ordinary share equivalent remained at 1,320,942 shares as at 31 March 2024 – as morefully outlined alongside, the Company terminated the GDRs in November 2023 and the process of cancellation is ongoing.

**“In February 2024, HWIC exercised its option to convert 110,000,000 Debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares which increased the Company's stated capital by 23.8% from Rs.73.19 billion to Rs.90.60 billion.”**

### Partial Conversion of the Convertible Debentures issued to HWIC Asia Fund

As detailed in the JKH Annual Report 2022/23, in August 2022, the Company issued 208,125,000 LKR denominated debentures (Debentures), with a face value of Rs.27.06 billion, to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited. The Debentures were issued at Rs.130 per Debenture and with the option for conversion to ordinary shares in JKH at a ratio of 1:1, based on the approval granted by the shareholders at the time.

In February 2024, HWIC exercised its option to convert 110,000,000 Debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares which increased the Company's stated capital by 23.8% from Rs.73.19 billion to Rs.90.60 billion. This conversion represented a dilution of 7.34% in the Company's share structure, based on the new number 1,498,819,707 outstanding ordinary shares.

Post this conversion, HWIC has a shareholding of 19.4% in the Company. The remaining 98,125,000 Debentures, with a face value of Rs.12.76 billion are eligible for conversion till 12 August 2025. If converted, the total number of JKH shares in issue would increase to 1,596,944,707 shares, which would result in a further dilution of 6.14%.



Refer Financial and Manufactured Capital Review section for a detailed discussion – Page 51

### Termination of the Global Depository Receipts Programmes

In November 2023, the Board of Directors resolved to terminate the Regulation S and Rule 144A Global Depository Receipts Programmes (collectively, the 'GDR Programme'), owing to the relatively low number of Global Depository Receipts (GDRs) in issue. Given that they are not a significant contributor to facilitating trading in Company securities, the termination would not have an impact on the Company (including its outstanding share capital) with GDR holders having the option to convert to ordinary shares in the Company or monetise the investment as outlined below.

GDR holders will be able to cancel their GDRs up to six months after their termination date (until 14 June 2024), with dividends and sale proceeds from corporate actions being distributed to those who surrender their GDRs before this date. Surrendered GDRs will be converted to corresponding shares, necessitating a custodian or brokerage account in Sri Lanka. If the GDR holder fails to deliver the shares to the designated account in Sri Lanka within three days of 14 June 2024, the GDR holder will be entitled to receive cash proceeds. After six months from the termination date, unsurrendered GDRs may be sold, with proceeds held for the benefit of holders. Upon sale, the depository's obligations cease, except for accounting for net proceeds, fees, charges, expenses, and taxes in accordance with the deposit agreement. The termination of the GDR Programme does not impact the JKH shares in issue.

### Dividend

The Company paid two interim dividends for 2023/24, amounting to Rs.0.50 per share, each, in December 2023 and March 2024.

While the macroeconomic environment has stabilised and the outlook for the economy looks positive, the Group is conscious of its capital commitments in the ensuing year which could result in some impacts on operating cash flows considering the final stages of the pipeline of strategic investments such as the 'City of Dreams Sri Lanka' integrated resort and the WCT-1 project. Accordingly, the final dividend for 2023/24 was maintained at Rs.0.50 per share. The final dividend is to be paid on or before 25 June 2024. The total dividend declared for 2023/24 is Rs.1.50 per share (2022/23: Rs.2.00 per share).

The Company dividend payout ratio for 2023/24 is 28% with a total dividend outlay of Rs.2.08 billion [2022/23: Rs.2.77 billion]. The Group payout ratio was at 18% during the year [2022/23:15%].

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.

**“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**  
(Rs.billion)



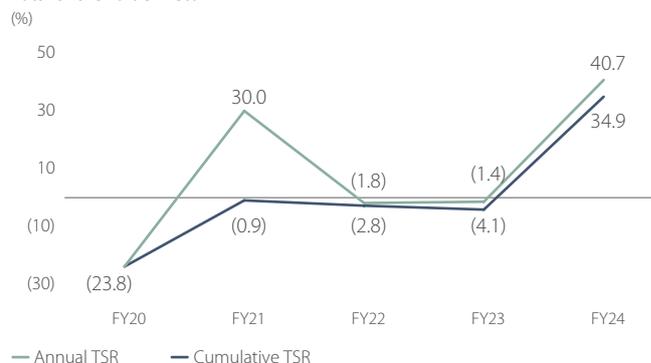
### Earnings Per Share

The fully diluted earnings per share (EPS) for the financial year decreased by 38.7% to Rs.8.04 per share [2022/23: Rs.13.12] due to the reduction in total profit attributable to equity holders as well as the increase in the diluted weighted average number of shares stemming from the partial conversion of convertible debentures issues to HWIC. On a recurring earnings basis, the diluted EPS reduced to Rs.7.30 per share in the current financial year from Rs.14.46 per share recorded in the previous financial year, thus representing a 49.6% decrease.

### Total Shareholder Return

The total shareholder return (TSR) of the JKH share stood at 40.7% for the period under review, while the total return index of the S&P SL20 recorded a return of 27.1%. On a cumulative basis, over a five-year holding period, the share inclusive of dividends, posted an annualised total return of 34.9%.

**Total Shareholder Return**



# SHARE INFORMATION

## Market Capitalisation and Enterprise Value

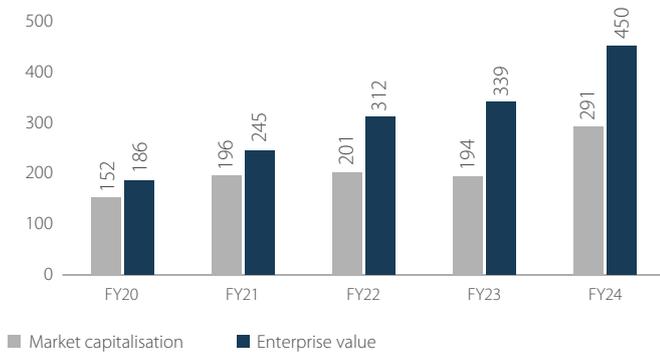
The market capitalisation of the Company increased by 50% to Rs.290.77 billion as at 31 March 2024 [2022/23: Rs.193.89 billion] driven by a rise in the Company share price. As at the financial year end, JKH represented 6.4% of the total market capitalisation of the CSE [2022/23: 5.0%].

The enterprise value of the Group increased by 32.7% to Rs.450.01 billion as at 31 March 2024 [2022/23: Rs.339.23 billion].

As at 31 March 2024, JKH had a float-adjusted market capitalisation of Rs.194.00 billion and 14,087 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 SEC Act No.36 of 1987, circulated on 16 November 2016.

### Market Capitalisation and Enterprise Value

(Rs.billion)



## Summary Indicators

		2023/24	2022/23	2021/22
Market capitalisation	(Rs.billion)	290.8	193.9	201.0
Enterprise value	(Rs.billion)	450.0	339.2	312.0
EV/EBITDA	(times)	10.0	7.6	10.7
Diluted EPS	(Rs.)	8.0	13.1	15.1
Diluted PER	(times)	24.1	10.7	9.6
Price to book	(times)	0.8	0.6	0.6
Price/cash earnings	(times)	13.2	7.3	4.7
Dividend yield	(%)	0.8	1.4	1.0
Group dividend payout ratio	(%)	18.5	15.2	10.0
Net assets per share	(Rs.)	238.8	246.2	224.8
TSR	(%)	40.7	(1.4)	(1.8)

## Price Earnings Ratio

	2023/24	2022/23
JKH	24.1	10.7
CSE	9.9	5.0
SENSEX	25.2	22.2
KLSE	21.1	16.4
JCI	26.8	11.8
STI	17.8	12.6

## Composition of Shareholders

	31 March 2024			31 March 2023		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
<b>Non-Resident</b>						
Institutions	68	628,555,219	42	73	515,773,768	37
Individuals	235	8,224,782	1	250	10,240,144	1
<b>Total Non-Resident</b>	<b>303</b>	<b>636,780,001</b>	<b>42</b>	<b>323</b>	<b>526,013,912</b>	<b>38</b>
<b>Resident</b>						
Institutions	660	484,215,442	32	720	477,354,563	34
Individuals*	13,128	377,824,264	25	14,061	381,548,157	28
<b>Total Resident</b>	<b>13,788</b>	<b>862,039,706</b>	<b>58</b>	<b>14,781</b>	<b>858,902,720</b>	<b>62</b>
<b>Total</b>	<b>14,091</b>	<b>1,498,819,707</b>	<b>100</b>	<b>15,104</b>	<b>1,384,916,632</b>	<b>100</b>

\*includes directors, spouses and connected parties.

## Distribution of Shareholders

	31 March 2024				31 March 2023			
	Number of shareholders	%	Number of shares held	%	Number of shareholders	%	Number of shares held	%
Less than or equal to 1,000	9,525	68	1,863,908	0	10,028	66	2,139,812	0
1,001 to 10,000	3,008	21	10,995,300	1	3,406	23	12,421,138	1
10,001 to 100,000	1,195	8	36,555,791	2	1,297	9	40,535,936	3
100,001 to 1,000,000	266	2	79,979,916	5	267	2	79,734,447	6
Over 1,000,001	97	1	1,369,424,792	91	106	1	1,250,085,299	90
<b>Total</b>	<b>14,091</b>	<b>100</b>	<b>1,498,819,707</b>	<b>100</b>	<b>15,104</b>	<b>100</b>	<b>1,384,916,632</b>	<b>100</b>

 Refer Corporate Governance Commentary section for further details on Options Available to Executive Directors under the Employee Share Option Scheme, Director's Shareholding and Executive Director's Shareholding in Group Companies – Pages 223

## Top Twenty Shareholders of the Company

	31 March 2024		31 March 2023	
	Number of shares	%	Number of shares	%
HWIC Asia Fund	291,105,699	19.42	119,200,760	8.61
Melstacorp PLC	128,917,111	8.60	128,917,111	9.31
Mr S E Captain	122,615,194	8.18	134,044,705	9.68
Paints & General Industries Limited	87,021,832	5.81	100,717,931	7.27
CIC Holdings PLC	85,365,926	5.70	35,338,032	2.55
Asian Development Bank	65,042,006	4.34	65,042,006	4.70
Schroder International Selection Fund	44,418,290	2.96	44,418,290	3.21
Aberdeen Standard Asia Focus PLC	35,038,572	2.34	33,398,572	2.41
Norges Bank Account 2	33,087,774	2.21	31,901,605	2.30
Polypak Secco Limited	31,587,170	2.11	14,937,924	1.08
Mr Kandiah Balendra	19,511,476	1.30	19,511,476	1.41
Mrs C S De Fonseka	17,606,991	1.17	17,606,991	1.27
Emrevival Master Fund LP	15,983,048	1.07	-	-
Mrs S A J De Fonseka	15,254,730	1.02	15,204,230	1.10
Hostplus Pooled Superannuation Trust	15,152,416	1.01	10,393,158	0.75
Chemanex PLC	15,064,515	1.01	13,105,475	0.95
Edgbaston Asian Equity Trust	14,209,110	0.95	17,520,023	1.27
Employees Trust Fund Board	12,989,299	0.87	18,499,897	1.34
Sunsuper Superannuation Fund	12,964,947	0.87	11,587,196	0.84
Mr K N J Balendra	10,907,628	0.73	10,907,628	0.79

Note: The Company is unable to disclose the ultimate beneficial owners (UBOs) as collating information on UBOs of entities is not possible, given that the country's regulations do not require this to be disclosed when purchasing shares on the CSE.

# 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	1189.4
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
2024	1,498.82

## 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
2024	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.

\*\* Terminated in November 2023, cancellations open until 14 June 2024.

## 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
2024	1.50	2,080,473

\*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	2011-06-30	N/A
2013	Rights @ Rs.175*	2:13	132	2013-10-03	23.1
2016	Subdivision	7:8	143	2015-06-30	N/A
2017	Subdivision	7:8	170	2016-06-30	N/A
2019	Repurchase @ Rs.160	1:20	69	2019-01-11	(11.1)
2022	Private Placement	N/A	65	2022-01-21	10
2024	Convertible Debenture Conversion	1:1	110	2024-02-29	N/A

\* Unadjusted prices.

Employee Share Option Plan as at 31 March 2024

Date of grant	Employee category	Shares granted	Expiry date	Option grant price (Rs.)	Shares adjusted <sup>2</sup>	Exercised	Cancelled <sup>2</sup>		Expired	Outstanding			
							Due to resignations	Due to performance		Total	Vested	Unvested	End/ current price <sup>2</sup> (Rs.)
PLAN 9 <b>Award 3</b>		10,381,395	21.06.2023	154.10	10,381,395	27,798	1,607,680	211,417	8,534,500	-	-	-	154.10
	GEC <sup>1</sup>	2,615,000			3,110,000		-	-	3,110,000				
	Other Executives	7,766,395			7,271,395	27,798	1,607,680	211,417	5,424,500				
PLAN 10 <b>Award 1<sup>3</sup></b>		6,568,000	30.06.2024	136.97	6,568,000	2,718,400	499,000	135,500		3,215,100	3,215,100	-	136.97
	GEC <sup>1</sup>	2,460,000			2,825,000	1,105,000	-	-		1,720,000	1,720,000	-	
	Other Executives	4,108,000			3,743,000	1,613,400	499,000	135,500		1,495,100	1,495,100	-	
PLAN 10 <b>Award 2<sup>4</sup></b>		6,557,100	30.06.2025	132.86	6,557,100	822,900	435,200	7,500		5,291,500	3,945,550	1,345,950	132.86
	GEC <sup>1</sup>	2,230,000			2,710,000	97,500	-	-		2,612,500	2,022,500	590,000	
	Other Executives	4,327,100			3,847,100	725,400	435,200	7,500		2,679,000	1,923,050	755,950	
PLAN 10 <b>Award 3<sup>5</sup></b>		6,585,800	30.06.2026	136.64	6,585,800	257,675	439,800	12,925		5,875,400	3,066,450	2,808,950	136.64
	GEC <sup>1</sup>	2,205,000			2,545,000	-	-	-		2,545,000	1,272,500	1,272,500	
	Other Executives	4,380,800			4,040,800	257,675	439,800	12,925		3,330,400	1,793,950	1,536,450	
PLAN 11 <b>Award 1<sup>6</sup></b>		6,906,600	30.06.2027	121.91	6,906,600	253,375	368,000	8,750		6,276,475	1,538,700	4,737,775	121.91
	GEC <sup>1</sup>	2,115,000			2,622,000	-	-	-		2,622,000	655,500	1,966,500	
	Other Executives	4,791,600			4,284,600	253,375	368,000	8,750		3,654,475	883,200	2,771,275	
PLAN 11 <b>Award 2<sup>7</sup></b>		1,369,700	25.01.2028	137.86	1,369,700	18,900	39,200	-		1,311,600	318,525	993,075	137.86
	Other Executives	1,369,700			1,369,700	18,900	39,200	-		1,311,600	318,525	993,075	
PLAN 11 <b>Award 2.1<sup>8</sup></b>		5,535,665	30.06.2028	145.59	5,535,665	-	108,100	0		5,427,565	-	5,427,565	145.59
	GEC <sup>1</sup>	2,183,200			2,183,200	-	-	0		2,183,200	-	2,183,200	
	Other Executives	3,352,465			3,352,465	-	108,100	0		3,244,365	-	3,244,365	
<b>Total</b>		<b>43,904,260</b>			<b>43,904,260</b>	<b>4,099,048</b>	<b>3,496,980</b>	<b>376,092</b>	<b>8,534,500</b>	<b>27,397,640</b>	<b>12,084,325</b>	<b>15,313,315</b>	

- 1 GEC comprises of the Executive Directors and Presidents
- 2 Adjusted for Bonus Issues/Right Issues/Sub-divisions
- 3 Plan 10 (Award 1) - 100% of the options had vested as at 31 March 2024
- 4 Plan 10 (Award 2) - 75% of the options had vested as at 31 March 2024
- 5 Plan 10 (Award 3) - 50% of the options had vested as at 31 March 2024
- 6 Plan 11 (Award 1) - 25% of the options had vested as at 31 March 2024
- 7 Plan 11 (Award 2) - 25% of the options had vested as at 31 March 2024
- 8 Plan 11 (Award 2.1) - None of the options had vested as at 31 March 2024 with the exception of retirees

# SHARE INFORMATION

## 2023/24 Financial Calendar

	Date
Three months ended 30 June 2023	25 July 2023
Six months ended 30 September 2023	7 November 2023
First interim dividend paid on	6 December 2023
Nine months ended 31 December 2023	31 January 2024
Second interim dividend paid on	4 March 2024
Annual Report 2023/24	21 May 2024
Final dividend proposed to be paid on	25 June 2024
45 <sup>th</sup> Annual General Meeting	28 June 2024

## 2024/25 Financial Calendar

	Date
Three months ended 30 June 2024	On or before 30 July 2024
Six months ended 30 September 2024	On or before 5 November 2024
Nine months ended 31 December 2024	On or before 31 January 2025
Annual Report 2024/25	On or before 30 May 2025
46 <sup>th</sup> Annual General Meeting	On or before 30 June 2025

*A milestone in Life*

**MANAGEMENT DISCUSSION  
AND ANALYSIS**

**INDUSTRY GROUP REVIEW**

135 Transportation • 145 Consumer Foods • 156 Retail • 166 Leisure • 182 Property  
189 Financial Services • 197 Other, including Information Technology and Plantation Services

## The Industry Group Review of the Management Discussion and Analysis (MD&A) section consists of the following sections.

### + 3-year KPIs

Presents the Key Performance Indicators of the industry group over the past three years, under each form of Capital, as applicable, to illustrate the progression or deterioration of their value.

### + External Environment and Operational Review

Explores the key external environmental variables specific to the industry group, delving into their direct influence on the industry group's operational dynamics during the year.

### + Financial Performance Review

Entails a comprehensive discussion on the financial performances of the industry group, with particular emphasis on the performance and capital structure.

### + Outlook and Risks

Highlights the key risks, opportunities and trends applicable for the industry. Also, entails a discussion on the industry group's strategy for navigating through the challenges arising from operating environment, as well as the future trajectory of the industry group.

# TRANSPORTATION

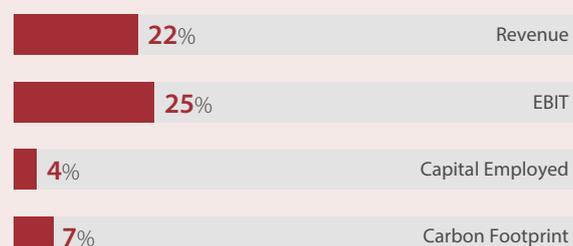
## Ports and Shipping

- Operation of a container terminal at 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 at 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



	2023/24	2022/23	2021/22
--	---------	---------	---------

Operational Highlights				
SAGT volumes	TEUs '000s	1,818	1,704	1,831
Domestic:Transshipment volume mix		10:90	13:87	14:86
Port of Colombo volumes	TEUs '000s	7,339	6,632	7,351
LMS volume growth	%	2	8	7
Warehouse space under management	(sq.ft. '000)	370	317	337

Financial and Manufactured Capital				
Revenue <sup>1</sup>	Rs.million	68,916	94,281	43,816
EBITDA	Rs.million	8,773	10,631	843
PBT	Rs.million	7,604	9,570	1,015
PAT	Rs.million	7,470	9,010	733
Total assets	Rs.million	31,280	30,790	38,621
Total equity	Rs.million	16,260	17,891	18,962
Total debt <sup>2</sup>	Rs.million	6,808	8,610	12,680
Capital employed <sup>3</sup>	Rs.million	23,413	27,074	31,751

Natural Capital				
Energy consumption	kWh	652,529	546,142	1,074,269
Energy consumption per operational intensity factor	kWh per Rs.million	12.66	7.33	33.00
Carbon footprint	MT	7,761.40	4,846.00	4,450.79
Carbon footprint per operational intensity factor	MT per Rs.million	0.15	0.07	0.14
Water withdrawal	m <sup>3</sup>	22,602.36	15,093.96	12,318.59
Water withdrawal per operational intensity factor	m <sup>3</sup> per Rs.million	0.44	0.20	0.38
Volume of hazardous waste generated	kg	83,250.00	56,033.25	58,330.00
Volume of non hazardous waste generated	kg	103,507.60	50,607.00	128,685.95
Waste generated per operational intensity factor	kg per Rs.million	3.62	1.43	5.75

Human Capital				
Total Workforce (employees and contractors' staff)	No.	630	535	574
EBIT per employee	Rs.million	15	22	1
Average training per employee	hours	20.95	49.30	13.07
Total Attrition	%	42.3	54.1	68.6
Females employee	%	20.2	19.3	15.9
Total injuries	No.	1	3	0

Social and Relationship Capital				
Community Services and Infrastructure Projects <sup>4</sup>	Rs.'000	11,075	12,051	5,317

1. Revenue is inclusive of the Group's share of equity accounted investees.
2. Excludes lease liabilities.
3. For equity accounted investees, capital employed is representative of the Group's equity investment in these companies. This is inclusive of lease liabilities.
4. Only the contribution to John Keells Foundation.

# INDUSTRY GROUP REVIEW

## TRANSPORTATION

### External Environment and Operational Review

#### Macroeconomic Update

- Global trade of goods and services witnessed a contraction of 5% in CY2023 compared to a growth of 12% in CY2022. This was primarily due to decreased demand in developed nations, the underperformance of the East Asian economies and a decrease in commodity prices, which collectively contributed to a notable contraction in the trade of goods (United Nations Conference on Trade and Development (UNCTAD)).
- Merchandise trade stood at USD 24 trillion, a 5% decrease against the previous year with merchandise trade volumes of both exports and imports contracting as per UNCTAD.
- From the end of CY2023, global maritime trade flows were marked by major disruptions as ships entering the Gulf of Aden and sailing through the Red Sea and the Suez Canal faced attacks by Yemen-based Houthis. The security threats in the Red Sea have caused a significant redirection of ship arrivals and transits through the Cape of Good Hope.

 For a detailed discussion, refer the Outlook section of the report on page 107.

#### Key Policy and Regulatory Highlights

- The value added tax (VAT) rate was increased from 15% to 18%, with effect from 1 January 2024.
- In 2023/24, the Sri Lankan Government appointed a policy committee to draw up a framework beyond protectionism to boost the shipping and logistics services and attract new investments. The committee is currently developing a logistics service development programme for Sri Lanka in line with international best practice.

#### Macroeconomic Update - Ports and Shipping

- The Port of Colombo (POC) handled 7.3 million twenty-foot equivalent units (TEUs) in 2023/24, an 11% increase in TEUs handled against the previous year [2022/23: decrease of 10%]. All terminals of the POC recorded an increase in container handling volumes.
  - Domestic TEU volumes increased by 11% during 2023/24 [2022/23: degrowth of 22%] and Transshipment volumes increased by 10% in 2023/24 [2022/23: degrowth of 7%].
  - Domestic: transshipment mix stood at 14:86 for 2023/24 [2022/23: 14:86].
  - Overall POC capacity utilisation was ~86% for 2023/24 [2022/23: ~78%].
- Capacity enhancements at the POC:
  - Construction work of the West Container Terminal (WCT-1) at the Colombo Port continued during CY2023 and the first phase of the project is set to be completed by the fourth quarter of 2024/25.

- The construction of the second phase of East Container Terminal (ECT) continued during CY2023. Extending across 75 hectares and a quay length of 1,320 meters and featuring 12 gantry cranes and 40-yard cranes, second phase is expected to be completed by end CY 2025.



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.

### Ports and Shipping

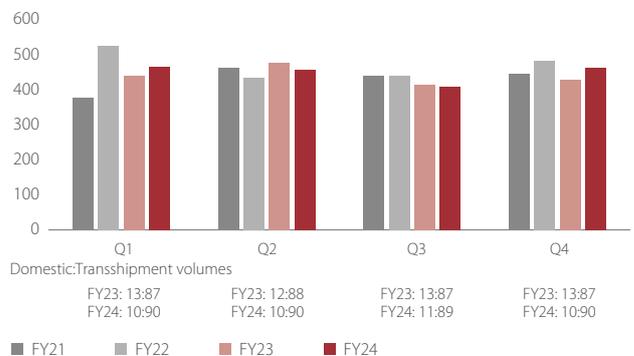
#### South Asia Gateway Terminal

During the year under review, the Group's Ports and Shipping business, SAGT, recorded a 7% increase in TEUs to 1.82 million TEUs [2022/23: 1.70 million TEUs], in line with the volume increase of 11% recorded at the POC. The volume increase was mainly driven by transshipment volumes. Volume growth at the POC and SAGT was very strong during the fourth quarter of the year given the higher vessel movement through the POC on account of the Red Sea crisis.



#### INSIGHTS

##### SAGT Volumes ('000 TEUs)



- Volumes in the first quarter recorded a 1% increase in comparison to the same quarter of the previous year, driven by an increase in transshipment volumes. Domestic volumes recorded a decline due to the import restrictions which were in place.
- During the second quarter, SAGT witnessed a 10% improvement in overall volumes surpassing the volume growth at the POC of 8%, driven by a growth in transshipment volumes.
- Volumes noted a 3% increase in the third quarter primarily due to a growth in transshipment volumes by 5%.
- As a result of the geopolitical conflict in the Red Sea, SAGT recorded a 13% increase in volumes in the fourth quarter. The increase in volumes was driven by transshipment volumes.

Whilst SAGT recorded a strong volume growth for the year, profitability was impacted due to a change in the volume mix as a result of a decline in domestic import volumes, while ancillary revenues declined from the peak levels witnessed last year. Further, performance was also affected by the translation impact stemming from the appreciation of the Sri Lankan Rupee by ~11% on average, both in terms of revenue and costs.

It should be noted that SAGT recognised a one-off deferred tax credit amounting to Rs.1.20 billion in 2023/24 whilst 2022/23 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.

During the year under review, SAGT updated its terminal operating system to improve functionality resulting in greater optimisation of gate and yard operations. SAGT also introduced a digital safety management system which provides one centralised location to record and report all safety-related tasks within the organisation such as incident reporting and risk assessments.

SAGT is in the process of gate automation which will enable greater efficiency and improve truck turnaround times. In addition, it will eliminate the risk to staff who presently carry out physical inspections of containers. Additionally, SAGT plans to install optical character recognition (OCR) scanners at the quayside and gates. OCR technology will allow containers to be scanned when entering or leaving the terminal as well as identify and record the exterior condition of containers and the seal's presence and condition.



### AWARDS

- 'Best Practices in Sustainability' award for the second consecutive year at the Maritime SheEO Conference 2023.
- 'Best Corporate Citizen' and Certificate of Merit in the Project Awards Category at the Sustainability Awards 2023 of the Ceylon Chamber of Commerce.



SAGT is in the process of gate automation which will enable greater efficiency and improve truck turnaround times

### Colombo West International Terminal

The construction work on the WCT-1 at the POC is progressing well, with all work relating to the first phase of the project (800 metres of quay length) being awarded. The first batch of quay and yard cranes is expected to arrive in August 2024, following which the commissioning and automation is expected to be completed by the third quarter of 2024/25. The first phase of the terminal is slated to be operational in the fourth quarter of 2024/25. 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. The quay length of 800 metres 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 in mid-2026.

### Structure

- Build, operate and transfer (BOT)
- Lease period – 35 years

### Completion timelines

- Phase 1 (800m) – Q4 2024/25
- Phase 2 (600m) – mid-2026

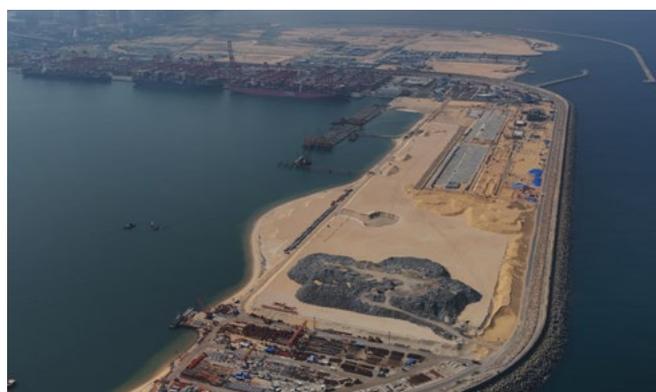


### Features

- Deep-water terminal with a quay length of 1,400 meters, an alongside depth of 20 meters
- Handling capacity of ~3.2 million TEUs

### Shareholding

- Adani Ports & Special Economic Zone - 51%
- John Keells Holdings - 34%
- Sri Lanka Ports Authority - 15%



Progression of the construction work at the West Container Terminal (WCT-1).

### Inchcape Mackinnon Mackenzie Shipping

IMMS experienced a challenging year of operations as the overall port agency industry in Sri Lanka witnessed a contraction. This was due to macroeconomic challenges, such as foreign exchange constraints faced during the first half of the year, which negatively impacted the 'Cash to Master' business which was temporarily suspended and has since recommenced as constraints eased during the second half of the year. Additionally, safety concerns and travel advisories resulted in reduced vessels calling for services. However, a slight improvement in volumes was witnessed during the fourth quarter of the year as a result of the Red Sea conflict.

Despite the macroeconomic challenges the business successfully remained amongst the top ten shipping agencies in the industry.

### Maersk Lanka

Maersk continued to secure its position as one of the largest shipping lines calling the POC. However, in line with the trends in the industry, Maersk witnessed a decline in both export and import volumes during the year under review. Export volumes decreased primarily due to the reduction in apparel exports from Sri Lanka as the global demand for apparel contracted. Import volumes were affected during the first half of the year due to the import restrictions.

# INDUSTRY GROUP REVIEW

## TRANSPORTATION



### AWARDS

- Second Place – 'Main Liner award for liner operations in Sri Lanka' at the Sri Lanka Ports Authority (SLPA) awards.

### Macroeconomic Update - Bunkering

- The prices of Brent oil were highly volatile during the financial year, with prices peaking to a high as USD 95 per barrel and a low as USD 72 per barrel.
- Due to geopolitical tensions in the Red Sea, many vessels opted to sail via the Cape of Good Hope, due to which a significant increase in bunker volumes was witnessed in the fourth quarter of the financial year.

### Bunkering

The Bunkering business of the Group, Lanka Marine Services (LMS) recorded an encouraging performance during the year driven by an increase in volumes. It should be noted that in the previous year, LMS recorded a substantial increase in profitability in its core ship bunkering operations driven by higher margins on account of the significant increase in global fuel oil prices.

Whilst LMS recorded a volume growth of 2% in comparison to the previous financial year [2022/23: 8% growth], the first three quarters of the previous financial year included local fuel sales as licensed bunkering businesses were permitted to import and supply fuels to local industries. The temporary approval granted by the Government of Sri Lanka to licensed bunkering businesses, including LMS for importing and supplying fuels to local industries was ceased in June 2023. This cessation was due to the normalisation of domestic fuel supply in the country.



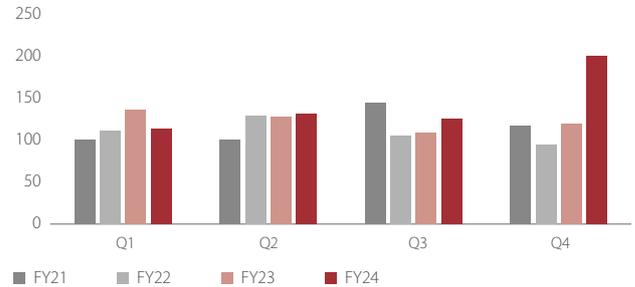
LMS continued to retain its market leadership position both in the West Coast and the Sri Lankan market.

**“Lanka Marine Services recorded an encouraging performance during the year driven by an increase in volumes. Excluding the local fuel sales, LMS recorded a volume growth of 10% for the year under review.”**



### INSIGHTS

#### LMS Volumes (Index: FY21 Q1 = 100)



- During the first two quarters of the year under review, LMS experienced a reduction in volume, with total volumes excluding local fuel sales declining by 19% and 11%, respectively. This was primarily due to increased competition from Indian ports which impacted LMS as well.
- During the third and fourth quarters of the year, the price difference with Indian ports narrowed, positively, impacting the volumes of the business. Further, the volumes excluding local fuel sales in the third quarter improved by 10% and the fourth quarter volumes increased significantly by 61% due to the Red Sea crisis.

Excluding the local fuel sales, LMS recorded a volume growth of 10% for the year under review. The volume growth was driven by the significantly higher volumes of 52% recorded in the fourth quarter, given the increase in vessels calling the territorial waters of Sri Lanka to procure bunker fuel due to the Red Sea crisis.

The volatility of base oil prices during the first half of the year adversely impacted margins of the business. It should be noted that during the first half of 2022/23, due to the significant increase in global fuel oil prices, the business recorded significantly higher margins.

Amidst competition from other suppliers in the bunkering market, LMS undertook measures to determine the optimal cargo parcel sizes for import purposes in order to mitigate exposure on stock costs and ullage issues. LMS continued to retain its market leadership position both in the West Coast and the Sri Lankan market.

During the year the business recommenced supplying high sulphur fuel oil (HSFO) to customers. Given, the fact that there is a sizable vessel population fitted with scrubbers, the business envisages an increase in demand for this product. Further, LMS onboarded a new lubricant principal during the year and carried out several initiatives to promote marine lubricant supplies collaboratively with their principals within the ports of Sri Lanka.

## Logistics

The logistics arm of the Group, John Keells Logistics (JKLL) continued to consolidate its warehouse spaces leading to existing warehouses operating at 79% capacity by the end of the financial year. Despite the challenging market conditions, the business successfully onboarded multiple new customers during the year, to optimise warehouse utilisation. In addition, JKLL explored new ventures in managing operations in customer locations and introduced new fleet management operations, contributing to revenue growth in the fourth quarter of the financial year.

JKLL's third party logistics (3PL) business introduced lithium-ion powered reach trucks, the first of its kind in Sri Lanka, leveraging energy-saving technology to reduce operational costs.

The business continued its digitisation efforts to optimise the logistics value chain through enhancements to the warehouse management system (WMS) and the newly upgraded transport management system (TMS), and real-time key performance indicator (KPI) monitoring systems, such as detailed dashboards, ensuring a customer-centric approach while also focusing on cost saving measures.



### AWARDS

- Received the following awards from 'Great Place To Work' (GPTW):
  - Certified as a Great Place To Work in the small enterprises category.
  - Top 15 millennial friendly workplaces in Sri Lanka.
- Winner of the National Award of Excellence for the best supply chain practicing organisation (medium scale) awarded by the Institute of Supplies and Materials Management of Sri Lanka.



JKLL continued to consolidate its warehouse spaces.

## DHL Keells

During the year under review, DHL continued to maintain its market leadership position primarily focusing on offering competitive pricing options, customer retention and business expansion strategies. DHL successfully carried out a series of digitisation projects, including human resources, operations, finance and information technology (IT) functions, aimed to streamline operational processes, improve transparency, and enhance productivity by eliminating manual work. Additionally, the implementation of the regional-guided 3D framework which covers security and design concepts. The introduction of the new way of working (NWOW) platform facilitated the migration of all DHL users to the 'M365' platform, enabling users to adopt new features and capabilities efficiently. In line with the Personal Data Protection Act No. 09 of 2022, DHL introduced the data protection framework to ensure the safe storage of personal data of employees and customers.



### AWARDS

- Received the following awards from 'Great Place To Work' (GPTW):
  - Certified as a Great Place To Work in the small enterprises category.
  - Top 15 millennial friendly workplaces in Sri Lanka.
  - Recognised as one of the 'Top 40 Best Work Places' for the 9<sup>th</sup> consecutive time.

## Macroeconomic Update - Airlines

- In CY2023, the performance of the aviation sector improved with the steady increase of global travel activity with passenger numbers rebounding strongly close to pre Covid-19 levels.
- 42 international airlines and 3 domestic airlines were in operation in the country as at the end of 2023/24.



For a detailed discussion, refer the Outlook section of the report on page 107.

## Airlines and Other

Businesses within the Airline segment witnessed an encouraging performance with the steady increase in tourist arrivals.

'Cinnamon Air' witnessed a rebound in operational performance within the high-end customer segment, driven by increased contribution from local corporates and high net worth individuals. During the year, the airline marked the highest number of charter flights since the inception of operations in CY2013. Following a challenging period spanning across four consecutive years, characterised by the Easter Sunday terror attacks, the pandemic and the domestic macroeconomic crisis, the airline re-commenced scheduled service operations from 1 April 2023. The business witnessed a gradual recovery in scheduled services during the fourth quarter of the financial year due to the steady recovery in the upscale tourist segments.

The performance of MAL witnessed a positive boost due to increase in frequency of AirAsia (Malaysia) from 4 to 11 flights per week, strong load factors and commencement of Thai AirAsia (Bangkok) from October 2023.

The business continued to focus on new customer segments such as labour, migrant and student demographics, given the shift in demand.

MTL ended the year with a strong performance. The gradual increase in demand for air travel witnessed across both the corporate and retail sectors together with improving yields assisted the businesses during the year. All business units within the company grew. The company has undertaken many initiatives during the year to enhance customer experience.

# INDUSTRY GROUP REVIEW

## TRANSPORTATION

### Financial Performance Review

#### Income Statement Indicators

Rs.million	2023/24	2022/23	%
<b>Revenue*</b>			
Transportation	54,763	78,189	(30)
Ports and Shipping	14,153	16,092	(12)
<b>Total</b>	<b>68,916</b>	<b>94,281</b>	<b>(27)</b>

\*Including share of revenue of equity accounted investees.

#### Transportation

- The decrease in revenue stemmed from the Group's Bunkering business, Lanka Marine Services (LMS). LMS recorded higher revenue in the previous year driven by the significant increase in global fuel oil prices and growth in volumes.
- The Bunkering business accounts for ~95% of revenue within the industry group, excluding equity accounted investees.
- Mackinnons Travels Limited (MTL) recorded a growth in revenue on account of higher airline frequencies operating in to Sri Lanka, which facilitated more travel and increased capacity.
- Mack Air Limited (MAL) also witnessed an increase in revenue due to increase in flight frequencies and the commencement of Thai AirAsia online operations.

#### Ports and Shipping

- The decrease in revenue in the Ports and Shipping sector is mainly attributable to SAGT. Despite the growth in volumes, revenue of SAGT was impacted by the translation impact on the US Dollar denominated revenue streams due to the appreciation of the Rupee, while ancillary revenue declined from the peak levels witnessed during the previous year.
- Maersk recorded a 12% decline in revenue as a result of the decrease in imports and exports, as outlined in the Operational Review.
- IMMS recorded a 40% decline in revenue due to the contraction of the port agency industry in Sri Lanka during the year.

Rs.million	2023/24	2022/23	%
<b>EBITDA*</b>			
Transportation	3,074	5,403	(43)
Ports and Shipping	5,699	5,228	9
<b>Total</b>	<b>8,773</b>	<b>10,631</b>	<b>(17)</b>
<b>PBT**</b>			
Transportation	1,905	4,342	(56)
Ports and Shipping	5,699	5,228	9
<b>Total</b>	<b>7,604</b>	<b>9,570</b>	<b>(21)</b>

\*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.

\*\*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 decline in EBITDA and PBT in line with the decline in revenue.

#### Ports and Shipping

- The decrease in EBITDA was due to the decline in revenue at SAGT and the mix change in volumes due to a decline in domestic import volumes.
- It should be noted that during the year 2023/24, SAGT recognised a one-off deferred tax credit amounting to Rs.1.20 billion whilst 2022/23 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 24% decline in EBITDA in line with the decline in revenue.

The recurring adjustments for 2023/24 entailed one-off impacts from performance related initiatives, as articulated in detail in the Financial and Manufactured Capital 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 EBITDA of the industry group, post adjusting for the one-off impacts, stood at Rs.7.57 billion, a 23% decrease against the previous year [2022/23: Rs.11.96 billion].

#### Balance Sheet Indicators

Rs.million	2023/24	2022/23	%
<b>Debt*</b>			
Transportation	6,808	8,610	(20)
Ports and Shipping	-	-	-
<b>Total</b>	<b>6,808</b>	<b>8,610</b>	<b>(20)</b>

\*Excludes lease liabilities.

- The decrease in debt of the industry group is mainly attributable to a reduction in borrowings at LMS.
- Lease liabilities as at 31 March 2024 stood at Rs.345 million, a 40% decrease compared to the previous year [2022/23: Rs.573 million], driven mainly by JKLL. Total debt including leases stood at Rs.7.15 billion as at 31 March 2024, a 21% decrease against the previous year [2022/23: Rs.9.18 billion].

#### Return on Capital Employed (ROCE) Analysis

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	33.6		12.3		2.22		1.23
2022/23	35.2		11.0		2.72		1.18

- The decrease in the ROCE of the Transportation industry group is attributable mainly to the decrease in revenue and EBIT at LMS.

## Outlook and Risks

The performance of the Transportation industry group is expected to be a key driver of the Group's performance in the immediate-term given its direct and indirect exposures to foreign currency denominated income streams. The performance of the industry group is closely intertwined with developments globally.

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.

### Key risks, trends and opportunities relevant to the industry group:

**Risks**

!

- Macroeconomic and political environment\*
  - Changes in regulatory environment\*
  - Volatility in fuel prices
- Supply chain disruptions\*
  - Trade fragmentation
  - Potential increase in input costs stemming from geopolitical tensions and global and domestic developments
  - Limited availability of bonded tank space for bunker fuel
- Financial exposure\*, in particular exchange rate volatility
- Global competitiveness\* and evolving consumer preferences
- Human resources and talent management\*
- Climate risks\*
- Environment and health & safety\*
- Information technology\*
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

**Trends and Opportunities**

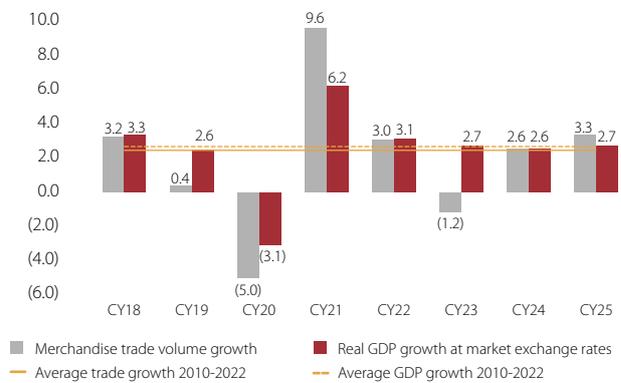
🌱

- Growth in regional trade, particularly India
- Digitalisation and automation
- E-commerce growth
- Demand for sustainable logistical solutions
- Development of port and airport infrastructure
- Collaborative logistics networks
- Alternate fuels
- Emerging markets
- Increase in tourism
- Increase in domestic imports and exports
- Integration of AI into warehousing facilities

## Immediate to Short-Term

The World Trade Organisation (WTO) projects world merchandise trade volume growth to rebound to 2.6% in CY2024 and 3.3% in CY2025, following a larger than expected contraction of 1.2% in CY2023. The lingering effects of high energy prices and inflation weighed especially heavily on demand for trade-intensive manufactured goods in CY2023, but this is envisaged to recover gradually over the next two years with the ease in inflationary pressures and improvements in real household income. Downside risks to the forecasts include geopolitical tensions, policy uncertainty and rising protectionism. The Red Sea crisis has resulted in the diversion of shipments between Europe and Asia and the prolonged impacts of this crisis may lead to severe stress on the global economy and reignite global inflationary pressures. This coupled with tensions elsewhere could lead to trade fragmentation.

World merchandise trade volume and GDP growth 2018-2025 (%)

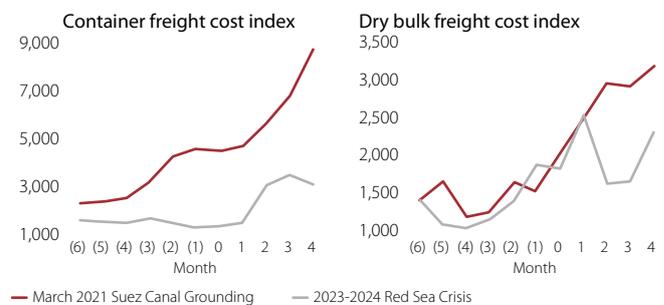


Note: Figures for 2024 and 2025 are projections. Merchandise trade grew 2.5% per year on average between 2010 and 2023 while GDP growth averaged 2.7%.

Source: WTO for merchandise trade volume and consensus estimates for GDP

The Red Sea crisis also had an impact on freight rates, reversing the downward trend witnessed in most parts of CY2023. Although rate pressures have eased since its peak in January 2024, rates remain elevated in contrast to historical averages. However, freight rates, particularly on Asian outbound lanes, may increase with major carriers announcing significant rate hikes due to increased demand and load factors.

Maritime freight costs during the 2021 Suez Canal grounding and the 2023-2024 Red Sea crisis (Indices of US\$)



Note: The figures display the average monthly freight spot rates for 40-foot containers, bulk dry, dirty tanker (e.g., crude oil) and clean tanker (e.g., gasoline). Month zero corresponds to March 2021 for the Ever Given grounding and November 2023 for the first attack on commercial shipping in the Red Sea.

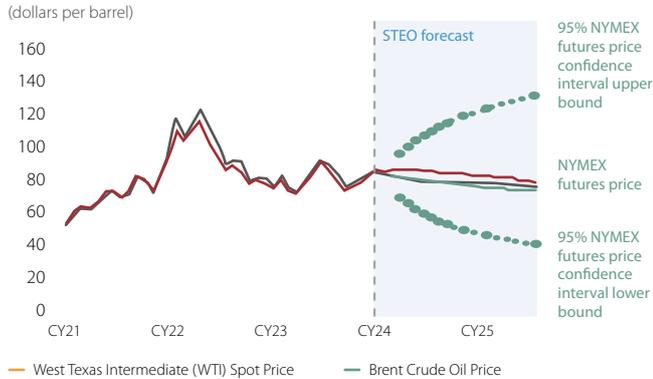
Source: WTO Global Trade Outlook and Statistics - April 2024

# INDUSTRY GROUP REVIEW

## TRANSPORTATION

2023/24 was marked with significant volatility in global oil prices. The US Energy Information Administration is of the view that oil prices will witness a decline in CY2024 and CY2025, which will aid in containing global inflationary pressures.

### West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, May 2024, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business

Note: Confidence interval derived from options market information for the five trading days ending May 2, 2024. Intervals not calculated for months with sparse trading in near-the-money options contracts.

### The Suez Canal Crisis

- Serves as a key maritime route for international trade with ~12% of global trade passing through the canal as per UNWTO.
- Since November 2023, attacks on commercial ships in the Red Sea and Gulf of Aden have continued to disrupt trade flows.
- Rerouting through the Cape of Good Hope has had a considerable impact on shipping delays due to reasons such as longer voyage distances, congestion in ports for discharging/loading operations and bunkering operations, particularly in the Asia-Europe route. As illustrated by the image below, rerouting through the Cape of Good Hope has led to ~8-10 days longer voyage in the Asia-Europe route, covering an additional 3,000 nautical miles in distance.



### Ports and Shipping

- The Ports and Shipping business recorded an encouraging performance during the year under review, especially during the fourth quarter as a result of higher vessel movement through the POC driven by the Red Sea crisis. This trend is anticipated to persist until the resolution of the crisis. While it's expected that the majority of the new traffic stemming from the crisis will revert to the Suez Canal post-resolution, Sri Lanka stands to benefit from heightened visibility and trust, potentially retaining some business in the long-term.
- The sustained economic growth in India will continue to support regional trade volumes which will benefit the POC considering its location and proximity to India.
- 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 as well as regionally, 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 is 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 to cushion the impact.
- Given the increased emphasis on privatisation by the Government and the resultant benefits accruing to the State, it is probable that a majority of port-related activities will be undertaken in liaison with the private sector.

### Bunkering

- Experts estimate that the global bunker market will witness increased demand for bunker fuel on the back of the Red Sea crisis. This was evident from the higher-than-normal increase in bunker demand to Sri Lanka from November 2023 onwards, which primarily arose from the tensions in the Red Sea; this trend is expected to continue until the resolution of the crisis. Going forward, heightened awareness and familiarity with the Sri Lankan market may help retain a new segment of clientele even post the resolution of the crisis.
- Competition from Indian ports is also likely to moderate with the reduction in Russian cargo flowing to India, as witnessed towards the tail-end of the year. 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.
- Focus will also be placed on expanding capacity in line with demand trends.

## Other

- **Logistics:** While headwinds are expected to persist for the Logistics business in the immediate-term, the gradual removal of import restrictions and the normalisation of export volumes are anticipated to result in increased volumes, which will have a positive impact on the business, and the industry as a whole.
- **Airlines:** The recent uptick in tourism will bode well for the airlines business. As observed during the recent quarters, airline frequencies are expected to rise in tandem with the increase in tourism flows. New budget carriers which have announced new frequencies into the country have intensified competition for established airlines. However, this should bode well for more competitive fares and supply.
- The industry group is exploring several opportunities within the transportation vertical with the aim of expanding its footprint in Sri Lanka.

## Medium to Long-Term

### Ports and Shipping

The continued recovery of domestic import volumes in line with the recovery of the domestic economy, 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.

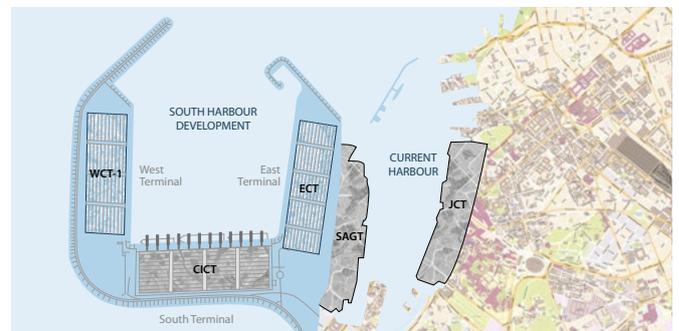
The ongoing investments towards increasing the capacity in the POC through the development of the East Container Terminal (ECT) and West Container Terminal (WCT-1), will bode well for the country, ensuring the competitiveness of the POC in the region – especially in light of increasing capacity enhancements at 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 stated to be completed in 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 complete. The first batch of quay and yard cranes is expected to arrive in August 2024, following which the commissioning and automation is expected to be completed by the third quarter of 2024/25. The first phase of the terminal is slated to be operational in the fourth quarter of 2024/25. 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. The quay length of 800 metres 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 in mid-2026.

- SLPA is currently seeking investment for the Colombo North Port (CNP) development project as a part of a comprehensive 30-year development strategy. The proposed CNP is to consist of three container terminals, with a combined quay-length of 4,600 metres, a multi-purpose terminal with a 700-metre quay, two oil berths as well as logistics/warehousing space. 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.
- The Government is also in discussions with India on the development of the Trincomalee Port, particularly given its potential for cruise tourism. Additionally, India has also pledged a USD 61.5 million grant to develop the Kankesanthurai (KKS) Port in the Northern Province.

### 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 swiftly given the factors mentioned previously. This is further validated through the traffic and volume studies conducted for the feasibility of the WCT-1 project. SAGT will continue to work towards improving 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.

# INDUSTRY GROUP REVIEW

## TRANSPORTATION

### Bunkering

Prospects for bunkering services are promising in the medium-term, driven by the envisaged increase in regional trade activity and demand generated from ongoing investments at POC, Southern, Northern and Eastern Ports. The Hambantota International Port (HIP) 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. Additionally, the pumping and storage charges imposed by the local authorities are also significantly higher than regional charges, such as in Singapore, Fujairah or India. Addressing these issues is pivotal as this will enable 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 delivery capacity, and procurement processes in line with market conditions.

Although the industry may experience a shift in volumes from the POC to the HIP 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 HIP.

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 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 regional hub. JKLL will endeavour to optimise cost and drive operational efficiencies, particularly through emphasis on digitisation initiatives. 3PL customers are increasingly seeking end-to-end solutions and, in this regard, every effort will be made to ensure a complete service offering.

### Airlines

Increased trading activity and investment towards uplifting the tourism industry, 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

### Beverages

CSD | Non-CSD

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

### Frozen Confectionery

Bulk | Impulse

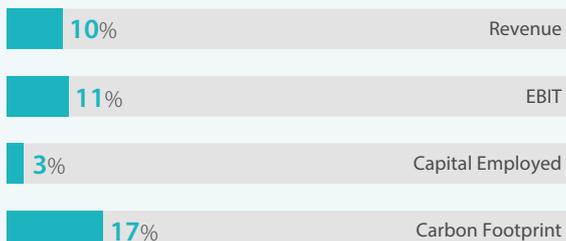
- Wide selection of Frozen Confectionery products, including the premium ice cream range 'Imorich', 'Feelgood' guilt-free frozen yoghurt range and other Impulse products such as stick, cone, and cup varieties.

### 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.
- Dry range products under the 'Keells Krest' brand, which currently includes pasta and '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



2023/24 | 2022/23 | 2021/22

### Operational Highlights

Volume growth:

	%	2023/24	2022/23	2021/22
Frozen Confectionery	%	2	(7)	17
Beverages (CSD)	%	10	(7)	18
Convenience Foods	%	(9)	(22)	12

### Financial and Manufactured Capital

		2023/24	2022/23	2021/22
Revenue	Rs.million	32,897	31,269	21,008
EBITDA	Rs.million	5,010	3,296	3,502
PBT	Rs.million	2,974	1,164	2,347
PAT	Rs.million	2,174	1,745	1,925
Total assets	Rs.million	24,861	23,438	19,508
Total equity	Rs.million	11,930	11,052	9,531
Total debt <sup>1</sup>	Rs.million	5,238	6,536	3,114
Capital employed <sup>2</sup>	Rs.million	17,307	17,746	12,792

### Natural Capital

		2023/24	2022/23	2021/22
Energy consumption	kWh	26,386,554	25,100,570	26,766,650
Energy consumption per operational intensity factor	kWh per Rs.million	734.59	735.16	1,163.36
Carbon footprint	MT	20,223	19,284	19,581
Carbon footprint per operational intensity factor	MT per Rs.million	0.56	0.56	0.85
Water withdrawal	m <sup>3</sup>	552,013	494,874	482,213
Water withdrawal per operational intensity factor	m <sup>3</sup> per Rs.million	15.37	14.49	20.96
Volume of hazardous waste generated	kg	279,060	254,888	266,665
Volume of non hazardous waste generated	kg	1,567,387	1,239,167	1,508,101
Waste generated per operational intensity factor	kg per Rs.million	51.40	43.76	77.14

### Human Capital

		2023/24	2022/23	2021/22
Total Workforce (employees and contractors' staff)	No.	1,684	1,568	1,561
EBIT per employee	Rs.million	3	2	2
Average training per employee	hours	35	19	17
Total Attrition	%	15	13	14
Females employee	%	12	11	10
Total injuries	No.	17	14	12

### Social and Relationship Capital

		2023/24	2022/23	2021/22
Community Services and Infrastructure Projects <sup>3</sup>	Rs.'000	20,292	8,717	19,611

1. Excludes lease liabilities.

2. Includes lease liabilities.

3. Only the contribution to John Keells Foundation.

# INDUSTRY GROUP REVIEW

## CONSUMER FOODS

### External Environment and Operational Review

#### Macroeconomic Update

- The operating environment in the country continued its gradual normalisation supported by sustained improvement in the country's key macroeconomic indicators. However, disposable incomes were negatively impacted by the imposition of direct and indirect taxes although consumer discretionary spend demonstrated a recovery in the latter part of the financial year. Based on the statistics of the Central Bank of Sri Lanka (CBSL), consumption expenditure estimates at constant prices in CY2023, have contracted due to decreased purchasing power.

 Refer Operating Environment section of this Report for a detailed discussion.

#### Key Policy and Regulatory Highlights

- In November 2023, the special commodity levy (SCL) imposed on imported sugar was increased from Rs.25 cents to Rs.50 per kilogram.
- The duty waiver on imported skimmed milk powder (SMP) was removed and a customs import duty (CID) of Rs.225 per kg was imposed in August 2023. Moreover, SMP was made liable to the port and airport development levy (PAL) at 10% from September 2023.
- The value added tax (VAT) rate was increased from 15% to 18%, and excise duty on carbonated soft drinks increased by ~16% with effect from 1 January 2024.
- Import restrictions imposed from CY2020 onwards were lifted in three stages during 2023/24. As of October 2023, import restrictions on all items were removed, other than motor vehicles.
- Electricity tariffs for industry sectors were increased, on average, by ~40% and ~12%, in February and October 2023, respectively, and subsequently revised downwards by ~9% in July 2023, in line with the cost reflective pricing mechanism which was adopted to reduce the cost of subsidies provided by the Government. Tariffs were subsequently revised downwards by ~18%, on average, in March 2024.

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

During the year under review, the Consumer Foods businesses recorded an encouraging performance, driven by both the Beverages and the Frozen Confectionery businesses. Margins recorded an improvement on account of normalising input costs from the previous peaks and reductions in overhead costs whilst both businesses witnessed encouraging volume growth, particularly in the seasonal months.

#### Beverages

The Beverages business recorded a notable 7% increase in volumes during the year under review [2022/23: negative 5%] despite the significant price revisions undertaken. This growth was driven by a recovery in the CSD segment which recorded a volume growth of 10% [2022/23: negative 7%].

#### INSIGHTS

**CSD Volumes**  
(Index: FY21 Q1 = 100)



Volume Growth (%)	Q1	Q2	Q3	Q4	2023/24	2022/23
CSD	(3)	5	0	42	10	(7)

- Q1 – The volume reduction of 3% in the first quarter of 2023/24 was an encouraging recovery compared to the steep volume decline of 40% recorded in the fourth quarter of 2022/23. It should be noted that the first quarter of the previous year was a strong quarter in terms of performance, where volumes exceeded pre-pandemic levels.
- Q2 – Volumes noted a recovery supported by the gradual recovery of the economy and consumer activity.
- Q3 – The business witnessed encouraging volume growth in the seasonal month of December 2023, which was less affected by adverse weather conditions unlike in the months of October and November 2023.
- Q4 – The strong growth in volumes was driven by seasonal sales coupled with favourable weather conditions, albeit from a lower base in the fourth quarter of 2022/23, as consumer disposable income was impacted by the increase in personal income taxes implemented with effect from 1 January 2023. The performance of the fourth quarter of 2023/24 was encouraging despite selling price adjustments on some stock keeping units (SKUs) on account of passing on the higher duty on sugar and the increase in the VAT from 15% to 18%.

In tandem with the recovery of the macroeconomic environment, both returnable glass bottles (RGB) and polyethylene terephthalate (PET) volumes witnessed a recovery in volumes. The PET: RGB mix stood at 91:9 during the year under review, in comparison with 89:11 in 2022/23. The smaller pack sizes continued to have traction in the market given the lower price point.

#### 87:13

##### CSD: Non-CSD Volume Mix

[2022/23: 84:16]

As expected, the Beverages business recorded an improvement in margins on account of declining raw material prices, further aided by the appreciation of the Rupee and cost management actions undertaken by the business. In November 2023, the SCL imposed on imported sugar was increased from Rs.25 cents to Rs.50 per kilogram. The Beverages business undertook price increases in select SKUs to mitigate the margin impact stemming from the higher SCL, and increase in the VAT rate and the excise duty effective from January 2024.

Apart from the adjustments to selling prices across SKUs and the benefit from reduction in some input costs, the business undertook the following cost reduction initiatives to further improve margins:

- Initiatives aimed at optimising costs of packaging materials.
- Production process improvements in factories to increase output efficiency.
- Negotiations with suppliers to enhance terms and conditions for raw materials and packing materials.
- Installation of variable frequency drivers, solar panels and internal control initiatives to significantly reduce energy consumption.

The business retained its distributor network by implementing effective planning and brand building strategies whilst financially supporting its distributors given the increase in taxes and logistics costs. There was a strategic focus on increasing distribution efficiency by proactively engaging and monitoring distributors through integrated digital platforms which provided real-time information and insights. The continued workflow and factory automation programmes, including upgrades to the sales force automation system, enabled the integration of information generated which facilitated numerous data analytics-driven projects.

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. Currently, the business has rolled-out six use cases which have been successfully deployed in optimising promotional spend across modern trade and the general trade segments, as well as in augmenting the production planning process. The use cases aimed at augmenting the efficiency of the distribution network of the Beverages business are in advanced stages of deployment.

#### Products Launched

- 'Elephant House' five litre water bottle under the non-CSD segment.
- 'Elephant House' 250 ml cans in Cream Soda, EGB, Necto, Orange Crush, Tonic and Soda ranges.

The fresh milk category under the 'Elephant House' brand was discontinued from January 2024.



The newly launched 'Elephant House' 250 ml cans.

#### Expansion Strategies

##### Partnership with Reliance Group, India, to distribute 'Elephant House' branded beverages in India

- In February 2024, Ceylon Cold Stores PLC (CCS) partnered with Reliance Consumer Products Limited (RCPL), the fast-moving consumer goods (FMCG) arm and wholly owned subsidiary of Reliance Retail Ventures Limited (RRVL), to manufacture, market, distribute and sell beverages under the 'Elephant House' brand in India.
- Under the partnership, CCS will export the CSD flavour concentrate to RCPL. The unique selling proposition for 'Elephant House' is the similarity of the flavour pallets between the Sri Lankan and Indian markets, as sampled through pilot studies.
- RRVL, through its subsidiaries and affiliates, operates an integrated omni-channel network of ~18,700 stores and digital commerce platforms with over three million merchants through its new commerce initiative.
- The partnership marks a significant milestone in amplifying presence in India, where market entry is challenging. The collaboration with a reputed partner such as Reliance, together with synergies due to the expertise and experience of both organisations, is expected to provide a strong platform for success.

##### Acquisition of a bottling and can manufacturing plant

- During the year, CCS acquired a PET bottling and can manufacturing plant. This acquisition is expected to support the expansion of the business's product portfolio, in terms of providing additional capacity for PET production and entering a new market segment via canned beverages.
- Canning operations at the plant commenced in March 2024, with five SKUs expected to be launched during the ensuing financial year.



#### AWARDS

- 'Elephant House Cream Soda' was awarded 'Beverage Brand of the Year' by SLIM Nielson People's Awards.
- Awarded 'Best Ethically Trading Exporter - Large Category' at the National Chamber of Exporters Annual Export Awards.
- Received the following awards at the 'Effie Awards 2023':
  - 'Elephant House Soda' won Bronze for 'Seasonal Marketing'.
  - 'Elephant House 250 ml Pocket Size' won Bronze for 'Crisis Response'.

# INDUSTRY GROUP REVIEW

## CONSUMER FOODS

### Frozen Confectionery

Similar to the Beverages business, the Frozen Confectionery (FC) business witnessed a recovery in volumes during the year under review, recording a growth of 2% in volumes [2022/23: negative 7%]. Volume growth was driven by the Bulk segment which recorded a growth of 5%, mainly attributable to seasonal demand [2022/23: negative 15%]. The Impulse segment recorded a marginal decline of 2% in volumes [2022/23: 10% growth], primarily attributable to adverse weather conditions which prevailed during most parts of the second half of 2023/24.

Despite the increase in the VAT rate effective from January 2024, the recovery momentum of volumes continued in both segments. Given the improvement in margins on account of input cost decreases, the business undertook price reductions in select SKUs, where possible, particularly in the Impulse segment to pass on the price benefit to consumers while also enabling a stronger recovery in volumes.

The Bulk:Impulse volume mix for the year stood at 64:36, compared with 62:38 recorded in the previous year. As envisaged, in line with the long-term strategy of the business and trends witnessed in regional markets, the FC business is expected to witness an increase in the volume contribution from the Impulse segment given the affordable price point, lifestyle and convenience aspect of the product.

**64:36**

**Bulk: Impulse Volume Mix**

[2022/23: 62:38]

Export market volumes recorded a growth of 11% in 2023/24, underpinned by higher demand arising from increased tourist arrivals in the Maldives.

Similar to the Beverages business, the FC business recorded an improvement in margins on account of declining raw material prices together with the appreciation of the Rupee. This margin improvement is despite the increase in SCL for sugar and CID and PAL for skimmed milk powder. The margins recorded an increase despite the impact of the social security contribution levy (SSCL) which came into effect in October 2022, which is a revenue-based tax similar to the nation building tax (NBT) in place a few years ago.

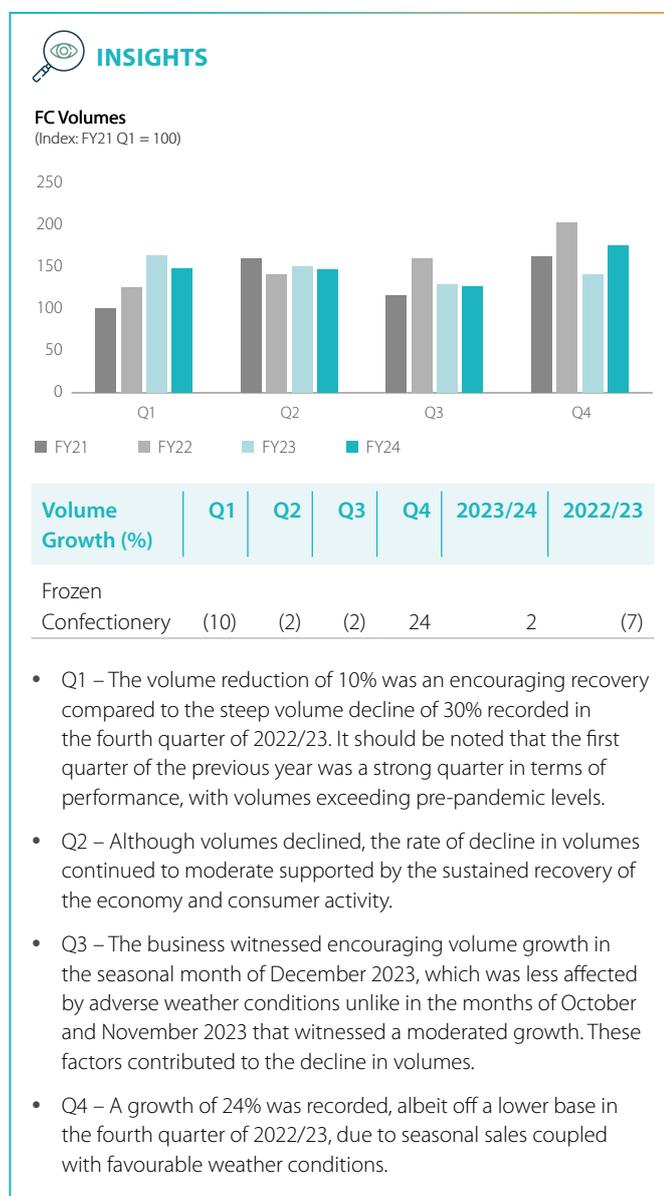
To address the operational cost pressures during the year, the business undertook the following initiatives:

- Production process improvements in factories.
- Negotiations with suppliers to enhance working capital terms and conditions for raw materials and packing materials.
- Installation of variable frequency drivers, solar panels and internal control initiatives to significantly reduce energy consumption.
- The 'E2EQuality' extension project was launched to uphold the product quality of frozen confectioneries. This further augments the 'Beelive – Connected Factory' internet of things (IoT) initiative, which helped monitor key production/storage metrics in real-time, that was successfully implemented previously at the ice cream facility in Seethawaka.

As part of its advanced analytics transformation programme, the FC business currently has one use case rolled-out. Use cases aimed at augmenting the efficiency of the distribution network of the FC business are in advanced stages of deployment.

### Products Launched

- Popsicles:
  - 'Major Max' Freezer Pops in Strawberry, Green Apple, Blackcurrant and Orange flavours.
  - 360 ml 'Fusion Popsicles' in Naarang and Sea Salt, Passion and Chilli, and Siyambala and Honey flavours.
- Relaunched the Pani Kadju and Faluda cones.





'Major Max' Freezer Pops and 360 ml 'Fusion Popsicles' assorted box.



## AWARDS

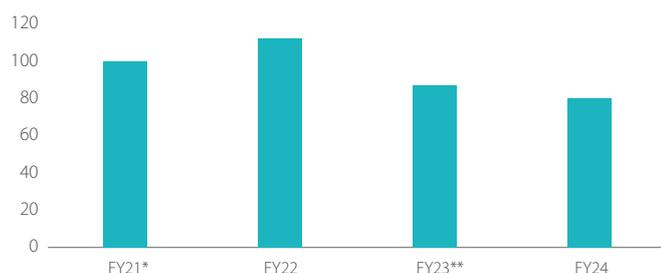
- SLIM Brand Excellence Awards 2023:
  - 'Elephant House' ice cream won Gold for 'Product Brand of the Year'.
  - 'Elephant House' ice cream won Silver for 'Local Brand of the Year'.
- Awarded Gold in the 'Confectionery Products Sector - Large Category' at the National Chamber of Exporters Annual Exports Awards 2023.
- Won two Gold awards at the SLIM National Sales Awards 2022/23 in the frozen confectionery category.

## Convenience Foods

Keells Food Products PLC (KFP) recorded a 9% decline in volumes during 2023/24 on account of the moderation in consumer spend on processed meats, which is more discretionary and at a higher price point compared to the Beverages and FC businesses [2022/23: negative 22%]. The volumes were also affected on account of the reduction in general food prices and the relative prices of protein substitute products in the processed meat category. Despite the decline in volume growth during the first half of the year attributable to reduced consumer spending in this category, the business experienced a notable recovery in the second half of the year, driven by an increase in demand and strategic price revisions which improved product affordability.

### Convenience Foods Volumes

(Index: FY21 Q1 = 100)



\*Covid-19 pandemic related disruptions

\*\*Domestic financial crisis



## INSIGHTS

Volume Growth (%)	Q1	Q2	Q3	Q4	2023/24	2022/23
Convenience						
Foods	(35)	(18)	(1)	42	(9)	(22)

- Q1 – The decline in volumes was driven by a decrease in retail sausage volumes as a result of a moderation in consumer spend on processed meats, which is a more discretionary category. These products are also at a higher price point compared to the SKUs of the Beverages and Frozen Confectionery businesses.
- Q2 and Q3 – The moderation in consumer spend on processed meats witnessed a recovery from the second to the third quarter, with the volume decline stabilising from the previous peaks by the end of the third quarter.
- Q4 – Recovery was driven by seasonal sales, albeit from a lower base in the fourth quarter of 2022/23.

During the year under review, the business maintained its position as the market leader in the processed meats category. The retail sausages and meatballs categories recorded a negative growth of 21% and 23%, respectively [2022/23: negative 9% and negative 16%, respectively]. However, it is encouraging that retail sausage volumes rebounded during the second half of 2023/24, increasing by 2%, in comparison to the same period of the previous year. The retail sausages category contributed ~27% to the overall volumes. The business took an ~5% decrease in prices in these categories during the year under review which also aided volume growth. No price increases were undertaken across all categories due to the increase in VAT rates during the year.

The modern trade channel accounted for 33% of total volumes, while the general trade and hotels, restaurants, catering (HORECA) channels accounted for 40% and 25%, respectively. The HORECA channels demonstrated a recovery in volumes, driven by higher tourist arrivals and the recovery in the macroeconomic environment from the previous year.

Supply chain disruptions and changes in supplier networks from the previous year posed sourcing challenges for the Convenience Foods business, similar to the experience of the overall industry. These sourcing challenges had eased to a great extent towards the latter part of the financial year. During the year, the business entered into forward contracts to secure stocks, minimise production disruptions and ensure continued availability of products. It also undertook several initiatives to manage working capital requirements, including negotiations with suppliers to revert to previous letter of credit (LC) terms and reducing stock holding periods.



The newly introduced 90g 'Tandoori Soya' in the soya meat range.

# INDUSTRY GROUP REVIEW

## CONSUMER FOODS

The business undertook the following process improvements:

- Implemented blast freezing to enhance product preservation and freshness.
- Upgraded the transport fleet to optimise the cold chain, thereby guaranteeing the integrity of products throughout the supply chain.
- Initiatives to replace imported input material with locally sourced material.
- Implemented capacity bankers to reduce energy consumption.
- Streamlined operations and costs by implementing innovative measures to reduce water treatment expenses.
- Digital transformation through the integration of the 'SHE' (safety, health, and environment) application, ensuring comprehensive and efficient management of safety protocols.
- Enhanced logistics management with the implementation of a GPS (global positioning system) for its distribution trucks and temperature tracking system, enabling real-time monitoring and optimisation of delivery processes.

The business continued its proactive retail drive by introducing economic value packs, aimed at ensuring wider product availability and delivering on 'value for money' products.

### Products Launched

- 90g 'Tandoori Soya' in the soya meat range.
- Expansion of the dry category with the introduction of 'Keells Krest Pasta'. Launched the 375g 'Chifferi Pasta' and 'Seashells Pasta'.
- Relunched the 'Kochchi Bite' as 'Nai Miris Bite'.
- Extension of the meatballs range with the introduction of the 70g 'Keells Krest Meatballs'.



### AWARDS

- Received a Silver award at the SLIM NASCO (National Sales Congress) Awards.
- Awarded Silver at the National Chamber of Exporters Annual Export Award 2023.



Newly introduced 'Keells Krest Pasta'.

## Financial Performance Review

### Income Statement Indicators

Rs.million	2023/24	2022/23	%
<b>Revenue</b>			
Beverages and Frozen Confectionery (FC)	28,548	26,385	8
Convenience Foods	4,349	4,884	(11)
<b>Total</b>	<b>32,897</b>	<b>31,269</b>	<b>5</b>
<b>EBITDA*</b>			
Beverages and FC	4,893	2,854	71
Convenience Foods	117	442	(74)
<b>Total</b>	<b>5,010</b>	<b>3,296</b>	<b>52</b>
<b>PBT</b>			
Beverages and FC	3,249	1,108	193
Convenience Foods	(275)	55	(600)
<b>Total</b>	<b>2,974</b>	<b>1,163</b>	<b>156</b>

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

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

### Beverages and FC businesses

(%)	Q1	Q2	Q3	Q4
Beverages (CSD) revenue growth	23	8	2	46
Beverages (CSD) volume growth	(3)	5	0	42
FC revenue growth	0	(4)	(6)	16
FC volume growth	(10)	(2)	(2)	24
Beverages and FC EBITDA (Rs.million)	728	1,219	844	2,102
Beverages and FC EBITDA growth (%)	(30)	45	162	224

- As outlined in the External Environment and Operational Review, the Beverages (CSD) and FC businesses recorded a growth in revenue on account of:

- Increases in volumes of both the Beverages (CSD) and FC businesses, driven by an encouraging recovery momentum and higher sales in seasonal months.
- Price increases undertaken in the Beverages (CSD) category on select SKUs to mitigate direct and indirect increases in costs of input materials.
- The EBITDA of the Beverages and FC businesses recorded an improvement in margins on account of declining raw material prices, further aided by the appreciation of the Rupee and cost management initiatives undertaken by the business.



For further details on initiatives to improve margins, refer the External Environment and Operational Review section.

- EBITDA of the FC business was mainly driven by the Impulse segment given its higher product margins.
- The Bulk:Impulse revenue mix was at 47:53 during the year under review, compared with 44:56 in 2022/23.
- During the year under review, the EBITDA margin of the Beverages and FC businesses increased significantly to 17.1% [2022/23: 10.8%].
- The PBT of the Beverages and FC businesses recorded a significant improvement driven by the increase in EBITDA, further supported by the decline in finance expenses on account of the easing of interest rates and normalisation of working capital cycles.

#### Convenience Foods

(%)	Q1	Q2	Q3	Q4
Convenience Foods revenue growth	(12)	(20)	(15)	14
Convenience Foods volume growth	(35)	(18)	(1)	42
Convenience Foods EBITDA (Rs.million)	(9)	18	53	54
Convenience Foods EBITDA growth (%)	(105)	(89)	(33)	1,574

- As outlined in the External Environment and Operational Review, revenue was negatively impacted due to the decline in volume on account of the moderation in consumer spend on processed meats and a reduction in general food prices and the relative prices of protein substitute products in the processed meat category. The business recorded an improvement in volumes in the second half of the year on account of the gradual recovery in demand.
- The general trade and modern trade channels recorded a decline in volumes of 16% and 11%, respectively, whilst the HORECA channels recorded a growth of 9% during the year driven by tourist arrivals and the recovery in the macroeconomic environment.
- Whilst the decline in revenue impacted EBITDA, the increase in electricity costs further negatively impacted EBITDA. During the year, the business undertook process improvements as detailed in the External Environment and Operational Review, to minimise the impact on margins.
- The Convenience Foods business witnessed a normalising trend in raw material prices, similar to the Beverages and FC businesses.
- During the year under review, the EBITDA margin of the Convenience Foods business stood at 2.7% [2022/23: 9.0%].
- The decline in PBT stemmed from the decline in revenue and EBITDA, as mentioned previously.

The fair value gains and losses on investment property pertaining to Ceylon Cold Stores PLC (CCS) was recorded at Rs.17 million. Accordingly, the recurring EBITDA of the industry group, excluding the fair value gains and losses on investment property amounted to Rs.4.99 billion [2022/23: Rs.3.18 billion].

#### Balance Sheet Indicators

Rs.million	2023/24	2022/23	%
<b>Assets</b>			
Beverages and FC	21,147	19,429	9
Convenience Foods	3,714	4,009	(7)
<b>Total</b>	<b>24,861</b>	<b>23,438</b>	<b>6</b>
<b>Debt*</b>			
Beverages and FC	4,163	5,306	(22)
Convenience Foods	1,074	1,230	(13)
<b>Total</b>	<b>5,237</b>	<b>6,536</b>	<b>(20)</b>

\*Excludes lease liabilities.

- The Beverages and FC businesses recorded an increase in assets due to:
  - An investment in a PET bottling and can manufacturing plant by the Beverages business to support the expansion of the business's product portfolio.
  - The Beverages and FC businesses invested in ~640 freezers during the year under review [2022/23: ~1,900].
  - During the year under review, working capital cycles reverted to levels of normalcy resulting in an increase in trade receivables.
- The decrease in debt is primarily attributable to the decline in bank facilities as a result of normalising working capital cycles.

Lease liabilities as at 31 March 2024 stood at Rs.139 million [2022/23: Rs.158 million]. Total debt including leases stood at Rs.5.38 billion as at 31 March 2024 [2022/23: Rs.6.70 billion].

#### Return on Capital Employed (ROCE) Analysis

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	21.5		11.5		1.36		1.38
2022/23	14.5		7.1		1.46		1.41

- The increase in ROCE was driven primarily by the increase in EBIT margins in the Beverages and FC businesses.

# INDUSTRY GROUP REVIEW

## CONSUMER FOODS

### Outlook and Risks

The performance of the Beverages, Frozen Confectionery and Convenience Foods businesses are expected to gather momentum in the ensuing year, following a prolonged period of macroeconomic challenges, continuing the encouraging recovery trend witnessed towards the latter end of 2023/24. With domestic demand conditions continuing to stabilise as evident in the performance in the fourth quarter of 2023/24, 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.

#### Key risks, trends and opportunities relevant to the industry group:

#### Risks



- Macroeconomic and political environment\*
  - Lacklustre growth in consumer demand
  - Changes in regulatory environment\*
- Supply chain disruptions\*
  - Potential increase in input costs stemming from geopolitical tensions and global impacts and domestic developments
- Financial exposure\*, in particular exchange rate volatility
- Global competitiveness\* and evolving consumer preferences
- Human resources and talent management\*
- Climate risks\*
- Environment and health & safety\*
- Information technology\*
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

#### Trends and Opportunities



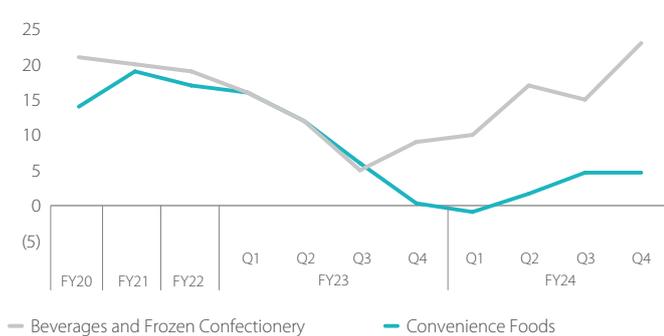
- New niche segments for unique flavours and functional ingredients
- Emphasis on environmental sustainability, labelling prerequisites and sustainable packaging
- Opportunities for premiumisation
- Technological integration, including artificial intelligence (AI), into food safety and product development
- Expansion into new markets regionally and globally
- Shifts in consumer behaviour towards healthier alternatives
- Elasticity of demand in the urban areas seem to be relatively more inelastic in comparison to non-urban areas within the country

### Immediate to Short-Term

#### Demand and supply dynamics and consumption trends

- Consumer discretionary spend is envisaged to continue its encouraging recovery similar to the trends witnessed in the latter end of 2023/24 and April 2024 driven by improvements in the macroeconomic front, particularly with inflation rates reaching a position of relative stability. Volumes are envisaged to move in tandem with the overall economy, with the continuation of the growth momentum seen in the third and fourth quarters of 2023/24. Prices are envisaged to remain largely at current levels.
  - However, downside risks to outlook remain with a potential reduction in disposable income and moderation in spending growth on non-essential items. This may materialise in the event that the impact of previous price increases stemming from the recent fiscal consolidation measures, in particular the increase in taxes effective January 2024, and, on the Beverages front, the increase in the special commodity levy on sugar from Rs.25 cents up to Rs.50 per kilogram has not been fully absorbed.
  - The Beverages business will continue to closely monitor the shift from glass bottles to PET driven by consumer convenience and preferences, particularly though glass offers greater value for money to consumers which could be a focal point considering current market conditions. Glass packaging is also deemed the more environmentally friendly alternative.
  - Focus will be placed on operationalising the Beverage business' partnership with Reliance Consumer Products (RCPL). Whilst the business will export the carbonated soft drinks (CSD) flavour concentrate to RCPL, RCPL will manufacture, market, distribute and sell beverages under the 'Elephant House' brand initially in south India before expanding across India.
  - The hotels, restaurants, and catering (HORECA) channel is expected to gradually recover in tandem with the recovery of the tourism industry.
  - Given the impacts on household disposable income over the last few years, smaller pack sizes are envisaged to command a higher share of volume mix.
  - The Impulse range of the Frozen Confectionery business is expected to improve its share of the volume mix, given its lower price points and in line with global trends.
  - The businesses 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.
- #### Costs and margins
- The recent reduction in electricity tariffs is expected to benefit the businesses in the short-term. However, power and energy costs remain to be a key risk of the business, and is envisaged to exert pressure on margins. The businesses will proactively monitor and take necessary measures while considering the price elasticity of demand of the products in its portfolio.
  - Significant improvements in the country's foreign exchange liquidity as well as the appreciation of the Rupee are likely to aid input cost reductions and alleviate margin pressures.
  - Potential increase in input costs stemming from geopolitical tensions and global impacts such as the Israel-Palestine conflict and domestic developments are potential risks that may impact margins of the business.

## EBITDA Margin (%)



### Capacity enhancements:

- The Beverages business will focus on normalising operations of the recently acquired PET bottling and can manufacturing plant. Similar to the 250 ml cans which were recently launched, the business will place emphasis on optimising utilisation and returns of such investments, and continue the roll-out of new canned beverages.
- Signs are prevalent that the lacklustre growth in consumer demand seen in recent years has changed course, similar to the latter part of 2023/24, with volumes noting an encouraging improvement. However, 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.
- Should the current recovery trajectory continue, select businesses may need to explore further capacity enhancements since the utilisation levels of most of the current factories and machinery would reach capacity.

### Managing stakeholders and product responsibility:

- Managing stakeholder concerns remains pivotal and a key challenge to businesses. Emphasis will 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.
- The recent 'brain-drain' is expected to remain a risk, at least in the short-term. The businesses are committed to taking proactive measures to ensure disruptions to operations remain at a minimal level. Focus will also be placed on effective recruitment, especially key business positions.
- Eight material recovery facilities (MRFs) were operational across the island in the year under review to aid the effective collection of waste items; mainly plastic, aluminium, glass and e-waste. The business has plans to increase this footprint to a total of 20 by end-2024/25.

### Advanced analytics:

- The businesses will continue to roll-out 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.
- Emphasis will be placed on six use cases which have been successfully deployed in optimising promotional spend across modern trade and general trade segments and in augmenting production planning process. The business will also complete the deployment of use cases, which are aimed at augmenting the efficiency of the distribution network of the Beverages business.

### Medium to Long-Term

Looking beyond the short-term impacts on demand and business performance following the turbulent macroeconomic period experienced by the country in the past couple of years, domestic demand conditions are envisaged to remain resilient and note significant growth 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.
  - Businesses 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.
- The introduction of concepts such as Extended Producer Responsibility (EPR), with the aim of managing waste and increasing recycling rates, if implemented gradually with proper communication and engagement with the affected industries, will aid the industry in converting its business models into sustainable practices. The businesses will continually ensure alignment with regulatory mandates and international best practice, including environmental sustainability.
- The long-term opportunity for the industry group is infinite, given evolving consumer tastes and preferences which create niche yet substantial markets that would aid the businesses to innovate and explore more personalised offerings, such as witnessed through the 'Imorich' brand of the Frozen Confectionery business.

# INDUSTRY GROUP REVIEW

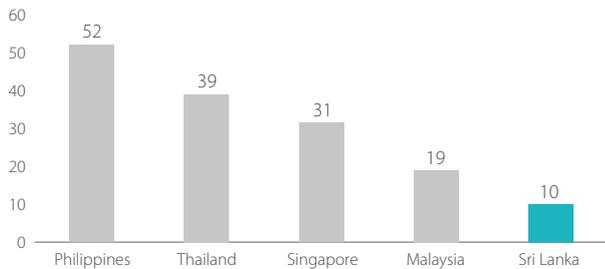
## CONSUMER FOODS

### Beverages



#### 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 beverages 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.

The Beverages business will focus on the following:

- 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.
- Focus on consolidating its current CSD portfolio and discontinuing non-performing SKUs.
- Prioritise the extension of the current non-CSD range, based on market opportunity.
- Manage the composition of the portfolio to ensure optimum margins.
- Consolidate and stabilise distributor networks whilst improving sales force efficiency through digital means.
- Explore new operating models, different marketing channels and alternate methods of working, given changing consumer behaviour and digitisation trends.
- Focus on export expansion to increase global reach.
- The recent expansion into the Indian domestic market also presents considerable upside potential, which in the long-run may ease dependency on the Sri Lankan market.
- Place emphasis on brand communication and revamping its product packaging.
- Implementing lean initiatives at factories.

#### CSD Portfolio Exposure

- The share of CSD as a proportion of total beverages is envisaged to proportionately reduce 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 the consumers, moving away from CSD, seek alternate beverage options.
- For example, 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, some of which are healthier and more nutritious.
- The Beverages 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.

#### Frozen Confectionery

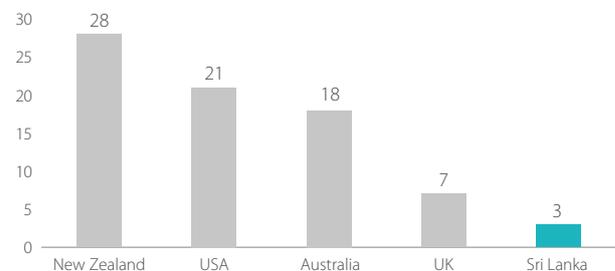
Global frozen confectionery markets have experienced significant growth in recent years, barring the impacts of the pandemic, driven by rapid urbanisation, rising disposable income, and evolving lifestyle trends. The overall prospects for the frozen confectionery market in Sri Lanka remain positive given 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.



#### Low frozen confectionery consumption levels in comparison to foreign markets

Ice cream – per capital annual consumption (litres)



Source: WorldAtlas (2020)

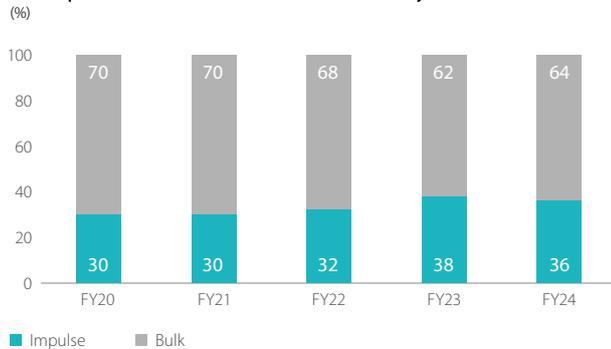
## INSIGHTS

The bulk:impulse mix of regional markets is highly tilted towards the impulse market, demonstrating the significant potential for the impulse category in the overall ice cream market of Sri Lanka

### The Bulk:Impulse Mix of Regional Markets



### 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 overall market tilt towards impulse products.

## Convenience Foods

The Convenience Foods business will continue to innovate and expand its portfolio offering. Emphasis will also be placed on staying abreast of market trends and changes in the competitive environment, which is expected to continue seeing the entry of smaller players.

The strategic priorities for the business 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.
- Expanding presence locally and globally, especially increasing the bespoke solutions offered to outlet networks and caterers as well as augmenting the recent venture to the Australian market.

The strategic priorities of the Frozen Confectionery business are:

- Focus on consolidating its current Frozen Confectionery portfolio, including the expansion of the 'Wellness' range and on flavour innovation.
- Investing in its supply chain, including increasing outlet penetration, expanding its distribution reach in an optimal manner whilst also focusing on distributor network efficiency.
- Extending operations at the state-of-the-art facility in Seethawaka 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.
- Emphasis on digitisation and process improvements, especially the implementation of lean initiatives at factories, and leveraging advanced data analytics.
- Possible extension into other confectionery categories.

# INDUSTRY GROUP REVIEW



## RETAIL

### Supermarkets

- Jaykay Marketing Services (Private) Limited (JMSL) operates the 'Keells' chain of modern retail outlets and the 'Nexus' loyalty programme.
  - 134 outlets across the island as at 31 March 2024.
  - ~2.4 million 'Nexus' loyalty card members.
  - Nine collection centres across the country working with ~2,700 active farmers.
  - Employment for ~6,000 individuals.
- 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 warehouse area of ~260,000 sq. ft.
  - Capacity to cater to over ~250 outlets.
  - Employment for ~550 individuals.

### Office Automation

- John Keells Office Automation (JKOA) is the authorised distributor for Office Automation and IT enabled, world-renowned brands and a market leader in providing print solutions for corporates. Brands offered include:
  - Samsung – a range of smartphones, tabs, HTV, and digital signage.
  - Toshiba – a range of black and white, colour range of multifunctional printers.
  - Asus – commercial series of notebooks and desktops.
  - Other products include laser printers, smart board and educational solutions, digital duplicators, cash counting machines, receipt and label printers, multimedia projectors from a variety of world class brands.

### New Energy Vehicles

- John Keells CG Auto (Private) Limited is the authorised distributor of new energy vehicles (NEVs) manufactured by BYD Auto Industry Company Limited, China.

### Contribution to the John Keells Group



	2023/24	2022/23	2021/22
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### Operational Highlights

Same store sales growth	%	12.3	47.6	12.9
Same store footfall growth	%	12.3	28.3	4.5
Average basket value	%	(0.1)	15.1	8.0

### Financial and Manufactured Capital

Revenue	Rs.million	122,502	106,849	90,842
EBITDA	Rs.million	8,767	8,833	7,549
PBT	Rs.million	2,938	558	7
PAT	Rs.million	2,056	1,296	(865)
Total assets	Rs.million	52,103	49,929	52,476
Total equity	Rs.million	5,358	3,725	3,487
Total debt <sup>1</sup>	Rs.million	14,687	20,510	15,342
Capital employed <sup>2</sup>	Rs.million	31,375	34,587	29,046

### Natural Capital

Energy consumption	kWh	79,540,619	67,104,264	63,859,456
Energy consumption per operational intensity factor	kWh per Rs.million	637.37	615.60	701.33
Carbon footprint	MT	44,118	36,359	36,230
Carbon footprint per operational intensity factor	MT per Rs.million	0.35	0.33	0.40
Water withdrawal	m <sup>3</sup>	287,290	309,325	282,480
Water withdrawal per operational intensity factor	m <sup>3</sup> per Rs.million	2.30	2.84	3.10
Volume of hazardous waste generated	kg	101.00	421.00	0
Volume of non hazardous waste generated	kg	4,570,915	3,642,918	3,819,863
Waste generated per operational intensity factor	kg per Rs.million	36.63	33.42	41.95

### Human Capital

Total Workforce (employees and contractors' staff)	No.	7,424	7,703	7,081
EBIT per employee	Rs.million	1	1	1
Average training per employee	hours	160.76	19.65	22.76
Total Attrition	%	94.9	83.2	101.6
Females employee	%	46	45	48
Total injuries	No.	176	187	137

### Social and Relationship Capital

Community Services and Infrastructure Projects <sup>3</sup>	Rs:000	15,234	18,943	16,972
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1. Excludes lease liabilities.

2. Includes lease liabilities.

3. Only the contribution to John Keells Foundation.

## External Environment and Operational Review

### Macroeconomic Update

- The operating environment in the country continued its gradual normalisation supported by sustained improvement in the country's key macroeconomic indicators. However, disposable incomes were negatively impacted, particularly in the first half of the year, by the imposition of direct and indirect taxes. Based on the statistics of the Central Bank of Sri Lanka (CBSL), consumption expenditure estimates at constant prices in CY2023, have contracted due to decreased purchasing power.



Refer Operating Environment section of this Report for a detailed discussion.

### Key Policy and Regulatory Highlights

- Increase in the value added tax (VAT) rate from 15% to 18%, with effect from 1 January 2024.
- Removal of mobile phones, notebooks, projectors, smartboards and point of sale (POS) solutions from the VAT exemptions list from January 2024.
- Import restrictions imposed from CY2020 onwards were lifted in three stages during 2023/24. As of October 2023, import restrictions on all items were removed, other than motor vehicles.
- Electricity tariffs for industry sectors were increased, on average, by ~40% and ~12%, in February and October 2023, respectively, and subsequently revised downwards by ~9% in July 2023, in line with the cost reflective pricing mechanism which was adopted to reduce the cost of subsidies provided by the Government. Tariffs were subsequently revised downwards by ~18%, on average, in March 2024.



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

### Supermarkets

The Supermarket business witnessed a strong growth in performance during the year, driven by a double-digit growth in same store sales. The growth in same store sales was driven by an increase in footfall, which demonstrates the continued potential for higher penetration of certain customer segments. Benefits accruing from various productivity and cost efficiency initiatives and supplier negotiations also supported overall performance while the business encountered escalating costs, particularly with the upward revision of electricity tariffs.



The ability to pass on benefits to consumers due to the scale of operations and through the 'Nexus' loyalty programme helped drive footfall.

Key performance indicators pertaining to the Supermarket business:

%	2023/24	2022/23*
Same store footfall growth	12.3	28.3
Average basket value (ABV) growth	(0.1)	15.1
Same store sales growth	12.3	47.6

\*Given the pandemic-related disruptions, unprecedented inflation and changes in shopping patterns resulting in shifts in frequency, basket items, and purchase patterns of customers, the KPIs were distorted for the year – refer page 60 of the JKH Annual Report 2022/23.

2023/24 (%)	Q1	Q2	Q3	Q4
Same store footfall growth	8.8	10.6	15.7	14.4
ABV growth	8.1	(0.2)	(4.3)	(3.2)
Same store sales growth	17.6	10.4	10.7	10.7

- Growth in same store footfall was driven by both existing and new customers.
  - Footfall growth was also driven by improved availability of items and seasonal sales. The business continued to witness the conversion from general trade to modern trade, given the ability for modern trade to manage inventory and working capital more effectively, ensuring fewer supply chain disruptions. The ability to pass on benefits to consumers due to the scale of operations and through the 'Nexus' loyalty programme also helped drive footfall.
- The ABV is derived based on the weight of purchase (WOP) and the retail selling price (RSP), with the WOP and inflation having an inverse relationship.
  - The inflation recorded in the first quarter of 2023/24 contributed towards an increase in the RSP and translated to a growth in the ABV.
  - Inflation moderated significantly from the second quarter of 2023/24 onwards. As a result, the increase in the RSP was relatively muted. This marginal increase in the RSP was more than offset by the decline in the WOP due to the reduction in spending on non-essential items, which impacted ABV growth. While the imposition of taxes resulted in higher prices, and, therefore, supported the RSP, the negative impact of such taxes on consumer disposable incomes affected the WOP. The business witnessed an improving trend of the WOP from the fourth quarter onwards given the recovering consumer sentiment.
- While the above factors resulted in a net positive impact on same store sales, the initiatives undertaken by the business to drive footfall and also provide more value and range for its customers, ensured a higher proportion of the spend remained within the 'Keells' outlet network. Effective promotional campaigns and investments in converting existing standard outlets to extended format outlets which offer a greater range of products to consumers were initiatives that benefited overall same store sales.

The relaxation of import restrictions during the year facilitated the improved availability of inventory and resulted in minimal supply chain-related disruptions. The business further engaged in timely supplier negotiations to ensure the availability of inventory at optimum price levels whilst significantly mitigating the one-off cost impacts from the VAT rate amendments. The business further undertook effective cost management initiatives to mitigate the pressure on margins, especially given the increase in electricity costs on account of the multiple tariff

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revisions and to a lesser extent, staff costs. The business is expected to see an improvement in energy costs in 2024/25 due to the downward revision of electricity tariffs in March 2024, although tariffs are still higher than at the beginning of the previous year.



For a detailed discussion, refer the Outlook and Risks section on page 107.

The ensuing section summarises the initiatives undertaken by the Supermarket business to drive performance.

### Product and Process Initiatives

- Advanced analytics transformation programme:
  - During the year under review, identified use cases were fully rolled-out with the value capture of most of the initiatives exceeding expectations. The pilot projects of other use cases being piloted or rolled-out at scale have also demonstrated significant value that can be unlocked by translating advanced analytics insights into frontline business interventions.
  - Use cases related to promotions, pricing, outlet operations, marketing and procurement have been rolled-out since CY2019 across several segments of the business. These initiatives have contributed to improved margins, operational efficiencies and better product positioning while paving the way for improved customer centricity and servicing.
- Collection centres:
  - Expanded sourcing locations to minimise supply chain disruptions, enhance the product availability and freshness, and provide consumers with better value.
  - As a part of these efforts, in April 2023, a fresh produce collection centre, with a fully automated vegetable washing line and drying machine, was established in Nuwara-Eliya.
- Private label penetration:
  - Increased penetration of the private label range, which is typically prices ~10% lower than comparable brands, to provide customers with alternative 'value for money' options and wider choice.
  - The private label portfolio consists of over 320 products spanning across 88 categories. The private label brand established its presence in new categories such as yoghurt, cleaning products, homeware, and frozen ready-to-cook (RTC) meals and re-entered categories previously exited on account of macroeconomic challenges.
  - A rigorous quality control process which monitors both products and the manufacturing environment has been initiated to maintain high quality standards.
  - Private label products accounted for ~5% of revenue in 2023/24 [2022/23: ~5%].
- Sourcing imported products:
  - Continued with the direct import strategy executed in 2021/22, which aims to offer a range of products at affordable price points by directly liaising with manufacturers, thereby offering a wider selection of choice for customers, at value, by eliminating any intermediary costs.
  - Representing ~2% of the business's revenue, the imported product portfolio includes over ~180 products.
- Marketing and promotions:
  - Conducted two major campaigns during the year:
    - 'Freshness that is Affordable' –to emphasise the quality and value offered by 'Keells' to customers, without compromising on freshness.
    - 'Ada Keells Eken Kamu' – an initiative to raise awareness of the prepared food offerings available at selected 'Keells' outlets, which also drove footfall.
  - Continued with personalised promotions and other initiatives based on customer needs, such as, bank promotions and 'Lower than Market Price' items from the fresh category.
- Supply chain management:
  - Several supply-side initiatives were implemented aimed at improving product availability and maintaining optimum stock levels.
    - Implemented a bulk purchasing strategy to optimise procurement costs and ensure a consistent supply.
    - Maintained safety stock levels at collection centres and engaged in forward buying to ensure timely delivery and minimise disruptions due to supplier shortages.
    - Automated the ordering process via an 'order management system'.
- Distribution Centre (DC):
  - The state-of-the-art centralised DC in Kerawalapitiya continued to play a vital role in streamlining operations and ensuring optimum inventory management across the fresh, dry, and chilled categories.
  - The expansion of commercial operations and increased efficiencies at the DC contributed positively to the performance of the Supermarket business in terms of cost effectiveness.
  - Growth in efficiencies were driven by the synergies in terms of workforce, equipment, transportation and energy on account of the flexibility in reallocating resources based on the requirements under each of the separate categories.



Distribution Centre in Kerawalapitiya.

- The 'Instore Service' project was initiated during the year to enhance the customer service experience at outlets which aims to deliver consistent standards. The project aims to ensure staff availability at service counters and improved customer service through pleasant interactions, attentiveness and the accuracy of processing by staff.
- Other digitisation initiatives:
  - Commenced the roll-out for digital applications such as 'Last Mile Delivery' and 'Keells Rider App' which facilitated the efficiency in logistics.
  - Digitalised the marketing technology stack and eco-system, which provided staff with efficient tools for accessing accurate and timely information.

### Outlet Expansion

Although the expansion of the 'Keells' outlet network was moderate during the first half of the year under review, given the easing of construction costs and the normalisation of the macroeconomic environment in the country, the business commenced outlet expansions on a case-by-case basis. Four new outlets were opened during the year, whilst one outlet was closed, bringing the total count to 134 outlets as at 31 March 2024.

In expanding its brand and outlet network, the business leverages on a standard and an extended format depending on the income distribution levels of the locality and the maturity of the market and competitive dynamics. In line with its brand expansion plans, four outlets were upgraded to the '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, a wider offering, particularly in the prepared food space and premium range, and improved ambience. 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.

### Features of 'Iconic' outlets:

	<b>Product</b>
	200+ premium items ~7,500 stock keeping units (SKUs)
	<b>Technology</b>
	'Scan & Go' technology Self-checkout capability Digital automated price tags Self-weighing scale Self-ordering kiosks for food
	<b>Food and Beverages</b>
	'Kafe' serving coffee, snacks and other beverages Chef's counter serving ready-to-eat meals Make your own pizza counter

The 'Keells' online store continued to be patronised by its loyal customer base recording ~8,000 monthly orders, on average.



### AWARDS

- Bronze Award – 'Best search engine optimisation (SEO)/ search engine marketing (SEM) Campaign' at SLIM Digis 2.3.
- One of Sri Lanka's 'Most Outstanding Women Friendly Workplaces' by Chartered Institute of Management Accountants (CIMA) and Satyn Magazine.
- First runner up in the 'Large Scale Enterprise' Category at the National Supply Chain Excellence Awards 2023 organised by the Institute of Supply and Materials Management (ISMM) in collaboration with the Ministry of Industries and Industrial Development Board.
- 'Most Visible Brand Online' by the Asia Pacific Institute of Digital Marketing.

### Office Automation

The Office Automation business witnessed a recovery in volumes in line with the gradual easing of inflation and interest rates during the financial year. The relaxation of import restrictions on non-essential items such as mobile phones and laptops during the second half of the year further supported volume growth. The removal of mobile phones from the VAT exemptions list, coupled with the simultaneous increase in VAT from 15% to 18%, effective 1 January 2024, contributed to an increase in selling prices which had a negative impact on the recovery of volume growth. The copier and printer business segments were impacted by the rising costs of usage and maintenance.

Despite the highly competitive landscape of the mobile phone market characterised by low-price product offerings with attractive specifications, the business successfully launched new products and remained competitive during the year. Digitisation initiatives were rolled-out during the year under review focusing on augmenting automation and reporting tools to facilitate data-driven decision-making and improved efficiency.



### AWARDS

- 'Quality Service Campaign' award by Toshiba Tec - Singapore.



Offerings at 'Keells' 'iconic' format.

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### New Energy Vehicles

In November 2023, JKH partnered with BYD Auto Industry Company Limited, the world's leading manufacturer of new energy vehicles (NEVs), to provide cutting-edge and eco-friendly vehicles to the Sri Lankan market. This new business, John Keells CG Auto (Private) Limited, a joint venture between JKH and Chaudhary Group, Nepal, will operate under the Retail industry group considering its alignment with the business and potential synergies. The prospect for contributing towards a more environmentally friendly and energy efficient alternative, which will support the country, is in alignment with the Group's sustainability agenda. For reporting purposes, John Keells CG Auto (Private) Limited will be accounted as an equity accounted investee.

BYD Auto Industry Company Limited, headquartered in China, is renowned globally for its operations in the NEV sector. NEVs represent a growing trend in the automotive industry. Leveraging BYD's expertise and technological advancements, the new venture will focus on importing, distributing and providing after sales services for BYD vehicles in the Sri Lankan automobile market. Optimising the 'Keells' outlet network and other locations of the Group's businesses across the country will generate synergies, enabling the creation of the necessary eco-system required for the NEV business. Capital investment requirements are anticipated to be minimal initially, with investments primarily allocated for the development of showrooms, service stations and charging infrastructure.



JKH partnership with BYD Auto Industry Company Limited.

### Financial Performance Review

#### Income Statement Indicators

Rs.million	2023/24	2022/23	%
<b>Revenue</b>			
Supermarkets	110,977	99,773	11
Office Automation	11,525	7,076	63
New Energy Vehicles	-	-	-
<b>Total</b>	<b>122,502</b>	<b>106,849</b>	<b>15</b>
<b>EBITDA*</b>			
Supermarkets	7,644	7,504	2
Office Automation	1,147	1,328	(14)
New Energy Vehicles	(24)	-	-
<b>Total</b>	<b>8,767</b>	<b>8,832</b>	<b>(1)</b>
<b>PBT **</b>			
Supermarkets	1,680	1,139	47
Office Automation	1,283	(581)	321
New Energy Vehicles	(24)	-	-
<b>Total</b>	<b>2,938</b>	<b>558</b>	<b>427</b>

\*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.

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

#### Supermarkets

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

2023/24	Q1	Q2	Q3	Q4
Same store sales (%)	17.6	10.4	10.7	10.7
Revenue (Rs.million)	27,614	27,248	28,756	27,358
Revenue growth (%)	13	12	11	9
EBITDA (Rs.million)	1,740	1,750	1,997	2,158
EBITDA growth (%)	(7)	5	1	9
EBITDA margin (%)	6.3	6.4	6.9	7.9

- As outlined in the External Environment and Operational Review, the Supermarket business recorded a strong performance in revenue, driven by double-digit growth in same store sales which, in turn, was driven by a sustained increase in footfall.
- Despite the increase in revenue, EBITDA was offset to an extent by the significant cost escalations in operations on account of electricity costs due to the upward revision of tariffs, higher advertising and promotional expenses and to a lesser extent staff costs.
- Further, during the first half of the financial year, margins were impacted by the imposition of the social security contribution levy (SSCL), which came into effect from October 2022. SSCL is a revenue-based tax similar to the nation building tax in force a few years ago, where the retail industry is subject to SSCL at half of the applicable rate. The business had to absorb the impact of the SSCL although measures were undertaken to mitigate its full impact.

- Despite the above mentioned cost increases, the Supermarket business sustained EBITDA margins throughout the year by optimising logistics efficiencies, providing affordable alternatives to drive higher revenue, engaging in timely supplier negotiations and implementing data-led initiatives to improve margins.
- The PBT of the Supermarket business significantly improved due to a decrease in finance expenses, on account of lower interest rates and reduced borrowings given the generation of higher cash flows and the normalisation of working capital and operational cycles.

#### Office Automation

- The Office Automation business recorded strong growth in revenue driven by the increase in mobile phone volumes, subsequent to the relaxation of import restrictions on non-essential items during the second half of the year.
- Similar to the Supermarket business, EBITDA margins were also impacted by an increase in staff costs and distribution-related costs and the imposition of the SSCL.
- The PBT of the business recorded an increase on account of exchange gains emanating from the difference between the costing rate of products and the settlement of bills given the appreciation of the Rupee towards the end of the year.
- Finance expenses recorded a significant decrease on account of the lower interest rates and reduction of debt levels through settlements and a normalising of working capital requirements.

#### New Energy Vehicles

- As detailed in the Operational Review, with the incorporation of John Keells CG Auto (Private) Limited, the business has commenced initial groundwork for the impending commencement of operations of the New Energy Vehicle business. For reporting purposes, John Keells CG Auto (Private) Limited will be accounted as an equity accounted investee.

The fair value gains and losses on investment property pertaining to the Supermarket business was recorded at Rs.4.9 million. Accordingly, the recurring EBITDA of the industry group, excluding the fair value gains and losses on investment property amounted to Rs.8.76 billion [2022/23: Rs.8.78 billion].

#### Balance Sheet Indicators

Rs.million	2023/24	2022/23	%
<b>Assets</b>			
Supermarkets	47,421	46,566	2
Office Automation	4,681	3,364	39
<b>Total</b>	<b>52,102</b>	<b>49,930</b>	<b>4</b>
<b>Debt*</b>			
Supermarkets	12,660	17,346	(27)
Office Automation	2,027	3,164	(36)
<b>Total</b>	<b>14,687</b>	<b>20,510</b>	<b>(28)</b>

\*Excludes lease liabilities.

#### Supermarkets

- The growth in the asset base was driven by the increase in outlets and an increase in cash.
- The depreciation and amortisation expenses of the business also recorded an increase on the back of the above mentioned increase in the asset base.
- The significant decrease in debt of the Supermarket business was primarily on account of repayment of debts utilising cash generated through operations, the normalising of working capital requirements and relatively low capital expenditure during the year.
- As at 31 March 2024, lease liabilities stood at Rs.11.19 billion, an 8% increase against the Rs.10.32 billion recorded in 2022/23. Total debt including leases stood at Rs.23.85 billion as at 31 March 2024 [2022/23: Rs.27.67 billion].

#### Office Automation

- The increase in the asset base was primarily due to an increase in inventory and trade and other receivables, reflecting the resumption of normalised operations.
- The Office Automation business witnessed a significant reduction in bank overdrafts during the year under review due to decreased working capital requirements and the repayment of debt from cash generated from operations.

#### Return on Capital Employed (ROCE) Analysis

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	16.6		4.5		2.40		1.55
2022/23	17.8		5.3		2.09		1.61

- The decline in the ROCE in the Retail industry group was mainly due to the Supermarket business.
- As outlined above, the higher revenue of the Supermarket business resulted in an increase in the asset turnover ratio whilst the increase in operating costs impacted EBIT margins.
- The decline in the capital structure leverage is on account of the Supermarket business recording a significant decline in debt on account of normalised working capital cycles during the year.

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### Outlook and Risks

The strong performance of the Supermarket business witnessed in 2023/24 is envisaged to continue going forward, primarily driven by a growth in footfall driven by higher modern trade participation and the initiatives undertaken by 'Keells' to attract customers. While there has been a dampening of consumer discretionary spending in recent years, the stabilisation of the economy in combination with 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. In this light, basket values are likely to recover as the weight of purchase – the number of items purchased in a basket – recovers in line with the recovery of the economy and improving consumer sentiment.

The performance of the Office Automation business is anticipated to continue its recovery in tandem with the stabilisation of the economy. The Group is optimistic about the potential opportunity for new energy vehicles (NEV) in Sri Lanka, and envisages the NEV business to be a key driver of growth to the industry group, once the business commences operations.

### Key risks, trends and opportunities relevant to the industry group:

#### Risks



- Macroeconomic and political environment\*
  - Changes in regulatory environment
- Supply chain disruptions\*
- Financial exposure\*, in particular exchange rate volatility
- Climate risks\*
  - Increasingly volatile weather patterns impacting crops and fresh produce
- Global competitiveness\* and evolving preferences
  - Strong competition at the entry-level market for Office Automation
- Human resources and talent management\*
- Environment and health & safety\*
- Information technology\*
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

#### Trends and Opportunities



- Expansion of the Private label range of the Supermarket business, given the affordable, value-for-money proposition
- Sustained demand witnessed for offerings provided through the extended format outlets of the Supermarket business
- Demand for online shopping
- Shift in consumer behaviour towards more energy efficient alternatives
  - Increase in demand for office automation products powered using renewable energy
  - Higher demand for energy-efficient vehicles

### Immediate to Short-Term

#### Supermarkets

#### Demand and supply dynamics and shopping trends:

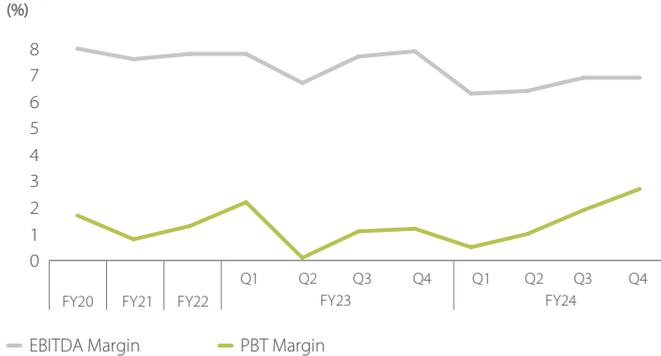
- Anticipates sustained consumer spend given the nature of the business, as consumer baskets primarily consist of essential goods, personal care products, and everyday household items.
- Witnessed a sustained increase in footfall during the year under review, despite the challenging operating environment demonstrating the continued potential for higher penetration in certain customer segments. This is envisaged to continue, with performance driven primarily by a growth in footfall in the short-term.
- 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 consumer shopping baskets in line with trends witnessed in the previous two years.
  - The increase in value added tax (VAT) from 15% to 18% effective 1 January 2024, coupled with the removal of VAT exemptions on several items such as dairy, tea, coconut, oil and eggs has had a considerable impact on prices. This may continue to impact spending on non-essential items in the backdrop of the increase in direct taxes in the prior year.
- The conversion from general trade to modern trade is also expected to continue, given the ability of modern trade outlets to ensure better availability and fewer disruptions through 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.
- The private label portfolio will be further diversified across product tiers, with ventures already made into new categories as well as the reinstatement of certain categories which were previously discontinued due to economic challenges. The private label portfolio aims to provide customers with better choice and 'value for money', both of which are important decision drivers for consumers, particularly at this juncture.
- Emphasis will be placed on leveraging 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.

#### Costs, margins and supply chain management:

- The state-of-the-art distribution centre (DC) is an integral part of the operations of the business as it is pivotal in managing supply chain disruptions and ensuring the outlets are supplied in the most optimum and efficient manner. The DC is expected to significantly contribute to process and operational efficiencies, enabling better visibility of the supply chain and reducing stock holding costs.
- The shift in weather patterns coupled with the severity of extreme weather conditions, may pose significant challenges to the supply of fresh produce. The business will continue to monitor such changes in a bid to proactively respond and manage the fresh inventory to the extent possible.

- The recent reduction in electricity tariffs will further benefit the business in the short-term. Power and energy costs remains a key components of the business's cost structure.
- The continued reduction in inflationary pressures and interest rates is expected to aid the business in managing its costs and retaining steady margins going forward.
- Emphasis will also be placed on cost optimisation and working capital management.

#### Margins of the Supermarket Business



#### Outlet expansion:

- Although 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. Additionally, construction costs are anticipated to gradually reduce with the stabilisation of the economy.
- The business will continue to carefully evaluate and monitor the expansion of its outlet footprint in the short-term to ensure that expected returns are achieved, considering the investment required for each outlet.
- Mature outlets of its footprint, which have the ability to scale up with an expanded offering, will also be identified and upgraded.

#### Determining whether an outlet should be Standard or Extended

The Supermarket business leverages on a standard or extended format depending on the maturity of the market. The concept of the extended format for select 'Keells' outlets, is aimed at enhancing the overall customer experience through best-in-class retail technological solutions and a wider offering.



Refer Page 159 for offerings.

The selection of an extended 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 format is opened immediately, without first having an existing outlet to build upon.

It is pertinent to note that despite the additional investment associated with the conversion of the standard format outlet to the extended format, the payback on these investments based on incremental performance is attractive.

#### Managing stakeholders:

- The business will continue to prioritise transparent communication with customers and active engagement with suppliers and other stakeholders to ensure a continually functioning supply chain.
- The high attrition in the business, which is an industry norm, is a key focus area and various interventions to attract and retain staff will be rolled-out, including in ensuring a diverse workforce.

#### Advanced analytics:

- 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

- The performance of the Office Automation business is envisaged to continue its recovery in tandem with the improvement in economic conditions.
- Key downside risks stem from lacklustre growth in consumer discretionary spending, which is lower than expectations, which may have implications on the demand for mobile phones and office automation products.
- Parallel imported products could further increase the already significant share of the mobile sales market, unless regulated, which have implications on Government revenue and performance of the formal market.

#### New Energy Vehicles (NEV)

- The NEV business aims to capitalise on the growing demand for NEVs in the automotive industry. Leveraging BYD's expertise and technological advancements, the new venture will import and distribute BYD vehicles in the Sri Lankan automobile market.
- Focus is also being placed on creating the necessary eco-system required for the NEV business, by optimising the 'Keells' outlet network and other locations of the Group's businesses across the country. Discussions and preparations under underway with key stakeholders on setting up the preliminary requirements to commence operating, once the import restrictions on passenger vehicles are eased.
- Capital investment requirements are anticipated to be minimal initially, with investments primarily allocated for the development of showrooms and service stations.
- The Government has appointed a committee to evaluate the case to lift import restrictions imposed on vehicles. The Ministry of Finance has indicated that plans are underway to ease vehicle import restrictions, subject to conditions, by end-2024/early-2025. As a part of this phased relaxation, the Government commenced providing exemptions in CY2023 for sectors such as health and tourism.

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### Medium to Long-Term

#### Supermarkets

Prospects for the modern trade industry in Sri Lanka remain 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.



The Supermarket business will continue to focus on its 'fresh' promise.

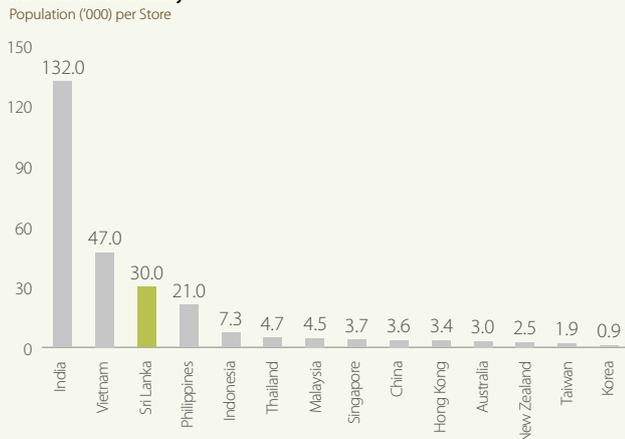
Prospects for the modern trade industry in Sri Lanka is promising, given the low penetration of modern trade outlets in the country.

#### Modern Retail Penetration



Source: Company Analysis

#### Modern Trade Density



Source: Retail and shopper trends in the Asia Pacific, AC Nielsen

The strategic priorities of the Supermarket business:

- 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.
- Continually expanding its footprint to capitalise on the envisaged growth of the modern trade industry given its low density and penetration levels. Although online sales contribution is expected to increase, consumer behaviour suggests an inclination to shop at physical stores, which will continue to drive growth looking further ahead.
  - Expansion in the medium-term would be aimed at both urban and suburban areas, timing such expansion plans based on the macroeconomic landscape and the maturity of these markets.

- Emphasis will primarily be on expansion through the standard outlet format, which optimises capital expenditure and operational costs until such time these earmarked markets mature. The business will also evaluate opportunities to grow the extended outlet format.
- Key challenges include securing lease of land plots in prime locations which are in conformity with brand specifications.
- Further augmenting the DC in Kerawalapitiya with the business's expansion plans, particularly given its ability to cater to the number of outlets well beyond the medium-term. As outlined above, the operation of the 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.
- 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.
- Continued emphasis will also be placed on higher private label penetration, through diversification across product tiers, in order to enhance customer choice and drive margins.

#### 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 business will continue to:

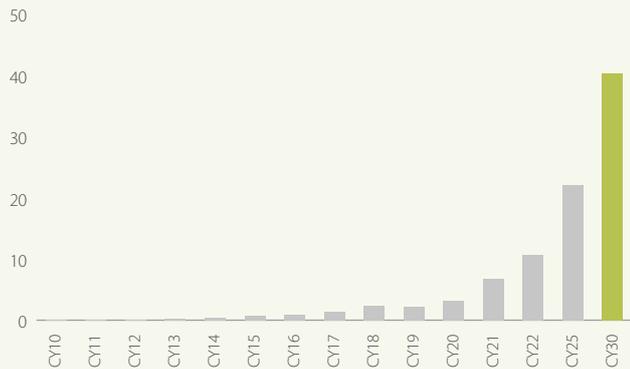
- Expand its presence in the market in line with the envisaged growth, whilst leveraging on its portfolio of world-class brands and distribution network.
- Leverage on its brand equity to ensure a continued supply of mobile phones into the market at varying price points, aimed at different market segments, thereby strengthening its position in the mobile phone market.
- Place emphasis on improving productivity and efficiency in its sales and aftercare operations to ensure high quality customer service. Focus will also be placed on a range of initiatives aimed at digitising the supply chain to consolidate its operations and improve productivity.

## New Energy Vehicles

The Group is confident of the opportunity for growth in electric vehicle sales as evident by the performance of the industry since 2010.

**Global electric vehicle sales have recorded steady upward growth from 2010 to 2022 and are projected to boom during the second half of the ensuing decade**

**Worldwide Electric Vehicle Sales\***  
(Millions)



\*Electric vehicle sales include cars, buses, trucks and vans

Source: International Energy Agency (IEA): Global EV Data Explorer

- The Group's partnership with BYD Auto Industry Company Limited, the world's leading manufacturer of new energy vehicles (NEV), to provide cutting-edge and eco-friendly vehicles to the Sri Lankan market, is expected to be the next engine of growth for the industry group.
- BYD has achieved remarkable expertise in core technologies of the entire industrial chain of NEV, including batteries, electric motors, and electronic controllers. BYD also stands out as the sole producer of NEV globally that has independently developed its powertrain systems, power batteries, drive motors, and motor controller systems.
- This collaboration enables the Group to offer a range of advanced, eco-friendly passenger vehicles in Sri Lanka, furthering the Group's mission to integrate eco-conscious with diverse lifestyles and making 'electric vehicles' the 'essential vehicle' in people's daily lives. The prospect for contributing towards a more environmentally friendly and energy efficient alternative, which will support the country, is in alignment with the Group's sustainability agenda.

# INDUSTRY GROUP REVIEW



## LEISURE

### Cinnamon Hotels & Resorts

#### City of Dreams Sri Lanka\*

The first fully-fledged integrated resort in the whole of South Asia.

- 'Cinnamon Life', a luxurious 687-key hotel which includes 3 ballrooms, 7 meeting rooms, an exhibition hall and a conference hall managed by Cinnamon Hotel Management Limited.
- 'Nuwa', a 113-key ultra high-end luxury-standard hotel, managed by Melco Resorts & Entertainment (Melco).
- ~500,000 sq. ft. retail and entertainment space.
- Lease of 180,000 sq. ft. for a luxury-standard casino operated by Melco Resorts and Entertainment.

#### Colombo Hotels

- Two luxury star class hotels:
  - 'Cinnamon Grand Colombo' - 501 rooms.
  - 'Cinnamon Lakeside Colombo' - 346 rooms.
- 'Cinnamon Red Colombo', a select service hotel in Colombo - 243 rooms.
- 24 restaurants across the three properties.

#### Sri Lankan Resorts

Resorts spread across prime tourism 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.

\*City of Dreams Sri Lanka' was previously branded as 'Cinnamon Life Integrated Resort'. The two residential apartment towers and the office tower within these precincts are captured under the Property industry group review.

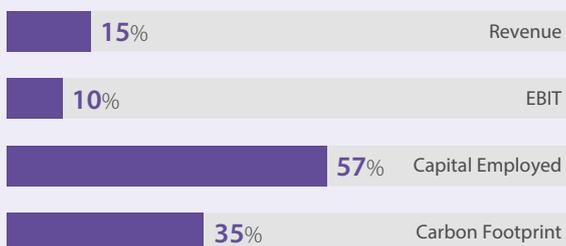
#### Hotel Management

- 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



		2023/24	2022/23	2021/22
<b>Operational Highlights</b>				
Colombo Hotels <sup>1</sup> - ARR	USD	78	64	70
Occupancy	%	60	42	29
Sri Lankan Resorts - ARR	USD	79	65	78
Occupancy	%	68	41	32
Maldivian Resorts - ARR <sup>2</sup>	USD	275	255	272
Occupancy	%	86	88	75
<b>Financial and Manufactured Capital</b>				
Revenue <sup>3</sup>	Rs.million	48,167	39,859	18,962
EBITDA	Rs.million	9,157	8,560	3,890
PBT	Rs.million	3,411	(430)	(1,281)
PAT	Rs.million	2,715	(354)	(1,302)
Total assets	Rs.million	375,724	364,081	121,567
Total equity	Rs.million	243,741	220,207	59,539
Total debt <sup>4</sup>	Rs.million	90,826	102,439	28,634
Capital employed <sup>5</sup>	Rs.million	354,117	345,455	110,782
<b>Natural Capital</b>				
Energy consumption	kWh	52,201,077	47,783,233	43,000,422
Energy consumption per operational intensity factor	kWh per Rs.million	1,014.78	1,110.39	2,088.01
Carbon footprint	MT	40,780	37,285	32,018
Carbon footprint per operational intensity factor	MT per Rs.million	0.79	0.87	1.55
Water withdrawal	m <sup>3</sup>	1,141,711	1,033,312	793,025
Water withdrawal per operational intensity factor	m <sup>3</sup> per Rs.million	22.19	24.01	38.51
Volume of hazardous waste generated	kg	3,012	2,918	12,803
Volume of non hazardous waste generated	kg	2,792,065	2,876,753	2,208,097
Waste generated per operational intensity factor	kg per Rs.million	54.34	66.92	107.84
<b>Human Capital</b>				
Total Workforce (employees and contractors' staff)	No.	5,042	6,280	5,732
EBIT per employee	Rs.million	1	1	0
Average training per employee	hours	61.08	45.42	41.19
Total Attrition	%	27.8	24.2	23.1
Females employee	%	16.3	15.1	12.9
Total injuries	No.	54	27	21
<b>Social and Relationship Capital</b>				
Community Services and Infrastructure Projects <sup>6</sup>	Rs.'000	15,076	-	974

1. Both Occupancy and ARRs exclude 'Cinnamon Red Colombo'.

2. Net of green tax and allocation (F&B charge).

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

4. Excludes lease liabilities.

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

6. Only the contribution to John Keells Foundation.

## External Environment and Operational Review

### Macroeconomic Update – Sri Lanka

- Sri Lanka's cumulative tourist arrivals for the calendar year 2023 reached close to 1.5 million arrivals, broadly in line with the target of the Sri Lanka Tourism Development Authority (SLTDA). Arrivals for the month of December 2023 crossed 200,000 for the first time since CY2019, and the momentum was sustained in the first quarter of CY2024, as illustrated below. The financial year 2023/24, witnessed the strongest winter season since the Covid-19 pandemic.
- Although below pre-pandemic and the peak levels in CY2018, arrivals are expected to be over the target of 2.3 million for CY2024, facilitated by the increased air connectivity to the country and the anticipated commencement of a concerted destination marketing campaign.
  - Tourist arrivals to Sri Lanka stood at 1,487,303 for CY2023, marking a twofold increase against the previous year [CY2022: 719,978 arrivals].
  - Total arrivals from January to April 2024 crossed over 784,000, which is ~90% of the arrivals recorded in the same period of CY2018.
  - Key source markets driving arrivals during CY2023 were India, followed by Russia, the United Kingdom and Germany.
  - For 2023/24, tourist arrivals stood at 1,787,408, against the 770,323 arrivals recorded in 2022/23.

#### Tourist Arrivals to Sri Lanka

Arrivals ('000)



Source: Sri Lanka Tourist Board

- Flight connectivity to Sri Lanka has improved from pre-pandemic levels with some carriers further increasing the number of flight frequencies. A total of 42 airlines operated in Sri Lanka prior to the pandemic, and in CY2023 the total airlines operating in Sri Lanka reached pre-pandemic levels. The improved connectivity and higher frequencies of airlines operating to the country, can significantly boost arrivals by improving capacity and possibly reducing the cost of travel as well.

- The industry recorded total tourism earnings of USD 2.07 billion in CY2023 [CY2022: USD 1.14 billion].
- Hotel room pipeline of Colombo:
  - In April 2024, the ITC Hotel Group, India, opened 'ITC Ratnadipa' in Colombo, a luxury five-star hotel featuring 352 rooms.
  - The 687 room hotel at the 'City of Dreams Sri Lanka' and the 345 room 'InterContinental' hotel are due to be opened in 2024/25. The 113 room ultra high-end luxury-standard hotel at the 'City of Dreams Sri Lanka' is due to be opened in mid-2025.

### Key Policy and Regulatory Highlights

- The value added tax (VAT) rate was increased from 15% to 18% with effect from 1 January 2024.
- SLTDA published an Extraordinary Gazette stipulating the minimum room rates (MRRs) to be charged by tourist hotels located within the limits of the Colombo Municipal Council, effective from 1 October 2023.
  - Rates (excluding service charges and taxes) based on establishment:
    - 5-star tourist hotels – USD 100
    - 4-star tourist hotels – USD 75
    - 3-star tourist hotels – USD 50
    - 2-star tourist hotels – USD 35
    - 1-star tourist hotels – USD 20

As per the Minister of Tourism, the MRR is expected to be removed from 31 May 2024.

- Electricity tariffs for industry sectors were increased, on average, by ~40% and ~12%, in February and October 2023, respectively, and subsequently revised downwards by ~9% in July 2023, in line with the cost reflective pricing mechanism that was adopted to reduce the cost of subsidies provided by the Government. Tariffs were subsequently revised downwards by ~18%, on average, in March 2024.

### Destination recognition for Sri Lanka

- Listed as one of the '10 Most Popular Solo Travel Destinations For 2024' by Forbes Magazine.
- 'Pekoe Trail' was listed as the National Geographic's best covered 'Best of the World for 2024' and recognised by the British Guild of Travel Writers at the International Awards UK.
- Recognised as one of the best destinations to travel to in 2023 and as one of the best tourist hotspots by The Independent.
- Ranked among the 'Top 24 Countries to Travel in 2023' by Travel Triangle.

### Cinnamon Hotels & Resorts

The tourism industry in Sri Lanka witnessed a strong recovery during the year under review, driven by a sustained growth momentum in tourist arrivals and the normalising of the economy post the multitude of challenges faced over the past four consecutive years. Sri Lanka's cumulative tourist arrivals for CY2023 reached close to 1.5 million, broadly in line with the SLTDA arrival target. Arrivals for each of the months from December 2023 – March 2024 crossed 200,000 for the first time since 2019, recording the strongest winter season since the pandemic.

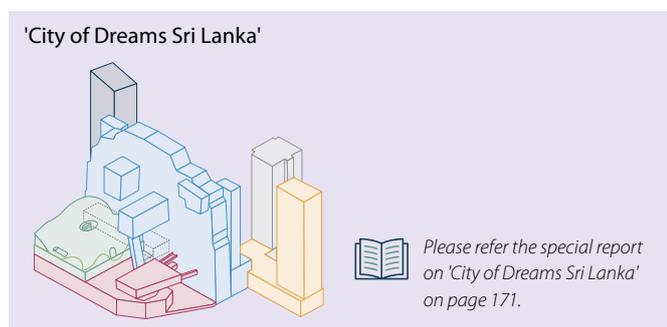
Despite the strengthening of the Rupee towards the latter part of the year, Sri Lanka continues to be a relatively cost-effective tourist destination for travellers given that the value of the Rupee is still much lower in comparison with the rate a few years ago coupled with value proposition of its diverse landscape and unique offerings which has helped rank Sri Lanka as one of the top tourism destinations in the world. With international tourism levels expected to exceed pre-pandemic levels in CY2024, as per the United Nations World Tourism Organisation, Sri Lanka's arrivals are expected to sustain the growth momentum witnessed in 2023. In line with the industry, the Sri Lankan leisure businesses of the Group witnessed an encouraging recovery categorised by increased occupancies and ARRs across most properties, especially during the winter season.

# INDUSTRY GROUP REVIEW

## LEISURE



'City of Dreams Sri Lanka'.



Please refer the special report on 'City of Dreams Sri Lanka' on page 171.

### Colombo Hotels

The Colombo Hotels segment recorded a strong improvement in performance, with an increase in both occupancy and room rates on the back of a sustained recovery in tourist arrivals to the country. This recovery translated into increased revenue per available room (RevPAR) in line with the growth in occupancies. The Colombo Hotels segment was further supported by a strong performance in food and beverage operations driven by an increase in both the number of covers and the number of events and banquets. Foreign business travel including meetings, incentives, conferences and exhibitions (MICE) events also witnessed a recovery during the year.

In October 2023, a minimum room rate (MRR) stipulation was introduced for hotel properties in the city of Colombo with the aim of improving yields and the overall price positioning of Colombo. This resulted in an improvement in the average room rate from the second half of the year, although overall occupancies were marginally impacted except during the peak months of December and January.

Colombo Hotels	2023/24				2023/24	2022/23
	Q1	Q2	Q3	Q4		
Average Room Rate (USD)	70	69	88	84	78	64
Occupancy (%)	49	67	57	67	60	42

Note:

- Both average room rates (ARRs) and occupancy excludes 'Cinnamon Red Colombo'.
- The business operated only 242 rooms of 'Cinnamon Grand Colombo' during the year, and the indicators reflected above are on a base of 242 operational rooms.

During the year, margins were impacted by higher staff costs due to increases in salaries and enhanced levels of operations in comparison to the previous year. The significant rise in electricity costs due to the increase in electricity tariffs also negatively impacted margins. The margins will benefit from an improvement in energy costs in 2024/25 due to the downward revision of electricity tariffs. It should be noted that, margins are tracking towards peak levels in 2018/19, supported by improved rates and occupancies.

For a detailed discussion, refer the Outlook and Risks section of the report on page 107.



### AWARDS

- 'Cinnamon Grand Colombo' received Gold for the 'Leading Food and Beverage Hotel of South Asia 2023' at the South Asia Travel Awards (SATA) 2023.

### Sri Lankan Resorts

Similar to the Colombo Hotels segment, the Sri Lankan Resorts segment recorded a significant improvement in performance, with an increase in occupancies and room rates across properties, on the back of a sustained recovery in tourist arrivals to the country. The beach resorts, in particular, recorded an encouraging performance. Revenue per available room (RevPAR) improved in line with the growth in occupancies.

Sri Lankan Resorts	2023/24				2023/24	2022/23
	Q1	Q2	Q3	Q4		
Average Room Rate (USD)	59	62	80	106	79	65
Occupancy (%)	55	71	66	81	68	41

Similar to the Colombo Hotels segment, the Sri Lankan Resorts faced pressure on margins due to increases in staff and electricity costs. However, in line with the increase in arrivals, which resulted in higher occupancies and ARR, margins recorded a significant improvement in the second half of the year.

**"The Colombo Hotels segment recorded a strong improvement in performance, with an increase in both occupancy and room rates on the back of a sustained recovery in tourist arrivals to the country."**



## AWARDS

- 'Cinnamon Lodge Habarana' was awarded 'Sri Lanka's Leading Resort' at the World Travel Awards.
- South Asian Travel Awards (SATA) 2023:
  - 'Cinnamon Wild Yala' received Gold for 'Leading Wildlife Lodge – Tented Camp'.
  - 'Cinnamon Citadel Kandy' received Silver for 'Leading Riverfront Hotel/Resort'.

## Macroeconomic Update – The Maldives

- The gross domestic product (GDP) of the Maldives is projected to increase by 8.7% during CY2023 [CY2022: 13.9%].
- The Maldives recorded a 12% increase in arrivals with a total of 1.9 million tourist arrivals in CY2023, in comparison to the 1.7 million arrivals in CY2022, which surpasses pre-pandemic levels observed in CY2019 of 1.7 million arrivals.

### Tourist Arrivals to the Maldives

Arrivals ('000)



- Key source markets driving arrivals during CY2023 were India, followed by Russia, China, the United Kingdom and Germany.
- Occupancy rates at tourist establishments by type:

%	CY2023	CY2022
Resort	66	71
Hotel	35	36
Guest houses	43	31
Tourist vessels	24	24
<b>Average occupancy</b>	<b>58</b>	<b>59</b>

Source: Ministry of Tourism - Maldives

- The momentum in arrivals continued between January and April 2024 with over 770,000 tourists visiting the Maldives during this period. This translates to a 12% growth against the comparative quarter [January to April 2024: 688,285 tourist arrivals].
- The construction of the new international passenger terminal at the Velana International Airport is scheduled to be completed in CY2024.

## Maldivian Resorts

During the year under review, performance of the Maldivian Resorts segment was encouraging as occupancies and ARR's drove profitability particularly in the second half of the year in tandem with peak arrivals during the winter season. The appreciation of the Sri Lankan Rupee by ~11% on average in 2023/24 had an offsetting impact on performance especially during the fourth quarter, which is the period the business commanded the highest ARR.

Occupancy levels of the Maldivian Resorts segment were lower in comparison to the previous year given a change in the mix of the overall arrivals to the Maldives, where arrivals from source markets with higher yields were lower. While higher volumes into the guest houses also impacted business, to an extent, this was limited to the off-season period. It is encouraging to note that occupancies of the Maldivian Resorts segment outperformed the industry average occupancy of 67% in 2023/24, although the industry average comprises of all resorts at varying segments as well.

During the year, the Maldivian tourism industry faced cost pressures stemming from a higher cost base as a result of the increase in taxes, such as the goods and services tax (GST), and escalating staff costs in comparison to the previous financial year.

Despite the increase in ARR's, margins were impacted by lower occupancy levels in the first half of the year. A significant recovery was seen in the second half of the year as occupancies increased coupled with the decrease in fuel costs during the year.

Maldivian Resorts	2023/24				2023/24	2022/23
	Q1	Q2	Q3	Q4		
Average Room Rate (USD)*	235	212	282	362	275	255
Occupancy (%)	82	82	88	90	86	88
Average LKR/USD exchange rate	310	322	323	313	318	360

\*Net of green tax and allocation (F&B charge).



'Cinnamon Velifushi Maldives'

# INDUSTRY GROUP REVIEW

## LEISURE



### AWARDS

#### 'Cinnamon Dhonveli Maldives'

- Awarded 'Quality Hotel' at TUI Global Hotel Awards 2024.
- 'Most Popular Hotels Worldwide Award 2024' by Holiday Check.
- Received Gold for 'Leading Surf Hotel/Resort' at South Asian Travel Awards (SATA) 2023.

#### 'Ellaidhoo Maldives by Cinnamon'

- Awarded 'Quality Hotel' at TUI Global Hotel Awards 2024.
- 'Most Popular Hotels Worldwide Award 2024' by Holiday Check.
- Received the 'Red Star Quality Award 2023' by DER Touristik Deutschland.

#### 'Cinnamon Hakuraa Huraa Maldives'

- Received 'Tripadvisor Travellers' Choice 2023' award.
- Recognised amongst the 'Top 100 Hotels 2024' at TUI Global Hotel Awards.
- Recognised amongst the 'Top 100 World Best Hotels 2023' at Starway Tourism Awards by Coraltravel.

### Hotel Management

During the year under review, a global contact centre was established to centralise customer communication and distribution channels were further strengthened by setting up global sales offices in key source markets.

The following 'Cinnamon' events were carried out during the year.

'Cinnamon Bentota Beach' was the venue partner for 'The Gem Sri Lanka Trade Fair' organised by the Chinafort Gem and Jewellery Traders Association (CGJTA) which was the largest trade event to be held out of Colombo post the Covid-19 pandemic and economic crisis. The event increased the visibility and awareness of the 'Cinnamon' brand and 'Cinnamon Bentota Beach', both locally and internationally.



Master Table with Gary Mehigan - Gary Mehigan, one of the former judges of MasterChef Australia hosted a series of curated events at 'Cinnamon Grand Colombo'.



FACETS



Motor surf Continental Cup Asia

'Cinnamon Hotels & Resorts' in partnership with Gold Coast Films hosted the inaugural 'Social Creator of the Year Awards' (SCY AWARDS) in 2023, with Sri Lanka selected as the esteemed venue for its international debut. The event showcased the vibrant landscape of Indian social media culture, while promoting Sri Lanka as a tourism destination. The campaign, supported by Sri Lankan Airlines and Sri Lanka Tourism positioned the island nation as an alluring haven, encapsulating the essence of a 'Home away from home' for Indian travellers.

### Destination Management

The Destination Management segment also witnessed a recovery during the year in tandem with the growth in tourist arrivals. This growth was further boosted by the initiatives undertaken to manage operational costs, particularly through the implementation of a central purchasing unit, which provided synergies through scale, a central operational support unit to standardise and improve efficiency of the back-office function. As part of the digital roadmap, the 'driver extranet' platform was launched as an industry first initiative. This enabled drivers and guides to interact with the company more efficiently by using the online platform, thereby eliminating the need for physical presence for tasks such as tour settlements. 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. Walkers Tours also extended its Eastern Europe and cruise marketing strategies and increased the number of representatives in tourist originating markets to expand its reach. The direct booking platform for the business to business (B2B) helped expand distribution by adding a new digital channel. Whittall Boustead Travel engaged in a destination marketing campaign with Kuoni and Sri Lankan Airlines in select European markets, creating awareness and positive momentum for this segment.

## 'City of Dreams Sri Lanka'

The year 2024 marks a significant culmination of events for the Group's iconic integrated resort, which has been under construction over the last decade.

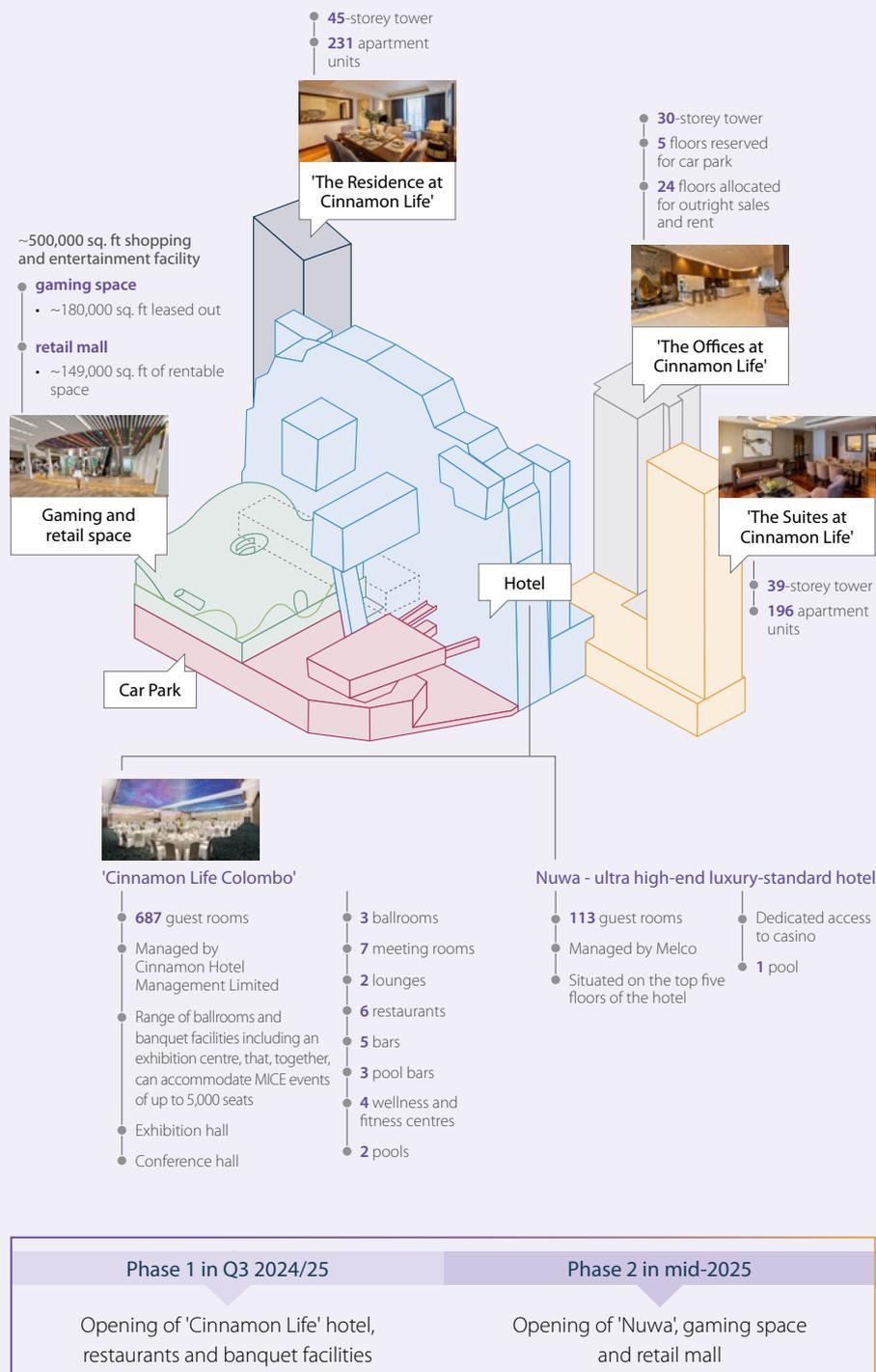
Being the largest and most ambitious private sector investment in the country at an investment of over USD 1 billion, the Group announced its partnership with Melco Resorts & Entertainment Limited (Melco).

As part of the collaboration between JKH and Melco, the integrated resort, which had previously been branded as 'Cinnamon Life Integrated Resort', will be rebranded as 'City of Dreams Sri Lanka'. 'City of Dreams' is the flagship integrated resort brand of Melco.

'City of Dreams Sri Lanka' 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 complementing this multifaceted iconic development while providing significant growth opportunities and positive financial impact for the Group.

### Offering and completion timelines:

'City of Dreams Sri Lanka' will encompass a luxurious 687-key hotel branded as 'Cinnamon Life', which will comprise of many specialty restaurants and a range of ballrooms and banquet facilities including an exhibition centre, that, together, can accommodate meetings, incentives, conferences, and exhibitions (MICE) events of up to 5,000 seats which will be managed by Cinnamon Hotel Management Limited (CHML). 'City of Dreams Sri Lanka' will also include a 113-key exclusive hotel and an ~500,000 square foot retail and entertainment facility, including the gaming operations. The property is also complemented by two residential apartment towers and an office tower with ample car parking.



Note: The construction of the two residential apartment towers and the office tower of 'City of Dreams Sri Lanka' are complete and occupied.



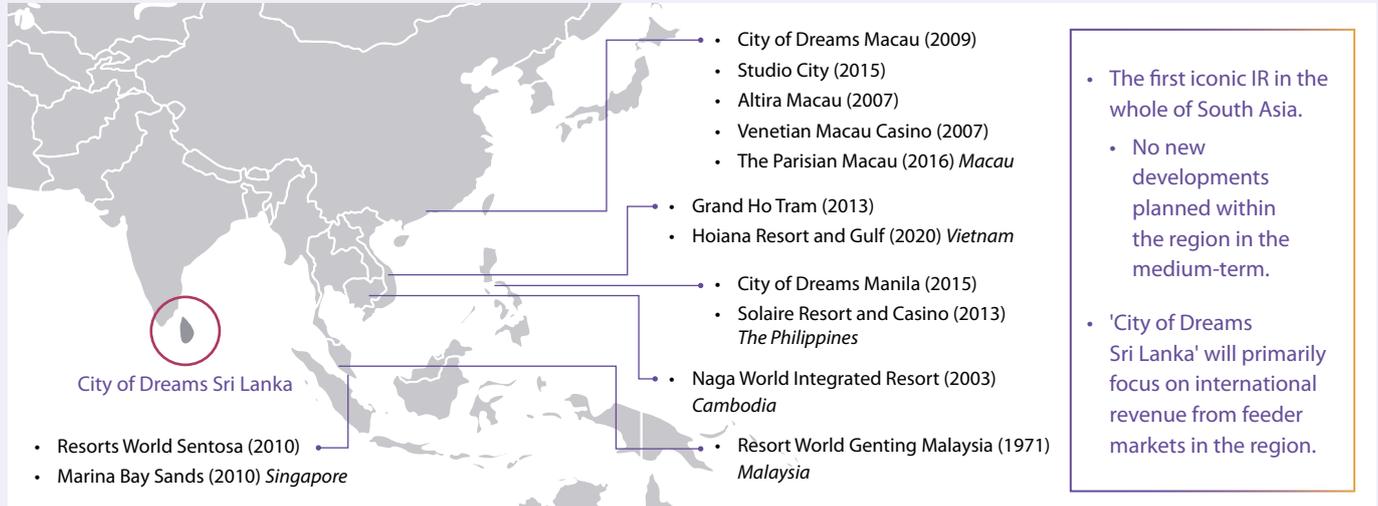
Refer the Property industry group review for a detailed discussion of construction progress - page 183

# INDUSTRY GROUP REVIEW

## LEISURE

'City of Dreams' is the flagship integrated resort brand of Melco. 'City of Dreams Sri Lanka' will be the first fully-fledged integrated resort in the whole of South Asia and is expected to create an upsurge in tourism, foreign exchange earnings and employment generation in the city of Colombo, similar to other cities that have opened iconic integrated resorts of this nature.

### First fully fledged Integrated Resort (IR) in South Asia:



Note: List of IRs captured in the above is not exhaustive.

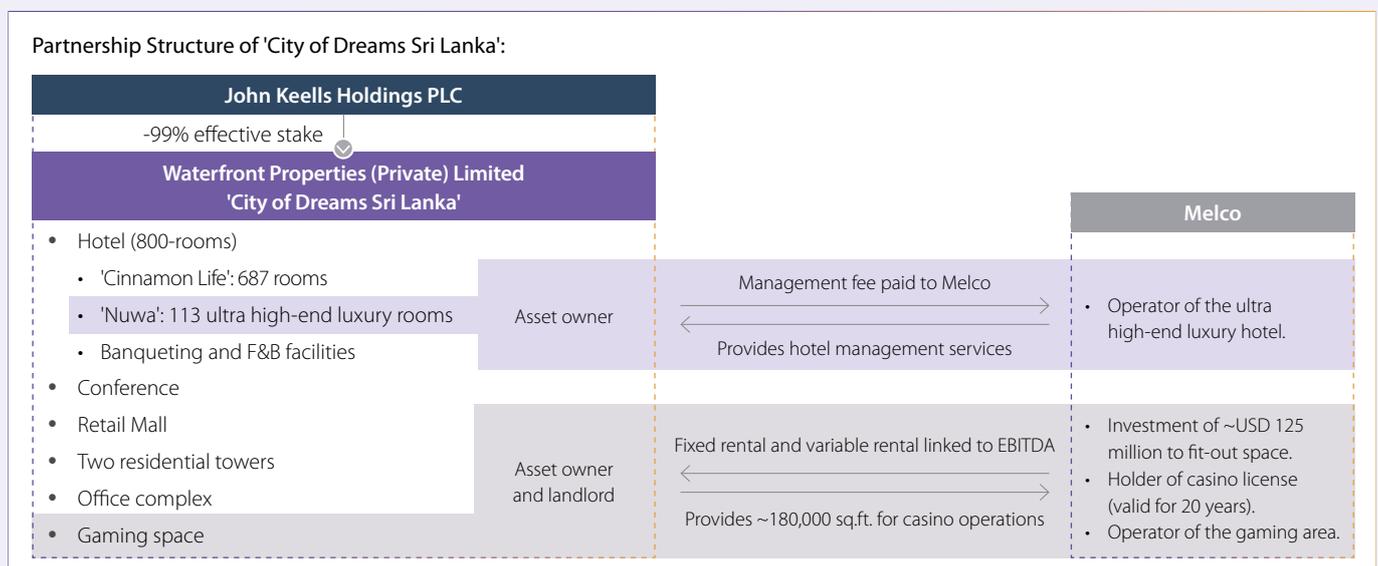
### Introduction to Melco Resorts and Entertainment Limited

Melco is an owner, operator and developer of award-winning integrated resorts around the world with hotels and casinos in Macau, the Philippines and Cyprus. Melco's properties include 13 luxury hotels with ~6,300 hotel rooms, MICE facilities, internationally recognised shows and events, and over 1.2 million square feet of gaming areas. Founded in 2004, Melco is listed on the NASDAQ with a market capitalisation of ~USD 3.5 billion as at May 2024 [pre-pandemic (December 2019) market capitalisation was ~USD 11.5 billion], with over 20,000 employees.

### Structure of the Partnership

As envisaged, the structure of the gaming operations at the integrated resort owned by Waterfront Properties (Private) Limited (WPL), will be such that Melco will invest in the fit-out of the casino and lease ~180,000 square feet from WPL, in its capacity of owner and landlord, to operate the casino within 'City of Dreams Sri Lanka'. A wholly-owned locally incorporated subsidiary of Melco has been awarded a license from the Government of Sri Lanka for a period of 20 years, under the stipulated criteria, to operate a casino at the integrated resort.

The 113-key exclusive hotel, situated on the top five floors of the integrated resort, will be managed by Melco under its ultra high-end luxury-standard hotel brand 'Nuwa', which has presence in Macau and the Philippines. Melco's ultra high-end luxury-standard hotel and casino, together with its global brand and footprint, will strongly complement the MICE, entertainment, shopping, dining and leisure offerings in the 'City of Dreams Sri Lanka' integrated resort, establishing it as a one-of-a-kind destination in South Asia and the region.



## Outlook

The collaboration with Melco, including access to the technical, marketing, branding and loyalty programmes, expertise and governance structures, will be a boost for not only the integrated resort of the Group but a strong show of confidence in the tourism potential of the country. The convergence of all elements in the launch of 'City of Dreams Sri Lanka' will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand, foreign exchange earnings for Sri Lanka and generating employment while ensuring the synergies emanating from the various elements of the integrated resort, including the 'Cinnamon Life' hotel and its related facilities, will contribute towards ensuring the commercial aspects of the project are optimised.

The opening of integrated resorts and gaming facilities has aided other countries to accelerate their tourism momentum, supporting destinations directly with increased occupancy, higher rates and foreign exchange inflows, in addition to indirectly benefiting the country's development through employment creation, among others.

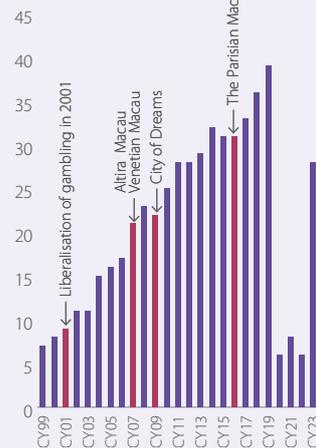
### Opening of Integrated Resorts have been a Key Driver of Tourism

#### Singapore (Millions)



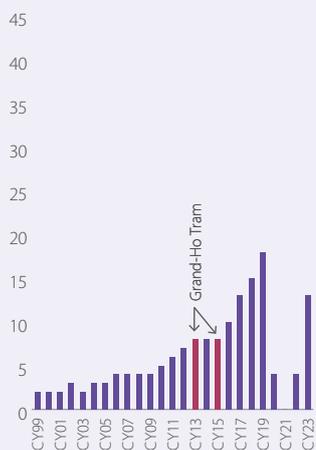
Source: Department of Statistics Singapore.

#### Macau (Millions)



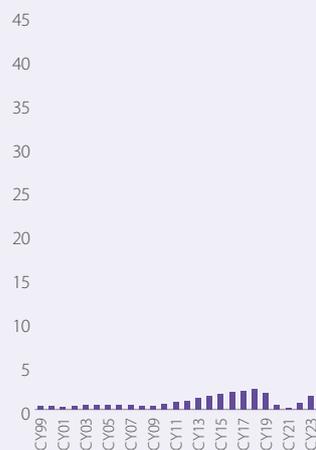
Source: Government of Macao Special Administrative Region - Statistics and Census Service.

#### Vietnam (Millions)



Source: World Bank.

#### Sri Lanka (Millions)



Source: Sri Lanka Tourism Development Authority.

\* The graphs illustrated show some of the key IRs in these jurisdictions and is not an exhaustive list.

Strong positive correlation between gaming revenue and the number of tourist arrivals, highlighting the potential for 'City of Dreams Sri Lanka' as a transformative development in South Asia and its ability to be a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka.

### Marina Bay Sands (MBS) – Singapore Gaming Space: 162,000 sq.ft.

#### Casino Revenue vs No. of Tourist Arrivals (USD Mn) (No. Mn)



Note: Operations were only for 8 months in 2010.

Sources: Department of Statistics Singapore, Las Vegas Sands Corp annual reports

### Solaire Resort & Casino – The Philippines

#### Gross Gaming Revenue (GGR) vs. No. of Tourist Arrivals (USD Mn) (No. Mn)

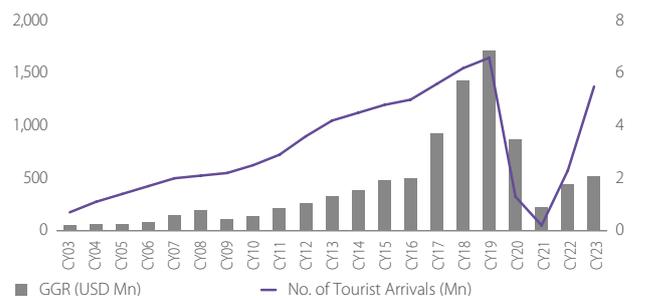


Note: Operations were only for 9.5 months in 2013.

Sources: Republic of the Philippines Department of Tourism, Bloomberry Resorts Corporation annual reports

### NagaWorld Integrated Resort – Cambodia

#### GGR vs No. of Tourist Arrivals (USD Mn) (No. Mn)



Note: Commenced operations in 1995 on a boat and moved to its current land-based facility in 2003.

Sources: Ministry of Tourism of Cambodia, NagaCorp annual reports

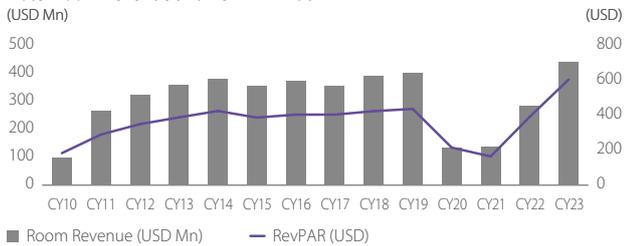
# INDUSTRY GROUP REVIEW

## LEISURE

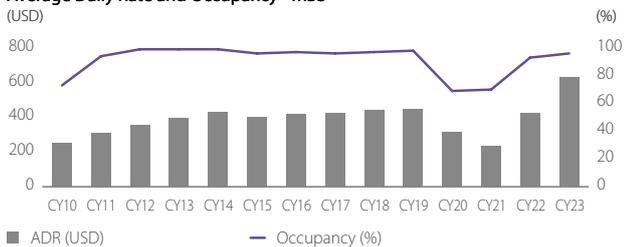
### Spillover Benefits to Hotels within Integrated Resorts

- The expectation that the two integrated resorts in Singapore would have meaningful positive impact on overall tourism, hotel occupancy and rates, in a mature market such as Singapore, demonstrates the anticipated transformational impact at the time.
- The actual performance and impact exceeded those expectations with the IRs investing significantly in expanding operations in exchange for an extension of their licenses. For a market such as Sri Lanka, where tourism is still at around 2 million arrivals, the transformational impact of an IR can be far more significant in terms of the relative impact on tourism, rates, employment and the spillover benefits to the economy.

#### Hotel Room Revenue and RevPAR - MBS



#### Average Daily Rate and Occupancy - MBS



Note: Operations were only for 8 months in 2010.

Source: Las Vegas Sands Corp annual reports

### Key Developments for the Year

#### 'Cinnamon Life' Hotel

The 687-key 'Cinnamon Life' hotel and related facilities are in the final stages of fit-out and completion, with the fit-out of over 600 of the rooms nearing completion. 'Cinnamon Life' is slated to commence operations in the third quarter of 2024/25. In April 2024, the contractors of the 'Cinnamon Life' hotel commenced the handover of the building to enable the hotel operator, 'Cinnamon Life', to complete the final stages of furnishing, equipping and other interior works for the rooms and common areas.

Given the impending commencement of operations of the 'Cinnamon Life' hotel, the business carried out various activities including participating in international trade fairs, conducting interviews and providing briefings to travel publications, and direct marketing initiatives for selected market segments to increase awareness on the hotel and its offerings. The business took part in the Arabian Travel Mart (ATM) in early May 2024 where the 'City of Dreams Sri Lanka' brand was showcased for the first time. Marking a further significant milestone, the 'Cinnamon Life' hotel commenced accepting bookings for stays and banqueting functions.

During the year under review, the business commenced the process of onboarding new employees with the requisite skills to operate 'Cinnamon Life' in line with international hospitality standards. Implementation of training and skill development platforms continued to be a key priority during the year, given the dynamic nature associated with a project of this scale and offering.

The 687-room capacity of 'Cinnamon Life' further facilitates the ability to secure large MICE events given the scale of the property in Colombo and the region.

#### Gaming

As discussed at the outset, further to the Memorandum of Understanding (MoU) with a leading international gaming operator, in April 2024, JKH announced that Melco will be the operator of the gaming facility at the 'City of Dreams Sri Lanka'.

WPL, the project company of the 'City of Dreams Sri Lanka', and Melco, have finalised all key aspects of the commercial agreements, including the rental framework commensurate with the terms of the license. Melco has carried out a significant amount of advanced design work, engineering and other construction and planning work, and based on the substantial ground work carried out and completion of the main regulatory requirement, the fit-out of the space is expected to commence shortly with operations currently expected to commence in mid-2025. Melco will also invest ~USD 125 million in the fit-out and equipping of the gaming space.

#### Retail

Given the rebranding of the integrated resort and the finalisation of the gaming operator, discussions were on hold till such time definitive disclosures could be made to the potential tenants of the retail mall. Discussions are now progressing for various offerings including experiential offerings focused on food and beverages (F&B), lifestyle and entertainment, which will complement the hotel and gaming operations.

#### Residential and Office

The sales of 'The Suites at Cinnamon Life' and 'The Residence at Cinnamon Life' stood at 65% of the total sellable area. As at 31 March 2024, ~97% of the residential units sold were handed over. 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.



Refer the Property industry group for a discussion on the residential and office components. – page 184

## Financial Performance Review

### Income Statement Indicators

Rs.million	2023/24	2022/23	%
<b>Revenue*</b>			
City of Dreams Sri Lanka**	-	-	-
Colombo Hotels	10,605	8,294	28
Sri Lankan Resorts	10,186	6,043	69
Maldivian Resorts	20,385	22,605	(10)
Destination Management	6,894	2,853	142
Hotel Management	96	63	52
<b>Total</b>	<b>48,166</b>	<b>39,858</b>	<b>21</b>

\* Including share of revenue of equity accounted investees.

\*\* Hotel, retail and gaming space are yet to commence operations.

- As discussed in the External Environment and Operational Review, the Sri Lankan Leisure businesses recorded a significant improvement in performance on the back of a recovery in tourist arrivals in 2023/24 in comparison to the previous year. The financial year also noted the strongest winter season since the pandemic. Coupled with the increase in arrivals, the Sri Lankan Leisure businesses saw an increase in revenue driven by the improvement in occupancies and average room rates (ARRs). The revenue per available room (RevPAR) for both Colombo Hotels and Sri Lankan Resorts performed well against competition.
- The revenue of the Colombo Hotels segment further improved due to the strong performance in its food and beverages and banqueting operations.
- The Maldivian Resorts segment reported a marginal increase in revenue in US Dollar terms driven by an increase in ARR, although occupancies declined. However, revenue was negatively impacted due to the translation impact stemming from the appreciation of the Rupee.
- The revenue of the Destination Management sector increased due to an increase in number of pax driven by higher tourist arrivals.
- 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	2023/24	2022/23	%
<b>EBITDA*</b>			
City of Dreams Sri Lanka	(1,063)	(523)	(103)
Colombo Hotels	1,248	580	115
Sri Lankan Resorts	1,502	73	1,958
Maldivian Resorts	6,211	7,356	(16)
Destination Management	154	(258)	160
Hotel Management	1,105	1,331	(17)
<b>Total</b>	<b>9,157</b>	<b>8,560</b>	<b>7</b>
<b>PBT**</b>			
City of Dreams Sri Lanka	2,231	(507)	540
Colombo Hotels	311	(300)	204
Sri Lankan Resorts	(299)	(1,634)	82
Maldivian Resorts	299	1,017	(71)
Destination Management	63	(147)	143
Hotel Management	805	1,142	(30)
<b>Total</b>	<b>3,410</b>	<b>(429)</b>	<b>895</b>

\*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.

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

- The primary drivers for the improvement in EBITDA were the aforementioned factors driving revenue.
- The EBITDA of 'City of Dreams Sri Lanka' includes marketing and promotional costs and staff salaries incurred in preparation for its impending 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. Excluding 'City of Dreams Sri Lanka', the Leisure industry group recorded an EBITDA growth of 19% to Rs.10.22 billion.
- During the year, margins were impacted by higher staff costs due to increases in salaries and enhanced levels of operations in comparison to the previous year. The significant rise in electricity costs due to the increase in tariffs also negatively impacted margins. The margins are expected to benefit from an improvement in energy costs in 2024/25 due to the downward revision of electricity tariffs in March 2024. It should be noted that, margins are tracking towards peak levels in 2018/19, supported by improved rates and occupancies.
- As detailed in the ensuing section, the functional reporting currency of Waterfront Properties (Private) Limited (WPL), the project company of 'City of Dreams Sri Lanka', was transitioned from USD to LKR, given the impending commencement of operations of the project. The appreciation of the LKR against the USD, subsequent to this transition, resulted in a non-cash exchange gain of Rs.3.00 billion on the USD 219 million term loan facility at WPL, which is recorded under finance income.
- In addition to the growth in revenue, the PBT of the Colombo Hotels segment benefited from the improved cash flows from operations which led to the normalisation of short-term borrowings, and, together with the impact of lower interest rates resulted in a reduction of finance costs.
- In addition to the translation impact of the appreciation of the Rupee, the Maldivian Resorts segment encountered cost pressures stemming from a higher cost base as result of the increase in taxes, such as the goods and services tax (GST), and escalating staff costs in comparison to the previous financial year. However, a significant recovery was witnessed in the second half of the year as occupancies increased coupled with the decrease in fuel costs during the year.
- At a PBT level, performance of the Maldivian Resort segment was impacted by an increase in US Dollar borrowing rates.
- The Destination Management segment recorded an increase in EBITDA further driven by efficiency initiatives taken by the business. The Hotel Management segment noted a decline due to the increase in staff and operational costs.

The recurring adjustments for 2023/24 include fair value gains/losses on investment property (IP) and the write-off of deferred tax assets brought forward from tax losses and capital allowances in previous years, as detailed in the Financial and Manufactured Capital Review. Accordingly, the recurring EBITDA of the industry group excluding the gain on IP amounted to Rs.9.06 billion, a 5% increase against the previous year [2022/23: Rs.8.60 billion]. The recurring PAT amounted to Rs.3.03 billion excluding the deferred tax asset write-off of Rs.408 million.

# INDUSTRY GROUP REVIEW

## LEISURE

### Balance Sheet Indicators

Rs.million	2023/24	2022/23	%
<b>Assets</b>			
City of Dreams Sri Lanka	250,261	235,452	6
Colombo Hotels	41,865	39,269	7
Sri Lankan Resorts	23,979	23,236	3
Maldivian Resorts	53,242	61,916	(14)
Destination Management	3,214	1,807	78
Hotel Management	3,164	2,401	32
<b>Total</b>	<b>375,725</b>	<b>364,081</b>	<b>3</b>

- Given the near completion of the construction of the 'City of Dreams Sri Lanka', capitalisation of construction costs for the hotel, retail and gaming spaces was undertaken based on the completion of the project.
- No significant capital expenditure was undertaken in the rest of the Leisure industry group, apart from maintenance related items.
- The trade receivables of the Destination Management sector increased due to enhanced operations in comparison to the previous year.
- The growth in assets of the Hotel Management segment was due to an increase in investments in associates from investments made for the development of the 215-key hotel in Kandy, jointly developed by John Keells Hotels PLC (KHL) and Indra Traders (Private) Limited and an increase in cash.

Rs.million	2023/24	2022/23	%
<b>Debt*</b>			
City of Dreams Sri Lanka	66,164	74,423	(11)
Colombo Hotels	2,230	2,051	9
Sri Lankan Resorts	7,373	7,178	3
Maldivian Resorts	13,780	17,260	(20)
Destination Management	66	262	(75)
Hotel Management	1,231	1,265	(4)
<b>Total</b>	<b>90,826</b>	<b>102,439</b>	<b>(11)</b>

\*Excludes lease liabilities.

- The decline in debt at the 'City of Dreams Sri Lanka' is due to the commencement of capital repayments on the USD 225 million term loan facility, and the translation impact from the appreciation of the Rupee. Whilst the loan is structured with a back-ended bullet repayment, USD 5.6 million was repaid during the year.
- The Colombo Hotels segment noted a stabilisation in debt levels in comparison to previous years with improved cash flow from operations and the Sri Lankan Resorts segment noted an increase in bank overdrafts given the increase in operational activity in comparison to the previous year.
- The reduction in debt at the Maldivian Resorts stemmed from a translation impact from the appreciation of the Rupee in addition to a reduction in overall debt in US Dollar terms, due to repayments.

Lease liabilities as at 31 March 2024 stood at Rs.19.55 billion [2022/23: Rs.22.81 billion], with ~97% stemming from the Maldivian Resorts segment. Total debt including leases stood at Rs.110.38 billion as at 31 March 2024 [2022/23: Rs.125.25 billion].

### Return on Capital Employed (ROCE) Analysis

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	1.0		7.3		0.13		1.06
2022/23	1.2		6.6		0.16		1.06

- The ROCE of the Leisure industry group is distorted on account of operational costs, capital and asset recognitions from the 'City of Dreams Sri Lanka' project, which is under construction with no commensurate revenue generation, thereby adversely impacting the ROCE of the industry group.
- Excluding 'City of Dreams Sri Lanka', the ROCE of the Leisure industry group was 1.3%, driven by both higher rates and volumes. However, the EBIT margin for the Maldivian Resorts declined due to the translation impact resulting from the appreciation of the Rupee as detailed above.
- During the year, Rs.19.58 billion of cash equity was infused into 'City of Dreams Sri Lanka' to finance the development costs of the project.
- As at 31 March 2024, the cumulative figures for equity infused stood at Rs.172.03 billion. The cumulative equity investment at the 'City of Dreams Sri Lanka' 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).

### Change in the functional reporting currency of Waterfront Properties (Private) Limited (WPL)

As detailed in the interim statements, in August 2023, the functional reporting currency of WPL, was changed from US Dollars (USD) to Sri Lankan Rupees (LKR) given the impending transition of the project from construction to an operational business.

Previously, under a USD functional reporting currency at WPL, all assets and liabilities of WPL were recorded in USD and matched against each other in line with the accounting standards. Post conversion to an LKR functional currency, this matching ceased to exist, as all assets and liabilities, other than the USD 225 million loan facility, USD cash and any USD denominated transactions, will be fixed in LKR as at the date of conversion. Taking a longer-term view, the overall financial performance of the Group, and WPL, will benefit from the conversion of the asset to LKR at a point of time where the LKR is relatively strong, although the currency has appreciated at the year end relative to the rate at the point of conversion.

Assuming the LKR will, on average, depreciate in the long-term, the conversion will result in a relatively lower LKR carrying cost of the asset, thereby improving the Group's capital employed and returns. It should be noted that the loan facility will mature in December 2026.

## Outlook and Risks

Tourism has been a key driver of Sri Lanka's economic growth in the past, generating significant foreign exchange earnings and employment opportunities, whilst also fostering cultural exchange and environmental conservation. It is a low-hanging fruit that has the potential to position the country as a tourism hub in the South Asian region, particularly given its geographical diversity, rich cultural heritage and proximity to two of the largest outbound travel markets in the World, India and China.

The tourism industry in Sri Lanka underwent 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 exerted significant pressure on performance. Tourism will be a key catalyst in propelling the ongoing recovery of the economy, mirroring the notable momentum and encouraging contribution witnessed in CY2023, which continued to drive economic performance quarter by quarter, and as witnessed historically.

Sri Lanka recorded 1,787,408 tourist arrivals for 2023/24, with monthly tourist arrivals from December 2023 onwards exceeding the 200,000 mark consecutively. Growth was primarily driven by arrivals from countries such as India, Russia, Germany, the United Kingdom, and Australia. 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. Additionally, although the local currency has appreciated by ~11% on average since 2022/23, Sri Lanka continues to have an added competitive advantage from a pricing perspective due to the significant depreciation of the Rupee in 2022. Against this backdrop, the Group remains confident that the prospects for tourism remain extremely positive.

### Key risks, trends and opportunities relevant to the industry group:

#### Risks

- Macroeconomic and political environment\*
  - Lower than planned growth in tourist arrivals
  - Changes in regulatory environment\*
- Supply chain disruptions\*
  - Potential increase in input costs stemming from geopolitical tensions, global impacts and domestic developments
- Financial exposure\*, in particular exchange rate volatility
- Global competitiveness\* and evolving consumer preferences
- Human resources and talent management\*
- Climate risks\*
- Environment and health & safety\*
  - Impact on eco-systems and biodiversity
  - Waste generation and management
  - Health and safety of employees and guests
- Information technology\*
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

## Trends and Opportunities

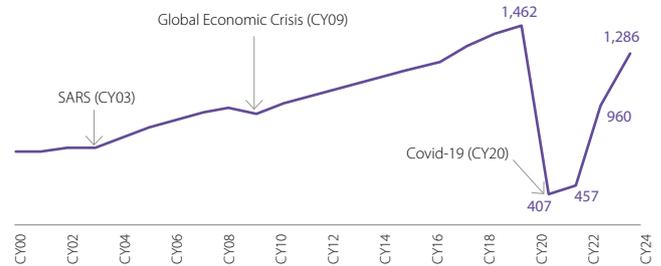
- Rising demand for tourism, especially from the Asian region
- Shifting traveller preferences with particular emphasis on eco-friendly, sustainable and experiential travel, especially 'green holiday destinations'
- Digital nomadism
- Digital transformation in travel planning and booking
- Diversification of tourism offerings
- Increasing opportunities for meetings, incentives, conferences and exhibitions (MICE)

## Immediate to Short-Term

### Global Tourism

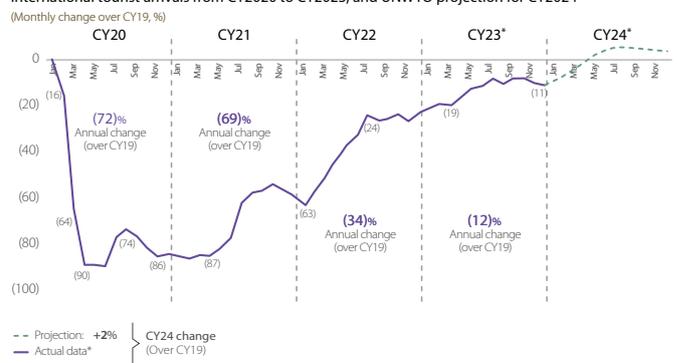
The United Nations World Tourism Organisation (UNWTO) estimates that international tourism in CY2023 stood at 88% of pre-pandemic levels, with ~1.3 billion arrivals globally. UNWTO projects a full recovery to pre-pandemic levels in CY2024, estimating a 2% growth above CY2019 levels, underpinned by the release of the residual pent-up demand, improved air connectivity and the robust rebound of the Asian markets. Similarly, the World Travel and Tourism Council (WTTTC) has projected a record-breaking year for travel and leisure, with tourism estimated to contribute an all-time high of USD 11.1 trillion to the global economy in CY2024.

#### International tourist arrivals (millions)



Source: UNWTO (January 2024).  
Note: CY23 - provisional data.

#### International tourist arrivals from CY2020 to CY2023, and UNWTO projection for CY2024



Source: UNWTO (January 2024).

\*Data for CY23 are preliminary and based on estimates for destinations which have not yet reported results. Data for CY24 are projections.

# INDUSTRY GROUP REVIEW

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Potential headwinds to the outlook primarily stem from the global economy, including persistent inflation, high interest rates, volatile oil prices and disruptions to trade. Geopolitical conflicts between Russia-Ukraine and Israel-Palestine may continue to weigh on confidence and on overall recovery of the industry globally.

As per UNWTO, global travel trends for CY2024 are expected to be centred around value-conscious travel options and travel closer to home. Sustainable practices and adaptability are envisaged to become pivotal factors influencing consumer decisions. However, a significant challenge persists in the form of staff shortages, as most destinations are expected to be impacted by a shortage of labour to manage the surge in demand.

### Sri Lankan Tourism

Sri Lanka's tourism industry recorded an encouraging uptick in tourist arrivals, in tandem with the improvement in macroeconomic conditions in the last year. The Sri Lanka Tourism Development Authority (SLTDA) aims to attract 2.3 million visitors in CY2024. Although arrivals are still 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. Increased flight frequencies, particularly from India and China, is envisaged to augur well for the destination.

Tourism will continue to be a key catalyst in driving the recovery and growth of the economy, particularly in the context of the positive impact it will have on foreign exchange earnings. In December 2023, Sri Lanka launched its first global destination marketing campaign in 15 years titled 'You'll come back for more', which is planned to be launched in three stages. The first phase entails the ongoing 'Checking in' campaign which conveys Sri Lanka's ability to welcome tourists with the country having returned to stability. In the subsequent phases, the SLTDA envisages to expand further on the core message of 'You'll come back for more' and widely promote the campaign amongst major source markets. Whilst the launch of a campaign after a considerable period of time is positive, it is of paramount importance to expeditiously fully implement the destination marketing campaign. Additionally, these marketing efforts should be continued on a sustained basis with a strategic focus, in order to reap the full benefits of such campaigns.

As discussed under the External Environment and Operational Review, the destination has garnered considerable international attention due to its distinctive and varied offerings. The receipt of international recognition, awards, and accolades is anticipated to positively influence Sri Lanka's positioning on the global stage.

### Sri Lanka is Uniquely Positioned to Capitalise on Renewed Demand for Global Travel

- Continually improving infrastructure development, including airports, roads, and public transportation.
- Improved air connectivity, especially from key source markets.
- Diverse attractions from cultural heritage sites to pristine beaches, mountains, wildlife, adventure activities, and ayurveda/wellness retreats.
- Home to a remarkable array of wildlife including elephants, leopards, sloth bears; marine life; and a wide variety of birds.
- Adventure activities such as hikes, white-water rafting, water sports, surfing, whale/dolphin watching etc.

### International Endorsements - Sri Lanka

- Fourth most popular solo travel destination in 2024 by Forbes Magazine.
- No. four on 'World's Best Countries to Visit in your Lifetime 2024' by CEOWORLD magazine.
- Amongst the 'Top Countries to Travel' in 2023 by Forbes and TravelTriangle.
- Featured as a 'Top Destination for Wildlife Safaris Outside Africa' by Forbes in 2023.
- Ranked 8<sup>th</sup> on '50 most Instagrammable Places in the World' in 2024 by Big 7 Travel.
- Featured on 'Top 20 Places to Travel' by Readers' Choice Awards 2023 (Conde Nast Traveler).
- Listed in 'Where to Travel in 2022' by CNN.
- Cultural heritage site, Sigiriya, was listed as one of Bloomberg's New 7 Wonders of the World.



### SLTDA predictions for tourist arrivals in CY2024 under two scenarios

	CY2018 Actual	CY2023 Actual	CY2024		
			Conservative Scenario	Optimistic Scenario	Actual
January-March	707,924	335,679	661,272	716,926	635,784
April-June	456,723	289,195	426,625	462,531	148,867*
July-September	567,275	391,382	529,891	574,489	N/A
October-December	601,874	471,047	562,210	609,528	N/A
	<b>2,333,796</b>	<b>1,487,303</b>	<b>2,179,998</b>	<b>2,363,474</b>	<b>784,651</b>

\*Captures arrivals for April only.

### Demand and supply dynamics:

- The Sri Lankan Leisure businesses will continue their comprehensive rate strategy to ensure optimum returns, taking into consideration the planned increase in tourist arrivals over the ensuing months against the inventory of rooms in Sri Lanka. 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.
- The Group's beach front properties are envisaged to witness a speedy recovery in the short-term, whilst round-trip properties are likely to see a gradual rebound in rates to pre-pandemic levels.
- Minimum room rates (MRRs) which were imposed on hotels in Colombo effective from October 2023 have also impacted the pricing of the Group's three hotels in the city. The MRRs imposed are USD 100 for five-star hotels, USD 75 for four-star hotels and USD 60 for three-star hotels. The SLTDA and the Ministry of Tourism have confirmed that the MRRs will be removed with effect from 31 May 2024.
- Indications suggest that the sluggish expansion in consumer demand observed in recent years is shifting, which may contribute to gradual uptick in demand for domestic travel. The food and beverage (F&B) operations are envisaged to continue its strong performance, as witnessed in 2023/24.

### Costs and margins:

- Stabilising inflation and a stronger domestic currency are envisaged to aid the Leisure businesses in managing their cost base and improving margins. Regardless, the businesses will continue to adopt stringent expense control and cost optimisation measures to ensure costs are controlled and margins recover to optimal levels. The recently announced downward revision of electricity tariffs will bode well for the business, given that heat, light and power accounts a notable portion of the overall costs. Businesses closely monitor electricity tariffs and make necessary investments, to the extent possible and not already implemented, to reduce their power and energy expense.
- The EBITDA of the businesses is expected to improve in tandem with occupancy increases given a better absorption of fixed costs.
- Whilst a portion of the industry group's debt is on fixed terms and therefore has helped to partially mitigate the impact of elevated interest rate conditions in previous years, the residual portion of debt which is variable will benefit from the relatively low interest rate regime.

### Portfolio Expansion:

- In terms of portfolio expansion, the 215-key hotel in 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 is expected to commence operations in the third quarter of 2024/25 and will feature amenities such as an expansive rooftop bar and a swimming pool, amongst others.

- Construction work at 'City of Dreams Sri Lanka' (formerly referred to as 'Cinnamon Life Integrated Resort') is progressing well, with the hotel, retail and entertainment components in the final stages of construction. The fit-outs and interior works of the hotel rooms and common areas are nearing completion with the hotel expected to commence operations in the third quarter of 2024/25. In the short-term, 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 Page 171 for further details.

### Maldivian Tourism

#### International Endorsements - The Maldives

- Ranked the 'World's Leading Destination' at the World Travel Awards for the last four consecutive years (2020-2023)
- Winner of the 'Global Tourism Resilience' award at the World Travel Awards 2023
- Named 'Favourite Island in Asia' at the Travel + Leisure World's Best awards 2023
- Ranked No. three for 'Best Country' at the Telegraph Travel Awards in 2023



- The Government of Maldives successfully exceeded its target of 1.8 million arrivals for CY2023, recording 1.88 million tourist arrivals during the year. Arrivals thereafter from January to April 2024 noted significant growth against the comparative period. For CY2024, the Government has announced a target of 2 million arrivals.
- Tourism in the Maldives is expected to be driven by growth in global tourism post adjusting for the impacts of geopolitical crises. 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 growth in tourism than envisaged, adverse oil prices stemming from inflationary pressures affecting long-haul travel from source markets. However, these are likely 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 demonstrating the potential for arrivals. The recent rise in alternative accommodation channels of guest houses

# INDUSTRY GROUP REVIEW

## LEISURE

which are at a more affordable price point to the typical premium destination, has also resulted in the attraction of budget-conscious travellers, which is envisaged to continue going forward, contributing to a change in the mix of overall arrivals. This may present a challenge for the hotels and resorts across the industry, which will also exert pressure on the Group's Maldivian properties.

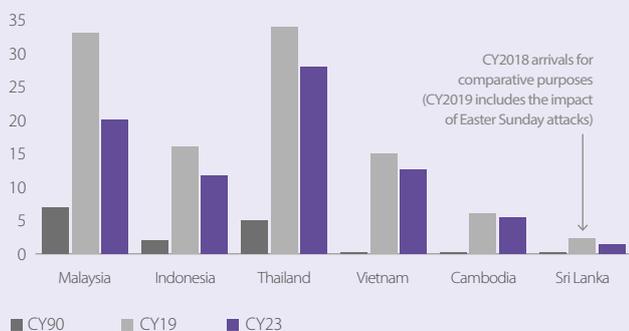
- As noted in the Operational Review, arrivals to the Maldives and the Group's Maldivian properties have been encouraging, where occupancy has remained steady whilst average room rates (ARRs) have noted a growth.
- Although the functional currency of the Maldivian properties is USD, given that the performance of the segment is reported in LKR in this Report, it is noted that the USD/LKR exchange rate has a notable bearing when consolidating performance.

### 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.

Source: Governmental tourism websites

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 was suspended in CY2022. The Government has intimated that the funding for Phase A will recommence once the debt restructure is finalised. Post completion of Phase A, the terminal will have the ability to handle 15 million passengers annually. It is imperative that these airport capacity constraints as well as tourism infrastructure are addressed swiftly to allow the country to fully capitalise on the expected boom in tourism.

### Cinnamon Hotels and 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 Velfushi 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* (687 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) ★★★★★
Nuwa* (113 rooms)	New hotel in Kandy** (216 rooms)		

Note:

\*Currently under construction.

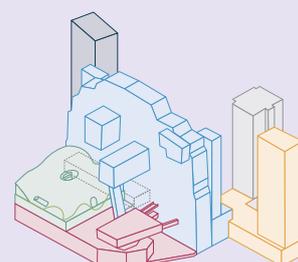
\*\*Currently under construction, minority stake with management rights.

\*\*\*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

### 'City of Dreams Sri Lanka'



Please refer the special report on 'City of Dreams Sri Lanka' on page 171.

### 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 Port of Colombo. 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 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 'City of Dreams Sri Lanka'.

As discussed previously, the presence of the first integrated resort in South Asia which includes gaming facilities will have a trickle-down effect on the rest of the properties in Colombo, similar to trends witnessed in other parts of world, accelerating the tourism opportunity in Colombo.

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 Hotels

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 the new development in 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.

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.

# INDUSTRY GROUP REVIEW



## PROPERTY

### Property Development

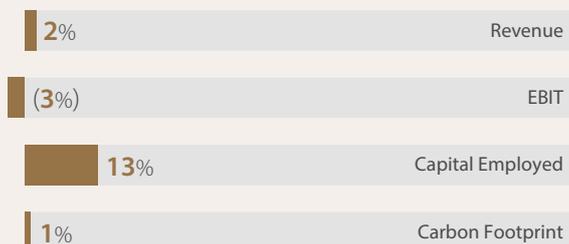
- Development and sale of properties under four segments; 'Luxe Spaces', 'Metropolitan Spaces', 'Suburban Spaces' and 'Leisure linked Developments'.
- The Group's integrated resort, branded 'City of Dreams Sri Lanka', which comprises of:
  - The development and sale of two residential apartment towers; '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.
- 'VIMAN', a suburban residential apartment development located in the heart of Ja-Ela.
- Development of holiday homes at 'Victoria Golf Resort' in Rajawella, Kandy.
- Previous residential apartment projects: 'OnThree20', '7th Sense on Gregory's Road', 'Monarch', and 'Emperor'.

Note: The hotel, retail and gaming spaces within the 'City of Dreams Sri Lanka' is captured under the Leisure industry group review.

### Property Management

- Rental of commercial office space.
- Management of the Group's real estate portfolio.
- Ownership and operation of the 'Crescat Boulevard' mall and management of the 'K-Zone' mall in Moratuwa.
- Operation of the 18-hole championship golf course and resort, and development and management of the land bank in Rajawella, Kandy.

### Contribution to the John Keells Group



	2023/24	2022/23	2021/22
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### Operational Highlights

City of Dreams Sri Lanka				
The Residence at Cinnamon Life	No. of units	147	151	152
The Suites at Cinnamon Life	No. of units	109	115	115
TRI-ZEN	No. of SPAs	700	655	652
VIMAN	No. of SPAs	100	N/A	N/A

### Financial and Manufactured Capital

Revenue <sup>1</sup>	Rs.million	5,234	4,577	41,476
EBITDA	Rs.million	(822)	(215)	2,965
PBT	Rs.million	(857)	(2,135)	(847)
PAT	Rs.million	(569)	(2,350)	(986)
Total assets	Rs.million	84,519	94,321	276,754
Total equity	Rs.million	77,713	88,347	166,895
Total debt <sup>2</sup>	Rs.million	1,033	1,161	102,260
Capital employed <sup>3</sup>	Rs.million	78,746	89,509	269,155

### Natural Capital

Energy consumption	kWh	2,208,306	1,096,365	1,045,212
Energy consumption per operational intensity factor	kWh per Rs.million	895.50	388.37	28.75
Carbon footprint	MT	1,600.67	831.72	801.57
Carbon footprint per operational intensity factor	MT per Rs.million	0.65	0.29	0.02
Water withdrawal	m <sup>3</sup>	188,789	145,336	230,110
Water withdrawal per operational intensity factor	m <sup>3</sup> per Rs.million	76.56	51.48	6.33
Volume of hazardous waste generated	kg	0	0	0
Volume of non hazardous waste generated	kg	55,596	40,381	38,225
Waste generated per operational intensity factor	kg per Rs.million	22.55	14.30	1.05

### Human Capital

Total Workforce (employees and contractors' staff)	No.	303	299	270
EBIT per employee	Rs.million	(3)	(1)	11
Average training per employee	hours	5.85	2.59	0.94
Total Attrition	%	24.3	23.2	24.6
Females employee	%	26.8	22.5	25.7
Total injuries	No.	2	0	0

### Social and Relationship Capital

Community Services and Infrastructure Projects <sup>4</sup>	Rs:000	473	6,697	-
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1. Revenue is inclusive of the Group's share of equity accounted investees.

2. Excludes lease liabilities.

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

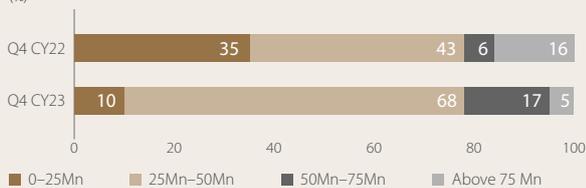
4. Only the contribution to John Keells Foundation.

## External Environment and Operational Review

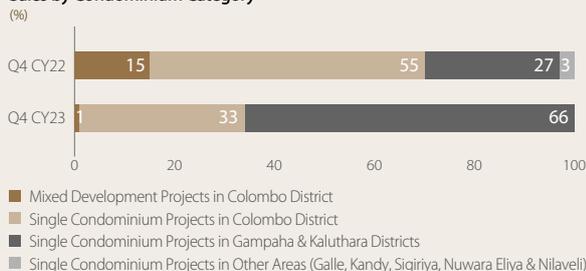
### Macroeconomic Update

- The construction sector accounted for 6.2% of Sri Lanka's GDP in CY2023 [CY2022: 7.6%].
- The land valuation indicator for Colombo District, compiled by the Central Bank of Sri Lanka (CBSL), was 219.8 in the second half of CY2023, a 7% increase against the comparative period [CY2022 2H: 205.2]. Despite a slowdown in growth compared to the previous year, the residential, commercial, and industrial sub-indices contributed to this increase.
- The Sri Lanka purchasing managers' index (PMI) for construction (total activity index) compiled by the CBSL was 55.9 in March 2024 (March 2023: 45.8). January marked the first time that the index exceeded the neutral threshold since January 2022. The gradual availability of new construction work and recommencement of suspended projects led to the increase.
- Based on the condominium market survey compiled by the CBSL, the price index for new condominiums in the Colombo district continued to escalate during the year, with a year-on-year (YoY) increase of 24%.
- The asking prices for condominiums have increased on a YoY basis, while the land prices noted a decrease.

Sales by Price Category (%)



Sales by Condominium Category (%)



Source – CBSL Real Estate Market Analysis Q4 CY2023

### Connectivity

- The Port Access Elevated Highway (PAEH) is scheduled to open in October 2024. The highway will connect Sri Lanka's economic centre, Colombo, via the Colombo Port, Port City Colombo and the Bandaranaike International Airport (BIA).

### Key Policy and Regulatory Highlights

- The value added tax (VAT) on the sale of condominium residential units was increased from 15% to 18%, with effect from 1 January 2024. Such residential units were previously exempt from VAT and was made liable to VAT at a rate of 15%, from 1 January 2023. In addition, the social security contribution levy (SSCL) imposed at 2.5%, with effect from 1 October 2022, remains in force.

The year under review witnessed an encouraging recovery momentum in the real estate industry of Sri Lanka on the back of declines in inflation, interest rates and overall construction costs which peaked in 2022/23, supported by a stabilising exchange rate. This was in contrast to the previous financial year, which was challenging for the industry in Sri Lanka given the volatile and uncertain macroeconomic landscape that prevailed for most parts of the year. The inventory in the market witnessed a gradual absorption in tandem with market recovery, particularly in the fourth quarter of 2023/24, albeit with higher revenue-based taxes, given the high replacement costs of the existing inventory.

In line with trends witnessed in the overall real estate industry of Sri Lanka, the Property industry group witnessed an encouraging recovery in demand and sales of its real estate inventory during the year under review aided by an improvement in the overall macroeconomic conditions. The prevailing low interest rate regime, in particular, where consumers were able to access long-term funding at lower rates, aided this rebound. Additionally, a shift of funds from fixed income to real estate was noted due to low interest rates. The recovery was characterised by an uptick in the suburban and metropolitan apartment segments given their value proposition. This was evident in the encouraging traction on 'VIMAN', a suburban development project which the Group launched in September 2023, and 'TRI-ZEN' which is a metropolitan development project.

The luxury apartment segment remained stagnant given the higher price points and resultant higher impact of the VAT and SSCL on pricing. Sales for the luxury apartment segment are expected to attract renewed interest, particularly with the impending opening of 'City of Dreams Sri Lanka' which is slated for completion by the third quarter of 2024/25.

Interest in the commercial real estate market witnessed an improvement whilst mall operations witnessed an improved performance as a result of higher occupancies and a growth in footfall, in line with the sustained recovery in the macroeconomic environment.

### City of Dreams Sri Lanka

As detailed under the Leisure industry group, as part of the collaboration between JKH and Melco, the integrated resort, which had previously been branded as 'Cinnamon Life Integrated Resort', is now rebranded as 'City of Dreams Sri Lanka'.

The construction work at the integrated resort progressed well during the year under review, with the hotel, gaming and retail components currently in the final stages of completion and fit-out. The project obtained a key approval in the third quarter of 2023/24 with the receipt of the Certificate of Conformity (COC) on building construction for the first 24 floors of the hotel complex, which will comprise of the 'Cinnamon Life' hotel, due to be launched in the third quarter of 2024/25. The remainder of the integrated resort comprising of the 113-key 'Nuwa' hotel, casino and the mall is slated for opening in mid-2025.



Refer the Leisure industry group for a discussion on the hotel, gaming and retail components on page 174.

# INDUSTRY GROUP REVIEW

## PROPERTY

### Residential and Office

The sales momentum for the residential apartments at the 'City of Dreams Sri Lanka' integrated resort has been slow in line with the trends seen in the luxury segment in Colombo. The subdued demand for residential units was further impacted by the introduction of value added tax (VAT) and the social security contribution levy (SSCL) in the previous year, which increased the price of apartments by ~17.5%, although it had a greater impact on the luxury segment considering its higher price point.

The sales momentum is expected to gradually pick-up given the completion of the integrated resort and the conclusion of many vital elements, including the gaming space. Further, the cost of constructing similar apartments today would be significantly higher, where existing units will be an attractive and valuable proposition with almost no new inventory in the luxury segment in the pipeline.

	'The Suites at Cinnamon Life'	'The Residence at Cinnamon Life'	'The Offices at Cinnamon Life'
Structure	<ul style="list-style-type: none"> <li>39-storey tower</li> <li>Total of 196 apartment units</li> </ul>	<ul style="list-style-type: none"> <li>45-storey tower</li> <li>Total of 231 apartments units</li> </ul>	<ul style="list-style-type: none"> <li>30-storey tower</li> <li>24 floors allocated for outright sales and rent</li> <li>Features five floors reserved for car parking</li> </ul>
Number of units sold/occupied as at 31 March 2024	109 units sold (57% of total sellable area)	147 units sold (70% of total sellable area)	<ul style="list-style-type: none"> <li>Four floors sold outright</li> <li>10 floors rented (58% of floors sold/occupied in total)</li> </ul>

The sales of 'The Suites at Cinnamon Life' and 'The Residence at Cinnamon Life' stood at 65% of the total sellable area. As at 31 March 2024, ~97% of the residential units sold were handed over. There was no revenue recognised in lieu of residential sales during the year under review, as there were no new sales.

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.

### 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.

Marking a milestone for John Keells Properties, the 'TRI-ZEN' project, an 891-unit residential development comprising of three towers, received the required clearances, including the Certificate of Conformity (CoC). Handing over of units has commenced from April 2024. 'TRI-ZEN' witnessed an encouraging momentum in sales during the current financial year, where the cumulative sales and purchase agreements (SPAs) signed for the 'TRI-ZEN' residential development project increased by 45 units to 700 units. Further traction in sales is expected given the completion of the project, the market adjusting to the new price levels in the industry, given the relatively higher replacement costs, and the easing interest rates.

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

**700 SPAs**

[2022/23: 655 SPAs]

### VIMAN

In September 2023, John Keells Properties launched its first suburban residential development project, 'VIMAN', located in the heart of Ja-Ela, a suburban area in close proximity to Colombo. The project was launched given the demand for suburban living spaces with the intention of effectively monetising the Group's existing land banks. Spread across six acres, offering a harmonious blend of modern comforts with 418 apartments, 'VIMAN' is designed to provide a secure, family-friendly environment with convenient access to the city of Colombo through the Colombo Port Access highway, while retaining the charm of a small-town setting.

The project is built on the land which was previously occupied by the 'K-Zone Ja-Ela' mall. The mall was permanently shut down in January 2024 to facilitate the impending construction work of the new residential development project. The closure in the mall resulted in an asset write-off, as detailed in the ensuing Financial Performance Review section. Given the demand for suburban living spaces, the Group is of the view that the project is an optimum monetisation of such land through development and sales.

The preliminary sales interest for the project has been very encouraging, with the first phase of the project consisting of a total of 114 units, nearly sold out within six months since the launch of the project in September 2023. Given the traction for the project, the second phase was launched in March 2024. The construction of the first phase of the project is expected to commence mid-2024.



### INSIGHTS

Features	Details
Location	Ja-Ela, a suburban area in close proximity to Colombo
Land extent	6 acres
Units	418 units – with equal distribution between 2 and 3 bedroom units
Structure	Total of 10 blocks (G+4 floors) and each block will comprise between 36 to 60 units
Launch	In phases – Phase 1: 114 units (80% sold), Phase 2 and 3: 76 units each, Phase 4: 152 units
Cumulative SPAs (as at 31 March 2024)	Phase 1: 94 SPAs of 114 units Phase 2: 6 SPAs of 76 units
Completion	Q3 2026/27 (all phases)
Collection	Will be in a phased-out manner.
Revenue recognition	Upon signing the SPA, an upfront payment of 10%, subsequently 10%, 25%, 30% and 25%.
Amenities	Based on the percentage of completion.
	Swimming pool, gymnasium, meditation courts, clubhouse, a kids play area, cycling and walking spaces and a multipurpose outdoor sports court.

## Rajawella Holdings Limited (RHL)

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

	RHL Property Management	RHL Property Development			
		Peacock Valley	Sunrise Ridge	Mara Ridge	Ridgeview (previously Peninsula)
Offerings at RHL	<ul style="list-style-type: none"> <li>Operation of a golf course in partnership with Troon International.</li> <li>Management of the 'Victoria Golf Resort'.</li> </ul>	9 land plots (100% sold)	16 land plots with villas (80% sold)	4 land plots (100% sold)	18 land plots
Performance during the year	<ul style="list-style-type: none"> <li>Operations noted an improvement with increases in room nights and other supplementary services aided by higher footfall.</li> </ul>				<ul style="list-style-type: none"> <li>RHL rebranded the development project named 'Peninsula' as 'Ridgeview', which offers 18 exclusive land plots.</li> <li>The construction of 'Sunrise Ridge' villas progressed well during the year with hotel operations for the 16 villas expected to commence in Q1 2024/25. The sale of land plots was challenging given the high construction costs. The sales of the remaining land plots are expected to pick up in tandem with the commencement of hotel operations at 'Sunrise Ridge'.</li> </ul>

## Mall Operations

During 2023/24, mall operations witnessed a recovery given the easing of macroeconomic challenges in comparison to the previous financial year. Occupancy at 'Crescat Boulevard' stood at an encouraging 85% at the end of 2023/24 [2022/23: 73%] and recorded an increase in footfall by 16%. The 'K-Zone Moratuwa' mall remained at full occupancy during the year under review.

As mentioned, the 'K-Zone Ja-Ela' mall was closed in January 2024, as the land will be re-purposed for the latest residential development project 'VIMAN'.

## Land Banking Strategy

The contiguous 9.38 acre property owned by 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 real estate and property development industry. As outlined in the 2021/22 Annual Report, a metropolitan 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.

The Group also continues to explore investment opportunities in the emerging suburban areas of Colombo to include in 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. The 12 acre land bank in Thudella in the Group's existing portfolio of freehold land provides an opportunity to venture further into this segment.



Model unit of 'VIMAN'.

# INDUSTRY GROUP REVIEW

## PROPERTY

### Financial Performance Review

#### Income Statement Indicators

Rs.million	2023/24	2022/23	%
<b>Revenue*</b>			
Property Development	4,688	3,926	19
Property Management	546	651	(16)
<b>Total</b>	<b>5,234</b>	<b>4,577</b>	<b>14</b>

\*Including share of revenue of equity accounted investees.

#### Property Development

- 'TRI-ZEN' recognised revenue during the year based on apartment sales and the completion of construction work. Sales recorded an encouraging momentum during the year in tandem with the recovery in the macroeconomic environment with 45 sales and purchase agreements (SPAs) signed.
- The revenue of the Property Development sector includes rental income from the leasing of ten floors of 'The Offices at Cinnamon Life'.
- The previous year includes revenue recognition from real estate sales in Digana, through Rajawella Holdings (Private) Limited whilst no sales were recorded during the year under review.

#### Property Management

- Mall operations witnessed a recovery driven by higher footfall during the year under review, with the easing of macroeconomic challenges in comparison to the previous year. Occupancy levels at 'Crescat Boulevard' increased to 85% as at the end of 2023/24 in comparison to 73% in 2022/23.
- The 'K-Zone' mall in Ja-Ela, held under John Keells Properties Ja-Ela (Private) Limited, was permanently shut down in January 2024 to facilitate the impending construction work for the new residential development project 'VIMAN', which is being built on the land occupied by the mall.

Rs.million	2023/24	2022/23	%
<b>EBITDA*</b>			
Property Development	(105)	(440)	76
Property Management	(717)	225	(419)
<b>Total</b>	<b>(822)</b>	<b>(215)</b>	<b>(282)</b>
<b>PBT**</b>			
Property Development	(66)	(2,294)	97
Property Management	(791)	159	(597)
<b>Total</b>	<b>(857)</b>	<b>(2,135)</b>	<b>60</b>

\*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.

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

- The Property industry group EBITDA includes an asset write-off, under other operating expenses, amounting to Rs.639 million on account of the closure of the 'K-Zone' mall in Ja-Ela, under the Property Management sector, in connection with the 'VIMAN' development as explained in this Report. Excluding the write-off, the Property industry group EBITDA was negative Rs.183 million.

- Although recording a negative EBITDA, the improvement in EBITDA of the Property Development sector, as against the previous year, primarily stemmed from higher revenue recognition at 'TRI-ZEN'. The profitability of 'TRI-ZEN', which records the Group's share of profit after tax as it is an equity accounted investee, was impacted by higher finance expenses on account of higher temporary working capital requirements. In addition, profitability was impacted by approved cost escalations in the project, which was allocated to the profit recognition in the fourth quarter of 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 the 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.233 million in 2023/24 in comparison to the gain of Rs.525 million recorded in 2022/23.
- The PBT of the industry group increased on account of exchange gains recognised at Waterfront Properties (Private) Limited (WPL) on contractor settlements due to the appreciation of the Rupee subsequent to the accounting treatment post conversion of the functional reporting currency of WPL to Rupees.

It should be noted that in 2022/23, the PBT of the industry group was impacted on account of the one-off exchange losses on sales collections at 'City of Dreams Sri Lanka', for which the corresponding revenue was recognised in 2021/22.

#### Balance Sheet Indicators

Rs.million	2023/24	2022/23	%
<b>Assets</b>			
Property Development	73,041	82,578	(12)
Property Management	11,478	11,743	(2)
<b>Total</b>	<b>84,519</b>	<b>94,321</b>	<b>(10)</b>
<b>Debt*</b>			
Property Development	714	763	(6)
Property Management	319	398	(20)
<b>Total</b>	<b>1,033</b>	<b>1,161</b>	<b>(11)</b>

\*Excludes lease liabilities.

- The decline in assets in the Property Development sector is on account of WPL. Current assets at WPL recorded a decline on account of short-term investments utilised towards contractor settlements and other project-related expenses.
- The debt of the Property industry group declined by 11% due to loan repayments in the businesses.

#### Return on Capital Employed (ROCE) Analysis

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	(1.1)		(17.6)		0.06		1.06
2022/23	(0.2)		(6.7)		0.02		1.03

- The decline in the ROCE is mainly due to the decline in EBIT margins stemming from the asset write-off at the 'K-Zone' mall in Ja-Ela. Excluding the asset write-off, ROCE stood at (0.3)%.

## Outlook and Risks

The resurgence in demand for real estate among homeowners is poised to sustain the upward trajectory witnessed in the latter parts of 2023/24. Growth is expected to emanate from a favourable macro environment marked by lower interest rates, stabilised inflation, a notable increase in consumer confidence and increased investor interest in real estate as a long-term investment option, especially from the flight of funds to alternative investments given the low interest rates on fixed income securities. In the short-term, the immediate upside is expected to be confined to units in the metropolitan and suburban segments, while demand in the luxury market may take longer to stabilise and recover. However, the opening of 'City of Dreams Sri Lanka' and the resultant opportunities that materialise will create significant upside for sales in the luxury segment, more than offsetting the temporary moderation.

Looking beyond, the Group is of the view that the underlying fundamentals of the Property industry group remain strong and continue to be promising.

Note: The property development components of 'City of Dreams Sri Lanka' (previously referred to as the 'Cinnamon Life Integrated Resort' project), namely, the two residential apartment towers and the commercial tower, are recorded under the Property industry group. The review and reporting of the hotel, retail and entertainment components of the project are captured under the Leisure industry group.

### Key risks, trends and opportunities relevant to the industry group:

#### Risks

- Macroeconomic and political environment\*
  - Continued reduction in customer purchasing power
  - Changes in regulatory environment\*
- Supply chain disruptions\*
  - Potential increase in construction costs stemming from geopolitical tensions, global impacts and domestic developments
- Financial exposure\*, in particular exchange rate volatility
- Human resources and talent management\*
  - Shortages in skilled and technical workers
- Climate risks\*
- Environment and health & safety\*
- Information technology\*
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

## Trends and Opportunities



- Potential opportunities stemming from the opening of an integrated resort in Colombo, as outlined under the Leisure industry group outlook.
- Limited new supply entering the market in the short-term due to steep increases in prices
- Emerging demand for properties in suburban areas
- Increasing urbanisation and connectivity
- Increasing demand for mid-tier housing units within Colombo
- Increasing demand for commercial space
- Increase in demand of apartments versus landed housing in line with regional peers

## Immediate to Short-Term

### Demand and supply dynamics:

- Buyer interest and momentum in sales witnessed during the current financial year is envisaged to continue given the conducive macroeconomic environment and market adjustments to new price levels in the industry, on the back of relatively higher replacement costs.
- In addition to the envisaged positive performance industry-wide, sales at the 'TRI-ZEN' development will also benefit from the completion of the project, due shortly as detailed below.
- The sales momentum of the residential apartments at 'City of Dreams Sri Lanka' has been lacklustre in line with the trends seen in the luxury segments of the industry. However, a gradual pickup in sales momentum is envisaged, in tandem with an improvement in consumer and business confidence. The impending opening of the integrated resort coupled with a notable slowdown in the condominium pipeline, with limited additions in the luxury segment, is also expected to aid growth.
- The Group will continue to assess the performance of the malls and engage with tenants to optimise return. Footfall and occupancy at malls are envisaged to continue on the gradual upward trend observed in 2023/24.

### Completion timelines and project pipeline:

- As detailed under the Leisure industry group, as a part of the collaboration between JKH and Melco, the 'Cinnamon Life Integrated Resort', was rebranded as 'City of Dreams Sri Lanka'. The construction work at the property is at the tail end, with the hotel, retail and gaming components currently in the final stages of construction. The fit-out and interior works of the hotel rooms and common areas are well underway, with complete construction completion slated for the third quarter of 2024/25.
- Marking a milestone for John Keells Properties, the 'TRI-ZEN' project, an 891-unit residential development comprising of three towers, received the required clearances, including the Certificate of Conformity (CoC). Handing over of units has commenced from April 2024.

# INDUSTRY GROUP REVIEW

## PROPERTY

- Construction of the first phase of the Group's first foray into the suburban market, 'VIMAN' which is located in Ja-ela, is expected to commence mid-2024. The project comprises of four phases with expectation that the entirety will be concluded by the third quarter of 2026/27.
- The Group will continue to explore investment opportunities in the emerging suburban areas of Colombo to expand into this segment, given the growing demand and potential of the suburban market on account of the high prices associated with residential apartments in Colombo. The Group is evaluating the potential for an opportunity at the 12-acre land bank in Thudella (a part of the Group's existing portfolio) to venture further into this segment.
- 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 (VLDL). As such, the Group will continue to focus on the monetisation of this extensive land bank. Given these circumstances, the Group does not foresee the deployment of significant capital in the Property industry group.
- Strategic land parcels at VLDL have already been identified in order to capitalise on monetising opportunities.
- The Group has already commenced the gradual 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, as discussed under the Operational Review.

### Medium to Long-Term

Considering evolving business models, the Property business will assess the business landscape to understand possible lasting shifts in real estate demand. These include 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 middle-class demographic, a pipeline of public infrastructure projects, increasing urbanisation and connectivity are envisaged to drive long-term growth in the property and real estate sectors. The 'City of Dreams Sri Lanka' integrated resort is also envisaged to drive growth in Colombo.

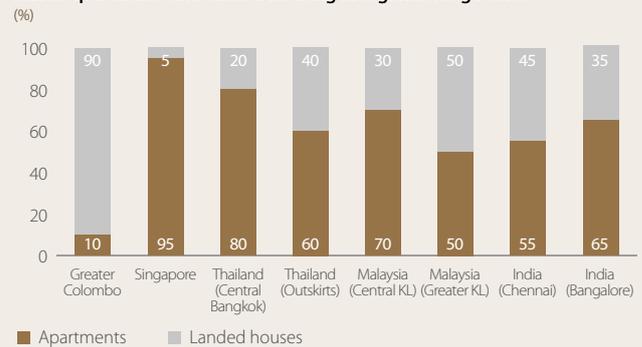
### Residential Real Estate

- Prospects for the housing market in Colombo and the suburbs continue to be promising on the back of drivers such as the expanding middle-class 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, there is a robust and emerging market for mid-tier, multi-family housing solutions within and in close proximity to such commercial hubs.

- The market for vertical and middle-income housing, in particular, is expected to experience significant growth, in line with the trajectory of its regional peers, 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.

**~60-70 per cent of housing in regional mega cities, both luxury and mid-tier, are predominantly apartments. However, apartment living in Colombo is ~10 per cent, despite the scarcity of land in the city, representing an opportunity within the market.**

**Mix of apartments and landed housing in regional mega cities**



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 latter in particular is expected to see substantial growth with the expansion of transportation infrastructure leading to better connectivity. Demand in the 'Metropolitan' segment is also envisaged to grow in the medium to long-term.
- 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.

### 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 adequate infrastructure and management facilities of the current supply, in comparison to modern workspaces, also presents an opportunity.
- Based on market opportunity, the industry group will continue to expand its commercial real estate offering at the appropriate time at attractive price points.

# INDUSTRY GROUP REVIEW



## FINANCIAL SERVICES

### Insurance

- Comprehensive life insurance solutions through Union Assurance PLC (UA).
  - Fourth largest life insurer with over ~289,000 lives insured.
  - Largest bancassurance provider.
- 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.

### Stockbroking

- Stockbroking services through John Keells Stock Brokers (Private) Limited (JKSB).



	2023/24	2022/23	2021/22
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### Operational Highlights <sup>1</sup>

UA - Market share	%	12	12	12
GWP growth	%	13	8	18
NTB - Loan growth	%	12	(3)	18
Net interest margins	%	7.7	7.0	3.9
Stage 3 loan ratio (net)	%	2.3	2.6	2.1

### Financial and Manufactured Capital

Revenue <sup>2</sup>	Rs.million	33,336	27,770	24,149
EBITDA	Rs.million	9,296	6,802	5,024
PBT	Rs.million	9,293	6,751	4,995
PAT	Rs.million	7,794	5,673	4,314
Total assets	Rs.million	104,453	86,475	74,248
Total equity	Rs.million	28,263	22,184	17,100
Total debt <sup>3</sup>	Rs.million	75	141	161
Capital employed <sup>4</sup>	Rs.million	28,745	22,743	17,705

### Natural Capital

Energy consumption	kWh	1,516,760	1,391,813	1,259,467
Energy consumption per operational intensity factor	kWh per Rs.million	81.26	85.89	80.29
Carbon footprint	MT	1061.00	988.65	884.75
Carbon footprint per operational intensity factor	MT per Rs.million	0.06	0.06	0.06
Water withdrawal	m <sup>3</sup>	15,994	14,519	14,818
Water withdrawal per operational intensity factor	m <sup>3</sup> per Rs.million	0.86	0.90	0.94
Volume of hazardous waste generated	kg	0	0	0
Volume of non hazardous waste generated	kg	4,155	4,205	4,043
Waste generated per operational intensity factor	kg per Rs.million	0.22	0.26	0.26

### Human Capital

Total Workforce (employees and contractors' staff)	No.	4,190	4,515	4,708
EBIT per employee	Rs.million	12	8	6
Average training per employee	hours	13.89	13.60	2.00
Total Attrition	%	44	35	42.3
Females employee	%	50.4	48.8	47.5
Total injuries	No.	0	0	9

### Social and Relationship Capital

Community Services and Infrastructure Projects <sup>5</sup>	Rs.'000	8,813	5,546	3,511
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1. Key performance indicators for the calendar year
2. Revenue is inclusive of the Group's share of equity accounted investees.
3. Excludes lease liabilities.
4. For equity accounted investees, capital employed is representative of the Group's equity investment in these companies. This is inclusive of lease liabilities.
5. Only the contribution to John Keells Foundation.

### Contribution to the John Keells Group

11%	Revenue
27%	EBIT
5%	Capital Employed
1%	Carbon Footprint

# INDUSTRY GROUP REVIEW

## FINANCIAL SERVICES

### External Environment and Operational Review

#### Macroeconomic Update

- Sri Lanka's financial services industry recorded a contraction of 10% in CY2023 [CY2022: 11% decline], accounting for 5% of GDP during the year [CY2022: 5%].

#### Key Policy and Regulatory Highlights

- In March 2024, the Monetary Policy Board of the Central Bank of Sri Lanka decided to reduce the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility rate (SLFR) by 50 basis points each to 8.50% and 9.50%, respectively. During the year under review, five downward revisions were undertaken, reducing rates by a total of 700 basis points each.
- The Statutory Reserve Ratio (SRR) applicable on all Rupee deposit liabilities of Licensed Commercial Banks (LCBs) was reduced by 200 basis points, from 4% to 2%, with effect from the reserve maintenance period commencing on 16 August 2023.
- The Insurance Regulatory Commission of Sri Lanka (IRCSL) issued several directions to strengthen the regulatory framework. These directives included enactments related to appointment, election or nomination of directors, changes to reporting framework and roles and responsibilities of the principal officer.
- The effective date for the implementation of the SLFRS 17, the accounting standard on Insurance Contracts, was deferred to 1 January 2026.
- The corporate tax rate on financial services remained at 30% whilst the standard value added tax (VAT) rate was increased from 15% to 18% during the year under review.
- Key directives of the Colombo Stock Exchange (CSE):
  - Regulated short selling (RSS) and stock borrowing and lending (SBL) were introduced by the CSE with the aim of enhancing trading opportunities, promoting market efficiency, liquidity and investor confidence, while aligning with international standards and practices. This initiative came into effect on 6 November 2023.
  - Regulations to facilitate the issuing, listing and trading of infrastructure bonds, Shariah compliant debt securities, shares of state-owned enterprises, Green bonds and perpetual debt securities.
  - Amendments to the Listing Rules of the CSE covering the areas of governance, continuous listing requirements and enforcements.
  - Amendment, restructure and re-titling of Stockbroker Rules as trading participant rules and implementation of dispute resolution rules.

#### Macroeconomic Update - Insurance

- The insurance industry recorded total assets at Rs.1,087.57 billion in CY2023, a 15% growth against the previous year [CY2022: Rs.947.26 billion], while gross written premium (GWP) recorded a 9% increase to Rs.280.96 billion [CY2022: Rs.257.58 billion].
- The long-term insurance industry recorded a 13% growth in GWP during CY2023, which amounted to Rs.152.80 billion [CY2022: Rs.135.37 billion].

#### Insurance

UA recorded a strong performance during CY2023 with a 13% increase in gross written premium (GWP), supported by an increase in regular new business premiums and renewal premiums, as illustrated below. Annualised new business premium (ANBP) increased by 18% to Rs.7.6 billion [CY2022: 6.4 billion]. Improvement in both GWP and ANBP was driven by growth across agency, bancassurance and alternate distribution channels.

GWP CY2023	Total (Rs.million)	Growth (%)
First year premium (regular new business premium)	5,501	18
Renewal premium	12,625	11
Single premium	60	(68)
Individual policies	18,186	12

- The agency channel accounted for 74% of GWP. The channel expanded its reach by relocating branches and enhanced customer satisfaction through branch upgrades.
- The alternate channel's GWP growth of 105% was supported by the performance of the corporate channel and the policy conservation unit. The policy conservation unit, which was established at the onset of CY2023, focused on reactivating lapsed policies and implemented a proactive approach of discouraging surrender calls to effectively manage surrender payouts.
- UA retained its position as the market leader in the bancassurance industry in Sri Lanka, amidst heightened banking penetration facilitated by strategic bancassurance partnerships with leading banks. The bancassurance channel demonstrated encouraging progress, with a 26% increase in ANBP and a 27% growth in GWP.

Net investment income increased by 45% [CY2022: 42%] to Rs.10.8 billion [CY2022: Rs.7.5 billion], supported by both the asset allocation strategy and higher interest rates that prevailed during the first half of CY2023.

Despite the challenging market conditions, the business continued to maintain a strong solvency position with the capital adequacy ratio (CAR) at 291% as at CY2023 [CY2022: 194%]. Despite the initial pressure from the high interest rate environment, the CAR continued to remain comfortably above the minimum threshold of 120% stipulated by the IRCSL.

Total assets stood at Rs.95.67 billion as at CY2023 [CY2022: Rs.75.97 billion], recording a growth rate of 26%. UA's investment portfolio stood at Rs.83.42 billion [CY2022: Rs.64.46 billion] recording a 29% growth in CY2023. The life fund, which is backed by reputed re-insurers with an international credit rating of 'A+' and above, recorded an 18% growth to Rs.64.13 billion [CY2022: Rs.54.52 billion].

Underwriting and net acquisition costs (net of reinsurance) were limited to a 12% increase amounting to Rs.3.54 billion [CY2022: Rs.3.15 billion] through the implementation of a new incentive scheme that drives volume and profitability. Other operating, administrative and selling expenses' growth was curtailed to 10% despite significant inflation in the first half of CY2023. This was enabled by the rigorous monitoring of expenditure and implementation of cost-saving and optimisation initiatives. Claims and benefits to policyholders recorded an 18% increase to Rs.6.70 billion [CY2022: Rs.5.70 billion] mainly due to an increase in surrender payouts stemming largely from adverse macroeconomic conditions. The increase in maturity payouts was in line with contractual obligations.

The Life Insurance business recorded a life insurance surplus of Rs.2.80 billion [CY2022: Rs.2.30 billion]. Distribution of a one-off surplus of Rs.3.38 billion, attributable to non-participating and non-unit fund of unit-linked business, 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. This 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's SLFRS-17 steering committee continued to make headway to ensure strategic, tactical, and operational readiness for the implementation of SLFRS-17. During the year, the SLFRS-17 steering committee examined the implementation roadmap in order to meet the new effective date of 1 January 2026.

During the year, UA proactively took steps to comply with the requirements of the Personal Data Protection Act No.09 of 2022 (PDPA), given the substantial volume of personal data processed in relation to insurance service provision. In this regard, UA devised a roadmap in CY2021, and preliminary measures were undertaken in CY2022, including raising awareness on PDPA among key stakeholders. Recognising the necessity for further action, a comprehensive gap assessment on PDPA compliance was initiated during the year to ensure full compliance by the PDPA's effective date of 18 March 2025.

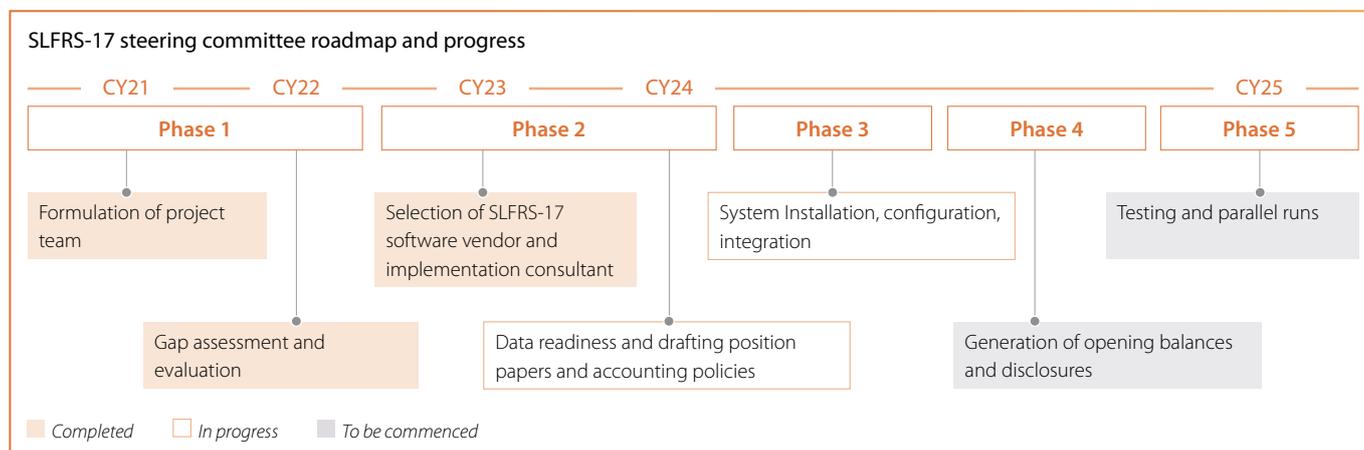
The 'Clicklife' self-servicing app, a turnkey end-to-end digital insurance solution, continued its encouraging performance trajectory by providing customers greater remote accessibility and added service features. An artificial intelligence (AI) powered calorie counter and a physical activity tracker were included and the loyalty programme was expanded to cover over 129 partner outlets. Moreover, a set of new self-servicing features were introduced during the year, such as applying for a policy loan, requesting e-policy documents, and receiving dividend and bonus letters. This is in addition to the existing self-servicing features such as paying premiums, downloading policy-related documents, accessing policy details, submitting claims, and policy documents, facilitating cashless hospitalisation and channelling physicians, in an effort to make 'Clicklife' a one-stop shop eco-system for insurance and wellness needs of UA's customers.

UA launched the product, 'Smart Wealth Builder', a fund accumulation universal life product with a loyalty bonus at maturity and an option of premium payment spread over five years.

UA also continued to digitise its processes which led to significant operational efficiencies with straight through processing (STP) at 53% and one-day claim settlements at 94%. Enhanced process improvements were facilitated through:

- digital end-to-end selling platform – digital advisor toolkit (DAT) was enhanced with added features to further simplify the selling process, and
- upgraded 'FAME', a web-enabled sales force management system, to facilitate digitally streamlined activity management and lead-to-cash customer journey. 'FAME' provides crucial insights for assessing agent performance, projecting business outcomes and has proved to be a valuable tool for the sales force.

Further to the completion of the contractual tenure of Mr. Jude Gomes as Chief Executive Officer, Mr. Senath Jayatilake was appointed as the new Chief Executive Officer, effective 1 January 2024.



# INDUSTRY GROUP REVIEW

## FINANCIAL SERVICES



### AWARDS

- Among the 'Top 100 Most Valuable Brands in Sri Lanka' at the 'LMD Awards' in partnership with 'Brand Finance' for the 15<sup>th</sup> consecutive year.
- 'Best Brand of the Year' award at 'Pinnacles Sri Lanka 2022'.

### Macroeconomic Update - Banking

- Total banking assets of the industry noted a 5% growth during CY2023 in comparison to the 15% growth recorded in CY2022 mainly due to the conversion of foreign currency denominated loans and receivables and investments to Rupees, with the appreciation of the exchange rate. Net interest income noted a 5% contraction during the year.
- The banking sector stage 3 (credit-impaired) loans increased to 12.8% in CY2023 in comparison to 11.3% recorded in CY2022.

### Banking

NTB recorded a strong performance whilst maintaining healthy asset quality and liquidity, notwithstanding the volatile macroeconomic conditions that prevailed particularly in the first half of CY2023. The Bank's strategic focus during the recent years on redefining its business model, which involved de-risking selected asset classes, enhancing cost efficiencies and expanding digital banking products, supported its robust performance in CY2023.

During the year, interest income increased by 30% to Rs.70.55 billion, driven by loan growth and increased returns on its investments in Government securities due to higher interest rates that prevailed during the first half of CY2023. The Bank's loan portfolio growth was recorded at 12%, versus a 5% contraction in industry loan growth. To effectively manage funding costs, the Bank undertook proactive measures, notably limiting exposure to high interest-bearing time deposits to short tenures which facilitated a swift downward re-pricing of its deposit base as interest rates declined towards the latter half of the year. Consequently, even though interest expenses increased from Rs.25.24 billion in CY2022 to Rs.35.61 billion in CY2023, the Bank recorded a net interest income (NII) growth of 19% to Rs.34.60 billion. The net interest margin (NIM) increased from 7.0% in CY2022 to 7.7% in CY2023.

The Bank maintained asset quality by adopting a prudent approach to provisioning, resulting in a notable 46% lower impairment charge, totalling to Rs.7.50 billion in CY2023 [CY2022: Rs.13.84 billion]. NTB's strategy for preserving portfolio quality is comprehensive and includes a selective and data-driven lending approach, robust monitoring through data analytics, personalised engagement with customers, and the implementation of tailored repayment plans to address individual customer needs. As a result, the Bank's stage 3 loan ratio stood at 2.3% in CY2023 [CY2022: 2.6%] significantly below the industry average. Further, the Bank's stage 3 provision cover ratio (impairment/loan cover) stood at 55.3% as at CY2023 in comparison to 50.7% in CY2022, reflective of its prudent provisioning practices. The Bank's tier 1 and overall capital adequacy ratios improved to 17.52% and 19.07%, respectively as at the year end, in comparison to 14.21% and 16.31%, respectively in CY2022.

Total operating expenses of the Bank were recorded at Rs.14.07 billion in CY2023 in comparison to Rs.11.59 billion recorded in CY2022, primarily attributable to increases in personnel and other operating expenses, which increased by 24% and 25%, respectively. Personnel expenses increased during the year due to the Bank's commitment to equitable compensation to employees and other operating expenses increased predominantly due to adjustments to electricity tariffs. Despite a 22% rise in operating expenses, the Bank maintained a cost-to-income ratio of 31:69 in CY2023, which was a marginal increase from the 30:70 ratio recorded in CY2022.

The Bank's digital transactions increased by 16% and accounted for 96% of total transactions [CY2022: 92%]. 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. This is in line with its vision to digitise the entire customer lifecycle 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.

The Group currently holds a 19.72% stake of voting shares in NTB. The Director of Bank Supervision of the CBSL had communicated that, pursuant to a decision by the Monetary Board of the CBSL, the John Keells Group was required to reduce its shareholding in the Bank to 15% on or before 31 December 2022. Until shareholding is reduced to 15%, a restriction on voting rights on any shares held over and above the 15% applies to the Group. JKH has requested for an extension of the deadline from the CBSL and is awaiting a formal response from the CBSL.

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

- 'FriMi' was ranked amongst the top 3 'Most Loved Brands' in the FINTECH category by LMD Brand Finance for the 3<sup>rd</sup> consecutive year.
- The Bank received the following awards at the Federation of Information Technology Industry Sri Lanka (FITIS) Digital Excellence Awards 2023:
  - Gold award – 'Nations Direct' mobile and online banking platform in the Consumer Digital Engagement category
  - Silver award – Omni Channel Experience
  - Silver award – Innovative Digital Service
  - Silver award – 'FriMi' in the digital marketing strategy category
  - Bronze award – Customer-centric Process Automation for the Bank's digital self-onboarding and disaster recovery planning (DRP) automation platform

### Macroeconomic Update - Stock Broking

- The All Share Price Index (ASPI) of the CSE recorded a 25% gain in CY2023 [CY2022: 31% decline], whilst the Standard and Poor's Sri Lanka 20 (S&P SL20) index also noted a 16% gain in CY2023 [CY2022: 38% decline].
- The average daily turnover stood at Rs.1.70 billion in CY2023, a 43% decline against the previous year [CY2022: Rs.2.97 billion].
- The settlement cycle for equity transactions will be shortened from the current T+3 to T+2, effective May 2024.

### Stock Broking

JKSB, the stock broking arm of the Group, experienced a challenging year of operations on account of the lacklustre performance of the Colombo Stock Exchange (CSE) during the year. Market performance, especially foreign participation, was adversely affected by macroeconomic uncertainty and limited participation by foreign institutional investors.

During the year, the business continued to focus on updating its processes and systems to improve alignment with client requirements. Several initiatives were introduced in this regard to enhance efficiency and cost management across both front and back-office operations. In order to enhance client engagements, the business continued to conduct various investor fora via online platforms, relaunched its social media platforms on Facebook and LinkedIn, and introduced a JKSB WhatsApp channel to disseminate information to clients.

### Financial Performance Review

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	2023/24	2022/23	%
<b>PBT*</b>			
Insurance	5,276	4,020	31
Banking	4,056	2,710	50
Stock Broking	(40)	21	(290)
<b>Total</b>	<b>9,293</b>	<b>6,751</b>	<b>38</b>
<b>PAT*</b>			
Insurance	3,767	2,948	28
Banking	4,056	2,710	50
Stock Broking	(29)	15	(293)
<b>Total</b>	<b>7,794</b>	<b>5,673</b>	<b>37</b>

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

### Insurance

- The business witnessed a strong performance in its gross written premium (GWP), recording a growth of 16% during the year under review [2022/23: 6%]. The growth in GWP was primarily driven by a 12% increase in renewal premiums, a 23% increase in new business premiums and 50% growth in group life and surgical premiums.
- Claims and benefits increased by 11% to Rs.6.71 billion [2022/23: Rs.6.04 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 16% to Rs.3.63 billion in line with growth in GWP.
- The Insurance sector witnessed an increase in net investment income, which grew by 31% [2022/23: 57%]. This was driven by an increase in interest income from Government securities as a result of efficient fixed income management, asset reallocation and higher interest rate environment.
- UA's expense ratio increased to 26% in 2023/24 in comparison to 25% recorded in 2022/23. The expense ratio remained stable year-on-year given prudent expense management, cost containment and optimisation initiatives implemented by the business.
- Life insurance contract liabilities including unit-linked funds increased by 18% to Rs.69.50 billion in line with growth of the business.
- UA recorded an annual life insurance surplus of Rs.2.80 billion in 2023/24 compared to Rs.2.30 billion in 2022/23.

### Banking

- NTB recorded a strong increase in profitability driven by loan growth of 12% and net interest income growth of 5%, supported by effective management of its cost of funds.
- The Stage 3 loan ratio improved to 2.2% [2022/23: 3.4%] given the Bank's focused risk management strategies and recovery efforts leading to a lower impairment charge on loans and advances.
- Despite the efficiency focused culture and cost management strategies established, the cost to income (CI) ratio increased to 32% from 29% in the previous year, primarily due to the slowdown in operating income growth on account of the reduction in market interest rates.
- Profitability also benefited from the absence of impairment charges on Sri Lankan Government foreign securities given the higher provisioning adopted by NTB, relative to its peers, in the previous year.

### Stock Broking

- The stock market displayed subdued performance on the back of decreased foreign participation due to macroeconomic uncertainty, with the average daily market turnover declining by 43% compared to the previous year. This resulted in the business recording a reduction in revenue.
- During the year under review, the increase in staff related expenses was due to new staff being recruited, as the business engaged in succession planning. However, the business continued to focus on improving revenue from the retail segment. The implementation of several initiatives targeted at managing operational costs led to increased productivity.

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.9.30 billion [2022/23: Rs.6.40 billion].

### Return on Capital Employed (ROCE) Analysis

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	36.1		27.9		0.35		3.71
2022/23	33.4		24.3		0.35		3.97

The increase in the ROCE and EBIT margin of the Financial Services industry group was driven by an increase in revenue from NTB and UA.

The capital structure leverage was impacted by the higher average asset levels relative to higher average debt levels in the previous financial year.

# INDUSTRY GROUP REVIEW

## FINANCIAL SERVICES

### Outlook and Risks

The Group remains positive of the overall prospects for the Financial Services industry group, given the strong market fundamentals of the industries in which the businesses operate. The encouraging recovery of the macroeconomy, as witnessed in the last three quarters of 2023/24, is envisaged to continue to the ensuing year aiding growth in the industry group. The abate of credit risk in tandem with the growth of the economy and the low interest rate regime will have positive impacts on businesses within the industry group. Although there are downside risks, stemming from the global and domestic operating environment in the short-term, as outlined under the Group Outlook and Risks section of this Report, the Group is confident of the ability of the businesses' strength and agility to meet any headwinds and evolving dynamics.

The low insurance penetration in Sri Lanka, coupled with favourable demographic trends and the process of digitalisation, present a considerable opportunity for the life insurance industry, and UA, in particular. NTB is also uniquely positioned to capitalise on the country's growth trajectory, given its targeted and responsible lending strategy. Increasing traction towards equity instruments with an expected low interest regime and increased foreign interest in the market alongside the revival of the economy will benefit the Stockbroking business.

#### Key risks, trends and opportunities relevant to the industry group:

#### Risks



- Macroeconomic and political environment\*
  - Decrease in disposable income of customers
  - Changes in regulatory environment\*
  - Credit risk
  - Increasing medical costs resulting in higher claims
- Supply chain disruptions\*
- Financial exposure\*, in particular exchange and interest rate volatility
- Global competitiveness\*
- Human resources and talent management\*
- Environment and health & safety\* in particular climate risks
- Information technology\*
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

#### Trends and Opportunities



- A significant protection gap due to low insurance penetration compared to regional peers
- Shifting demographics creating demand for health, retirement and financial protection insurance solutions
- Increasing demand for digital infrastructure
- Shift towards cashless payments
- Integration of Artificial Intelligence (AI) and Robotic Process Automation (RPA) in operational, customer servicing and administrative tasks in the long-term

### Immediate to Short-Term

#### Insurance

Significantly low insurance penetration in the country, in comparison to regional markets, coupled with favourable demographic trends and rapid digitisation provide the life insurance industry ample scope for growth. To capitalise on this opportunity, the business will continue its strategy of transforming the organisation from a volume-centric to a value-centric organisation, in furtherance of its ambition of being a fully-fledged digital and customer-centric insurer for the new age. Accordingly, key strategies in the short-term will revolve around:

- Expanding the agency channel to broaden market reach, fostering deeper connections with customers.
- Capitalising on alternate channels to diversify distribution avenues, ensuring accessibility to a wider customer base.
- Optimising costs across operations to enhance efficiency and maintain competitive pricing.
- Ensuring a customer-centric, profitable, and balanced product portfolio by continuously evaluating and refining offerings to meet evolving needs and preferences.
- Strengthening partnerships with leading banks with the aim of consolidating its status as one of the leading bancassurance providers in the country, while ensuring that the concerns of its stakeholders, including the agency force, are given due attention.

Potential headwinds stem from a deterioration or a lackluster growth in purchasing power which may exert pressure on new business and collections in the short-term and also impact consumer sentiment and income. Increases in medical costs also will have a significant impact on the health insurance industry, particularly in managing health insurance claims.

Emphasis will be placed on navigating these challenges adeptly by leveraging technology, data analytics, establishing partnerships, and implementing strategic risk management approaches to ensure the efficient and sustainable management of any potential risks, especially stemming from the business' health insurance portfolio. Digital and other capabilities built in the past will also aid the business in minimising the overall impact on operations, ensuring the persistency of existing policies while maintaining the trend of new business.

The Insurance business will also continue to focus on ensuring strategic, tactical, and operational readiness for the implementation of SLFRS-17, which will now be effective from 1 January 2026. In CY2024, the business will concentrate on system installation, configuration and integration, a process that has already commenced. Plans are also underway to begin the generation of opening balances and disclosures in CY2024, followed by testing and parallel runs in CY2025.

**“The Group remains positive of the overall prospects for the Financial Services industry group, given the strong market fundamentals of the industries in which the businesses operate. The encouraging recovery of the macroeconomy, as witnessed in the last three quarters of 2023/24, is envisaged to continue to the ensuing year aiding growth in the industry group.”**

## Banking

NTB will continue to proactively manage its operations to capture market opportunities as demand for credit rises, while effectively managing risks. The Bank will focus its efforts on building resilience and sustainability by prioritising credit quality, margin management, return focused lending and financial stability, whilst also continuing with the stringent cost management culture in place, in particular:

- Seizing market opportunities through careful lending practices while upholding a robust liquidity position.
- Prioritising profitability by effectively managing funding costs and upholding superior asset quality.
- Delivering customer-centric financial solutions through a holistic approach throughout the customer lifecycle, tailored to meet specific customer needs.
- Utilising technology to spearhead innovations, enhance customer value offerings, and streamline operational processes.
- Fostering an agile, dedicated, and forward-looking workforce.
- Integrating environmental and social factors through the implementation of a well-structured environmental, social and governance (ESG) strategy.

Potential headwinds stem from the overall economy, particularly given that the banking industry is closely intertwined with the state of the economy. To this end, the Bank will closely monitor developments on the economic and political front, especially the progress with the foreign currency denominated debt restructure due in the ensuing year and the elections due to be held.

The Bank has conducted various stress-tested scenarios on its capital and liquidity position and remains confident in its ability to navigate potential challenges stemming from the operating environment.

The Group currently holds 29.48% of voting shares in NTB. As discussed under the Operational Review, JKH has requested for an extension on the mandatory reduction of its shareholding in the Bank and is awaiting a formal response from the Central Bank of Sri Lanka.



Nations Trust Bank and American Express 20-year partnership celebration.

## Stockbroking

Positive developments on the macroeconomic front, along with increased optimism regarding the country's growth potential, are projected to yield positive effects on the performance of the stock market and investor sentiment. The marked reduction in interest rates has also resulted in a shift of funds from fixed income to alternative investments such as real estate and equity. The Stockbroking business is well positioned to leverage on this opportunity.

## Medium to Long-Term

### Insurance

Domestic conditions are envisaged to remain resilient and continue its growth trajectory in the medium-term in tandem with the continued revival of the economy. The significantly lower level of insurance penetration in comparison to regional peers, an ageing population and the increasing prevalence of non-communicable diseases are expected to aid growth in the life insurance industry in Sri Lanka. The immense growth potential for the industry will hinge on strategic factors such as raising awareness, developing a well-suited range of products and solutions, and establishing a robust service proposition which Union Assurance is ideally placed to capitalise on, given its strong brand equity, diversified portfolio of products and digital expertise.

**Sri Lanka has a relatively low level of insurance penetration in comparison to regional markets.**

Life Insurance Penetration in Regional Markets (%)



Source: Swiss Re Institute, Sigma No 3/2023 report, Sigma No 4/2022 report and IRCSL Statistical Review 2022.

Integration of Artificial Intelligence (AI) and Robotic Process Automation (RPA) in operational, customer servicing and administrative tasks is expected to potentially revolutionise the insurance landscape.

The business will continue to:

- Focus on diversifying its channels through an omni-channel distribution model and optimising bancassurance partnerships.
- While the agency channel is envisaged to be the key driver of revenue growth, also focus on expanding the bancassurance and alternate channels, particularly through the development of innovative insurance products that meet the evolving needs of customers.
- Place emphasis on modular products designed to meet the specific requirements and new needs of the customers marketed through efficient and modern distribution channels.
- Make ongoing innovative investments while having a clear digital roadmap that focuses on enhancing customer convenience, achieving operational excellence and improving distribution capabilities.
- Capitalise on the vast data reserve, placing emphasis on data analytics for better insight on evaluating the market, developing innovative products and devising growth strategies to fundamentally enhance decision-making capability.

# INDUSTRY GROUP REVIEW

## FINANCIAL SERVICES

- To further its ambition to be a fully-fledged digital and customer-centric insurer for the new age, taking steps to attract a new generation of customers and augment its market presence.
- Focus on improving the employee value proposition and execute various strategies aimed at the continuous improvement of the agency force through skill development and the retention of the trained talent pool.

### Banking

The prospects for the Banking business 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 NTB well-placed to capture the opportunities presented by the industry's ongoing digital transformation and strengthen its market positioning.

The business will prioritise:

- Further augmenting its digital infrastructure and processes to ensure better customer service, innovative solutions and efficiency in operations.
- 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
- Increasing the depth and breadth of its analytics, leveraging data to drive strategic decision-making.

### 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 CSE. 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.

# INDUSTRY GROUP REVIEW



## OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

### 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 five of the seven factories owned. Two factory are 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).



		2023/24	2022/23	2021/22
<b>Financial and Manufactured Capital</b>				
Revenue <sup>1</sup>	Rs.million	6,057	6,874	4,041
EBITDA	Rs.million	5,036	6,652	5,489
PBT	Rs.million	(7,349)	7,111	21,090
PAT	Rs.million	(9,513)	3,876	16,625
Total assets	Rs.million	98,252	95,472	134,622
Total equity	Rs.million	(5,788)	(2,988)	54,578
Total debt <sup>2</sup>	Rs.million	95,434	90,352	72,510
Capital employed <sup>3</sup>	Rs.million	89,839	87,364	127,088
<b>Natural Capital</b>				
Energy consumption	kWh	6,881,514	7,343,934	8,372,817
Energy consumption per operational intensity factor	kWh per Rs.million	722.92	696.97	1,241.52
Carbon footprint	MT	2,047.96	1,989.82	2,202.32
Carbon footprint per operational intensity factor	MT per Rs.million	0.22	0.19	0.33
Water withdrawal	m <sup>3</sup>	23,379.24	19,576.00	18,010.00
Water withdrawal per operational intensity factor	m <sup>3</sup> per Rs.million	2.46	1.86	2.67
Volume of hazardous waste generated	kg	0	0	0
Volume of non hazardous waste generated	kg	122,814	138,640	148,225
Waste generated per operational intensity factor	kg per Rs.million	12.90	13.16	21.98
<b>Human Capital</b>				
Total Workforce (employees and contractors' staff)	No.	1,341	1,350	1,274
EBIT per employee	Rs.million	4	5	4
Average training per employee	hours	11.3	8.04	12.4
Total Attrition	%	37.1	37.4	41.9
Females employee	%	77.7	70.76	69.1
Total injuries	No.	4	4	5
<b>Social and Relationship Capital</b>				
Community Services and Infrastructure Projects <sup>4</sup>	Rs.'000	65,893	133,627	34,298

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

2. Excludes lease liabilities.

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

4. Only the contribution to John Keells Foundation.

### Contribution to the John Keells Group

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

# INDUSTRY GROUP REVIEW

## OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

### External Environment and Operational Review

#### Information Technology

##### Macroeconomic Update

- Businesses continued to seek credible, long-term partners with a proven track record and stability to drive digital transformation agenda across their value chains/ecosystems with end-to-end portfolio capability and solution stacks.
- The key growth areas continued to be centred around core transformation, cloud enablement, and platform extensions for industry solution stacks, advanced analytics, intelligent automation, application modernisation ring-fenced with zero-trust architecture-based identity, mobility and access. This is increasingly becoming a key differentiator and critical success factor for most organisations to stay resilient amidst increasing cyber threats.
- The global business process management (BPM) industry market size was valued at USD 14.46 billion in CY2022 while the global spend on IT services is expected to reach USD 1.36 trillion by CY2025.
- IT/BPM industry in Sri Lanka has a target of achieving USD 3 billion export revenue by CY2024 and USD 5 billion export revenue 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 third highest export revenues for the country as at end-2023/24.

##### Key Policy and Regulatory Highlights

- Companies providing information technology services were previously exempt from income tax. Effective 1 April 2023, IT companies were liable to pay income tax at the standard corporate tax rate of 30%.

During the year under review, John Keells IT (JKIT) continued to consolidate and accelerate its expansions in regional markets by strengthening and leveraging on its global partnerships with Microsoft and SAP and expanding its strategic alliances partnering with Sales force and Siemens Digital. JKIT further consolidated its position as the market leader in Sri Lanka and United Arab Emirates through aggressive growth strategies and were successful in acquiring marquee clients. The business also pursued expansion in Saudi Arabia, India as well as South East Asia through identified strategic alliances.

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-Platform', and 'JKIT-Ecosystems' yielding positive results throughout the financial year.

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 maintained its position within the top six business process outsourcing (BPO) companies in Sri Lanka. The business continued to expand 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
  - 'Partner of the Year' – Sri Lanka 2023 from SAP
  - 'Principal Recognition Partner – Sri Lanka' from UiPath

#### Plantation Services

##### Macroeconomic Update

- Global tea production increased by 1.9% in CY2023 in comparison to the 1% contraction recorded in CY2022. The growth in production was mainly driven by higher outputs recorded by China, India, Kenya, Turkey and Sri Lanka.
- Sri Lanka recorded a 1.8% growth in tea production to 256 million kg during CY2023 [CY2022: 252 million kg]. Production across all elevations increased in comparison to CY2022.
- Sri Lanka tea exports for CY2023 stood at 241,913 MT in comparison to 250,191 MT recorded in CY2022. This decline mainly stemmed from Iran, a major importer, who faced challenges fulfilling payment terms and navigating stricter sanctions imposed by the United States and Europe, hindering deliveries. Additionally, demand from other key markets such as Russia, United Arab Emirates (UAE), Azerbaijan, Iraq, and Japan also weakened.
- Despite the volume decline, total export earnings in CY2023 grew by 4% amounting to Rs.428.29 billion (USD 1,304 million), compared to Rs.411.09 billion (USD 1,268 million) recorded in previous year.
- Average tea prices at the Colombo Auction decreased by 18% during CY2023 to Rs.1,171.29 in comparison to Rs.1,234.24 recorded in CY 2022. In USD terms, the average tea price declined by 6% from USD 3.81 per kg in CY2022 to USD 3.57 per kg in CY2023.

##### Key Policy and Regulatory Highlights

- Value added tax (VAT) of 18% was imposed on tea and rubber (excluding field latex and raw scrap) industries, effective 1 January 2024. The industries were previously exempt from VAT.

During the year under review, the Sri Lankan tea industry encountered a series of formidable obstacles, characterised by escalating production costs and dwindling auction values, compounded by geopolitical tensions such as the Russian-Ukrainian conflict and unrest in the Middle East.

Additionally, the Red Sea crisis induced uncertainty among tea exporters/buyers, leading to substantial escalations in freight and insurance expenses. Moreover, the appreciation of the Sri Lankan Rupee against the US dollar exerted further pressure on tea prices during the fourth quarter of 2023/24.

Adverse weather conditions, notably record rainfall and increased wet days impacted production, particularly in the low grown region. The decline in the low grown region was also influenced by decreased fertiliser application by smallholders. Despite these challenges, TSF managed to sustain production volumes at levels similar to the preceding year, excluding the New Panawenna factory, which was leased out in the fourth quarter of 2023/24. Inclusive of the New Panawenna factory, production volumes surpassed the previous year's figures by 1% by the end of the third quarter.

Throughout the year, TSF prioritised its digital branding initiatives, including the development of its website and engagement on social media platforms, aimed at fostering connections with buyers and the smallholder community, while also raising awareness of its corporate social responsibility endeavours.

Additionally, the business invested in the creation of a management dashboard to monitor key performance indicators, facilitating data-driven decision-making processes. Efforts to enhance operational efficiency were pursued through the automation of internal processes and the upgrade of machinery, resulting in improved productivity and product quality.

JK PLC increased its market share to 13.49% in 2023/24 from 13.30% recorded in the previous year. A notable increase in volumes of the high grown and medium grown elevations contributed to this improvement. JK PLC recorded a 6% increase in volumes. Additionally, the business initiated the development of its website and a mobile application which would enable the clients to digitally access catalogues, prices, valuations, and other information regarding tea sold which would enable better transparency and smooth information flow. JK Warehouse utilisation increased to 88% during the year compared to 71% achieved in the previous year. The business invested Rs.123 million on revamping the existing racking systems during the year and is in the process of implementing an automated goods received note (GRN) process which would digitise recording of goods received directly onto an application, thereby streamlining operations, saving time in terms of labour, reducing cost of paper and minimising short weight claims. Additionally, the business signed up with a solar developer to install a 2 MW solar installation at the warehouse on a revenue sharing basis for 20 years.

## Other

In addition to the Information Technology and Plantation Services sectors, the industry group also entails the Holding Company and its various divisions.

## Holding Company

The Holding Company operates in a manner where each industry group operates with relative autonomy, whilst linked together for strategic direction through the Board and the Group Executive Committee. The Centre Functions of the Holding Company ensure excellence and consistency in support services across the Group, aiding industry groups in managing crucial aspects effectively and receiving support in niche operational decision-making.

### The Centre Functions of the Group entail:

Centre Function/ Division	Activities
Corporate Communications	<ul style="list-style-type: none"> <li>Manages the Group's internal communications and Group-level communication with media personnel.</li> </ul>
Corporate Finance and Strategy	<ul style="list-style-type: none"> <li>Evaluates mergers and acquisitions, effects financial evaluation, capital planning and monitoring.</li> <li>Reviews the Group Portfolio, facilitates planning, strategy formulation and manages business specific strategic projects/studies.</li> </ul>
Data and Advanced Analytics – Octave*	<ul style="list-style-type: none"> <li>Business transformation through the development of advanced data analytics use cases.</li> </ul>
Group Business Process Review	<ul style="list-style-type: none"> <li>Oversees the integrity of the financial statements and internal control.</li> </ul>
Group Finance and Insurance	<ul style="list-style-type: none"> <li>Consolidates Group accounts and provides guidance on interpretation and implementation of accounting standards for the Group.</li> </ul>
Group Human Resources (HR)	<ul style="list-style-type: none"> <li>Sets HR policy and coordinates /monitors Group HR processes.</li> </ul>
Group IT	<ul style="list-style-type: none"> <li>Supports the Group's IT requirements.</li> </ul>
Group Tax	<ul style="list-style-type: none"> <li>Development of Group tax strategy and planning.</li> </ul>
Group Treasury	<ul style="list-style-type: none"> <li>Manages interest rate negotiations and foreign exchange, evaluates and sourcing of finance and manages the Group pension fund.</li> <li>Provides treasury advice and ensures the facilities obtained are in line with Group norms.</li> </ul>
John Keells Foundation	<ul style="list-style-type: none"> <li>A subset of sustainability which manages strategic CSR initiatives in line with the Sustainability Development Goals.</li> </ul>

# INDUSTRY GROUP REVIEW

## OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Centre Function/ Division	Activities
John Keells Research*	<ul style="list-style-type: none"> <li>Generates scientific research ideas and develop such ideas into Intellectual Property (IP) either to commence commercial production or monetise the IPs itself to generate revenue.</li> </ul>
John Keells X*	<ul style="list-style-type: none"> <li>Group's corporate start-up accelerator</li> </ul>
Legal and Secretarial	<ul style="list-style-type: none"> <li>Provides legal and secretarial support to all Group companies.</li> </ul>
New Business Development	<ul style="list-style-type: none"> <li>Development of new business opportunities for the Group.</li> </ul>
Sustainability, Enterprise Risk Management and Group Initiatives	<ul style="list-style-type: none"> <li>Operationalisation of Group Sustainability Management Framework under which Group Companies carry out their specific sustainability strategies and initiatives.</li> <li>Manages the Enterprise Risk Management system for the value creation process.</li> <li>Manages Group-wide synergetic initiatives.</li> </ul>
Social Entrepreneurship**	<ul style="list-style-type: none"> <li>Spearheads 'Plasticcycle', Group's social entrepreneurship initiative.</li> </ul>

\*Detailed discussion found in the Intellectual Capital Review

\*\*Detailed discussion found in the Natural Capital Review sections.

The year under review witnessed a return to normal day-to-day activities post the economic crisis where the country saw sustained improvements across key macroeconomic indicators. Notably, the decline of inflation and interest rates, the stabilisation of the Rupee supported by improved foreign exchange inflows and the ease of import restrictions and the gradual pick up in the economic growth. Amidst these 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 the portfolio of businesses and supporting the investment pipeline of the Group.

 Detailed discussion found in the Financial and Manufactured Capital Review - page 51

As detailed in the JKH Annual Report 2022/23, JKH issued 208,125,000 LKR denominated debentures ('Debentures'), with a face value of Rs.27.06 billion, to HWIC Asia Fund ('HWIC'), a subsidiary of Fairfax Financial Holdings Limited, in August 2022. The debentures were issued at Rs.130 per Debenture and with the option for conversion to shares at a ratio of 1:1, based on the approval granted by the shareholders at the time.

In February 2024, HWIC exercised its option to convert 110,000,000 Debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares of the Company. The remaining outstanding Debentures post this conversion amount to 98,125,000 Debentures with a face value of Rs.12.76 billion. The remaining Debentures are eligible for conversion till 12 August 2025.

 Refer Share Information section for a discussion on the key portfolio actions during the year - page 124

### Financial Performance Review

#### Information Technology

Rs.million	2023/24	2022/23	%
<b>Income Statement Indicators</b>			
Revenue	2,243	2,273	(1)
EBITDA*	415	769	(46)
PBT	244	731	(67)
<b>Balance Sheet Indicators</b>			
Debt**	78	158	(51)

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

\*\*Excludes lease liabilities.

- The marginal decline in revenue is on account of JKIT, due to lower revenue from clients.
- Infomate recorded a growth in revenue during the year driven by onboarding of new clients.
- EBITDA of the sector was impacted by an increase in staff costs during the year.
- On a recurring basis, the PBT of the Information Technology sector stood at Rs.244 million during the year in comparison to Rs.721 million in 2022/23.
- Debt excluding lease liabilities recorded a decline due to normalised working capital requirements. It should be noted, Infomate incurred lease liabilities amounting to Rs.77 million in 2023/24 due to leasing of an office premise.

#### Plantation Services

Rs.million	2023/24	2022/23	%
<b>Income Statement Indicators</b>			
Revenue	3,757	4,509	(17)
EBITDA*	422	1,036	(59)
PBT	270	914	(70)
<b>Balance Sheet Indicators</b>			
Debt**	222	85	161

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

\*\*Excludes lease liabilities.

- The Plantation Services sector recorded a decline in revenue due to a decline in tea prices, which mainly impacted TSF. Additionally, the appreciation of the Rupee further contributed to the decline in revenue.
- The decline in EBITDA is mainly as a result of a contraction in margins due to a decline in tea prices along with increases in staff costs, electricity and maintenance costs.
- On a recurring basis, the PBT of the Plantation Services sector stood at Rs.198 million in comparison to Rs.822 million in 2022/23. The PBT was impacted by reduced margins along with higher depreciation charges due to an increase in assets on account of refurbishments undertaken last year.
- The increase in debt of the Plantation Services sector is attributable to an increase in bank overdrafts to manage working capital requirements.

#### Other

Rs.million	2023/24	2022/23	%
<b>Income Statement Indicators</b>			
Revenue	57	93	(39)
EBITDA*	(4,198)	4,847	(130)
PBT	(7,862)	5,465	(244)
<b>Balance Sheet Indicators</b>			
Debt**	95,134	90,109	6
Net Debt***	36,572	23,295	57

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

\*\*Excludes lease liabilities.

\*\*\*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 decrease in revenue of the Holding Company during the year was mainly on reclassification of external revenue for the current year.
- The EBITDA of the Holding Company decreased during the year due to a decline in interest income. Interest income recorded a decrease due to a decline in domestic interest rates, the translation impact stemming from foreign currency denominated interest income and a decrease in cash and cash equivalents at the Holding Company on account of planned utilisation for equity infusions in investments.
- The PBT of the Holding Company was impacted by an increase in finance expenses driven by:
  - The notional non-cash interest of Rs.3.02 billion charged in line with market rates on the convertible debentures [2022/23: Rs.1.83 billion], in line with the accounting treatment, despite the significant difference between the market rate and the 3% coupon rate.
  - An increase in Rupee borrowing costs due to an increase in Rupee debt in line with the planned funding strategy of the Group at this juncture, to this end, total debt (including lease liabilities) decreased by Rs.5.14 billion to Rs.95.25 billion.

- Further, the Holding Company PBT in 2022/23 includes an exchange gain of Rs.9.46 billion on account of the steep depreciation of the Rupee whilst the year under review comparatively includes an exchange loss of Rs.369 million due to the appreciation of the Rupee.
- Debt levels at the Holding Company increased in comparison to the previous year due to an increase in Rupee borrowings, in the line with the planned funding strategy of the Group.
- 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 the 'City of Dreams Sri Lanka' integrated resort and WCT-1.
- Lease liabilities for the year stood at Rs.116 million, while total debt including lease liabilities amounted to Rs.95.25 billion during the year in comparison to Rs.90.11 billion in 2022/23.

The industry group recorded fair value gains on investment property (IP) of Rs.72 million which stemmed from the Plantation Services sector and the investments at the Holding Company [2022/23: Rs.81 million].

The recurring adjustments for 2023/24 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.7.45 billion, a decrease against the previous year [2022/23: Rs.7.48 billion].

#### Return on Capital Employed (ROCE) Analysis

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2023/24	5.3		78.1		0.06		1.09
2022/23	6.0		93.6		0.06		1.07

The ROCE of the Information Technology sector declined to 8.9% [2022/23: 23.5%].

The ROCE of the Plantation services sector declined to 9.9% [2022/23: 32.1%].



Halwitigala Tea Factory.

# INDUSTRY GROUP REVIEW

## OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

### Outlook and Risks

#### Information Technology

The Information Technology industry has witnessed encouraging growth in recent years, with a significant increase in demand for technology services worldwide. The Group remains confident of the prospects of this industry, given growing traction for technology solutions that aid businesses to improve operations, increase efficiency and mitigate risks in general. The agile and rapidly evolving nature of the business is also expected to aid growth, given the industry's ability to move in tandem with customer preferences.

#### Key risks, trends and opportunities relevant to the industry group:

##### Risks



- Macroeconomic and political environment\*
  - Changes in regulatory environment\*
- Supply chain disruptions\*
- Financial exposure\*, in particular exchange rate volatility
- Global competitiveness\*
- Human resources and talent management\*
- Environment and health & safety\*
- Information technology\*
  - Cybersecurity threats
  - Commoditisation of services
  - Disruptive innovation
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

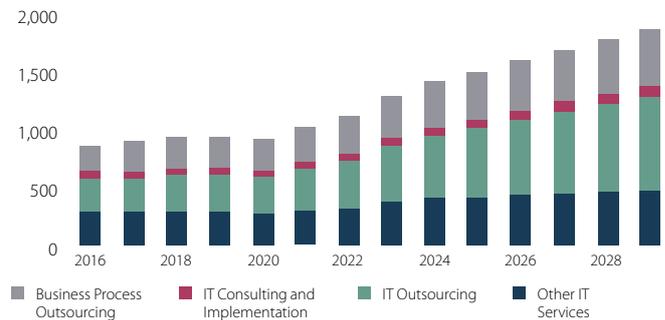
##### Trends and Opportunities



- Traction for cloud computing
- Increased demand for emerging technologies such as artificial intelligence (AI), blockchain, and the Internet of Things (IoT)
- Data analytics
- Growing digital literacy in the country
- High literacy rates in the country
- Increased adoption of digital solutions and transformations by businesses
- Opportunities for managed services, outsourcing and offshoring
- Envisaged growth in the business process management (BPM) industry
- Increased investment in technology infrastructure

Statista estimates the IT services market globally to reach USD 1.42 trillion in CY2024, with IT outsourcing dominating the market with an estimated market volume of USD 541.10 billion. The market is estimated to grow at a compounded annual growth rate of ~6%, resulting in a USD 1.88 trillion market by CY2029.

Global IT Services Market  
(USD billion)



Notes: Data shown is using current exchange rates and reflects market impacts of the Russia-Ukraine war.

Most recent update: April 2024

Source: Statista Market Insights

#### Immediate to Short-Term

- The information technology and communication industry in Sri Lanka is recognised as a thrust sector in the country's national export strategy. The industry has a target of contributing USD 15 billion to the digital economy and achieving USD 5 billion in export revenue by CY2030.
- In CY2023, ICT/BPM exports increased by 13.2% to USD 1,260 million, reflecting the significant growth potential of this industry. This growth momentum is envisaged to continue going forward.
- Digital literacy among the populace is ever-growing, along with increased digital adoption, creating ample opportunity for the industry to leverage on.
- The Group's IT businesses are 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 businesses will look to consolidate its position in the current markets and also strengthen its partnerships with key partners.
- Improving the contract management and operations, especially in overseas markets with the right onsite/offsite blend, as well as a disciplined change management process will be a key priority for John Keells IT (JKIT) in the short-term.
- Attrition and sourcing talent remain a critical challenge for the Group's IT businesses, with the issue of human capital flight and 'brain drain'. 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.

**“The Information Technology industry has witnessed encouraging growth in recent years, with a significant increase in demand for technology services worldwide. The Group remains confident of the prospects of this industry, given growing traction for technology solutions that aid businesses to improve operations, increase efficiency and mitigate risks in general.”**

### Medium to Long-Term

The Group's IT businesses expect continued adoption of information technology solutions on the back of increased adoption of digital solutions. To this end, the Group expects to see greater traction in the deployment 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.

JKIT will leverage on its strategic partnerships with SAP, Microsoft and UiPath, to expand regionally and globally to capture high-end accounts and increase business reach in Sri Lanka, Europe, the Middle-East, and Africa (EMEA), and the Asia Pacific (APAC) regions. 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 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.



Infomate is uniquely positioned to capitalise on the strong demand for near-shoring and off-shoring of BPM operations.

### Plantation Services

The prospects for the Plantation Services sector remain positive given its export-oriented nature. The sector is well positioned to capitalise on the recovery momentum of the overall economy, notwithstanding the multiple industry specific challenges faced by the sector in the recent past in addition to the challenging operating environment at the time.

#### Key risks, trends and opportunities relevant to the industry group:

##### Risks



- Macroeconomic and political environment\*
  - Lacklustre growth in consumer demand
  - Changes in regulatory environment\*
- Supply chain disruptions\*
  - Reduced exports and potential increase in insurance and freight costs stemming from geopolitical tensions
- Increasingly unpredictable weather patterns
- Financial exposure\*, in particular exchange rate volatility
- Global competitiveness\*
- Human resources and talent management\*
- Environment and health & safety\*, including climate risks
  - Changes in weather conditions impacting product outputs and quality of leaf
- Information technology\*
- Reputation and brand image\*

\*Identified as a risk across the Group through the Group's Enterprise Risk Management framework. Refer Key Risks section under Outlook and Risks for a detailed discussion.

##### Trends and Opportunities



- Technological integration, including of AI in the grading and auctioning process
- Automation of several labour-intensive processes
- Emphasis on environmental sustainability, sustainable packaging and reforestation
- Expansion into new markets regionally and globally
- Opportunities for premiumisation
- Emerging demand for teas infused with functional ingredients
- Cultural and experiential marketing

#### Immediate to Short-Term

- The Sri Lanka Tea Board (SLTB) expects the overall tea production to reach 260 million kilograms in CY2024 [CY2023: 256 million kilograms], generating ~USD 1.3 billion in revenue.
- 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. Hence, production levels in the country are expected to gradually increase to pre-2021/22 numbers in tandem with the improvement in fertiliser application.

# INDUSTRY GROUP REVIEW

## OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

- Given the relatively stabilised macroeconomic environment, market prices are envisaged to remain at current levels.
- Global demand for Ceylon tea will also be benefited by the continued expansion of the health-conscious consumer market segment.
- The oil for tea barter agreement has proven to be a positive development for Ceylon tea with Iran increasing its volumes sourced from Colombo. Ceylon Tea has also regained its position to be amongst the top five exporters for the first quarter of CY2024.
- Geopolitical issues stemming from the Russia-Ukraine and the Israel-Palestine conflicts, devaluation of the currency of key import markets for Ceylon Tea and volatile exchange rates are downside risks to the outlook. The impact may be two-fold, with impacts on demand as well as on the cost structure, particularly higher insurance and freight costs for tea exporters. Additionally, historically low prices of key competing markets may contribute to a shift of a segment of the market from Ceylon tea to other origin teas.
- Other potential headwinds to the business include rise in wages, increase in power and energy cost, labour shortages, as well as increasingly unpredictable weather patterns, which is likely to impact cost of production and volumes.
- With rising costs remaining a key concern for the business, as well as the industry as a whole, in maintaining competitiveness, the business will continue its ongoing efforts to prudently manage its working capital requirements and practice responsible cost management and productivity enhancing measures including the automation of labour-intensive processes.
- Environmental, Social, and Governance (ESG) factors like reforestation and environmental sustainability will be a key focal point of the sector.

### Medium to Long-Term

Global markets for tea are projected to keep expanding, driven by rising worldwide tea consumption. Growing demand for low grown tea from traditional markets in the Middle East and Russia, though demand from the latter is impacted by the present crisis, along with 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 even in the medium to long-term. 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). In the longer term, artificial intelligence (AI) is expected to be more widely adopted, particularly in the grading and auctioning processes.

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.
- Transitioning all physical documents of the warehousing operations to electronic formats to minimise the environmental impact.

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.
- Engagement with stakeholders, especially smallholder partners, for mutually beneficial outcomes.

*A way of Life*

## GOVERNANCE

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**The Governance section of the Annual Report outlines the comprehensive frameworks, procedures and processes in place to ensure that the value creation cycle of the Group continues unhindered.**

**⊕ Board and Management Profiles**

Our Board of Directors and Management Team work together, blending diverse backgrounds and skills to propel the Group forward. Here, you will find a brief profile of each Director, Group Executive Committee member, and Group Operating Committee member.

**⊕ Corporate Governance Commentary**

Dives into the Group's corporate governance framework which is the cornerstone of all decision-making. The discussion is segregated to five parts:

- Internal Governance System
- Integrated Governance Systems and Procedures
- Assurance Mechanisms
- Governance Outlook and Emerging Challenges
- Compliance Summary

**⊕ Stakeholder Engagement**

Outlines the Group's methodology for engagement with its multiple stakeholders and the various channels and frequencies through which engagement occurs.

**⊕ Determining Materiality**

Outlines the structured approach followed by the Group to identify material topics in order to assess and mitigate potential disruptions, ultimately safeguarding the Group's long-term stability and growth.

# BOARD AND MANAGEMENT PROFILES

## BOARD OF DIRECTORS

**KRISHAN  
BALENDRA**



N P ED

### **KRISHAN BALENDRA**

Chairperson-CEO  
Executive Director

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 PLC 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**



P ED

### **GIHAN COORAY**

Deputy Chairperson/Group Finance Director  
Executive Director

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 is a former Chairman of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

**AMAL  
CABRAAL**



A H N R

### **AMAL CABRAAL**

Independent Non-Executive Director

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 business advisor to several other companies. Previously, Amal 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**



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### **DR. SHARMINI COOREY**

Independent 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 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.

**SUREN  
FERNANDO**



A R

**NIHAL  
FONSEKA**



A R SID

**DR. HANS  
WIJAYASURIYA**



H N P

# BOARD AND MANAGEMENT PROFILES

## BOARD OF DIRECTORS

### SUREN FERNANDO

#### Independent Non-Executive Director

Counting 25 years with MAS, Suren is the Group Chief Executive Officer of MAS Holdings (Private) Limited, and was previously the Chief Transformation Officer of the company overseeing MAS' 2025 transformation. He was also the CEO of MAS Intimates, the largest division of MAS Holdings. Among many roles within the organisation, he also functioned in the capacity of Chief Operating Officer of MAS Intimates in 2014, heading operations and taking leadership in providing strategic management directives. Suren holds a BSc. in Engineering from the University of Moratuwa and is a Fellow Member of the Chartered Institute of Management Accountants, UK. He has received extensive overseas business exposure and training, including Executive Education at Wharton Business School, University of Pennsylvania, INSEAD Business School, Ashridge Business School, Henley School of Management, University of Waikato in New Zealand, and Harvard Business School (Program for Leadership Development). Suren is also a member of the Board of Directors at World Vision Sri Lanka, a non-profitable relief, development and advocacy organisation dedicated to working with children, families and communities to overcome poverty and injustice.

### NIHAL FONSEKA

#### Independent Non-Executive Director

Nihal Fonseka is a career banker and served as the Chief Executive Officer/Director of DFCC Bank from 2000 until his retirement in 2013. He is currently a member of the Governing Board and the Monetary Policy Board of the Central Bank of Sri Lanka, 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, a past President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK, from 2011 to 2021, 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). Prior to joining the DFCC Bank, he was the Deputy Chief Executive of HSBC Sri Lanka. 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.

### DR. HANS WIJAYASURIYA

#### Independent Non-Executive Director

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, 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. During the period 2012-2014, Dr. Wijayasuriya also functioned as the founding CEO of Axiata Digital Services – the Group-wide Digital Services Business of the Axiata Group. Dr. Wijayasuriya serves on the Boards of several Axiata Group Companies across Asia and is also a Member of the Board of Directors of the GSMA, the Governing Body of the Global Mobile Industry.

In March 2024, Dr. Wijayasuriya was honoured with the 'Chairman's Award' by the GSM Association, in recognition of outstanding contribution to the global mobile industry. Previously in 2017, Dr. Wijayasuriya was the recipient of the 'Outstanding Contribution to the Asian Mobile Industry' Award in its inaugural year of award. Dr. Wijayasuriya was also named 'Sri Lankan of the Year' by Sri Lanka's premier business journal, LMD in 2008.

Dr. Wijayasuriya is a past Chairman of the Ceylon Chamber of Commerce, Sri Lanka's premier business chamber. 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 UK.

- 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

## GROUP EXECUTIVE COMMITTEE

**DAMINDA  
GAMLATH**



### **DAMINDA GAMLATH**

President

Daminda Gamlath is the President of the Consumer Foods industry group and has been with the John Keells Group since 2002. He was the Sector Financial Controller for the Information Technology sector and the Consumer Foods industry group before he was appointed as the Head of Beverages in 2013 and the Sector Head in 2017. Prior to joining the John Keells Group, he worked at the Hayleys Group. Daminda holds a B.Sc. in Engineering from the University of Moratuwa, an MBA from the University of Colombo and is a passed finalist of the Chartered Institute of Management Accountants (UK).

**ZAFIR  
HASHIM**



### **ZAFIR HASHIM**

President

Zafir Hashim is the President of the Transportation industry group and the Plantation sector and has been with the Group for 21 years. He joined the Group in 2003, seconded to Lanka Marine Services where he served as CEO from 2005-2015. He has also served as a member of the Transportation Sector Committee from 2005. During the last 20 years he has held the position of CEO at John Keells Logistics Lanka Limited, and Mackinnons Mackenzie Shipping Co. Limited, Mack International Freight Limited and Mackinnons Travels Limited. He has an MSc in Chemical Engineering from the University of Birmingham (UK).

**NAYANA  
MAWILMADA**



### **NAYANA MAWILMADA**

President

Nayana Mawilmada is the President of the Property industry group at JKH. With extensive international experience in planning, facilitating, and managing large scale urban development and infrastructure projects across 15 countries, and working within both the private and public domains, Nayana brings a unique perspective to property sector endeavours. He is widely seen as a key advocate and spokesperson for sound urban development policy and planning in the country. Among his previous roles, Nayana has served as the Director General of the Urban Development Authority of Sri Lanka, Managing Director of York Street Partners (Private) Limited, a boutique investment bank in Colombo and as an Urban Development Specialist for the Asian Development Bank based in Manila, Philippines. His academic training includes an MBA from Harvard Business School, a Master of City Planning from Massachusetts Institute of Technology (MIT), and a Bachelor of Architecture from Hampton University in the USA. In recognition of his leadership in Sri Lanka's urban development space, he was also awarded an Eisenhower Fellowship in 2017.

**SURESH  
RAJENDRA**



### **SURESH RAJENDRA**

President

Suresh Rajendra has over 30 years of experience in the fields of finance, travel and tourism, hotel management, property development and real estate management and business development acquired both in Sri Lanka and overseas. Prior to joining the JKH Group, he was the Head of Commercial and Business Development for NRMA Motoring and Services in Sydney, Australia and Director/General Manager of Aitken Spence Hotel Managements (Private) Limited, Sri Lanka. He is a Fellow member of the Chartered Institute of Management Accountants, UK.

**CHARITHA  
SUBASINGHE**



He is the President of the Leisure industry group of John Keells and is also responsible for Union Assurance PLC, John Keells Information Technology (Private) Limited and John Keells Stockbrokers. He serves as a Director of Asian Hotels and Properties PLC, Union Assurance PLC, Trans Asia Hotels PLC, John Keells Hotels PLC and also in many of the unlisted companies of the John Keells Group. He is a member of the Tourism Advisory Committee appointed by the Ministry of Tourism.

### **CHARITHA SUBASINGHE**

President

Charitha Subasinghe is responsible for the Retail industry group of the Group. He has been with the John Keells Group since 2003. He was the Sector Financial Controller of the Supermarket business, before being appointed as the CEO in 2005. He was also employed at Aitken Spence Hotel Management as the Sector Financial Controller before moving over to John Keells. He is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as a Diploma Holder of the Chartered Institute of Marketing (UK). He also holds an MBA from the University of Colombo.

**NADIJA  
TAMBIAH**



### **NADIJA TAMBIAH**

President

Nadija Tambiah is a Barrister at Law and an Attorney at Law. She heads the Legal and Company Secretarial functions of the John Keells Group. She also heads the John Keells Foundation, the corporate social responsibility arm of John Keells Holdings PLC and is part of the JKH Diversity, Equity and Inclusion Initiative of the Group. She is a Trustee of the George Keyt Foundation, Geoffrey Bawa Trust and Lunuganga Trust, and a member of the Executive Committee of the Colombo Museum of Modern Art. She is Chair of the Women Directors Forum of the Sri Lanka Institute of Directors.

# BOARD AND MANAGEMENT PROFILES

## GROUP OPERATING COMMITTEE

**SHERIN  
CADER**



**HISHAN  
SINGHAWANSA**



### **SHERIN CADER**

**Executive Vice President**

Sherin Cader is the Chief Financial Officer of the Financial Services industry of the John Keells Group and the Chairperson of Nations Trust Bank PLC. She has been with the John Keells Group since 1998, serving in many capacities across multiple sectors. She has played diverse roles across finance and operations in Financial Services, the IT Enabled Services sector and JKH Centre functions. She functioned as the Financial Controller at John Keells Holdings PLC from 2009 till 2012. Subsequently she took on the role of General Manager - Finance and Planning at Union Assurance PLC until her current role within the Financial Services industry group of JKH. She is a Fellow Member of the Chartered Institute of Management Accountants UK, and the Association of Chartered Certified Accountants of UK and is also a Chartered Global Management Accountant. She is also SAP Certified in Managerial and Financial Accounting.

**NELINDRA  
FERNANDO**



**MIKAEL  
SVENSSON**



### **NELINDRA FERNANDO**

**Executive Vice President**

Nelindra Fernando is the Chief Financial Officer for the Consumer Foods industry group. Nelindra has been with the John Keells Group since 2013. Prior to joining the Group, she worked at the MAS group for 12 years and Ernst & Young, Chartered Accountants for four years. Nelindra serves on the Board of Ceylon Cold Stores PLC as an Executive Director and at Keells Food Products PLC as a Non-Executive Director. She is a member of the Chartered Institute of Management Accountants of UK and the Institute of Chartered Accountants of Sri Lanka.

**ISURU  
GUNASEKERA**



**ARAVINDA  
WANNIARACHCHI**



### **ISURU GUNASEKERA**

**Executive Vice President**

Isuru Gunasekera is the Chief People Officer of the Group, whilst also overseeing Group Sustainability, Enterprise Risk Management and Group Initiatives. He joined the Group in 2001 into the New Business Development Division and thereafter headed Group Initiatives and also new projects for the Transportation sector. He was the CEO of John Keells Logistics for 10 years and CEO of Mackinnons Travels for a short period. Prior to joining the Group, he was attached to J P Morgan Chase. He holds a bachelor's degree in business administration from Loyola Marymount University, USA.

**CHANGA  
GUNAWARDANE**



**DEVIKA  
WEERASINGHE**



**NISREEN  
REHMANJEE**



**RAVI  
WIJEWANTHA**



**RAMESH  
SHANMUGANATHAN**



**INOKE  
PERERA**



## **CHANGA GUNAWARDANE**

### **Executive Vice President**

Changa Gunawardane oversees the financial health of the Leisure Industry Group of John Keells Holdings as the Chief Financial Officer and has been with the John Keells Group for over 18 years. Changa currently serves as a Non-Executive Director on the Board of Asian Hotels and Properties PLC, Trans Asia Hotels PLC and also in many of the unlisted companies of the John Keells Group.

Changa brings extensive financial leadership experience from his current role and his previous role within John Keells Group as the Chief Financial Officer for the Information Technology Sector as well as the Sector Financial Controller for the Airlines and Logistics Business Unit, within the Transportation Sector. He also has over 29 years of financial experience across diverse industries spanning Pharmaceutical, Manufacturing, Management Services, Electrical Engineering and Construction.

A Fellow Member of the Chartered Institute of Management Accountants in the UK, he holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka.

## **NISREEN REHMANJEE**

### **Executive Vice President**

Nisreen Rehmanjee is the Head of Corporate Finance, Group Tax and Social Entrepreneurship of the John Keells Group. Starting her career as an accounts trainee with KPMG in 1995, she rose to the position of Director Tax in 2001. She then joined the John Keells Group as Head of Tax Strategy in 2005. Her overseas experience includes a stint with the Global Tax Solutions team in London during her tenure with KPMG and a 3-year secondment to India with the John Keells IT/ITES cluster as Head of Corporate Functions. She was instrumental in conceptualising and launching the 'Plasticcycle' initiative of the John Keells Group, which is focused towards reducing plastic pollution across Sri Lanka. Nisreen is a Fellow member of the Association of Chartered Certified Accountants, UK and the Institute of Certified Management Accountants of Sri Lanka. Additionally, she is a member of the Tax Sub-committee of the Ceylon Chamber of Commerce and a past President of ACCA Sri Lanka.

## **RAMESH SHANMUGANATHAN**

### **Executive Vice President**

Ramesh Shanmuganathan is the Group's Chief Information Officer, a member of the Group Management Committee for the Information Technology sector, as well as Chief Executive of John Keells IT and John Keells X. Ramesh is also an Executive Director at John Keells IT, Infomate as well as John Keells Lanka BPO Services in addition to being a Non-Executive Director at Nations Trust Bank PLC. He has over 25 years of experience in the ICT industry in Sri Lanka and the USA, with over 20+ years in C-level management. Ramesh is a Hayes-Fulbright Scholar and holds to his credit a Doctor of Philosophy (Technology Management) from Keisei International University (Seoul, South Korea), Master of Science (Information Technology and Computer Science) with Phi Kappa Phi Honours from Rochester Institute of Technology (New York, USA), Master of Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura, Bachelor of Science in Electronics and Telecommunications Engineering with First Class Honours from the University of Moratuwa. He is at present reading for his Doctor of Business Administration (DBA) at the International School of Management, Paris.

He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society and Institute of Engineers, UK. He has active memberships in several other professional institutions and is a visiting faculty member for several post-graduate programmes. He is an active advocate of Digital Transformation and Open Innovation and speaks in many international events and forums in this regard.

## **HISHAN SINGHAWANSA**

### **Executive Vice President**

Hishan Singhawansa is the Deputy CEO at Cinnamon Hotels & Resorts of the Leisure industry group and overlooks Cinnamon's entire portfolio of hotels and resorts in Sri Lanka and the Maldives including the development of the much-anticipated integrated resort project, 'City of Dreams Sri Lanka'. He has been with the John Keells Group since 2008 and started his career at the Retail industry Group of John Keells, where he was with Category Management and headed Supply Chain before moving into the Leisure industry group in 2017. He holds a BSc in Engineering (Hons) Degree from the University of Moratuwa and an MBA from the University of Wales.

## **MIKAEL SVENSSON**

### **Executive Vice President**

Mikael Svensson serves as the Chief Executive Officer of Cinnamon Hotels & Resorts, where he oversees the entirety of Cinnamon's distinguished collection of hotels and resorts across Sri Lanka and the Maldives. His leadership includes the highly anticipated development of the integrated resort project, 'City of Dreams Sri Lanka'. With over 30 years of international senior leadership experience in managing and operating luxury hotels, Mikael brings a proven track record of success across diverse markets in Asia, the Middle East, and Australia. His expertise has been honed through his tenure at the esteemed Hyatt Group, where he held various pivotal roles for over two decades. Prior to joining the John Keells Group, Mikael served as the Senior Vice President of Louis T Collection, a Singapore-based hospitality management and building solutions company. In this capacity, he oversaw a portfolio of hotels across Asia and Australia.

## **ARAVINDA WANNIARACHCHI**

### **Executive Vice President**

Aravinda Wanniarachchi is the Chief Financial Officer of Retail. He joined the John Keells Group in 2007 and was attached to the Corporate Finance and Strategy team prior to joining the Retail industry group. He is a Chartered Financial Analyst, an Associate member of the Chartered Institute of Management Accountants UK and holds a BBA Marketing (Sp.) degree from the University of Colombo.

## **DEVIKA WEERASINGHE**

### **Executive Vice President**

Devika Weerasinghe is the Chief Financial Officer of the Transportation industry group, Plantation Services sector and Information Technology sector. She previously held the position of Sector Financial Controller of the Transportation sector. She also served as the Sector Financial Controller of the Airlines businesses of the Transportation sector during the period 1998-2004. An Associate member of the Chartered Institute of Management Accountants UK, Devika also holds a Bachelor's Degree in Business Administration, from the University of Sri Jayewardenepura.

# BOARD AND MANAGEMENT PROFILES

## GROUP OPERATING COMMITTEE

### **RAVI WIJEWANTHA**

#### **Executive Vice President**

Ravi Wijewantha joined the Group in September 2003 and was appointed as Sector Financial Controller of the Property industry group in July 2006 and Chief Financial Officer of the same Industry Group in July 2017. He has over 25 years of experience in the fields of auditing and accounting. He is an Associate Member of the Chartered Institute of Management Accountants UK and holds an MBA from ICFAI University Dehradun India. He also holds an LLB and LLM from Buckinghamshire New University.

### **INOKE PERERA**

#### **Executive Vice President**

Inoke Perera is the Sector Head of the Property industry at the John Keells Group. He previously held the position of Chief Operating Officer for the Property industry group. Inoke joined the John Keells Group in September 2003 and was appointed as Head of Commercial Operations of the Property industry group in July 2006 and Head of Operations of the same industry group in July 2012. He started his career in accounting, holding positions in Financial Accounting, System Implementation, Management Accounting, Business Analysis and Finance. He then later switched to Project Management, Commercial and Operations. He has over 25 years of experience in Venture Capital, Consultancy, Property Management and Property Development Industry. He is an Associate Member of the Chartered Institute of Management Accounting, holds a Master of Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and is currently reading for a Master of Laws (LLM) at Cardiff Metropolitan University, UK. He is an executive committee member of the Condominium Developers Association of Sri Lanka (CDASL).

# 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, whilst following all mandatory regulations and ensuring the highest levels of corporate governance.

The Group's corporate governance philosophy is institutionalised across all its business units, and this philosophy 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.

In improving the quality and relevance of our governance reporting, the Group has to structure the narrative in a manner that showcases the Board's activities and contribution to value creation during the year. Compliance with applicable statutory requirements is summarised in the narrative and discussed in detail in the compliance tables.

The ensuing discussion comprises of the following key aspects:

- Significant components of the JKH Corporate Governance System
- Monitoring mechanisms in place to ensure strict compliance with the Group's Governance policy
- Outlook and emerging challenges for corporate governance
- JKH's compliance with all mandatory requirements of law and its voluntary adoption of recommended codes in the governance field

## 1.1 Compliance Summary

### Mandatory Regulatory Frameworks – fully compliant

The Companies Act No. 7 of 2007 including applicable regulations

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 SEC

### Voluntary Frameworks and Standards

Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka – compliant to the extent of business exigency and as required by the Group\*

### Reporting Frameworks

International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)

Global Reporting Initiative Standards

### Internal Mechanisms

Articles of Association

Internal Policies

#### Key internal policies:

- Code of Conduct, which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies at a Board level covering nominations, remuneration audit and internal controls
- Policies on anti-fraud, anti-corruption, anti-money laundering and countering the financing of terrorism and bidding for contracts, including on Government contracts
- Policy on diversity, equity and inclusion, including a gender policy
- Policies on equal opportunities, non-discrimination, career management and promotions, including on employees with disabilities
- Leave (which also encompasses the equal parental leave), flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Information Technology (IT) policies and procedures, including data protection, classification and security
- Policy on communications and ethical advertising, complemented by social media and crisis communication guidelines
- Policy on enterprise risk management
- Policies on products and services
- Recruitment and selection, rewards and recognition, and learning and development policies
- Policies on whistleblowing, grievance handling and disciplinary procedures
- Policy against sexual harassment
- Policy on forced, compulsory child labour and child protection
- Group accounting procedures and policies
- Policies on fund management and foreign exchange risk mitigation
- Insider trading policy
- Ombudsperson policy
- Group sustainability policies including policies on energy, emissions, water, waste management and biodiversity conservation
- Supplier Code of Conduct

The Group's policy commitments available to all employees via the Group's employee portal. These policy commitments are approved by the Group Executive Committee with Board oversight. The Group is in the process of making available all applicable policies in the public domain.

\*CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023) in December 2023 effective from 1 April 2024. The updated Code will be reviewed and adopted to the extent of business exigency and as required by the Group.

# CORPORATE GOVERNANCE COMMENTARY

## 1.2 Corporate Governance Highlights for 2023/24

- JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the fourth 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 125 companies listed on the Colombo Stock Exchange (CSE), under six different thematic areas crucial to fighting and preventing corruption – reporting on anti-corruption programmes, organisational transparency, country-by-country reporting, domestic financial reporting, reporting on gender and non-discrimination and reporting on procurement related to Government contracts and tenders.
- As a part of the Group's ongoing efforts towards increasing emphasis on Environmental, Social and Governance (ESG) aspects, the Group undertook initiatives to further strengthen its ESG framework and identify focus areas for each industry Group that dovetail into Group level priorities based on relevance and materiality.
  - In collaboration with an international consulting firm, the Group conducted an in-depth study across its businesses to identify areas of significant impact, risk and materiality. This initiative was led by a steering committee appointed by the Group Executive Committee (GEC).
  - Workshops were convened across the industry groups to assess and formulate ESG ambitions for the respective businesses, to aid the Group in developing comprehensive roadmaps aimed at achieving the set ESG ambitions. As a part of this process, businesses were benchmarked against regional peers and best-in-class practices of the respective industries the businesses operate in.
- Data governance initiatives:
  - The Data Governance Steering Committee was established to facilitate the review and enhancement of existing data governance practices of the Group, in compliance with applicable laws (including the Personal Data Protection Act No 9 of 2022) and best practice. The Committee focused on revisiting internal data governance policies and engaging with the respective industry groups to review, and, where relevant, facilitate the enhancement of their personal data protection processes towards ensuring a robust and more transparent data protection framework.
  - The Group piloted and implemented a series of new initiatives throughout the year to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement Continuous Controls Monitoring (CCM) and internal audit engagements.
- Cybersecurity initiatives:
  - The Group engaged with a leading international consultancy firm to conduct a comprehensive assessment of the Group's cybersecurity resilience, by aligning with industry best practice and recommended technological principles. This initiative was carried out to strengthen the efficiency, security and reliability of the Group's cloud ecosystem to proactively manage risk.
  - As a part of the ongoing commitment towards improving cyber security and digitisation to achieve optimum operational excellence, an 'Endpoint Detection and Response (EDR)' solution was implemented across the Group. A SMART Office mobile application was also rolled-out across the Group to empower employees with the necessary tools to improve mobility, streamline and automate processes, and increase productivity.
- During the year, the Group embarked on a project to transform the Group Competency Framework which has been in use for over a decade. The outcome was a refreshed and more relevant set of new competencies termed 'Success Drivers' which will be implemented for use during the ensuing year. The 'Success Drivers' evolved through the establishment of a series of workshops and discussions, and has been developed to be current, relevant and flexible in the context of the diversity of the Group talent pool and range of demographics it operates in.
- The Group strengthened its internal policy universe, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies from a holistic perspective and ensuring improved alignment in terms of its interdependencies with other related policies which have been developed over time.

## 1.3 Key Announcements to the Colombo Stock Exchange in 2023/24

- As required under the revised CSE Listing Rules, a market announcement was made to disclose that the Chairperson of the Company is an Executive Director, and that the Chairperson and Chief Executive Officer positions of the Company are held by the same individual. The role of Senior Independent Director has been in place for over a decade at JKH with other relevant 'checks and balances' from a governance perspective, as disclosed to the CSE. Given that the role and appointment of a Senior Independent Director has already been implemented by the Company, it is compliant in terms of the alternate option provided under Section 9.6.1 and Section 9.6.3 of the CSE Listing Rules.
- In November 2023, the Board resolved to terminate the Regulation S and Rule 144A Global Depositary Receipts Programmes (collectively, the 'GDR Programme'), owing to the relatively low number of Global Depositary Receipts (GDR) in issue. Considering the GDRs are not a significant contributor to facilitating trading in Company securities, the termination would not have an impact on the Company. GDR holders have the option to convert to ordinary shares in the Company and will be able to cancel their GDR's up to six months after their termination date (until 14 June 2024).
- As disclosed in the Annual Report 2022/23, JKH issued 208,125,000 LKR denominated debentures with a face value of Rs.27.06 billion, to HWIC Asia Fund ('HWIC'), a subsidiary of Fairfax Financial Holdings Limited, in August 2022. The debentures were issued at Rs.130 per Debenture with the option for conversion to shares at a ratio of 1:1, based on the approval granted by the shareholders at the time. In February 2024, HWIC exercised its option to convert 110,000,000 Debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares of the Company in favour of HWIC, resulting in a dilution of 7.34%. The remaining outstanding Debentures post this conversion amount to 98,125,000 Debentures with a face value of Rs.12.76 billion. The remaining Debentures are eligible for conversion till 12 August 2025.

- In April 2024, the Group announced that a wholly-owned subsidiary of Melco Resorts & Entertainment Limited ('Melco'), will be the operator of the gaming facility at the integrated resort which has been developed by JKH at an investment of over USD 1 billion. The wholly-owned locally incorporated subsidiary of Melco has been awarded a license from the Government of Sri Lanka for a period of 20 years, under the stipulated criteria, to operate a casino at the integrated resort. Melco will invest ~USD 125 million in the fit-out and equipping of the gaming space. As part of the collaboration between JKH and Melco, the integrated resort, which had previously been branded as 'Cinnamon Life Integrated Resort', will be rebranded as 'City of Dreams Sri Lanka'.
- The Board declared a final dividend of Rs.0.50 per share in May 2023 for the financial year 2022/23. The Board approved a first and second interim dividend of Rs.0.50 per share each, in November 2023 and January 2024. A final dividend of Rs.0.50 per share was also declared in May 2024 for the financial year 2023/24. Accordingly, the dividend declared for 2023/24 is Rs.1.50 per share [2022/23: Rs.2.00 per share], amounting to a total dividend outlay of Rs.2.08 billion.

#### 1.4 Board Appointments and Retirements in 2023/24

- Having completed nine consecutive years, Ms. P Perera (Independent, Non-Executive Director) retired from the Board of Directors with effect from 1 July 2023.
- Mr. S Fernando was appointed to the Board as an Independent, Non-Executive Director of the Company with effect from 9 August 2023.

#### 1.5 Highlights of the 44<sup>th</sup> Annual General Meeting Held on 30 June 2023

- Mr. D A Cabraal, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Non-Executive Independent Director of the Company.
- Mr. J G A Cooray, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as an Executive Director of the Company.
- Dr. S A Coorey, who retired in terms of Article 91 of the Articles of Association of the Company was re-elected as a Non-Executive Independent Director of the Company.
- Mr. A N Fonseka, who has attained the age of 70 and retired in terms of Section 210 of Companies Act No. 07 of 2007 was re-appointed as a Non-Executive Senior Independent Director of the Company.
- Ernst & Young (E&Y) was re-appointed as the External Auditors of the Company and the Directors were authorised to determine the remuneration of E&Y.

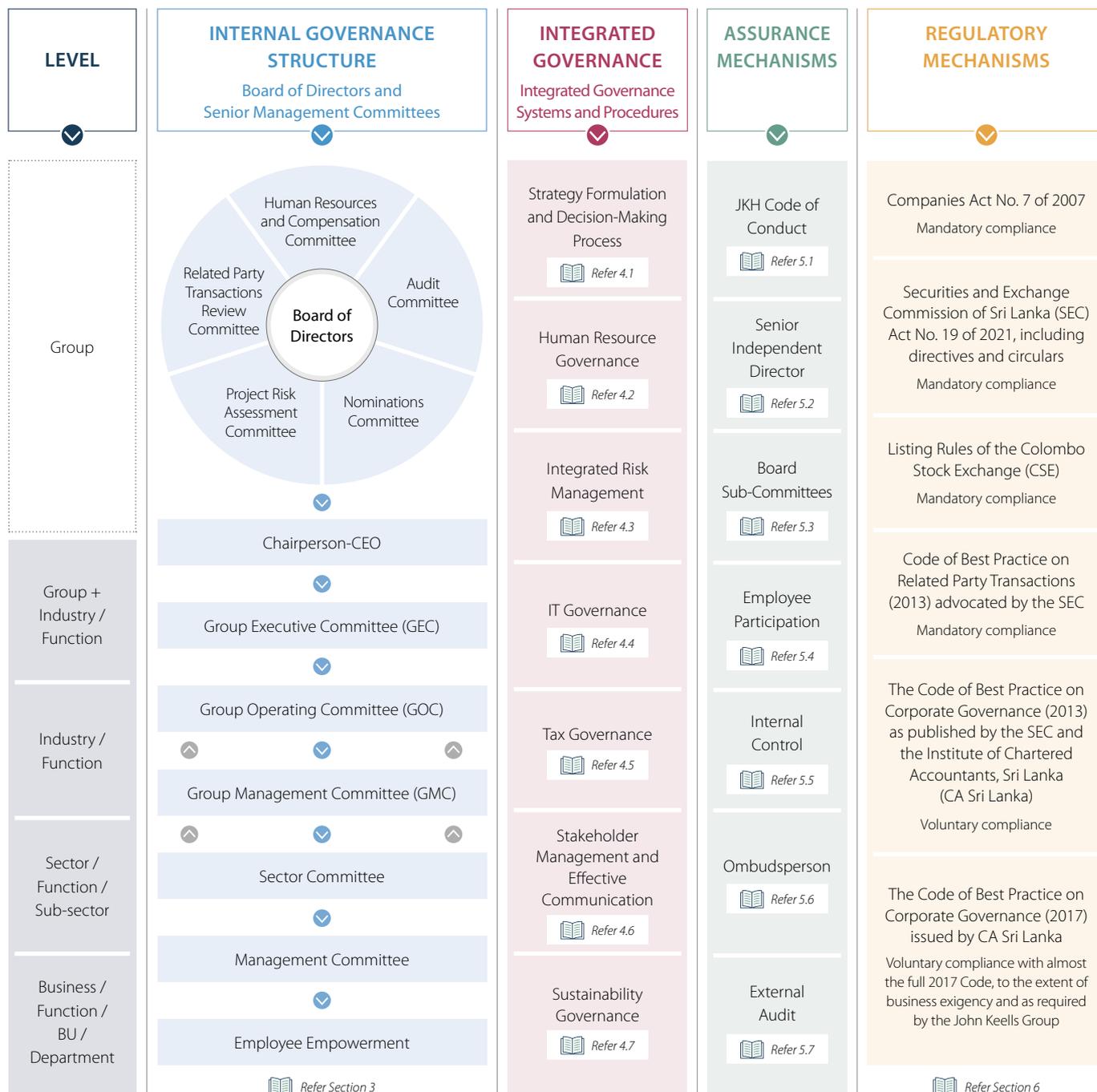
The 45<sup>th</sup> Annual General Meeting of the Company will be held on 28 June 2024.

#### 1.6 Corporate Governance Disclosures

Disclosures	Reference section
The Governance System	2
The Board of Directors	3.1
Audit Committee	3.2.1
Human Resources and Compensation Committee	3.2.2
Nominations Committee	3.2.3
Related Party Transactions Review Committee	3.2.4
Project Risk Assessment Committee	3.2.5
Chairperson-Chief Executive Officer	3.3
Group Executive Committee and other Management Committees	3.4
Strategy Formulation and Decision-Making Process	4.1
Human Resource Governance	4.2
Integrated Risk Management	4.3
Information Technology Governance	4.4
Tax Governance	4.5
Stakeholder Management and Effective Communication	4.6
Sustainability Governance	4.7
Assurance Mechanisms	5
Governance Outlook and Emerging Challenges	6
Compliance Summary	7

# CORPORATE GOVERNANCE COMMENTARY

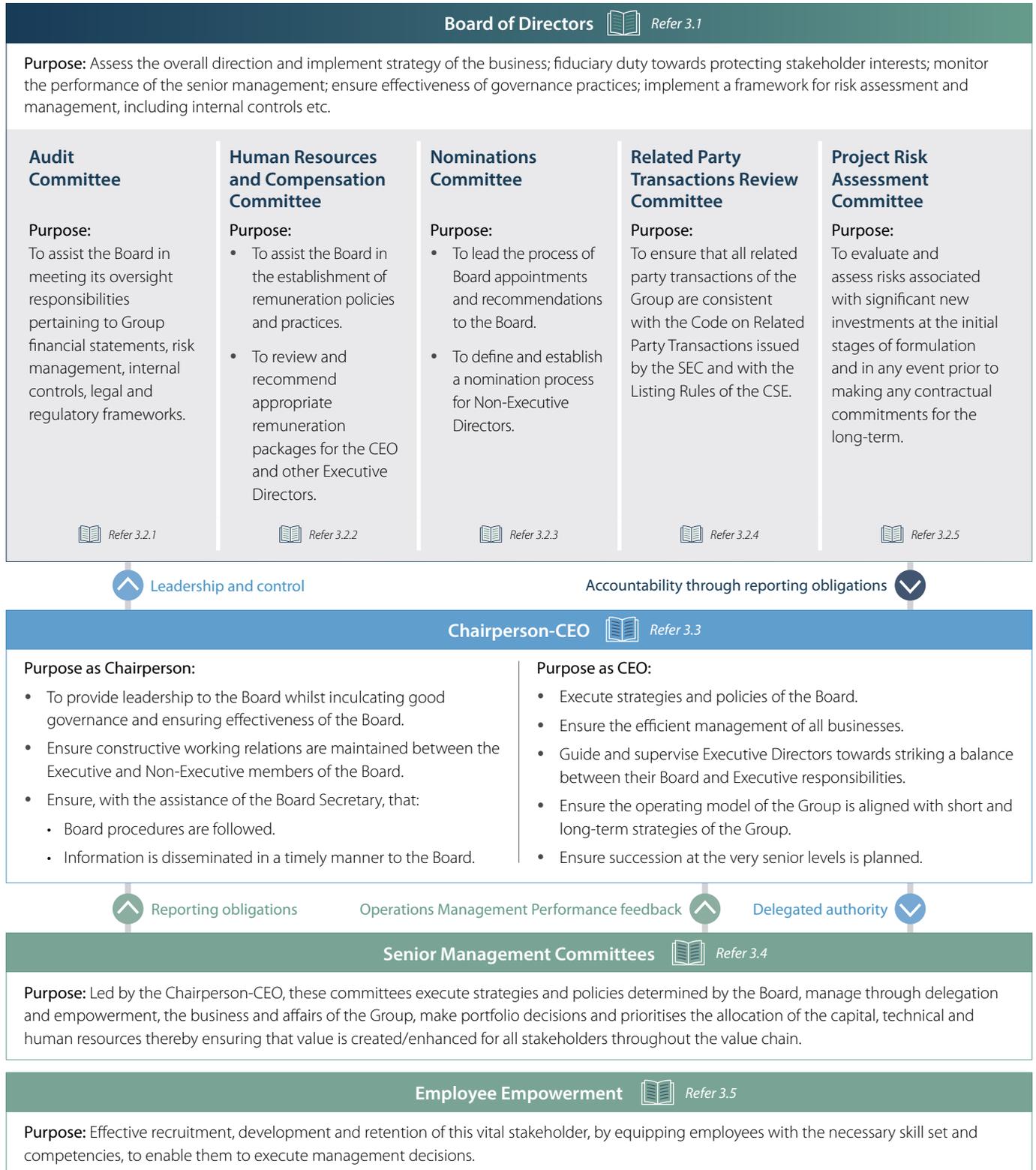
## 2 THE CORPORATE GOVERNANCE SYSTEM



- 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, the Deputy Chairperson/Group Finance Director and the Head of Group Business Process Review, as the Committee Secretary. 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.

### 3 INTERNAL GOVERNANCE STRUCTURE

The Internal Governance Structure comprises of the committees which formulate, execute and monitor Group strategies and initiatives and the policies, processes and procedures employed for doing so. These components have an impact on the execution and monitoring of all governance related initiatives, systems and methods, and is illustrated as follows:



The components of the internal governance structures are strengthened and complemented by internal policies, processes and procedures, such as, strategy formulation and decision-making, human resource governance, sustainability governance, integrated risk management, IT governance, tax stewardship and stakeholder management and effective communication.

# CORPORATE GOVERNANCE COMMENTARY

## 3.1 The Board of Directors

### 3.1.1 Board Oversight, Functions and Responsibilities

While the Board is accountable and responsible for the strategic direction and management of the Company, it typically delegates the authority to the Chairperson-CEO and senior management to carry out day-to-day operations of the businesses. Once the Board has delegated broad authority, its primary responsibility is to oversee management's performance and ensure compliance with the broad policies and established governance principles.

Board oversight involves the continual inquiry by Directors into whether the Board's delegation of authority to management is reasonable, and whether the Board has received sufficient and accurate information from management to make that determination.

Typical areas of oversight include strategic initiatives, financial performance, the integrity of financial statements, accounting and financial reporting processes, risk management, governance and compliance, and environmental, social and governance (ESG) matters. The Group's governance framework ensures that Directors are well-positioned to satisfy their oversight responsibility through periodic assessment of Board agenda priorities and the related structures, processes, and controls that are in place to ensure that the Board is well-informed on a timely basis of matters requiring attention.

**“Typical areas of oversight include strategic initiatives, financial performance, the integrity of financial statements, accounting and financial reporting processes, risk management, governance and compliance, and environmental, social and governance (ESG) matters.”**

The Board's key responsibilities include:

- Providing direction and guidance to the Group in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Group.
- Reviewing and approving annual plans and long-term business plans.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration on ESG factors.
- Reviewing HR processes with emphasis on top management succession planning, including the diversity, equity and inclusion (DE&I) strategy.
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework.
- Appointing and reviewing the performance of the Chairperson-CEO.
- Ensuring compliance with laws, regulations and ethical standards and monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.
- Reviewing and approving major acquisitions, disposals and capital expenditure.
- Approving any amendments to constitutional documents.
- Approving the issue of JKH equity/debt/hybrid securities.
- Ensuring all related party transactions are compliant with statutory obligations.
- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- Ensuring all stakeholder interests are considered in corporate decisions.
- Ensuring sustainable business development in corporate strategy decisions and activities.
- Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

### 3.1.2 Board Composition

As at 21 May 2024, the Board comprised of seven Directors, with five of them being Independent Non-Executive Directors, ensuring a strong element of independence on the Board.

Independent Non-Executive Directors add value to strategic discussions and decision-making, whilst enhancing fair-mindedness. The Group policy is to maintain a healthy balance between 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:

- Ms. P Perera (Independent Non-Executive Director) retired from the Board with effect from 1 July 2023, having served on the Board of Directors for nine consecutive years.
- Mr. S Fernando was appointed to the Board with effect from 9 August 2023 as an Independent Non-Executive Director.

The current composition of the JKH Board is illustrated as follows:

Name of Director	Executive/ Non-Executive Director	Independent/ Non-Independent Director	Year of Appointment	Age (as at 21 May 2024)	Meeting Attendance (Eligible to attend/ Attended)	Board Sub-Committee Membership					Tenure on the Board (Years)
						AC	HRCC	NC	RPTRC	PRAC	
A Cabraal	NED	ID	2013/14	67	5/5	●	▲	▲	●		10
S Coorey	NED	ID	2022/23	65	5/5			●			1
S Fernando**	NED	ID	2023/24	50	3/3	●			●		9 Months
N Fonseka*	NED	ID	2013/14	71	5/5	▲			▲		10
H Wijayasuriya	NED	ID	2016/17	56	5/5		●	●		▲	7
K Balendra	ED	NID	2016/17	51	5/5			●		●	7
G Cooray	ED	NID	2016/17	47	5/5					●	7

● Member ▲ Chair

\*Senior Independent Director.

\*\*Appointed to the Board with effect from 9 August 2023.

AC - Audit Committee

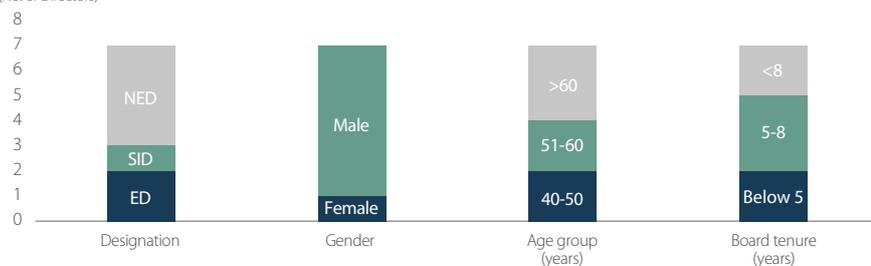
HRCC - Human Resources and Compensation Committee

NC - Nominations Committee

RPTRC - Related Party Transactions Review Committee

PRAC - Project Risk Assessment Committee

(No. of Directors)



### 3.1.3 Board Skills

The Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board through an annual review of its composition in order to ensure Board balance, diversity and appropriate levels of relevant skills and expertise aligned with the current and future needs of the Company and the Group.

Collectively, the Board brings in a multi-dimensional 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.

 Further details of their qualifications and experience are provided under the Board and Management Profiles section - page 207

### 3.1.4 Board Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen decision-making, the Board is encouraged, where applicable and relevant, 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.

### 3.1.5 Board Appointment

Board appointments follow a structured and formal process within the purview of the Nominations Committee. The Committee has overall responsibility for making recommendations to the Board on all new appointments and for ensuring that the Board and its Committees have the appropriate balance of skills. The Board considers the recommendations of the Nominations Committee for appointment or re-election by the Board and where relevant by the shareholders at the Annual General Meeting.

Details of new Director appointments are disclosed to the Colombo Stock Exchange and media at the time of their appointment through a public announcement, covering the following:

- A brief resume of the Director.
- The nature of their expertise in relevant functional areas.
- The names of companies in which the Director holds directorships or memberships in board committees.
- Whether such Director can be considered 'Independent'.

Details of such appointments are also carried in the relevant Interim Releases, the Annual Reports and Investor Relations publications.

The appointment of all Directors complies with applicable laws and rules, including the qualifying and fit-and-proper criteria stipulated by the Listing Rules and Companies Act. Further, each Director annually signs a declaration which determines their independence based on such declaration and other information available to the Board. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

 The Terms of Reference for the members of the Nominations Committee, and the Committee report can be found in the Nominations Committee section of this report - page 227

### 3.1.6 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 (which includes anti-corruption and anti-bribery) and the operational, environmental and social strategies of the Group.

Additionally, the newly appointed Directors are granted access to relevant segments 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.

# CORPORATE GOVERNANCE COMMENTARY

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.

## 3.1.7 Re-Election

All Non-Executive Directors are appointed for a period of three years and can serve up to a maximum of three successive terms, unless an extended Board tenure is necessitated by the requirements of the Group. All contracts are renewed by the Board based on the recommendation of the Nominations Committee. In terms of the Articles of Association, one third of all the Executive and Non-Executive Directors, except for the Chairperson-CEO, are eligible for re-election at the annual general meeting by the shareholders.

Annually, the Board discusses the possibility of any impairment of Director independence due to extended Board tenures, and collectively evaluates the re-election of such Board members.

Given the need for a combined Chairperson-CEO role, the Chairperson does not come up for re-election as in the case with other Executive and Non-Executive Directors. It is noted that the Articles of Association of the Company allow for this.

## 3.1.8 Board Meetings

### 3.1.8.1 Regularity of Meetings and Pre-Board Meetings

During the financial year under review, there were five Board meetings, which were scheduled well in advance to ensure full attendance.

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 2023/24 is given below:

Name	Year of Appointment to the Board	23/05/2023	25/07/2023	04/09/2023	07/11/2023	31/01/2024	Eligibility	Attended
A Cabraal	2013/14	✓	✓	✓	✓	✓	5	5
S Coorey	2022/23	✓	✓	✓	✓	✓	5	5
S Fernando*	2023/24	N/A	N/A	✓	✓	✓	3	3
N Fonseka	2013/14	✓	✓	✓	✓	✓	5	5
P Perera**	2014/15	✓	N/A	N/A	N/A	N/A	1	1
H Wijayasuriya	2016/17	✓	✓	✓	✓	✓	5	5
K Balendra	2016/17	✓	✓	✓	✓	✓	5	5
G Cooray	2016/17	✓	✓	✓	✓	✓	5	5

\*Appointed with effect from 9 August 2023.

\*\*Retired on 1 July 2023.

## 3.1.8.2 Timely Supply of Information

The Directors were provided with necessary information, well in advance, by way of electronic Board papers and proposals, as relevant, for all Board meetings held during the year, in addition to the monthly and quarterly information submitted pertaining to the Group, in order to ensure robust discussion, informed deliberation and effective decision-making.

The Directors continue to have access to, and independent contact with, the corporate and senior management of the Group.

## 3.1.8.3 Board Agenda

The Chairperson-CEO ensured that all Board proceedings were conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2023/24 entailed, discussion of matters arising from the previous minutes, submission of Board Sub-Committee reports, status updates of major projects and raising of capital, review of performance, strategy formulation, approval of quarterly and annual financial statements, review of risk, sustainability and corporate social responsibility related aspects, ratification of capital expenditure, ratification of Circular Resolutions and use of Common Seal, among others. Added emphasis was also placed on business performance in lieu of the challenges stemming from the macroeconomic volatilities and uncertainties.

## 3.1.9 Board Secretary

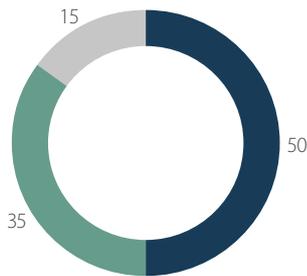
The President Legal, Secretarial and Corporate Social Responsibility (CSR) of the Group, who is an Attorney-at-Law by profession and a registered company secretarial practitioner, is the Secretary to the Board. In addition to maintaining Board minutes and Board records, the Board Secretary provides support in ensuring that the Board receives timely and accurate information in addition to advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

### 3.1.10 Time Dedicated by Non-Executive Directors

The Board has dedicated adequate time for the fulfilment of their duties as Directors of the Group. It is estimated that each Non-Executive Director devoted ~30 full time equivalent days to the Group during the year. The general time allocation is illustrated below.

#### Time Commitment

(%)



- Strategy and performance
- Assurance and risk management
- Other board matters

In addition to attending Board meetings and Pre-Board meetings, the Directors have attended the respective Sub-Committee meetings and have also contributed to decision-making via Circular Resolutions and one-on-one meetings with Key Management Personnel, when necessary.

### 3.1.11 Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2023/24. This formalised process of individual appraisal enabled each member to self-appraise, on an anonymous basis, the performance of the Board under the areas of:

- Role clarity and effective discharge of responsibilities
- People mix, balance and structures
- Systems and procedures
- Quality of participation
- Board and corporate image and reputation

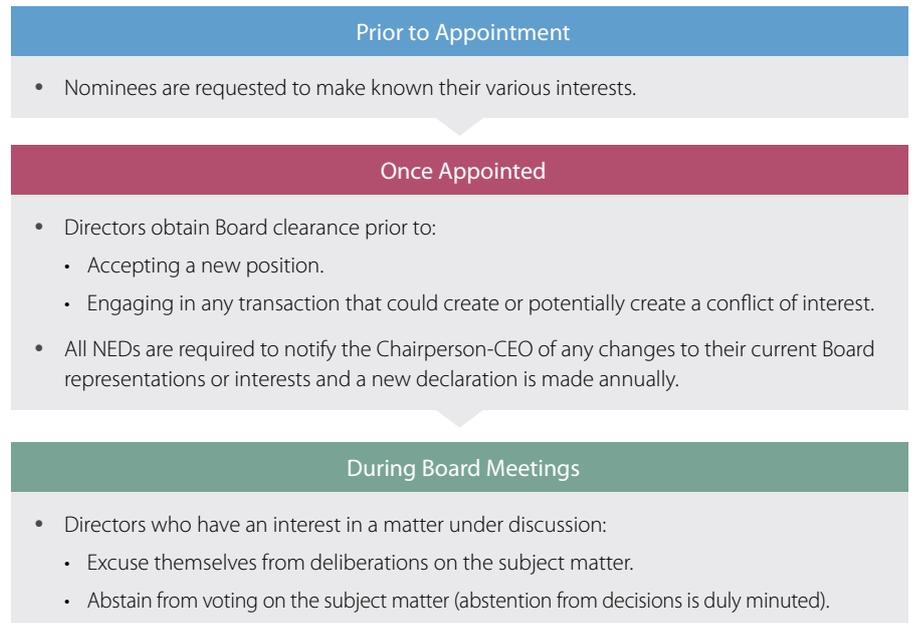
The scoring and open comments are collated by the Senior Independent Director to ensure an independent evaluation process. The results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark, reflecting the openness of the Board. This process has led to an improvement in the Board dynamics based on the evaluations and deliberations in the past, including the 2022/23 evaluation. More recent deliberations have centred around the completion of the large ticket investments of the Group, continuous enhancement on the approach to proactively managing identification of risks, particularly in relation to cybersecurity risks, business resilience and enterprise risk management, including holistic ESG-related policies.

### 3.1.12 Ensuring Independence and Managing Conflicts of Interests

As at 21 May 2024, the Board comprised of seven Directors, with five of them being Independent Non-Executive Directors, ensuring a strong element of independence on the Board.

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. The details of companies in which Board members hold Board or Board Committee membership are available with the Company Secretary for inspection by shareholders, on request.



The independence of all its Non-Executive Directors was reviewed on the basis of criteria

# CORPORATE GOVERNANCE COMMENTARY

summarised as follows. The Non-Executive Independent Directors did not have a conflict of interest, as per the criteria for independence outlined 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 excluding income/non-cash benefits received which are applicable on a uniform basis to all non-executive Directors on the Board	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 three years immediately preceding appointment as a Director	None of the NED/IDs are employed or have been employed at JKH.
5. Close family member is a Director, Chief Executive Officer (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, satisfied these criteria for the year 2023/24. The Board determined that, although Mr. A Cabraal and Mr. N Fonseka did not satisfy the said criteria, they did, 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, is a Director, 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, are Directors, or 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 or where the core line of business of such company is in direct conflict with the line of business of the listed company.

## 3.1.12.1 Details in Respect of Directors

The following table illustrates the total number of Board seats (excluding Group Board seats) held in other companies (outside the Group) by each Director.

Name of Director	No. of Board Seats Held in Other Listed Sri Lankan Companies		No. of Board Seats Held in Other Unlisted Sri Lankan Companies
	Executive Capacity	Non-Executive Capacity	
A Cabraal	-	<ul style="list-style-type: none"> <li>Ceylon Beverage Holdings PLC</li> <li>Lion Brewery (Ceylon) PLC</li> <li>Sunshine Holdings PLC</li> </ul>	<ul style="list-style-type: none"> <li>Director of seven companies within the Sunshine Holdings Group</li> <li>Director of four companies within the CIC Group (Chairman)</li> <li>Silvermill Investment Holdings (Private) Limited (Chairman)</li> <li>Moose Clothing Colombo (Private) Limited (Chairman)</li> </ul>
S Coorey	-	<ul style="list-style-type: none"> <li>Dialog Axiata PLC</li> </ul>	-
S Fernando*	-	-	<ul style="list-style-type: none"> <li>CEO of MAS Holdings (Private) Limited and Director of thirteen companies within the MAS Group</li> <li>World Vision Lanka</li> </ul>
N Fonseka	-	-	<ul style="list-style-type: none"> <li>Brandix Lanka Limited</li> <li>Phoenix Industries Limited (Chairman)</li> <li>Phoenix Ventures Limited</li> </ul>
P Perera**	-	-	-
H Wijayasuriya	-	<ul style="list-style-type: none"> <li>Dialog Axiata PLC</li> </ul>	<ul style="list-style-type: none"> <li>Director of three companies within the Axiata Group</li> <li>Colours and Courage Trust (Guaranteed) Limited</li> <li>Sri Lankan Airlines Limited (NED)</li> <li>Sigiriya Leisure (Private) Limited</li> <li>Sigiriya Residencies (Private) Limited</li> </ul>
K Balendra	-	-	-
G Cooray	-	-	-

\* Appointed to the Board with effect from 9 August 2023.

\*\* Retired from the Board with effect from 1 July 2023.



Refer Board and Management Profiles for other appointments held in trade associations, regional and sectoral councils, regulatory bodies, among others.

Directors' Shareholding (John Keells Holdings PLC)	31 March 2024	31 March 2023
A Cabraal	250,137	250,137
S Coorey	-	-
S Fernando	-	N/A
N Fonseka	-	-
P Perera*	N/A	-
H Wijayasuriya	-	-
K Balendra**	10,914,400	10,914,400
G Cooray	208,587	208,587

\* Retired from the Board with effect from 1 July 2023.

\*\*Includes shareholding of spouse.

Executive Directors' Shareholding in Listed Group Companies*:	Number of Shares as at 31 March 2024	
	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.

### 3.1.13 Director Remuneration

#### 3.1.13.1 Executive Director Remuneration

The 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 HRCC operates in conformity with applicable rules and regulations.

The HRCC is comprised solely of Independent, Non-Executive Directors and serves as an independent conduit for shareholder and other stakeholder interests. The members of the HRCC, as with all other Independent Non-Executive Directors of the Company, are appointed by the Board on the recommendations of the Nominations Committee and are put forward for re-election by the shareholders at the Annual General Meeting convened following their appointment.

 Refer the Human Resources and Compensation Committee section of this report for further details - page 226

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, employee share options (ESOPs), valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees.

 Further details are found in the Notes to the Financial Statements section and Share Information section of this Annual Report.

Options available to Executive Directors under Employee Share Options Scheme:

Year of expiry	K Balendra			G Cooray		
	Granted shares (Adjusted)	Immediately vesting	To be vested	Granted shares (Adjusted)	Immediately vesting	To be vested
2024/25	450,000	450,000	-	430,000	430,000	-
2025/26	450,000	337,500	112,500	430,000	322,500	107,500
2026/27	450,000	225,000	225,000	430,000	215,000	215,000
2027/28	450,000	112,500	337,500	412,000	103,000	309,000
2028/29	360,000	-	360,000	329,600	-	329,600
<b>Total</b>	<b>2,160,000</b>	<b>1,125,000</b>	<b>1,035,000</b>	<b>2,031,600</b>	<b>1,070,500</b>	<b>961,100</b>

Excluding ESOPs granted, the total aggregate remuneration paid to Executive Directors for the year under review was Rs.263 million [2022/23: Rs.196 million] of which Rs.92 million [2022/23: Rs.54 million] was the variable portion linked to the performance benchmark as described above and Rs.171 million [2022/23: Rs.142 million] was the fixed remuneration.

#### 3.1.13.2 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.

The total aggregate of Non-Executive Director remuneration for the year was Rs.26 million [2022/23: Rs.20 million].

#### 3.1.13.3 Compensation for Early Termination

In the event of an early termination of a Director, there are no compensation commitments other than for:

- Executive Directors: as per their employment contract similar to any other employee.
- Non-Executive Directors: accrued fees payable, if any, as per the terms of their contract.

# CORPORATE GOVERNANCE COMMENTARY

## 3.2 Board Sub-Committees

Whilst retaining final decision rights, the Board has delegated certain functions to Board Sub-Committees. 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

Out of the five Board Sub-Committees, four are mandatory, whilst the Project Risk Assessment Committee was formed voluntarily, considering the diverse nature of businesses within the Group.

Important matters arising from the Board Sub-Committee meetings are deliberated at the Board meetings, and any concerns identified are referred to the Board for oversight.

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 21 May 2024	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transactions Review Committee	Project Risk Assessment Committee
<b>Senior Independent Non-Executive</b>					
N Fonseka	▲			▲	
<b>Independent Non-Executive</b>					
A Cabraal	●	▲	▲	●	
S Coorey			●		
S Fernando	●			●	
H Wijayasuriya		●	●		▲
<b>Executive</b>					
K Balendra – Chairperson-CEO			●		●
G Cooray – Deputy Chairperson/ Group Finance Director					●

● Committee Member    ▲ Committee Chair

## 3.2.1 Audit Committee

### 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, prior to tabling the same for the approval of the Board of Directors.
- Obtain and review assurance received from the CEO, Group Finance Director and other Key Management Personnel, as relevant that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's and Group's operations and finances.
- Evaluate the competence and effectiveness of the risk management systems and internal controls of the Group and ensure robustness and effectiveness in monitoring and controlling risks, as recommended by the internal auditors.
- Review the adequacy and effectiveness of internal and external audit arrangements.
- Review the risk policies adopted by the Company on an annual basis.
- 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.

### 3.2.1.1 Report of the Audit 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

S Fernando – appointed with effect from 9 August 2023

P Perera – retired from the Audit Committee with effect from 1 July 2023

S Coorey – was appointed to the Audit Committee with effect from 1 July 2023 and resigned with effect from 8 November 2023

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 carried out outsourced assignments and relevant executives of the Company and the Group also attended these meetings when needed. The Committee engaged with management to review key risks faced by the Group as a whole and the main sectors with a view to obtaining assurances that appropriate and effective risk mitigation strategies were in place.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings by the Chairman of the Committee, 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 2023. 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 unlisted 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 also reviewed the effectiveness of digital forensic tools used by Group BPR.

The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group. The report covered the overall risk profile of the Group for the year under review in comparison with that of the previous year, and the most significant risks from a Group perspective together with mitigatory action. The Group functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise and the level of residual risk.

Formal confirmations and assurances were obtained from the senior management of Group companies on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems and compliance with applicable laws and regulations.

The Committee reviewed the whistleblowing arrangements for the Group and had direct access to the Ombudsperson for the Group. The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with management and changes were affected where considered necessary.

#### **External Audit**

The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an on-going basis regarding matters of significance that were pending resolution. Before the conclusion of the Audit, the Committee met with the External Auditors and management to discuss all audit issues and to agree on actions. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without management being present, prior to the finalisation of the financial statements to obtain their input on specific issues and to ascertain whether they had any areas of concern relating to their work. No matters other than those already discussed with management and resolved were raised by the External Auditors.

The External Auditors' final management reports on the audit of the Company and the Company and Group financial statements for the year 2023/24 were discussed with the Management and the Auditors.

# CORPORATE GOVERNANCE COMMENTARY

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 and pre clearance was given for these services. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors has been evaluated with the aid of a formal assessment process with input provided by the senior management of the Company. Based on the performance assessment, 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 2025, subject to approval by the Shareholders at the Annual General Meeting.



**N Fonseka**  
Chairperson of the Audit Committee

21 May 2024

## 3.2.1.2 Audit Committee meeting attendance

No. of meetings – Five

	Eligible to Attend	Attended	Date of Appointment
A Cabraal	5	5	07/11/2013
S Coorey*	2	2	01/07/2023
S. Fernando**	2	2	09/08/2023
N Fonseka	5	5	07/11/2013
P Perera***	2	2	24/07/2014
<b>By Invitation</b>			
K Balendra	5	5	
G Cooray	5	4	

\* Appointed with effect from 1 July and resigned with effect from 8 November 2023.

\*\* Appointed with effect from 9 August 2023.

\*\*\* Retired with effect from 1 July 2023.

Note: The Committee convened at least once every quarter.

## 3.2.2 Human Resources and Compensation Committee

### Composition

- The 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 practice and performance-based pay plans for the Group.
- Determine and agree with the Board a framework for the remuneration of the Chairperson-CEO and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning and talent management of Key Management Personnel.
- Ensure the integrity of the Group's compensation and benefits programme is maintained.
- Commission compensation and benefit surveys as appropriate to assist the Committee in its deliberations.
- In performing these functions, to ensure that stakeholder interest are aligned and that the Group is able to attract, motivate and retain talent.
- At its discretion, the Committee may invite external specialists to provide advice and information on relevant remuneration and Human Resource development practices.
- Determining compensation of Non-Executive Directors is not under the scope of this Committee.

## 3.2.2.2 Human Resources and Compensation Committee meeting attendance

No. of meetings – One

	Eligible to Attend	Attended	Date of Appointment
A Cabraal	1	1	29/01/2015
H Wijayasuriya	1	1	05/11/2016
<b>By Invitation</b>			
S Coorey	1	0	
N Fonseka	1	1	
K Balendra	1	1	
G Cooray	1	1	

### 3.2.2.1 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 CEO, the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendations, thereon to the Board. The Committee also reviews and monitors the performance of the Group's top talent for the 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, 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 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**  
Chairperson of the Human Resources and Compensation Committee

20 May 2024

### 3.2.3 Nominations Committee

#### 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 the 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 and participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- The appointment of the Chairperson-CEO and Executive Directors is a collective decision of the Board.

# CORPORATE GOVERNANCE COMMENTARY

## 3.2.3.1 Report of the Nominations Committee

The Nominations Committee as at 31 March 2024, consisted of the following members:

A Cabraal (Chairperson)  
K Balendra  
H Wijayasuriya  
S Coorey (appointed w.e.f 8 November 2023)

*\*Note: P Perera resigned as a member of the Nominations Committee consequent to her resignation from the Board on 1 July 2023.*

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, taking into consideration qualifying criteria stipulated under applicable laws and rules.
- 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

- D V R S Fernando (new appointment)

### Tea Smallholder Factories PLC

- A S Jayatilleke (renewal)
- A Goonethileke (renewal)

### Trans Asia Hotels PLC

- N L Gooneratne (renewal)

### Union Assurance PLC

- P T Wanigasekara (new appointment)
- D H Fernando (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**

Chairperson of the Nominations Committee

20 May 2024

## 3.2.3.2 Nominations Committee meeting attendance

No. of meetings – Three

	Eligible to Attend	Attended	Date of Appointment
A Cabraal	3	3	07/11/2013
S Coorey	1	1	08/11/2023
P Perera*	1	1	24/07/2014
H Wijayasuriya	3	3	05/11/2016
K Balendra	3	3	01/01/2019

*\* Retired with effect from on 1 July 2023.*

## 3.2.4 Related Party Transactions Review Committee

### 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.
- All proposed Related Party Transactions shall be reviewed in advance and in the event of any material changes, such changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.
- 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 and formally requesting the Board to approve the related party transactions following the determination of whether such approval is needed.
- 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, such as recurrent Related Party Transactions and similar issues relating to listed companies.
- Ensure that they have or have access to expertise to assess all aspects of proposed Related Party Transactions, and where necessary, obtain expert advice from an appropriately qualified person.
- Where a Director has personal material interest in a matter being reviewed by the Committee, such Director shall not be present in the meeting and shall not vote in the matter, except at the request of the Committee.
- Where both the parent company and the subsidiary are Listed Entities, Related Party Transactions Review Committee of the parent company shall function as the Related Party Transactions Review Committee of the subsidiary.

### 3.2.4.1 Report of the Related Party Transactions Review Committee

#### Composition

The following Directors served as members of the Committee during the financial year:

N Fonseka

A Cabraal

S Fernando

P Perera – former Chairperson retired from the RPT committee with effect from 1 July 2023

S Coorey – appointed to the RPT committee with effect from 1 July 2023 and resigned with effect from 8 November 2023.

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. Urgent transactions that required prior approval of the Committee were dealt with by circulation among the members.

#### 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 section 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.



**N Fonseka**

Chairperson of the Related Party Transactions Review Committee

20 May 2024

### 3.2.4.2 Related Party Transactions Review Committee meeting attendance

No. of meetings – Four

	Eligible to Attend	Attended	Date of Appointment
A Cabraal	4	4	29/01/2014
S Coorey*	2	2	01/07/2023
S Fernando**	1	1	08/11/2023
N Fonseka	4	4	29/01/2014
P Perera***	1	1	24/07/2014
<b>By Invitation</b>			
K Balendra	4	4	
G Cooray	4	3	

\* Appointed with effect from 1 July and resigned with effect from 8 November 2023.

\*\* Attended by invitation on 6 November 2023. Appointed with effect from 8 November 2023.

\*\*\* Retired with effect from 1 July 2023.

Note: The Committee convened at least once every quarter.

# CORPORATE GOVERNANCE COMMENTARY

## 3.2.5 Project Risk Assessment Committee

### Composition

- Should comprise of a minimum of four Directors.
- Must include the Chairperson-CEO and Deputy Chairperson/ Group Finance Director.
- Must include two Non-Executive Directors.
- The Chairperson of the Committee 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.
- The Committee shall convene only when there is a need to transact in business as per the terms of its mandate.

### 3.2.5.1 Report of the Project Risk Assessment Committee

No of meetings – The committee did not convene during the year

	Date of Appointment
P Perera*	25/05/2018
H Wijayasuriya	25/05/2018
K Balendra	25/05/2018
G Cooray	25/05/2018

\*Retired with effect from 1 July 2023.

The following Directors served as members of the Committee during the financial year:

H Wijayasuriya (Chairperson)  
K Balendra  
G Cooray

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

During the year under review, the context of Project Risk Assessment was centred on (i) The extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and (ii) The two landmark investment projects - 'City of Dreams Sri Lanka' (formerly known as the 'Cinnamon Life Integrated Resort') and the West Container Terminal. Given the scale and impact of the risks and opportunities associated with the said subjects, the committee and board were of the view that related deliberations should take place with participation of the full Board as regular board agenda items.

While there were no specific new investments during the year which required Board Approval as per the Group's financial thresholds, new ventures such as the partnership with the Reliance Group on the marketing and distribution of Beverages in the Indian market, the entry into the partnership with BYD on New Energy Vehicles and the launch of the 'VIMAN' project were a some of the key projects which were also discussed at Board level.



**H Wijayasuriya**  
Chairperson of the Project Risk Assessment Committee

20 May 2024

No of meetings – The committee did not convene during the year

### 3.3 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.

#### 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 at the very senior levels is planned.

#### 3.3.1 Appropriateness of Combining the Roles of Chairperson and CEO

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.

#### Market disclosure made under Section 9.6.2 of the Listing Rules of the CSE

In terms of Section 9.6.2, the Chairperson of the Company is an Executive Director, and the Chairperson and Chief Executive Officer ('CEO') positions of the Company are held by the same individual. Since the Company already has in place the role of a Senior Independent Director, the Company is compliant under the alternative option under Section 9.6.1 and Section 9.6.3 of the CSE Listing Rules.

The role of a Senior Independent Director has been in place for over a decade at JKH. It is the view of the Board, and the Group's experience has proven that the JKH Board composition of a majority of Non-Executive Independent Directors, coupled with the role of the Senior Independent Director, and other supporting Board dynamics have enabled the Chairperson-CEO to effectively balance the dual role as the Chairperson of the Board and the CEO of the Company, particularly given the diversified conglomerate structure of the Group.

Experience has proven that the JKH Board composition of a majority of independent Directors coupled with the role of the Senior Independent Director, and other supporting Board dynamics, has enabled the Chairperson-CEO to effectively balance the dual role as the Chairperson of the Board and the CEO of the Company/Group.

Given the need for a combined Chairperson-CEO role, the Chairperson does not come up for re-election as in the case with other Executive and Non-Executive Directors. It is noted that the Articles of Association of the Company allow for this.

- Over the past five to ten years, some companies in certain geographies have moved toward separating the Chairperson and CEO roles, as it is believed, in theory, that an Independent Chairperson improves the ability of the Board of Directors to oversee management.
- However, more recently, empirical research has suggested that combining the roles is likely to yield better performance of the company, and that the independence status of the Chairperson is not a material indicator of firm performance or governance quality [Liu, R (2019), Mubeen, R. et al. (2021)].
- 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.

#### 3.3.2 Chairperson-CEO Appraisal

The Human Resources and Compensation Committee, appraised the performance of the Chairperson-CEO on the basis of pre-agreed goals for the Group, set in consultation with the Board. These goals cover the ensuing broad aspects and is also based on the Group's performance assessed against the goal and peers which involve other listed companies on the CSE:

- Creating and adding shareholder value
- Success in identifying and implementing projects
- Sustaining a first-class image
- Developing human capital
- Promoting collaboration and team spirit
- Building sustainable external relations
- Leveraging Board members and other stakeholders
- Ensuring good governance and integrity in the Group

# CORPORATE GOVERNANCE COMMENTARY

### 3.3.3 Direct Discussions with the Non-Executive Directors

The Chairperson-CEO conducts direct discussions with Non-Executive Directors at meetings held exclusively for Non-Executive Directors, which are convened by the Senior Independent Director. Issues arising from these discussions are actioned in consultation with the relevant persons. During the year under review, the Non-Executive Directors met thrice without the presence of the Executive Directors.

### 3.4 Group Executive Committee and Other Management Committees

The Group Executive Committee and the other Management Committees met regularly as per a timetable communicated to the participants six months in advance. In the absence of a compelling reason, attendance at these Committee meetings is mandatory for the Committee members. All the Committees carried out specific tasks entrusted to each component, as expected.

Whilst the Chairperson-CEO and Presidents are ultimately accountable for the Company/Group and the industry groups/sectors/business functions respectively, all decisions are taken on a Committee structure as described below.

#### 3.4.1 Group Executive Committee (GEC)

As at 21 May 2024, the eight-member GEC consisted of the Chairperson-CEO, the Deputy Chairperson/Group Finance Director and the Presidents of each business/function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairperson-CEO, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of all forms of capital.

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.

 Refer Board and Management Profiles for more details - page 209

The GEC meets twice a month, in addition to the meetings that are scheduled as necessitated by the requirements of the Group.

#### 3.4.2 Group Operating Committee (GOC)

As at 21 May 2024, the twenty-member GOC consisted of the Chairperson-CEO, the Deputy Chairperson/Group Finance Director, the Presidents and the Executive Vice Presidents in charge of sectors and the finance functions of the industry groups and Executive Vice Presidents who are functional heads at Centre Functions. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions.

The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units.

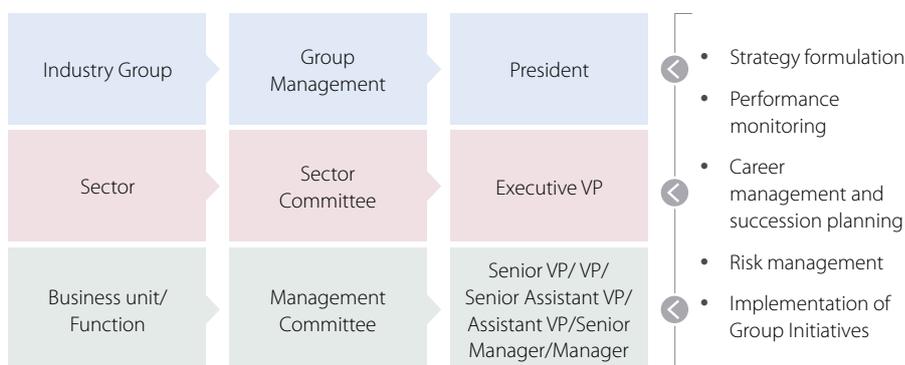
 Refer Board and Management Profiles for more details - page 210

#### 3.4.3 Other Management Committees

These include the Group Management Committee, Sector Committee and Management Committee which are responsible at the industry group level, sector level and business unit level respectively. The underlying intention of forming these Committees is to encourage the respective business units to take responsibility and accountability at the grass-root level via suitably structured Committees and teams by objective setting.

The agendas of these Committees are carefully structured to avoid duplication of effort and to ensure that discussions and debate are complementary, both in terms of a bottom-up and top-down flow of information and accountability. These Committees met regularly and carried out their tasks in keeping with their scope. The Management Committees proved to be key in enhancing employee engagement and empowerment.

Illustrated below is the structure of the three Committees.



Note: Vice President (VP)

### 3.5 Employee Empowerment

The Group ensures that the necessary policies, processes and systems are in place to ensure effective recruitment, development and retention of this vital stakeholder. The bedrock of these policies is the Group's competency framework, which has been further refined and updated to reflect the current needs of the Group. To support these policies, the Group continued with, and further strengthened, the following practices.

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights were defined for each level of employment in order to instil a sense of ownership, reduce bureaucracy and speed-up the decision-making process.
- A bottom-up approach was taken in the preparation of annual and long-term plans and the Group also ensured employee involvement in strategy, and thereby empowerment.
- Organisational and Committee structures are designed to enable, and facilitate, high accessibility of all employees to every level of management.
- Open, honest, frank and constructive communication is encouraged at all levels. The Group strongly believes that constructive disagreement is essential for optimal decision-making.

The Group prioritises a safe, secure and conducive environment for all its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race, religion, gender identity or sexual orientation, and promotes workplaces which are free from physical, verbal or sexual harassment.

## 4 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

### Ethical business practices of the Group

- Seeks to ensure that ethical business practices are the norm from the most senior to the most junior employee, stemming from, and including the Board of Directors. All Group companies have procedures and processes to enable the prevention and reduction of corruption and bribery. Each business unit is also expected to evaluate the risk of corruption as part of its risk management process and put in place mitigation measures to reduce such risks. Its transparent control and prevention mechanisms also extend this expectation to its value chain comprising of its customers, suppliers and business partners. The Group is required to analyse all its business units and functions and include the risk of corruption as part of its risk management process. The Group has a zero-tolerance policy towards bribery and corruption.
- Stringent checks during the recruitment process ensures that minimum age requirements are met.
- Ensures that all businesses are educated on the possible sources of forced and compulsory labour.
- Committed to upholding the universal human rights of all its stakeholders.
- Is an equal opportunity employer and has zero-tolerance for physical or verbal harassment based on gender identity, race, religion, nationality, age, social origin, disability, sexual orientation, political affiliations or opinion.

### 4.1 Strategy Formulation and Decision-Making Processes

#### 4.1.1 Strategy Mapping

Strategy mapping exercises, concentrating on the short, medium and long-term aspirations of each business, are conducted annually and reviewed, at a minimum, quarterly/half-yearly or as and when a situation so demands.

This exercise entails the following key aspects, among others.

- Progress and deviation report of the strategies formed.
- Competitor analysis and competitive positioning.
- Analysis of key risks and opportunities.
- Management of stakeholders, such as, suppliers and customers.
- Value enhancement through initiatives centred on the various forms of Capital under an integrated reporting framework.

The strategies of the various business units, operating in diverse industries and markets, will always revolve around the Group strategy, while considering their domain specific factors. The prime focus always is to heighten value for all stakeholders.

The Group's investment appraisal methodology and decision-making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.

In this manner:

- A broad range of views, opinions and advice are obtained prior to making an investment decision.
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability and tax implications.
- Sensitivity and scenario analysis are conducted to understand the impacts from the macroeconomic environment, especially during periods of volatility and uncertainty.
- All investment decisions are consensual in nature, made through the afore-discussed management Committee structure where no single individual has unfettered decision-making powers over investment decisions.
- The ultimate responsibility and accountability of the investment decision rests with the Chairperson-CEO.

**“The strategies of the various business units, operating in diverse industries and markets, will always revolve around the Group strategy, while considering their domain specific factors. The prime focus always is to heighten value for all stakeholders.**

**The Group's investment appraisal methodology and decision-making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.”**

# CORPORATE GOVERNANCE COMMENTARY

The following section further elaborates on the Group's strategy formulation and planning process.



### 4.1.2 Medium-term Strategy

The ensuing section illustrates the comprehensive process followed by each business in developing the business's strategy for the medium-term.

<b>Values and Promises</b>
<ul style="list-style-type: none"> <li>• Identification of the core values the business will operate with and the internal promises that the business will strive to deliver to stakeholder interests</li> </ul>
<b>Brand and Business Review</b>
<ul style="list-style-type: none"> <li>• Review of global and regional trends</li> <li>• Identification of insights, risks, challenges, opportunities and implications, collated into key themes</li> </ul>
<b>Brand Plan</b>
<ul style="list-style-type: none"> <li>• Identifying key activities required to be undertaken under each theme and the articulation of the varied brand-led themes and activities</li> <li>• Identification of KPIs to measure delivery of promises</li> </ul>
<b>Long-term Business Plan</b>
<ul style="list-style-type: none"> <li>• Setting of a long-term goal and agreeing on the core pillars that would deliver growth</li> <li>• Target setting, scheduling activities and identifying workstreams to execute long-term initiatives</li> <li>• Identifying operating and capital expenditure along with capability resources</li> </ul>
<b>Annual Business Plans</b>
<ul style="list-style-type: none"> <li>• Articulation and approval of detailed project plans for execution of workstreams</li> <li>• Approval of Annual Business Plans</li> </ul>



### 4.1.3 Project Approval Process

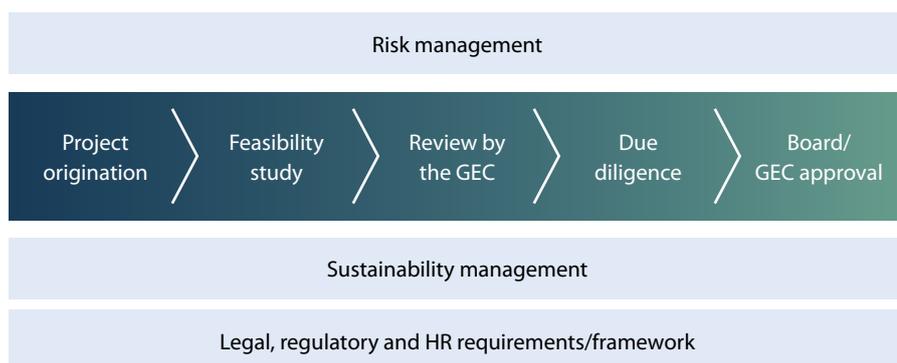
Projects undertaken at the Group follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility and encompasses a wider scope of work covering risk management, sustainable development, ESG and HR considerations.

Based on the decision rights matrix, subsequent to review by the relevant leadership Committee of the feasibility report and post in principle approval, a multi-disciplined project team will proceed to the next phase of the project evaluation which will focus on detailed operational, commercial, financial and legal due diligence, including a deep dive into ESG impacts and risks. Discussions will also commence with regulatory and licensing authorities, financial institutions and possible partners, worker representatives, as relevant and deemed necessary.

- Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and State land. In case of State land, every action would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained.
- Any project which involves bidding on contracts and tenders, including to those of local and foreign Government and related bodies, is executed in conformance with the Group's policy on bidding on contracts and tenders. It is noted that, while the Company currently does not have any contracts with any local and foreign Governments, the Company will disclose the same in its financial statements, in such an event.
- Where the project is a part of a privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interests, request for proposals, pre-bid meetings, official approvals and correspondence.

Subsequent to the project satisfying the above highlighted criteria, the final approval to proceed will be granted by the Board. Based on thresholds of the investment quantum, the Project Risk Assessment Committee, on behalf of the Board, will review and assess risks associated with such investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. The aim of this intervention is to ensure alignment with the interest of various stakeholders and to 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. When appropriate, the GEC is empowered to approve such proposals in terms of the delegated decision rights with the Board being kept informed.

The aforementioned project appraisal framework flow is illustrated below:



**“The Group human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation is also maintained, ranging from work related issues to matters pertaining to general interest that could affect employees and their families. The Group follows an open-door policy for its employees which is promoted at all levels of the Group.”**

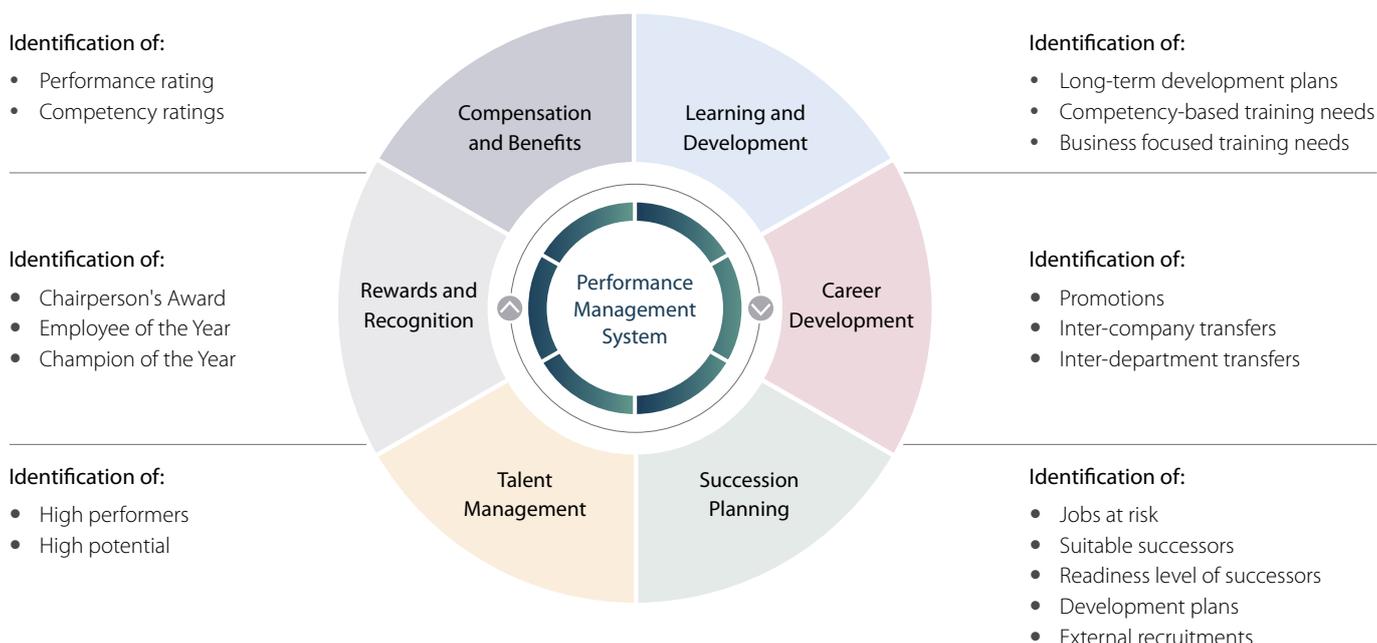
## 4.2 Human Resource Governance

The Group human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation is also maintained, ranging from work related issues to matters pertaining to general interest that could affect employees and their families. The Group follows an open-door policy for its employees which is promoted at all levels of the Group.

The state-of-the-art cloud based human resource information system (HRIS) manages the entire lifecycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

### 4.2.1 Performance Management

The Performance Management System, as illustrated below, is at the heart of many supporting human resource management processes such as learning and development, competency mapping, career development, succession planning, talent management, rewards/recognition and compensation/benefits.



Whilst the employees are appraised for their performance, equal emphasis is placed on how well they embody Group Values, namely: Caring, Trust, Integrity, Excellence and Innovation.

# CORPORATE GOVERNANCE COMMENTARY

## JKH Success Drivers

During the year, the Group embarked on a project to transform the Group Competency Framework which has been in use for over a decade. The outcome was a refreshed and more relevant set of new competencies termed 'Success Drivers' which will be implemented for use during the ensuing year. The 'Success Drivers' evolved through the establishment of a series of workshops and discussions, and has been developed to be current, relevant and flexible in the context of the diversity of the Group talent pool and range of demographics it operates in.

The following pool of nine 'Success Drivers' were identified and developed through discussions and workshops, with a diverse range of internal stakeholders, at different levels.

<p><b>1. Inclusive Leadership</b> </p> <ul style="list-style-type: none"> <li>• Inclusivity and diversity</li> <li>• Collaboration and open communication</li> <li>• Compassion and empathy</li> <li>• Coaching and mentoring</li> <li>• Upholding values</li> </ul>	<p><b>4. Relentless Execution</b> </p> <ul style="list-style-type: none"> <li>• Action orientation</li> <li>• Prioritisation</li> <li>• Effective time management focus and commitment</li> </ul>	<p><b>7. Entrepreneurial Mindset</b> </p> <ul style="list-style-type: none"> <li>• Innovative thinking</li> <li>• Decisiveness and ownership</li> <li>• Unwavering commitment</li> <li>• Prudent risk-taking</li> </ul>
<p><b>2. Connecting The Dots</b> </p> <ul style="list-style-type: none"> <li>• Big picture perspective</li> <li>• Multidisciplinary approach</li> <li>• Critical thinking</li> <li>• Value driven approach</li> </ul>	<p><b>5. Emotional Resilience</b> </p> <ul style="list-style-type: none"> <li>• Self-control and self-regulation</li> <li>• Adapting to change</li> <li>• Bouncing back from adversities</li> <li>• Positive outlook and growth mindset</li> </ul>	<p><b>8. 360 Stakeholder Commitment</b> </p> <ul style="list-style-type: none"> <li>• Passion for all stakeholders</li> <li>• Building synergies</li> <li>• Trust and credibility</li> <li>• Commitment to financial outcomes + ESG</li> </ul>
<p><b>3. Being Agile</b> </p> <ul style="list-style-type: none"> <li>• Adapting to change</li> <li>• Thriving in uncertainty</li> <li>• Bouncing back from adversities</li> <li>• Rapid experimentation approach</li> <li>• Solution-oriented growth mindset</li> </ul>	<p><b>6. Storytelling</b> </p> <ul style="list-style-type: none"> <li>• Impactful communication</li> <li>• Inspiring people</li> <li>• Creative ways of engagement</li> <li>• Active listening</li> </ul>	<p><b>9. Corporate Citizenship</b> </p> <ul style="list-style-type: none"> <li>• Commitment to ESG</li> <li>• Ethical practices</li> <li>• Focus on sustainability</li> </ul>

## 4.2.2 Performance Based Compensation Philosophy

The JKH Group Compensation Policy is as follows:

### Performance Management

#### 'Pay for performance'

Greater prominence is given to the incentive component of the total target compensation.

### Satisfaction

#### 'More than just a workplace'

Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

### Compensation Policy

- Compensation comprises of fixed (base) payments, short-term incentives, and long-term incentives.
- Higher the authority levels within the Group, higher the incentive component as a percentage of total pay.
- Greater the decision influencing capability of a role, higher the weight given to organisational performance as opposed to individual performance.
- Long-term incentives are in the form of Employee Share Options and cash payments.

### Internal Equity

- Remuneration policy is built upon the premise of ensuring equal pay for equal roles.
- Manager and above level roles are banded using the Mercer methodology for job evaluation, on the basis of the relative worth of jobs.

### External Equity

- Fixed compensation is set at competitive levels using the median, 65<sup>th</sup> percentile and 75<sup>th</sup> percentile of the best comparator set of companies (from Sri Lanka and the region, as relevant) as a guide.
- Regular surveys are done to ensure that employees are not under / over compensated.

#### 4.2.2.1 Equity Sharing

Employee Share Option Plans are offered at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long-term incentives have been significantly instrumental in inculcating a deep sense of ownership in the recipients and is seen to be a key driver of performance-driven rewards. Share options are awarded to individuals on the basis of their immediate performance and potential importance of their contribution to the Group's future plans.

The Company issues share options not exceeding a specified percentage of the total issued shares of the Company as at the date of awarding every such option, which is subject to in-principle approval of the CSE and shareholder approval, by way of a Special Resolution at a General Meeting.

### 4.3 Integrated Risk Management

JKH's Group-wide risk management programme focuses on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress test various risk scenarios, including a review of materiality. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving stakeholder wealth. The Group manages its enterprise risk, audit and incident management processes through an automated risk management platform that enables the maintenance of live, dynamic and virtual risk registers which are linked to business goals and responsible personnel. Features such as, the provision of timely alerts on action plans and escalation processes for risks, where action plans are over-due, ensure maintenance of live risk grids.

Continuous steps taken towards promoting the Group's integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks.

The Board, GEC and Group Management Committees, oversee risk management across the Group to ensure that risks are brought within tolerance, managed and/or mitigated.

#### 4.3.1 Risk Management Process

The Group's Enterprise Risk Management (ERM) process is designed to ensure businesses are proactively identifying, assessing, and mitigating risk events. The risk management framework ensures consistency in methodology across diverse businesses and functions and follows both a top-down and bottom-up integrated approach, alongside strategic planning and decision-making. The annual cycle involves business-level risk identification and review on a quarterly basis, which is consolidated upwards at sector and industry group management committees, while Group risks are reviewed on a biannual basis. Risk appetite thresholds are set at a Group level and captured in the annual Group Risk Report, which also details Group-wide risk ratings, risk profile and analysis and is presented to the JKH Audit Committee where the salient aspects of this reviewed by the Board, thereby concluding the risk management annual process. Policy level changes emerging from the discussion at the JKH Audit Committee are then incorporated in the following cycle to ensure alignment with the changing risk environment.

The risk management process and information flow is portrayed below:



# CORPORATE GOVERNANCE COMMENTARY



## Risk Management System

The Group ERM review process is facilitated through an online Enterprise Risk Management System. The system is firmly embedded across the Group, hosted internally, and controlled access is provided to all employees as relevant.

Quarterly risk reviews are carried out via the system, with all business unit risk registers hosted online. Its functionality allows for a dynamic risk management environment, enabling analysis of ratings and movement of risks over time, access to historical data and risk reporting. The system also aggregates and records risk under the Group's ERM framework and provides an integrated approach to risk and risk mitigation across Group businesses.

### 4.3.2 Key Impacts, Risks and Opportunities

The Group takes a holistic approach to risk management, covering risks that are both financial and non-financial in nature, including its own operations as well as risks that may emanate from its supply chain partners. The 'Precautionary Principle' influences the Group's approach to risk management of environmental impacts while, management of human and social capital risks is also highlighted and prioritised.

The ERM framework operates in concurrence with the Group's corporate governance structure and is linked to sustainability, corporate social responsibility and internal audit functions and processes, ensuring that regulatory compliance, ethical guidelines and sustainability concerns are integrated seamlessly across businesses when identifying risks and opportunities.

### Risk Management Framework

- Financial, strategic, operational, information technology, governance and sustainability-related risks are considered.
- All risks are categorised within a common Risk Universe.
- Headline and Related Risk classification of all Group risks to allow consistency across Group businesses.
- 5x5 risk matrix for rating of risks with respect to likelihood and anticipated impact.

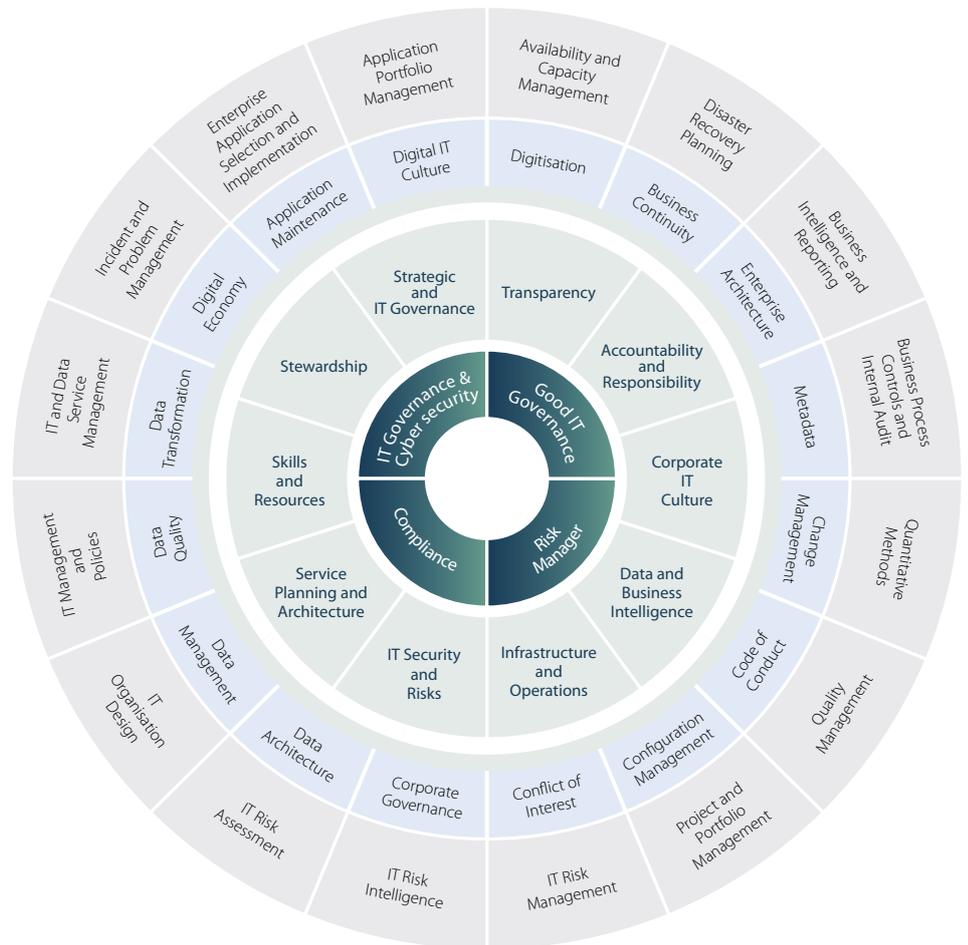


Refer the Key Risks section under Outlook and Risks and Notes to the Financial Statements for further details.

### 4.4 Information Technology (IT) Governance

IT governance stewardship roles are governed through layered and nested committees, cascading from the Board, GEC, GOC, the Group IT Steering Committee and to the Group IT Operations Committee with well-defined roles and responsibilities across the Group with a federated governance structure to cater to the holistic Group-level as well as specific industry level nuances. This ensures empowerment and enablement to act with a singular and more robust governance and policy framework across the Group, whilst being agile and nimble.

The Group's IT governance framework focuses on five broader segments, namely, strategic alignment, value delivery, performance management, risk management, and resource management. Additionally, the IT governance framework used within the Group leverages on best practice and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9001:2015, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), CMMI (Capability Maturity Model Integration), NIST (National Institute of Standards and Technology), FAIR (Factor Analysis of Information Risk), among others, in formulating a state-of-the-art framework for IT governance, risk and compliance management across the Group. The key focus areas of the governance framework are as follows:



The Group continually focuses on enhancing the IT governance framework in line with its business and IT strategies with a focused shift towards a zero-trust model built on a mobile-first, internet-first, cloud-first and artificial intelligence (AI)-first strategy.

## Key Initiatives during the year

To improve the Group's cybersecurity and digitisation efforts, an 'Endpoint Detection and Response (EDR)' solution was implemented. The adoption of a solution from an eco-system partner, through a rigorous selection process, was also a significant milestone in the Group's digitisation journey, providing elevated security across operations.

A SMART Office mobile application was also rolled-out across the group. The SMART Office application empowers the workforce with advanced tools, improving mobility, productivity, and streamlining and automating processes. The successful roll-out of Minimum Viable Product (MVP) 1 of the SMART Office mobile application has already yielded benefits, with ongoing developments providing further enhancements.

**“The Group's tax governance framework and tax strategy is guided by the overarching principles of compliance, transparency and accountability, and acknowledges the Group's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.”**

### 4.5 Tax Governance

The Group's tax governance framework and tax strategy is guided by the overarching principles of compliance, transparency and accountability, and acknowledges the Group's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.

#### Governance Structure

- Voluntary compliance and efficient tax management are key aspects of the Group's overall tax strategy.
- This is enabled through a decentralised tax structure where expertise is built at each industry group level to support decision-making.
- The Head of Tax of each industry group, reporting functionally to the Group Head of Tax, ensures uniformity of interpretation, robust compliance management and roll-out of Group tax strategy across all businesses.

#### Policy and Strategy

- Ensure:
  - Integrity of all reported tax disclosures.
  - Robust controls and processes to manage tax risk.
  - Openness, honesty, and transparency in all dealings.
  - Presence of legitimate business transactions underpinning any tax planning or structuring decision/opportunity.
- Contribute to fiscal policy formulations constructively in the interest of all stakeholders.

#### Role

- Implement and maintain strong compliance processes.
- Analyse and disseminate business impact from changes in tax legislation.
- Provide clear, timely, and relevant business focused advice across all aspects of tax.
- Ensure availability of strong and well documented technical support for all tax positions.
- Obtain independent/external opinions where the law is unclear or subject to interpretation.

#### Review and Monitoring

- Leverage on digital platforms to support, record and report on tax compliance status across the Group.
- Periodic updates to the Board of Directors on the Group Tax positions (quarterly at minimum).

The Group's approach to tax governance is directly linked to the sustainability of business operations. The presence of a well-structured tax governance framework ensures the following:

- Ability to manage tax exposures efficiently by reducing the tax burden on the Group, within the ambit of applicable laws.
- Manage tax risks and implications on Group reputation through adequate policies and proactive communication defence.
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities.
- Ensuring integrity of reported numbers and timely compliance.

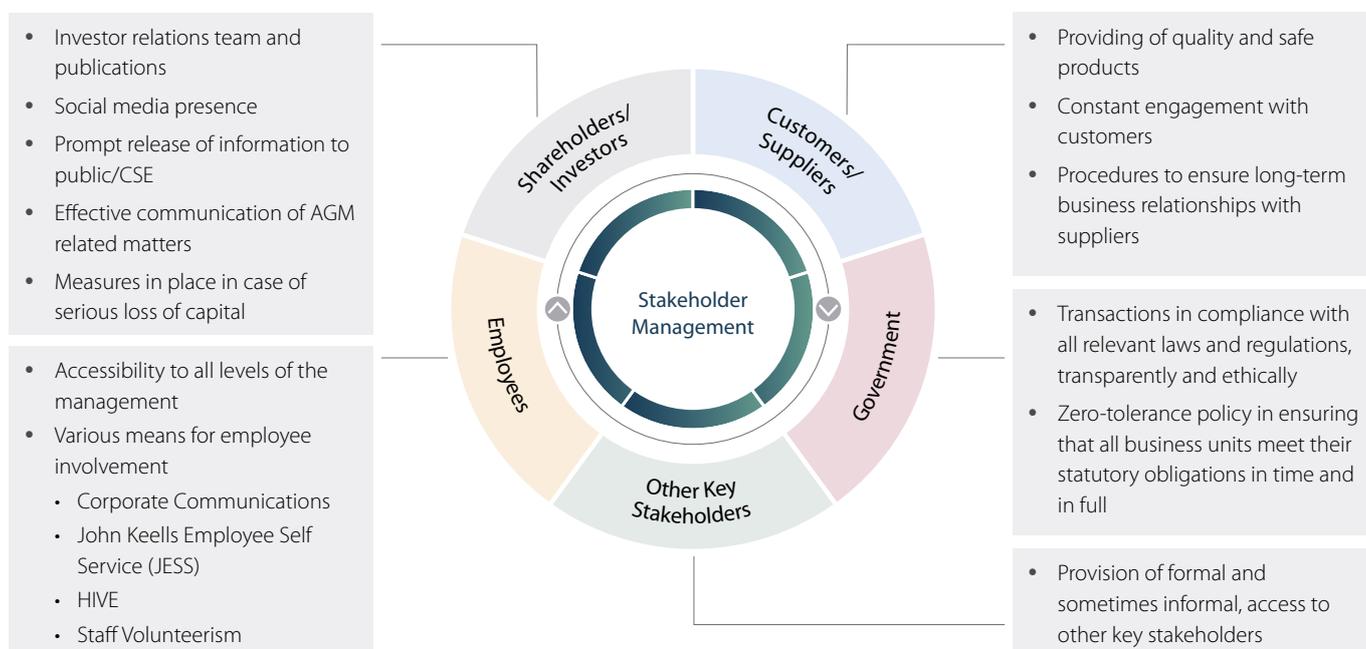
# CORPORATE GOVERNANCE COMMENTARY

## 4.6 Stakeholder Management and Effective Communication

Following are the key stakeholder management methodologies adopted by the Group. Whilst the Group has multiple channels enabling effective communication, there were no material concerns that were raised during the year by stakeholders regarding the operations of the Group.



Refer the Stakeholder Engagement and Determining Materiality sections for a detailed discussion - pages 256 and 258



### 4.6.1 Communication with Shareholders

The Group maintains several communication channels with the shareholders which include the Annual Report, interim financial statements, AGMs, EGMs, announcements to the CSE, press releases, the corporate website, shareholder surveys on a needs basis, the investor feedback form provided in the Annual Report, and through the Company Secretaries.

Engagement Mechanism	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim financial statements and webinar	Quarterly
Investor presentations	As required, quarterly at a minimum
Press releases	As required
Announcements to CSE	As required
One-to-one discussions	As required
Investors' section in the Corporate website	Continuous
Feedback surveys	As required

#### 4.6.1.1 Investor Relations

The Investor Relations team of the Group is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, analysts and other interested parties in ensuring effective investor communication.

- The Investor Relations team has regular discussions with shareholders, as and when applicable, to disseminate highlights of the Group's performance as well as to obtain constructive feedback.
- The online quarterly investor forums provide stakeholders the opportunity to directly engage with the Group's Chairperson/CEO and the Deputy Chairperson/Group Finance Director. The recording of the investor forum is made available on the corporate website for reference of all stakeholders/shareholders.

- Investor Presentations, which include an update on the latest financial results, are made available on the corporate website, to provide easier access and in-depth detail of the operational performance of the Group.
- Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries, the Senior Independent Director or the Chairperson-CEO, although individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

#### 4.6.1.2 Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee, where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting a true and fair view, and balanced assessment of results in the quarterly and annual financial statements. Accordingly, JKH has reported a true and fair view of its financial position and performance for the year ended 31 March 2024 and at the end of each quarter of the financial year 2023/24.

All other material and price sensitive information about the Company is promptly communicated to the CSE and such information is also released to employees, the press and shareholders. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or Management of JKH. Such questions, requests and comments should be addressed to the Company Secretary.

The Group focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Group ensures that information is communicated accurately and in a manner that will avoid the creation or continuation of a false market.

#### 4.6.1.3 Annual General Meeting

Year of the AGM	Number of attendees/ proxy holders	Shareholding (No. of shares)	% of total shareholding
2022/23	74	847,476,032	61
2021/22	82	820,115,386	59
2020/21	72	690,870,858	52

Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Group. Annual Reports are made available to shareholders in electronic form. Shareholders may at any time elect to receive an Annual Report from JKH in printed form, which is provided free of charge.

The Group constructively makes use of the AGM towards enhancing relationships with the shareholders and towards this end the following procedures are followed:

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time.
- Summary of procedures governing voting at the AGM are clearly communicated.
- The Board ensures that the external auditors are present at the AGM.
- Most Executive and Non-Executive Directors are made available to answer queries.
- The Chairperson-CEO ensures that the relevant senior managers are also available at the AGM to answer specific queries.
- Separate resolutions are proposed for each item that is required to be voted on.
- Proxy votes, those for, against, and withheld (abstained) are counted.

#### 4.6.1.4 Serious Loss of Capital

In the unlikely event that the net assets of a company fall below half of its stated capital, shareholders will be notified, and the requisite resolutions would be passed on the proposed way forward.

#### 4.6.1.5 Extraordinary General Meetings, including Shareholder Approval through Special Resolution

The Company will seek shareholder approval, either via special or ordinary resolution as permitted under applicable law, when transactions and events which are material in the context of Group and Company occur or are undertaken in line with all applicable rules and regulations.

### 4.7 Sustainability Governance

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 into day-to-day operations.

#### 4.7.1 Approach

The Group's approach to sustainability continues to be aligned to support the Sustainable Development Goals adopted by the United Nations in 2015, which expands on the Millennium Development Goals. The Board firmly embeds sustainability concerns within the Group's strategic planning process, with companies striving to optimise performance from a triple bottom line

lens and Internal and External Sustainability Assurance and Standard Operating Procedures are in place to review the effectiveness of the procedures embodied by the group on a needs basis.

The Group has in place a sound sustainability integration process, management framework and sustainability organisational structure through which sustainable practices are embedded to the Group's operations.

#### 4.7.2 Sustainability Integration Process



The Group's well-established sustainability integration processes and its sustainability management framework work 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 Sustainability Management Framework is updated on a continuous basis to incorporate changing requirements and updates to the global sustainability landscape.

Environmental issues such as, climate change, resource scarcity and environmental pollution, social issues such as, the Group's labour practices, talent management, product safety and data security, and Governance aspects such as, Board diversity, executive pay and business ethics are given significant emphasis within the Group and are periodically reviewed at a GEC and Board level.

# CORPORATE GOVERNANCE COMMENTARY

## Group's effort towards ESG initiatives during the year

- The Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics in the current context.
- Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders.
- Stakeholder engagement sessions were held with both internal and external stakeholders across sectors to gather insights. These efforts culminated in the determination of material ESG topics for each industry group and a holistic perspective for the JKH Group.
- Subsequently, a series of ambition-setting workshops were convened. These workshops involved the senior leadership of each industry group, including the Chairperson/CEO and Deputy Chairperson/Group Finance Director, in defining both Group-level and sector-specific ESG ambitions.
- This collaborative process ensured alignment between the overarching Group goals and the specific objectives of each sector.

The Group's ESG framework is an amalgamation of the various frameworks within the Group, and, through this, the Group endeavours to ensure sustainable value creation for all stakeholders and mitigate any adverse impacts of Group businesses on the environment, economy and society. As such, the ESG disclosures across the Report are captured through the following frameworks:



**“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 and 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 focus on sustainability.”**

### 4.7.3 Sustainability Organisation Structure

<b>Group Executive Committee</b>
Responsible for formulating and steering the Group's overall sustainability strategy.
<b>Sustainability, Enterprise Risk Management and Group Initiatives Division</b>
Operationalises the Sustainability Management Framework (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.
<b>Business Units</b>
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.

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 and 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 focus on 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.

### 4.7.4 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 GRI Standard. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Management Approach Disclosures section and can be found in the relevant management approach disclosures in each of the Capital Review sections of the Annual Report. Reference to specific information and disclosures required by the GRI Standards can be found through the GRI content index. Figures and statements have been rearranged, wherever necessary, to conform to the current year's presentation in terms of restatements and comparisons to the previous year.

## 5 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.

### 5.1 The Code of Conduct

#### **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 the Group's 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 business practices and demonstrate respect for the communities the Group operates in and the natural environment.
- Exercise of professionalism and integrity in all business and 'public' personal transactions.

The Code of Conduct also entails conformance to all Group policies, and 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.
- 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 receive final approval at Board level and are readily available to employees in the official languages of Sri Lanka (Sinhala, Tamil and English). The Company Leadership, both the Board of Directors and the Group Executive Committee, spearheads the implementation of the Code.

The Group further strengthened its internal policy universe during the year under review, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies in terms of its interdependencies.

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 employees.



*Group Values are found in the Business Model section of the Annual Report - page 48*

### 5.2 Senior Independent Director (SID)

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 is made available to discuss shareholder concerns including those of minority shareholders.

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.

# CORPORATE GOVERNANCE COMMENTARY

## Report of the Senior Independent Director

A Cabraal  
S Coorey  
S Fernando (Appointed on 9 August 2023)  
N Fonseka  
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 meetings without Executive Directors participating, to discuss matters relevant to their responsibilities as Non-Executive Directors. Remuneration of Executive Directors was determined at one such meeting of the Non-Executive Directors. The challenges and risks arising from volatile global geopolitical developments and local economic conditions were discussed and the management and mitigation of these risks received special attention of the 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. More details are provided in the Annual Report.

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

21 May 2024

## 5.3 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 refer the Board Sub-Committees section - page 224

## 5.4 Employee Participation in Assurance

The Group is continuously working towards introducing innovative and effective modes of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral – 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
- 360 degree evaluation
- Employee surveys
- Monthly staff meetings
- Chairperson-Direct
- 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, to the extent possible, to ensure two-way communication. The respective outcomes are duly recorded.

## Whistle-blower Policy

The Group's Whistle-blower Policy provides an effective mechanism for employees and other stakeholders to report any concerns regarding compliance and ethics. The Policy provides a transparent and confidential process which encourages the reporting of any such concerns. The Policy covers the reporting process, how such reports will be addressed and emphasises that those who make a report in good faith under the Policy will be protected from retaliation.

### Key aspects of the Policy:

- Guidelines on the process through which concerns raised will be investigated and appropriate corrective/preventive action will be taken.
- Designated persons to whom reports can be made.
- Management responses and steps taken.
- Details of the internal inquiry process.
- Maintaining confidentiality.

## 5.5 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.

### 5.5.1 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.

### 5.5.2 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 highly focused on matters relevant to a business entity. Emphasis is placed on use-cases and events stemming from the current business strategy, which must be 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 transactions as each traverse through each micro-value chain, at the time of audit reviews.

The digital system for quarterly financial and operational information management 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 engaged a leading international consultancy firm to conduct a comprehensive assessment of its cybersecurity resilience, leveraging industry-leading methodologies such as the Microsoft Cybersecurity Reference Architecture (MCRA) and Microsoft Cloud Security Benchmarks (MCSB) to fortify its technological backbone for future growth and resilience. By aligning with industry best practice and recommended technological principles, the Group aims to enhance performance, scalability, and reliability across its cloud eco-system, positioning itself as a mobile-first, data-first, cloud-first, and AI-first organisation. Whilst proactively mitigating risk, this initiative was carried out to boost the efficiency, security and reliability of the Group's cloud eco-system, underscoring the Group's commitment to delivering value to its stakeholders by maintaining robust and secure cloud infrastructure.
- JKH remains steadfast in its commitment to safeguarding stakeholder privacy amidst evolving regulations and technological advancements. The establishment of the Data Governance Steering Committee, overseen by the Group Executive Committee, aims to strengthen data governance practices in compliance with relevant laws, notably the Personal Data Protection Act No. 9 of 2022. Key initiatives during the reporting period included:
  - Benchmarking initiatives
  - Data lifecycle management
  - Appointment of data protection officers for each industry group
  - Gap analysis
  - Awareness creation
  - Integrity in all business and 'public' personal transactions

# CORPORATE GOVERNANCE COMMENTARY

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.

### 5.5.3 Segregation of Duties (SoD) under Sarbanes-Oxley (SOX)

The Group is very much aware of the need to ensure that no individual has excessive system access to execute transactions across entire or several 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.

### 5.5.4 Internal Audit

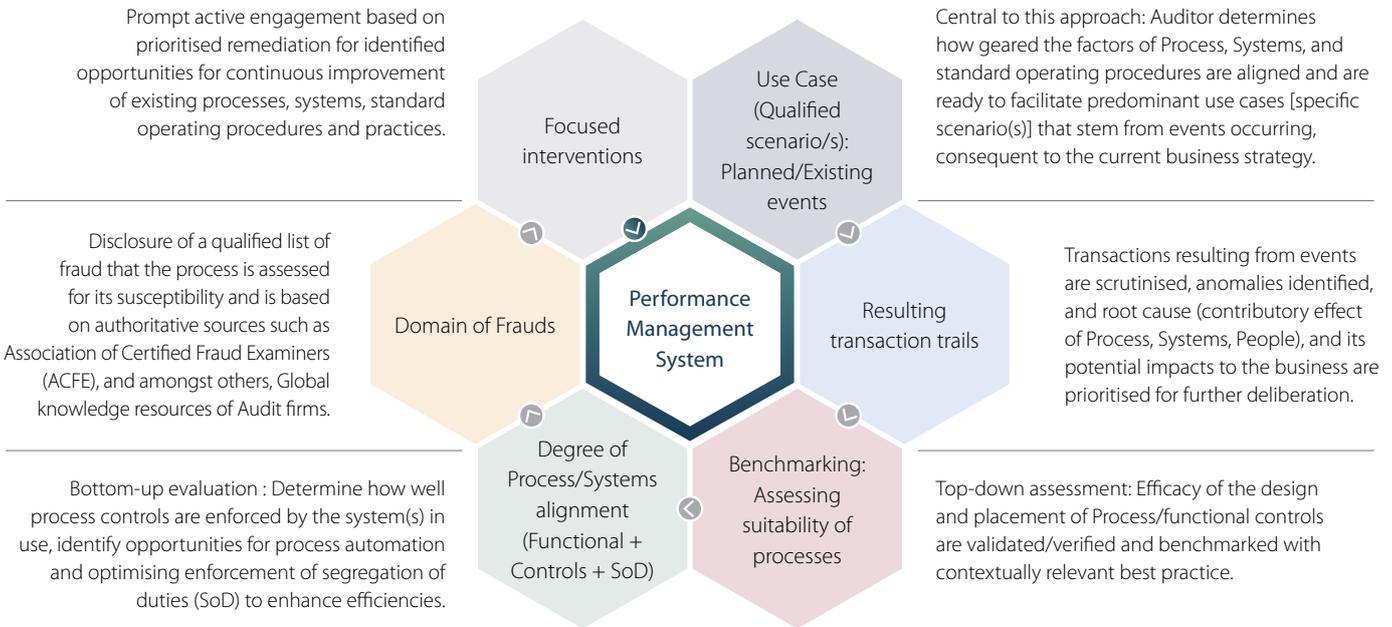
The ensuing diagram provides a helicopter view of the new Internal Audit Approach that has been rolled-out within the Group. Central to this approach is the business strategy and how the current processes, systems, and people, are geared to efficiently and effectively handle the deliverables of the current 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.

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.

#### 5.5.4.1 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 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, z-scores and other statistical measures in establishing real-time, user-friendly 'outlier identification' and 'early warning triggers'.

### The new internal audit approach: Continuous emphasis on context



## Forensic Data Analytics

The Group uses forensic data analytics to facilitate action towards investigating transactions that are distinct within its population, based on well-established algorithms that prompt attention to strengthen process and systems controls in ensuring the integrity of such transactions within its contextual domain.

A key success factor of this oversight mechanism is the use of advanced machine learning algorithms, that are continuously sensitised to each business's operating circumstances that trigger such transactions, and to remain relevant and insightful, by increasing its utility and providing optimisation opportunities for continuous controls monitoring (CCM) and active intervention.

The Group piloted and implemented a series of new initiatives throughout the year to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement CCM and internal audit engagements.

### 5.6 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, are 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, thereof.

In situation (iii), the Board is required to consider the areas of disagreement and determine the way forward. The Chairperson-CEO or the Senior Independent Director is expected to take such steps as are 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.

#### 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 2024

### 5.7 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, Deloitte Partners, 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.

# CORPORATE GOVERNANCE COMMENTARY

## 6 GOVERNANCE OUTLOOK AND EMERGING CHALLENGES

The need for maintaining a robust and well-grounded corporate governance framework is vital when operating in a dynamic and challenging socio-economic environment, exacerbated by global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate transparency, fair-mindedness and creating sustainable value. In this light, the Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting and managing evolving internal and 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. It not only mitigates risks but also fosters trust, attracts investment, and drives sustainable growth. The primary areas of focus and challenges, amongst many others, being continuously addressed by JKH are detailed in the ensuing section.

### 6.1 Board Diversity

JKH acknowledges the need and value in having a diverse Board and is conscious of the need to attract appropriately skilled Directors who subscribe to its vision, reflect and complement its values, and have an in-depth understanding of the dynamics of its varied business interests. JKH is of the view that diversity improves a Board's understanding of its vast pool of stakeholders and aids the Group in addressing stakeholders' expectations in a more responsive manner. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics, experiences and backgrounds whilst maintaining a strong culture of meritocracy.

### 6.2 Board Independence

Board independence is given considerable importance by stakeholders, stock exchanges and regulatory bodies worldwide. JKH's subscribes to the view that, 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.

When looking at criteria for defining independence of Boards across countries, there is evidence that the intended outcome of achieving improved governance and greater 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 engagements. 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.

### 6.3 Anti-Fraud, Anti-Corruption and Anti-Bribery

The Group places the utmost importance on ethical practices in all its business operations and has promulgated a zero-tolerance policy towards bribery and corruption in all aspects of doing business and strives to maintain a culture of transparency and honesty in all its dealings with both internal and external stakeholders. The Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, anti-money laundering, counter-terrorist financing, gifting, audit and transparency policies, amongst many others, outline the principles to which the Group is committed in relation to preventing, reporting and managing unethical practices. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments, bribery, allowing oneself to be placed in situations of conflict of interest and dishonesty in financial and non-financial statements is prohibited across the Group.

Furthermore, the Group is continuously engaged in taking steps to strengthen its Code of Conduct deviation monitoring and resolution process.

The Group's continuous effort to strengthen transparency in Corporate Reporting is evident by JKH being placed first for the fourth consecutive year with a 100% score for transparency in disclosure practices in the TRAC Assessment by TISL in 2023.

### 6.4 Increasing Emphasis on Environmental, Social and Governance (ESG) Aspects

ESG analysis and ESG focused investing continue to gain traction amongst Governments, multilateral funding agencies, 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, infringe on human rights, and foster corruption and bribery, among others. Implementing effective ESG policies and practices is crucial for companies not only to attract talent and retain employee loyalty but also for its long-term survival and sustainable growth.

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 Group's 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 and, where possible, ahead of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

As a part of its continuous efforts towards increasing emphasis and focus on ESG aspects, the Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics. Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders. Stakeholder engagement sessions were also held with both internal and external stakeholders to gather insights. These efforts culminated in the determination of material ESG topics for each industry group.

The International Sustainability Standards Board (ISSB) released its first set of standards, IFRS S1 and IFRS S2, in June 2023. IFRS S1 focuses on the general requirements for disclosing sustainability-related financial information, while IFRS S2 details climate-specific disclosures. During the year, CA Sri Lanka issued the localised standard based on IFRS S1 and S2, designated as SLFRS S1 and S2. The standards will be effective from 1 January 2025. A comprehensive roadmap has been initiated to assess alignment with the new standard to review processes and disclosures required.

## 6.5 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 structured process that optimises and facilitates process audit information, lifecycle 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.
- leverage data analytics and technology to raise alerts.



*Refer Section 5.5.2 of this Commentary for initiatives during the year aimed at strengthening internal controls - page 245*

## 6.6 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 and prevent potential breaches. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

## 6.7 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. 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.

## 6.8 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:

- ongoing training and refreshers on the Code of Conduct and related governance policies, including non-discrimination, anti-corruption and anti-bribery.
- a further strengthened performance management process, which envisages continuous feedback and greater 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 demographical dynamics of employee segments.

## 6.9 Need for Increased Transparency

Ensuring transparency is a continually evolving journey given progressing regulations, advancements in global best practice and complex stakeholder needs. Staying abreast of internally accepted best practice and continuously challenging the status quo is vital in this journey of being transparent. Additionally, transparency and accountability in reporting foster a foundation of trust with stakeholders which improves the credibility of the organisation, whilst also strengthening an organisation's legitimacy and reputation. Openly reporting on activities and challenges builds public trust and demonstrates a commitment to ethical practices. In today's information age, such aspects will aid organisations in differentiating themselves from a stakeholder's point of view, including attracting investment so long as the information is relevant to the stakeholder and does not create information overload where the material information may lose the perspective and attention it warrants.

In an organisation's journey towards transparency, the Government and regulatory bodies also need to play a pivotal role in ensuring the required foundations and criteria for good governance are advocated and put in place. Hence, it is vital for the regulatory frameworks of the country to evolve as corporates cannot operate in isolation within the eco-system. For instance, Transparency International, including its local counterpart, Transparency International Sri Lanka advocates for the disclosure of Ultimate Beneficial Owners (UBO) of corporates. However, collating information on ultimate beneficial owners of entities is not possible as the country's regulations do not require this to be disclosed when purchasing shares in the Colombo Stock Exchange, and a listed entity cannot compile this information in isolation.

# CORPORATE GOVERNANCE COMMENTARY

## 7 COMPLIANCE SUMMARY

The Board, through its operating structures, strived to ensure that the Company and all its subsidiaries and associates complied with the laws and regulations of the countries they operated in. Accordingly, the Group complied with all applicable laws and regulations of the countries it operates in, including anti-corruption and anti-bribery laws.

The Board of Directors also took all reasonable steps in ensuring that all financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the CSE and other applicable authorities. Information contained in the financial statements of the Annual Report is supplemented by a detailed Management Discussion and Analysis which explains to shareholders the strategic, operational, investment, sustainability and risk related aspects of the Company, and the means by which value is created and how it is translated into the reported financial performance and is likely to influence future results.

### 7.1 Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosures

#### 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) a) 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	
b) The public holding percentage in respect of Foreign Currency denominated Shares	Not Applicable	
(v) A statement of each Director's holding and CEO'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	Stakeholder Engagement and Determining 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 Section 9 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	
(xvii) to (xxi) Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities, Infrastructure Bonds and/or Shariah Compliant Debt Securities listed on the CSE	Not Applicable	

## 7.2 Statement of Compliance with 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)	
<b>7.10.1 Non-Executive Directors (NED)</b>			
a/b/c	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	Five out of seven 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.
<b>7.10.2 Independent Directors</b>			
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 five independent NEDs have submitted signed declarations confirming independence.
<b>7.10.5 Remuneration Committee</b>			
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.
<b>7.10.6 Audit Committee</b>			
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	One of the members of the AC is a member of a recognised professional accounting body.
b	Functions of the AC	Yes	Refer Audit Committee 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.
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 Sub-Committees section.
c (2)	Audit Committee shall make a determination of the independence of the external auditors	Yes	
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.

# CORPORATE GOVERNANCE COMMENTARY

## 7.3 Statement of Compliance under Section 9 of the Revised Listing Rules of the CSE on Corporate Governance, effective as at 1 April 2024.

### MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule	Compliance Status	JKH Action / Reference (within the Report)	
<b>9.1 Corporate Governance Rules</b>			
9.1.3	A statement confirming compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and has stated so within the Report with any deviations explained where applicable.
<b>9.3 Board Committees</b>			
9.3.1 b/c/d	Minimum required Board Committees	Yes	The required Committees are maintained and are functioning effectively.
9.3.2	Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees	Yes	The Group is in compliance with the requirements in respect of the Board Committees.
<b>9.4 Meeting procedures and the conduct of all General Meetings with shareholders</b>			
9.4.1	Records of all resolutions and the following information upon a resolution being considered at any General Meeting shall be maintained	Yes	The Group maintains all records and information regarding resolutions considered at General Meetings.
9.4.2 a/b/c	Communication and relations with shareholders and investors	Yes	Refer section 4.6 of the Commentary – Stakeholder Management and Effective Communication.
<b>9.6 Chairperson and CEO</b>			
9.6.1	Requirement for a SID if the positions of Chairperson and CEO are held by the same individual	Yes	A SID has been appointed by the Group considering the combined role of Chairperson/CEO. In line with the revised CSE Listing Rules, a market announcement was made to disclose that the Chairperson of the Company is an Executive Director, and that the Chairperson and Chief Executive Officer positions of the Company are held by the same individual. The Company has elected to comply with the alternative option provided under Section 9.6.1 and Section 9.6.3 of the Listing Rules, with the appointment of a Senior Independent Director.
9.6.2	Market announcement on the rationale behind the appointment of a SID	Yes	
9.6.3 a-d	Requirement for a SID	Yes	
9.6.3 e	SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties	Yes	Refer section 5.2 of the Commentary – Senior Independent Director.
9.6.4	Rationale for the appointment of a SID set out in the Annual Report	Yes	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.
<b>9.7 Fitness of Directors and CEO</b>			
9.7.1-9.7.5	Requirement to meet the fit and proper criteria stipulated by the CSE and related disclosures	Yes	Directors are required to provide general disclosures and declarations on fitness and propriety annually and are required to report any material changes to the information provided therein, including any changes to their professional responsibilities and business associations, to the Board.  The Nominations Committees reviews and makes recommendation to the Board on the fitness and propriety of Directors.  No non-compliances were reported during the year in this regard.
<b>9.8 Board Composition</b>			
9.8.3 (i) to (viii)	Requirements for meeting the criteria to be an ID	Yes	Details of the independence criteria are explained within the Corporate Governance Commentary.
9.8.5 a/b/c	The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent'	Yes	All independent NEDs have submitted declarations as to their independence, and a determination of their independence is evaluated.

CSE Rule	Compliance Status	JKH Action / Reference (within the Report)
<b>9.9 Alternate Directors</b>		
a-e	Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association	Yes No Alternate Directors appointed during the financial year.  CSE has granted a waiver to amend the Articles of Association to incorporate the requirements of the Rules at an EGM to be held on 28 June 2024.
<b>9.10 Disclosures relating to Directors</b>		
9.10.2/ 9.10.3	Market announcement upon the appointment of a new director and any changes to the Board composition	Yes Timely market announcement of the new independent NED appointed was made through the CSE.
9.10.4 a-i	Details in relation to the Board members	Yes Refer Board Profiles and Details in Respect of Directors sections.
<b>9.12 Remuneration Committee</b>		
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on EDs and individual Directors	Yes The remuneration of the Executive Directors are determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee.
9.12.4	Remuneration for NEDs shall be based on a policy of non-discriminatory pay practices to ensure the independence	Yes Refer Director Remuneration section.
9.12.5	The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Yes
9.12.6 (2)	Where the parent company and the subsidiary are Listed Entities, the Remuneration Committee of the parent company may function as the Remuneration Committee of the subsidiary	Yes  Refer Human Resources and Compensation Committee section.
9.12.6 (3)	An ID shall be appointed as the Chairperson of the Remuneration Committee	Yes
9.12.7	Functions	Yes
9.12.8 a	Names of Remuneration Committee Chairperson and members	Yes
9.12.8 b	Statement of Remuneration policy	Yes
9.12.8 c	Aggregate remuneration paid to EDs and NEDs	Yes
<b>9.13 Audit Committee</b>		
9.13.2	The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties	Yes Refer Audit Committee section.
<b>9.14 Related Party Transactions Review Committee</b>		
9.14.2 (1)	Related Party Transactions Review Committee shall comprise of a minimum of 3 members, majority of whom should be IDs and an ID shall be appointed as the Chairperson	Yes The Related Party Transactions Committee comprises only of Independent Directors and maintained the minimum requirement of three members throughout the year.
9.14.2 (2)	Where the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may function as the Related Party Transactions Review Committee of the subsidiary	Yes  Refer Related Party Transactions Review Committee section.
9.14.3	Functions	Yes
9.14.4	General Requirements	Yes
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Yes

# CORPORATE GOVERNANCE COMMENTARY

CSE Rule	Compliance Status	JKH Action / Reference (within the Report)
9.14.6 Shareholder Approval	Yes	Refer Extraordinary General Meetings, including Shareholder Approval through Special Resolution section.
9.14.8 Details pertaining to Non-Recurrent Related Party Transactions (1)	Yes	Refer Notes to the Financial Statements.
9.14.8 Details pertaining to Recurrent Related Party Transactions (2)	Yes	
9.14.8 (3) Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transactions Review Committee.
9.14.8 (4) 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	Refer Annual Report of the Board of Directors.
9.14.9 Shareholder approval for acquisition and disposal of substantial assets (1)/(2)	Yes	Refer Extraordinary General Meetings, including Shareholder Approval through Special Resolution section.
9.14.9 (4)/(5)/(6) Competent independent advice on acquisition and disposal of substantial asset	Yes	There were no acquisition and disposal of substantial assets during the year 2023/24.
<b>9.16 Additional Disclosures</b>		
(i) Directors have disclosed all material interests in contracts and have refrained from voting when materially involved	Yes	Directors make a disclosure of interests at appointment, at the beginning of every financial year and during the year as required.
(ii) Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence	Yes	Board takes steps to ensure the integrity of internal control systems remain effective via the review and monitoring of such systems on a periodic basis.
(iii) Directors are aware of laws, rules and regulations and their changes particularly to Listing Rules and applicable capital market provisions	Yes	Refer Board Induction and Training section.
(iv) Disclosure of material non-compliance with laws/regulations and fines by relevant authorities where the Entity operates	Yes	During the year under review, there were no material fines incurred, with a total of 17 fines amounting to Rs.1.2 million. This contrasts with the previous year 2022/23, which recorded 67 fines totalling Rs.1.5 million.

## 7.4 Statement of Compliance pertaining to the Companies Act No. 7 of 2007

### MANDATORY PROVISIONS - FULLY COMPLIANT

Section	Compliance Status	Reference (within the 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

## 7.5 Code of Best Practice of Corporate Governance 2017 Issued by CA Sri Lanka

### VOLUNTARY PROVISIONS

The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency and as required by the Group.

#### Directors

- The Company is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen.
- Combining the roles of Chairperson and CEO is justified given the nature of the Group, at this juncture. The Chairperson-CEO is appraised annually.
- Board Balance is maintained as the Code stipulates.
- Given the combined role of Chairperson and CEO, the Group has a Senior Independent Director.
- Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.
- Specified information regarding Directors is shared in the Corporate Governance Commentary.

#### Directors' Remuneration

- The Human Resource and Compensation Committee, consisting of exclusively NEDs is responsible for determining the remuneration of Chairperson-CEO and EDs.
- ED compensation includes performance related elements in the pay structure. Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under Section 3.1.12 and is in line with the Code.

#### Relationship with Shareholders

- There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.
- The Group has in place multiple channels to reach shareholders as discussed under Section 4.5.1.

#### Accountability and Audit

- Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the company carried out all business in accordance with regulations and applicable laws, equitably and fairly.
- The Company continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements.
- There is an annual review of the effectiveness of the Group's risk management and internal controls which ensures the maintenance of a sound system of internal control which is reported on under the Internal Controls section.
- The Internal Audit function and the Audit Committee, functions as stipulated by the Code, and are discussed under the Audit Committee section.
- A Related Party Transactions Review Committee is in place and functions in line with the Code.
- There were no violations of the Group Code of Conduct and the Code of Business Conduct and Ethics during the year, which is mentioned under the Chairperson's Message section.

#### Institutional Investors

- The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.

#### Other Investors

- Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.

#### Sustainability

- ESG (environmental, social, and governance) is a pivotal consideration in the Group's decision-making. In reporting performance, the Annual Report covers ESG disclosures through the <IR> framework, GRI standards and operations in conformity with the Principles of the United Nations Global Compact and United Nations Sustainable Development Goals.

#### Internet and Cybersecurity

- The Board has prioritised cybersecurity by appointing a dedicated member responsible for overseeing it within the Group. The Company has implemented a group policy, conduct periodic reviews to ensure its effectiveness, discuss cybersecurity risks at the board level, and disclose the management of risks in the Annual Report. Furthermore, measures have been taken to secure connectivity for both internal and external devices.

## 7.6 Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lanka

CA Sri Lanka issued a revised Code of Best Practice on Corporate Governance in December 2023, effective from 1 April 2024. While the Group has presented its compliance in line with the 2017 Code of Best Practice on Corporate Governance, The Group has reviewed the 2023 Code for further adoption, as applicable, and relevant to the Group.

# STAKEHOLDER ENGAGEMENT

The Group is committed to sharing its sustainability ambitions with its various stakeholder groups and values input from them.

## ENGAGEMENT OF SIGNIFICANT STAKEHOLDERS

The Group is committed to sharing its sustainability ambitions with its various stakeholder groups and values input from them. While maintaining clearly set objectives based on the various goals and targets, the Group has committed to in the short, medium and the long-term, 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. 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.



The Group identifies its internal stakeholders as its business units and employees whilst its external stakeholders are made up of shareholders, investors, lenders, customers, suppliers 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.

### In-depth stakeholder engagement with independent third party consultant carried out to identify new material topics and to measure performance on current ones

 <p><b>Customers</b> individual, corporate B2B</p> <p>Significance of Stakeholder: Growth of business and brands</p>	<p><b>Stakeholder Expectations:</b></p> <ul style="list-style-type: none"> <li>Meet requirements for products and services</li> <li>Ensure high quality and safe products and services</li> <li>Environmentally and socially responsible products and services</li> </ul>	<p><b>Methods of Engagement:</b></p> <ul style="list-style-type: none"> <li><b>A</b> Road shows, trade fairs and field visits</li> <li><b>B</b> One-on-one meetings, discussion forums, progress reviews</li> <li><b>Q</b> Customer satisfaction surveys</li> <li><b>O</b> Information dissemination through printed reports, telephone, SMS, e-mail, corporate website, workshops and business development activities</li> </ul>
 <p><b>Employees</b> directors, executives, non-executives</p> <p>Significance of Stakeholder: Human Capital and productivity</p>	<p><b>Stakeholder Expectations:</b></p> <ul style="list-style-type: none"> <li>Provide a safe and enabling environment</li> <li>Ensure equal opportunity within a meritocratic culture</li> <li>Enhancement of skills and knowledge, continuous engagement</li> <li>Work-life balance</li> </ul>	<p><b>Methods of Engagement:</b></p> <ul style="list-style-type: none"> <li><b>A</b> Employee satisfaction surveys, Group-wide year end get-together</li> <li><b>B</b> Performance reviews, skip level meetings</li> <li><b>Q</b> Intranet communications</li> <li><b>O</b> Training and development, team building, joint consultative committees, open door policy, sports events, Corporate Social Responsibility programmes</li> </ul>
 <p><b>Community</b> neighbours, community, community leaders, society</p> <p>Significance of Stakeholder: Social license to operate</p>	<p><b>Stakeholder Expectations:</b></p> <ul style="list-style-type: none"> <li>Stimulate local economy through procurement</li> <li>Provide direct and indirect employment</li> <li>Operations with minimal impact on shared natural resources</li> </ul>	<p><b>Methods of Engagement:</b></p> <ul style="list-style-type: none"> <li><b>On</b> Community engagement prior to entry and on exit via one-on-one meetings, workshops, forums</li> <li><b>M</b> Regular engagement while operating via one-on-one meetings, workshops, forums</li> <li><b>O</b> Corporate Social Responsibility programmes</li> </ul>

**A** Annually    **B** Biannually    **Q** Quarterly    **O** Ongoing    **On** One-off    **M** Monthly    **R** Regular



**Institutional investors, fund managers, analysts, leaders, multilateral lenders**

**Significance of Stakeholder:**

Growth and equity

**Stakeholder Expectations:**

- Consistent economic performance
- Economic value generation

**Methods of Engagement:**

- A** Annual reports, disclosures and reviews
- Q** Quarterly reports
- R** Investor road shows
- O** Phone calls, e-mail, written communication, websites, one-on-one meetings



**Government, Government institutions and departments**

**Significance of Stakeholder:**

Provision of trading conditions

**Stakeholder Expectations:**

- Contribute to economy through strategic investments
- Create direct and indirect employment
- Timely payment of taxes and levies

**Methods of Engagement:**

- Q** Participation of senior management in chambers and industry associations
- O** Meetings, business forums, newsletters, circulars, presentations and briefings, advisory meetings of industry associates



**Legal and regulatory bodies**

**Significance of Stakeholder:**

License to operate

**Stakeholder Expectations:**

- Compliance with laws and regulations
- Practice sound corporate governance

**Methods of Engagement:**

- Q** Participation of senior management in chambers and industry associations
- O** Meetings, periodic disclosures, correspondence



**Business partners, principals, suppliers**

**Significance of Stakeholder:**

Inputs for goods and services

**Stakeholder Expectations:**

- Long-term business relation and adherence to contractual obligations
- Knowledge sharing
- Representation in business councils and committees

**Methods of Engagement:**

- A** Distributor conferences, contract renegotiations and reviews, road shows, supplier assessments, supplier fora
- Q** Supplier review meetings
- R** Market reports
- O** Conference calls, e-mails, circulars, corporate website and sourcing, contracting and supplier management platform



**Society, media, pressure groups, NGOs, environmental groups**

**Significance of Stakeholder:**

License to operate

**Stakeholder Expectations:**

- 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

**Methods of Engagement:**

- O** Website, press releases, media briefings, correspondence



**Industry peers and competition**

**Significance of Stakeholder:**

Collaboration and fair trading conditions

**Stakeholder Expectations:**

- Ethical business practices
- Participation in business councils and committees

**Methods of Engagement:**

- Q** Participation of senior management in chambers and industry associations
- R** Membership of trade associations, conferences, discussion forums

# DETERMINING MATERIALITY

The Group conducts comprehensive materiality assessments annually, in collaboration with various sectors to assess and monitor progress against key sustainability concerns.

## IMPROVEMENTS CARRIED OUT TO THE MATERIALITY ASSESSMENT PROCESS

Double materiality: During the year under review, the Group implemented a double materiality process, which assesses both positive and negative impacts, as well as potential and actual implications on the organisation, the environment, and people, including their human rights.

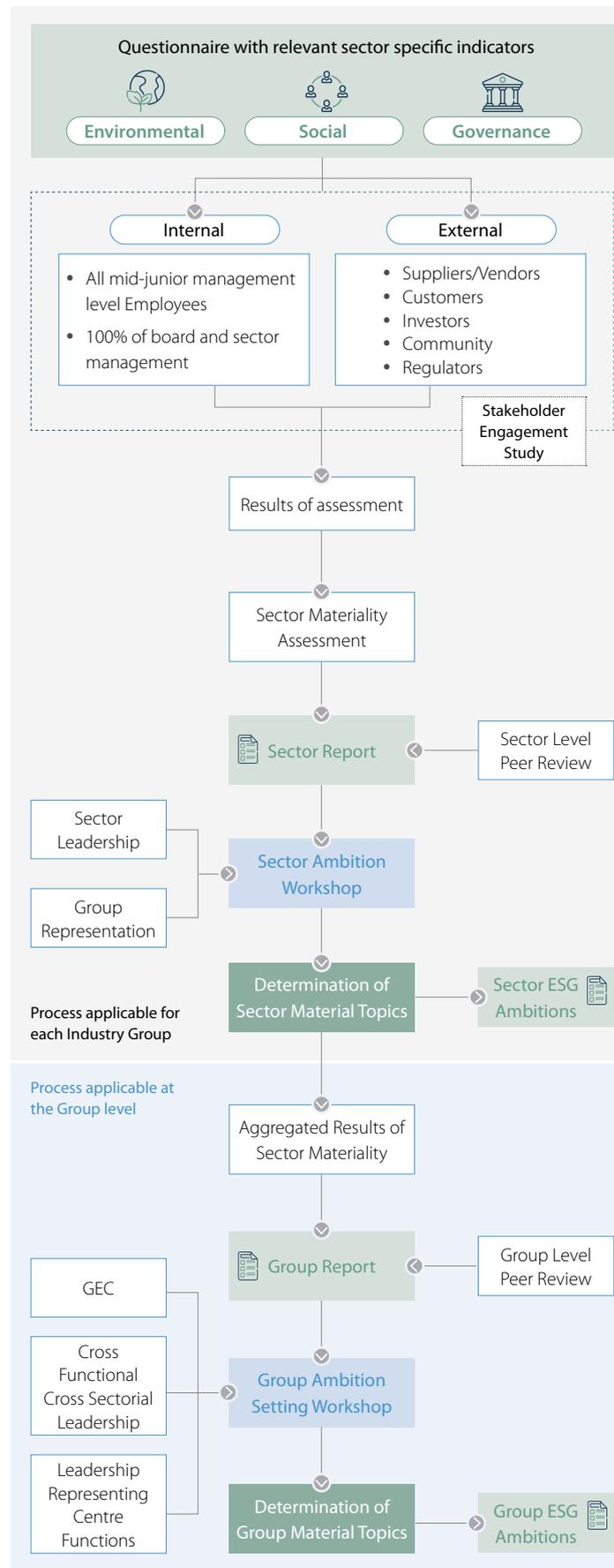
To enhance the clarity of the Group's material matters, the topics identified in the previous years under overarching materiality themes were consolidated. These themes will serve as the verticals within the Group's ESG framework, encompassing Environmental (E), Social (S), and Governance (G) considerations.

Materiality analysis is one of the vital processes that the Group uses to define key triple bottom line matters 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 annually carries out a comprehensive materiality assessment internally with the engagement of the sectors to assess and understand the progress of the goals and targets set against the key sustainability concerns. Additionally, a comprehensive stakeholder engagement survey is carried out every two years with the aid of an independent third party, to assess the impacts of the ongoing activities and engagement of the Group through how it has performed against the material topics and to understand if the landscape of the material topics has changed.

As part of the Group's ongoing efforts to further enhance its ESG strategy framework, an extensive materiality assessment was conducted within each sector, guided by an international third-party consultant. Through the engagement of key internal and external stakeholders, facilitated the identification of crucial environmental, social, and governance (ESG) topics at the sector level. Furthermore, an extensive desktop review was carried out for each of the sectors against selected peers of each industry group who are considered leaders in ESG performance. The combined set of information was shared to each of the sector teams for thorough review. A series of sector level ambition setting workshops were carried out by the Group Sustainability team facilitated by a third party consultant with the participation of each of the sector's leadership and representation from the centre functions, leading to the finalisation of material topics that would shape sector-level ambitions.

Additionally, the consolidated material topics at the Group level, alongside the results of an in-depth peer review was discussed at a Group level ambition setting workshop which engaged the entire Group's leadership including the Chairperson, Deputy Chairperson and the members of the Group Executive Committee (GEC), alongside cross functional leadership team representing all sectors as well as the Group's centre functions.

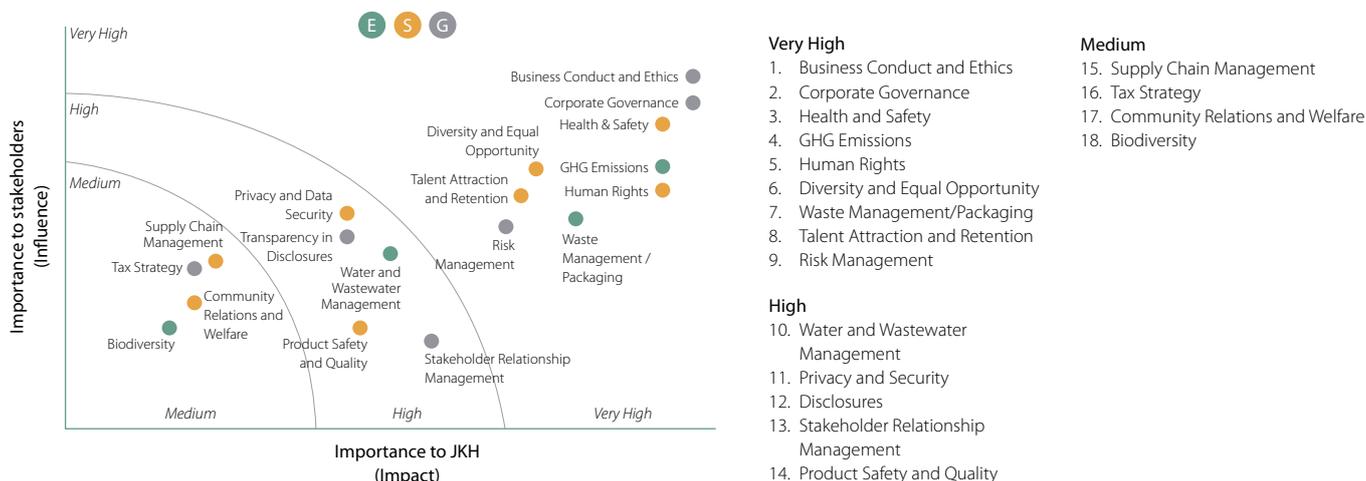
This iterative process resulted in the formulation of Group-level Environmental, Social, and Governance (ESG) ambitions, cascaded down to the sectors alongside separate sector-level ambitions to address these material topics.



## Key Material topics for 2023/24

	2023/24	2022/23
1	Business conduct and ethics	Anti-corruption Brand communication effectiveness (ethical marketing and communication)
2	Corporate governance	Regulatory compliance Economic performance
3	Occupational health and safety	Employee health and safety
4	GHG emissions within the boundary of the company's control	Climate change impact and resilience Manage environmental impacts created by our operations - emissions Business continuity and energy management - local and global fuel shortages
5	Diversity and equal opportunity	Diversity equity and inclusivity in the workplace
6	Waste management	Reduction of plastic usage and reclamation from customers Manage environmental impacts created by our operations - waste management
7	Talent attraction and retention	Employee attraction, retention, and skill resilience Loss of skilled staff due to increased local and global competition Volatility and vulnerabilities in the macroeconomic environment impacting employees, consumers, communities, and the supply chain
8	Risk management	Government policy uncertainty Currency volatility and increased interest rates
9	Water and wastewater management	Manage environmental impacts created by our operations - effluents
10	Human rights	
11	Privacy and data security	Data security and customer privacy / information governance and security Digitalisation
12	Transparency and disclosures	
13	Stakeholder relationship management	Customer relations/ retention Volatility and vulnerabilities in the macroeconomic environment impacting employees, consumers, communities, and the supply chain
14	Product safety and quality	
15	Supply chain management	Supply chain vulnerabilities due to pandemic and country's economic crisis Increasing prices of product and services and price volatilities in the supply chain Volatility and vulnerabilities in the macroeconomic environment impacting employees, consumers, communities, and the supply chain
16	Tax strategy	Changes in taxation and Government levies
17	Community relations and welfare	Local community development Volatility and vulnerabilities in the macroeconomic environment impacting employees, consumers, communities, and the supply chain
18	Biodiversity	

## John Keells Group Materiality Matrix



# DETERMINING MATERIALITY

## Management of Material Topics

The final selection of Group-level material topics stemmed from the aggregation of sector-level considerations. Thereafter, the Group's leadership team reevaluated these topics to highlight those deemed particularly material for Group-wide consideration, given their significant impact on the organisation, external environment, and stakeholders. Subsequently, the Group established ambitions across environmental (E), social (S), and governance (G) domains, delineating short-, medium-, and long-term goals.

These ambitions were formulated during a Group-level ambition setting workshop, attended by the GEC, cross-functional sector leadership, and representatives from central functions. Each vertical will be overseen by an appointed member of the GEC and led by designated representatives from across the organisation. Steering committees, inclusive of sector representation, will be tasked with developing Group-level roadmaps for these verticals. Subsequently, based on materiality considerations, Group-level ambitions will be cascaded down to the sector level.

Sector steering committees will thereafter develop sector-specific roadmaps aligned with the Group's objectives, in addition to the sector-specific ambitions identified during sector-level workshops. The Group is currently finalising the broad verticals and ambitions. Upon their establishment and the formation of sector and group-level steering committees, along with the development of roadmaps, the new ESG strategy framework will be shared with all Group stakeholders. A rigorous governance framework, coupled with a robust tracking mechanism, will be instituted to monitor the progress of these ambitions.

### Key Material topics for 2023/24

No.	Material Topics	GRI Disclosures	Change Compared to FY 23	Actual/ Potential Impact	Approach
1	Business conduct and ethics	GRI 2		<b>To organisation:</b> Impact on credibility, Brand reputation impact	Social and Relationship Capital
2	Corporate governance	GRI 2		<b>To organisation:</b> Compliance and legal issues	Corporate Governance
3	Occupational health and safety	403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9		<b>To organisation:</b> <i>Actual:</i> Financial impact (Loss of working hours/ days) <i>Potential:</i> Reputational damage	
4	GHG emissions	305-1, 305-2, 305 -4, 305-5, 305-6, 302-1, 302-3, 302-4		<b>From organisation:</b> <i>Actual:</i> Safe working environment <i>Potential:</i> Risk of injury or risk to life	Human Capital
				<b>To organisation:</b> <i>Actual:</i> Financial impact (Increased utility costs) <i>Potential:</i> Reputational damage to the organisation	
5	Diversity and equal opportunity	405-1		<b>From organisation:</b> <i>Actual:</i> Emissions of CO <sub>2</sub> and other pollutants negatively impacting the environment <i>Potential:</i> Climate change impact	Risk and internal controls, Natural Capital
				<b>To organisation:</b> <i>Actual:</i> Positive employer branding (Be recognised for best practice in D, E & I)	
6	Waste management	306-1, 306-2, 306-3, 306-4, 306-5		<b>To organisation:</b> <i>Potential:</i> Risk of reputation (Potential reputational damage due to improper disposal) compliances as well as fines	Natural Capital
				<b>From organisation:</b> <i>Potential:</i> Improper disposal of waste could lead to ground and water pollution	

No.	Material Topics	GRI Disclosures	Change Compared to FY 23	Actual/ Potential Impact	Approach
7	Talent attraction and retention	401-1, 401-2, 401-3, 404-1, 404-2, 404-3		<p><b>To organisation:</b></p> <p><b>Actual:</b> High attrition rates, loss of skilled staff, high costs of training</p> <p><b>Potential:</b> Strategies taken to attract and retain employees can result in higher productivity and efficiency</p>	Human Capital, Risk and Internal Controls
				<p><b>From organisation:</b></p> <p>Employee well-being, professional development</p>	
8	Risk management			<p><b>To organisation:</b></p> <p><b>Potential:</b> Failure to identify risks ahead could lead to losses and damages</p>	
				<p><b>From organisation:</b></p> <p><b>Potential:</b> Failure to manage risks could lead to closure of businesses resulting in loss of employment, impact to local economy</p>	Financial and Manufactured Capital, Outlook
9	Water and wastewater management	303-1, 303-2, 303-3, 303-4, 303-5		<p><b>To organisation:</b></p> <p><b>Potential:</b> Reputational damage due to improper disposal) compliances as well as fines</p> <p><b>Actual:</b> Increased costs of water and increased water footprint</p>	Natural Capital
				<p><b>From organisation:</b></p> <p><b>Potential:</b> Pollution due to improper disposal of effluents</p> <p>Increased water stress levels</p>	
10	Human rights				
11	Privacy and data security			Cyber-attacks, loss of data	Social and Relationship Capital
12	Transparency and disclosures				
13	Stakeholder relationship management			Loss of customer confidence	Social and Relationship Capital
14	Product safety and quality				
15	Supply chain management	204		Disruptions to operations	Risk and Internal Controls
16	Tax strategy	207		Impacts from policy changes	Corporate Governance
17	Community relations and welfare	413		Socioeconomic disparity	Social and Relationship Capital
18	Biodiversity				

 Employees  Suppliers  Environment

 A detailed description of the strategies and approach adopted by the Group in managing its material topics are contained in the management approach in each of the capital sections and under the Corporate Governance Commentary sections of the report.



*More to Life*

## FINANCIAL STATEMENTS

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# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 45th 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 2024. 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 107 in the Annual Report.

## FINANCIAL STATEMENTS

Financial Statements of the Company and Group for the year ended 31 March 2024, 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.

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 material 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 2024, 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. 2,916 Mn (2023- Rs.2,544 Mn), whilst Group revenue amounted to Rs. 280,773 Mn (2023 - Rs.276,640 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.4,252 Mn (2023 - Rs.14,709 Mn) whilst the Group profit attributable to equity holders of the parent for the year was Rs.11,248 Mn (2023 - Rs.18,174 Mn).

The Company's total comprehensive income net of tax was Rs. 3,302 Mn (2023 - Rs.15,925 Mn), and the Group total comprehensive income attributable to parent was Rs. 6,553 Mn (2023 - Rs.24,449 Mn).

## Dividend and Reserves

As required by Section 56(2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained certificates from the auditors, prior to declaring all dividends.

A final dividend will be paid on or before 25 June 2024 to those shareholders on the register as of 5 June 2024.

## John Keells Holdings PLC

In Rs.'000s For the year ended 31 March	2024	2023
Profit After Tax	4,252,313	14,709,284
Other Adjustments	(45,847)	(714,742)
Balance brought forward from the previous year	101,114,527	89,889,818
Amount available for appropriation	105,320,993	103,884,360
Interim dividends of Rs.1.00 per share (2023-Rs.1.50) paid out of dividend received	(1,388,015)	(2,077,375)
Final dividend declared Rs. 0.50 (2023-Rs.0.50)	(749,778)	(692,458)
Balance to be carried forward to the next year	103,183,200	101,114,527

## 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,

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## CAPITAL EXPENDITURE

The Company's and Group's capital expenditure on property, plant and equipment amounted to Rs. 23 Mn (2023 - Rs.102 Mn) and Rs. 35,773 Mn (2023 - Rs.7,074 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 (2023 - Nil) and Rs. 1,523 Mn (2023 - Rs.1,296 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 2023 and the carrying value amounted to Rs. 113,313 Mn (2023 - Rs.110,716 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 2023, and the carrying value amounted to Rs.31,519 Mn (2023- Rs.33,029 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 portfolio as at 31 March 2024, are disclosed in the Group Real Estate Portfolio within 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 2024 of the Company amounted to Rs. 90,602 Mn (2023 - 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.

## REVENUE RESERVES

Revenue reserves as at 31 March 2024 for the Company and Group amounted to Rs. 103,933 Mn (2023 - Rs.101,807 Mn) and Rs. 130,812 Mn (2023 - Rs.121,743 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 2024, 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 2024 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 2024 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 that have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

The Directors have all made a general disclosure relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any Director. The Interest Register is available at the registered head office of the Company, in keeping with the requirements of the section 119 (1) (d) of the Companies Act No 7 of 2007.

## SHARE DEALINGS

Other than for the following entries, particulars of the Company interest register are disclosed in the Share Information section of the Annual Report.

### John Keells Holdings PLC

- Phoenix Ventures (Pvt) Ltd (A N Fonseka – Director) Sale of 5,489,386 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 2023 to 31 March 2024.

### Trans Asia Hotels PLC

- N L Gooneratne (Director) - Sale of 67,217 shares

### INDEMNITIES AND REMUNERATION

The Board approved the payment of remuneration of the following Executive Directors for the period from 1 April 2023 to 31 March 2024 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 2022/2023, 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

- 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 V R S Fernando (appointed w.e.f 9 August 2023)

### Tea Smallholders Factories PLC

- A Goonetilleke
- A S Jayatilleke

### Union Assurance PLC

- P T Wanigasekara (appointed w.e.f 1 April 2023)
- D H Fernando

### Rajawella Holdings Limited

- B D N Jayatilake (appointed w.e.f 1 April 2023)

Fees payable to Non-Executive Nominee Directors of John Keells Holdings PLC was paid to John Keells Holdings PLC and not to the individual Directors.

During the 2023/2024 financial year,

- M P Perera retired from the Board of John Keells Holdings PLC w.e.f 1 July 2023.
- Demise of A E H Sanderatne, Independent Non-Executive Director of Keells Food Products PLC, on 23 July 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 9.14.8 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 in the Share Information section of the Annual Report.

The highest, lowest and the closing prices of the Company shares are disclosed in the Share Information section of the Annual Report.

### EMPLOYMENT

The Group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Employee ownership in the Company is facilitated through the employee share option plan.

Details of the Group's human resource initiatives are detailed in the Human Capital section of the Capital Management Review section of the Annual Report.

The number of persons employed by the Company and Group as at 31 March 2024 was 163 (2023 - 145) and 15,314 (2023 - 15,415), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 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. As at 31 March 2024, the trade and other payables of the Company and Group amounted to Rs. 1,464 Mn (2023 - Rs.631 Mn) and Rs. 42,583 Mn (2023 - Rs.29,866 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 ensure best practices in Corporate Governance. The manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance are given in the Corporate Governance section of this Report.

## SUSTAINABILITY

The Group pursues its business goals based on a model of stakeholder governance. Findings of the continuous internal stakeholder engagements have enabled the Group to focus on material issues such as the conservation of natural resources and the environment as well as material issues highlighted by other stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which continuously evolves based on the above mentioned stakeholder engagements.

This is the Group's ninth 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 Nil (2023 - Rs.101 Mn) and Rs. 43 Mn (2023 - Rs.107 Mn), respectively. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or, where relevant, provided for, except as specified in Note 45 to the Financial Statements covering contingent liabilities.

## COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the 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 of this Report elaborates on these practices and the Group's risk factors.

## INTERNAL CONTROLS AND ASSURANCE

The Board, through the involvement of the Group Business Process Review Division, takes steps to gain assurance on the effectiveness over the financial, operational and risk management control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Group, compliance with laws and regulations and established policies and procedures of the Group. The head of the Group Business Process Review Division has direct access to the 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 Groups' ability to continue to operate as 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 Deloitte Partners. 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 21 May 2024. 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.

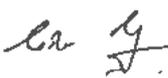
## EXTRAORDINARY GENERAL MEETING

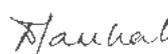
A Notice has been dispatched to convene Extraordinary General Meeting for the purpose of considering and if thought fit, to pass the Special Resolution to amend Article 105 of the Articles of Association of the Company to reflect the requirements pertaining to Alternate Directors under Section 9.9 of the Listing Rules of the Colombo Stock Exchange.

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  
21 May 2024

# THE STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

The financial statements comprise of:

- income statement and statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the financial performance of the Company and its subsidiaries for the financial year; and
- a statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year; and

The Directors are required to confirm that the financial statements:

have been prepared:

- using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

are

- presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- provide the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

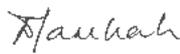
As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring all dividend. A final dividend will be paid on or before 25 June 2024 to those shareholders on the register as of 5 June 2024.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

## COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in Note 45 to the Financial Statements covering contingent liabilities.

By order of the Board



Keells Consultants (Pvt) Ltd  
Secretaries  
21 May 2024

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
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 2024, 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 material accounting policy information.

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 2024,

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 for Professional Accountants 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
<p><b>Assessment of fair value of land and buildings</b></p> <p>Property, Plant and Equipment and Investment Properties include land and buildings carried at fair value. The fair value of land and buildings were determined by external valuers engaged by the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The materiality of the reported fair value of land and buildings which amounted to Rs.145 Bn representing 19% of the Group's total assets as of the reporting date; and</li> <li>The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings using the market approach, income approach and depreciated replacement cost approach.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Notes 22 and 24 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> <li>Estimate of per perch value of the land.</li> <li>Estimate of the per square foot value of the buildings.</li> <li>Market rent per square foot, occupancy rates and yield.</li> </ul>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>Assessed the competence, capability and objectivity of the external valuers engaged by the Group.</li> <li>Read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property.</li> <li>Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value, per square foot value, market rent per square foot, occupancy rates, yield and valuation techniques as relevant in assessing the fair value of each property.</li> </ul> <p>We also assessed the adequacy of the disclosures made in Notes 22 and 24 to the financial statements.</p>

# INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessing the carrying value of capital work in progress</b></p> <p>As disclosed in Note 22, capital work in progress stated under Property, Plant and Equipment amounting to Rs. 247 Bn and represents 32% of total assets of the Group as at 31 March 2024.</p> <p>This was a key audit matter due to the materiality of the reported balance which includes the ongoing construction cost of Waterfront Properties (Pvt) Ltd and the possible impacts due to cost escalations to complete the project due to the economic conditions in the country.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the process followed by the management including the basis of judgments and assumptions to estimate the future costs to complete the projects.</li> <li>• Performed test 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.</li> <li>• Reviewed 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 as of reporting date.</li> </ul> <p>We also assessed the adequacy of the disclosures made in Note 22 to the financial statements.</p>
<p><b>Life insurance contract liabilities</b></p> <p>Life Insurance Contract Liabilities amounting to Rs. 69.5 Bn represent 18% of total liabilities of the Group as at 31 March 2024 and are determined based on an actuarial valuation as described in Note 36 to the financial statements.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• Materiality of the reported Life Insurance Contract Liabilities.</li> <li>• The degree of assumptions, judgements and estimation uncertainties associated with the actuarial valuation of Life Insurance Contract Liabilities and Liability Adequacy Test carried out to determine the adequacy of the carrying value of Life Insurance Contract Liabilities.</li> </ul> <p>Key assumptions used in the valuation of the Life Insurance Contract Liabilities included the mortality rate , morbidity rate , lapses ratio and surrenders rates, loss ratios, bonus, interest rates, discount rates and related claim handling expenses, as disclosed in Note 36 to the financial statements.</p>	<p>To assess the reasonableness of the Life Insurance Contract Liabilities, our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>• Assessed the competence, capability and objectivity of the management specialist engaged by the Group.</li> <li>• Obtained an understanding of the liability valuation process.</li> <li>• Checked the completeness and accuracy of the data used in the valuation of Life Insurance Contract Liabilities by agreeing key information to source documents and accounting records.</li> <li>• Engaged expert resources to assess the reasonableness of the assumptions and appropriateness of the methods used in the actuarial valuations of Life Insurance Contract Liability and Liability Adequacy Test with reference to market data and policyholders experience.</li> </ul> <p>We assessed the adequacy of the disclosures in Note 36 to the financial statements.</p>
<p><b>Interest Bearing Loans and Borrowings</b></p> <p>As of the reporting date, the Group reported total interest bearing loans and borrowings of Rs. 150 Bn, of which Rs. 23 Bn is reported as current liabilities and the balance Rs. 127 Bn as non-current liabilities.</p> <p>Interest bearing loans and borrowings was a key audit matter due to</p> <ul style="list-style-type: none"> <li>• The materiality of the reported interest bearing loans and borrowings balance which represents 38% of the Group's total liabilities as of the reporting date; and</li> <li>• The existence of several financial and non-financial covenants, the breach of which could impact the classification of the interest bearing loans and borrowings in the financial statements.</li> </ul>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>• Evaluated the design of relevant key controls implemented for recording of loans and borrowings, monitoring, evaluating and timely reporting of covenant compliances in relation to interest bearing loans and borrowings.</li> <li>• Obtained an understanding of the terms and conditions attached to loans and borrowings, by perusing the agreements.</li> <li>• Reviewed the Management's statements of compliance with loan covenants and timely reporting and monitoring of covenant compliances in relation to interest bearing loans and borrowings and payment of the loan installments.</li> <li>• Obtained confirmations from financial institutions on outstanding loans and borrowings as at 31 March 2024.</li> </ul> <p>We assessed the adequacy and appropriateness of the disclosures made in Note 37 relating to interest bearing loans and borrowings.</p>

## OTHER INFORMATION INCLUDED IN THE 2023/24 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 THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

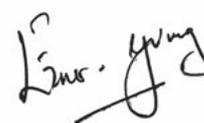
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



21 May 2024  
Colombo

Partners: D K Huijangauma FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K R S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. K A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Ya aqala ACA ACMA

Principals: I P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudan ACMA, Ms. F S Paranjitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS MSc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# INCOME STATEMENT

In Rs.'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>Continuing operations</b>					
Revenue from contracts with customers		262,338,375	260,687,372	2,916,390	2,543,712
Revenue from insurance contracts		18,434,229	15,952,535	-	-
<b>Total revenue</b>	14	<b>280,772,604</b>	<b>276,639,907</b>	<b>2,916,390</b>	<b>2,543,712</b>
Cost of sales		(226,490,684)	(227,534,456)	(1,782,895)	(1,510,932)
<b>Gross profit</b>		<b>54,281,920</b>	<b>49,105,451</b>	<b>1,133,495</b>	<b>1,032,780</b>
Dividend income	15	-	-	11,503,190	10,635,000
Other operating income	16.1	4,510,417	3,260,621	125,268	41,219
Selling and distribution expenses		(10,062,663)	(8,266,060)	-	-
Administrative expenses		(25,172,004)	(21,583,579)	(2,233,541)	(1,742,998)
Other operating expenses	16.2	(8,188,312)	(9,825,773)	(86,595)	(748,154)
<b>Results from operating activities</b>		<b>15,369,358</b>	<b>12,690,660</b>	<b>10,441,817</b>	<b>9,217,847</b>
Finance cost	17	(19,668,851)	(17,802,868)	(11,970,541)	(8,778,825)
Finance income	17	22,567,639	26,899,776	5,787,333	16,327,902
Change in insurance contract liabilities	36.2	(10,833,328)	(7,650,232)	-	-
Change in fair value of investment properties	24	450,092	878,538	-	-
Share of results of equity accounted investees (net of tax)	27.3	10,129,014	7,573,543	-	-
<b>Profit before tax</b>	18	<b>18,013,924</b>	<b>22,589,417</b>	<b>4,258,609</b>	<b>16,766,924</b>
Tax expense	21.1	(5,886,390)	(3,693,293)	(6,296)	(2,057,640)
<b>Profit for the year</b>		<b>12,127,534</b>	<b>18,896,124</b>	<b>4,252,313</b>	<b>14,709,284</b>
<b>Attributable to:</b>					
Equity holders of the parent		11,248,152	18,173,868		
Non-controlling interests		879,382	722,256		
		12,127,534	18,896,124		
		Rs.	Rs.		
<b>Earnings per share</b>					
Basic	19.1	8.06	13.12		
Diluted	19.2	8.04	13.12		
<b>Dividend per share</b>	20	<b>1.50</b>	<b>2.00</b>		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 280 to 364 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

In Rs:'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Profit for the year		12,127,534	18,896,124	4,252,313	14,709,284
<b>Other comprehensive income</b>					
<b>Other comprehensive income to be reclassified to Income Statement in subsequent periods</b>					
Currency translation of foreign operations		(11,608,304)	4,936,383	-	-
Net gain/(loss) on cash flow hedges		(921,213)	1,287,023	(921,213)	1,287,023
Net gain/(loss) on financial instruments at fair value through other comprehensive income		6,016,598	(1,423,636)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		(376,240)	1,688,853	-	-
Net other comprehensive income to be reclassified to Income Statement in subsequent periods		(6,889,159)	6,488,623	(921,213)	1,287,023
<b>Other comprehensive income not to be reclassified to Income Statement in subsequent periods</b>					
Net gain / (loss) on equity instruments at fair value through other comprehensive income		18,617	(2,312)	16,699	(22,511)
Loss on disposal of equity instruments at fair value through other comprehensive income		(1,631)	-	(1,631)	-
Revaluation of land and buildings	22.1	4,497,632	8,002,843	-	-
Re-measurement gain / (loss) on defined benefit plans	38.2	(539,839)	81,295	(44,216)	(49,113)
Share of other comprehensive income of equity accounted investees (net of tax)		(36,663)	(47,870)	-	-
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		3,938,116	8,033,956	(29,148)	(71,624)
Tax on other comprehensive income	21.2	(1,109,091)	(7,688,637)	-	-
Other comprehensive income for the period, net of tax		(4,060,134)	6,833,942	(950,361)	1,215,399
<b>Total comprehensive income for the period, net of tax</b>		<b>8,067,400</b>	<b>25,730,066</b>	<b>3,301,952</b>	<b>15,924,683</b>
<b>Attributable to :</b>					
Equity holders of the parent		6,552,703	24,448,793		
Non-controlling interests		1,514,697	1,281,273		
		8,067,400	25,730,066		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 280 to 364 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

In Rs:'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	22	382,988,534	362,096,999	117,585	140,420
Right-of-use assets	23	48,692,617	54,184,946	122,286	-
Investment properties	24	31,518,824	33,029,385	-	-
Intangible assets	25	6,329,125	5,792,766	34,778	62,812
Investments in subsidiaries	26	-	-	217,905,867	198,074,611
Investments in equity accounted investees	27	48,151,204	38,486,146	21,541,092	16,217,500
Non-current financial assets	28	74,481,816	63,957,051	3,511,692	4,404,983
Deferred tax assets	21.4	1,716,261	2,582,275	-	-
Other non-current assets	29	3,202,936	1,571,304	95,240	125,931
		597,081,317	561,700,872	243,328,540	219,026,257
<b>Current assets</b>					
Inventories	30	39,305,503	39,094,514	-	-
Trade and other receivables	31	28,377,205	21,508,078	460,682	207,733
Amounts due from related parties	44.1	674,179	317,700	1,290,846	1,177,616
Other current assets	32	10,304,760	14,570,452	3,144,607	1,695,635
Short term investments	33	80,030,642	82,221,822	57,805,464	57,473,253
Cash in hand and at bank		15,417,894	25,092,977	556,930	8,232,006
		174,110,183	182,805,543	63,258,529	68,786,243
<b>Total assets</b>		<b>771,191,500</b>	<b>744,506,415</b>	<b>306,587,069</b>	<b>287,812,500</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Stated capital	34.1	90,602,453	73,187,861	90,602,453	73,187,861
Revenue reserves		130,812,080	121,743,376	103,933,190	101,806,985
Other components of equity	34.2	136,452,778	146,091,034	11,804,788	18,055,005
		357,867,311	341,022,271	206,340,431	193,049,851
<b>Non-controlling interest</b>		<b>19,609,383</b>	<b>19,396,186</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>377,476,694</b>	<b>360,418,457</b>	<b>206,340,431</b>	<b>193,049,851</b>
<b>Non-current liabilities</b>					
Insurance contract liabilities	36	69,510,867	58,907,310	-	-
Interest-bearing loans and borrowings	37	127,169,502	159,778,892	55,044,493	66,907,718
Lease liabilities	23	28,080,571	32,052,489	109,139	-
Deferred tax liabilities	21.4	21,222,258	19,687,569	2,841,984	2,841,984
Employee benefit liabilities	38	3,590,783	2,559,632	326,926	219,756
Non-current financial liabilities	39	11,387,177	20,107,025	10,201,449	18,380,148
Other non-current liabilities	40	615,445	286,236	-	-
		261,576,603	293,379,153	68,523,991	88,349,606
<b>Current liabilities</b>					
Trade and other payables	41	42,582,596	29,866,282	1,463,935	631,405
Amounts due to related parties	44.2	448,743	3,615	88,841	58,244
Income tax liabilities	21.3	1,824,765	1,798,855	258,214	888,214
Short term borrowings	42	21,062,456	8,701,652	13,909,261	1,300,000
Interest-bearing loans and borrowings	37	23,216,942	12,839,426	7,670,053	3,344,997
Lease liabilities	23	3,884,003	2,258,653	6,961	-
Other current liabilities	43	6,668,511	5,191,579	21,441	17,811
Bank overdrafts		32,450,187	30,048,743	8,303,941	172,372
		132,138,203	90,708,805	31,722,647	6,413,043
<b>Total equity and liabilities</b>		<b>771,191,500</b>	<b>744,506,415</b>	<b>306,587,069</b>	<b>287,812,500</b>

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



**K M Thanthirige**

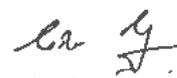
Group Financial Controller

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 280 to 364 form an integral part of these financial statements.

21 May 2024

Colombo

# STATEMENT OF CASH FLOWS

In Rs.'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>OPERATING ACTIVITIES</b>					
Profit / (loss) before working capital changes	A	17,716,574	13,519,212	(826,092)	(700,449)
(Increase) / Decrease in inventories		919,195	(1,436,464)	-	-
(Increase) / Decrease in trade and other receivables		(9,723,231)	6,228,264	(366,183)	(1,613,836)
(Increase) / Decrease in other current assets		3,767,983	(2,913,286)	(1,470,380)	(1,563,482)
(Increase) / Decrease in non-current financial liabilities		(541,150)	(611,355)	-	-
Increase / (Decrease) in trade and other payables and other non-current liabilities		13,983,771	(10,489,973)	863,127	102,485
Increase / (Decrease) in other current liabilities		1,478,227	909,897	127,932	17,811
Increase / (Decrease) in insurance contract liabilities		10,603,557	7,557,987	-	-
<b>Cash generated from operations</b>		<b>38,204,926</b>	<b>12,764,282</b>	<b>(1,671,596)</b>	<b>(3,757,471)</b>
Finance income received		18,732,221	24,591,483	5,420,803	13,711,513
Finance costs paid		(24,784,414)	(23,456,856)	(8,619,506)	(6,036,736)
Dividend received		4,869,454	5,705,389	11,349,209	10,402,546
Tax paid		(3,982,433)	(6,143,062)	(767,533)	(2,050,396)
Surcharge tax paid		-	(1,749,052)	-	(665,629)
Gratuity paid		(288,748)	(267,819)	(3,627)	(3,886)
<b>Net cash flows from operating activities</b>		<b>32,751,006</b>	<b>11,444,365</b>	<b>5,707,750</b>	<b>11,599,941</b>
<b>INVESTING ACTIVITIES</b>					
Purchase and construction of property, plant and equipment		(27,943,249)	(7,073,858)	(22,713)	(102,340)
Purchase of intangible assets		(1,004,633)	(324,121)	-	-
Additions to investment properties	24	(17,349)	-	-	-
Increase in interest in subsidiaries		-	-	(19,584,830)	(80,912,944)
Additions to other non-current assets		(335,617)	(31,650,785)	-	-
Increase in interest in equity accounted investees		(5,637,340)	(2,724,276)	(5,169,612)	(2,723,273)
Proceeds from sale of property, plant and equipment and intangible assets		379,226	400,669	755	-
Proceeds from sale of financial instruments - fair value through profit or loss		2,549,829	3,769,663	-	-
Purchase of financial instruments - fair value through profit or loss		(3,087,823)	(4,133,677)	-	-
(Purchase) / disposal of deposits and government securities (net)		(24,767,046)	(36,905,173)	(18,432,770)	(19,516,441)
(Purchase) / disposal of other non-current financial assets (net)		(217,102)	(247,281)	8,560	27,894
<b>Net cash flows from / (used in) investing activities</b>		<b>(60,081,104)</b>	<b>(78,888,839)</b>	<b>(43,200,610)</b>	<b>(103,227,104)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issue of convertible debentures		-	27,056,250	-	27,056,250
Proceeds from issue of shares		527,713	-	527,713	-
Changes in non-controlling interest		(115,392)	-	-	-
Dividend paid to equity holders of parent		(2,080,473)	(2,769,833)	(2,080,473)	(2,769,833)
Dividend paid to shareholders with non-controlling interest		(882,399)	(388,897)	-	-
Proceeds from long term borrowings		2,106,129	2,077,091	-	-
Repayment of long term borrowings	37.1	(12,009,810)	(45,034,878)	(2,512,500)	(1,837,500)
Payment of principal portion of lease liabilities		(2,489,114)	(2,471,652)	(542)	-
Proceeds from / (repayment of) short term borrowings (net)		11,903,072	(5,277,692)	12,609,261	(700,000)
<b>Net cash flows from / (used in) financing activities</b>		<b>(3,040,274)</b>	<b>(26,809,611)</b>	<b>8,543,459</b>	<b>21,748,917</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(30,370,372)</b>	<b>(94,254,085)</b>	<b>(28,949,401)</b>	<b>(69,878,246)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING</b>		<b>40,310,018</b>	<b>134,564,103</b>	<b>38,007,046</b>	<b>107,885,292</b>
<b>CASH AND CASH EQUIVALENTS AT THE END</b>		<b>9,939,646</b>	<b>40,310,018</b>	<b>9,057,645</b>	<b>38,007,046</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
<b>Favourable balances</b>					
Short term investments (less than 3 months)	33	26,971,939	45,265,784	16,804,656	29,947,412
Cash in hand and at bank		15,417,894	25,092,977	556,930	8,232,006
<b>Unfavourable balances</b>					
Bank overdrafts		(32,450,187)	(30,048,743)	(8,303,941)	(172,372)
<b>Total cash and cash equivalents</b>		<b>9,939,646</b>	<b>40,310,018</b>	<b>9,057,645</b>	<b>38,007,046</b>

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 280 to 364 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

In Rs:'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>A Profit before working capital changes</b>					
Profit before tax		18,013,924	22,589,417	4,258,609	16,766,924
<b>Adjustments for:</b>					
Finance income	17	(22,567,639)	(26,899,776)	(5,787,333)	(16,327,902)
Dividend income	15	-	-	(11,503,190)	(10,635,000)
Finance costs	17	19,668,851	17,802,868	11,970,541	8,778,825
Share-based payment expense	35	341,011	274,062	94,585	78,989
Change in fair value of investment property	24	(450,092)	(878,538)	-	-
Share of results of equity accounted investees	27.3	(10,129,014)	(7,573,543)	-	-
Depreciation of property, plant and equipment	22.1,22.2	6,545,420	6,280,610	44,805	45,153
Provisions and impairment losses	16.2	638,900	1,106,367	-	684,451
(Profit) / loss on sale of property, plant and equipment and intangible assets	16.1	(8,214)	(14,230)	(11)	-
Amortisation of right- of - use assets	23.1	3,931,743	4,151,230	1,287	-
Amortisation of intangible assets	25.1	987,012	852,249	28,034	31,551
Employee benefit provision and related costs		780,060	(195,682)	66,581	(123,440)
Unrealised (gain) / loss on foreign exchange (net)		(35,388)	(3,975,822)	-	-
		17,716,574	13,519,212	(826,092)	(700,449)

# 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
<b>As at 1 April 2022</b>	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)
<b>As at 31 March 2023</b>	73,187,861	13,840,507	4,215,838	(1,340)	101,806,985	193,049,851
<b>As at 1 April 2023</b>	73,187,861	13,840,507	4,215,838	(1,340)	101,806,985	193,049,851
Profit for the year	-	-	-	-	4,252,313	4,252,313
Other comprehensive income	-	-	(921,213)	16,699	(45,847)	(950,361)
Total comprehensive income	-	-	(921,213)	16,699	4,206,466	3,301,952
Exercise of share options	527,713	-	-	-	-	527,713
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	(212)	212	-
Conversion of convertible debentures	16,753,283	(5,552,906)	-	-	-	11,200,377
Share based payments	133,596	207,415	-	-	-	341,011
Final dividend paid - 2022/23	-	-	-	-	(692,458)	(692,458)
Interim dividends paid - 2023/24	-	-	-	-	(1,388,015)	(1,388,015)
<b>As at 31 March 2024</b>	90,602,453	8,495,016	3,294,625	15,147	103,933,190	206,340,431

\* Fair value through other comprehensive income.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 280 to 364 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the parent										Non-controlling interests	Total equity
	In Rs.'000s	Stated capital	Restricted regulatory reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other capital reserve	Fair value of financial assets at FVOCI*	Revenue reserve	Total		
<b>As at 1 April 2022</b>	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)	
<b>As at 31 March 2023</b>	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	
<b>As at 1 April 2023</b>	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	
Profit for the year	-	-	-	-	-	-	-	11,248,152	11,248,152	879,382	12,127,534	
Other comprehensive income	-	-	2,675,485	(12,945,051)	(921,213)	-	6,902,473	(407,143)	(4,695,449)	635,315	(4,060,134)	
Total comprehensive income	-	-	2,675,485	(12,945,051)	(921,213)	-	6,902,473	10,841,009	6,552,703	1,514,697	8,067,400	
Transfer from revaluation reserves to retained earnings	-	-	(4,247)	-	-	-	-	4,247	-	-	-	
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	-	-	-	(212)	212	-	-	-	
Exercise of share options	527,713	-	-	-	-	-	-	-	527,713	-	527,713	
Conversion of convertible debentures	16,753,283	-	-	-	-	(5,552,906)	-	-	11,200,377	-	11,200,377	
Share based payments	133,596	-	-	-	-	207,415	-	-	341,011	-	341,011	
Final dividend paid - 2022/23	-	-	-	-	-	-	-	(692,458)	(692,458)	-	(692,458)	
Interim dividends paid - 2023/24	-	-	-	-	-	-	-	(1,388,015)	(1,388,015)	-	(1,388,015)	
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	303,709	303,709	(1,186,108)	(882,399)	
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(115,392)	(115,392)	
<b>As at 31 March 2024</b>	90,602,453	3,626,604	43,808,213	71,649,151	3,294,625	8,495,016	5,579,169	130,812,080	357,867,311	19,609,383	377,476,694	

\* Fair value through other comprehensive income  
Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 280 to 364 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.

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 2024 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 2024 were authorised for issue by the Board of Directors on 21 May 2024.

#### 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 MATERIAL 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 2024 on the basis that it will continue to operate as a going concern. Based on available information, the management has assessed prevailing macroeconomic conditions and its effect on the Group companies in determining the going concern basis for preparation of the financial statements.

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 volatility and interest rate volatility have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

#### Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

#### Presentation of functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs), which is the primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

The following subsidiaries are using different functional currencies other than Sri Lankan Rupees (Rs):

Country of incorporation	Functional Currency	Name of the Subsidiary
Singapore	Singapore Dollar (SGD)	John Keells Singapore (Pte) Ltd
Republic of Maldives	United States Dollar (USD)	Fantasea World Investments (Pte) Ltd John Keells Maldivian Resort (Pte) Ltd Mack Air Services Maldives (Pte) Ltd Tranquility (Pte) Ltd Travel Club (Pte) Ltd
Mauritius	United States Dollar (USD)	John Keells BPO Holdings (Pvt) Ltd John Keells BPO International (Pvt) Ltd

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 material 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 MATERIAL ACCOUNTING POLICIES

Summary of material 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 material accounting policies not disclosed with individual notes

Following accounting policies, which have been applied consistently by the Group, are considered to be material 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.

#### Change in functional currency of Waterfront Properties (Pvt) Ltd (WPL)

In August 2023, the functional reporting currency of Waterfront Properties (Private) Limited (WPL), the project company of the City of Dreams Sri Lanka, was changed from US Dollars (USD) to Sri Lankan Rupees (Rs.) given the impending transition of the project from construction to an operational business next year. The appreciation of the rupee against the USD post-transition resulted in a non-cash exchange gain of Rs. 3.01 billion on the USD 225 million term loan facility at WPL, which is recognised under Finance Income in the Leisure industry group.

The change in functional currency has been accounted for prospectively from August 2023 in accordance with LKAS 21 The Effects of Changes in Foreign Exchange Rates.

# NOTES TO THE FINANCIAL STATEMENTS

## Foreign operations

The statement of financial position and income statement of overseas subsidiaries 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

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1 : Disclosure of Accounting Policies
- Amendments to LKAS 8 : Definition of Accounting Estimate
- Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction

## 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 (ICASL) has decided to adopt SLFRS 17 - Insurance Contracts with effect from annual reporting periods beginning on or after 1 January 2025. However to facilitate a seamless transition and allow ample time for implementation, the Council of ICASL has granted approval for another one-year extension in the effective date of SLFRS 17. Consequently, SLFRS 17 will now be applicable for the annual reporting period commencing on or after 1 January 2026. Simultaneously, the mandatory application of SLFRS 9, which has implications for the insurance industry, will also take effect from 1 January 2026, aligning with the deferred implementation of SLFRS 17.

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 of 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 crucial enhancements to IT, actuarial and finance systems of UA, significant investments are made to ensure smooth transition & operations.

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.

SLFRS 17 Steering Committee has been formed to ensure strategic, tactical, and operational readiness for the implementation of SLFRS 17. UA has made steady progress in the SLFRS 17 implementation journey and awarded a proof of concept (POC) to a selected vendor. Throughout this process, the vendor successfully addressed the requirements using their ready-made software with minimal customisations.

With this positive feedback from the POC, the SLFRS 17 Steering Committee has granted approval to proceed with contracting the respective vendor for the implementation of SLFRS 17. A detailed progress of the SLFRS 17 project along with the governing structure and project timelines are given in Finance Capital section of the Annual Report in page 191.

UA is on track to providing SLFRS 17 financial statements in line with the requirements when it becomes effective. Governing structure and project timelines are given in the Finance Capital section of Annual Report.

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1: Non-Current liabilities with Covenants
- Amendments to LKAS 7 and SLFRS 7: Supplier Finance Arrangements
- Amendments to SLFRS 16: Lease Liability in a Sale and Leaseback
- Amendment to LKAS 21: Lack of Exchangeability
- Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

# NOTES TO THE FINANCIAL STATEMENTS

## 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 container terminals 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 and Importing and selling new energy vehicles and providing after sales services.

### 8.1 Business segments

In Rs:'000s For the year ended 31 March	Transportation		Consumer Foods		Retail	
	2024	2023	2024	2023	2024	2023
Disaggregation of revenue - Timing of revenue recognition						
Goods transferred at a point in time	48,770,859	71,301,704	35,532,797	33,776,305	122,601,877	106,922,269
Services transferred over time	2,784,462	3,177,956	-	-	162,966	133,559
<b>Total segment revenue</b>	<b>51,555,321</b>	<b>74,479,660</b>	<b>35,532,797</b>	<b>33,776,305</b>	<b>122,764,843</b>	<b>107,055,828</b>
Elimination of inter segment revenue						
<b>External revenue</b>						
<b>Segment results</b>	<b>1,740,516</b>	<b>4,253,990</b>	<b>3,624,233</b>	<b>2,060,269</b>	<b>6,080,922</b>	<b>4,463,112</b>
Finance cost	(673,419)	(719,143)	(754,908)	(958,157)	(3,205,414)	(4,096,912)
Finance income	329,639	260,451	61,939	65,532	77,096	196,401
Change in fair value of investment properties	-	-	16,955	24,149	4,914	(3,085)
Share of results of equity accounted investees	6,207,278	5,774,946	-	-	(24,475)	-
Eliminations / adjustments	-	-	25,672	(28,112)	5,263	(1,453)
<b>Profit / (loss) before tax</b>	<b>7,604,014</b>	<b>9,570,244</b>	<b>2,973,891</b>	<b>1,163,681</b>	<b>2,938,306</b>	<b>558,063</b>
Tax expense	(133,962)	(560,375)	(800,133)	580,918	(882,245)	737,612
<b>Profit/ (loss) for the year</b>	<b>7,470,052</b>	<b>9,009,869</b>	<b>2,173,758</b>	<b>1,744,599</b>	<b>2,056,061</b>	<b>1,295,675</b>
Purchase and construction of PPE*	702,830	331,667	1,217,802	1,026,914	1,695,197	3,041,194
Addition to IA*	-	-	721,187	539,752	642,965	642,701
Depreciation of PPE*	187,128	187,335	1,102,454	1,025,718	1,743,856	1,642,420
Amortisation of IA*	8,377	8,434	124,776	56,062	413,660	359,672
Amortisation of ROU*	102,835	75,112	8,317	4,347	1,148,383	1,153,054
Employee benefit provision and related costs	(10,893)	10,327	148,416	2,020	153,913	39,573

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 industry group consists of the property development sector and the property management sector which includes 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	
2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
-	-	-	552,474	-	-	3,055,960	3,743,937	209,961,493	216,296,689
47,946,329	39,731,355	1,919,026	1,875,744	18,664,852	16,202,957	6,331,706	6,699,917	77,809,341	67,821,488
47,946,329	39,731,355	1,919,026	2,428,218	18,664,852	16,202,957	9,387,666	10,443,854	287,770,834	284,118,177
								(6,998,230)	(7,478,270)
								280,772,604	276,639,907
3,461,766	2,398,333	(710,003)	(1,627,298)	4,758,059	3,626,660	(1,383,336)	(825,919)	17,572,157	14,349,147
(3,239,205)	(3,084,504)	(121,551)	(122,006)	(63)	(12)	(11,674,291)	(8,822,134)	(19,668,851)	(17,802,868)
3,163,845	292,374	211,248	299,854	204,080	178,486	5,682,585	16,682,719	9,730,432	17,975,817
98,250	201,400	232,559	525,342	-	-	97,414	130,732	450,092	878,538
24,745	(19,653)	(408,621)	(1,127,788)	4,330,087	2,946,038	-	-	10,129,014	7,573,543
(98,579)	(217,825)	(60,954)	(83,057)	615	-	(70,937)	(54,313)	(198,920)	(384,760)
3,410,822	(429,875)	(857,322)	(2,134,953)	9,292,778	6,751,172	(7,348,565)	7,111,085	18,013,924	22,589,417
(695,457)	76,220	288,502	(215,164)	(1,498,960)	(1,077,835)	(2,164,135)	(3,234,669)	(5,886,390)	(3,693,293)
2,715,365	(353,655)	(568,820)	(2,350,117)	7,793,818	5,673,337	(9,512,700)	3,876,416	12,127,534	18,896,124
31,473,575	1,996,884	385,952	112,907	93,406	117,516	204,000	446,776	35,772,762	7,073,858
18,320	5,050	-	-	125,157	74,818	15,823	33,469	1,523,452	1,295,790
3,119,972	3,080,095	73,222	62,701	117,724	118,669	201,064	163,672	6,545,420	6,280,610
64,930	75,607	6,500	6,601	308,640	294,149	60,129	51,724	987,012	852,249
2,470,098	2,771,224	20,455	20,477	132,987	125,838	48,668	1,178	3,931,743	4,151,230
259,575	(42,308)	22,169	(27,520)	57,169	(62,150)	149,711	(115,624)	780,060	(195,682)

# NOTES TO THE FINANCIAL STATEMENTS

## 8. OPERATING SEGMENT INFORMATION (CONTD.)

### 8.2. Business segments

The following table presents segment assets and liabilities of the Group's business segments.

In Rs.'000s As at	Transportation		Consumer Foods		Retail	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
Property, plant and equipment	1,338,007	1,065,820	11,102,360	10,822,124	18,496,255	18,294,522
Right-of-use-assets	310,075	549,380	258,984	267,301	9,894,229	9,539,807
Investment properties	-	-	358,353	341,398	309,388	304,474
Intangible assets	56,623	65,000	1,801,995	1,182,500	2,819,436	2,557,066
Non-current financial assets	141,523	125,974	383,357	273,966	264,693	218,490
Other non-current assets	51,170	51,972	58,448	128,962	1,113,273	993,260
<b>Segment non-current assets</b>	<b>1,897,398</b>	<b>1,858,146</b>	<b>13,963,497</b>	<b>13,016,251</b>	<b>32,897,274</b>	<b>31,907,619</b>
Investments in equity accounted investees	21,911,210	17,769,439	-	-	(24,475)	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
<b>Total non-current assets</b>						
Inventories	2,125,399	462,430	4,722,058	5,541,602	10,271,009	11,173,246
Trade and other receivables	6,585,354	2,799,055	5,944,817	4,660,106	4,887,289	2,639,958
Short term investments	4,956,582	6,665,675	580	-	1,165	243,742
Cash in hand and at bank	1,740,615	3,012,674	728,188	547,979	1,593,322	1,335,771
<b>Segment current assets</b>	<b>15,407,950</b>	<b>12,939,834</b>	<b>11,395,643</b>	<b>10,749,687</b>	<b>16,752,785</b>	<b>15,392,717</b>
Other current assets						
Eliminations / adjustments						
<b>Total current assets</b>						
<b>Total assets</b>						
Insurance contract liabilities	-	-	-	-	-	-
Interest bearing loans and borrowings	510,125	199,760	746,614	227,802	2,416,957	6,622,609
Lease liabilities	344,656	573,466	138,715	160,906	10,691,302	9,840,263
Employee benefit liabilities	126,498	118,217	752,078	523,330	594,249	410,492
Non-current financial liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	111,259	104,036	-	-
<b>Segment non-current liabilities</b>	<b>981,279</b>	<b>891,443</b>	<b>1,748,666</b>	<b>1,016,074</b>	<b>13,702,508</b>	<b>16,873,364</b>
Deferred tax liabilities						
Eliminations / adjustments						
<b>Total non-current liabilities</b>						
Trade and other payables	6,991,638	2,970,264	4,014,970	3,716,255	18,015,627	13,838,670
Short term borrowings	5,108,357	5,943,802	500,000	262,177	1,003,879	1,205,078
Interest bearing loans and borrowings	-	2,000	467,966	391,775	4,260,000	2,068,696
Lease liabilities	-	-	4,804	1,829	687,580	652,273
Bank overdrafts	1,270,728	2,545,939	3,523,068	5,653,860	7,018,292	10,625,490
<b>Segment current liabilities</b>	<b>13,370,723</b>	<b>11,462,005</b>	<b>8,510,808</b>	<b>10,025,896</b>	<b>30,985,378</b>	<b>28,390,207</b>
Income tax liabilities						
Other current liabilities						
Eliminations / adjustments						
<b>Total current liabilities</b>						
<b>Total liabilities</b>						
Total segment assets	17,305,348	14,797,980	25,359,140	23,765,938	49,650,059	47,300,336
Total segment liabilities	14,352,002	12,353,448	10,259,474	11,041,970	44,687,886	45,263,571

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	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	316,955,748	297,722,918	5,161,817	5,126,480	3,012,007	2,737,024	2,126,685	1,935,074	358,192,879	337,703,962
	36,326,515	42,150,699	207,405	210,292	401,343	425,118	225,805	33,622	47,624,356	53,176,219
	5,312,616	5,117,334	48,354,871	49,925,083	-	-	2,912,467	2,596,897	57,247,695	58,285,186
	83,320	129,931	334	500	1,067,185	1,251,283	129,616	180,255	5,958,509	5,366,535
	9,415,821	10,869,131	17,828	27,692	69,637,501	58,388,861	3,849,944	4,775,231	83,710,667	74,679,345
	77,648	77,072	1,510,820	-	103,655	86,193	287,922	233,844	3,202,936	1,571,303
	368,171,668	356,067,085	55,253,075	55,290,047	74,221,691	62,888,479	9,532,439	9,754,923	555,937,042	530,782,550
	1,865,385	1,372,911	1,270,932	1,679,553	23,128,152	17,664,243	-	-	48,151,204	38,486,146
									1,716,261	2,582,275
									966,608	730,901
									(9,689,798)	(10,881,000)
									597,081,317	561,700,872
	925,501	1,017,150	20,946,729	20,491,493	-	-	349,479	497,343	39,340,175	39,183,264
	8,370,912	7,153,088	1,192,530	2,796,959	1,792,568	1,537,315	3,894,851	3,312,418	32,668,321	24,898,899
	4,477,144	3,649,725	125,259	4,361,202	16,628,409	12,098,950	58,048,051	58,036,307	84,237,190	85,055,601
	4,108,942	2,923,886	2,170,291	4,243,625	1,000,983	1,060,260	4,030,609	11,769,967	15,372,950	24,894,162
	17,882,499	14,743,849	24,434,809	31,893,279	19,421,960	14,696,525	66,322,990	73,616,035	171,618,636	174,031,926
									10,304,760	14,570,452
									(7,813,213)	(5,796,835)
									174,110,183	182,805,543
									771,191,500	744,506,415
	-	-	-	-	69,510,867	58,907,310	-	-	69,510,867	58,907,310
	77,536,189	96,201,931	107,350	304,742	-	-	55,056,493	66,919,718	136,373,728	170,476,562
	16,375,202	21,125,638	358	410	298,183	306,148	186,497	-	28,034,913	32,006,831
	1,128,100	823,169	12,622	8,699	236,510	184,892	740,726	490,833	3,590,783	2,559,632
	-	-	1,185,726	1,726,877	-	-	10,201,449	18,380,148	11,387,175	20,107,025
	127,504	182,444	272,460	-	104,486	-	407	427	616,116	286,907
	95,166,995	118,333,182	1,578,516	2,040,728	70,150,046	59,398,350	66,185,572	85,791,126	249,513,582	284,344,267
									21,222,258	19,687,569
									(9,159,237)	(10,652,683)
									261,576,603	293,379,153
	7,792,298	5,056,161	1,386,882	888,337	5,306,273	4,155,248	3,351,786	2,491,243	46,859,474	33,116,178
	4,803,117	2,833,700	-	-	-	-	13,921,335	1,312,074	25,336,688	11,556,831
	10,692,564	6,843,958	126,359	188,000	-	-	7,670,053	3,344,997	23,216,942	12,839,426
	3,174,465	1,682,243	-	-	108,781	112,308	6,961	-	3,982,591	2,448,653
	11,239,132	10,079,148	787,236	647,726	74,944	140,551	8,608,790	428,023	32,522,190	30,120,737
	37,701,576	26,495,210	2,300,477	1,724,063	5,489,998	4,408,107	33,558,925	7,576,337	131,917,885	90,081,825
									1,824,765	1,798,855
									6,668,511	5,191,579
									(8,272,958)	(6,363,454)
									132,138,203	90,708,805
									393,714,806	384,087,958
	386,054,167	370,810,934	79,687,884	87,183,326	93,643,651	77,585,004	75,855,429	83,370,958	727,555,678	704,814,476
	132,868,571	144,828,392	3,878,993	3,764,791	75,640,044	63,806,457	99,744,497	93,367,463	381,431,467	374,426,092

# NOTES TO THE FINANCIAL STATEMENTS

## 8. OPERATING SEGMENT INFORMATION (CONTD.)

### 8.3 Business Segment analysis - Disaggregation of revenue - Business segment analysis

In Rs.'000s For the year ended 31 March	GROUP					
	2024			2023		
	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
Transportation	48,769,114	2,395,678	51,164,792	70,829,986	2,816,120	73,646,106
Consumer Foods	32,897,097	-	32,897,097	31,268,870	-	31,268,870
Retail	122,339,199	162,836	122,502,035	106,715,142	133,426	106,848,568
Leisure	-	47,885,151	47,885,151	-	39,677,238	39,677,238
Property	-	1,601,893	1,601,893	552,474	1,569,874	2,122,348
Financial Services	-	18,664,852	18,664,852	-	16,202,957	16,202,957
Others	3,055,960	3,000,824	6,056,784	3,743,937	3,129,883	6,873,820
<b>Group revenue</b>	<b>207,061,370</b>	<b>73,711,234</b>	<b>280,772,604</b>	<b>213,110,409</b>	<b>63,529,498</b>	<b>276,639,907</b>

### 8.4 Disaggregation of revenue - Geographical segment analysis (by location of customers)

In Rs.'000s For the year ended 31 March	GROUP	
	2024	2023
Sri Lanka	196,896,746	183,951,601
Asia (excluding Sri Lanka)	30,892,350	34,539,211
Europe	34,287,355	34,864,970
Others	18,696,153	23,284,125
<b>Group external revenue</b>	<b>280,772,604</b>	<b>276,639,907</b>

### 8.5 Geographical segments, based on the location of assets

In Rs.'000s As at / For the year ended 31 March	Sri Lanka		Asia (excluding Sri Lanka)		Group Total	
	2024	2023	2024	2023	2024	2023
Group external revenue	260,387,475	254,035,299	20,385,129	22,604,608	280,772,604	276,639,907
Segment revenue	267,339,834	261,470,529	20,431,000	22,647,648	287,770,834	284,118,177
Segment results	15,471,089	11,537,476	2,101,068	2,809,671	17,572,157	14,349,147
Segment assets	661,227,841	642,642,346	66,327,837	62,172,130	727,555,678	704,814,476
Segment liabilities	333,074,967	320,695,977	48,356,500	53,730,115	381,431,467	374,426,092
Purchase and construction of property, plant and equipment	35,058,056	6,291,111	714,706	782,747	35,772,762	7,073,858
Purchase and construction of intangible assets	1,523,452	1,295,790	-	-	1,523,452	1,295,790
Depreciation of property, plant and equipment	4,856,387	5,159,591	1,689,033	1,121,019	6,545,420	6,280,610
Amortisation of intangible assets	987,012	852,249	-	-	987,012	852,249
Amortisation of right-of-use assets	1,523,415	1,418,893	2,408,328	2,732,337	3,931,743	4,151,230
Employee benefit provision and related costs	780,060	(195,682)	-	-	780,060	(195,682)
Investments in equity accounted investees	48,151,204	38,486,146	-	-	48,151,204	38,486,146

## 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.

In Rs.'000s	Leisure		Consumer Foods		Retail	
	2024	2023	2024	2023	2024	2023
<b>Summarised Total Comprehensive Income Statement for the year ended 31 March</b>						
Revenue	47,946,329	39,731,355	35,532,797	33,776,305	122,764,843	107,055,829
Operating cost	(43,886,544)	(36,539,683)	(30,788,778)	(30,903,840)	(116,683,921)	(102,465,649)
Finance cost	(3,239,205)	(3,084,504)	(754,908)	(955,716)	(3,205,414)	(4,104,980)
Finance income	3,163,845	292,374	61,939	65,532	77,096	196,401
Change in fair value of investment properties	193,305	415,701	16,955	24,149	4,914	(3,085)
Profit before tax	4,177,730	815,243	4,068,005	2,006,430	2,957,518	678,516
Tax expense	(695,457)	41,326	(800,133)	580,918	(882,245)	737,612
Profit for the year	3,482,273	856,569	3,267,872	2,587,348	2,075,273	1,416,128
Other comprehensive income	3,739,171	4,620,526	(362,567)	(97,231)	158,904	142,242
Total comprehensive income	7,221,444	5,477,095	2,905,305	2,490,117	2,234,177	1,558,370
Profit/(loss) allocated to NCI	(34,245)	(182,808)	420,021	325,198	233,054	114,671
Dividend paid to NCI	18,445	33,574	374,618	242,468	106,013	142,342
<b>Summarised Statement of Financial Position as at 31 March</b>						
Non-current assets	368,171,668	356,067,085	13,963,497	13,016,251	32,897,274	31,907,619
Current assets	17,882,499	26,228,533	11,395,643	8,285,136	16,752,785	15,392,717
Total assets	386,054,167	382,295,618	25,359,140	21,301,387	49,650,059	47,300,336
Non-current liabilities	95,166,995	47,510,875	1,748,666	1,314,538	13,702,508	16,873,364
Current liabilities	37,701,576	22,202,344	8,510,808	7,078,159	30,985,378	28,390,207
Total liabilities	132,868,571	69,713,219	10,259,474	8,392,697	44,687,886	45,263,571
Accumulated balances of NCI	12,579,384	13,312,276	6,543,329	5,726,737	2,280,631	1,905,946
<b>Summarised Statement of Cash Flows for the year ended 31 March</b>						
Cash flows from/(used in) operating activities	2,963,087	3,799,933	4,767,372	(562,357)	11,388,479	(6,114,653)
Cash flows from/(used in) investing activities	(1,316,938)	(1,407,021)	(837,207)	(1,572,338)	(2,481,983)	(3,501,597)
Cash flows from/(used in) financing activities	(3,980,110)	(4,364,007)	(1,638,481)	(1,451,251)	(4,854,118)	(4,096,593)
Net increase / (decrease) in cash and cash equivalents	(2,333,961)	(1,971,095)	2,291,684	(3,585,946)	4,052,378	(13,712,843)

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 2024 (2023 - 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 2024 (2023 - 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% (2023 – 1.65% - 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, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS (CONTD.)

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.19,585 Mn (2023 - Rs.80,913 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.

The project's key investments are presented in the statement of financial position under the following categories.

Asset Category	Type	Value (In Mn)	Note reference
Property, plant and equipment	Integrated hotel	246,933	22
Investment Property	Commercial buildings	17,112	24
Inventory	Residential apartments	20,896	30

The recoverability of the investment in Waterfront Properties is duly assessed based on the projected revenue, EBITDA margins, occupancy rates and cash flow projections discounted using a rate reflecting the appropriate risk appetite of the Company and considering the performance of similar integrated properties regionally.

### 10.2 Investment in equity accounted investees

#### Colombo West International Container Terminal (Pvt) Ltd (CWIT)

John Keells Holdings PLC further invested Rs.5,170 Mn (2023 - Rs.2,723 Mn) in CWIT as per the Build, Own and Transfer (BOT) Agreement between the Sri Lanka Ports Authority and CWIT.

#### John Keells CG Auto (Pvt) Ltd (JKCG)

John Keells Holdings PLC entered into a new joint venture with CG Auto Pte Ltd to form a new business which is involved in Importing and selling New Energy Vehicles and providing after sales services. JKH has a 50% stake in the business.

## **11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group has loans and other receivables, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group also holds other financial instruments such as available for sale and fair value through profit or loss financial instruments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group is exposed to market risk, credit risk and liquidity risk.

### **11.1 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments, investments, and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfil their obligations.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### 11.1.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

In Rs.'000s As at 31 March	Notes	Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	2024 Amounts due from related parties
<b>Group</b>						
Government securities	11.1.2	59,500,492	-	-	8,404,134	-
Corporate debt securities	11.1.3	7,458,459	-	-	3,752,741	-
Deposits with bank	11.1.4	230,495	-	-	62,907,725	-
Loans to executives	11.1.5	1,491,012	-	415,865	-	-
Loans to life policyholders	11.1.6	2,310,660	-	114,677	-	-
Interest rate swap	11.1.7	3,294,625	-	-	-	-
Trade and other receivables	11.1.8	-	-	26,652,427	-	-
Reinsurance receivables	11.1.9	116,444	-	313,050	-	-
Assets backed securities	11.1.10	-	-	-	-	-
Premium receivable	11.1.11	-	-	881,186	-	-
Amounts due from related parties	11.1.12	-	-	-	-	674,179
Cash in hand and at bank	11.1.13	-	15,417,894	-	-	-
<b>Total credit risk exposure</b>		<b>74,402,187</b>	<b>15,417,894</b>	<b>28,377,205</b>	<b>75,064,600</b>	<b>674,179</b>
<b>Equity risk exposure</b>						
Financial assets at fair value through P&L	11.3.3.1	-	-	-	4,966,042	-
Financial assets at fair value through OCI	11.3.3.2	79,629	-	-	-	-
<b>Total equity risk exposure</b>		<b>79,629</b>	<b>-</b>	<b>-</b>	<b>4,966,042</b>	<b>-</b>
<b>Total</b>		<b>74,481,816</b>	<b>15,417,894</b>	<b>28,377,205</b>	<b>80,030,642</b>	<b>674,179</b>
<b>Company</b>						
Deposits with bank	11.1.4	-	-	-	57,805,464	-
Loans to executives	11.1.5	173,401	-	20,802	-	-
Interest rate swap	11.1.7	3,294,625	-	-	-	-
Trade and other receivables	11.1.8	-	-	439,880	-	-
Amounts due from related parties	11.1.12	-	-	-	-	1,290,846
Cash in hand and at bank	11.1.13	-	556,930	-	-	-
<b>Total credit risk exposure</b>		<b>3,468,026</b>	<b>556,930</b>	<b>460,682</b>	<b>57,805,464</b>	<b>1,290,846</b>
<b>Equity risk exposure</b>						
Financial assets at fair value through OCI	11.3.3.2	43,666	-	-	-	-
<b>Total equity risk exposure</b>		<b>43,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>3,511,692</b>	<b>556,930</b>	<b>460,682</b>	<b>57,805,464</b>	<b>1,290,846</b>

	Total	% of allocation	2023					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		
	67,904,626	35%	45,906,390	-	-	7,521,144	-	53,427,534	28%
	11,211,200	6%	9,185,289	-	-	1,653,689	-	10,838,978	6%
	63,138,220	33%	803,775	-	-	69,453,925	-	70,257,700	37%
	1,906,877	1%	1,260,602	-	356,266	-	-	1,616,868	1%
	2,425,337	1%	2,199,675	-	-	-	-	2,199,675	1%
	3,294,625	2%	4,215,838	-	-	-	-	4,215,838	2%
	26,652,427	14%	-	-	19,940,932	-	-	19,940,932	11%
	429,494	0%	-	-	590,215	-	-	590,215	0%
	-	-	314,276	-	-	-	-	314,276	0%
	881,186	0%	-	-	620,665	-	-	620,665	0%
	674,179	0%	-	-	-	-	317,700	317,700	0%
	15,417,894	8%	-	25,092,977	-	-	-	25,092,977	14%
	193,936,065	100%	63,885,845	25,092,977	21,508,078	78,628,758	317,700	189,433,358	100%
			-	-	-	3,593,064	-		
			71,206	-	-	-	-		
			71,206	-	-	3,593,064	-		
			63,957,051	25,092,977	21,508,078	82,221,822	317,700		
	57,805,464	91%	-	-	-	57,473,253	-	57,473,253	80%
	194,203	0%	151,987	-	20,766	-	-	172,753	0%
	3,294,625	5%	4,215,838	-	-	-	-	4,215,838	6%
	439,880	1%	-	-	186,967	-	-	186,967	0%
	1,290,846	2%	-	-	-	-	1,177,616	1,177,616	2%
	556,930	1%	-	8,232,006	-	-	-	8,232,006	12%
	63,581,948	100%	4,367,825	8,232,006	207,733	57,473,253	1,177,616	71,458,433	100%
			37,158	-	-	-	-		
			37,158	-	-	-	-		
			4,404,983	8,232,006	207,733	57,473,253	1,177,616		

# NOTES TO THE FINANCIAL STATEMENTS

## 11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### 11.1.2 Government securities

As at 31 March 2024 as shown in table above, 35% (2023 - 28%) 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 2024 corporate debt securities comprise 6% (2023 - 6%) of the total investments in debt securities, out of which 18% (2023 - 20%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

As at 31 March Fitch ratings	GROUP		2024		2023	
	In Rs.'000s	%	In Rs.'000s	%	In Rs.'000s	%
	AAA	101,177	0%	-	-	-
A+	628,247	6%	607,585	6%	607,585	6%
A	1,435,654	12%	1,568,959	14%	1,568,959	14%
A-	867,523	8%	829,469	8%	829,469	8%
BBB+	2,640,002	24%	2,596,193	24%	2,596,193	24%
BBB	3,775,936	34%	3,471,458	32%	3,471,458	32%
BBB-	1,445,202	13%	1,549,735	14%	1,549,735	14%
BB+	101,857	1%	-	-	-	-
CC	215,602	2%	215,579	2%	215,579	2%
Total	11,211,200	100%	10,838,978	100%	10,838,978	100%

### 11.1.4 Deposits with banks

Deposits with bank mainly consist of fixed and call deposits .

As at 31 March 2024, fixed and call deposits comprise 67% (2023 - 67%) and 64% (2023 - 62%) for the Group and Company respectively were rated "A" or better.

As at 31 March Fitch ratings	GROUP				COMPANY			
	2024		2023		2024		2023	
	In Rs.'000s	%						
AAA	1,112,648	2%	-	-	-	-	-	-
AA-	15,405	0%	2,988,505	4%	-	-	-	-
A	41,335,052	65%	44,491,946	63%	37,198,346	64%	35,629,545	62%
A-	20,675,115	33%	22,777,249	33%	20,607,118	36%	21,843,708	38%
Total	63,138,220	100%	70,257,700	100%	57,805,464	100%	57,473,253	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 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.

### 11.1.8 Trade and other receivables

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Neither past due nor impaired	11,870,375	7,367,072	362,173	170,823
Past due but not impaired				
0-30 days	9,933,334	6,479,147	63,590	1,680
31-60 days	3,144,201	2,059,955	2,963	1,286
61-90 days	428,826	373,006	1,515	1,566
> 91 days	1,856,114	4,139,581	10,020	12,295
Gross carrying value	27,232,850	20,418,761	440,261	187,650
Allowance for expected credit losses	(580,423)	(477,829)	(381)	(683)
Total	26,652,427	19,940,932	439,880	186,967

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 receivables, as indicating impairment when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to provide impairment indications 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.

### 11.1.9 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.

### 11.1.10 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.

### 11.1.11 Premium receivable

Only designated institutions are employed as intermediary parties by Union Assurance PLC Agreements have been signed within the intermediaries committing them to settle dues within a specified time period.

### 11.1.12 Amounts due from related parties

The Group's amounts due from related parties mainly consists of associates and other venture partners' balances. The Company balance consists of the balances from affiliate companies.

### 11.1.13 Credit risk relating to cash in hand and bank balance

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

# NOTES TO THE FINANCIAL STATEMENTS

## 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)

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Short term investments	80,030,642	82,221,822	57,805,464	57,473,253
Cash in hand and at bank	15,417,894	25,092,977	556,930	8,232,006
Adjustments to liquid assets	(8,620,436)	(6,974,998)	-	-
Total liquid assets	86,828,100	100,339,801	58,362,394	65,705,259
Interest-bearing loans and borrowings (Non-current)	127,169,502	159,778,892	55,044,493	66,907,718
Liability attributable to convertible debentures	10,201,449	18,380,148	10,201,449	18,380,148
Lease liabilities (Non-current)	28,080,571	32,052,489	109,139	-
Short term borrowings	21,062,456	8,701,652	13,909,261	1,300,000
Interest-bearing loans and borrowings (Current)	23,216,942	12,839,426	7,670,053	3,344,997
Lease liabilities (Current)	3,884,003	2,258,653	6,961	-
Bank overdrafts	32,450,187	30,048,743	8,303,941	172,372
Total liabilities	246,065,110	264,060,003	95,245,297	90,105,235
Net debt / (cash)	159,237,010	163,720,202	36,882,903	24,399,976

#### 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 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 2024 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	34,198,998	34,378,082	76,589,291	13,222,118	11,389,212	15,335,050	185,112,751
Lease liabilities	3,762,037	3,442,626	3,345,329	3,239,028	3,154,475	37,176,448	54,119,943
Convertible debenture	403,717	12,946,021	-	-	-	-	13,349,738
Trade and other payables	42,582,596	-	-	-	-	-	42,582,596
Amounts due to related parties	448,743	-	-	-	-	-	448,743
Short term borrowings	21,062,456	-	-	-	-	-	21,062,456
Bank overdrafts	32,450,187	-	-	-	-	-	32,450,187
	134,908,734	50,766,729	79,934,620	16,461,146	14,543,687	52,511,498	349,126,414

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.

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	-	-	-	29,084,356
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
	98,954,534	39,348,294	66,296,132	81,684,608	16,430,821	51,383,979	354,098,368

### Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2024 based on contractual undiscounted (principal plus interest) payments.

In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	10,646,447	16,203,216	13,023,804	11,833,967	10,511,486	14,589,790	76,808,710
Lease liability	20,308	20,478	22,339	22,525	24,573	69,829	180,052
Convertible debenture	403,717	12,946,021	-	-	-	-	13,349,738
Trade and other payables	1,463,935	-	-	-	-	-	1,463,935
Amounts due to related parties	88,841	-	-	-	-	-	88,841
Short term borrowings	13,909,261	-	-	-	-	-	13,909,261
Bank overdrafts	8,303,941	-	-	-	-	-	8,303,941
	34,836,450	29,169,715	13,046,143	11,856,492	10,536,059	14,659,619	114,104,478

# NOTES TO THE FINANCIAL STATEMENTS

## 11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

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	-	-	-	29,084,356
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
	10,166,672	10,850,299	44,041,319	13,634,699	12,561,837	27,160,286	118,415,112

### 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 2024 and 2023.

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 2024 and 2023.

### 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) began to ease its monetary policy stance during the current financial year amid decelerating inflation, resulting in a downward trend in market interest rates throughout the financial year. The directions issued by the Central Bank to licensed banks to reduce interest rates, and the significant reduction of risk premia on government securities, have accelerated the downward adjustment in market interest rates, particularly lending rates, in the second half of the financial year. Downward pressures on inflation on account of many factors including decreases in global commodity prices, food supply, and the appreciation of the currency have resulted in eased policy actions by the CBSL during the reporting period.

The Group has managed the risk of volatile interest rates by having a balanced portfolio of borrowings at fixed and variable rates while interest rate swap agreements are in place for a significant portion of the Group's foreign currency borrowing portfolio.

The table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

For the year ended 31 March	Increase/ (decrease) in basis points		GROUP	COMPANY
	Rupee borrowings	Other currency borrowings	Effect on profit before tax Rs.'000s	
2024	+1316	+60	(3,993,690)	(1,696,919)
	-1316	-60	3,993,690	1,696,919
2023	+ 1916	+ 427	(11,907,043)	(4,715,482)
	- 1916	-427	11,907,043	4,715,482

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		COMPANY	
		Effect on profit before tax Rs.'000s	Effect on equity Rs.'000s	Effect on profit before tax Rs.'000s	Effect on equity Rs.'000s
2024	+7.5%	(5,641,757)	7,312,743	297,643	247,097
	-7.5%	5,641,757	(7,312,743)	(297,643)	(247,097)
2023	+13%	1,010,599	35,396,628	890,672	532,882
	-13%	(1,010,599)	(35,396,628)	(890,672)	(532,882)

#### Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

The Sri Lankan Rupee experienced appreciation in the first quarter, followed by a marginal depreciation in the second and third quarters, before showing an upward trend again in the final quarter.

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" because 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.

#### 11.3.3 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

##### 11.3.3.1 Financial assets at fair value through profit and loss

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### 11.3.3.1 Financial assets at fair value through profit and loss (Contd.)

As at 31 March	GROUP			
	2024		2023	
	Rs.'000s	%	Rs.'000s	%
Application Software	-	-	49,812	1%
Banks	1,528,273	31%	396,380	11%
Capital Goods	1,555,137	31%	906,535	25%
Consumer Durables and Apparel	387,599	8%	398,982	11%
Consumer Services	45,360	1%	194,454	5%
Diversified Financials	39,738	1%	-	-
Energy	-	-	315,951	10%
Food and Staples Retailing	-	-	13,018	0%
Food Beverage and Tobacco	645,106	13%	440,292	12%
Investment Banking and Brokerage	-	-	36,709	1%
Materials	561,046	11%	641,028	18%
Real Estate	-	-	16,063	0%
Telecommunication Services	203,783	4%	183,840	6%
	4,966,042	100%	3,593,064	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
2024	+21%	1,042,869	-
	-21%	(1,042,869)	-
2023	+10%	359,306	-
	-10%	(359,306)	-

## 11.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Debt / Equity	65.2%	73.3%	46.2%	46.7%

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

In Rs.'000s As at 31 March	Level 1		Level 2		Level 3		Total		
	2024	2023	2024	2023	2024	2023	2024	2023	
<b>FINANCIAL ASSETS</b>									
Non-listed equity investments	-	-	280	280	79,214	70,926	79,494	71,206	
Listed equity investments	7,744,702	3,899,110	133	210	-	-	7,744,835	3,899,320	
Quoted debt instruments	22,330,268	15,032,489	106,248	154,424	-	-	22,436,516	15,186,913	
Unquoted debt instruments	-	-	26,316	7,569	-	-	26,316	7,569	
Interest rate swap	-	-	3,294,625	4,215,838	-	-	3,294,625	4,215,838	
<b>Total</b>	<b>30,074,970</b>	<b>18,931,599</b>	<b>3,427,602</b>	<b>4,378,321</b>	<b>79,214</b>	<b>70,926</b>	<b>33,581,786</b>	<b>23,380,846</b>	
<b>NON FINANCIAL ASSETS</b>									
<b>Assets measured at fair value</b>	<b>Note</b>								
Land and buildings	22.1	-	-	-	-	72,706,582	69,771,307	72,706,582	69,771,307
Buildings on leasehold land	22.1	-	-	-	-	40,606,471	40,944,758	40,606,471	40,944,758
Investment properties	24	-	-	-	-	31,518,824	33,029,385	31,518,824	33,029,385
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,831,877</b>	<b>143,745,450</b>	<b>144,831,877</b>	<b>143,745,450</b>

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 2024.

#### 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

In Rs.'000s As at 31 March	Level 2		Level 3	
	2024	2023	2024	2023
<b>FINANCIAL ASSETS</b>				
Non-listed equity investments	-	-	43,666	37,158
Interest rate swap	3,294,625	4,215,838	-	-
	<b>3,294,625</b>	<b>4,215,838</b>	<b>43,666</b>	<b>37,158</b>

### 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 2023	70,926	37,158
Purchase of equity shares	5,750	5,750
Disposal of equity shares	(16,079)	(15,941)
Remeasurement recognised in OCI	18,617	16,699
As at 31 March 2024	79,214	43,666

Fair valuation done as at 31 March 2024 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. FINANCIAL INSTRUMENTS AND RELATED POLICIES (CONTD.)

### 13.1 Financial assets and liabilities by categories in accordance with SLFRS 9

GROUP		Financial assets at amortised cost		Financial assets at fair value through OCI	
In Rs.'000s		2024	2023	2024	2023
As at 31 March					
<b>Financial instruments in non-current assets/non-current liabilities</b>					
Non-current financial assets / liabilities		54,849,214	51,296,399	19,368,145	12,080,643
Interest-bearing loans and borrowings		-	-	-	-
Leases liabilities		-	-	-	-
<b>Financial instruments in current assets / current liabilities</b>					
Trade and other receivables / payables		28,377,205	21,508,078	-	-
Amounts due from / due to related parties		674,179	317,700	-	-
Short term investments / borrowings		69,376,083	82,221,822	2,794,192	-
Cash in hand and at bank		15,417,894	25,092,977	-	-
Interest-bearing loans and borrowings		-	-	-	-
Leases liabilities		-	-	-	-
Bank overdrafts		-	-	-	-
<b>Total</b>		<b>168,694,575</b>	<b>180,436,976</b>	<b>22,162,337</b>	<b>12,080,643</b>

### 13.2 Financial assets and liabilities by categories in accordance with SLFRS 9

COMPANY		Financial assets at amortised cost		Financial assets at fair value through OCI	
In Rs.'000s		2024	2023	2024	2023
As at 31 March					
<b>Financial instruments in non-current assets/non-current liabilities</b>					
Non-current financial assets / liabilities		3,468,026	4,367,825	43,666	37,158
Interest-bearing loans and borrowings		-	-	-	-
Leases liabilities		-	-	-	-
<b>Financial instruments in current assets/current liabilities</b>					
Trade and other receivables / payables		460,682	207,733	-	-
Amounts due from / due to related parties		1,290,846	1,177,616	-	-
Short term investments / borrowings		57,805,464	57,473,253	-	-
Cash in hand and at bank		556,930	8,232,006	-	-
Interest-bearing loans and borrowings		-	-	-	-
Leases liabilities		-	-	-	-
Bank overdrafts		-	-	-	-
<b>Total</b>		<b>63,581,948</b>	<b>71,458,433</b>	<b>43,666</b>	<b>37,158</b>

	Financial assets at fair value through profit or loss		Total		Financial liabilities measured at amortised cost/fair value	
	2024	2023	2024	2023	2024	2023
	264,457	580,009	74,481,816	63,957,051	11,387,177	20,107,025
	-	-	-	-	127,169,502	159,778,892
	-	-	-	-	28,080,571	32,052,489
	-	-	28,377,205	21,508,078	42,582,596	29,866,282
	-	-	674,179	317,700	448,743	3,615
	7,860,367	-	80,030,642	82,221,822	21,062,456	8,701,652
	-	-	15,417,894	25,092,977	-	-
	-	-	-	-	23,216,942	12,839,426
	-	-	-	-	3,884,003	2,258,653
	-	-	-	-	32,450,187	30,048,743
	8,124,824	580,009	198,981,736	193,097,628	290,282,177	295,656,777

	Total		Financial liabilities measured at amortised cost/fair value	
	2024	2023	2024	2023
	3,511,692	4,404,983	10,201,449	18,380,148
	-	-	55,044,493	66,907,718
	-	-	109,139	-
	460,682	207,733	1,463,935	631,405
	1,290,846	1,177,616	88,841	58,244
	57,805,464	57,473,253	13,909,261	1,300,000
	556,930	8,232,006	-	-
	-	-	7,670,053	3,344,997
	-	-	6,961	-
	-	-	8,303,941	172,372
	63,625,614	71,495,591	96,798,073	90,794,884

# NOTES TO THE FINANCIAL STATEMENTS

## 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

Cash-flow hedges As at 31 March	GROUP				COMPANY			
	Contract notional amount in USD '000s		Fair value In Rs.'000s		Contract notional amount in USD '000s		Fair value In Rs.'000s	
	2024	2023	2024	2023	2024	2023	2024	2023
Interest rate swap - Derivative asset	100,000	100,000	3,294,625	4,215,838	100,000	100,000	3,294,625	4,215,838

#### 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.

In Rs:'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time		207,061,370	213,110,409	-	-
Services transferred over time		55,277,005	47,576,963	2,916,390	2,543,712
Total revenue from contracts with customers	14.1.1	262,338,375	260,687,372	2,916,390	2,543,712
Revenue from insurance contracts	14.1.2	18,434,229	15,952,535	-	-
Total revenue		280,772,604	276,639,907	2,916,390	2,543,712

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.

In Rs:'000s As at / for the year ended 31 March	Note	GROUP			
		Contract balances		Performance obligations satisfied	
		2024	2023	2024	2023
Contract assets		286,539	230,530	-	-
Contract liabilities					
Other non current liabilities	40	395,686	158,640	-	-
Trade and other payables	41	179,618	186,264	355,053	348,091
Other current liabilities	43	2,085,632	2,016,418	3,490	3,422
		2,660,936	2,361,322	358,543	351,513

# NOTES TO THE FINANCIAL STATEMENTS

## 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 confectionery, 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 industry group concentrates on property development and property management.

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 2024.

## 15. DIVIDEND INCOME

### Accounting policy

#### Dividend

Dividend income is recognised when right to receive the payment is established.

In Rs.'000s For the year ended 31 March	COMPANY	
	2024	2023
Dividend income from investments in subsidiaries and equity accounted investees	11,503,190	10,635,000

## 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

In Rs.'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Promotional income and commission fee	2,269,364	1,969,177	-	-
Exchange gains	741,872	-	-	-
(Profit) / loss on sale of property, plant and equipment and intangible assets	8,214	14,230	11	-
Sundry income	1,490,967	1,277,214	125,257	41,219
	4,510,417	3,260,621	125,268	41,219

### 16.2 Other operating expenses

In Rs.'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Provisions and impairment losses	638,900	1,106,367	-	684,451
Heat, light and power	2,959,811	2,479,316	-	-
Exchange loss	-	2,829,548	-	-
Other overheads	4,589,601	3,410,542	86,595	63,703
	8,188,312	9,825,773	86,595	748,154

During the year under review, a new residential project, "VIMAN" was launched by John Keells Properties Ja-ela (Pvt) Ltd which resulted in a de-recognition loss of Rs.639 Mn due to the write-off of the building.

Last year, the Group balance includes Rs.422 Mn as impairment provision on the preference share investment in Saffron Aviation (Pvt) Ltd while the Company recognised Rs.684 Mn as an impairment loss of advance payments done for the advanced analytics use cases.

# NOTES TO THE FINANCIAL STATEMENTS

## 17. NET FINANCE INCOME

### Accounting policy

#### Finance income

Finance income comprises of interest income on funds invested including interest income from the life insurance fund of Union Assurance PLC, 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.

In Rs:'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>Net finance income</b>					
<b>Finance income</b>					
Interest income	17.1	18,027,120	16,859,268	5,787,333	6,868,182
Dividend income on					
Financial assets at fair value through profit or loss		154,075	122,681	-	-
Financial assets at fair value through other comprehensive income		2,314	8,418	-	-
Realised gains on financial assets at fair value through profit or loss		841,411	392,743	-	-
Unrealised gains on financial assets at fair value through profit or loss		1,012,306	170,719	-	-
Investment related direct expenses		(101,831)	(113,773)	-	-
Exchange gains		2,632,244	9,459,720	-	9,459,720
<b>Total finance income</b>		<b>22,567,639</b>	<b>26,899,776</b>	<b>5,787,333</b>	<b>16,327,902</b>
<b>Finance cost</b>					
Interest expense on borrowings		(13,822,692)	(13,726,751)	(7,763,945)	(6,539,398)
Finance charge on lease liabilities	23.1.2	(2,012,793)	(1,836,690)	(1,193)	-
Finance charge on convertible debentures		(3,833,366)	(2,239,427)	(3,833,367)	(2,239,427)
Exchange loss		-	-	(372,036)	-
<b>Total finance cost</b>		<b>(19,668,851)</b>	<b>(17,802,868)</b>	<b>(11,970,541)</b>	<b>(8,778,825)</b>
<b>Net finance income</b>		<b>2,898,788</b>	<b>9,096,908</b>	<b>(6,183,208)</b>	<b>7,549,077</b>

### 17.1 Interest income

In Rs:'000s For the year ended 31 March	GROUP	
	2024	2023
Interest income from life insurance policy holder funds at Union Assurance PLC	11,085,318	8,474,271
Interest income of the Group excluding Union Assurance PLC	6,941,802	8,384,997
<b>Total interest income</b>	<b>18,027,120</b>	<b>16,859,268</b>

## 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.

In Rs:000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
<b>Profit before tax</b>				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	761,051	620,151	262,282	196,094
Remuneration to non executive directors	83,817	71,658	25,752	19,725
Costs of defined employee benefits				
Defined benefit plan cost	804,199	425,375	66,581	27,626
Defined contribution plan cost - EPF and ETF	1,733,566	1,475,419	133,331	97,851
Other long term employee benefits cost	(24,139)	(621,057)	-	(151,006)
Staff expenses	26,132,892	21,283,417	1,322,384	924,883
Share based payments	341,011	274,062	94,585	78,989
Auditors' remuneration				
Audit	76,891	72,429	12,730	10,239
Non-audit	4,567	10,924	1,240	2,061
Depreciation of property, plant and equipment	6,545,420	6,280,610	44,805	45,153
Amortisation of intangible assets	987,012	852,249	28,034	31,551
Amortisation of right of use assets	3,931,743	4,151,230	1,287	-
Provisions and impairment losses	638,900	1,106,367	-	684,451
(Profit) / loss on sale of property, plant and equipment and intangible assets	(8,214)	(14,230)	(11)	-
Donations	42,559	106,612	-	101,377

# NOTES TO THE FINANCIAL STATEMENTS

## 19. EARNINGS PER SHARE

### Accounting policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the

parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### 19.1 Basic earnings per share

In Rs.'000s For the year ended 31 March	Note	GROUP	
		2024	2023
Profit attributable to equity holders of the parent		11,248,152	18,173,868
Weighted average number of ordinary shares	19.3	1,395,945	1,384,917
Basic earnings per share		8.06	13.12

### 19.2 Diluted earnings per share

Profit attributable to equity holders of the parent		11,248,152	18,173,868
Adjusted weighted average number of ordinary shares	19.3	1,399,003	1,384,948
Diluted earnings per share		8.04	13.12

### 19.3 Amount used as denominator

In Rs.'000s Number of shares For the year ended 31 March	GROUP	
	2024	2023
Ordinary shares at the beginning of the year	1,384,917	1,384,917
Effect of conversion of convertible debentures	9,167	-
Effect of share options exercised	1,861	-
Weighted average number of ordinary shares in issue before dilution	1,395,945	1,384,917
Effects of dilution from:		
Share option scheme	3,058	31
Adjusted weighted average number of ordinary shares	1,399,003	1,384,948

## 20. DIVIDEND PER SHARE

For the year ended 31 March	COMPANY			
	2024		2023	
	Rs	In Rs.'000s	Rs	In Rs.'000s
Equity dividend on ordinary shares declared and paid during the year				
Final dividend (Previous years' final dividend paid in the current year)	0.50	692,458	0.50	692,458
Interim dividends	1.00	1,388,015	1.50	2,077,375
Total dividend	1.50	2,080,473	2.00	2,769,833

## 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 deductible 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. TAXES (CONTD.)

### 21.1 Tax expense

In Rs:'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>Income statement</b>					
Current tax charge	21.5	4,909,128	5,251,698	-	2,057,640
(Over)/Under provision of current tax of previous years		(386,891)	(646,128)	-	-
Irrecoverable tax (economic service charge and remittance tax)	21.7	129,812	8,925	6,296	-
<b>Deferred tax charge/(reversal)</b>					
Relating to origination and reversal of temporary differences	21.2	1,234,341	(921,202)	-	-
	21.6	5,886,390	3,693,293	6,296	2,057,640
<b>Other comprehensive income</b>					
<b>Deferred tax charge/(reversal)</b>					
Relating to origination and reversal of temporary differences	21.2	1,109,091	7,688,637	-	-
		1,109,091	7,688,637	-	-

### 21.2 Deferred tax expense

In Rs:'000s For the year ended 31 March		GROUP		COMPANY	
		2024	2023	2024	2023
<b>Income statement</b>					
Deferred tax expense arising from;					
Accelerated depreciation for tax purposes		(86,531)	883,146	2,790	3,487
Revaluation of investment property to fair value		68,180	960,902	-	-
Retirement benefit obligations		(94,965)	(109,207)	(13,265)	8,170
Reversal / (Benefits) arising from tax losses		1,790,033	(2,822,192)	235,770	294,713
Unrealised capital gains/others		(442,376)	166,149	(225,295)	(306,370)
Deferred tax charged/(reversal) directly to Income Statement		1,234,341	(921,202)	-	-
<b>Other comprehensive income</b>					
Deferred tax expense arising from;					
Actuarial losses on defined benefit obligations		(124,195)	37,850	-	-
Revaluation of land and building to fair value		1,233,286	7,650,787	-	-
Deferred tax charged/(reversal) directly to OCI		1,109,091	7,688,637	-	-

Temporary differences associated with the undistributed reserves in subsidiaries for which a deferred tax liability has not been recognised, amounts to Rs.915 Mn (2023 - Rs.1,985 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.

### 21.3 Income tax liabilities

In Rs:'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
At the beginning of the year	1,798,855	2,618,554	888,214	880,969
Charge for the year	2,544,021	2,475,665	-	2,057,640
Payments and set off against refunds	(2,518,111)	(3,295,364)	(630,000)	(2,050,395)
At the end of the year	1,824,765	1,798,855	258,214	888,214

### 21.4 Deferred tax

In Rs:'000s As at 31 March	GROUP				COMPANY	
	ASSETS		LIABILITIES		LIABILITIES	
	2024	2023	2024	2023	2024	2023
At the beginning of the year	2,582,275	1,554,438	19,687,569	12,016,404	2,841,984	2,841,984
Charge and release	(684,825)	887,641	1,659,326	7,671,165	-	-
Transfers / exchange differences	(181,189)	140,196	(124,637)	-	-	-
At the end of the year	1,716,261	2,582,275	21,222,258	19,687,569	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	(589,663)	(495,207)	14,427,658	14,007,848	-	-
Revaluation of investment property to fair value	(23,850)	-	165,193	3,930,908	-	-
Accelerated depreciation for tax purposes	(398,616)	96,240	3,155,993	3,955,708	13,789	5,514
Employee benefit liability	195,119	127,925	(502,664)	(368,839)	(97,465)	(66,167)
Losses available for offset against future taxable income	1,648,541	2,601,568	(1,342,732)	(1,804,729)	235,770	-
Net gain/loss on fair value through OCI	72,873	-	-	(33,327)	-	-
Unrealised capital gains/others	811,857	251,749	5,318,810	-	2,689,890	2,902,637
	1,716,261	2,582,275	21,222,258	19,687,569	2,841,984	2,841,984

A deferred tax liability for the Group amounting to Rs.955 Mn (2023 – 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.2,352 Mn (2023 - Rs.2,353 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. TAXES (CONTD.)

### 21.5 Reconciliation between current tax charge and the accounting profit

In Rs:'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Profit before tax	18,013,924	22,589,417	4,258,609	16,766,924
Dividend income from Group companies	13,646,673	12,838,346	-	-
Share of results of equity accounted investees (net of tax)	(10,129,014)	(7,573,543)	-	-
Other consolidation adjustments	(565,516)	(907,462)	-	-
Profit after adjustments	20,966,067	26,946,758	4,258,609	16,766,924
Exempt profits	(1,426,860)	(8,257,531)	-	(6,341,931)
Income not liable for income tax	(4,658,673)	(10,754,364)	(4,315,723)	(9,483,972)
Resident dividend	(13,220,469)	(5,361,312)	(11,485,030)	(4,730,328)
Adjusted accounting profit chargeable to income taxes	1,660,065	2,573,551	(11,542,144)	(3,789,307)
Disallowable expenses	26,256,860	27,270,260	11,439,497	9,128,503
Allowable expenses	(17,890,882)	(24,927,414)	(3,176,879)	(9,735,830)
Utilisation of tax losses	(4,947,050)	(6,914,133)	(305,826)	(1,882,772)
Current year tax losses not utilised	4,824,241	1,945,620	3,585,352	-
Tax effect on investment income	-	20,218,305	-	20,218,305
Qualifying payment deductions	(817)	(100,187)	-	(100,187)
Taxable income	9,902,417	20,066,002	-	13,838,712
Income tax charged at:				
Standard rate	4,702,049	4,652,313	-	803,633
Other concessionary rates	207,079	599,385	-	1,254,007
Current tax charge	4,909,128	5,251,698	-	2,057,640

### 21.6 Reconciliation between tax expense and the product of accounting profit

In Rs:'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Adjusted accounting profit chargeable to income taxes	1,660,065	2,573,551	(11,542,144)	(3,789,307)
Tax effect on chargeable profits	2,780,062	2,057,362	-	(556,530)
Tax effect on non deductible expenses	645,448	324,694	-	65,143
Tax effect on deductions claimed	(262,310)	(879,004)	-	(38,563)
Net tax effect of unrecognised deferred tax assets for the year	2,980,269	(1,126,112)	-	-
Under/(over) provision for previous years	(386,891)	(646,128)	-	-
Deferred tax due to carried forward tax losses	-	705,811	-	-
Deferred tax due to tax rate change on the temporary differences of previous years	-	660,155	-	-
Other income based taxes:				
Irrecoverable tax (economic service charge and remittance tax)	129,812	8,925	6,296	-
Tax effect on investment income	-	2,587,590	-	2,587,590
Tax expense	5,886,390	3,693,293	6,296	2,057,640

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

### 21.7 Irrecoverable tax (economic service charge and remittance tax)

In Rs.'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Irrecoverable tax (economic service charge and remittance tax)	129,812	8,925	6,296	-
	129,812	8,925	6,296	-

### 21.8 Tax losses carried forward

In Rs.'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Tax losses brought forward	12,872,655	16,157,602	1,230,471	1,230,471
Adjustments on finalisation of liability	456,987	140,433	-	-
Tax losses arising during the year	6,071,558	3,488,753	-	-
Utilisation of tax losses	(4,944,757)	(6,914,133)	-	-
	14,456,443	12,872,655	1,230,471	1,230,471

The Group has tax losses amounting to Rs.14,456 Mn (2023 - Rs.12,873 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
Cinnamon Hotel Management Ltd	Export of services	- do -	Open ended
Cinnamon Hotel Management International Pvt Ltd	- do -	- do -	- do -
Walkers Tours Ltd	- do -	- do -	- do -
Whittall Boustead Travels Ltd	- do -	- do -	- do -
John Keells International (Pvt) Ltd	- do -	- 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

# NOTES TO THE FINANCIAL STATEMENTS

## 21. TAXES (CONTD.)

### 21.10 Income tax rates of off-shore subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Pvt) Ltd	25%
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%
	Tranquility (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 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
Other	3-20

**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.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

### 22.1 Property, plant and equipment - Group

In Rs.'000s As at 31 March	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
<b>Cost or valuation</b>				
At the beginning of the year	71,020,168	49,919,175	19,870,135	20,094,423
Additions	363,207	1,044,869	991,466	1,660,970
Disposals	(6,414)	(30,689)	(211,736)	(405,391)
Revaluations	2,923,204	1,574,428	-	-
Transfers (from revaluation adjustment)	(88,314)	(659,789)	-	-
Transfers	53,747	208,710	155,225	191,476
Exchange differences	-	(1,844,517)	(212,632)	(541,010)
At the end of the year	74,265,598	50,212,187	20,592,458	21,000,468
<b>Accumulated depreciation and impairment</b>				
At the beginning of the year	(1,248,861)	(8,974,417)	(9,675,498)	(11,695,505)
Charge for the year	(399,288)	(1,969,928)	(1,425,356)	(1,847,531)
Disposals	189	11,622	193,006	356,608
Transfers (from revaluation adjustment)	88,314	659,789	-	-
Transfers	630	1,387	16,210	2,913
Exchange differences	-	665,831	140,797	380,109
At the end of the year	(1,559,016)	(9,605,716)	(10,750,841)	(12,803,406)
<b>Carrying value</b>				
As at 31 March 2024	72,706,582	40,606,471	9,841,617	8,197,062
As at 31 March 2023	69,771,307	40,944,758	10,194,637	8,398,918

### 22.2 Property, plant and equipment - Company

In Rs.'000s As at 31 March	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2024	Total 2023
<b>Cost</b>					
At the beginning of the year	3,454	386,388	50,162	440,004	337,664
Additions	-	22,713	-	22,713	102,340
Disposals	-	(1,035)	-	(1,035)	-
At the end of the year	3,454	408,066	50,162	461,682	440,004
<b>Accumulated depreciation and impairment</b>					
At the beginning of the year	(3,200)	(256,152)	(40,232)	(299,584)	(254,431)
Charge for the year	(3)	(44,802)	-	(44,805)	(45,153)
Disposals	-	292	-	292	-
At the end of the year	(3,203)	(300,662)	(40,232)	(344,097)	(299,584)
<b>Carrying value</b>					
As at 31 March 2024	251	107,404	9,930	117,585	
As at 31 March 2023	254	130,236	9,930		140,420

	Motor vehicles Freehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2024	Total 2023
	977,251	976,743	7,316,158	1,009,122	229,110,980	400,294,155	158,022,367
	288,550	30,259	999,499	116,539	30,277,403	35,772,762	7,073,858
	(42,827)	(2,553)	(311,974)	-	(242,977)	(1,254,561)	(1,396,287)
	-	-	-	-	-	4,497,632	8,002,843
	-	-	-	-	-	(748,103)	(1,057,956)
	1,065	-	7,629	-	(994,880)	(377,028)	227,918,813
	(39,475)	-	(43,742)	-	(10,675,445)	(13,356,821)	1,730,517
	1,184,564	1,004,449	7,967,570	1,125,661	247,475,081	424,828,036	400,294,155
	(720,566)	(693,528)	(4,697,812)	(490,969)	-	(38,197,156)	(33,674,763)
	(69,981)	(68,368)	(658,943)	(106,025)	-	(6,545,420)	(6,280,610)
	41,968	2,553	277,684	-	-	883,630	1,020,605
	-	-	-	-	-	748,103	1,057,956
	-	-	-	-	-	21,140	105
	29,928	-	33,536	-	-	1,250,201	(320,449)
	(718,651)	(759,343)	(5,045,535)	(596,994)	-	(41,839,502)	(38,197,156)
	465,913	245,106	2,922,035	528,667	247,475,081	382,988,534	
	256,685	283,215	2,618,346	518,153	229,110,980		362,096,999

During the year 2023/2024 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 2023.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

### 22.3 Revaluation of land and buildings (Contd.)

Details of Group's land, building and other properties stated at valuation are indicated below;

Property	Name of the Chartered Valuation Surveyor	Method of valuation	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
<b>Land and Building</b>						
Asian Hotels & Properties PLC	P B Kalugalagedara	CMA	Rs. 18,000,000 - Rs. 21,000,000	Rs. 3,500 - Rs. 16,000	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd	-do-	CMA	Rs. 1,200,000 - Rs. 1,600,000	Rs. 2,000 - Rs. 8,200	-	Positive
Ceylon Cold Stores PLC	-do-	CMA	Rs. 275,000 - Rs. 310,000	Rs. 500 - Rs. 5,000	-	Positive
Ceylon Holiday Resorts Ltd	-do-	CMA	Rs. 250,000 - Rs. 1,400,000	Rs. 2,000 - Rs. 4,000	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd	-do-	CMA	Rs. 1,200,000	Rs. 1,750 - Rs. 3,600	-	Positive
Kandy Walk Inn Ltd	S Fernando	CMA	Rs. 15,000 - Rs. 1,500,000	Rs. 1,500 - Rs. 9,500	-	Positive
Keells Food Products PLC	P B Kalugalagedara	CMA	Rs. 70,000 - Rs. 725,000	Rs. 400 - Rs. 3,500	-	Positive
Keells Realtors Ltd	-do-	CMA	Rs. 2,000,000	Rs. 500 - Rs. 1,500	-	Positive
Mackinnons Keells Ltd	-do-	CMA	Rs. 11,000,000	Rs. 1,850	-	Positive
Tea Smallholder Factories PLC	K.T.D. Tissera	CMA	Rs. 5,000 - Rs. 43,750	Rs. 500 - Rs. 3,000	-	Positive
Trinco Holiday Resort (Pvt) Ltd	P B Kalugalagedara	CMA	Rs. 400,000 - Rs. 600,000	Rs. 1,000 - Rs. 8,750	-	Positive
Union Assurance PLC	-do-	CMA	Rs. 9,000,000 - Rs. 21,000,000	Rs. 17,000 - Rs. 22,000	-	Positive
Vauxhall Land Developments (Pvt) Ltd	-do-	CMA	Rs. 18,250,000	-	-	Positive
<b>Buildings on leasehold land</b>						
Ceylon Cold Stores PLC	P B Kalugalagedara	CMA	-	Rs. 500 - Rs. 5,500	-	Positive
Ceylon Holiday Resorts Ltd	-do-	CMA	-	Rs. 9,300 - Rs. 17,500	-	Positive
Colombo Ice Company (Pvt) Ltd	-do-	CMA	-	Rs. 2,500 - Rs. 9,000	-	Positive
Keells Food Products PLC	-do-	CMA	-	Rs. 150 - Rs. 10,000	-	Positive
Habarana Lodge Ltd.	S Fernando	CMA	-	Rs. 1,000 - Rs. 12,000	-	Positive
Habarana Walk Inn Ltd	-do-	CMA	-	Rs. 3,200 - Rs. 9,500	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd	P B Kalugalagedara	CMA	-	Rs. 3,000 - Rs. 9,000	-	Positive
Jaykay Marketing Service (Pvt) Ltd	-do-	IA	-	Rs. 30 - Rs. 300	6%	Negative
John Keells Warehousing (Pvt) Ltd	K T D Tissera	DRC	-	Rs. 800 - Rs. 5,500	-	Positive
Rajawella Holdings Ltd	P B Kalugalagedara	CMA	-	Rs. 2000 - Rs. 9,500	-	Positive
Trans Asia Hotels PLC	-do-	CMA	-	Rs. 475 - Rs. 10,000	-	Positive
Yala Village (Pvt) Ltd	-do-	CMA	-	Rs. 2,500 - Rs. 9,200	-	Positive

Effective date of valuation was 31 December 2023.

### Summary description of valuation methodologies; Comparable market approach (CMA)

This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

### Depreciated replacement cost (DRC)

The replacement cost 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.

### Income approach (IA)

The income approach 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;

In Rs.'000s As at 31 March	GROUP	
	2024	2023
Cost	49,572,663	48,164,587
Accumulated depreciation and impairment	(7,358,672)	(6,539,161)
Carrying value	42,213,991	41,625,426

Group land and buildings with a carrying value of Rs.3,884 Mn (2023 - Rs.4,090 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.15,842 Mn (2023 - Rs.12,818 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.891 Mn (2023 - Rs.684 Mn).

The amount of borrowing costs capitalised during the year ended 31 March 2024 was Rs.7.8 Bn (2023 - Rs.8.1 Bn) 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 measurement 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTD.)

### 23.1 Amounts recognised in the statement of financial position and income statement

Set out below, are the carrying amounts of the Group's right of use assets and the movements for the year ended 31 March 2024.

#### 23.1.1 Right of use assets

In Rs.'000s	GROUP				COMPANY	
	Lease hold properties	Motor Vehicles	Total 2024	Total 2023	Lease hold properties 2024	Lease hold properties 2023
At the beginning of the year	54,166,815	18,131	54,184,946	53,481,574	-	-
Additions	2,276,514	-	2,276,514	1,446,168	123,573	-
Disposals	(349,289)	-	(349,289)	(57,921)	-	-
Amortisation expense	(3,921,208)	(10,535)	(3,931,743)	(4,151,230)	(1,287)	-
Exchange differences	(3,487,811)	-	(3,487,811)	3,466,355	-	-
At the end of the year	48,685,021	7,596	48,692,617	54,184,946	122,286	-

#### 23.1.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements for the period ended 31 March 2024.

In Rs.'000s	GROUP		COMPANY	
	2024	2023	2024	2023
At the beginning of the year	34,311,142	33,526,448	-	-
Additions	2,259,563	1,446,167	116,643	-
Transfers	(52,430)	(119,811)	-	-
Finance charge on lease liabilities	2,012,793	1,836,690	1,193	-
Disposals	(399,188)	(7,493)	-	-
Payments	(4,501,907)	(4,308,342)	(1,736)	-
Exchange differences	(1,665,399)	1,937,483	-	-
At the end of the year	31,964,574	34,311,142	116,100	-
Current	3,884,003	2,258,653	6,961	-
Non-current	28,080,571	32,052,489	109,139	-
Total lease liabilities as at 31 March	31,964,574	34,311,142	116,100	-
Following are the amounts recognised in income statement for the year ended 31 March				
Amortisation of right-of-use assets	3,931,743	4,151,230	1,287	-
Interest expense on lease liabilities	2,012,793	1,836,690	1,193	-
Total amount recognised in income statement	5,944,536	5,987,920	2,480	-

Expenses relating to short term leases and leases of low value assets amounting to Rs.874 Mn (2023 - Rs.573 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 properties includes the cost of replacing part of an existing investment properties, 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 properties. 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 revalued at least every 3 years by an accredited external, independent valuer. The most recent revaluation was carried out on 31 December 2023.

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 properties 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.

In Rs.'000s As at 31 March	GROUP	
	2024	2023
<b>Carrying value</b>		
At the beginning of the year	33,029,385	30,607,550
Additions	17,349	-
Transfers	(1,339,102)	307,559
Net gain / (loss) from fair value remeasurement	450,092	878,538
Impairment	(638,900)	-
Exchange differences	-	1,235,738
At the end of the year	31,518,824	33,029,385
Freehold properties	30,423,964	32,121,651
Leasehold properties	1,094,860	907,734
	31,518,824	33,029,385
Following are the amounts recognised in income statement for the year ended 31 March		
Rental income earned	433,606	403,745
Direct operating expenses generating rental income	154,476	154,626
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 income approach, are most sensitive to the estimated yield as well as the long term occupancy rate.

# NOTES TO THE FINANCIAL STATEMENTS

## 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			Correlation to fair value
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	
<b>Freehold property</b>						
Ahungalla Holiday Resort Ltd	S Fernando	CMA	Rs. 275,000 - Rs. 500,000	-	-	Positive
Asian Hotels and Properties PLC	P B Kalugalagedara	IA	-	-	6%	Negative
Ceylon Cold Stores PLC	-do-	CMA	Rs. 1,900,000	Rs. 2,000	-	Positive
Facets (Pvt) Ltd	S Fernando	CMA	Rs. 550,000	-	-	Positive
Glennie Properties (Pvt) Ltd	P B Kalugalagedara	CMA	Rs. 18,000,000	-	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd	-do-	CMA	Rs. 1,400,000	Rs. 4,000	-	Positive
John Keells PLC	-do-	CMA	Rs. 850,000	-	-	Positive
J K Thudella Properties (Pvt) Ltd	P P T Mohideen	CMA	Rs. 375,000	-	-	Positive
Keells Realtors Ltd	P B Kalugalagedara	CMA	Rs. 750,000 - Rs. 2,750,000	Rs. 500	-	Positive
Resort Hotels Ltd	S Fernando	CMA	Rs. 130,000 - Rs. 300,000	-	-	Positive
Trinco Walk Inn Ltd	-do-	CMA	Rs. 160,000 - Rs. 400,000	-	-	Positive
Waterfront Properties (Pvt) Ltd	P B Kalugalagedara	IA	-	-	6%	Negative
Whittall Boustead (Pvt) Ltd	-do-	CMA	Rs. 2,800,000	Rs. 500 - Rs. 2,200	-	Positive
Wirawila Walk Inn Ltd	S Fernando	CMA	Rs. 26,250	-	-	Positive
Vauxhall Land Developments (Pvt) Ltd	P B Kalugalagedara	CMA	Rs. 18,250,000	-	-	Positive
<b>Leasehold property</b>						
Jaykay Marketing Service (Pvt) Ltd	P B Kalugalagedara	IA	Rs. 270,000 - Rs. 400,000	-	6%	Negative
Tea Smallholder Factories PLC	-do-	CMA	Rs. 2,500,000 - Rs. 3,500,000	Rs. 500 - Rs. 3,000	-	Positive

\* Summary description 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.

Effective date of valuation was 31 December 2023.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. INTANGIBLE ASSETS (CONTD.)

### 25.1 Intangible assets

In Rs.'000s As at 31 March	Software			
	Developed	Purchased	Licenses	WIP
<b>Cost/carrying value</b>				
At the beginning of the year	3,767,165	1,261,896	2,219,559	23,951
Additions	923,302	122,644	225,976	15,823
Transfers	38,503	-	-	(38,503)
Disposal	-	(141)	-	-
At the end of the year	4,728,970	1,384,399	2,445,535	1,271
<b>Accumulated amortisation and impairment</b>				
At the beginning of the year	(977,212)	(635,617)	(1,315,483)	-
Amortisation	(412,222)	(150,353)	(245,012)	-
Transfers	-	-	-	-
Disposal	-	60	-	-
At the end of the year	(1,389,434)	(785,910)	(1,560,495)	-
<b>Carrying value</b>				
As at 31 March 2024	3,339,536	598,489	885,040	1,271
As at 31 March 2023	2,789,953	626,279	904,076	23,951

Group Intangible assets with a cost of Rs.263 Mn (2023- Rs.223 Mn) have been fully amortised and continue to be in use by the Group.

### 25.2 Intangible assets - Goodwill

Goodwill acquired through business combinations have been allocated to following cash generating units (CGU's) for impairment testing.

In Rs.'000s As at 31 March	GROUP	
	Net carrying value	
	2024	2023
Cinnamon Hotels and Resorts	166,248	166,248
Consumer Foods	535,000	299,293
Financial Services	265,360	265,360
	966,608	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		COMPANY	
			2024 Total	2023 Total	Software Licenses	
			2024 Total	2023 Total	2024 Total	2023 Total
	730,901	1,257,767	9,261,239	8,018,620	681,806	681,806
	235,707	-	1,523,452	1,295,790	-	-
	-	-	-	(42,176)	-	-
	-	-	(141)	(10,995)	-	-
	966,608	1,257,767	10,784,550	9,261,239	681,806	681,806
	-	(540,161)	(3,468,473)	(2,619,282)	(618,994)	(587,443)
	-	(179,425)	(987,012)	(852,249)	(28,034)	(31,551)
	-	-	-	2,820	-	-
	-	-	60	238	-	-
	-	(719,586)	(4,455,425)	(3,468,473)	(647,028)	(618,994)
	966,608	538,181	6,329,125		34,778	
	730,901	717,606		5,792,766		62,812

### 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

This discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium, is 15%.

#### Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

#### Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates of one to four years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.

# NOTES TO THE FINANCIAL STATEMENTS

## 26. INVESTMENT IN SUBSIDIARIES

### Accounting policy

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

### 26.1 Carrying value

In Rs.'000s As at 31 March		COMPANY	
		2024	2023
Quoted	26.2	20,361,157	20,299,498
Unquoted	26.3	197,544,710	177,775,113
		217,905,867	198,074,611

### 26.2 Group quoted investments

As at 31 March	GROUP		COMPANY			
	Number of shares	Effective holding %	Number of shares	Effective holding %	2024 In Rs.'000s	2023 In Rs.'000s
<b>Cost</b>						
Asian Hotels and Properties PLC	347,824,190	78.56%	347,824,190	78.56%	5,379,784	5,377,344
Ceylon Cold Stores PLC	773,245,440	81.36%	671,558,120	70.66%	1,744,507	1,709,632
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%	495,396	491,354
Keells Food Products PLC	22,937,250	88.63%	20,364,054	79.86%	1,244,012	1,241,989
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%	1,621,485	1,619,225
Union Assurance PLC	530,357,150	90.00%	530,357,150	90.00%	2,707,024	2,691,005
					20,361,157	20,299,498

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
<b>Market Value</b>				
Asian Hotels and Properties PLC	21,217,276	15,304,264	21,217,276	15,304,264
Ceylon Cold Stores PLC	41,677,929	30,929,818	36,196,983	26,862,325
John Keells Hotels PLC	21,754,532	22,105,411	21,754,532	22,105,411
John Keells PLC	3,423,694	3,635,033	3,423,694	3,635,033
Keells Food Products PLC	3,371,776	3,669,960	2,993,516	3,258,249
Tea Smallholder Factories PLC	468,369	496,584	468,369	496,584
Trans Asia Hotels PLC	7,842,970	8,321,649	4,144,309	4,397,248
Union Assurance PLC	24,820,715	17,501,786	24,820,715	17,501,786
	124,577,261	101,964,505	115,019,394	93,560,900

### 26.3 Group unquoted investments

As at 31 March	GROUP		COMPANY			
	2024		2024			2023
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In Rs.'000s	Cost In Rs.'000s
Ahungalla Holiday Resorts (Pvt) Ltd	13,633,282	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	3,893
Cinnamon Hotel Management Ltd	1,000,000	100.00	1,000,000	100.00	547,329	500,486
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	-	-	5,245	4,908
Glennie Properties (Pvt) Ltd	16,386,140	100.00	16,386,142	100.00	163,861	163,861
Habarana Lodge Ltd	12,981,548	78.99	-	-	4,794	4,312
Habarana Walk Inn Ltd	4,321,381	79.34	-	-	2,719	2,719
Hikkaduwa Holiday Resorts (Pvt) Ltd	107,596,700	79.60	-	-	3,428	2,874
Infomate (Pvt) Ltd	2,000,000	100.00	2,000,000	100.00	46,720	43,773
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	-	-	298,009	258,114
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	126,362	124,665
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	680,895	676,747
John Keells Logistics (Pvt) Ltd	19,999,998	100.00	19,999,998	100.00	233,839	232,048
John Keells Maldivian Resorts (Pte) Ltd	49,044,238	80.32	-	-	18,587	18,299
John Keells Office Automation (Pvt) Ltd	500,000	100.00	500,000	100.00	79,426	74,813
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	2,681,698	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	98,245	90,902
John Keells Teas (Pvt) Ltd	12,000	100.00	12,000	100.00	30,897	26,599
John Keells Warehousing (Pvt) Ltd	12,000,000	86.90	-	-	5,039	5,039
Kandy Walk Inn Ltd	6,165,484	79.03	-	-	4,094	4,094
Keells Consultants (Pvt) Ltd	928	100.00	928	100.00	2,070	2,070
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	1,426,805	1,418,844
Logipark International (Pvt) Ltd	60,407,698	81.36	-	-	894	284
Mack Air (Pvt) Ltd	89,260	100.00	89,260	100.00	50,174	40,405
Mack Air Services Maldives (Pvt) Ltd	4,900	49.00	4,700	47.00	2,022	2,022
Mack International Freight (Pvt) Ltd	13,000,000	100.00	13,000,000	100.00	3,547	3,015
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	65,844

# NOTES TO THE FINANCIAL STATEMENTS

## 26. INVESTMENT IN SUBSIDIARIES (CONTD.)

### 26.3 Group unquoted investments (Contd.)

As at 31 March	GROUP		COMPANY			
	2024		2024			2023
	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	31,736	31,853
Mortlake (Pvt) Ltd	43	100.00	43	100.00	20,000	20,000
Nuwara Eliya Holiday Resorts (Pvt) Ltd	33,123,682	80.32	-	-	-	-
Rajawella Holdings Ltd	13,063,936	49.85	11,573,339	45.18	801,707	801,707
Rajawella Hotels Company Ltd	3,342,035	80.32	-	-	-	-
Resort Hotels Ltd	639,421	79.89	-	-	-	-
The Colombo Ice Company (Pvt) Ltd	169,999,999	81.36	-	-	1,786	1,365
Tranquility (Pte) Ltd	637,499	80.32	-	-	6,300	5,879
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	3,693
Trinco Holiday Resorts (Pvt) Ltd	8,120,005	80.32	-	-	3,628	3,628
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	206,357	200,041
Waterfront Properties (Pvt) Ltd	14,383,027,448	99.27	13,652,103,021	95.75	132,758,242	132,745,038
Waterfront Properties (Pvt) Ltd - Preference shares	2,806,022,014	-	2,806,022,014	-	31,933,105	12,348,275
Whittall Boustead (Pvt) Ltd	5,341,105	100.00	5,341,105	100.00	1,716,841	1,689,049
Whittall Boustead (Travel) Ltd	22,452,271	100.00	22,452,271	100.00	283,179	280,558
Wirawila Walk Inn Ltd	2,028,078	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	-	-	-	-	-
					197,544,710	177,775,113

## 27. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

### *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
- John Keells CG Auto (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.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTD.)

As at 31 March	GROUP				COMPANY			
	Number of shares	Effective Holding %	2024 In Rs. '000s	2023 In Rs. '000s	Number of shares	Effective Holding %	2024 In Rs. '000s	2023 In Rs. '000s
<b>27.1 Investments in joint ventures</b>								
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	7,054,938	40.16	66,668	65,768	-	-	-	-
<b>27.2 Investments in associates</b>								
<b>Quoted</b>								
Nations Trust Bank PLC- Voting shares	83,139,277	29.49	2,388,956	2,215,746	55,611,559	19.72	1,658,080	1,542,220
Nations Trust Bank PLC- Non voting shares	23,049,754	52.10	1,948,738	1,900,681	18,283,973	41.33	1,435,705	1,397,585
<b>Unquoted</b>								
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	107,488,547	34.00	10,748,855	5,579,243	107,488,547	34.00	10,748,855	5,579,243
Fairfirst Insurance Ltd	68,902,870	19.80	689,718	689,718	-	-	-	-
Indra Hotels and Resorts (Pvt) Ltd	125,170,025	32.13	1,137,570	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			10,307,388	6,088,033				
Share of net assets of equity accounted investees			10,605,240	11,018,144				
			48,151,204	38,486,146			21,541,092	16,217,500

### 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 2024, 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.

In Rs:'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
<b>Market Value</b>				
Quoted shares of Nations Trust Bank PLC				
Voting shares	8,937,472	5,213,004	5,978,243	3,486,959
Non voting shares	2,385,650	1,283,636	1,892,391	1,018,231
	11,323,122	6,496,640	7,870,634	4,505,190

### 27.3 SUMMARISED FINANCIAL INFORMATION OF EQUITY ACCOUNTED INVESTEES

In Rs.'000s As at/year ended 31 March	South Asia Gateway Terminals (Pvt) Ltd		Other associates		Joint ventures		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
<b>Group share of;</b>								
Revenue	12,663,859	14,382,232	16,390,797	13,363,535	7,282,133	7,092,226	36,336,789	34,837,993
Operating expenses including cost of sales	(6,893,824)	(6,712,293)	(8,980,371)	(8,369,466)	(6,169,415)	(6,742,137)	(22,043,610)	(21,823,896)
Net finance income	63,934	93,393	61,181	282,176	(801,326)	(625,147)	(676,211)	(249,578)
Tax expense	(551,101)	(3,092,315)	(2,695,359)	(1,817,599)	(241,494)	(281,062)	(3,487,954)	(5,190,976)
Share of results of equity accounted investees	5,282,868	4,671,017	4,776,248	3,458,646	69,898	(556,120)	10,129,014	7,573,543
Other comprehensive income	(1,087,942)	913,548	674,844	748,850	195	(21,415)	(412,903)	1,640,983
<b>Total Comprehensive Income</b>	<b>4,194,926</b>	<b>5,584,565</b>	<b>5,451,092</b>	<b>4,207,496</b>	<b>70,093</b>	<b>(577,535)</b>	<b>9,716,111</b>	<b>9,214,526</b>
<b>Group share of;</b>								
Total assets	13,636,693	14,954,279	205,697,451	168,098,266	15,577,813	15,468,925	234,911,957	198,521,470
Total liabilities	(3,123,833)	(4,616,383)	(170,766,467)	(143,023,128)	(13,049,612)	(12,574,972)	(186,939,912)	(160,214,483)
Net assets	10,512,860	10,337,896	34,930,984	25,075,138	2,528,201	2,893,953	47,972,045	38,306,987
Goodwill	-	-	165,899	165,899	13,260	13,260	179,159	179,159
	10,512,860	10,337,896	35,096,883	25,241,037	2,541,461	2,907,213	48,151,204	38,486,146
Capital commitments	-	-	532,853	-	562,357	3,447,202	1,095,209	3,447,202
Other commitments and Guarantees	-	-	120,716,850	82,700,599	-	-	120,716,850	82,700,599
Dividend received	4,019,962	5,582,716	1,449,008	711,294	440,000	110,000	5,908,970	6,404,010

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.

#### Material accounting policies that are specific to the business of equity accounted investees

##### Nations Trust Bank PLC (Bank)

##### Recognition of Income

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 specific recognition criteria must for recognition of income is explained below.

##### Interest income

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. The Bank ceases the recognition of interest income on assets when it is probable that the economic benefits associated will not continue to flow to the Bank. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL 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 and commission income from services where performance obligations are satisfied over time include asset management, custody and other management and advisory services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.
- Fee and commission income from providing services where performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include 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 lending transactions or other securities.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (CONTD.)

Fee income forming an integral part of the corresponding financial instrument fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR.

### Net gain/ (loss) from trading

Net gains/(losses) from trading includes all realised and unrealised foreign exchange transactions and unrealised fair value changes on fixed income securities.

### 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.

### Rental Income

Rental income is recognised on an accrual 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

In Rs:'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Other quoted equity investments		133	210	-	-
Other unquoted equity investments	28.1	79,496	70,996	43,666	37,158
Other non equity investments	28.2	74,402,187	63,885,845	3,468,026	4,367,825
		74,481,816	63,957,051	3,511,692	4,404,983

### 28.1 Other unquoted equity investments

In Rs:'000s As at 31 March	Number of shares	GROUP		Number of shares	COMPANY	
		2024	2023		2024	2023
Asia Power (Pvt) Ltd	147,317	13,611	18,353	147,317	13,611	18,353
Other equity instruments	-	65,885	52,643	-	30,055	18,805
		79,496	70,996		43,666	37,158

## 28.2 Other non equity investments

In Rs:'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Bank deposits		-	569,138	-	-
Debentures		7,458,459	9,185,289	-	-
Government securities		59,500,492	45,906,390	-	-
Deposits with non bank institution		230,495	234,637	-	-
Loans to executives	28.3	1,491,012	1,260,602	173,401	151,987
Loans to life policyholders	28.4	2,310,660	2,199,675	-	-
Reinsurance receivable		116,444	-	-	-
Cash flow hedge		3,294,625	4,215,838	3,294,625	4,215,838
Asset backed securities		-	314,276	-	-
		74,402,187	63,885,845	3,468,026	4,367,825

## 28.3 Loans to executives

In Rs:'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
At the beginning of the year	1,616,868	1,375,524	172,753	89,737
Loans granted / transfers	1,436,215	1,516,068	87,533	115,615
Recoveries	(1,146,206)	(1,274,724)	(66,083)	(32,599)
At the end of the year	1,906,877	1,616,868	194,203	172,753
Receivable within one year	415,865	356,266	20,802	20,766
Receivable between one and five years	1,491,012	1,260,602	173,401	151,987
	1,906,877	1,616,868	194,203	172,753

## 28.4 Loans to life policyholders

In Rs:'000s As at 31 March	GROUP	
	2024	2023
At the beginning of the year	2,199,675	1,952,394
Loans granted / transfers	1,250,329	1,107,677
Recoveries	(1,024,667)	(860,396)
At the end of the year	2,425,337	2,199,675
Receivable within one year	114,677	-
Receivable between one and five years	2,310,660	2,199,675
	2,425,337	2,199,675

# NOTES TO THE FINANCIAL STATEMENTS

## 29. OTHER NON CURRENT ASSETS

In Rs:'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Pre paid cost	605,218	602,238	95,240	125,931
Work-in-progress	1,597,893	-	-	-
Non current advances	999,825	969,066	-	-
	3,202,936	1,571,304	95,240	125,931

## 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

In Rs:'000s As at 31 March	GROUP	
	2024	2023
<b>Inventories</b>		
Raw materials	1,806,790	1,912,716
Finished goods	13,442,283	12,835,764
Produce stocks	338,860	491,670
Other stocks	2,821,938	3,435,980
Apartments and commercial space	20,895,632	20,418,384
	39,305,503	39,094,514

During the year ended 31 March 2024, Rs. 152 Mn (2023 - Rs. 113 Mn) was recognised as an expense for inventories carried at net realisable value. This is recognised in other operating expenses.

## 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.580 Mn (2023 - Rs.478 Mn) and Nil (2023 - Rs.0.6 Mn) for the Group and the Company respectively, was recognised as a provision for expected credit losses on trade receivables.

In Rs:'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Trade and other receivables		26,652,427	19,940,932	439,880	186,967
Reinsurance receivables		313,050	590,215	-	-
Premiums receivable		881,186	620,665	-	-
Loans to executives	28.3	415,865	356,266	20,802	20,766
Loans to life policyholders	28.4	114,677	-	-	-
		28,377,205	21,508,078	460,682	207,733

### 32. OTHER CURRENT ASSETS

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Prepayments and non cash receivables	7,765,046	12,533,737	3,130,466	1,669,156
Tax recoverable	2,539,714	2,036,715	14,141	26,479
	10,304,760	14,570,452	3,144,607	1,695,635

### 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.

In Rs.'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Quoted equities at market value	33.1	4,966,042	3,593,064	-	-
More than 3 months and less than 1 year					
Debentures		3,094,417	1,331,083	-	-
Bank deposits		41,278,855	28,228,305	41,000,808	27,525,841
Government securities		3,719,389	3,803,586	-	-
		53,058,703	36,956,038	41,000,808	27,525,841
Less than 3 months					
Debentures		658,324	322,606	-	-
Bank deposits		21,628,870	41,225,620	16,804,656	29,947,412
Government securities		4,684,745	3,717,558	-	-
Reported in statement of cash flow		26,971,939	45,265,784	16,804,656	29,947,412
		80,030,642	82,221,822	57,805,464	57,473,253

# NOTES TO THE FINANCIAL STATEMENTS

## 33. SHORT TERM INVESTMENTS (CONTD.)

### 33.1 Quoted equities at market value - Group

As at 31st March	Number of shares		Cost		Market value	
	2024	2023	2024 In Rs. '000s	2023 In Rs. '000s	2024 In Rs. '000s	2023 In Rs. '000s
Access Engineering PLC	10,418,795	504,769	183,226	8,105	235,465	7,168
Agstar PLC	-	12,726,104	-	224,993	-	142,532
Aitken Spence Hotel Holdings PLC	63,958	1,105,257	2,997	51,929	4,234	66,205
Aitken Spence PLC	2,284,705	2,684,367	244,201	285,761	297,583	351,652
Alumex PLC	-	9,440,274	-	77,455	-	77,410
Capital Alliance PLC	-	1,126,043	-	34,067	-	36,709
Ceylon Cold Stores PLC	-	974,844	-	36,212	-	38,994
Ceylon Tobacco Company PLC	197,619	307,316	170,180	250,799	242,726	209,205
Chevron Lubricants Lanka PLC	1,593,824	4,000	154,032	374	171,735	366
CIC Holdings PLC	-	6,161,257	-	497,655	-	413,328
Commercial Bank of Ceylon PLC	2,484,034	-	225,507	-	242,690	-
Dialog Axiata PLC	17,417,713	17,676,940	194,511	200,978	203,787	183,840
Distilleries Company of Sri Lanka PLC	3,903,677	2,623,258	99,474	54,557	105,009	51,416
Hayleys Fabric PLC	6,044,803	3,367,985	235,429	109,239	248,441	84,874
Hatton National Bank PLC	5,832,821	2,917,710	784,714	339,427	1,045,564	377,843
Hela Apparel Holdings PLC	15,871,596	10,305,776	143,935	126,838	96,817	82,446
Hemas Holdings PLC	4,897,886	5,788,039	294,000	347,330	393,790	376,223
Hsenid Business Solutions PLC	-	3,365,679	-	56,207	-	49,812
JAT Holdings PLC	529,945	-	7,926	-	9,168	-
John Keells Holdings PLC	3,238,657	1,224,949	508,109	157,387	628,299	171,493
John Keells Hotels PLC	2,211,127	6,785,692	30,188	81,748	41,127	128,250
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
Peoples Leasing and Finance PLC	3,612,531	-	41,177	-	39,738	-
Piramal Glass Ceylon PLC	2,388,666	-	64,880	-	70,466	-
Prime Lands Residencies PLC	-	2,007,801	-	14,441	-	16,062
Sampath Bank PLC	3,000,220	80,298	207,649	4,493	240,018	4,216
Singer Sri Lanka PLC	-	867,838	-	9,039	-	13,018
Sunshine Holdings PLC	4,997,813	3,076,136	208,327	113,216	297,370	138,426
Textured Jersey Lanka PLC	1,126,043	7,239,468	42,640	260,647	42,339	231,663
Tokyo Cement Company (Lanka) PLC	6,406,203	147,826	311,075	5,219	309,676	7,391
			4,154,177	3,717,074	4,966,042	3,593,064

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. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer Note 35 for further details.

### 34.1 Stated capital

COMPANY	2024		2023	
	Number of shares In '000s	Value of shares In Rs.'000s	Number of shares In '000s	Value of shares In Rs.'000s
As at 31 March				
<b>Fully paid ordinary shares</b>				
At the beginning of the year	1,384,917	73,187,861	1,384,917	73,187,861
Conversion of convertible debentures	110,000	16,753,283	-	-
Share options exercised	3,903	661,309	-	-
At the end of the year	1,498,820	90,602,453	1,384,917	73,187,861

The number of shares in issue as at 31 March 2024 was 1,498,819,707 which include global depository receipts (GDRs) of 1,320,942 (2023 -1,320,942). The GDR programme has been terminated. 6-month cancellation period for GDR Holders to convert their GDRs to shares lapses on 14 June 2024. Further information on the composition of shares in issue is given under the share information section of the annual report.

A quantum of 27,397,640 shares (2023 - 35,295,775) have been reserved to be issued under the employee share option plan as at 31 March 2024.

### 34.2 Other components of equity

In Rs.'000s	GROUP		COMPANY	
	2024	2023	2024	2023
As at 31 March				
Revaluation reserve	43,808,213	41,136,975	-	-
Foreign currency translation reserve	71,649,151	84,594,202	-	-
Other capital reserve	8,495,016	13,840,507	8,495,016	13,840,507
Restricted regulatory reserve	3,626,604	3,626,604	-	-
Cash flow hedge reserve	3,294,625	4,215,838	3,294,625	4,215,838
Fair value reserve of financial assets at FVOCI	5,579,169	(1,323,092)	15,147	(1,340)
	136,452,778	146,091,034	11,804,788	18,055,005

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 Insurance Regulatory Commission of Sri Lanka (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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

In Rs:'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Share based payment expense during the year	341,011	274,062	94,585	78,989

#### 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			
	2024		2023		2024		2023	
	No.	WAEP	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	35,295,775	137.44	36,788,659	149.01	10,711,776	138.07	12,088,237	150.18
Granted during the year	5,535,665	145.59	8,291,500	124.57	1,619,735	145.59	2,200,300	123.21
Transfers	-	-	-	-	-	-	(7,373)	154.10
Exercised during the year	(3,903,075)	135.20	-	-	(875,700)	136.03	-	-
Expired during the year	(9,530,725)	151.82	(9,784,384)	170.02	(2,874,676)	154.01	(3,569,388)	169.91
Outstanding at the end of the year	27,397,640	134.41	35,295,775	137.44	8,581,135	134.35	10,711,776	138.07
Exercisable at the end of the year	12,084,325	133.65	18,711,100	143.90	3,990,425	133.83	5,829,401	144.73
Weighted average market price at the date of exercise	-	188.18	-	-	-	190.83	-	-

#### 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 31st March	COMPANY					
	2024	2024	2023	2022	2021	2020
	Plan no 11 Award 2.1	Plan no 11 Award 2	Plan no 11 Award 1	Plan no 10 Award 3	Plan no 10 Award 2	Plan no 10 Award 1
Dividend yield (%)	2.07	2.54	2.90	3.28	3.87	3.62
Expected volatility (%)	25.05	24.99	24.15	22.37	21.35	17.47
Risk free interest rate (%)	14.49	26.92	23.10	8.87	6.44	9.83
Expected life of share options (Years)	5	5	5	5	5	5
Weighted average share price at the grant date (Rs.)	158.36	137.83	119.85	132.63	134.74	138.70
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3	3
Weighted average fair value of options granted during the year (Rs.)	52.79	45.94	39.95	44.21	44.91	46.23
Exercise price for options outstanding at the end of the year (Rs.)	145.59	137.86	121.91	136.64	132.86	136.97
Exercise price for options outstanding at the end of the year (Rs.) (Adjusted as at 31 March 2024)	145.59	137.86	121.91	136.34	132.86	136.97

### 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

In Rs.'000s As at 31 March	GROUP	
	2024	2023
Insurance contract liabilities	68,936,451	58,381,193
Unclaimed benefits	574,416	526,117
	69,510,867	58,907,310

#### Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non-participating liabilities are discounted using the fund based yield of the 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 discounted cash flows using the fund based yield of the Participating Insurance Fund.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 36. INSURANCE CONTRACT LIABILITIES (CONTD.)

### Accounting judgements, estimates and assumptions

#### Product classification

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the company issues and reinsurance contracts that the company holds.

Contracts where the company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

#### Discretionary participating features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

#### Valuation of life insurance contract liabilities

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating, 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 2023 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of Rs. 2,800 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2023. Subsequent to the transfer the conventional life fund stood at Rs. 64,798 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. 246 million.

In the opinion of the appointed actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2023 is adequate to cover the liabilities of the funds.

As at 31 March 2024, an internal actuarial valuation has been carried out for the conventional life insurance fund and the non unit fund of linked long term business. In the opinion, it was concluded that the admissible assets are adequate to cover the liabilities of the funds.

### One - off surplus arising from change in policy liability valuation

The one off surplus comprises of Rs. 432.5 million attributable to participating business and Rs. 2.5 million attributable to Unit Linked Fund and Rs. 3,382 million attributable to Non-Participating and Non Unit Fund of Unit Linked Business.

Based on the directions issued by the IRC SL dated 20 March 2018 and subsequent approval, the company has transferred Rs. 3,382 million 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 IRC SL guideline.

### Movement in Life Insurance fund

In Rs.'000s As at 31 December	2023	2022
<b>Conventional life insurance fund</b>		
Balance as at 1 January	55,179,789	48,709,776
Increase in life insurance fund before surplus transfer to shareholders	12,354,121	8,722,945
Transfer to shareholders	(2,800,000)	(2,300,000)
Effect of taxation on surplus / Bonus transferred to Policyholders	(21,149)	(6,761)
Net change in unclaimed benefits	84,862	53,829
Balance as at 31 December	64,797,623	55,179,789
<b>Non unit fund of linked life insurance contracts</b>		
Balance as at 1 January	251,104	169,176
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	98,872	48,827
Net change in unclaimed benefits	(104,215)	33,101
Balance as at 31 December	245,761	251,104
	65,043,384	55,430,893

# NOTES TO THE FINANCIAL STATEMENTS

## 36. INSURANCE CONTRACT LIABILITIES (CONTD.)

### Liability adequacy test (LAT) - Life insurance contract liabilities

As at 31 December 2023, 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

In Rs.'000s For the year ended 31 March	2024	2023
Total Revenue	18,434,229	15,952,535
Cost of sales	(10,340,332)	(9,172,168)
Gross profit	8,093,897	6,780,367
Operating expenses including distribution and administration expenses	(6,605,230)	(5,341,994)
Net finance income	12,837,204	8,923,960
Profit attributable to shareholders of UA	(3,492,543)	(2,712,101)
Change in insurance contract liabilities	10,833,328	7,650,232

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.

Product	Key risks	Risk mitigation
Traditional participating	<ul style="list-style-type: none"> <li>Market risk: Investment return on underlying items falling below guaranteed minimum rates</li> <li>Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>Management discretion to determine amount and timing of policyholder bonuses (within limits)</li> <li>Surrender penalties</li> </ul>
Non-Participating	<ul style="list-style-type: none"> <li>Market risk: Insufficient fees to cover cost of guarantees and expenses</li> <li>Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>Derivative hedging programme</li> <li>Surrender penalties</li> </ul>
Universal life	<ul style="list-style-type: none"> <li>Interest rate risk: Differences in duration and yield of assets and liabilities</li> <li>Investment credit risk</li> </ul>	<ul style="list-style-type: none"> <li>Matching of asset and liability cash flows</li> <li>Investing in investment grade assets</li> </ul>
Unit linked product	<ul style="list-style-type: none"> <li>Market risk: Insufficient fees to cover expenses</li> <li>Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>Product repricing</li> <li>Surrender penalties</li> </ul>

### 37. INTEREST-BEARING LOANS AND BORROWINGS

#### 37.1 Movement

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
At the beginning of the year	172,618,318	199,546,346	70,252,715	67,197,027
<b>Cash movement</b>				
Loans obtained	2,106,129	2,077,091	-	-
Repayments	(12,009,810)	(45,034,878)	(2,512,500)	(1,837,500)
<b>Non cash movement</b>				
Accrued Interest	(214,413)	1,565,807	(120,130)	590,611
Exchange differences	(12,113,780)	14,463,952	(4,905,539)	4,302,577
At the end of the year	150,386,444	172,618,318	62,714,546	70,252,715
Repayable within one year	23,216,942	12,839,426	7,670,053	3,344,997
Repayable after one year	127,169,502	159,778,892	55,044,493	66,907,718
	150,386,444	172,618,318	62,714,546	70,252,715

#### 37.2 Security and repayment terms

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2024 In Rs.'000s	2023 In Rs.'000s
John Keells Holdings PLC	Fixed rate	28 quarterly installments commencing from December 2020	-	3,375,000	4,275,000
	Fixed rate	60 monthly installments commencing from December 2020	-	3,675,000	4,875,000
	Fixed rate 6-month SOFR 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.	53,452,046	58,477,715
	Fixed rate	60 monthly installments commencing from June 2021	-	2,212,500	2,625,000
				62,714,546	70,252,715

# NOTES TO THE FINANCIAL STATEMENTS

## 37. INTEREST-BEARING LOANS AND BORROWINGS (CONTD.)

### 37.2 Security and repayment terms (Contd.)

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2024 In Rs.'000s	2023 In Rs.'000s
<b>GROUP COMPANIES</b>					
Asian Hotels and Properties PLC	Fixed rate	36 monthly installments commencing from September 2021 after 6 months grace period	-	126,359	211,522
Beruwala Holiday Resorts (Pvt) Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	20,514	208,022
Ceylon Cold Stores PLC	Fixed rate	48 monthly installments with one year grace period	-	231,452	329,203
	Monthly AWPLR	48 monthly installments commencing from October 2024 after one year grace period	-	758,212	-
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	496,480	591,120
	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	2,635,362	3,033,912
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.	3,554,934	5,049,917
Habarana Walk Inn Ltd	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	-	-	5,966
Habarana Lodge Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	7,326	40,180
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	-	-	17,838
Hikkaduwa Holiday Resorts (Pvt) Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	19,877	109,013
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	-	-	8,892
	Fixed rate	72 monthly installments commencing from July 2022 after 12 months grace period	Rs.540 Mn Corporate Guarantee from John Keells Hotels PLC	443,675	534,117
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	49,850	68,500
John Keells Logistics (Pvt) Ltd	Fixed rate	24 quarterly installments after a grace period of 1 year	-	510,125	199,760
John Keells Hotels PLC	AWPLR to be reviewed monthly	08 bi-annual installments commencing after 06 months of grace period	-	204,481	-
	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	967,148	1,199,755

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2024 In Rs.'000s	2023 In Rs.'000s
Jaykay Marketing Services (Pvt) Ltd	Fixed rate	20 quarterly installments commencing from March 2021	-	1,400,000	2,200,000
	Fixed rate	20 quarterly installments commencing from May 2021	-	900,000	1,200,000
	Fixed rate	Repayment on maturity - the date falling 36 months from the first drawdown date	-	2,000,000	2,000,000
Keells Food Products PLC	1 month COF plus margin	60 monthly installments commencing from February 2019	-	-	42,213
	Fixed rate	Lump Sum payment in April 2024	-	224,916	-
Kandy Walk Inn Ltd	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	-	-	12,509
Logipark International (Pvt) Ltd	3 months COF plus margin	15 quarterly installments after 1 year grace period	Mortgage over the property	2,376,957	3,291,305
Mack Air (Pvt) Ltd	Fixed rate	15 monthly installments commencing after 9 months grace period	-	-	2,000
Rajawella Holdings Ltd	1 month COF plus margin	60 monthly installments commencing from April 2020 after 1 year grace period	-	57,500	236,242
The Colombo Ice Company (Pvt) Ltd	1 month COF plus margin	60 monthly installments commencing from March 2017 after 1 year grace period	-	-	248,162
Trans Asia Hotels PLC	1 month SOFR plus margin	24 monthly installments commencing from January 2023	-	110,726	213,987
	AWPLR based plus margin	12 monthly installments	-	344,000	-
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')	4,066,541	6,597,250
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	12,253	61,267
	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	8,576	47,036
	Fixed rate	18 monthly installments from July 2022 after 6 months grace period	-	-	8,686
Waterfront Properties (Pvt) Ltd	3 month SOFR 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 16.5 Bn shares held by JKH in WPL	66,093,775	74,330,204
Walkers Tours Ltd	Fixed rate	23 monthly installments commencing from September 2021 after 6 months grace period	-	32,872	164,360
Whittal Boustead (Travel) Ltd	364-days Treasury Bills rate plus margin	24 monthly installments commencing from March 2021 after a 6 months grace period	-	12,491	62,454
Yala Village (Pvt) Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	5,496	10,070
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	-	-	30,142
				150,386,444	172,618,318

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

### 38.1 Employee benefit liabilities

In Rs.'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Employee defined benefit plan - gratuity	38.2	3,568,383	2,513,093	326,926	219,756
Other long term employee benefit	38.3	22,400	46,539	-	-
At the end of the year		3,590,783	2,559,632	326,926	219,756

### 38.2 Employee defined benefit plan - gratuity

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
At the beginning of the year	2,513,093	2,439,021	219,756	146,903
Current service cost	346,920	222,064	22,939	15,205
Transfers	-	-	(637)	-
Interest cost on benefit obligation	457,279	203,311	43,642	12,421
Payments	(288,748)	(267,819)	(2,990)	(3,886)
(Gain)/Loss arising from changes in assumptions	539,839	(81,295)	44,216	49,113
Exchange differences	-	(2,189)	-	-
At the end of the year	3,568,383	2,513,093	326,926	219,756
The expenses are recognised in the income statement in the following line items;				
Cost of sales	341,939	183,435	4,686	3,543
Selling and distribution expenses	106,180	28,954	-	-
Administrative expenses	356,080	212,986	61,895	24,083
	804,199	425,375	66,581	27,626

### 38.3 Other long term employee benefits

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
At the beginning of the year	46,539	667,596	-	151,006
Current service cost	(26,332)	(674,465)	-	(163,086)
Interest cost	2,193	53,408	-	12,080
At the end of the year	22,400	46,539	-	-

### Accounting judgements, estimates and assumptions Employee benefit liability - gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by independent actuarial specialists. The actuarial valuations involve 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.

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	2024	2023
Discount rate	11.00% - 13.00%	18.00% -19.00%
Future salary increases	11.00% - 12.00%	11.00% -15.00%

The adjusted treasury bond rate for the credit spread has been used as the discounted rate.

#### 38.4 Sensitivity of assumptions used

A percentage change in the assumptions would have the following effects to employee defined benefit plan - gratuity.

In Rs:'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
<b>Discount rate:</b>				
1% Increase	(159,683)	(104,429)	(10,507)	(6,849)
1% Decrease	138,798	91,414	11,256	7,311
<b>Salary Increment rate:</b>				
1% Increase	145,586	100,305	11,689	7,899
1% Decrease	(261,347)	(114,064)	(11,096)	(7,504)

#### 38.5 Maturity analysis of the payments

The following payments are expected on employee benefit plan - gratuity in future years.

In Rs:'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Within the next 12 months	244,365	151,479	22,222	-
Between 1 and 2 years	227,810	236,076	-	18,323
Between 2 and 5 years	2,012,204	1,042,794	304,704	176,201
Between 5 and 10 years	968,710	1,009,765	-	25,232
Beyond 10 years	115,294	72,979	-	-
Total expected payments	3,568,383	2,513,093	326,926	219,756
Weighted average duration (years) of defined benefit obligation	6.33	6.72	4.30	4.93

### 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.

In Rs:'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Construction retention		1,185,728	1,726,877	-	-
Convertible debentures	39.1	10,201,449	18,380,148	10,201,449	18,380,148
		11,387,177	20,107,025	10,201,449	18,380,148

# NOTES TO THE FINANCIAL STATEMENTS

## 39. NON CURRENT FINANCIAL LIABILITIES (CONTD.)

### 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. 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. HWIC has exercised its option to convert 110,000,000 debentures of Rs.14.30 billion.

The remaining outstanding debentures post this conversion amount to 98,125,000 debentures of Rs. 12.76 billion. The remaining debentures are eligible for conversion till 12 August 2025.

Accordingly, JKH has issued and listed 110,000,000 new ordinary shares of the Company. Stated capital was increased by the balance attributable to the converted number of shares from the liability component recognised under Non current Financial Liabilities and the initial equity portion recognised under Other Capital Reserve.

## 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.

In Rs.'000s AS at 31 March	GROUP	
	2024	2023
Contract liabilities	395,686	158,640
Deposits	111,259	103,366
Other deferred liabilities	108,500	24,230
	615,445	286,236

## 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.

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Trade and other payables	41,764,296	28,570,126	1,463,935	631,405
Contract liabilities	179,618	186,264	-	-
Reinsurance payables	317,748	626,885	-	-
Advances and deposits	320,934	483,007	-	-
	42,582,596	29,866,282	1,463,935	631,405

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.

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Bank borrowings	21,062,456	8,701,652	13,909,261	1,300,000
	21,062,456	8,701,652	13,909,261	1,300,000

### 43. OTHER CURRENT LIABILITIES

#### Accounting policy

The Group classifies all non-financial current liabilities under other current liabilities.

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Non refundable deposits	1,850,538	705,403	-	-
Contract liabilities	2,085,632	2,016,418	-	-
Other tax payables	2,732,341	2,469,758	21,441	17,811
	6,668,511	5,191,579	21,441	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 "Report of the Related Party Transaction Review Committee" and Group directory.

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

#### Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per 31 March 2023 audited financial statements, which required additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 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 2023 audited financial statements, which required additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 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

In Rs.'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Entity including its affiliated entities with significant influence over parent		65,356	-	-	-
Subsidiaries	44.5	-	-	1,075,491	938,444
Equity accounted investees		608,823	317,700	215,355	239,172
Key management personnel		-	-	-	-
		674,179	317,700	1,290,846	1,177,616

#### 44.2 Amounts due to related parties

In Rs.'000s As at 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
Entity including its affiliated entities with significant influence over parent		436,731	-	-	-
Subsidiaries	44.6	-	-	83,853	58,244
Equity accounted investees		12,012	3,615	4,988	-
Key management personnel		-	-	-	-
		448,743	3,615	88,841	58,244

# NOTES TO THE FINANCIAL STATEMENTS

## 44. RELATED PARTY TRANSACTIONS (CONTD.)

### 44.3 Transactions with related parties

In Rs:'000s For the year ended 31 March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
<b>Entity including its affiliated entities with significant influence over parent</b>					
Sale of goods		5,667	-	-	-
Purchase of goods		1,890,322	-	-	-
Rendering of services		60,699	-	-	-
<b>Subsidiaries</b>					
Purchases of goods		-	-	15,896	17,865
Rendering of services	44.5	-	-	2,307,582	1,788,455
Receiving of services	44.6	-	-	472,380	624,506
Rent paid		-	-	38,949	34,867
Dividend received		-	-	6,507,034	4,697,143
<b>Equity accounted investees</b>					
Sale of goods		22,200	18,861	-	-
Rendering of services	44.5	1,115,096	1,243,441	606,219	759,450
Receiving of services		199,163	311,256	71	88
Interest received	44.4	1,167,604	1,096,370	1,161,726	1,066,417
Interest paid	44.4	105,236	150,068	8	7,991
Dividend received		-	-	4,996,156	5,937,857
<b>Key management personnel (KMP)</b>					
Sale of goods		-	-	-	-
<b>Close family members of KMP</b>					
Sale of goods		-	-	-	-
<b>Companies controlled / jointly controlled / significantly influenced by KMP and their close family members</b>					
Rendering of services		7,314	1,548	-	-
Receiving of services		32,361	37,151	-	-
<b>Post employment benefit plan</b>					
Contributions to the provident fund		404,540	338,801	120,080	91,504

### 44.4 Transactions with related parties - Associates

In Rs:'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
<b>Nations Trust Bank PLC</b>				
Interest received	1,167,604	1,096,370	1,161,726	1,066,417
Interest paid	105,236	150,068	8	7,991

The Group held interest bearing deposits of Rs. 14,560 Mn (2023 - Rs. 16,092 Mn) at Nations Trust Bank PLC as at 31 March 2024.

#### 44.5 Related party transactions and balances

In Rs:'000s	COMPANY			
	Rendering of services		Amounts due from	
	2024	2023	2024	2023
For the year ended/As at 31 March				
<b>Subsidiaries</b>				
Asian Hotels and Properties PLC	81,641	65,000	30,896	8,653
Beruwala Holiday Resorts (Pvt) Ltd	20,567	15,816	2,325	1,973
Ceylon Cold Stores PLC	363,575	238,372	156,975	446,895
Ceylon Holiday Resorts Ltd	20,599	16,016	2,338	1,929
Cinnamon Hotel Management Services Ltd	1,528	79,973	255	22,321
Fantasea World Investments (Pte) Ltd	10,350	8,096	942	855
Habarana Lodge Ltd	16,236	13,322	1,791	1,579
Habarana Walk Inn Ltd	12,617	10,444	1,324	1,268
Hikkaduwa Holiday Resorts (Pvt) Ltd	16,567	13,288	1,845	1,643
InfoMate (Pvt) Ltd	123,715	82,096	67,876	28,120
JayKay Marketing Services (Pvt) Ltd	626,886	518,560	468,989	204,090
John Keells Information Technologies (Pvt) Ltd	94,956	91,625	13,488	39,038
John Keells International (Pvt) Ltd	9,500	7,886	811	8,497
John Keells Logistics (Pvt) Ltd	46,254	40,718	74,797	48,176
John Keells Maldivian Resorts (Pte) Ltd	6,011	4,356	464	531
John Keells Office Automation (Pvt) Ltd	49,359	42,348	41,303	31,906
John Keells PLC	28,180	21,897	3,606	2,426
John Keells Stock Brokers (Pvt) Ltd	17,728	13,870	-	13
John Keells Teas Ltd	3,642	2,737	1,018	1,548
John Keells Warehousing (Pvt) Ltd	4,791	3,917	466	313
Kandy Walk Inn Ltd	15,581	12,584	1,544	1,478
Keells Consultants (Pvt) Ltd	4,432	4,852	624	1,347
Keells Food Products PLC	66,446	50,619	6,994	4,767
Lanka Marine Services Ltd	23,019	19,936	2,700	2,293
Mack Air (Pvt) Ltd	21,058	14,825	1,837	-
Mackinnon Keells Ltd	2,579	2,217	761	209
Mackinnons Travels (Pvt) Ltd	13,983	9,108	2,358	2,073
Rajawella Holdings Ltd	13,438	10,130	8,433	5,401
Tea Small Holder Factories PLC	8,983	4,289	1,211	1,230
The Colombo Ice Company (Pvt) Ltd	25,634	18,958	3,082	-
Tranquility (Pte) Ltd	23,240	10,547	2,197	1,820
Trans Asia Hotels PLC	57,857	45,785	12,278	7,741
Travel Club (Pte) Ltd	9,599	7,626	925	782
Trinco Holiday Resorts (Pvt) Ltd	13,223	10,600	1,433	1,312
Union Assurance PLC	124,315	103,778	49,005	15,094
Walkers Tours Ltd	45,526	37,410	5,142	5,017
Waterfront properties (Pvt) Ltd	51,332	39,623	40,879	8,064
Whittall Boustead (Pvt) Ltd	41,766	32,592	4,440	6,671
Whittall Boustead (Travel) Ltd	9,880	9,310	1,024	830
Yala Village (Pvt) Ltd	13,819	11,642	1,648	1,307
Other subsidiaries	167,170	41,690	55,467	19,163
	2,307,582	1,788,455	1,075,491	938,444

# NOTES TO THE FINANCIAL STATEMENTS

## 44. RELATED PARTY TRANSACTIONS (CONTD.)

### 44.5 Related party transactions and balances (Contd.)

In Rs:'000s	COMPANY			
	Rendering of services		Amounts due from	
	2024	2023	2024	2023
<b>For the year ended/As at 31 March</b>				
<b>Joint ventures</b>				
DHL Keells (Pvt) Ltd	563,178	718,950	136,839	167,528
Braybrooke Residential Properties (Pvt) Ltd	951	1,168	80	400
Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd	1,355	834	143	127
Sentinel Reality (Pvt) Ltd	-	-	-	1
<b>Associates</b>				
Nations Trust Bank PLC	-	-	152	1,899
Saffron Aviation (Pvt) Ltd	6,246	3,776	1,399	5,077
South Asia Gateway Terminals (Pvt) Ltd	9,767	10,461	480	2,542
Capital Hotel Holdings (Pvt) Ltd	14,956	11,337	1,753	1,656
Colombo West International Terminal (Pvt) Ltd	9,766	12,924	74,509	59,942
	606,219	759,450	215,355	239,172

### 44.6 Related party transactions and balances

In Rs:'000s	COMPANY			
	Receiving of services		Amounts due to	
	2024	2023	2024	2023
<b>For the year ended/As at 31 March</b>				
<b>Subsidiaries</b>				
Asian Hotels and Properties PLC	-	15,315	7,949	7,563
Infomate (Pvt) Ltd	10,938	8,435	1,844	3,356
Trans Asia Hotels PLC	-	6,890	7,684	-
John Keells Information Technologies (Pvt) Ltd	423,906	492,765	39,224	23,327
John Keells Singapore (Pte) Ltd	19,472	40,285	-	-
Mackinnons Travels (Pvt) Ltd	-	44,596	5,797	-
Whittall Boustead (Pvt) Ltd	13,447	10,055	1,816	-
Other subsidiaries	4,617	14,787	19,539	23,998
	472,380	624,506	83,853	58,244
<b>Joint ventures</b>				
DHL Keells (Pvt) Ltd	71	88	-	-
<b>Associates</b>				
Fairfirst Insurance Ltd.	-	-	4,420	-
Saffron Aviation (Pvt) Ltd.	-	-	178	-
Capital Hotel Holdings (Pvt) Ltd.	-	-	390	-
	71	88	4,988	-

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.

#### 44.7 Compensation of key management personnel

Key management personnel include members of the Board of Directors of John Keells Holdings PLC and its subsidiary companies.

In Rs:'000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Short-term employee benefits	844,868	691,809	288,034	215,819
Post employment benefits	16,224	13,189	5,758	4,560
Share based payments	133,518	114,361	40,379	38,016
	994,610	819,359	334,171	258,395

#### Directors' interest in the employee share option plan of the Company

As at 31 March 2024, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

COMPANY Expiry date	Adjusted exercise price Rs.	2024		2023	
		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
31.06.2023	154.10	-	-	880,000	880,000
30.06.2024	136.97	880,000	880,000	880,000	660,000
30.06.2025	132.86	880,000	660,000	880,000	440,000
30.06.2026	136.64	880,000	440,000	880,000	220,000
30.06.2027	121.91	862,000	215,500	880,000	-
30.06.2028	145.59	689,600	-	-	-

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 2024, relates to the following:

###### JOHN KEELLS HOLDINGS PLC (JKH)

The contingent liability of the Company as at 31 March 2024, relates to the following:

Income tax assessment relating to year of assessment 2006/07.

The Company has lodged appeals against the assessment and is contesting it under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2024, is estimated at Rs.54 Mn.

# NOTES TO THE FINANCIAL STATEMENTS

## 45. CONTINGENT LIABILITIES (CONTD.)

### CEYLON COLD STORES PLC (CCS)

The contingent liability of CCS as at 31 March 2024, relates to the following:

Income tax assessment relating to years of assessment 2009/10 to 2016/17.

The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2024 is estimated at Rs.36.5 Mn.

### LANKA MARINE SERVICES (PVT) LTD (LMS)

The contingent liability of LMS as at 31 March 2024, relates to the following:

Income tax assessments relating to year of assessment 2001/02, 2002/03 to 2004/05, 2007/08, 2008/09, 2009/10 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 assessments relating to years of assessment from 2005/06, 2006/07, 2010/11, 2012/13, 2013/14 to 2020/21. 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 2024, is estimated at Rs.1,369 Mn.

### MACKINNON'S TRAVELS (PVT) LTD (MTL)

The contingent liability of MTL as at 31 March 2024, 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 2024 is estimated at Rs.108 Mn.

### CINNAMON HOTEL MANAGEMENT LTD (CHML)

The contingent liability of CHML as at 31 March 2024, relates to the following:

Income tax assessment relating to year 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 2024 is estimated at Rs.14.3 Mn

### TRANS ASIA HOTELS PLC (TAH)

The contingent liability of TAH as at 31 March 2024, relates to the following:

Income tax assessments relating to years of assessment 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 2024 is estimated at Rs.183.3 Mn.

#### JOHN KEELLS HOTELS PLC (JK HOTELS PLC)

The contingent liability of JK Hotels PLC as at 31 March 2024, relates to the following:

Income tax assessments relating to years of assessment 2018/19 and 2019/20.

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 2024 is estimated at Rs.10.6 Mn.

#### HABARANA WALK INN LTD (HWI)

The contingent liability of HWI as at 31 March 2024, relates to the following:

Income tax assessment relating to year of assessment 2019/20.

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 2024 is estimated at Rs. 57.3 Mn.

#### UNION ASSURANCE PLC (UA)

The contingent liability of UA as at 31 March 2024, relates to the following:

Value Added Tax assessments relating to the periods from 1 April 2018 to 31 September 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 2024, is estimated at Rs. 0.07 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 2024, is estimated at Rs. 519 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, 2018/19, 2019/20 and 2020/21.

The assessments were raised for the above years of assessment by making life insurance income liable to pay income taxes of Rs. 5.854 Bn in total. 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 2020/21 and accordingly have concluded that the above assessments have no rationale or basis in law.

#### 46. CAPITAL AND OTHER COMMITMENTS

In Rs.'000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
Capital commitments approved but not provided for	21,132,833	18,685,499	-	-
Guarantees	2,518,491	3,301,937	2,446,021	2,620,621
	23,651,324	21,987,436	2,446,021	2,620,621

# NOTES TO THE FINANCIAL STATEMENTS

## **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 2024. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on or before 25 June 2024.

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 2024.

*True to Life*

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# MANAGEMENT APPROACH TO FINANCIAL AND MANUFACTURED CAPITAL

## MANAGEMENT APPROACH

The continued success of the Group is dependent on its triple bottom line performance; providing economic value addition, financial value to its shareholders, payback on investment to its investors, payment of debt financing to its financiers and benefits to its employees, whilst also maintaining its social license to operate.

It is one of the commitments of the John Keells Group to deliver sustainable economic performance and growth to all its diverse stakeholders through sound financial management building on its wide asset base across industry groups. This has been built through a diversified approach and a solid foundation of stringent internal controls and a robust Enterprise Risk Management process.

## ECONOMIC PERFORMANCE AND TAX STRATEGY

The Group's economic performance, sustainability, and its financial capital management are of the greatest importance to its shareholders, its employees and other stakeholders. The Group's continuous success depends on its triple bottom line performance; providing economic value addition, financial value to its shareholders, payment of debt financing to its financiers, payback on investment to its investors, payment of all applicable taxes and benefits to its employees and also maintaining its social license to operate,

stimulating the local economy through its procurement practices and through social infrastructure projects to assist local communities.

Economic value has been created for all stakeholders, by executing robust control frameworks, implementing best practices and adhering to a well-structured governance framework. The Group ensures that it conforms to all regulations and that all statutory payments are settled on time. Similarly, the Group ensures its operations are complying with its governance framework and strategy, which operate alongside its internal controls and risk management structure. The Group also continues to proactively contribute to the economy through investment in social infrastructure and local spending which results in benefits gained by the community. The Group's economic value addition is monitored through Economic Value Added (EVA), which is further explained in the EVA section of the Annual Report 2023/24.

Performance-centric compensation culture through which employees are rewarded, results in high levels of efficiency and productivity and adopts a performance-driven culture, whilst the Group also ensures that legal obligations regarding employee benefits are met in all countries within which the Group operates. Periodic market checks carried out by the Group ensure that employees are remunerated in line with industry norms whilst compensation

is also based on employee performance. Its performance driven compensation culture has led to the alignment of employee, management, and stakeholder interests.

The Group encourages fair trade through the purchase of products and services from the local community and suppliers at fair prices, ensuring adherence to high standards of quality and upholding business ethics, whilst managing social and environmental impacts.

The Group contributes towards the positive stimulation of the Sri Lankan economy and the communities surrounding its operational sites through local sourcing, supporting the self-employed and promoting livelihoods for small scale suppliers. Furthermore, the Group contributes to the country's economy through its tax and other statutory contributions and seeks to stimulate the economies within which it has business operations, through its commitment to developing and working with local suppliers, especially in the Consumer Foods, Retail and Leisure industry groups, which have fostered close ties with local communities through the purchasing of products and services at fair prices.

## POLICIES

### Economic policy

The John Keells Group is committed to delivering sustainable economic performance and growth to all its diverse stakeholders.

# HISTORY OF THE JOHN KEELLS GROUP

## 1870-1970

- Established E. John & Co as a produce and exchange brokers firm.
- Formed E. John, Thompson, White & Company Ltd. by merging with two London based tea brokers.
- Formed John Keell Thompson White Ltd by amalgamating with Keell and Waldock Ltd, a share and freight broking firm.

## 1971-1990

- Acquired Walkers Tours and Travels (Ceylon) Ltd.
- Renamed to John Keells Ltd, and became the first Rupee quoted public company.
- Acquired controlling stake in John Keells Limited and obtained quotation on the Colombo Stock Exchange.

## 1991-2000

- Acquired Whittalls Group of Companies and gained control of Ceylon Cold Stores, Ceylon Holiday Resorts, and Union Assurance.
- Issued Global Depository Receipts (GDRs) on the Luxembourg Stock Exchange, becoming the first Sri Lankan company to list overseas.

- Acquired 80-key Velidhu Resort Hotel, the first major overseas investment of the Group.
- Established Nations Trust Bank, a joint venture with the International Finance Corporation (IFC) and Central Finance Co. Ltd.
- Commenced operations at the South Asia Gateway Terminal (SAGT) at the Port of Colombo.
- Became the first Sri Lankan company to obtain a SL-AAA credit rating from Fitch.

## 2001-2010

- Acquired Asian Hotels and Properties.
- Established John Keells Social Responsibility Foundation, the corporate social responsibility (CSR) arm of the Group.
- Launched 'Cinnamon Hotels & Resorts', the hotel brand of the Group.
- Entered into business process outsourcing business through a joint venture with Raman Roy Associates.
- Acquired land lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives.
- Renamed John Keells Holdings Ltd to John Keells Holdings PLC.
- JKH surpassed market capitalisation of USD one billion.

- Renamed to John Keells Ltd, and became the first Rupee quoted public company.
- Acquired controlling stake in John Keells Limited and obtained quotation on the CSE.

## 2011-2020

- JKH exceeded market capitalisation of USD two billion.
- Announced the 'Cinnamon Life Integrated Resort' project (now rebranded as 'City of Dreams Sri Lanka') and raised the necessary debt funding for the project, by way of the largest syndicated debt facility obtained by a local firm.
- Completed 150 years in business.
- Formally initiated OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence, as a division.

## 2021 ONWARDS

- Launched ONE JKH brand with initiatives focused on Diversity, Equity and Inclusion.
- Signed a build, operate and transfer (BOT) agreement for the development of West Container Terminal-1 (WCT-1) at the Port of Colombo as a public private partnership (PPP) project with Adani Ports and Special Economic Zone Limited (APSEZ). Introduced 100 days Equal Parental Leave.

# DECADE AT A GLANCE

In Rs. Mn 31 March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>OPERATING RESULTS</b>										
Group revenue	280,773	276,640	218,075	127,676	138,956	135,456	121,215	106,273	93,710	91,852
EBIT	37,683	40,392	34,359	7,931	15,508	20,198	28,155	23,324	20,192	19,226
Finance cost	(19,669)	(17,803)	(7,035)	(4,669)	(3,166)	(2,722)	(521)	(436)	(994)	(668)
Share of results of equity accounted investees (net of tax)	10,129	7,574	6,746	4,159	4,466	4,727	3,596	3,303	2,781	2,778
Profit before tax	18,014	22,589	27,324	5,445	12,403	18,616	27,634	22,888	19,198	18,557
Tax expense	(5,886)	(3,693)	(6,882)	(1,494)	(2,662)	(2,378)	(4,515)	(4,771)	(3,406)	(2,812)
Profit after tax	12,128	18,896	20,443	3,951	9,741	16,237	23,120	18,117	15,792	15,745
<b>Attributable to:</b>										
Equity holders of the parent	11,249	18,174	20,213	4,772	9,414	15,254	21,021	16,275	14,070	14,348
Non-controlling interests	879	722	230	(821)	327	983	2,099	1,842	1,722	1,397
	12,128	18,896	20,443	3,951	9,741	16,237	23,120	18,117	15,792	15,745
<b>CAPITAL EMPLOYED</b>										
Stated capital	90,602	73,188	73,188	63,102	62,881	62,806	62,802	62,790	58,702	50,703
Capital reserves and other components of equity	136,453	146,091	129,011	72,403	66,085	58,646	49,852	38,652	28,715	24,501
Revenue reserves	130,812	121,743	109,087	90,652	87,885	82,834	87,266	77,193	67,565	62,594
	357,867	341,022	311,286	226,157	216,851	204,286	199,920	178,635	154,982	137,798
Non-controlling interest	19,609	19,396	18,805	16,830	26,872	26,072	24,944	15,696	13,499	12,279
Total equity	377,476	360,418	330,091	242,987	243,723	230,358	224,864	194,331	168,481	150,077
Total debt	246,065	264,060	268,228	172,904	100,907	54,513	29,722	22,766	20,750	23,934
	623,541	624,478	598,319	415,891	344,630	284,871	254,586	217,097	189,231	174,011
<b>ASSETS EMPLOYED</b>										
Property, plant and equipment (PP&E)	382,989	362,097	124,348	113,077	111,534	97,688	87,260	64,396	52,737	49,563
Non-current assets other than PP&E	214,092	199,604	354,518	257,226	204,360	170,687	136,427	107,912	93,376	78,030
Current assets	174,110	182,806	238,929	166,491	121,050	95,421	98,762	104,964	94,863	90,493
Liabilities net of debt	(147,650)	(120,028)	(119,476)	(120,903)	(92,314)	(78,925)	(67,862)	(60,175)	(51,745)	(44,075)
	623,541	624,478	598,319	415,891	344,630	284,871	254,587	217,097	189,231	174,011
<b>CASH FLOW</b>										
Net cash flows from operating activities	32,751	11,444	30,440	13,825	(10,350)	(4,743)	16,012	21,020	20,513	20,855
Net cash flows from / (used in) investing activities	(60,081)	(78,889)	39,363	(44,944)	(27,039)	(8,452)	(16,640)	(17,670)	(9,567)	(1,255)
Net cash flows from / (used in) financing activities	(3,040)	(26,810)	31,693	55,427	18,431	(11,000)	(4,587)	(4,105)	(7,717)	(4,838)
Net increase / (decrease) in cash and cash equivalents	(30,370)	(94,254)	101,495	24,308	(18,959)	(14,709)	(5,215)	(755)	3,229	14,762
<b>KEY INDICATORS</b>										
Basic earnings per share (Rs.)	8.06	13.12	15.13	3.62	7.14	11.13	15.2	11.9	10.5	12.6
Interest cover (no. of times)	1.9	2.3	4.9	1.7	4.9	7.8	54	52.8	51.5	27.7
Net assets per share* (Rs.)	238.8	227.5	207.7	150.9	144.7	136.3	133.4	119.2	103.4	91.9
Enterprise value (EV) (Rs.)	450,008	357,609	311,951	244,679	186,236	210,020	187,926	136,022	124,182	155,675
EV / EBITDA	11	7.7	10.7	15.7	9.2	8.5	5.8	5.0	5.0	6.6
ROE (%)	3.2	5.6	7.5	2.2	4.5	7.5	11.1	9.8	9.6	11.0
Debt / equity ratio (%)	65.2	73.3	81.3	71.2	41.4	23.7	13.2	11.7	12.3	15.9
Net debt excl. leases (cash)/Equity (%)	33.7	35.9	23.5	20.0	14.0	1.9	(14.9)	(28.5)	(30.8)	(28.8)
Dividend payout (Rs.Mn)	2,080	2,770	2,012	1,978	4,614	8,186	8,325	7,280	8,038	3,476
Current ratio (no. of times)	1.3	2.0	1.8	2.3	2.1	1.7	3.0	3.7	4.0	2.6
Market price per share unadjusted (Rs.)	194.0	140.0	145.0	148.5	115.4	156.0	159.6	137.9	148.0	199.4
Market price per share diluted (Rs.)	194.0	140.0	145.0	148.5	115.4	156.0	159.6	137.9	129.5	152.7
Revenue growth rate (%)	1.5	26.9	70.8	(8.1)	2.6	11.8	14.1	13.4	1.6	5.9
USD closing rate (Rs.)	300.4	329.5	305.0	200.3	189.6	175.5	155.9	151.9	147.7	133.5
USD average rate (Rs.)	318.1	360.4	208.3	189.0	179.4	168.6	153.6	148.0	139.2	131.2

\* 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 2024.

# ECONOMIC VALUE STATEMENT

In Rs. Mn. For the year ended 31 March	Transportation		Consumer Foods		Retail		Leisure		Property	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>Direct economic value generated</b>										
Revenue	51,556	74,538	35,920	34,143	124,795	109,006	51,441	43,032	2,466	2,824
Finance income	330	265	1,182	884	77	315	4,311	1,726	528	519
Share of results of associates	6,207	5,775	-	-	(24)	-	25	(20)	(409)	(1,128)
Profit on sale of assets & other income	203	192	856	832	3,367	2,396	1,047	785	440	14
Valuation gain/loss on IP	-	-	17	24	5	(3)	98	201	233	525
	58,296	80,770	37,975	35,883	128,220	111,714	56,922	45,724	3,258	2,754
<b>Economic value distributed</b>										
Operating costs	48,230	66,678	24,957	25,805	109,980	96,568	33,401	26,441	2,521	3,406
Employee wages & benefits	834	756	4,751	3,948	6,812	5,537	9,489	7,771	861	1,193
Payments to providers of funds	1,151	3,447	3,423	2,630	4,307	5,097	4,541	4,527	183	330
Payments to government	305	572	1,824	968	1,954	147	1,067	1,205	41	79
Community investments	13	16	31	27	38	29	20	24	1	1
	50,533	71,469	34,986	33,378	123,091	107,378	48,518	39,968	3,607	5,009
<b>Economic value retained</b>										
Depreciation	187	187	1,102	1,026	1,744	1,642	3,120	3,080	73	63
Amortisation	111	84	133	60	1,562	1,513	2,535	2,847	27	27
Profit after dividends	7,465	9,030	1,754	1,419	1,823	1,181	2,749	(171)	(449)	(2,345)
Retained for reinvestment / growth	7,763	9,301	2,989	2,505	5,129	4,336	8,404	5,756	(349)	(2,255)

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			
	2024	2023	2024	2023	2024	2023	2024	2023	2024	%	2023	%
	18,666	16,204	9,519	10,537	294,363	290,284	(13,590)	(13,644)	280,773	88.17	276,640	87.75
	13,041	9,102	17,205	27,362	36,674	40,173	(14,107)	(13,273)	22,567	7.09	26,900	8.53
	4,330	2,947	-	-	10,129	7,574	-	-	10,129	3.18	7,574	2.40
	28	93	291	246	6,232	4,558	(1,722)	(1,297)	4,510	1.42	3,261	1.03
	-	-	97	132	450	879	-	-	450	0.14	879	0.28
	36,065	28,346	27,112	38,277	347,848	343,468	(29,419)	(28,214)	318,429	100.00	315,254	100.00
	18,933	19,328	18,053	16,420	256,075	254,646	(16,731)	(17,708)	239,344	75.16	236,938	75.16
	2,102	1,670	3,798	2,655	28,647	23,530	-	-	28,647	9.00	23,530	7.46
	5,503	323	14,128	12,679	33,236	29,033	(10,608)	(7,736)	22,628	7.11	21,297	6.76
	1,509	1,079	276	2,457	6,976	6,507	-	-	6,976	2.19	6,507	2.06
	11	6	88	190	202	293	-	-	202	0.06	293	0.09
	28,058	22,406	36,343	34,401	325,136	314,009	(27,339)	(25,444)	297,797	93.52	288,565	91.53
	118	119	201	164	6,545	6,281	-	-	6,545	2.06	6,281	1.99
	442	420	109	53	4,919	5,004	-	-	4,919	1.54	5,004	1.59
	7,447	5,401	(9,541)	3,659	11,248	18,174	(2,080)	(2,770)	9,168	2.88	15,404	4.89
	8,007	5,940	(9,231)	3,876	22,712	29,459	(2,080)	(2,770)	20,632	6.48	26,689	8.47

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## INCOME STATEMENT

FOR INFORMATION PURPOSES ONLY

In USD '000s For the year ended 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
<b>Continuing operations</b>				
Revenue from contracts with customers	873,297	791,160	9,708	7,720
Revenue from Insurance Contracts	61,366	48,414	-	-
<b>Total Revenue</b>	<b>934,663</b>	<b>839,574</b>	<b>9,708</b>	<b>7,720</b>
Cost of sales	(753,964)	(689,500)	(5,935)	(3,541)
<b>Gross profit</b>	<b>180,699</b>	<b>150,074</b>	<b>3,773</b>	<b>4,179</b>
Dividend income	-	-	38,293	32,276
Other operating income	15,015	9,896	417	125
Selling and distribution expenses	(33,498)	(25,087)	-	-
Administrative expenses	(83,795)	(66,549)	(7,435)	(6,334)
Other operating expenses	(27,258)	(29,820)	(288)	(2,271)
<b>Results from operating activities</b>	<b>51,163</b>	<b>38,514</b>	<b>34,760</b>	<b>27,975</b>
Finance cost	(65,476)	(54,030)	(39,849)	(26,643)
Finance income	75,125	81,638	19,265	49,554
Change in insurance contract liabilities	(36,063)	(23,218)	-	-
Change in fair value of investment property	1,498	2,666	-	-
Share of results of equity accounted investees (net of tax)	33,718	22,985	-	-
Profit before tax	59,965	68,555	14,176	50,886
Tax expense	(19,595)	(11,209)	(21)	(6,245)
<b>Profit for the year</b>	<b>40,370</b>	<b>57,346</b>	<b>14,155</b>	<b>44,641</b>
<b>Attributable to:</b>				
Equity holders of the parent	37,443	55,154		
Non-controlling interests	2,927	2,192		
	40,370	57,346		
<b>Earnings per share</b>				
Basic earnings per ordinary share	0.03	0.04		
Diluted earnings per ordinary share	0.03	0.04		

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/Rs. 300.4 (2023 - 329.5) have been used to convert the income statement and statement of financial position.

# STATEMENT OF FINANCIAL POSITION

FOR INFORMATION PURPOSES ONLY

In USD '000s As at 31 March	GROUP		COMPANY	
	2024	2023	2024	2023
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,274,929	1,098,929	391	426
Right-of-use assets	162,093	164,446	407	-
Investment properties	104,923	100,241	-	-
Intangible assets	21,069	17,580	116	191
Investments in subsidiaries	-	-	725,386	601,137
Investments in equity accounted investees	160,290	116,802	71,708	49,219
Non-current financial assets	247,942	194,103	11,690	13,369
Deferred tax assets	5,713	7,837	-	-
Other non-current assets	10,662	4,769	317	382
	1,987,621	1,704,707	810,015	664,724
<b>Current assets</b>				
Inventories	130,844	118,648	-	-
Trade and other receivables	94,465	65,275	1,534	630
Amounts due from related parties	2,244	964	4,297	3,574
Other current assets	34,303	44,220	10,468	5,146
Short term investments	266,414	249,535	192,428	174,426
Cash in hand and at bank	51,325	76,155	1,854	24,983
	579,595	554,797	210,581	208,759
<b>Total assets</b>	<b>2,567,216</b>	<b>2,259,504</b>	<b>1,020,596</b>	<b>873,483</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Stated capital	301,606	222,118	301,606	222,118
Revenue reserves	435,460	369,479	345,983	308,974
Other components of equity	454,237	443,372	39,297	54,793
	1,191,303	1,034,969	686,886	585,885
<b>Non-controlling interest</b>	<b>65,278</b>	<b>58,866</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,256,581</b>	<b>1,093,835</b>	<b>686,886</b>	<b>585,885</b>
<b>Non-current liabilities</b>				
Insurance contract liabilities	231,394	178,778	-	-
Interest-bearing loans and borrowings	423,334	484,913	183,237	203,058
Lease liabilities	93,477	97,276	363	-
Deferred tax liabilities	70,647	59,750	9,461	8,625
Employee benefit liabilities	11,953	7,768	1,088	667
Non-current financial liabilities	37,907	61,023	33,960	55,782
Other non-current liabilities	2,049	869	-	-
	870,761	890,377	228,109	268,132
<b>Current liabilities</b>				
Trade and other payables	141,753	90,641	4,873	1,916
Amounts due to related parties	1,494	11	296	177
Income tax liabilities	6,074	5,459	860	2,696
Short term borrowings	70,115	26,409	46,302	3,945
Interest-bearing loans and borrowings	77,287	38,966	25,533	10,152
Lease liabilities	12,929	6,855	23	-
Other current liabilities	22,199	15,756	71	54
Bank overdrafts	108,023	91,195	27,643	526
	439,874	275,292	105,601	19,466
<b>Total equity and liabilities</b>	<b>2,567,216</b>	<b>2,259,504</b>	<b>1,020,596</b>	<b>873,483</b>

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. 300.4 (2023 - 329.5) 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		Net book value	
			Freehold	Leasehold	2024 Rs.'000s	2023 Rs.'000s
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	-	425,578	424,026
Mackinnon Keells Ltd Leyden Bastian Road, York Street, Colombo 01.	1	30,793	0.45	-	805,751	736,809
Union Assurance PLC No 20, St. Michaels' Road, Colombo 03.	1	57,916	0.58	-	2,710,771	2,437,199
Vauxhall Developments (Pvt) Ltd No.199,Union Place, Colombo 2 and 148, Vauxhall Street, Colombo 2.	7	209,484	3.56	-	10,537,840	10,237,857
No.188, 188/1, 188/2, 190, 192 Vauxhall Street, Colombo 2 and 42, Dawson Street, Colombo 2.	-	-	2.09	-	5,945,281	6,019,200
No. 186, 186/3 Vauxhall Street, Colombo 2.	-	-	3.72	-	10,875,358	10,726,380
Waterfront Properties (Pvt) Ltd No 5, Justice Akbar Mawatha, Slave Island, Colombo 2	6	583,000	7.10	2.96	17,112,000	16,903,000
Glennie Properties (Pvt) Ltd No.82, Glennie Street, Colombo 02.	-	-	0.08	-	218,160	193,920
	17	909,318	18.88	2.96	48,631,989	47,679,641
<b>PROPERTIES OUTSIDE COLOMBO</b>						
Ceylon Cold Stores PLC Kaduwela.	22	350,569	27.35	-	2,599,130	2,280,245
Trincomalee.	3	18,102	1.06	-	358,353	341,394
Kotagala	6	13,354	-	0.71	109,430	60,475
Facets (Pvt) Ltd Ahungalla.	-	-	6.31	-	554,400	529,200
John Keells PLC 17/1, Temple Road, Ekala, Ja-Ela.	1	1,200	3.77	-	513,000	483,000
John Keells Properties Ja-Ela (Pvt) Ltd No 525, Colombo Road, Kapuwatta, Ja-Ela.	-	-	6.60	-	-	2,068,000
John Keells Warehousing (Pvt) Ltd Muthurajawela.	3	146,743	-	6.19	764,836	576,643
Keells Food Products PLC 41, Temple Road, Ekala, Ja-Ela.	8	52,698	3.00	1.00	509,174	504,653
Gonawala, Pannala.	4	41,166	3.86	4.08	387,164	379,190
Logipark International (Pvt) Ltd Muthurajawela.	-	-	-	9.00	2,773,515	2,864,152
Rajawella Holdings Ltd Mahaberiatenna, Kandy.	4	59,922	-	367.83	750,808	766,828
Tea Smallholder Factories PLC Broadlands.	14	62,765	4.14	-	147,620	133,566
Halwitigala.	14	53,999	9.61	-	122,243	106,108
Hingalgoda.	26	65,686	12.04	-	153,772	134,700
Karawita.	12	79,244	-	4.98	142,474	142,474
Kurupanawa.	22	55,728	12.12	-	156,875	147,076
Neluwa.	18	53,266	3.74	-	124,341	112,971
New Panawenna.	8	46,389	10.59	-	139,998	102,030
Peliyagoda.	1	31,629	-	0.98	503,000	460,786
	166	1,132,460	104.19	394.77	10,810,133	12,193,491

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres		Net book value	
			Freehold	Leasehold	2024 Rs.'000s	2023 Rs.'000s
The Colombo Ice Company (Pvt) Ltd Avissawella.	9	182,937	-	9.30	1,835,380	1,836,938
J K Thudella Properties (Pvt) Ltd Tudella, Ja-Ela.	-	-	12.11	-	726,715	678,265
Union Assurance PLC No 06, Rajapihilla Road, Kurunegala.	1	27,412	0.20	-	418,000	425,117
Whittall Boustead Ltd 150, Badulla Road, Nuwara Eliya.	1	4,343	0.46	-	213,319	208,983
	177	1,347,152	116.96	404.07	14,003,547	15,342,794
<b>HOTEL PROPERTIES</b>						
Asian Hotels and Properties PLC Cinnamon Grand Premises, Colombo 2.	4	736,351	6.64	-	33,499,217	32,076,435
Crescat Boulevard, Colombo 2.	1	145,196	1.39	-	2,467,893	2,639,839
Ahungalla Holiday Resort (Pvt) Ltd Ahungalla.	-	-	6.51	-	354,800	336,200
Beruwala Holiday Resorts (Pvt) Ltd Cinnamon Bey, Beruwala.	9	453,136	10.82	-	5,434,166	5,208,233
Ceylon Holiday Resorts Ltd Bentota Beach Hotel, Bentota.	8	308,658	2.02	11.92	4,847,516	4,768,101
Fantasea World Investments (Pte) Ltd Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	163	236,730	-	18.90	10,997,044	12,632,232
Habarana Lodge Ltd Cinnamon Lodge, Habarana.	79	101,162	-	36.09	898,573	864,856
Habarana Walk Inn Ltd Chaaya Village, Habarana.	84	91,369	-	9.34	361,551	370,369
Hikkaduwa Holiday Resort (Pvt) Ltd Chaaya Tranz, Hikkaduwa.	6	223,712	0.29	4.43	2,092,801	1,935,297
Kandy Walk Inn Ltd Cinnamon Citadel, Kandy.	6	128,302	6.29	-	1,937,392	1,811,231
Resort Hotels Ltd Medway Estate, Nilaveli.	-	-	41.73	-	1,116,628	1,066,000
Trans Asia Hotels PLC Cinnamon Lake Side, Colombo 2.	2	371,611	-	7.65	7,604,702	7,082,927
Tranquility (Pte) Ltd Chaaya Island Dhonveli, Republic of Maldives.	146	261,327	-	17.16	24,712,514	27,636,699
Velifushi, Republic of Maldives.	145	263,512	-	13.22	6,226,825	8,072,854
Travel Club (Pte) Ltd Chaaya Reef Ellaidhoo, Republic of Maldives.	115	178,294	-	13.80	5,068,517	6,519,327
Trinco Holiday Resorts (Pvt) Ltd Chaaya Blu, Trincomalee.	9	94,931	13.24	-	1,748,602	1,684,907
Trinco Walk Inn Ltd Club Oceanic, Trincomalee.	-	-	14.15	-	419,467	393,467
Wirawila Walk Inn Ltd Randunukelle Estate, Wirawila.	-	-	25.15	-	105,716	100,718
Yala Village (Pvt) Ltd Cinnamon Wild, Tissamaharama.	78	81,909	-	9.34	617,992	618,025
	855	3,676,200	128.23	141.85	110,511,916	115,817,717
Improvements to Keells Super outlets on leased hold properties and lease rentals paid in advance	134	1,843,174	-	99.64	18,550,031	17,501,983
Consolidated Value of Land and Buildings, Right of Use Assets and Investment Property	1,183	7,775,844	264.07	648.52	191,697,483	196,342,135

# 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 one and three years held at the Holding Company, excluding short-term investments under the life fund of Union Assurance (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 51.

## 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 Green House Gas (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 1
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 Business Assurance India Private Limited ('DNV'), has been commissioned by John Keells Holdings PLC (Corporate Identity Number PQ14, hereafter referred to as 'JKH' or 'the Company') to undertake an independent assurance of the Company's sustainability/non-financial disclosures in its Annual Report (hereafter referred as 'Report'). The disclosures have been prepared by JKH in accordance "to requirements of Global Reporting Initiative (GRI) sustainability reporting standards 2021".

DNV carried out assurance engagement in accordance with DNV's VeriSustain protocol, V6.0, which is based on our professional experience and international assurance practice, and the international standard in Assurance Engagements, ISAE 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information or AccountAbility's AA1000 Assurance Standard (AA1000AS v3). DNV's Verisustain Protocol has been developed in accordance with the most widely accepted reporting and assurance standards. The intended user of this assurance statement is the Management of JKH ('the Management').

DNV carried out Limited Level of assurance/ Type 2 Moderate level of assurance for JKH Sustainability disclosures in its Annual Report. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our conclusion, so that the risk of this conclusion being in error is reduced, but not reduced completely.

We do not express any conclusion, on any other information that may be published outside of the Report and/or on Company's website for the current reporting period.

## RESPONSIBILITIES OF THE MANAGEMENT OF JOHN KEELLS HOLDINGS PLC AND OF THE ASSURANCE PROVIDER

The Management of JKH has the sole responsibility for the preparation of the Report and is responsible for all information disclosed in the Report. The company is responsible for maintaining processes and procedures for collecting, analyzing and reporting the information and also, ensuring the quality and consistency of the information presented in the Report. JKH is also responsible for ensuring the maintenance and integrity of its website and any referenced disclosures on their website.

In performing this assurance work, DNV's responsibility is to the Management of the Company; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

## SCOPE, BOUNDARY AND LIMITATIONS

The agreed scope of work included information on non-financial performance which were disclosed in the Report prepared by JKH based on GRI Topic-specific Standards for the identified material topics for the activities undertaken by the Company during the reporting period 01/04/2023 to 31/03/2024. The reported topic boundaries of non-financial performance are based on the internal and external materiality assessment covering Company's operations as brought out in the report.

Boundary covers the performance of JKH operations in Sri Lanka that fall under the direct operational control of the Company's Legal structure. Based on the agreed scope with the Company, the boundary of assurance covers sites from the following business units; Information technology, retail, hotels, consumer foods, transportation and plantation (Refer Annexure II).

## Inherent Limitation(s):

DNV's assurance engagements are based on the assumption that the data and information provided by the Company to us

as part of our review have been provided in good faith, are true, and is free from material misstatements.

The assurance scope has the following limitations:

- The assurance engagement considers an uncertainty of  $\pm 5\%$  based on materiality threshold for estimation/measurement errors and omissions.
- DNV has not been involved in evaluation or assessment of any financial data/performance of the company. DNV opinion on specific indicators (ref- all sections of core indicators where currency; LKR has been applied)relies on the third party audited financial reports of the Company.

DNV does not take any responsibility of the financial data reported in the audited financial reports of the Company.

- The assessment is limited to data and information within the defined Reporting Period. Any data outside this period is not considered within the scope of assurance.
- Data outside the operations specified in the assurance boundary is excluded from the assurance, unless explicitly mentioned otherwise in this statement.
- The assurance does not cover the Company's statements that express opinions, claims, beliefs, aspirations, expectations, aims, or future intentions. Additionally, assertions related to Intellectual Property Rights and other competitive issues are beyond the scope of this assurance.
- The assessment does not include a review of the Company's strategy or other related linkages expressed in the Report. These aspects are not within the scope of the assurance engagement.
- The assurance does not extend to mapping the Report with reporting frameworks other than those specifically mentioned. Any assessments or comparisons with frameworks beyond the specified ones are not considered in this engagement.
- Aspects of the Report that fall outside the mentioned scope and boundary are not subject to assurance. The assessment is limited to the defined parameters.
- The assurance engagement does not include a review of legal compliances. Compliance with legal requirements is not within the scope of this assurance, and the Company is responsible for ensuring adherence to relevant laws.

DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Statement.

## ASSURANCE PROCESS

As part of the assurance process, a multi-disciplinary team of assurance specialists performed assurance work for selected sites of JKH. We adopted a risk-based approach, that is, we concentrated our assurance efforts on the issues of high material relevance to the Company's business and its key stakeholders. We carried out the following activities:



**DNV**

# INDEPENDENT ASSURANCE STATEMENT

Limited Level of Assurance
Reviewed the disclosures in the report. Our focus included general disclosures, management processes, principle wise performance (essential indicators, and leadership indicators) and any other key metrics specified under the reporting framework.
Understanding the key systems, processes and controls for collecting, managing and reporting the non-financial disclosures in report.
Walk-through of key data sets. Understand and test, on a sample basis, the processes used to adhere to and evaluate adherence to the reporting principles.
Collect and evaluate documentary evidence and management representations supporting adherence to the reporting principles.
Interviews with the senior managers responsible for management of disclosures. We were free to choose interviewees and interviewed those with overall responsibility of monitoring, data collation and reporting the selected indicators.
DNV audit team conducted on-site audits for corporate offices and sites. Sample based assessment of site-specific data disclosures was carried out. We were free to choose sites for conducting our assessment.
Reviewed the process of reporting as defined in the assessment criteria.

## CONCLUSION

### Limited Level of Assurance

On the basis of the assessment undertaken, nothing has come to our attention to suggest that the disclosures are not fairly stated and are not prepared, in all material aspects, in accordance with the reporting criteria.

### AA1000 ACCOUNTABILITY PRINCIPLES STANDARD (AA1000APS (2018))

#### 1. Inclusivity

*The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.*

The Report brings out the stakeholders who have been identified as significant to JKH, as well as the modes of engagement established by the Company to interact with these stakeholder groups. The key topics of concern and needs of each stakeholder group which have been identified through these channels of engagement are further brought out in the Report.

*Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.*

#### 2. Materiality

*The process of determining the issues that are most relevant to an organization and its stakeholders.*

The Report explains out the materiality assessment process carried out by the Company which has considered concerns of internal and external stakeholders, and inputs from peers and the industry, as well as issues of relevance in terms of impact for JKH's business. The list of topics has been prioritized,

reviewed and validated, and the Company has indicated that there is no significant change in material topics 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.*

#### 3. Responsiveness

*The extent to which an organization responds to stakeholder issues.*

The Report adequately brings out the Company's policies, strategies, management systems and governance mechanisms in place to respond to topics identified as material and significant concerns of key stakeholder groups. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness. However, going forward JKH may, based on its strategic priorities, identify and articulate its medium and long-term sustainability targets and report its performance against these targets.

*Nothing has come to our attention to believe that the Report does not meet the requirements related to the Principle of Responsiveness.*

#### 4. Impact

*The level to which an organisation monitors, measures and is accountable for how its actions affect its broader ecosystems.*

The Report brings out the key performance metrics, surveys and management processes used by JKH to monitor, measure and evaluate its significant direct and indirect impacts linked to identified material topics across the

Company, its significant value chain entities and key stakeholder groups.

*Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Impact.*

#### 5. Reliability/Accuracy

*The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.*

The Report brings out the systems and processes that the Company has set in place to capture and report its performance related to identified material topics across its reporting boundary. The majority of information mapped with data verified through our remote and onsite assessments with JKH's management teams and process owners at the Corporate Office and sampled sites within the boundary of the Report were found to be fairly accurate and reliable. Some of the data inaccuracies identified in the report during the verification process were found to be attributable to transcription, interpretation, and aggregation errors. These data inaccuracies have been communicated for correction and the related disclosures were reviewed post correction.

*Nothing has come to our attention to believe that the Report does not meet the principle of Reliability and Accuracy.*

#### Additional principles as per DNV VeriSustain

#### 6. Completeness

*How much of all the information that has been identified as material to the organization and its stakeholders is reported?*

The Report brings out the Company's performance, strategies and approaches related to the environmental, social and governance issues that it has identified as material for its operational locations coming under the boundary of the report, for the chosen reporting period while applying and considering the requirements of Principle of Completeness.

*Nothing has come to our attention to suggest that the Report does not meet the Principle of Completeness with respect to scope, boundary and time.*

#### 7. Neutrality/Balance

*The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.*

The Report brings out the disclosures related to JKH's performance during the reporting period in a neutral tone in terms of content and presentation, while considering the overall



macroeconomic and industry environment. **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, which are based on the principles enclosed within ISO IEC 17029:2019 – Conformity assessment – General principles are requirements for validation and verification bodies, 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<sup>1</sup> during the assurance engagement. DNV’s established policies and procedures are designed to ensure that DNV, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out

by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement for internal use of JKH.

**PURPOSE AND RESTRICTION ON DISTRIBUTION AND USE**

This assurance statement, including our conclusion has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Company for our work or this report.

For DNV Business Assurance India Private Limited

<b>Karthik Ramaswamy</b>	Digitally signed by Karthik Ramaswamy Date: 2024.05.20 13:55:11 +05'30'	<b>Kakaraparthi, Venkata Raman</b>	Digitally signed by Kakaraparthi, Venkata Raman Date: 2024.05.20 14:26:37 +05'30'
Karthik Ramaswamy Lead Verifier, Sustainability Services, DNV Business Assurance India Private Limited, India.		Kakaraparthi Venkata Raman Assurance Reviewer, Sustainability Services, DNV Business Assurance India Private Limited, India.	
Goutam Banik (Verifier)			

20 May 2024, Bengaluru, India.

DNV Business Assurance India 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](http://www.dnv.com)

**ANNEX I**

**'Global Reporting Initiative (GRI) 2021 standard disclosures'**

- GRI 2: General Disclosures
- GRI 3: Material Topics
- GRI 201: Economic Performance 2016 – 201-1; 201-3
- GRI 203: Indirect Economic Impacts 2016 – 203-1; 203-2
- GRI 204: Procurement Practices 2016 – 204-1
- GRI 205: Anti-corruption 2016 – 205-1
- GRI 207: GRI 207: Tax 2019 207-1; 207-2; 207-3; 207-4
- GRI 302: Energy 2016 – 302-1; 302-3; 302-4
- GRI 303: Water and Effluents 2018 – 303-1; 303-2; 303-3; 303-4, 303-5
- GRI 304: Biodiversity 2016 - 304-1; 304-3
- GRI 305: Emissions 2016 – 305-1; 305-2; 305-4; 305-5; 305-6
- 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; 401-2; 401-3
- 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; 404-2; 404-3
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1
- GRI 407: Freedom of Association and Collective Bargaining 2016 – 407-1
- GRI 408: Child Labor 2016 – 408-1
- GRI 409: Forced or Compulsory Labor 2016 – 409-1
- GRI 413: Local Communities 2016 – 413-1
- GRI 414: Supplier Social Assessment 2016 – 414-1
- GRI 416: Customer Health and Safety 2016 – 416-1
- GRI 417: Marketing and Labeling 2016 – 417-1; 417-2; 417-3

**ANNEX II**

**Sites selected for On-site / Remote audits**

Sl. No.	Site	Location
1	Corporate office	Remote audits for interaction with leadership teams
2	Retail - John Keells Office Automation (Pvt) Ltd	Corporate office: 90 Union Place, Colombo 02 Technical services: 148, Vauxhall street, Colombo 02
3	Retail - Keells Supermarket, Lauries (Duplication Road)	5, Lauries Place, Colombo 4
4	Retail - Keells Supermarket - Kaduwela	No. 66, New Kandy Road, Kaduwela
5	Hotels and Resorts Hotels and Resorts - Asian Hotels and Properties PLC – Cinnamon Grand	No. 77, Galle Road, Colombo 3
6	Consumer Foods - Ceylon Cold Stores PLC	Corporate office: No. 117, Chittampalam A. Gardiner Mawatha, Colombo 02 Factory: Ceylon Cold Stores, Ranala
7	Transportation (Logistics) - John Keells Logistics (Pvt) Ltd	Corporate office: No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 Warehouse: No. 65, Kotugoda road, Seeduwa
8	Plantation sector	Corporate office: No. 186, Vauxhall street, Colombo 02 Factory: Neluwa-Medagama tea factory, Neluwa, Galle

DNV Corporate Governance & Code of Conduct - <https://www.dnv.com/about/in-brief/corporate-governance.html>

# 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	
			Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd**	Port agency services, project logistics and freight forwarding solutions	2021 (PV00235035) Sri Lanka	
			Mackinnon Mackenzie & Company (Shipping) Ltd	Shipping Agency representation & logistics services	1973 (PB 359) Sri Lanka	
			Maersk Lanka (Pvt) Ltd. **	Shipping Agency representation & freight forwarding services	1992 (PV 2550) Sri Lanka	
			South Asia Gateway Terminals (Pvt) Ltd **	Ports & Shipping Services	1998 (PV 326) Sri Lanka	
	Transportation	Bunkering	Lanka Marine Services (Pvt) Ltd	Importer & supplier of heavy marine fuel oils	1993 (PV 475) Sri Lanka	
		DHL Keells	DHL Keells (Pvt) Ltd **	International express courier services	1986 PV 1307 Sri Lanka	
		Logistics	John Keells Logistics (Pvt) Ltd	Integrated supply chain management	2006 PV318 Sri Lanka	
		Other	Mack International Freight (Pvt) Ltd	International freight forwarding and clearing & forwarding	1980 (PV 831) Sri Lanka	
			Mackinnon Mackenzie and Company of Ceylon Ltd*	Foreign recruitment agents & consultants	1975 (PB 348) Sri Lanka	
			Trans-Ware Logistics (Pvt) Ltd*	Renting of storage space	1994 (PV 3134) Sri Lanka	
		Airlines	Mack Air (Pvt) Ltd	General sales agents for airlines in Sri Lanka	1980 (PV 868) Sri Lanka	
			Mackinnons Travels (Pvt) Ltd	IATA accredited travel agent and travel related services	1971 (PV 1261) Sri Lanka	
			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	
		Frozen Confectionery	The Colombo Ice Company (Pvt) Ltd	Manufacturing and Marketing of frozen confectionery	2016 (PV 113758) Sri Lanka	
		Convenience Foods	John Keells Foods India (Pvt) Ltd*	Marketing of Branded meat and convenience food products	2008 (U15122MH2008FTC180902) India	
			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	Biju Ravi, 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, A Z Hashim, D P Gamlath, Yen-I Chang, J R Goldner, G U K Algewattage, S K Brandt, K D Bernard, N N Mawilmada, S C Deloor	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. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. Tel. 2475509	K D Weerasinghe, A Z Hashim	Rs. 12,440 100%
	No. 11, York Street, Colombo 1 Tel. 2475545/539	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	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, 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			
			Logipark International (Pvt) Ltd	Integrated Supply Chain Management	2018 (PV 201610) Sri Lanka			
		New Energy Vehicles	John Keells CG Auto (Pvt) Ltd	Importing and selling New Energy Vehicles and providing after sales services	2023 (PV 285800) Sri Lanka			
		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			
			Cinnamon Hotel Management International (Pvt) Ltd*	Operator & marketer of overseas hotels & resorts	2018 (PV 131788) Sri Lanka			
			John Keells Hotels PLC*	Holding company of group resort hotel companies in Sri Lanka & Maldives	1979 (PQ 8) Sri Lanka			
			Sentinel Realty (Pvt) Ltd**	Investment company for Hotel Development land	2011 (PV 80706) Sri Lanka			
	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		
				Capitol Hotel Holdings Ltd	Developer of City Business Hotels	2012 (PB 5013) Sri Lanka		
				Trans Asia Hotels PLC	Owner & operator of the five star city hotel "Cinnamon Lakeside".	1981 (PQ 5) Sri Lanka		
				Waterfront Properties (Pvt) Ltd***	Developer of Hotels, Apartments, offices & Shopping Malls	2011 (PV 82153) Sri Lanka		
		Sri Lankan Resorts			Ahungalla Holiday Resorts (Pvt) Ltd*	Owner of real estate	2012 (PV 85046) Sri Lanka	
					Beruwala Holiday Resorts (Pvt) Ltd	Owner & operator of "Cinnamon Bey" in Beruwala	2009 (PV 69678) Sri Lanka	
					Ceylon Holiday Resorts Ltd -Bentota Beach Hotel	Owner & operator of "Cinnamon Bentota Beach" in Bentota	1966 (PB 40) Sri Lanka	
					Habarana Lodge Ltd	Owner & operator of "Cinnamon Lodge" in Habarana	1978 (PB 38) Sri Lanka	
					Habarana Walk Inn Ltd	Owner & operator of "Habarana Village by Cinnamon" in Habarana	1973 (PB 33) Sri Lanka	
					Hikkaduwa Holiday Resorts (Pvt) Ltd	Owner & operator of "Hikka Tranz by Cinnamon" in Hikkaduwa	2010 (PV 71747) Sri Lanka	
Indra Hotel and Resorts Kandy (Pvt) Ltd*	Owner of 216 - Key Hotel in 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%
	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Tel.	K N J Balendra, K C Subasinghe, P K Das, N K Chaudhary, J G A Cooray, Y T De Zoysa	Rs.400 50%
	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, 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 40.16%
	No. 77, Galle Road, Colombo 3 Tel. 2437437 /2497206	K N J Balendra - Chairperson, 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, D A Kannangara, M D R Gunatilleke, L C H Leow, A J Pathmarajah, M D M Gunatilleke, N N Mawilmada	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.225,511,899,875 99.10%
	No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306000	C L P Gunawardane, M H Singhawansa, M R Svensson	Rs.135,137,760 80.32%
	Moragalla, Beruwala. Tel. 034 2297000	C L P Gunawardane, 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, 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, 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 (PV 98357) 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 107427) 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 of "Viman" Ja-Ela	2010 (PV 76068) Sri Lanka	

	Addresses	Directors	Stated Capital & Effective Holding
	Moragalla, Beruwala Tel. 2306600, 2421101-8	C L P Gunawardane, 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, 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, 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, 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, M H Singhawansa, M R Svensson	Rs.8,849,150 79.60%
	Sambativu, Uppuveli, Trincomalee Tel. 026 2222307 / 026 2221611	C L P Gunawardane, 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, 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, M H Singhawansa, M R Svensson	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, 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, 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, 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, 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 and rental of properties	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 (PV 19165) Sri Lanka	
			Braybrooke Residential Towers (Pvt) Ltd *	Developer of 'TRI-ZEN' Residential Towers	2017 (PV 128387) 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 and Rental of Properties	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 (PB 27) Sri Lanka	
			Vauxhall Land Developments (Pvt) Ltd *	Owner of Real Estates	2017 (PV 125587) 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 (PV 99666/PB) 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, 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, 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	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, 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), B D N Jayatilake	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.225,511,899,875 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, R M Prabhakar, S A J S Jayatilake	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, A M Ali	Rs.57,750,000 90.04%
	No. 242, Union Place, Colombo 2. Tel. 0114313131	R S Cader - Chairperson, 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, K C Subasinghe	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	IT Consultancy & Professional Service	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 (PV 1048) 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 (PB3 / 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	Rs.1,988,300,000 100%
IFS Court, 28, Cybercity, Ebene, Mauritius Tel. (230) 467 3000	Z H Niamut, K Peerbocus, K D Weerasinghe	Rs.1,616,700,008 100%
No.4, Leyden Bastian Road, Colombo 1 Tel. (94) 2300770-77	K D Weerasinghe, 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 Wijenaik, 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, S S H Wijayasuriya, S A Coorey, D V R S Fernando	Rs.90,602,453,241 99.24%
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	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	322						
b)								
i. Names of the resident entities	Group Directory	378-387						
ii. Primary activities of the organization	Group Directory	378-387						
iii. Number of employees			14,610	-	-	704	-	15,314
iv. Revenues from third-party sales			260,387,475	-	-	20,385,129	-	280,772,604
v. Revenues from intra-group transactions with other tax jurisdictions								
vi. Profit/loss before tax			17,665,096	2,262	38,352	299,389	8,825	18,013,924
vii. Tangible assets other than cash and cash equivalents			456,011,367	-	-	49,697,012	35	505,708,414
viii. Corporate income tax paid on a cash basis	Not Applicable							
ix. Corporate income tax accrued on profit/loss			(4,873,295)	-	(5,689)	(29,074)	(1,071)	(4,909,128)
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	320						
c) The time period covered by the information reported in Disclosure 207-4.	Year ended 31st March 2024							
d) Capital expenditure incurred during the year			35,004,372	-	-	768,396	-	35,772,768
e) Community contribution			200,166	-	-	2,097	-	202,263

# 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 (378-387) Scope and boundary (5)				
	2-3 Reporting period, frequency and contact point	a, b, c - Corporate Information (Pg : 402) and Scope and boundary (5)				
	2-4 Restatements of information	a. Investor Relations - ESG Highlights (27-28)				
	2-5 External assurance	a. Information Verification and Quality Assurance b. i, ii, iii - Independent Assurance Statement				
	2-6 Activities, value chain and other business relationships	a. About Us (7) b. i. Supply Chain Management (101) and Full Industry groups section (135-204) ii. Supply Chain Management (101) iii. Industry Group Review c. Supply Chain Management (101) and Industry Group Review (135-204) d. Industry Group Review (135-204)				
	2-7 Employees	a, b, c, d - Diversity , Equity & Inclusion (80) e - Investor relations - Human capital (28)				
	2-8 Workers who are not employees	a, b -Diversity , Equity & Inclusion (83) c - Investor relations - Human capital (28)				
	2-9 Governance structure and composition	a, b - Internal Governance Structure (217) Board composition (218-219) Board Skills (290) Board Sub Committees (224) c i, ii, iii, v - Board composition (218-219) c iv - Details in respect of Directors (222) c vii, viii - Board Profile (207-208)				
	2-10 Nomination and selection of the highest governance body	a - Board Appointment (219) b - Board Diversity (248) Board Independence (248) Board Composition (219) Board Appointment (219) Board Skills (219) Nominations committee (227)				
	2-11 Chair of the highest governance body	a, b - Combined Chairperson - CEO Role (231)				

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-12 Role of the highest governance body in overseeing the management of impacts	a - Sustainability Governance (241-242) b i - Stakeholder Management and Effective Communication (239-240) Sustainability Governance c - Sustainability Governance (241-242)				
	2-13 Delegation of responsibility for managing impacts	a i ii - Group Executive Committee (232) Group Operating Committee (232) Other Management Committees (232) Employee Empowerment (232) Sustainability Governance (241-242) b - Group Executive Committee (232) Group Operating Committee (232)				
	2-14 Role of the highest governance body in sustainability reporting	Introduction to the Integrated Report - Process of completing the Integrated Report (4)				
	2-15 Conflicts of interest	Ensuring Independence and Managing Conflict of Interest (221)				
	2-16 Communication of critical concerns	a - Chairperson Direct (290) Whistle blower policy (245) Ombudsperson (247) Forensic data analytics to identify anomalies and facilitate behavioural oversight (246) Assurance Mechanisms (243) Internal Controls (245) b - Internal - Ombudsperson - Mandate and Role (247) External - Stakeholder management and effective communication (239-240)				
	2-17 Collective knowledge of the highest governance body	Board Access to Independent Professional Advice (219) Board Induction and Training (219)				
	2-18 Evaluation of the performance of the highest governance body	a - Board evaluation (221) Chairperson - CEO Appraisal (231) b, c - Board Evaluation (221)				
	2-19 Remuneration policies	Director Remuneration (223) Human Resources and Compensation Committee (226)				
	2-20 Process to determine remuneration	a i, ii - Human Resources and Compensation Committee (226) Performance Based Compensation Philosophy (236) b Director Remuneration (223)				
	2-21 Annual total compensation ratio	Human capital review - compensation and benefits (84)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-22 Statement on sustainable development strategy	Chairperson' Message (18)				
	2-23 Policy commitments	a i to iv - JKH code of conduct (243) and Social and Relationship Capital - Supply Chain Management (102) b - Business conduct and ethics (99) c, d - Key Internal Policies (213) e, f - Supply Chain Management (101) Greater Employee Involvement in Governance (249), JKH code of conduct (243)				
	2-24 Embedding policy commitments	a i - Group Executive Committee and Other Management Committees (232) Assurance mechanisms (243) ii - Risk Management Process (237) Key Risks (113) iii - Project approval process (234) Supply Chain Management (101) iv - Board Induction and Training (219) Human capital review (81)				
	2-25 Processes to remediate negative impacts	Ombudsperson (247) Employee Participation in Assurance (244)				
	2-26 Mechanisms for seeking advice and raising concerns	Employee Participation in Assurance - Whistle-blower policy (245)				
	2-27 Compliance with laws and regulations	a - Investor relations - ESG highlight - Social and relationship capital table - (28) b - (254) c - There were no significant fines reported d - Significant fines are defined as fines over Rs. 1 million.				
	2-28 Membership associations	Knowledge sharing and Policy Dialogues (97-99)				
	2-29 Approach to stakeholder engagement	Stakeholder Engagement (256-257)				
	2-30 Collective bargaining agreements	Collective Bargaining (84)				
<b>Material topics</b>						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Introduction - Determining Materiality (5) Stakeholder Engagement - Determining materiality (258-259)	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	a, b - Key Material Topics (259)				
<b>Economic performance</b>						

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 3: Material Topics 2021	3-3 Management of material topics	Financial and manufacturing capital review - Management approach (366)				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Value Added Statement (368)				
	201-2 Financial implications and other risks and opportunities due to climate change			Not material		
	201-3 Defined benefit plan obligations and other retirement plans	Employee benefit plans (84) Investor Relations - Human Capital (28)				
<b>Market presence</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics			Not material		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage			Not material		
	202-2 Proportion of senior management hired from the local community			Not material		
<b>Indirect economic impacts</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship Capital Review - Management Approach (99-102)				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Social and Relationship Capital Review - (89-102)				
	203-2 Significant indirect economic impacts	Social and Relationship Capital - (28) Social and Relationship Capital Review- (89-102)				
<b>Procurement practices</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship capital review - management approach- Supply Chain Management (101)				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	a - Social and Relationship Capital Review (89) b - The organization's geographical definition of 'local' is defined as within geographical boundaries of Sri Lanka c - significant locations of operation'. is defined as the geographical country of headquarters of operations, an is the country of Sri Lanka				
<b>Anti-corruption</b>						

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship capital review - management approach- business conduct and ethics- (99)				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Investor relations - ESG Highlights - Social and Relationship Capital (28) Key Risks - Reputation and brand image risk (117)				
	205-2 Communication and training about anti-corruption policies and procedures			Not material		
	205-3 Confirmed incidents of corruption and actions taken			Not material		
<b>Anti-competitive behaviour</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics			Not material		
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices			Not material		
<b>Tax</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Financial and manufacturing capital review - Management approach (366)				
GRI 207: Tax 2019	207-1 Approach to tax	Tax governance (239)				
	207-2 Tax governance, control, and risk management	Tax governance (239) Whistle blower Policy (245)				
	207-3 Stakeholder engagement and management of concerns related to tax	Tax governance (239)				
	207-4 Country-by-country reporting	Country by country reporting statement (388)				
<b>Materials</b>						

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 3: Material Topics 2021 GRI 301: Materials 2016	3-3 Management of material topics			Not material		
	301-1 Materials used by weight or volume			Not material		
	301-2 Recycled input materials used			Not material		
	301-3 Reclaimed products and their packaging materials			Not material		
<b>Energy</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Natural Capital Review - Management Approach (76-78)				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Management - Group and industry group-wide performance comparison (64)				
	302-2 Energy consumption outside of the organization			Not material		
	302-3 Energy intensity	Energy Management - Group and industry group-wide performance comparison (64)				
	302-4 Reduction of energy consumption	Energy Management - Energy efficiency (65)				
	302-5 Reductions in energy requirements of products and services			Not material		
<b>Water and effluents</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Natural Capital Review - Management Approach (76-78)				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	a, b - Water and Effluents Management (67-68) c, d - 2023/24 Water and Effluent management Goals, initiatives and Progress ( 68)				
	303-2 Management of water discharge-related impacts	Water and Effluents Management - Effluent Treatment and Discharge (67-68)				
	303-3 Water withdrawal	a, c, d - Water and Effluents Management -Water withdrawal (67-68)				
	303-4 Water discharge	Water and Effluents Management -Group and industry group-wide performance comparison (67)				
	303-5 Water consumption	Water and Effluents Management -Group and industry group-wide performance comparison (67)				
<b>Biodiversity</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Natural Capital Review - Management Approach (78)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
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	Biodiversity (72-74)				
	304-2 Significant impacts of activities, products and services on biodiversity			Not material		
	304-3 Habitats protected or restored	Biodiversity - Biodiversity Initiatives (73-74)				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations			Not material		
<b>Emissions</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Natural Capital Review - Management Approach (76-78)				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Carbon Footprint - Group and industry group-wide performance comparison (65) Management Approach (76-78)				
	305-2 Energy indirect (Scope 2) GHG emissions	Carbon Footprint - Group and industry group-wide performance comparison (65)				
	305-3 Other indirect (Scope 3) GHG emissions			Not material		
	305-4 GHG emissions intensity	Carbon Footprint - Group and industry group-wide performance comparison (65-66)				
	305-5 Reduction of GHG emissions	Carbon Footprint Goals, Initiatives and Progress (67)				
	305-6 Emissions of ozone-depleting substances (ODS)	Carbon Footprint- Emissions of ozone-depleting substance - (66)				
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			Not material		
<b>Waste</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Natural Capital Review - Management Approach (76-78)				

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management (69) Management Approach (76-78)				
	306-2 Management of significant waste-related impacts	Waste Management (69) Extended Product Responsibility (74-76) Management Approach (76-78)				
	306-3 Waste generated	Waste Management - Group and industry group wide performance comparison (69)				
	306-4 Waste diverted from disposal	Waste Management - Group and industry group wide performance comparison (69)				
	306-5 Waste directed to disposal	Waste Management - Group and industry group wide performance comparison (69)				
<b>Supplier environmental assessment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship Capital Review - Management Approach- Supply chain management (101)				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Investor Relations - Social and Relationship Capital (28)				
	308-2 Negative environmental impacts in the supply chain and actions taken			Not material		
<b>Employment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Capital Review - Management Approach (86-88)				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	a, b - Talent Management (80) Attrition (86)				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	a - Compensation and benefits - 84 b - Sri Lanka and the Maldives are considered as significant locations of operations for the Group due to the nature of its operational presence				
	401-3 Parental leave	a, b, c, d, e, - Parental leave (84)				
<b>Occupational health and safety</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Capital Review - Management Approach (86-88)				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and Safety (85) Management Approach (86-88)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	403-2 Hazard identification, risk assessment, and incident investigation	Management Approach (86-88)				
	403-3 Occupational health services	Management Approach 86-88)				
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and Safety (85) Management Approach (86-88)				
	403-5 Worker training on occupational health and safety	Health and Safety (85)				
	403-6 Promotion of worker health	Health and Safety (85)				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety (85) Management Approach (86-88)				
	403-8 Workers covered by an occupational health and safety management system	Health and Safety (85) Management Approach (86-88)				
	403-9 Work-related injuries	Health and Safety (85) Management Approach (86-88)				
	403-10 Work-related ill health			Not material		
<b>Training and education</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Capital Review - Management Approach (86-88)				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	a i, ii - Learning & Development (81)				
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Management - Transition assistance (82) Learning & Development (81)				
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Management (82) Investor Relations, Human Capital (28)				
<b>Diversity and equal opportunity</b>						

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Capital Review - Management Approach (86-88)				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	a, b - Human Capital (80) Diversity, Equity & Inclusion (83)				
	405-2 Ratio of basic salary and remuneration of women to men			Not reported due to confidentiality constraints		
<b>Non-discrimination</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics			Not material		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken			Not material		
<b>Freedom of association and collective bargaining</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Capital Review - Management Approach- Employee Relations and Collective bargaining (87)				
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	Collective bargaining (84)				
<b>Child labour</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship Capital Review - Management Approach- Business Conduct and Ethics (99), Policy on Child Labour (88)				
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Investor Relations - Social and Relationship Capital (28)				
<b>Forced or compulsory labour</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship Capital Review - Management Approach- Business Conduct and Ethics (99), Policy on Forced or Compulsory Labour (88)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Investor Relations - Human Capital (28)				
<b>Security practices</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics			Not material		
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures			Not material		
<b>Rights of indigenous peoples</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics			Not material		
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples			Not material		
<b>Local communities</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship Capital- Management Approach - Community Relations and Welfare (100)				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social Responsibility (92)				
	413-2 Operations with significant actual and potential negative impacts on local communities			Not material		
<b>Supplier social assessment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Management Approach- Supply chain management (101)				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Investor Relations - Social and Relationship Capital (28)				
	414-2 Negative social impacts in the supply chain and actions taken			Not material		
<b>Public policy</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics			Not material		
GRI 415: Public Policy 2016	415-1 Political contributions			Not material		
<b>Customer health and safety</b>						

# GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship capital - Management Approach- Customer Relations and Product Responsibility (101-102)				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Management Approach- Customer Relations and Product Responsibility (101-102)				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services			Not material		
<b>Marketing and labelling</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	Social and Relationship capital - Management Approach- Customer Relations and Product Responsibility (101 - 102)				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	Product labelling and responsible communication (90) Investor Relations - ESG Highlights - Social and Relationship Capital (28)				
	417-2 Incidents of non-compliance concerning product and service information and labelling	Investor Relations - ESG Highlights - Social and Relationship Capital (28)				
	417-3 Incidents of non-compliance concerning marketing communications	Investor Relations - ESG Highlights - Social and Relationship Capital (28)				
<b>Customer privacy</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics			Not material		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data			Not material		

# NOTICE OF MEETING - ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Fifth Annual General Meeting (AGM) of John Keells Holdings PLC (the Company) will be held as a virtual meeting on 28 June 2024 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 2024 with the Report of the Auditors thereon.
3. re-elect as a Director, Dr. S S H Wijayasuriya who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Dr. S S H Wijayasuriya is contained in the Profiles section of the Annual Report.
4. re-elect as a Director, Dr. S A Coorey who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Dr. S A Coorey is contained in the Profiles section of the Annual Report.
5. re-elect as a Director, Mr. D V R S Fernando who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Mr. D V R S Fernando is contained in the Profiles section of the Annual Report.
6. re-appoint the Auditors and to authorise the Directors to determine their remuneration.
7. consider any other business of which due notice has been given in terms of the relevant laws and regulations.

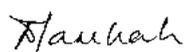
The Annual Report of John Keells Holdings PLC for 2023/24, is accessible via:

- (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 2023/24, 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

21 May 2024

## NOTES:

- i. A Member unable to attend the Meeting is entitled to appoint a Proxy to attend and vote in their 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 their 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 are enclosed.

# 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

## COMPANY REGISTRATION NO.

PQ 14

## DIRECTORS

KN J Balendra - Chairperson/CEO  
J G A Cooray - Deputy Chairperson/Group Finance Director  
D A Cabraal  
S A Coorey  
D V R S Fernando  
A N Fonseka  
S S H Wijayasuriya

## SENIOR INDEPENDENT DIRECTOR

A N Fonseka

## AUDIT COMMITTEE

A N Fonseka - Chairperson  
D A Cabraal  
D V R S Fernando

## HUMAN RESOURCES AND COMPENSATION COMMITTEE

D A Cabraal - Chairperson  
S S H Wijayasuriya

## NOMINATIONS COMMITTEE

D A Cabraal - Chairperson  
KN J Balendra  
S A Coorey  
S S H Wijayasuriya

## RELATED PARTY TRANSACTION REVIEW COMMITTEE

A N Fonseka - Chairperson  
D A Cabraal  
D V R S Fernando

## PROJECT RISK ASSESSMENT COMMITTEE

S S H Wijayasuriya - Chairperson  
KN J Balendra  
J G A Cooray

## 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  
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  
National Development Bank  
Nations Trust Bank  
People's Bank  
Sampath Bank  
Seylan Bank  
Standard Chartered Bank

## DEPOSITORY FOR GDRS\*

Citibank N.A. New York

\* The GDR programme has been terminated. 6-month cancellation period for GDR Holders to convert their GDRs to shares lapses on 14 June 2024.

# 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  
 DR. SHRIDHIR SARIPUTTA HANSA WIJAYASURIYA or failing him  
 DR. SHARMINI AMRITA COOREY or failing her  
 MR. DEVENI VIDANALAGE RENUK SUREN FERNANDO

as my/our proxy to represent me/us and vote on my/our behalf at the Forty Fifth Annual General Meeting of the Company to be held on 28 June 2024 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	Abstained
To re-elect as a Director, Dr. S S H Wijayasuriya, who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as a Director, Dr. S A Coorey who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as a Director, Mr. D V R S Fernando who retires in terms of Article 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint the Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... Two Thousand and Twenty-Four.

.....  
 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 their discretion as to how they vote or, whether or not they abstain from voting.

Please fill in the following details:

Name : .....

Address : .....

.....

.....

Jointly with : .....

Share Folio No: .....

NIC No. : .....

Designed & produced by



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