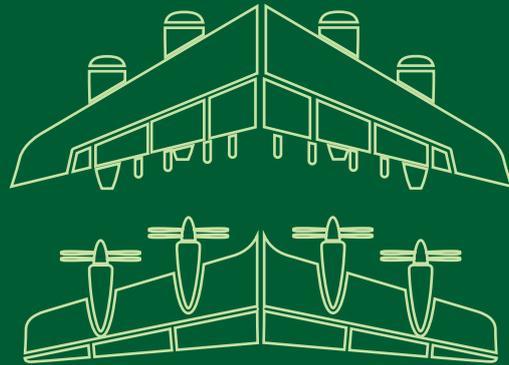
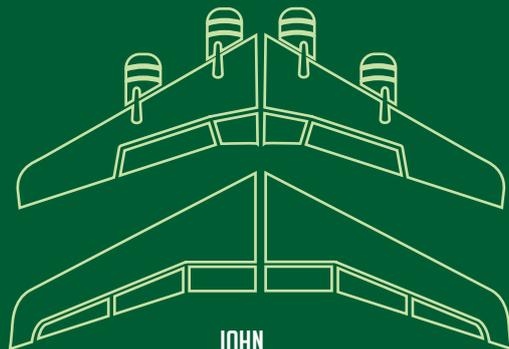


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ANNUAL  
REPORT  
2020/21



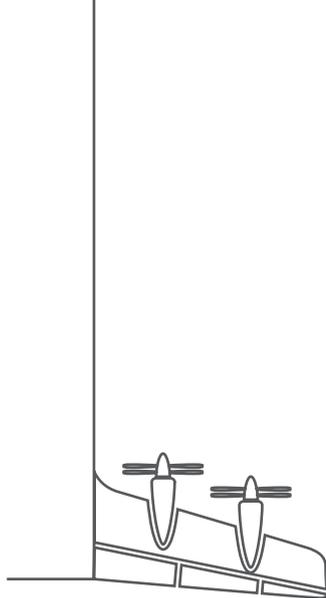
# WINGS OF RESILIENCE



JOHN  
KEELLS  
PLC

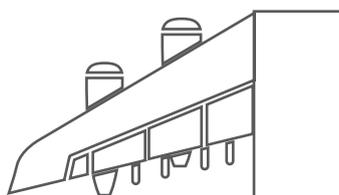
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Since the day we took flight over 150 years ago, we have weathered the unexpected and survived changing landscapes. This has not only made us stronger, but has allowed us to set new benchmarks for quality and innovation while consolidating our position as Sri Lanka's leading Tea and Rubber broker. Our heritage founded on resilience and sound values have led us to become the paradigm that others follow.

Resilience has always been our greatest source of confidence. Despite flying through a challenging terrain, we embraced the digital era and seized its potential to revolutionise the tea sector and record resounding success. Our processes were realigned to face the new norm, drive up efficiencies and deliver lasting value to thousands of stakeholders across the island. Our path ahead looks brighter, as our team of professionals stand ready to steer your company towards greater heights, empowered by our wings of resilience.



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→ **18**

*The tea auction was converted from  
the traditional outcry system to a  
state-of-the-art online digital platform*



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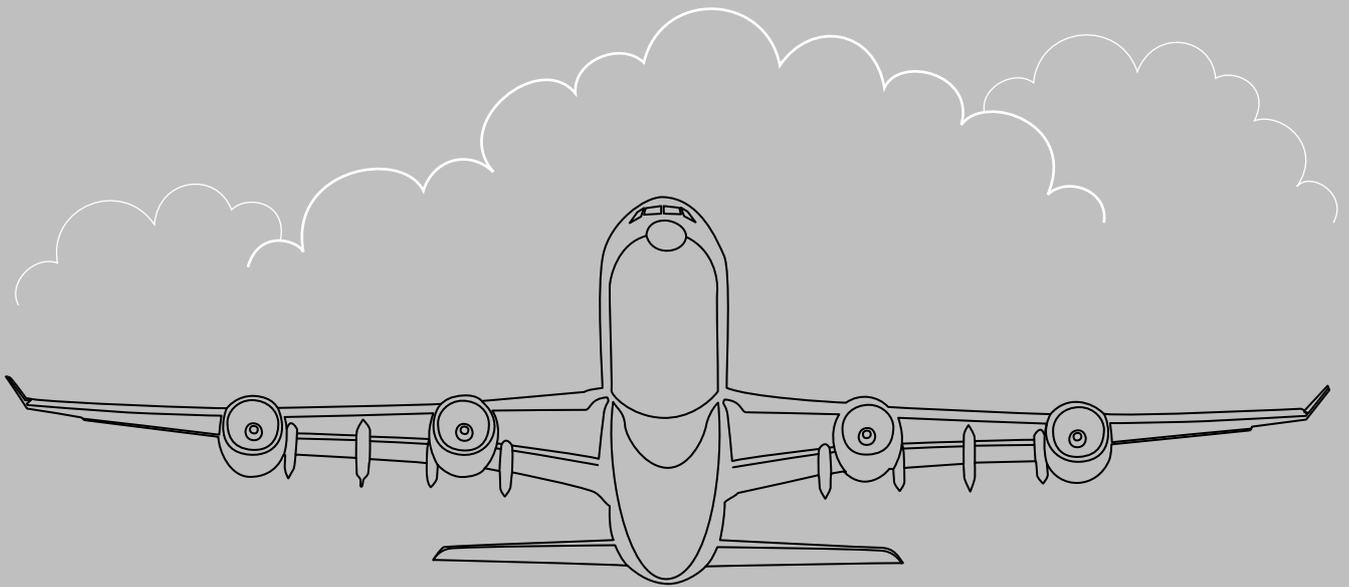
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Corporate Information **Inner Back Cover**

# POWERED BY DETERMINATION

At John Keells PLC we are powered by an exceptional level of determination.  
As we forge ahead, we strongly believe that our own capabilities and  
collective strength will enable us to power through the journey ahead.



## ABOUT US

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## ABOUT US

John Keells PLC has streamlined its operations to welcome challenges and adapt to change while moving with the times in a fast-changing world. Today we have become a paradigm of innovation prospering through 150 years of experience and market leadership while setting a benchmark of quality, brand excellence, and good governance.

This report analyses the responsive strategies and resources that have enabled us to thrive, transform, and remain pertinent to our stakeholders, enabling them to pursue the future and what it holds.

Resilience is our greatest source of confidence through turbulent times and economies. Our Annual Report demonstrates how we have moved with the times and performed exceptionally across a range of indicators by maintaining our long-term vision both now and into the years ahead.

---

## VISION

To be internationally recognised as the best Produce Broker in the world.

## MISSION

To retain the pre-eminent position as Sri Lanka's leading Tea and Rubber broker; To uphold the traditions and ethics of the Tea and Rubber trades; To ensure superior customer service through a dedicated and motivated workforce.

## VALUES

We are committed to the highest level of integrity and ethical conduct in all our business activities. We will look towards exceeding shareholder and customer expectations by achieving excellence in all areas of operations. We recognise the right of every individual to be treated with fairness, dignity and respect and assist our employees to improve their skills and reward their accomplishments. We will focus on corporate social responsibility and look to protect and safeguard the environment.

# INTRODUCTION TO THE REPORT

The Board of Directors along with the Management of John Keells PLC is pleased to present to you our Annual Report for the financial year 2020/21. We at John Keells PLC strive to keep all our stakeholders informed with regards to the affairs of the business. This year's report will take you through key aspects of our company, which collaboratively contribute to the value creating ability of John Keells PLC (herein referred to as the "Company") and its subsidiaries; John Keells Warehousing (Pvt) Ltd (JKW) and John Keells Stock Brokers (Pvt) Ltd (JKSB) (herein referred to as the "Group") in the short, medium and long term.

This annual report is prepared in compliance with local and international regulations and guidelines on Financial and Non-Financial reporting. The report comprises the financial statements, other reports and statements, and disclosure of specified information to serve our diverse stakeholders' information requirements. The following describes the basic information that provide the basis of preparation of this Annual Report and that will be useful in reading and understanding this report.

## REPORTING SCOPE AND BOUNDARIES

The Annual Report 2020/21 of John Keells PLC covers the operations of the Company and the Group for the reporting period from 1st April 2020 to 31st March 2021. Any material event post this reporting period, up to the date of sign-off by the Board of Directors on 21st May 2021, have been disclosed in Note 37 to this report ensuring relevance and reporting accuracy. Our last report for the most recent financial year ending 31st March 2020 is available on our website [www.johnkeellstea.com](http://www.johnkeellstea.com).

The Consolidated Financial Statements of the Group presented on pages from 72 to 78 provides information on financial reporting of the Group. Management discussion and analysis appearing from pages 17 to 34 identifies the activities of the Group. This report also covers risks, opportunities and outcomes that could materially affect the organisation's ability to create value. There were no significant changes to the Group's size, structure, shareholding or supply chain during the period under review. There were no material re-statements of information from the previous reporting period.

## STANDARDS AND PRINCIPLES

### Governance, Risk Management and Operations

- Laws and Regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Code of Best Practice on Corporate Governance 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 Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)

### Financial Reporting

- Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

## Corporate Governance

Good governance is valued across the Group, as we believe that it lays the foundation in building and maintaining long-lasting relationships in our business engagements. The section on Corporate Governance given on pages 38 to 52 of this report elaborates on how we have implemented and executed corporate governance practices in the Company and the Group. The section also encompasses the information on the mandatory and voluntary compliances that has been placed in accordance with corporate governance provisions laid out in the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka (SEC).

## Looking Ahead

This report contains descriptive sections on forward-looking statements and information. We have provided such information based on management expertise and judgment, current and forecasted economic conditions and a variety of other factors. However, our business expectations, future outlook, plans and forecasts may change as the reality may vary with the anticipated performance. Therefore, it is advised that the shareholders and other stakeholders be cautious on placing too much emphasis on such forward-looking statements provided herein. The company does not undertake to update publicly the forward-looking statements to reflect the changes after the date of this report, except, in compliance with the applicable rules and regulations set by the relevant statutory and regulatory bodies.

### Contact Person

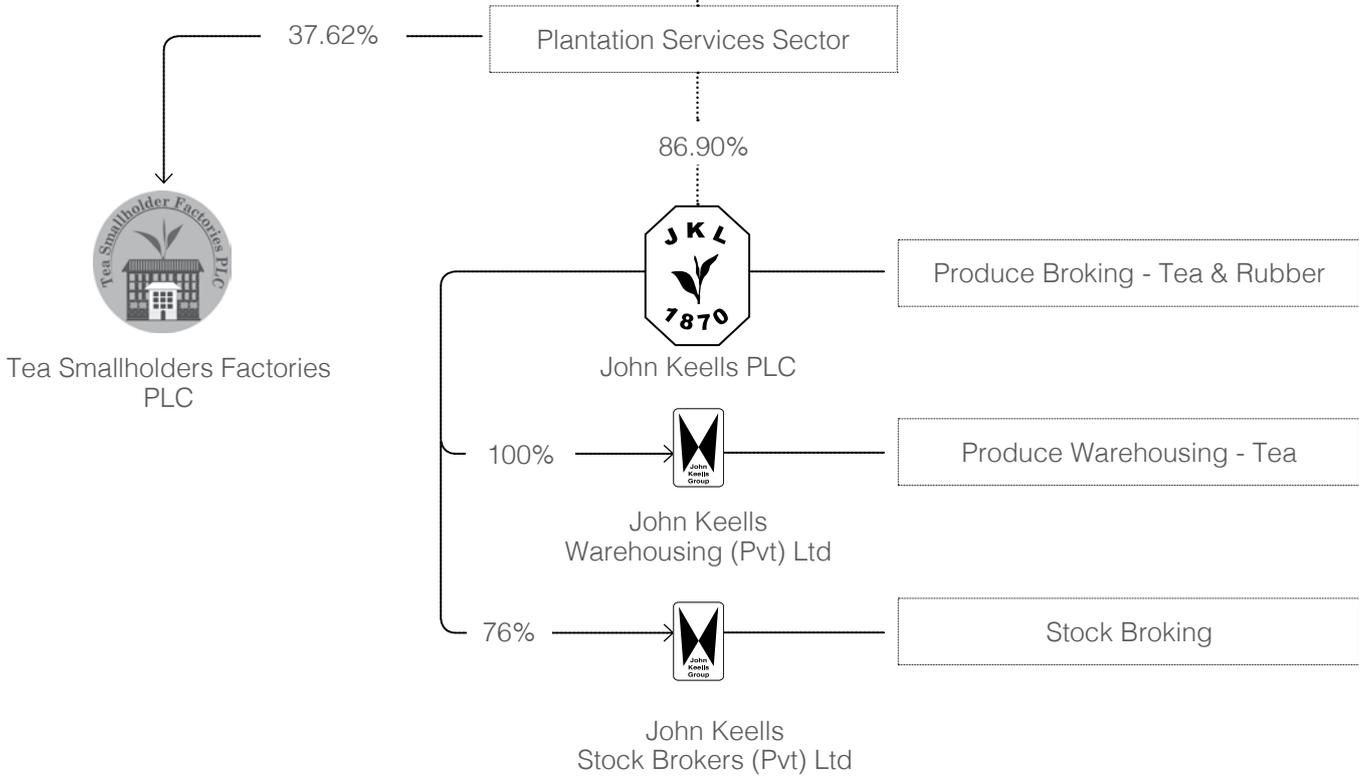
For any inquiries and feedback with reference to this report please contact

Devika Weerasinghe  
Chief Financial Officer

John Keells PLC, No. 186, Vauxhall Street, Colombo 02.  
E-mail: [devika@keells.com](mailto:devika@keells.com)

# GROUP STRUCTURE

## John Keells Holdings PLC



# SENIOR MANAGEMENT TEAM

## **JOHN KEELLS PLC [INC 1960]**

- Zafir Hashim - Sector Head / Executive Vice President John Keells Holdings PLC
- Hishantha De Mel – Chief Executive officer / Vice President John Keells Holdings PLC
- Devika Weerasinghe – Chief Financial Officer / Executive Vice President John Keells Holdings PLC
- Ravin Vannitamby – Head of Operations / Assistant Vice President John Keells Holdings PLC
- Dasarath Dasanayaka – Head of Manufacturing – High Grown Tea
- Sanjay Karunaratne – Manager Tea
- Deshan Bandaranayake – Manager Tea
- Janith De Silva – Manager Tea
- Kumar Bhareti – Manager Manufacturing
- Shehan Meegama – Manager Rubber
- Shane Ingram – Financial Controller
- Samantha Siriwardene – Head of Business Systems

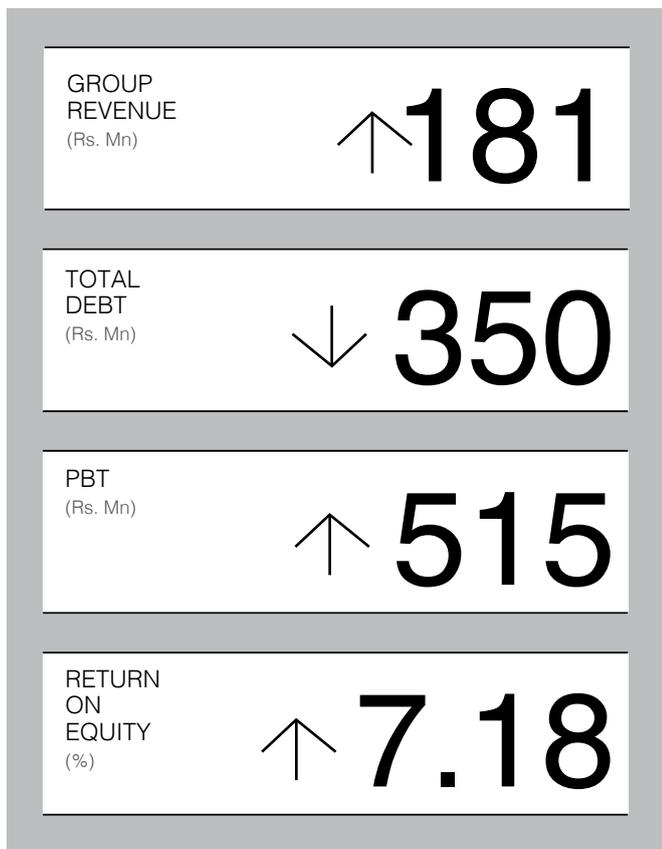
## **JOHN KEELLS WAREHOUSING (PVT) LTD [INC 2001]**

- Lakshman Kannangara – Manager Warehousing

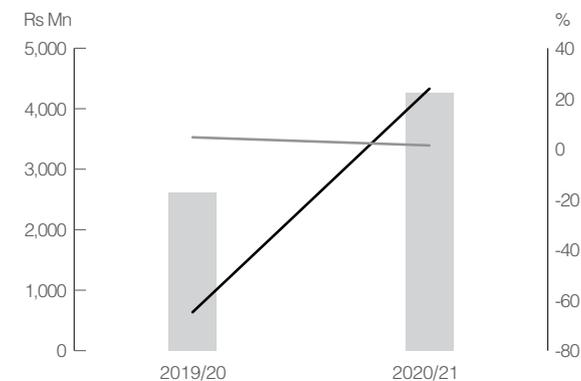
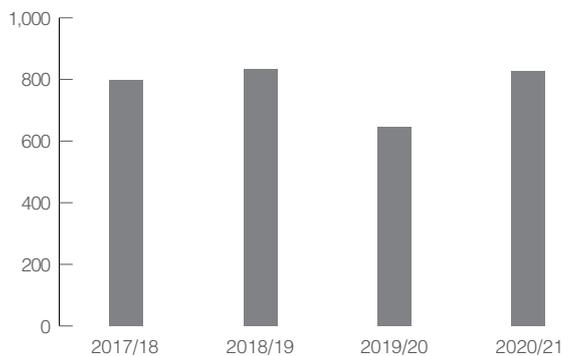
## **JOHN KEELLS STOCK BROKERS (PVT) LTD [INC 1979]**

- Tivanka Ranayake – Chief Executive Officer / Vice President John Keells Holdings PLC
- Sherin Cader – Chief Financial Officer / Executive Vice President John Keells Holdings PLC
- Akmal Mashoor – Head of Sales / Assistant Vice President John Keells Holdings PLC
- Navin Ratnayake – Head of Research / Assistant Vice President John Keells Holdings PLC
- Nithila Talgaswatte – Manager Foreign Sales
- Chryshanthi Manuel – Compliance Officer
- Samantha Siriwardene – Head of Business Systems
- Marinus Fernando – Manager IT

# PERFORMANCE HIGHLIGHTS

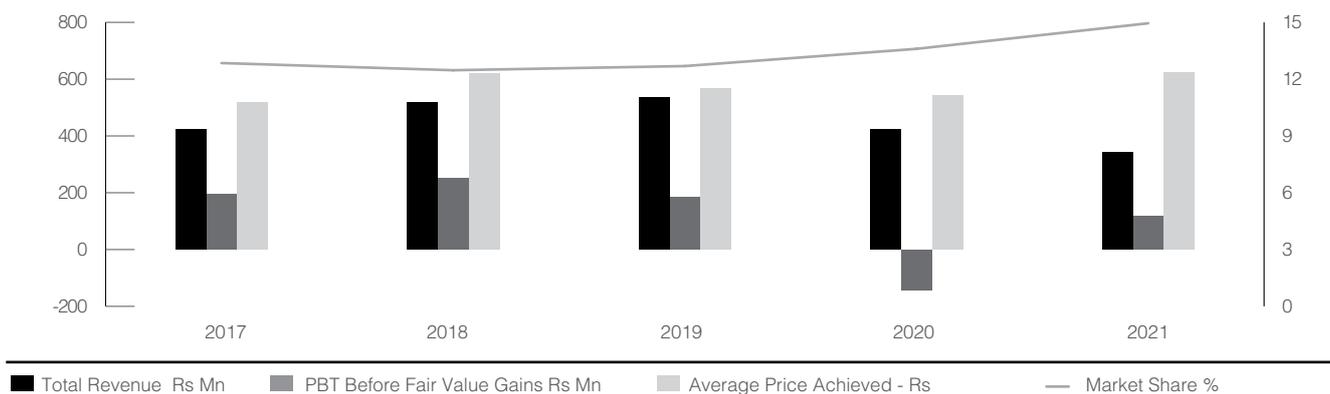


GROUP REVENUE (Rs Mn)



— Dividend yield — Dividend pay-out ratio ■ Market capitalization

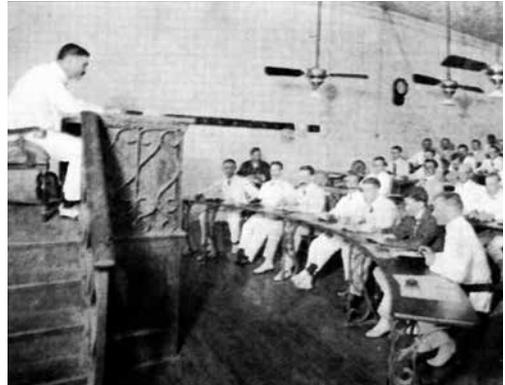
## PERFORMANCE ANALYSIS - COMPANY



To keep growing in an increasingly dynamic and competitive environment the company requires to continuously monitor the operating environment, to help seize potential opportunities and also engage preemptive actions that will minimise the negative consequences in the event of an economic downturn.

| Year ended 31st March   |              | 2020/2021  | 2019/2020 | 2018/2019 |
|---|--------------|------------|-----------|-----------|
| <b>FINANCIAL CAPITAL</b>                                      |              |            |           |           |
| <b>Results of the Year</b>                                    |              |            |           |           |
| Group revenue   | Rs. 000's    | 828,218    | 647,492   | 833,119   |
| Group profits /(loss) before interest and tax (EBIT)          | Rs. 000's    | 392,749    | (59,110)  | 416,239   |
| Group profits/(loss) before tax                               | Rs. 000's    | 358,532    | (156,916) | 296,800   |
| Group profits /(loss) after tax                               | Rs. 000's    | 284,383    | (194,437) | 202,455   |
| Group profits/(loss) attributable to shareholders             | Rs. 000's    | 254,185    | (187,794) | 201,788   |
| Earnings/(loss) per share                                     | Rs.          | 4.18       | (3.09)    | 3.32      |
| Interest cover  | No. of times | 11.48      | (0.60)    | 3.48      |
| Return on equity  | %            | 7.18       | (4.92)    | 5.35      |
| Return on capital employed                                    | %            | 8.80       | (1.32)    | 7.92      |
| <b>Financial Position at the Year End</b>                     |              |            |           |           |
| Total assets  | Rs. 000's    | 11,848,281 | 4,841,068 | 6,169,920 |
| Total debt  | Rs. 000's    | 324,389    | 674,749   | 1,149,693 |
| Number of shares in issue                                     | 000's        | 60,800     | 60,800    | 60,800    |
| Total shareholder funds                                       | Rs. 000's    | 4,136,704  | 3,787,118 | 4,108,823 |
| Net assets per share  | Rs.          | 68.04      | 62.29     | 67.58     |
| Net debt  | Rs. 000's    | 233,418    | (362,856) | (699,356) |
| Debt/Equity   | %            | 7.74       | 17.64     | 27.69     |
| Debt/Total assets   | %            | 2.74       | 13.94     | 18.63     |
| <b>Market / Shareholder Information</b>                       |              |            |           |           |
| Market price as at 31st March                                 | Rs.          | 70.00      | 43.00     | 48.00     |
| Market capitalisation   | Rs. 000's    | 4,256,000  | 2,614,400 | 2,918,400 |
| Enterprise value  | Rs. 000's    | 4,489,418  | 2,251,544 | 2,219,044 |
| Price earning ratio   | No. of times | 16.74      | (13.92)   | 14.46     |
| Dividend paid   | Rs. 000's    | 60,800     | 121,600   | 139,840   |
| Dividend per share  | Rs.          | 1.00       | 2.00      | 2.30      |
| Dividend pay-out ratio  | %            | 23.92      | (64.75)   | 69.30     |
| Dividend yield  | %            | 1.43       | 4.65      | 4.79      |
| <b>Value additions</b>  |              |            |           |           |
| Economic value added  | Rs. 000's    | 892,421    | 714,163   | 980,315   |
| Proportion of purchases from local suppliers within Sri Lanka | %            | 100        | 100       | 100       |
| <b>MANUFACTURED CAPITAL</b>                                   |              |            |           |           |
| Total property plant and equipment                            | Rs. 000's    | 352,767    | 352,079   | 351,075   |
| Capital investments   | Rs. 000's    | 7,193      | 10,646    | 12,298    |

# MILESTONES



- 1870 Edwin John came to Ceylon, as the Island was then called, to join his brother George. Together, they established themselves as Produce and Exchange Brokers.
- 1876 A partnership styled "John Brothers and Company" was formed with offices situated in Colombo and Kandy.
- 1878 This partnership was dissolved and Edwin John started an establishment of his own titled "E. John" and carried on the business of produce and exchange broking. The first decade of business of E. John was one of low activity. Villers records this period thus, "Business in those days was very limited. Coffee had all but gone out, Tea had not expanded sufficiently and the little business in Chinchona was not enough to go around." During this period, Reginald, son of Edwin John, joined his father in Ceylon.
- 1890 Prospects began to improve rapidly with the approaching tea business.
- 1895 Reginald John was taken into the partnership of E. John and Co. By this time, business was growing quite rapidly in tea, shares, oil and exchange.
- 1948 E. John and Co., amalgamated with two London Tea Broking firms, William Jas and Hy Thompson and Co. and Geo White and Co. The firm was then incorporated as a private limited liability company and the name was changed to E. John, Thompson, White and Co. Ltd.
- 1960 E. John, Thompson, White and Co. Ltd., amalgamated with Keells and Waldock Ltd. The name was changed to John Keells Thompson White Ltd. This Company had its office in the National Mutual Insurance Company building in Chatham Street. The first Chairman of the Company was Douglas Armitage and on his retirement he was succeeded by A.G.R. Willis. The Company acquired its Glennie Street premises from Dodwell and Company which were initially used as a warehousing.
- 1962 The firm moved to the sixth floor of the then newly constructed Ceylinco House.
- 1966 The initial step towards diversification of the activities of the Company was taken with the acquisition of Ceylon Mineral Waters Ltd.
- 1970 M.C. Bostock was elected Chairman of the Company.
- 1971 John Keells PLC., moved its offices to Glennie Street, Slave Island.
- 1976 John Keells PLC., became a People's Company.
- 1986 John Keells Holdings PLC, acquired the controlling interest of John Keells PLC., M.C. Bostock retired and D.J.M. Blackler took over as the Chairman of the Company.
- 1990 K. Balendra took over as Chairman, the first Sri Lankan to hold this position. John Keells PLC., acquired controlling interests in John Keells Stock Brokers (Pvt) Ltd.
- 1993 Financial Statements of the associates Keells Realtors Ltd., and International Tourists and Hoteliers Ltd. were incorporated to the Consolidated Accounts.
- 2000 K. Balendra retired as Chairman on 31st December, 2000.
- 2001 V. Lintotawela took over as Chairman on 1st January, 2001. John Keells PLC., incorporated John Keells Warehousing (Pvt) Ltd., a fully owned subsidiary with B.O.I. status.
- 2003 The state-of-the-art warehouse of John Keells Warehousing (Pvt) Ltd., which is the largest hi-tech tea warehouse in this part of the region was commissioned for storing pre-auctioned produce.
- 2004 The Company disposed its Investment in International Tourists and Hoteliers Ltd.



2005 V. Lintotawela retired as Chairman on 31st December 2005 and S. Ratnayake took over as Chairman on 01st January 2006.

2007 The name of the Company was changed to John Keells PLC which is a new requirement of the Companies Act No. 7 of 2007.

2010 The Board of Directors at a meeting held on 20th July 2010 resolved to increase the number of shares by way of share sub – division in the ratio of one (1) share for every one (1) share held. Consequently, the no of shares after the sub – division increased to 30,400,000 shares from the current 15,200,000 shares.

2011 The Board of Directors at a meeting held on 11th May 2011 resolved to increase the number of shares by way of a share sub -division in the ratio of one (1) share for every one (1) share held. Consequently, the number of shares after the sub – division increased to 60,800,000 shares from the previous 30,400,000 shares.

2013 The Company disposed of its land at 130, Glennie Street Colombo 2.

2015 In Compliance to the new Securities Exchange Commission directive which came in to effect from 1st January 2016 the shares of the company which was listed on the Main Board was transferred to the Diri Savi Board of the Colombo Stock Exchange.

2016 In compliance to the Capital Adequacy Requirement implemented by The Colombo Stock Exchange on stock broking firms, JKPLC increased its investment in its subsidiary John Keells Stock Brokers (Pvt) Ltd by accepting the rights for 570,000 shares.

2018 Mr. K. N. J. Balendra and Mr. J. G. A. Cooray appointed as the new directors of John Keells PLC (w.e.f. 01st January 2018) with the retirement of Mr. A. D. Gunewardene and Mr. J. R. F. Peiris

2019 Mr. K. N. J. Balendra was appointed as the new Chairman of John Keells Holding PLC (w.e.f. 01st January 2019) with the retirement of Mr. S. Ratnayake.

2020 John Keells PLC Celebrates 150 years of association with Ceylon Tea.

2021 The first online tea auction was conducted on Saturday, April 04th, 2020.

## The financial year under review proved to be a year of extraordinary challenges →

I am pleased to present to you, on behalf of the Board, the highlights of the Annual Report and Financial Statements of John Keells PLC (JK PLC) for the year ended 31st March 2021.

The financial year under review proved to be a year of extraordinary challenges. The outbreak of the COVID-19 pandemic brought health and safety protocols to the very forefront of every action and activity carried out across the world. Governments declared extended lockdowns during the first quarter of the financial year significantly impacting economic activity across the globe. The global economy is estimated to have contracted by 3.3 per cent in CY2020 (CY2019: 2.3 per cent expansion), given the unprecedented impacts arising from the COVID-19 pandemic. Impacts were more pronounced in economies reliant on tourism, commodity exports and those with constraints on the agility of monetary and fiscal policy response.

The Sri Lankan government too declared an island-wide lockdown which gradually eased towards mid-May and resulted in a recovery in economic activity in the second quarter of the financial year. However, the second wave of the pandemic in the third quarter of the financial year impacted the momentum, though a notable rebound was witnessed towards the latter part of the year in tandem with the relaxation of isolation measures.

John Keells PLC (JK PLC)'s business operations were also impacted, although the Company's tea segment continued to operate as the tea industry was categorised as an essential service by the government of Sri Lanka due to its significant contribution to export earnings and the economy. JK PLC adopted all government-recommended health and safety measures to continue our business activities, and where possible, adopted a work from home policy for its staff.

### Sri Lankan Macroeconomic Environment Overview

The Sri Lankan economy was greatly impacted by the outbreak of the COVID-19 pandemic, resulting in an overall economic contraction of 3.6% in 2020 a notable slowdown against the growth of 2.3% recorded in calendar year 2019. The contraction in the overall economy was driven by a contraction across all three sectors. Whilst the decline in the Industrial and Agricultural sectors were more pronounced at negative 7.3 per cent (CY2019: Increase of 2.7 per cent) and negative 2.9 per cent (CY2019: Increase of 0.4 per cent), respectively, the Services sector recorded a decline of 1.9 per cent (CY2019: increase of 2.2 per cent).

The depreciation of the Sri Lankan rupee coupled with the falling value of the US dollar against other currencies amidst the uncertainties surrounding the US presidential elections also impacted the nation, dependent on foreign remittances and export earnings with a relatively high import expenditure portfolio. The Gross Domestic Product (GDP) per capita also recorded a decline to USD 3,682 in 2020 compared to

USD 3,852 in the previous year. The pandemic also caused a decline in the overall size of the Sri Lankan economy to USD 80.7 billion in 2020 compared to the USD 84 billion recorded in 2019.

The interventions of the government and Central Bank of Sri Lanka (CBSL) by introducing extraordinary monetary and fiscal policy measures were the key to stabilising the financial system and managing an economy impacted by the pandemic amidst a background of low economic growth experienced in the recent past.

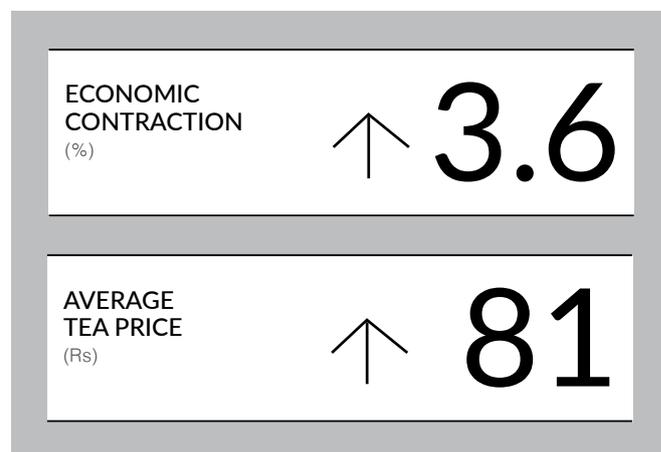
### Operational Performance Overview

The Company introduced a work from home policy during the year and now has in place an agile working policy, bringing people, processes, connectivity and technology together, to adapt to the new normal. Conversion of documentation requirements to an electronic format from the traditional paper-based format, was also a digitisation initiative rolled out by the Company which not only improved the Company's process efficiencies but also contributes to our sustainability efforts by reducing the paper used in conducting business.

These interventions enabled JK PLC to continue operations albeit at lower levels of productivity.

### Financial Performance Overview

Despite the unexpected developments driven by the pandemic, the Company's financial performance is evidence of the resilience of our business strategies, processes, systems, and employees in these unprecedented times. Our focused efforts to achieve cost savings, and the continued efforts towards process improvement contributed to the profits earned for the year under review. The total Group profit after tax recorded for the financial year ended 31st March 2021 was Rs. 284.38 million, while the Group's consolidated revenue for the



year under review was Rs. 828.22 million compared to Rs. 647.49 million earned in the previous financial year. The stock broking and produce broking segments were the key contributors to the Group consolidated revenue at 46 percent and 43 percent respectively, while the warehousing segment contributed 11 percent to Group revenue.

#### **Tea Segment Review**

The Sri Lankan tea industry continued to be affected by adverse weather conditions, the shortfall in fertilizer distribution, currency devaluations of key tea importing nations against the US dollar, and the changing market trends. In addition, the outbreak of the COVID-19 pandemic also impacted the industry despite the tea sector being declared as an essential service by the government. While tea producing and manufacturing operations continued, added measures such as increased precautions to safeguard worker health and maintain social distancing had to be put in place. Furthermore, the dearth of transportation facilities during curfew and lockdowns made it difficult for workers to reach their workplaces adding more challenges to industry operations. These factors resulted in operations continuing at lower levels and causing some delays in manufacturing.

---

## **The Company introduced a work from home policy during the year to protect our employees' health and safety amidst the pandemic.**

Weather conditions and the lower production of green leaf continued to impact the industry and resulted in the total tea production for the year 2020 reaching only 278.48 million kilograms compared to 300.13 million kilograms recorded in the 2019 calendar year. The main contributor to the lower recorded crop production was the low-grown tea category which recorded a 10 percent fall in production in 2020 compared to the previous year. However, the lower production levels had a positive impact on tea auction prices which ranged between Rs. 606.08 per kilogram and Rs. 694.32 per kilogram, with prices remaining stable throughout the year 2020.

The pandemic caused a two-week break in the tea auctions during end-March 2020. However, the combined efforts of the Colombo Tea Traders Association (CTTA) and the Colombo Brokers Association (CBA) to quickly bring about the digital online platform for tea auctions enabled the industry to continue tea sales amidst the pandemic with minimal interruption. This initiative enabled the Sri Lankan tea industry to continue to hold auctions throughout 2020, unlike some competitor countries that faced extended breaks in tea auctions. However, the lower volumes available for sale together with the decline in export volumes from key importing nations caused a 4.4 percent drop in export earnings to Rs. 230.2 billion in 2020 compared to Rs. 240.6 billion earned in 2019. The higher average prices enabled the sustained earnings achieved in the year under review.

The JK PLC's tea business performed at similar levels as the previous year, recording revenue of Rs. 354.67 million. Total tea sold amounted to 36.9 million kilograms in 2021 compared to 35.8 million kilograms

in 2020. The Company's tea business was mainly impacted by the performance of the industry as a whole as well as quality issues faced by tea manufacturers due to unfavourable weather conditions and insufficient fertilizer supplies during part of the year.

#### **Rubber Segment Review**

The rubber industry was also impacted by the COVID-19 pandemic due to the lower tapping days and the stoppage of auctions during curfews and lockdowns. This had an overall negative impact on production and sales in the first half of 2020. However, the more favourable weather conditions and the easing of restrictions on movement towards the latter half of 2020 enabled the industry to record a growth in rubber production of 4.6 percent in 2020. On recommencement of the rubber auction, rubber prices increased, especially towards the latter half of 2020 which was also supported by the rise in the global prices of natural rubber due to the reduced production experienced in the global market and the increased demand from China in the latter part of 2020.

The Company's rubber segment performance was below expectations during the first three quarters of the financial year recording losses which turned around by the fourth quarter due mainly to the increase in local demand for rubber for the production of gloves and other requirements for the healthcare sector. As a result, the prices also significantly increased during the latter part of the year. Thus, the total quantity of rubber sold during 2020 increased by 34 percent recording 2.82 million kilograms compared to 2.1 million kilograms in 2019.

#### **Warehousing Segment Review**

Operating the warehousing segment in the year under review proved challenging mainly due to the COVID-19 restriction in place. Operations however continued satisfactorily adhering to strict health and safety protocols.

The continued operations of the tea sector and the short-term partnership with John Keells Logistics (Pvt) Ltd to increase capacity utilisation of the warehousing operations during the latter part of the year under review supported the segment's performance. However, the overall performance of the segment was below that recorded in the previous financial year. The Group's warehouse segment achieved a 70 percent capacity utilisation during the year under review compared to 79 percent achieved in the previous financial year. This was mainly due to the lower economic activity which reduced tea production and sales volumes, thereby reducing the capacity utilisation for the first nine months of the financial year under review compared to the previous financial year.

#### **Stock Broking Segment**

Despite the economic disruptions due to the pandemic, the CSE had a very strong year with the All Share Index posting a 55% gain for the financial year on a daily average turnover of Rs.3.05bn. Market performance was initially impacted by the closure of the CSE from 20 March 2020 to 11 May 2020 and external pressures stemming from a flight of funds in the first half of the year under review. However, the prevailing low interest rate regime coupled with a notable increase in domestic participation aided a recovery in the equity market indices and a significant rise in market turnover levels. Volumes were mostly centred around mid-cap stocks in export, manufacturing and logistics segments. Despite the inherent volatility at the moment, a

## The Sri Lankan tea industry outlook for 2021 remains positive, with improved weather conditions expected to have a positive impact on tea production.

new segment of investors have started participating in the Sri Lankan equity market and a new pipeline of IPOs will only add to that interest.

Activity on the Colombo Stock Exchange rose to multi-year highs despite the pandemic with volumes mostly driven by domestic investors. In tandem with the gain on the All Share Index, the S&P Sri Lanka Index rose by 46.4% over the same period. Foreign activity came to 10.4% of turnover for the year with net outflows of Rs.63.5 billion. CSE market capitalization as at 31st March 2021 was Rs. 3,111 billion compared to Rs. 2,128 billion as at 20th March 2020.

### Creating Value for Stakeholders

The Company's continued efforts to operate sustainably by having robust systems and processes together with a comprehensive Business Continuity Plan in place has enabled us to remain viable and create value for our stakeholders in a challenging operating environment. The strength and reliability of our corporate governance and risk management frameworks have also enabled the Company to identify, manage, mitigate, and control risks and operate a business that remains compliant with all relevant laws and regulations.

### Outlook

The recent outbreak of COVID-19 cases in Sri Lanka has resulted in short term uncertainty in the market. However, given the prior ramp up of business capabilities to address such similar disruptions and the 'new normal', JK PLC envisages the impact on business to be less pronounced. Better insights on consumer behaviour and business momentum are expected to aid the business in navigating through the ongoing outbreak, in contrast to 2020/21, where businesses were faced with such unprecedented challenges for the first time.

Expectations for the tea segment continue to be high as the industry has embraced the new digital auction platform which is constantly being reviewed and upgraded to suit the myriad needs of industry players. Thus, no interruptions are expected with the tea auctions which are expected to permanently do away with the traditional outcry auction system. The Sri Lankan tea industry outlook for 2021 remains positive, with improved weather conditions expected to have a positive impact on tea production. However, increasing costs of production are expected to continue to plague the industry, while maintaining the quality of Ceylon Teas will remain a factor of competitive advantage. In the short term, auction prices are expected to remain high, mainly due to the shortfall in production being carried over to 2021. However, the higher asking prices for Ceylon Tea could be unfavourable for exports as the economic downturn in Europe is expected to adversely impact the tea market outlook in the region. From an export market perspective, the depreciating Sri Lankan rupee could be favourable. However, export volumes and earnings will be impacted if the currency devaluation of key tea importing nations such as Iran, Iraq, Russia, and Turkey continues.

The tea road map which describes a planned path to regain the glory of Ceylon Tea by 2030 continues to progress, although at a slightly slower pace mainly due to the slowdown caused by the COVID-19 pandemic. The Company continues to be optimistic that the implementation of this road map will be beneficial for the tea industry in the long term.

The outlook for the Sri Lankan rubber industry looks encouraging in the forthcoming year and beyond, due to the entrance of a rubber tyre manufacturing operator in Sri Lanka in January 2021. The resultant increase in demand for locally sourced rubber is expected to have a positive impact on rubber prices, as the rubber industry as a whole will realise further enhancements in terms of quality and processes and standards aligned to global standards and expectations. It is expected that this industry development will have a positive impact on JK PLC's rubber segment revenue in the coming year.

JK PLC will continue to monitor macroeconomic and industry environments to ensure we remain agile to such changes and manage business operations effectively and in a sustainable manner. The Company will also continue to pursue operational efficiencies and cost control measures. We will work with our value chain partners to offer them the same technical services, share global best practices and work towards quality improvements as we have in the past. Corporate governance, risk management, and compliance with regulation will remain a key aspect of competitive advantage for the Company as we continue our journey to create value for our business and our stakeholders in the long term.

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

### Acknowledgement

I place on record my sincere appreciation to Mr. Jit Gunaratne who retired with effect from 31st December 2020 for all his support and guidance over the years. I also take this opportunity to welcome Mr A. Z. Hashim and Ms K. D. Weerasinghe to the Board.

I would like to thank all our employees and the management for their contribution to the Company during a very challenging year. and thank my fellow Board of Directors for their continued support and guidance. Finally, I thank all our stakeholders for their continued trust and loyalty.



**K N J Balendra**

Chairman  
21st May 2021

# GLIDING ACROSS CHALLENGES

Since our inception John Keells PLC has weathered the unexpected, gliding across challenging landscapes with a remarkable spirit of resilience and determination



## MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis 16

Financial Review 25

Human Resources & CSR 30



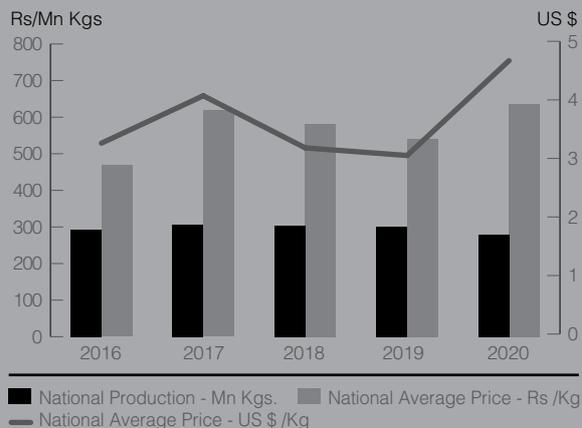
## TEA BROKERING SEGMENT

JK PLC's tea brokering business holds a pre-eminent position among the local tea brokering community and has been in business for over 15 decades. Today we are ranked among the top tea brokers with a current market share of approximately 12.85%.

The conversion of the tea auction to an online platform was an advantageous move by the industry and also supported JK PLC's tea operations. →



NATIONAL AVERAGES



**TEA EXPORT VOLUMES**  
(Mn Kgs) ↓ **27**

**JK PLC QUANTITY**  
(Mn Kgs) **36.9**

The industry as a whole will have to evaluate and find ways to curb other production and operation costs to ensure Ceylon Tea remains competitive in the global tea industry.

## Global Tea Industry Review

The global tea market experienced a setback in 2020, mainly due to the impact from the outbreak of the COVID-19 pandemic as well as the continued impacts from unfavourable weather conditions, currency depreciation, and the fall in crude oil prices. Global tea production declined by 2.2 percent to 6,012 million kilograms in 2020 compared to 6,147 million kilograms in 2019 while global tea exports declined by 4 percent recording a volume of 1,824 million kilograms in 2020 compared to 1,899 million kilograms in 2019. The Asian region remained the leading producers and exporters of tea, with China retaining its top position as the largest tea producer. However, when considered by country, Kenya emerged as the leading worldwide exporter of tea by volume.

| LEADING TEA PRODUCING AND EXPORTING NATIONS 2020 |                     |                            |                         |
|--|---------------------|----------------------------|-------------------------|
| GLOBAL TOP 5 TEA PRODUCERS                       |                     | GLOBAL TOP 5 TEA EXPORTERS |                         |
| Country  | Production (Mn Kgs) | Country                    | Export Volumes (Mn Kgs) |
| China  | 2,740               | Kenya                      | 519                     |
| India  | 1,255               | China                      | 349                     |
| Kenya  | 570                 | Sri Lanka                  | 265                     |
| Turkey   | 280                 | India                      | 207                     |
| Sri Lanka  | 278                 | Vietnam                    | 130                     |

## The fourth quarter of 2020 proved to be the most lucrative, with production finally recording an increase.

### Sri Lankan Industry Review

The year 2020 proved to be a challenging year for Sri Lankan tea which for the first time in history slipped to fifth place as a leading global tea producing nation. The declining production levels have been a concern for the industry for the last few years, however, the impact of the COVID-19 pandemic together with the unfavourable weather conditions impacted the production of tea in 2020. Exports were also impacted, mainly due to the increase in auction prices coupled with the devaluation of currencies of key Ceylon Tea importing nations. Resultantly, total tea production reduced by 7.2 percent to 278.48 million kilograms compared to 300.13 million kilograms produced in 2019. Export volumes were also impacted recording a decline of 10 percent to 263 million kilograms compared to 293 million kilograms in 2019. Export earnings also recorded a decline of 4.4 percent to Rs. 230.2 billion in 2020 compared to Rs. 240.6 billion in 2019, despite the overall increase in average auction prices mainly due to the fall in export volumes.

### Tea Production

Sri Lanka's declining tea production in 2020 was mainly attributed to the nearly 10 percent decline in volumes of low-grown teas which was impacted by unfavourable weather conditions from mid-2019 until

the first half of 2020. Other factors such as inaccessibility of requisite fertiliser quantities and the restrictions in place to curb the spread of COVID-19 also had an impact on green leaf production levels. The first half of 2020 recorded an 18 percent decline in production. However, with improved weather conditions and the easing of restrictions placed on the movement of people with the pandemic situation becoming more manageable, the recovery in production levels in the second half of the year was seen, recording a 4.9 percent year-on-year increase.

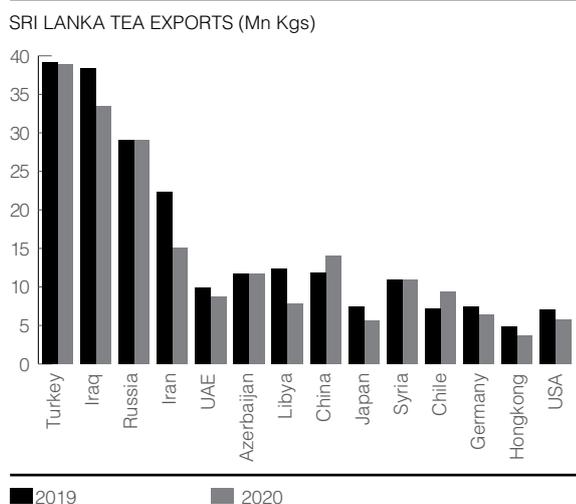
Overall, all elevations of tea production fared dismally in the first and second quarters of 2020 with production volumes falling by 26 percent and 10 percent, respectively, compared to the corresponding quarters in 2019. Thus, the total tea produced in first and second quarters 2020 was 53.3 million kilograms and 75.8 million kilograms, respectively. By the third quarter, production recorded an upward movement, although still recording 1.3 percent lower at 72.1 million kilograms than that produced in the third quarter of 2019. The fourth quarter of 2020 proved to be the most lucrative, with production finally recording an increase of 14.7 percent to 76.5 million kilograms compared to only 66.7 million kilograms produced in the fourth quarter of 2019.

### Tea Exports

Tea exports reverted to a long-experienced trend of declining volumes in 2020, due to a combination of factors including the lower production levels resulting in lower availability of tea for exports, rising tea prices, depreciating currency values of key Ceylon Tea importing nations, and the outbreak of the COVID-19 pandemic. The overall export volume declined by 27.1 million kilograms in 2020 compared to 2019 mainly due to the 3.3 percent decline in black tea sold in bulk and 15.1 percent decline of black tea sold in packets. Despite the falling export sales volume, black tea in bulk and packets represented 89 percent of the total tea exports in 2020 with a combined volume of 265.57 million kilograms. The export volume of black tea in bags declined by 3.2 percent selling 22.17 million kilograms, while the exports of instant tea recorded a marginal decline of 7.45 percent recording 2.84 million kilograms. Green tea export volumes also declined by 11 percent recording 4.13 million kilograms.

The majority of Sri Lanka's tea exports are made to select tea importing nations. Thus, nearly 63.3 percent of exports in 2020 were made to Turkey, Iraq, Russia, Iran, China and Azerbaijan. It is encouraging to note the spread of tea exports across nations as this gives the country a larger market base while reducing the risk of the Sri Lankan tea industry selling to only a handful of nations.

| TOP 6 CEYLON TEA IMPORTING NATIONS |                      |                                  |                       |
|------------------------------------|----------------------|----------------------------------|-----------------------|
| Country                            | Export (Mn Kgs) 2020 | Year on year increase / decrease | Exports (Mn Kgs) 2019 |
| Turkey                             | 38.9                 | - 0.5 percent                    | 39.08                 |
| Iraq                               | 33.4                 | - 13.0 percent                   | 38.40                 |
| Russia                             | 29.6                 | + 1.9 percent                    | 29.06                 |
| Iran                               | 15.1                 | - 32.2 percent                   | 22.26                 |
| China                              | 14.1                 | + 18.8 percent                   | 11.87                 |
| Azerbaijan                         | 10.3                 | - 12.1 percent                   | 11.72                 |

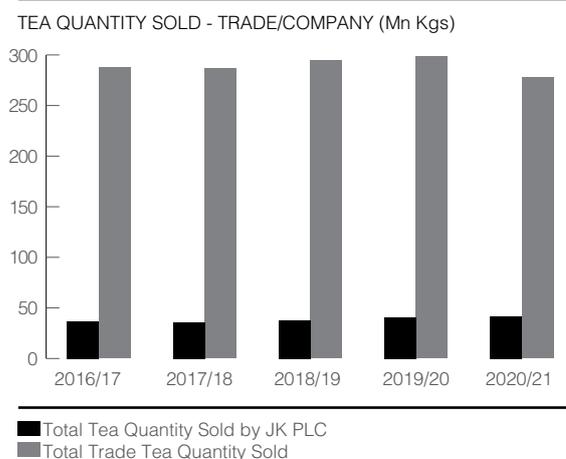


The decline in tea export revenue earned in 2020 in Sri Lankan rupee terms was not reflected when considered from a US dollar perspective. This was mainly due to the 1.6 percent increase in the average export price (FOB) of tea to USD 4.67 per kilogram during 2020, compared to USD 4.60 per kilogram in 2019. Thus, tea export revenue for 2020 recorded 8.5 percent lower in US dollar terms recording USD 1,241 billion in total compared to USD 1,346 billion in 2019.

### Tea Auctions

The tea auction which was converted from the traditional outcry system to a state-of-the-art online digital platform was a boon to the industry. Made possible with the invaluable support of industry stakeholders, the government of Sri Lanka and the Sri Lanka Tea Board, the development of the digital tea auction platform which had been in a discussion stage for the past few years, to increase the efficiency of the tea auctions, was fast-tracked due to the outbreak of the COVID-19 pandemic which caused worldwide governments to close borders and enact lockdowns and curfews to curb the spread of the pandemic. As a result, there was only a short, two-week break in the tea auctions (the last week of March 2020 and the first week of April 2020). By 5th April 2020, the auction had been reconvened as a digital platform making Sri Lanka a pioneer in this regard. This development also enabled the Sri Lankan tea industry to continue operations with our international buyers with limited interruptions and inconvenience, while also attracting other nations who required tea supplies which they were unable to obtain from other tea exporting countries such as India whose auctions remained closed for a longer period.

These factors, together with the lower global tea production volumes and the brand value of Ceylon tea in the international arena enabled the Colombo Tea Auction to garner high auction prices throughout 2020. The average auction prices increased by 15.9 percent to reach Rs. 633.85 (USD 4.67) per kilogram in 2020 compared to Rs. 544.54 (USD 3.05) per kilogram recorded in 2019. Overall, the average price of all tea elevations increased: high-grown by 15.5 percent, medium-grown by 18.7 percent, and low-grown by 16 percent. From a volume perspective, the Ceylon Tea Auction's total cumulative sales decreased by 14.7 percent to 256.96 million kilograms in 2020 compared to 301.5 million kilograms auctioned in 2019.



### Operations Review

JK PLC's tea brokering operations were impacted by industry developments but with the support of all stakeholders, the segment was able to maintain performance levels in the financial year under review aligned to that achieved in the financial year 2019/20. The Company's efforts to improve operational efficiencies and focus on customer service levels supported the segment's operations in a time of uncertainty. Supported by the Sri Lankan government's declaration of the tea industry as an essential service, the Company's tea segment continued its operations throughout the year under review albeit with additional health and safety precautions in place and the regular monitoring of the pandemic situation in the country. As such, despite the many challenges faced by the segment, the Company's tea market share in the Sri Lankan industry context realised a marginal increase to 12.85 percent compared to the 12.47 percent recorded in the previous financial year.

The segment's total sales volume marginally increased by 3.07 percent recording 36.9 million kilograms in the financial year ended 31st March 2021, compared to 35.8 million kilograms sold in the previous financial year. The average sale price recorded by JK PLC for the financial year 2020/21 increased by 15 percent to Rs. 623.29 per kilogram compared to Rs. 542.17 per kilogram recorded in the previous financial year. The main contributor to this was the elevated auction prices achieved by JK PLC aligned to the higher average auction prices of Ceylon Tea throughout 2020 driven by the reduced local production as well as the lower global volumes available for export due to the effects of the pandemic on the mobility of the tea industry. Despite the higher prices achieved and the higher volumes total revenue earned amounted to total tea revenue is Rs. 344.73 million in the financial year under review, recording a 17 percent decrease compared to Rs. 413.33 million earned in the previous financial year. The lower revenue is attributed mainly to decline in interest income received from sellers. Resultantly, the brokerage income and other related tea sales revenue of the Company increased by 18 percent during the financial year under review amounting to Rs. 265.36 million. Interest income decreased by 58 percent during the financial year under review recording Rs. 79.37 million compared to Rs. 188.31 million in the previous financial year.

During the financial year under review, the segment was successful in obtaining 16 new customers. These customers contributed to the segment's performance and increased market share. We will continue to closely work with these new customers to further increase sales volumes and build long-standing business relationships in the coming year.

The Company continued tea segment activities by ensuring relevant and recommended health and safety guidelines to safeguard employees against COVID-19 were strictly followed. Employees and other stakeholders were given frequent reminders on the importance of adhering to the health guidelines of the Company, while awareness programs were also periodically carried out to re-iterate the importance of adopting social distancing and other measures to safeguard against contracting COVID-19. Regular monitoring of employees was also carried out by conducting PCR tests and regular temperature checks on employees who physically worked on our premises. The Company also ensured these protective measures were being adhered to by the suppliers of tea to the Company.

The conversion of the tea auction to an online platform was an advantageous move by the industry and also supported JK PLC's tea operations. The new online auction platform which required a learning curve and went through several upgrades still facilitated the segment's activities with the continuation of tea sales with minimum interruptions during the year under review. A key aspect of success for the online auction platform is to give exacting opinions and evaluations of the tea categories and types offered for sale. Thus, the segment focused on improving these aspects of relevant personnel in the year under review.

The advent of the COVID-19 pandemic together with the deployment of the online auction system enabled the segment to adopt an electronic system for document processing and sharing from a paper-based manual document processing system. Furthermore, the Company also moved to an online payment system with the support of all concerned stakeholders. These process efficiencies in administrative operations will deliver long-term benefits to the Company while also making our back-office and administrative functions more efficient and cost-effective while the business is able to contribute more towards environmental conservation.

To manage costs and maintain a strong financial base, the segment curtailed the direct lending operations to tea producers during the year under review. The Company is also working on obtaining preferred lending rates from the banks as well as encouraging tripartite agreements between the producer, broker and the banks. It is believed that this will be beneficial to both the Company and the producers in the long run.

### **The Way Forward**

As another financial year approaches, the effects and impact of the COVID-19 pandemic continue to inundate business operations worldwide. However, as the COVID-19 vaccines are administered to the public, expectations for economic and business recovery across the globe remain high. However, the advent of the third wave of the pandemic in Sri Lanka at the time of writing this report showcases the uncertainties which still prevail and the continuing need for regular and careful monitoring of the ground situation to ensure the safety of employees and other stakeholders as well as continue to operate the business with minimal interruptions.

These continuing developments reiterate the importance of technology and digitalisation to support uninterrupted business operations and increase the efficacy of business activities. Thus, the segment will research and evaluate processes and systems which can be converted to a digital platform for the convenience of all stakeholders in the coming year. The Company is currently evaluating methods to fully implement a digitalised documentation system across the entire value chain to increase process-driven efficiencies, reduce duplication of work and ensure real-time information. Furthermore, stemming from the online tea auction system, the Company is currently evaluating methods where key data can be extracted from the online auction platform to a dashboard which would provide comprehensive information for better and faster management decision making while reducing the time spent in the manual collection of data from various sources.

As the new online auction is expected to be used in the future, the Company will continue to focus on developing the communication skills of relevant personnel to provide accurate evaluations and opinions on tea categories and types offered for sale.

From an industry perspective, the year 2021 is expected to be more favourable in terms of increasing production levels supported by more favourable weather conditions and the maintenance of the quality of tea produced. Auction prices are also expected to remain at higher elevated levels, although the devaluation of the currencies of key tea importing nations will impact tea export volumes and value. A key concern for the industry remains the increasing costs of Ceylon Tea production. The situation was further exacerbated with the Sri Lankan government's decision to increase the minimum wage rates of the plantation workers which is expected to have a phenomenal impact on production costs in the coming year. Thus, the industry as a whole will have to evaluate and find ways to curb other production and operation costs to ensure Ceylon Tea remains competitive in the global tea industry.



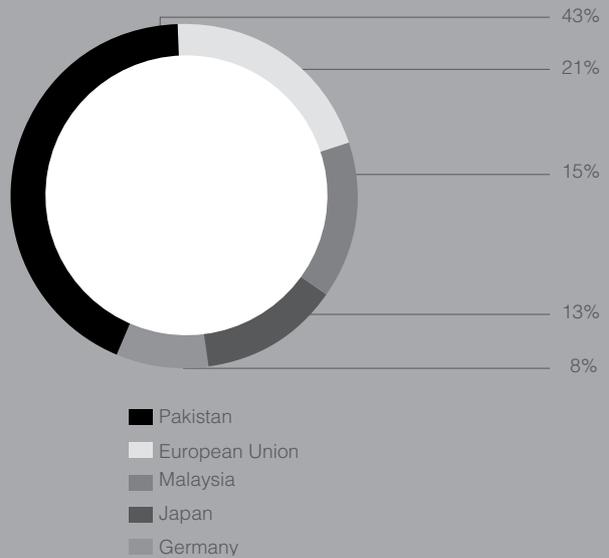
## RUBBER BROKERING SEGMENT

JK PLC is a leading rubber broker in Sri Lanka having been in business for over 148 years. The challenging operating environment in the last few years has impacted the performance of the rubber broking segment.

Long-term, sustainable relationships with our suppliers and customers are imperative to our success. →



TOP 5 RUBBER EXPORT DESTINATIONS



EXPORT VALUE  
(US\$ MN)

↑ 5

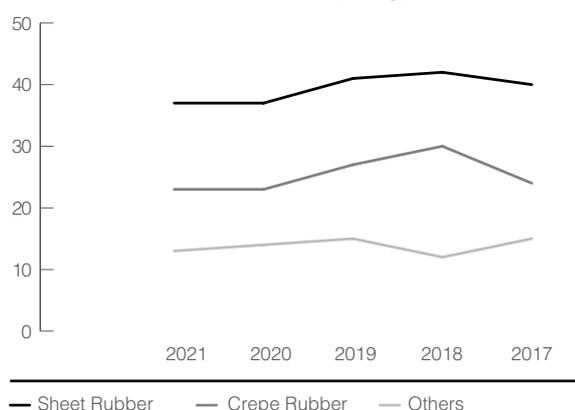
**RUBBER**  
(Mn kgs)

↑ **4**

**AVG PRICE**  
(Rs)

↑ **22%**

SRI LANKAN RUBBER PRODUCTION (Mn. Kg)



### Global Industry Review

The outbreak of the COVID-19 pandemic had a largely negative impact on the global natural rubber industry. Industry growth was also obstructed by global geopolitical issues in producing and buying nations. Global rubber production which declined by 1.3 percent in 2019, saw a significantly larger 6.7 percent decline to 19.8 million tonnes during the first three quarters of 2020 compared to 21.2 million tonnes in the corresponding period of 2019. Rubber production in major growing countries was impacted by unfavourable weather conditions, leaf fall diseases and the worldwide pandemic situation reducing the mobility of tappers in the industry. As such, the Association of Natural Rubber Producing Countries (ANRPC) forecasted a 10 percent reduction in world rubber production in 2020 to 12.597 million tonnes.

The demand for rubber was also impacted by the reduced consumption as countries went into lockdowns to curb the spread of the virus, thereby reducing usage. The closure of automotive manufacturing plants, the halt in construction projects, the interruption in the transport and logistics sectors and the reduced consumer demand for rubber products had significant implications for the rubber industry. Thus, the total global consumption of rubber declined by 11.2 percent to 19.3 million tonnes for the first three quarters of 2020 from 21.7 million tonnes in the corresponding period of 2019. While the pandemic-induced demand for rubber gloves and other rubber products for the healthcare industry in the latter half of 2020 supported consumption and demand, overall demand for rubber declined by 14 percent in 2020.

### Sri Lankan Industry Review

Facing declining production levels for several years, Sri Lanka's rubber industry faced a challenging 2020 mainly due to the consequences of the COVID-19 pandemic outbreak which disrupted rubber tapping and halted the rubber auction for 3 weeks, as well as the fungal leaf disease which affected the yield of about 20,000 hectares of mature rubber trees. Still, despite the many challenges, rubber production in 2020 increased by 4.6 percent mainly due to favourable weather conditions and the attractive market prices which prevailed in the second half of the year. Total rubber yield recorded at 78.2 million kilograms compared to 74.8 million kilograms in 2019 with an average rubber yield of 668 kilograms per hectare in 2020 compared to 658 kilograms per hectare in 2019. The turnaround in production levels in a year inundated with unforeseen challenges is attributed to the investments made in the last few years on new rubber breeds, automation and focus on value-added production has invigorated industry players. Another encouragement for the industry is the opening of the new tyre manufacturing operations in Sri Lanka which is expected to increase demand for natural rubber in the coming years and revitalise rubber production by demanding higher standards on par with those accepted globally.

## Despite the many challenges, rubber production in 2020 increased by 4.6 percent

The total value of rubber exports increased in 2020, mainly due to the higher auction prices in the latter half of the year driven by rising global rubber prices. The rise in global prices is attributed to lower production levels due to mobility restrictions in Thailand, the fungal disease in rubber plantations in South East Asia and the increased demand from China in the second half of 2020. The average auction price recorded was 22 percent higher at Rs. 351.46 per kilogram in 2020 compared to Rs. 288.51 per kilogram in 2019. Total export volumes increased by 21.3 percent to 15.8 million kilograms in 2020 compared to 13 million kilograms in 2019. The export value recorded in 2020 amounted to US\$ 29 million compared to US\$ 24.2 million in 2019.

### Operations Review

JK PLC's rubber segment performed below expectations during the year under review. Losses were recorded for the first three quarters of the financial year under review, while the fourth quarter recorded a profit of Rs. 2.2 million. Thus, total profit recorded for the financial year under review amounted to Rs. 0.39 million.

# MANAGEMENT DISCUSSION & ANALYSIS

However, the increased demand experienced in the latter part of 2020 and the first quarter of 2021 resulted in the Company increasing sales by 34 percent selling 2.82 million kilograms of rubber yield during the financial year under review compared to 2.10 million kilograms in the previous financial year. The reduced supply of rubber from other key rubber-producing countries, the increase in global prices of rubber and the increase in local market demand for rubber gloves are attributed to the segment's performance during the year under review. Total revenue generated by the segment increased by 10 percent to Rs. 9.9 million in the financial year under review compared to Rs. 8.9 million earned in the previous financial year. The average auction price recorded by JK PLC was Rs. 336.85 per kilogram for the financial year under review compared to Rs. 272.08 per kilogram in the previous financial year.

The long term trust and confidence built with rubber suppliers and other related stakeholders supported the Company's operations in a difficult year.

## The Way Forward

The segment's performance is dependent on the industry outlook and if rubber production is maintained at increasing levels as achieved in 2020, the Company will also benefit from having access to additional supplies to meet demand. Demand from the local market is also expected to be maintained as products such as rubber gloves remain in high demand. As the recovery from the fungal leaf disease takes at least two years, there is a possibility of other key rubber producing nations in South East Asia facing low production levels, resulting in countries like Sri Lanka benefiting by increasing demand from rubber importers.

The rubber auction still using the outcry manual system remains a concern in the evolving pandemic environment as participation also is limited. Sudden closures and lockdowns halt auctions which can negatively impact the Company's as well as the industry's performance. Hence, giving due consideration to digitalising the rubber auctions by industry players will both increase participation and enable greater efficiencies in the process.



## STOCK BROKING OPERATIONS SEGMENT



### OPERATING ENVIRONMENT

Activity on the Colombo Stock Exchange rose to multi-year highs despite the pandemic with volumes mostly driven by domestic investors. The All Share rose 55% with daily average turnovers reaching Rs.3 billion. The S&P Sri Lanka Index rose by 46.4% over the same period. Foreign activity came to 10.4% of turnover for the year with net outflows of Rs.63.5 billion. CSE market capitalization as at 31st March 2021 was Rs. 3,111 billion compared to Rs. 2,128 billion as at 20th March 2020. Key challenges faced by the Sri Lankan stock market is its relatively small market size compared to other markets in the region and globally, the lower liquidity and the higher transaction costs.



# WAREHOUSING OPERATIONS SEGMENT



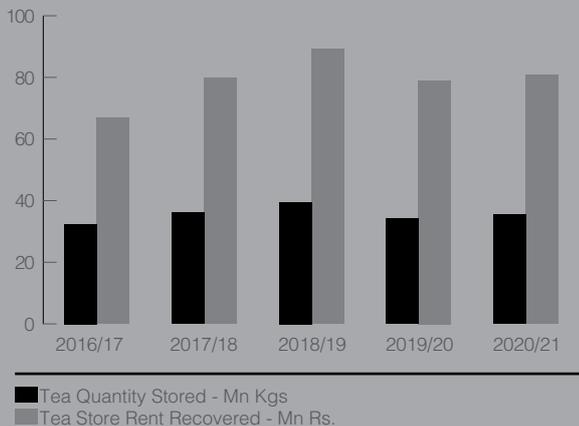
## OPERATIONS REVIEW

The JK PLC warehousing operations segment faced many challenges during the year, mainly a result of the setbacks from the outbreak of the COVID-19 pandemic. The warehouse operations ceased for a few days as the country was put under a curfew in mid-March 2020 to curb the spread of the COVID-19 pandemic. However, as the operations of John Keells Warehousing (Pvt) Ltd (JKWL) fell under the 'essential services' category, being a part of the tea industry value chain, the Company quickly re-started operations. As the nature of the segment's operations required small teams to work in person, all recommended health and safety guidelines by the World Health Organization (WHO) and the local health ministry were put in place to protect employees. In addition, the management also trained and educated staff on the Dos and Don'ts in operating in a pandemic environment and continued to vigilantly monitor the development of the pandemic outbreak to make proactive and timely decisions.

The Company's continued efforts to implement cost control measures and increase process efficiencies to improve customer service levels supported the segment's operational performance during the year under review and helped to maintain acceptable capacity utilisation in the prevailing market conditions. A short-term initiative to review and re-structure processes to operate with minimal staff was also implemented to cater to the need of the hour. The installation of the solar panels which was completed in the previous financial year was another boon in the year under review, as the segment was able to reduce electricity costs by 112 percent. General maintenance initiatives were carried out as required during the year under review. However, any high capital investments were deferred to the forthcoming financial year in consideration of the overall business operating environment.

Capacity utilisation in the first half of the financial year was negatively impacted, recording on average 63 percent. As a measure to support segmental performance and achieve goals, JKWL entered into a short-term partnership with John Keells Logistics (Pvt) Ltd to increase capacity utilisation of the warehousing operations during the latter part of the year under review. The Company also worked with other plantation companies and exporters in the short term to store finished goods which was mutually beneficial to all parties concerned. Therefore, by the end of the financial year under review, capacity utilisation of the segment was 70 percent, although lower than the 79 percent achieved in the previous financial year. In total, the warehousing operations stored 35.43 million kilograms of tea during the year under review.

WAREHOUSING OPERATIONS - QUANTITY HANDLED / VALUE



# MANAGEMENT DISCUSSION & ANALYSIS

## WAREHOUSING OPERATIONS SEGMENT

Accordingly, segmental revenue earned also decreased during the year under review recording only Rs. 97.96 million compared to Rs. 101.29 million earned in the previous financial year. The segment's profit before tax was Rs. 35.61 million compared to Rs. 35.51 million recorded for the year ended 31st March 2020.

### **The Way Forward**

The Segment's operations will continue to be dependent on the tea industry and will be impacted by the prevailing COVID-19 pandemic conditions. The management will continue to monitor the situation and operate the segment to achieve growth and increased capacity

utilisation while ensuring all necessary precautions are taken to protect employees' health and safety. The Company's capital investment in equipment to increase operational efficiencies of the warehousing operations will proceed as planned in the forthcoming year provided the environment remains conducive for such investment. Technology will play a significantly larger role in eliminating the paperwork of the warehousing operations in the coming years. The Company will explore the use of electronic means of transferring documents to the warehousing operations value chain as part of our value creation for stakeholders and the natural environment.

# FINANCIAL REVIEW

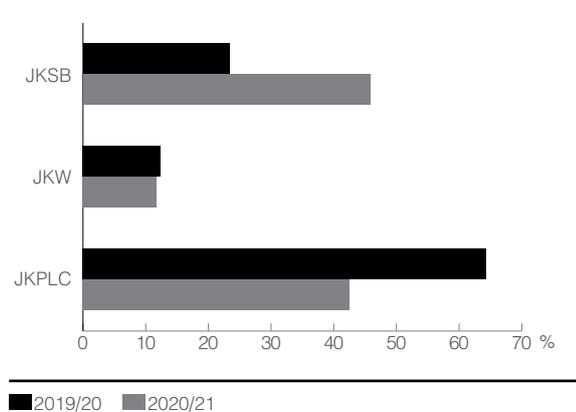
## Revenue

The Group recorded a consolidated revenue of Rs 828 million for the year under review, a 28 percent increase against the Rs 647 million recorded during the corresponding previous year. The increase is mainly attributed to the increase in revenue of John Keells Stock Brokers (Pvt) Ltd (JKSB) by 193 percent. The revenue of John Keells PLC (JKPLC) and John Keells Warehousing (Pvt) Ltd (JKW) decreased by 16 percent and 3 percent respectively. The decrease in revenue at John Keells PLC is attributed to the lower interest income received from producer's advance and loans in comparison to the previous year. The decrease in revenue of the Warehouse segment is attributed to lower extended duration of storage rent recovered from exporters in comparison to the previous year. John Keells Stock Brokers (Pvt) Ltd revenue increase is mainly attributed to higher trading activity at the Colombo Stock Exchange.

## Composition of Revenue

A shift in the composition of revenue was seen during the year under review in comparison to the previous financial year. During the year under review, Produce Broking contributed 42 percent to the total revenue, Share Broking contributed 46 percent and the Warehousing operation contributed 12 percent to the total revenue. This was a shift from the composition of 65 percent, 20 percent, and 15 percent respectively, from Produce Broking, Share Broking and warehousing during the previous year.

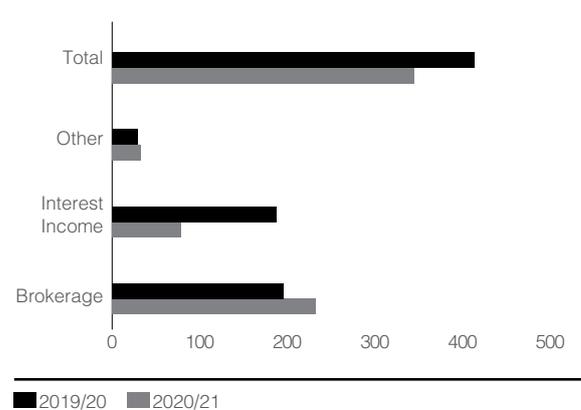
REVENUE COMPOSITION



## Tea Brokering Revenue

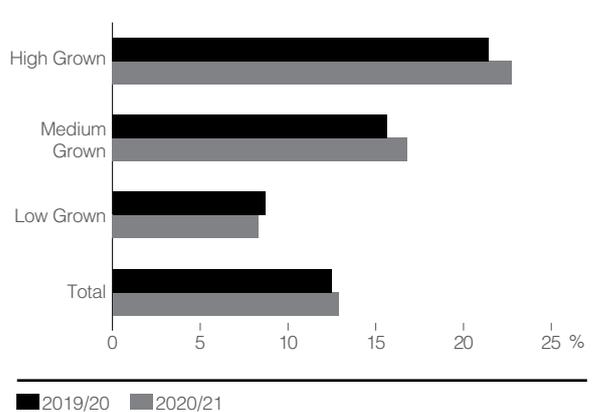
Revenue generated from produce broking was Rs 354 million for the year. This was a decrease of 16 percent from the Rs. 422 million recorded in the previous year. The main contributor to this decrease by 58 percent was interest income received from producer's advance and loans when compared to the previous year while the increase in Brokerage Income by 18 percent had a positive impact to revenue. The decrease in interest income was mainly on account of low lending to tea producers during the year and also the inability to recover interest on monies already lent due to factories discontinuing operations. The brokerage revenue increase was mainly on account of higher tea volumes handled during the year and increased tea prices in comparison to the previous year.

REVENUE COMPOSITION - TEA (Rs Mn)



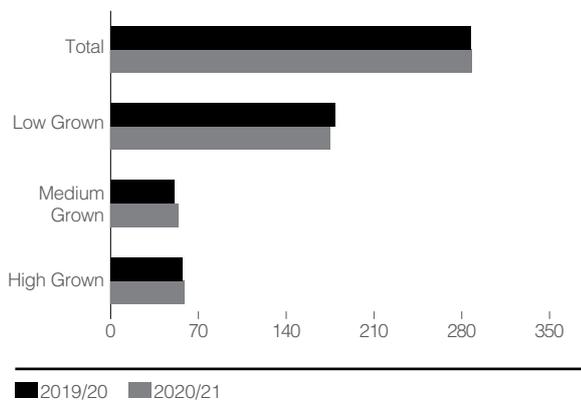
The average selling price achieved by JKPLC was Rs 623.85 per kilogram of tea. This was an increase of 15 percent from the Rs 542.17 average recorded in the previous year. The Tea sale volumes handled by John Keells PLC during the financial year was 36.87 million kilograms. This was a 3.16 percent increase over the previous year's 35.74 million kilograms that was sold. The increase was due to the strategic decision to attract new clients by having dedicated staff focusing on the clients' individual needs and improving their quality which in turn helped improve the prices achieved. The market share achieved for the financial year was 12.85 percent. This was an increase of 0.40 percent over the previous years' market share of 12.47 percent.

MARKET SHARE



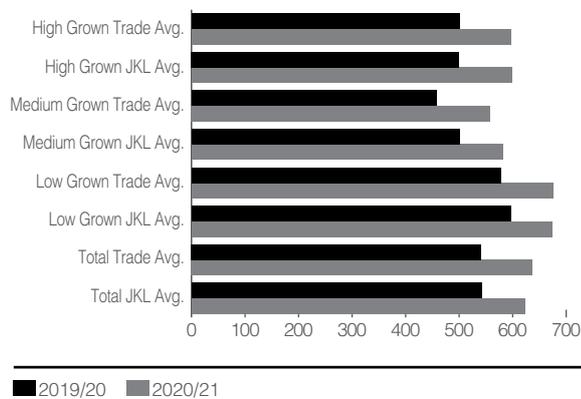
During the financial year 2020/2021 all brokers sold 0.86 million kilograms of tea, higher when compared to the previous year's total of 286.72 million kilograms. The low grown recorded a decrease by 3.58 million kilograms in comparison to the previous year's volume of 178.73 million kilograms. The high grown recorded an increase of 1.87 million kilograms and medium grown elevation recorded a 2.57 million kilogram increase in comparison to the 56.96 million kilograms and 51.03 million kilograms respectively sold in the previous year.

TOTAL TEA SOLD BY THE TRADE (Mn Kgs)



The total quantity sold by JKPLC for 2020/2021 was 36.96 million kilograms against the previous year's 35.74 million kilograms. The composition comprised low grown 14.58 million kilograms, high grown 13.38 million kilograms and medium grown 8.99 million kilograms. The low grown sold quantity decreased by 0.95 million kilograms, high grown increased by 1.16 million kilograms and the medium grown increased by 1.0 million kilograms in comparison to the previous year's respective volumes.

SALE AVERAGE - TRADE/ COMPANY (Rs. per kg)



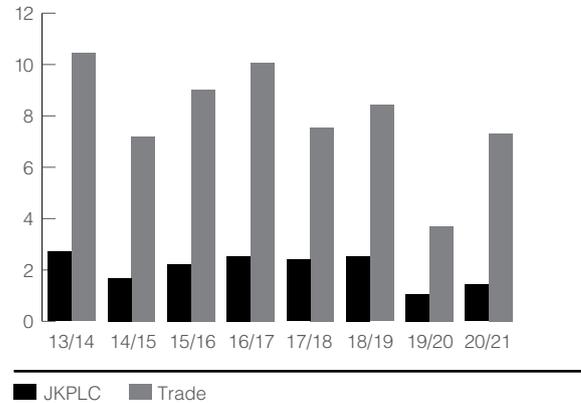
The average overall sale price achieved by JKPLC for 2020/2021 was Rs 623.29 in comparison to the Rs 542.17 of the previous year. This comprised a low grown average of Rs 672.79, high grown average of Rs 597.79 and the medium grown average of Rs 580.93. The low, high, and medium grown averages were Rs 76.26, Rs 97.53 and Rs 80.41 above the previous year's respective elevation averages. The high grown and the medium grown average achieved by JKPLC in the current financial year was Rs 1.58 and Rs 22.83 higher than the overall trade average of Rs 596.21 and Rs 558.10, respectively. The low grown average achieved by JKPLC for the current year was Rs 2.04 lower than the overall trade average of Rs 674.83.

### Rubber Broking Revenue

The revenue from Rubber Broking increased by 10 percent during the year to Rs 9.94 million in comparison to Rs 8.90 million of the previous year. JKPLC recorded an average price of Rs 335.92 per kilogram for rubber in comparison to the previous year average of Rs 286.49 per

kilogram. Rubber sales volumes handled, by JKPLC increased by 40 percent to 2.8 million kilograms for the year ended 31st March 2021.

RUBBER AUCTION SALE QUANTITY (Mn Kgs.)

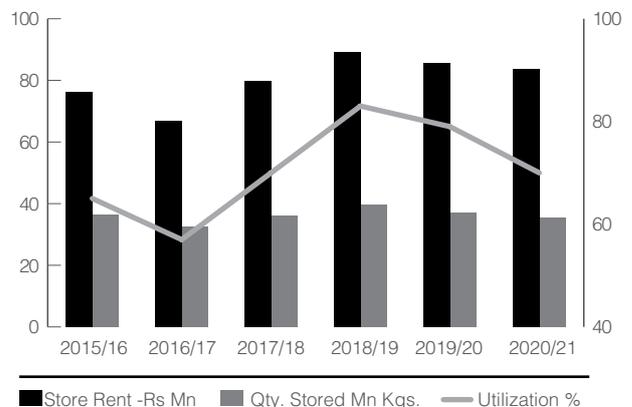


### Warehousing Revenue

The continuous decrease in the low grown tea quantity market share of JKPLC continued to negatively impact the warehouse space utilization. The decision to rent out the excess space to other brokers assisted in improving utilization of idle space. The warehouse recorded a 2.44 percent decrease in store rent during 2020/2021. In addition, it recorded a further 33.32 percent decrease on account of store rent recovered from Exporters as the collection of their teas were within the free store rent period or with a lesser number of days being delayed when compared to the previous year. The total revenue recorded was Rs 97.96 million as against Rs 101.29 million recorded during the previous year.

The average utilization of the warehouse space during the year recorded 70 percent of capacity when compared with 79 percent in the previous year. 35.46 million kilograms of tea was stored during the year in comparison to the 37.10 million kilograms of tea stored during the year 2019/20.

JOHN KEELLS WAREHOUSING KPIs



### Share Brokering Revenue

Activity on the Colombo Stock Exchange rose to multi-year highs despite the pandemic with volumes mostly driven by domestic investors.

The All Share Index increased by 55% over the financial year while the S&P20 index increased by 46.6%. Daily average turnover for the financial year 2020/2021 reached Rs. 3 billion as compared to Rs. 806.0 million in financial year 2019/2020. Net foreign outflows for the year in review came to over Rs.63.5 billion. The CSE market capitalization as at 31st March 2021 was Rs. 3,111 billion as compared to Rs. 2,128 billion on 31st March 2020.

The revenue generated by JKSB was Rs 381.64 million which is a 194 percent increase from the previous year's revenue of Rs 130 million.

### Income and Expenditure Distribution

|                              | 2021      |      | 2020      |      |
|------------------------------|-----------|------|-----------|------|
|                              | Rs 000's  | %    | Rs 000's  | %    |
| Revenue                      | 828,218   | 100  | 647,492   | 100  |
| Cost of sales                | (308,638) | (37) | (264,741) | (41) |
| Gross profit                 | 519,580   | 63   | 382,751   | 59   |
| Other operating income       | 1,929     | 0.23 | 1,456     | 0.22 |
| Administrative expenses      | (205,545) | (25) | (222,997) | (34) |
| Sales and Marketing expenses | 14,511    | 1.75 | (285,535) | (44) |
| Results from operations      | 330,475   | 40   | (124,325) | (19) |

### Cost of Sales and Gross Profits

Direct cost of sales of the Group increased by 17 percent when compared with previous year. The increase is mainly attributed to the 80 percent increase from JKSB on account of increase in commissions, incentive fees paid and brokerage fees paid to foreign brokers. JKPLC recorded an increase of 3 percent and JKW recorded a decrease of 4 percent during the year. The JKPLC increase was comparatively marginal and the JKW decrease was mainly due to the decrease in staff cost during the first three months of the financial year on account of COVID-19 measures implemented to curtail cost. Even with the COS increasing by 17 percent the Group was able to achieve an increase of 36 percent in GP mainly due to the revenue increasing by 28 percent.

### Administrative Expenses

Group administration expenses decreased by 8 percent to Rs 206 million from the Rs 223 million recorded in the previous year. The decrease constitutes a 11 percent decrease from JKPLC, a 4 percent decrease from JKSB and a 21 percent decrease from JKW.

### Sales and Marketing Expenses

The overall selling and distribution cost of the Group recorded a positive amount Rs 14.51 million. This consisted of Rs 17.94 million from JKPLC on account of bad debt recovered (Net), Rs 0.9 million expenses on account of JKW and a Rs 0.4 million expense for JKSB. The Group has already initiated legal action against clients who had

unsettled amounts in previous years for which provision had been made and is currently in the process of initiating legal action against clients who have defaulted during the year under review.

### Finance Income

The Group's interest income from investments in Treasury Bills and other short-term Investments decreased by 3 percent during the year when compared to the previous year. JKPLC recorded an increase of 12 percent in comparison to the year, whereas JKSB recorded a 13 percent and JKW 33 percent decrease in comparison to the last year. The finance income of the Group also includes the dividends received from Keells Food Products PLC. The dividend income received from Keells Food Products PLC recorded a 31 percent increase in comparison to the previous year. This increase contributed to the overall decrease recording only a 3 percent in finance income during the previous year.

### Finance Expenses (Net)

The Group's finance expenses decreased by 65 percent during the year. The decrease in use of overdraft facilities by JKPLC due to lower advances to tea producers along with the decreased rates on borrowings were the main contributory factors for the decrease when compared to the previous year's cost of Rs 97.80 million. The 3 percent decrease in overall finance income along with the 65 percent decrease in the finance expenses resulted in the net interest expense decreasing by 123 percent to Rs 11.68 million when compared with the previous year's expenses of Rs 50.60 million. The interest cover for the year was 10.48 when compared with previous year's negative (1.60). The increase is mainly attributed to the current year's increased profit before tax in comparison to the loss before tax in the previous year.

### Profitability

The Group profit before tax increased by 328 percent to a profit of Rs. 358 million for the year compared to Rs 157 million loss recorded during the previous year. The current years' PBT includes a Rs 15.08 million fair value adjustment of investment properties in comparison to Rs 15.1 million in the previous year. The tea prices and volumes sold during the current year recorded a significant increase. This had a positive impact on the brokerage income earned by JKPLC in comparison to the previous year. The reduced lending to tea producers had a negative impact on the interest earned from sellers. The lower interest rate charged on the lower lending also contributed to the drop in interest earned. The decrease in selling and distribution expenses on account of reduced provisioning for bad debts had a positive impact on the profitability of JKPLC by 106 percent in comparison to the previous year.

Lower store rent income generated due to decrease in space utilization at beginning of the financial year and lower volumes handled at the warehouse coupled with reduced income earned from exporters due to collecting of their teas without long delays had a negative impact on the JKW profitability for the year. As a result of cost controls implemented to overcome the negative impact of the COVID-19 pandemic JKW was able to record a marginally increased profit of Rs 35.61 million in comparison to the Rs 35.51 million recorded in the previous year.

# FINANCIAL REVIEW

JKSB recorded a Rs 170 million profit in comparison to the previous year's loss before tax of Rs 35.78 million.

## Change in Fair Value of Investment Property

The Investment properties were valued by Mr P B Kalugalagedera using open market value method of valuation as at 31st December 2020. The change in value was a positive Rs 15.08 million during the current year as against Rs 15.1 million during the previous year.

## Taxation

As per the tax regulations that prevailed during the financial year, produce brokering, warehousing and stock brokering income was subject to a tax of 24 percent. Increase in profits had a direct impact on the amount of taxes paid to the government during the year.

## Statement of Financial Position

### Revenue Reserve

The Group revenue reserve increased by 7.36 percent to Rs 2,797 million from Rs 2,606 million recorded in the previous year. This was on account of Rs 254 million profit recorded for the current year and a payout of Rs 60.8 million as an interim dividend for 2020/2021.

### Available for Sale Reserve

The available for sale reserve balance increased by 19 percent to Rs 876 million from the Rs 734 million recorded in the previous year. This was mainly due to Fair value increase of investments held in Keells Food Products PLC by Rs 139 million and Fair value increase in Waterfront Properties (Pvt) Ltd by Rs 2 million during the year.

### Non- Controlling Interest

The Non- controlling interest increased by 51 percent to Rs 57 million from the Rs 38 million in the previous year on account of the increased profit registered by JKSB during the year. The non-controlling interest in JKSB is 24 percent.

## Cashflow

The net movement in cash and cash equivalents for the year under review was an inflow of Rs 606 million compared to the cash inflow of Rs 337 million recorded in the previous year. The increase in inflow of Rs 269 million comprises an increase in cash generated from operations by Rs 208 million, increase in cash inflow from investing activities by Rs 3 million and a decrease in cash outflows for financing activities by Rs 58.8 million. The decrease in cash outflow for financing activities is mainly on account of reduced payout of dividends during the year.

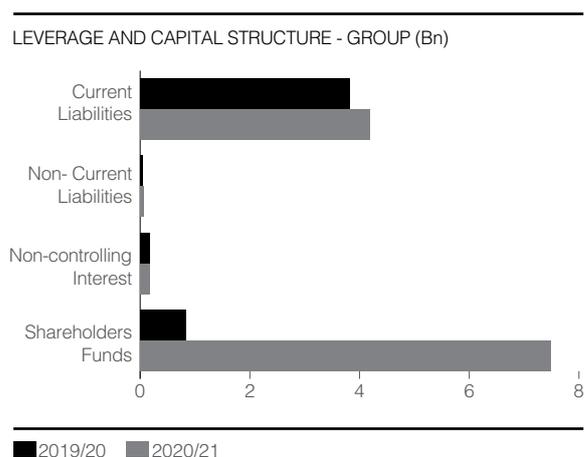
## Working Capital/Liquidity

Net working capital of the Group increased by Rs 87 million to Rs 206 million as at 31st March 2021 from Rs 119 million as at 31 March 2020. The Group's current assets increased by 698 percent to Rs 7,686 million in comparison to the previous year's Rs 962 million. The Group's current liabilities also increased by 787 percent to Rs 7,480 million in comparison to the previous year's Rs 842 million. The Group current assets have increased by Rs 6,724 million on account of trade and other receivables increasing by Rs 6,484 million and short-term investments and cash and bank balances increasing by Rs 246 million. The increase in trade and other receivables consist of Rs 146 million increase in JKPLC, Rs 6,337 million increase in JKSB

and Rs 0.1 million increase in JKW. The Group's current liabilities have increased by Rs 6,637 million mainly on account of trade and other payables increasing by Rs 6,930 million, income tax payable increasing by Rs 32 million and bank borrowing decreasing by Rs 350 million. The increase in trade and other payables of JKPLC by Rs 485 million is mainly due to an additional public sale in March this year in comparison to last year. During the last financial year two Tea public sales were cancelled on account of the lockdown of the country due to the spread of the COVID-19 pandemic. The increase in JKSB of Rs 6,441 million is due to increase in share trade volumes as at end March. The decrease in bank overdraft balances consist of JKPLC decreasing by Rs 358 million on account of lower utilization of bank overdraft facilities, to lend money to tea producers as advance on stocks and increase in overdraft balances of JKSB by Rs 19 million.

## Leverage and Capital Structure

Group total assets of Rs 11.84 billion was funded by shareholders funds (34.92 percent) non – controlling interest (0.48 percent), non-current liabilities (1.47 percent) and current liabilities (63.13 percent). The long-term funding of assets including shareholders funds, non-controlling interest and other non – current liabilities together accounted for 37 percent of the total assets, an equivalent of Rs 4.37 billion.



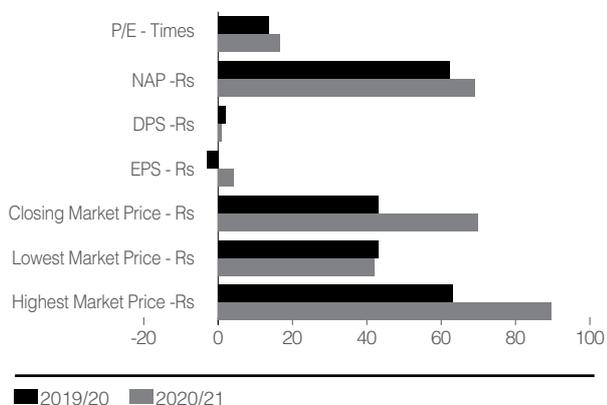
## Share Price and Market Capitalisation

JKPLC's shares gained 62 percent of its value during the year with the highest trading price of Rs 89.50 per share recorded on 29th January 2021.

During the year Earnings per Share (EPS) increased by 235 percent to Rs 4.18 from the Rs (3.09) per share the previous year. The Price earnings ratio (PER) for the year under review was 16.75 times, this was an increase from the previous years' value of 13.57 times. Net Assets per share increased by 10.17 percent to Rs 68.96 per share from the Rs 62.59 per share reported in the previous year.

The total shares issued by JKPLC is 60.8 million. The total Market Capitalisation as at 31st March 2021 was Rs 4,256 million, an increase of 63 percent from the previous years' Market Capitalisation of Rs 2,614 million as at 31st March 2020.

#### SHARE PERFORMANCE

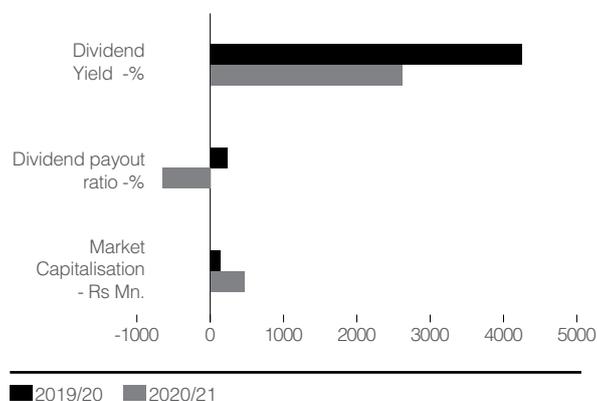


#### Dividend

The dividend policy of the Group seeks to ensure a dividend payout correlated with profits while ensuring sufficient funds are retained for future developments while delivering sustainable value to shareholders in the short, medium and long term.

During the year under review the Group paid a Dividend of Rs 1.00 per share resulting in a total cash outflow of Rs 60.8 million. The dividend payout ratio stood at a 23 percent whilst the dividend yield was at 1.42 percent.

#### DIVIDEND RATIO AND MARKET CAPITALISATION



#### Economic Value Statement

The economic value addition statement depicts the generation of wealth and its distribution among the stakeholders in all business/ social activities throughout the entire value chain. It also reveals the amounts reinvested for the replacement of assets and retained for the growth and development of operations.

#### Economic Value Statement - Group

|   | 2021<br>Rs 000's | 2020<br>Rs 000's |
|---|------------------|------------------|
| <b>Direct economic value generated</b>    |                  |                  |
| Revenue                                   | 828,218          | 647,492          |
| Finance income                            | 45,897           | 47,200           |
| Share of results of associates            | 1,292            | 2,915            |
| Profit on sale of assets and other income | 1,929            | 1,456            |
| Valuation gain on investment property     | 15,085           | 15,100           |
|   | 892,421          | 714,163          |
| <b>Economic value distributed</b>         |                  |                  |
| Operating costs                           | 198,167          | 446,738          |
| Employee wages & benefits                 | 187,397          | 245,083          |
| Payments to providers of funds            | 176,040          | 212,744          |
| Payments to Government                    | 82,874           | 106,654          |
| Community investments                     | 1,669            | 1,957            |
|   | 646,147          | 1,013,176        |
| <b>Economic value retained</b>            |                  |                  |
| Depreciation                              | 20,633           | 20,505           |
| Amortization                              | 2,058            | 1,421            |
| Profit/ (Loss) after dividends            | 223,582          | -316,037         |
|   | 246,273          | -294,111         |

The group has contributed Rs 896 million to varied stakeholders during the current year and retained Rs 85 million for growth and development of assets.

#### Subsequent Events

There are no further matters or circumstances arising since 31st March 2021, not otherwise dealt with in the financial statements that would materially affect the operations or results of the Group.

# HUMAN RESOURCES & CSR

JKPLC continues to consider its employees an integral part of the business. As such, the Company considers the development of the skills, talent and productivity of the employees a pre-requisite to achieving success.

## Management Approach

Taking into consideration the importance of our employees, the main objective of our human development strategy is the continuous improvement of the mutually beneficial relationship existing between the Company and the employees. Attracting and retaining the right people with the necessary experience and attitude to each role is also considered important. Further, the Company also ensures that the employees are rewarded not only in terms of compensation but also with opportunities for professional advancement and career growth. In order to achieve this aim, the Company continues to be committed to the following fundamental principles:

1. Equality and diversity at all stages of the employment process including recruitment, selection, evaluation, promotion and training and development.
2. Competitive compensation and benefits in line with industry standards including compliance with statutory laws of the country.
3. Evaluation of performance of all employees to identify their potential within the Company, thereby enabling the identification of training requirements if any.
4. Providing training and development to ensure the employees acquire the skills and competencies needed to optimize their capacity whilst also aligning them with the JKH Group behavioural competencies framework (referred to as roof competencies)
5. A communicative and open culture to enable employees to give and receive feedback freely to their colleagues, supervisors and senior managers.
6. Recognition of leadership qualities in employees to inspire them to reach greater heights.
7. Opportunities for employee engagement and team building whilst also volunteering for CSR activities.
8. Maintenance of a work-life balance by providing opportunities to all employees to use the flexible working hours policy, work-from-home policy, agile working policy and paternity leave.
9. Strictly implementing an equal opportunity principle to include people representing both genders, multiple social, religious and ethnic backgrounds and age groups.
10. Strict policy of disallowing child labour

## Overview of Employee Cadre

As at 31st March 2021, JKPLC had an employee cadre of 48 people, two of whom were recruited in the year under review. The Company maintains a diversity in terms of gender as well as age groups which

we believe assists us to remain relevant in this modern operating environment. Whilst the recruitment of the younger generation brings in the latest knowledge and techniques, we also acknowledge that the hands-on experience provided by our older and experienced members plays a pivotal role to the sustainability of the business. We are proud of our success as an employer of choice which is highlighted by the fact that over 55% of our employees have been with the Company for over 10 years.

## The Human Resource Information System (HRIS)

The state-of-the-art HRIS embarked on by the Group has enabled the connection and automation of end-to-end HR processes, increasing efficiency and effectiveness, whereby all processes are undertaken within one platform, which is also mobile enabled. The system is aligned to enable the processes to be undertaken in a paperless manner whilst ensuring that the storing and retrieval of information is handled in a more secured environment. The mobile application allows the real-time engagement between employees keeping in line with modern trends.

## Talent Management

The Company continues to follow the concept of a "Talent Pool" where the identification of talent commences subsequent to the Career Committee Meetings on a recommendation from the Profit Centre Manager (PCM) for Assistant Managers and Executives. The concurrence of the Sector Head / President is obtained for Manager grade employees. This pool which is finalized and updated in the system by 31st May annually enables the retention of the most qualified employees by ensuring they are trained and developed towards reaching their career aspirations within the Company. The selection of employees to the "Talent Pool" is aligned with the pre-set criteria set by the JKH Group. During the year under review, 1 employee of JKPLC was successfully included in the "Talent Pool".

## Performance Appraisal Process

JKPLC performance management cycle ensures that all employees of the Company undergo regular appraisals. Formal feedback is provided on a bi-annual basis to the executive cadre and once a year to all others, whilst continuous feedback is encouraged. The process, which is underpinned by the need to firstly live the Values of the Group, enables identification of high potentials and successors, and also helps identify and enhance required skills of individuals needing support to achieve business outcomes. It is also noteworthy that the appraisal process encourages employees to contribute to the Group at large, as opposed to the business unit or functional unit they belong to.

## Competency Assessment Tool

The Competency Assessment Tool was developed to assist the employees as well as the Company to identify gaps and areas for development. Here too a self and supervisor evaluation is undertaken after which a one on one meeting is held to discuss and agree on the competencies for development.

This assessment is completed prior to the commencement of the year end performance appraisal as the outcome would be useful thereto as well.

### Training & Development

During the year under review, JKPLC nominated employees for training and development programmes to meet required competencies at their current job level and to develop them for future potential roles.

JKPLC nominated two employees to attend the Group level Development Centre during the year under review. Employees who attend the Development Centre are provided with a personal development plan to ensure they advance their competency levels to the next level of their career. Employees are observed throughout the period of their development and feedback provided, with two formal reviews been undertaken after six months and one year of completing the programme.

The Company also held fire drills as part of the safety measures adopted for employees at the warehouse and in our office premises in collaboration with Finlays Colombo and the fire department. Such fire drills are conducted annually with the aim of increasing awareness on the preventive measures in case of fire.

### Internal Job Posting Programme

This is a programme executed by the JKH Group to facilitate the movement of employees within the Group. The employees of JKPLC are also eligible to apply for inter-group vacancies through this programme which increases the exposure of employees to different industries and offers them an opportunity to embark on a different discipline. The programme also assists the JKH Group to retain the employees who are seeking a change in their career paths without losing them to competitors.

### Rewards & Recognition

This is a key component in the Company's HR framework as it helps motivate staff and give them the confidence to perform at high standards, whilst giving due recognition for employees' contribution and their individual achievements. We believe that the achievements of the employees are a reflection on the leadership abilities of immediate supervisors and heads of departments. It also encourages the employees to practice the JKH Values in their day-to-day operations. All employees of JKPLC have access to the JKH Group Rewards & Recognition Programme.

Currently there is a wide range of recognition platforms for various employee categories, as detailed below:

- "Champion of the Year" – Non Executive Employees
- "Employee of the Year" – Executives & Assistant Managers
- "Chairman's Award" – Manager & Above Categories
- "Bravo Awards" – All Employees
- "Long Service Awards" – All Employees
- "CSR Volunteer Recognition" – All Employees
- "Innovation Initiative Participants" – All Employees

### Communicative & Open Culture

JKPLC strongly believes in an open and communicative culture where employees are encouraged to provide feedback on all business activities and developments. The following mechanisms are currently in place:



### Skip Level Meetings

These meetings enable employees to skip their immediate supervisor and reach out to the next level in terms of seniority. Such meetings enable the senior management to build trust with junior level employees; assess junior employees on a one-on-one basis, solicit new ideas, solutions and/or process improvements; and promote an open-door culture. In turn, junior employees are given an opportunity to gain additional awareness of business strategies and initiatives and receive guidance / coaching / mentoring from the senior management.

### Peer & Upward Survey (Manager & Above Category)

This is an e-based feedback tool conducted annually where an employee's peers and direct reports are asked to provide feedback in a confidential manner. The feedback received is then compared to the self-assessment form completed by the employee in line with the JKH Group's roof competencies.

## **Joint Consultative Committee (JCC) Meetings**

One non-executive level employee representing each department is given the opportunity to meet the CEO and the Head of HR of JKPLC regularly to raise concerns, make suggestions and discuss areas for improvement.

## **Staff Meetings**

Staff meetings are organized to share financial information and other pertinent Company developments with the employees. The employees are also given the opportunity to share their ideas and opinions.

## **Great Place to Work (GPTW) Survey**

This survey was undertaken in the financial year 2019/ 2020 in order to obtain feedback from the employees on areas such as Credibility, Respect, Fairness, Pride & Camaraderie. An action plan is in place to address areas of development.

## **Engagement Forum**

This is a JKH Group initiative aimed at promoting bottom-up and top-down communication.

The employees are given the opportunity to meet the JKH Group Chairman and the Head of Group HR for an informal discussion. JKPLC continues to have three staff members in the categories of Executive, Assistant Manager and Manager as representatives at this forum.

## **Employee Engagement**

In order to ensure a work-life balance and to enable the employees to build personal relationships with colleagues, the Company sponsors

several events and activities. During the year under review, the Company had a celebration for all female employees on Women's Day.

## **Diversity and Inclusion**

In 2020/21, the John Keells Group concluded its initiatives under the commitments of the IFC SheWorks Sri Lanka partnership, which focused on implementing gender smart solutions with the objective of increasing female participation in the workforce. Maintaining this momentum, the Group joined 'Target Gender Equality', the UN Global Compact's accelerated programme towards increasing women's representation and leadership in business.

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

On International Women's Day - 8th March 2021, the Group announced its commitment to increase female participation to 40% by the end of 2025/26 with annual interim goals set for each industry group. To meet this goal, along with other Group companies John Keells PLC has committed to increasing the participation of women by 2% by this date, setting out initiatives and interventions to breaking gender stereotypes and increasing women in non-traditional roles.

The Group formalized its Agile Workplace Policy into a more practical and accessible methodology, which was implemented during the transition period of the new normal. This assisted greatly in maintaining a work-life balance.

# CORPORATE SOCIAL RESPONSIBILITY

For JKPLC, corporate and social relationships create much value to our stakeholders and the Company. Key components of this consist of the vital value chain relationships with our customers and suppliers. The Company is also cognisant of the importance of the relationships with surrounding communities and those with close ties to our suppliers, and work to build mutually beneficial and respectful relationship with these stakeholders.

## Management Approach

The Company is well-aware that our business operations affect our stakeholders in different ways. Thus, in creating long term value for social and relationship capital, we consider the impact made to these different stakeholders by establishing relevant processes and measures to impart information to enhance each stakeholder group's value and collective well-being associated with the Company. Product responsibility, fair contract negotiations, timely payments, knowledge sharing on sustainable and efficient processes and resource management and community livelihood development are some aspects which create social and relationship value from the Company's perspective.

### John Keells PLC Value Chain Activities - Tea and Rubber Broking



## Creating Value for Customers

As part of JKPLC's commitment to serve our customers (buyers) efficiently and in the most convenient manner, the Company engages in continuous one-on-one interactions to better understand their requirements which in turn enables the effectiveness of our business actions and processes.

Being a part of the tea brokering business, the Company's weekly Tea Market Report is a critical tool to share information with our customers. The report includes latest developments in the global and Sri Lankan tea industry. To further strengthen relationships across the value chain, JKPLC also facilitates interaction between our two key stakeholders – our buyers and our suppliers, by arranging visits to the factories and production facilities.

In addition, the Company's emphasis on quality warehousing practices ensures that customers who purchase products stored in our warehouse receive products which are not degraded or adversely affected due to storage issues.

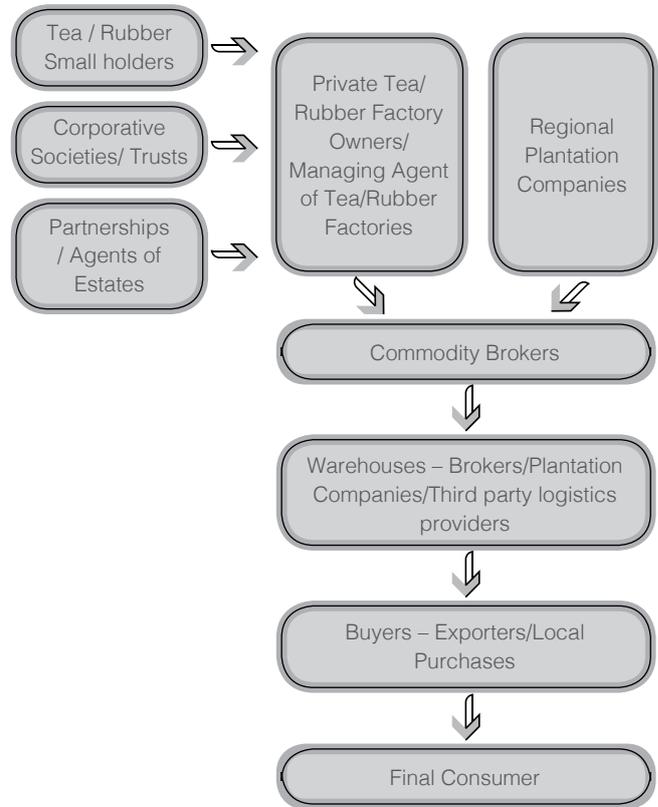
The increasing customer base of the Company is testimony of the trust placed in our brand and the quality of our services.

## Creating Value for Suppliers

Our tea and rubber suppliers are the critical link in our value chain, as the success of JKPLC's business depends heavily on reliable and sustainable supply chain partners. As such, the Company remains fully committed to work towards building trust with our suppliers and offering increasingly comprehensive supplier integration within the Company's business operations through a range of value-added services. As such, over the years, JKPLC has built processes and systems which enable us to provide financial assistance to factory owners (suppliers) to manage their working capital requirements and pursue extension plans, sharing of knowledge and best practices, sharing of latest industry developments and challenges, and one-on-one interaction with our customers for greater understanding of their needs.

In addition, the Company's emphasis on efficient warehousing practices and quality standards ensures that suppliers' produce is stored in optimal conditions without affecting quality, thereby increasing their ability to obtain higher prices at the marketplace.

## Supply Chain – Commodity Broking



## Creating Value for the Community

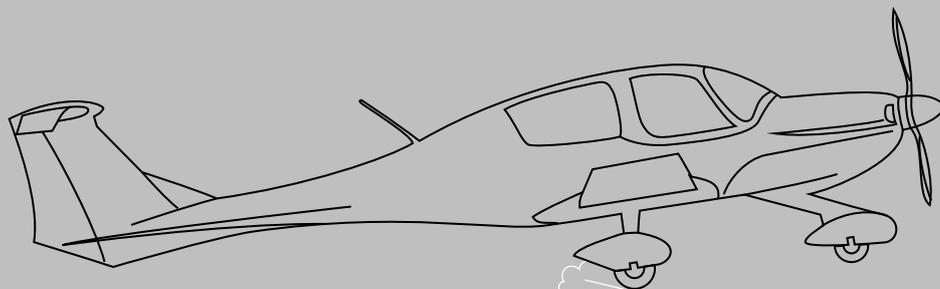
Being a responsible and conscientious business organisation, JKPLC practices good corporate citizenship by assisting and developing communities which surround our business operations and those of our suppliers. Focus areas include health and well-being and the improvement of living standards.

Community activities are generally carried out with the support of our employees who are encouraged to volunteer their time in organising and participating at these programmes.

In addition, the Company makes an annual contribution to the John Keells Foundation through which, all of the John Keells Group's corporate social responsibility activities are carried out.

# SURPASSING THE TURBULENCE

Strong leadership and stewardship served as the core strength behind our remarkable performance this year. As we venture into an unknown future amid a turbulent economy, we at John Keells PLC will continue to thrive and remain resilient, strengthened by principles of good governance.



## STEWARDSHIP

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# THE BOARD OF DIRECTORS

## KRISHAN BALENDRA

CHAIRMAN/NON INDEPENDENT - NON EXECUTIVE DIRECTOR

|                    |      |
|--------------------|------|
| Appointed to Board | 2018 |
| % Shares held      | 0 %  |

### Board Committees

Member – Nominations Committee

Member – Related Party Transactions Review Committee

### Skills and Expertise

Mr Balendra started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. Holds a law degree (LLB) from the University of London and an MBA from INSEAD.

### Positions held in Other Companies

Former Chairman of Nations Trust Bank PLC and Colombo Stock Exchange.

### Other Current Appointments

Chairman of John Keells Holdings PLC and serves as a Director of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka.

## GIHAN COORAY

NON INDEPENDENT - NON EXECUTIVE DIRECTOR

|                    |      |
|--------------------|------|
| Appointed to Board | 2018 |
| % Shares held      | 0 %  |

### Board Committees

None

### Skills and Expertise

Mr Cooray has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology function and John Keells Research. He is a Director of several companies in the John Keells Group.

Mr Cooray 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.

### Other Current Appointments

Deputy Chairman & Group Finance Director of John Keells Holdings PLC, Chairman of Nations Trust Bank and serves as a committee member of the Ceylon Chamber of Commerce

## ZAFIR HASHIM

NON INDEPENDENT - NON-EXECUTIVE DIRECTOR

|                    |      |
|--------------------|------|
| Appointed to Board | 2021 |
| % Shares held      | 0 %  |

### Board Committees

None

### Skills and Expertise

Mr Zafir Hashim has been in the group for 17 years. He has an MSc in Chemical Engineering from the University of Birmingham (UK).

### Positions held in Other Companies

He joined the JKH Group in 2003, seconded to Lanka Marine Services, where he served as the CEO from 2005-2015. He has also served as a member of the Transportation Sector Committee from 2005. During the last 17 years he has held the position of CEO at John Keells Logistics Lanka Ltd. for a short time, and Mackinnons Mackenzie Shipping Co. Ltd, Mack International Freight Ltd and Mackinnons Travels Ltd.

### Other Current Appointments

Head of Transportation and Plantation sectors within the John Keells Group.

## DEVIKA WEERASINGHE

NON INDEPENDENT - NON-EXECUTIVE DIRECTOR

|                    |      |
|--------------------|------|
| Appointed to Board | 2021 |
| % Shares held      | 0 %  |

### Board Committees

None

### Skills and Expertise

Ms Devika Weerasinghe is an Associate member of the Chartered Institute of Management Accountants UK. She also holds a Bachelor's Degree in Business Administration, from the University of Sri Jayewardenepura. She serves as the CFO of the Plantations Services Sector of the John Keells Group.

### Positions held in Other Companies

Ms Weerasinghe previously held the position of Sector Financial Controller of the Transportation sector. She also served as the Sector Financial Controller of the Airlines SBU of the Transportation sector during the period 1998-2004.

### Other Current Appointments

She is the CFO of the Transportations Industry group and the Information Technology sector of the John Keells Group.

## CHARITHA NISSANKA WIJewardane

INDEPENDENT NON-EXECUTIVE DIRECTOR

|                    |      |
|--------------------|------|
| Appointed to Board | 2016 |
| % Shares held      | 0 %  |

### Board Committees

Member - Board Audit Committee

### Skills and Expertise

Mr Charitha Wijewardane graduated from the University of HULL, UK with BSc Honours Degree in Digital Electronics and Communications, and is an Engineer by profession.

He also worked at IBMs Asia Pacific Group Headquarters in Hong Kong, where he was in-charge of Mass Marketing Programmes in all of Asia Pacific for IBMs AS/400 series.

He headed the Marketing Team in IBM Sri Lanka and he was also managing the AS/400 Mass Marketing Programme for IBM ASEAN Operations out of Singapore.

He served at Lexmark Internationals Asia Pacific Operations based in Sydney, Australia.

He is recognized for setting up effective channels operations in diverse cultures and sub cultures.

#### Positions held in Other Companies

He served at IBM as a Country General Manager for IBM World Trade Corporation.

At Lexmark he worked as a Regional Manager spearheading distribution and service operations for Lexmark Products in Pakistan, India, Bangladesh, Sri Lanka, Myanmar, Maldives, New Zealand and Western Australia.

He also served as an Independent Non-Executive Director of Bank of Ceylon.

Served in the BOC RISK Committee as Chairperson, and as a member of the Audit committee of Bank of Ceylon.

He was a Board member of MBSL, MBSL INSURANCE, BOC TRAVELS. He was also the Chairman Hotels Colombo (1963) Owing company of Grand Oriental Hotel. He also served as an Independent Non-Executive Director of the National Lotteries Board and is a member of the Audit committee of the Lotteries Board.

#### ANANDHIY K. GUNAWARDHANA

##### INDEPENDENT NON-EXECUTIVE DIRECTOR

|                    |      |
|--------------------|------|
| Appointed to Board | 2016 |
| % Shares held      | 0 %  |

#### Board Committees

Member - Board Audit Committee

#### Skills and Expertise

Attorney-at-Law and a partner of Julius & Creasy, Attorneys-at-Law and Notaries Public.

Graduated from the University of Colombo's Faculty of Law in 1995 with Second Class (Upper Division) Honours and also secured First Class Honours at the Attorneys-at-Law (Final) Examination in 1996, conducted by the Sri Lanka Law College.

She is a Fulbright Scholar and was awarded the Master of Laws (LL.M. with Distinction) by Georgetown University, Washington DC, in May 2000 and, thereafter, served a 7-month internship with the International Monetary Fund's Legal Department in Washington D.C.

She was called to the Bar in June 1997 and was duly enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka.

Having joined Julius & Creasy in August 1996 as an apprentice, she was made a professional associate in July 1997 and admitted as a Partner in 2005.

Her areas of specialization are Capital Markets, Corporate and Commercial Law and Mergers & Acquisitions.

#### Positions held in Other Companies

Director of L B Finance PLC.

#### BODIYABADUGE ARUNDATHI INDIRA RAJAKARIER

##### INDEPENDENT NON-EXECUTIVE DIRECTOR

|                    |      |
|--------------------|------|
| Appointed to Board | 2016 |
| % Shares held      | 0 %  |

#### Board Committees

Chairperson - Board Audit Committee

#### Skills and Expertise

She has over 25 years working experience as a finance professional.

She is a Fellow member of the Institute of Chartered Accountants, Sri Lanka.

She is a founder Director of SheConsults (Pvt) Ltd., a financial consulting company.

She has also been a Consultant to World Bank and other institutions on various assignments.

She was trained at Ernst & Young where she served as Senior Manager in both auditing, consultancy and training.

#### Positions held in Other Companies

She serves on the Board of Morison Ltd in the capacity of an Independent Non-Executive Director and the Chairperson of the Audit Committee and Related Party Transactions Review committees.

She serves on the Council of Sri Lanka Institute of Directors. She served as the Founder Chairperson of the Women's Empowerment & Leadership Committee of the Institute of Chartered Accountants of Sri Lanka.

She served as the Country Manager for ACCA Sri Lanka and Maldives, at NDB Bank in senior roles covering Corporate Banking, Merchant Banking and Consultancy and Internal Audit; and as Finance Director of Lanka Cellular Services (Pvt) Ltd.

She served on the Board of NCAP as an Independent Non- Executive Director and was the Chairperson of the Audit, Risk and Compliance Committee and the Remuneration Committee and a member of the Investment Committee.

She also served on the Board of NDB Securities (Pvt) Ltd., a subsidiary of NCAP as a Non-Executive Director.

## Highlights of the 73rd AGM held on 26th June 2020

- Mr. J G A Cooray, who retired in terms of Article 83 of the Articles of Association of the Company was re-elected as a Director of the Company
- Ms. A K Gunawardhana, who retired in terms of Article 83 of the Articles of Association of the Company was re-elected as a Director of the Company
- Re-appointment of Auditors Messrs. Ernst & Young, Chartered Accountants, as the External Auditors of the Company and determination of their remuneration

John Keells PLC values good governance, as we believe that it's a core strength we possess in building and maintaining sustainable business relationships, which has helped us stand strong and resilient over our existence of over 150 years in the industry. John Keells PLC (herein referred to as "The Company"), along with its subsidiary and associate companies (collectively termed as "JKL Group") has its own set of internal benchmarks, processes and structures towards meeting accepted best practices in governance, in addition to the compliance with mandatory regulatory requirements. The JKL Group has been structured and controlled internally through a process of continuous review in facilitating the adoption of the key principles of corporate governance.

Ethical conduct and good governance are embedded within the Company culture and are instilled in the core values of the organization. The Code of Conduct of John Keells Holdings PLC, the parent company (JKH), which applies to all the employees of the Company, senior management and the Board, provides guidance on embracing this philosophy while carrying out their official duties. The performance management system monitors the adherence to the JKH Code of Conduct and encourages and rewards the employees who exhibit these core values and become exemplary characters within and outside the organization.

The JKL Group is committed to upholding the highest levels of ethical business conduct and good governance practices, and always focuses on achieving high level of transparency in all its reporting aspects. The Corporate Governance philosophy practiced at the Company and JKL Group, is in compliance with the following and where necessary, any deviations as permitted by the relevant rules and regulations have been explained. This report lays out the practices of Corporate Governance framework, adhered to by your Company and the JKL Group for the financial year 2020/2021.

## COMPLIANCE SUMMARY

### Regulatory Benchmarks

|   |                 |
|---|-----------------|
| • The Companies Act No.7 of 2007 and regulations (Mandatory provisions)   | fully compliant |
| • Listing Rules of the Colombo Stock Exchange (CSE) (Mandatory provisions)  | fully compliant |
| • Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars (Mandatory provisions) | fully compliant |

|   |   |
|---|---|
| • Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC) (Mandatory provisions)   | fully compliant   |
| • 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) (Voluntary provisions) | fully compliant   |
| • UK Corporate Governance Code (formerly known as the Combined Code of 2010) (Voluntary provisions)   | compliant, as applicable to JKL   |
| • Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka (Voluntary provisions)  | compliant with almost the full 2017 Code, to the extent of business exigency and as required by the JKL Group |

### Key Internal Benchmarks

|   |  |
|---|--|
| • Articles of Association of the Company                            | • Policies on gifts, entertainment and facilitation payments                         |
| • Recruitment and selection policies                                | • Policy on communications and advertising   |
| • Learning and development policies                                 | • Ombudsperson policy  |
| • Policies on equal opportunities, career management and promotions | • Group accounting procedures and policies   |
| • Rewards and recognition policy                                    | • Policies on enterprise risk management   |
| • Leave, flexi-hours and tele-working policies                      | • Policies on fund management and FX risk mitigation                                 |
| • Code of conduct   | • IT policies and procedures, including data protection, classification and security |

- Policy against sexual harassment
- Policies against forced, compulsory and child labour
- Disciplinary procedure
- Policy on grievance handling
- Group environmental and economic policies
- Policies on energy, emissions, water and waste management
- Policies on products and services
- Policies on anti-fraud, anti-corruption and anti-bribery

**Detailed Account of Compliance with the Code of Best Practice on Corporate Governance**

JKL Group’s corporate governance framework is developed based on the sections laid out in the Code of Best Practice on Corporate Governance issued jointly by Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Below is a snapshot of the model adapted by the JKL Group, which will help in navigating through this section on Corporate Governance.

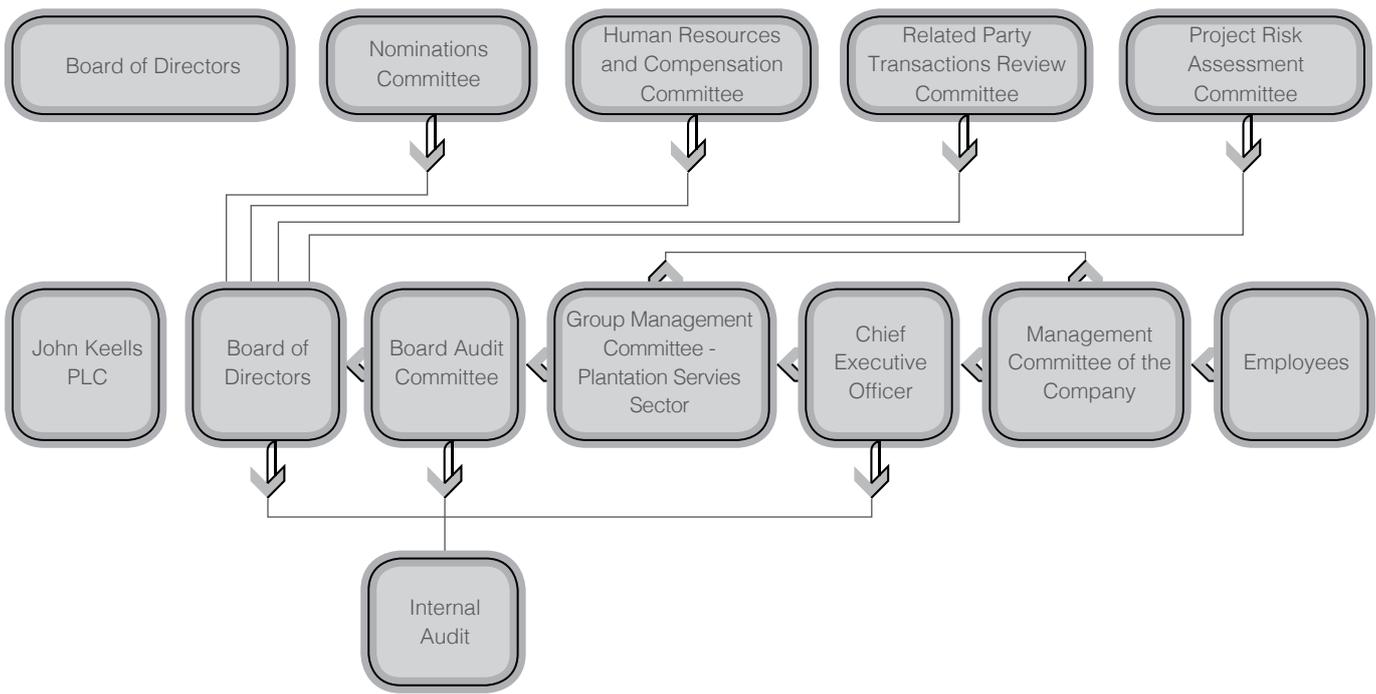
Note: The above highlights some of the key policies within the John Keells Group which are adhered to by the JKL Group.



**A. BOARD OF DIRECTORS**

**1. An Efficient Board**

John Keells Holdings PLC (Parent Company)



# CORPORATE GOVERNANCE

The Board meets regularly to discuss all matters relevant to the operation and governance of the Company and the minutes of all Board meetings are documented by the Company Secretaries, Keells Consultants (Private) Limited.

Certain functions of the Board have been delegated to the Board Sub-Committees, with the Board retaining final decision rights. This allows more specialized knowledge to be brought into the overall decision-making process, by having the members of these Sub-Committees focus on their area of expertise.

As permitted by the listing rules of the Colombo Stock Exchange (CSE), the Nominations, Human Resources and Compensation and Related Party Transactions Review committees, together with the Project Risk Assessment committee of the parent company, JKH, function on behalf of the Company.

The Company has its own Board Audit Committee composed solely of Non-Executive, Independent Directors (NED/ID).

The Board Sub-Committees are as follows:

- Board Audit Committee (BAC)
- Nominations Committee (of Parent Company JKH)
- Human Resources and Compensation Committee (of Parent Company JKH)
- Related Party Transactions Review Committee (of Parent Company JKH)
- Project Risk Assessment Committee (of Parent Company JKH)

The Company's governance model, indicating the Board, its sub-committees and the overall hierarchy are shown in the figure above.

## 1.1. Attendance at Board Meetings

The Board meets at least once every quarter or more frequently in the event circumstances require. Any absences are excused in advance and duly recorded in the minutes. The absent Board members are immediately briefed on the discussions and actions taken during the meeting.

The dates and attendance of Directors at the quarterly Board meetings held during the financial year is as follows:

| Name of Director              |         | Board meeting attendance |           |           |           |                          |                   |
|-------------------------------|---------|--------------------------|-----------|-----------|-----------|--------------------------|-------------------|
|                               |         | 24/April/20              | 24/Jul/20 | 23/Oct/20 | 21/Jan/21 | Eligible no. of meetings | Meetings Attended |
| Mr. K N J Balendra (Chairman) | NED/NID | ✓                        | ✓         | ✓         | ✓         | 4                        | 4 of 4            |
| Mr. J G A Cooray              | NED/NID | ✓                        | ✓         | ✓         | ✓         | 4                        | 4 of 4            |
| Mr. J R Gunaratne*            | NED/NID | ✓                        | ✓         | ✓         | N/A       | 3                        | 3 of 3            |
| Mr. C N Wijewardene           | NED/ID  | ✓                        | ✓         | ✓         | ✓         | 4                        | 4 of 4            |
| Ms. A K Gunawardhana          | NED/ID  | ✓                        | ✓         | ✓         | ✓         | 4                        | 4 of 4            |
| Ms. B A I Rajakarier          | NED/ID  | ✓                        | ✓         | ✓         | ✓         | 4                        | 4 of 4            |
| Ms K D Weerasinghe**          | NED/NID | N/A                      | N/A       | N/A       | ✓         | 1                        | 1 of 1            |
| Mr A Z Hashim**               | NED/NID | N/A                      | N/A       | N/A       | ✓         | 1                        | 1 of 1            |

\*Resigned from the Board w.e.f. 31 December 2020

\*\*Appointed to the Board w.e.f. 1 January 2021

### Abbreviations

NED/NID – Non-Executive, Non-Independent Director

NED/ID – Non-Executive, Independent Director

A typical Board meeting agenda in financial year 2020/21 contained;

|  |   |
|--|---|
| • Confirmation of minutes of previous meeting  | • Ratification of capital expenditure, disposal of fixed assets and donations |
| • Matters arising from the previous minutes  | • Ratification of the use of the Company seal and share certificates issued   |
| • Status updates of major projects   | • Ratification of circular resolutions and new resolutions                    |
| • Review of performance in summary and in detail, including high level commentary on actuals and outlook | • Report on corporate social responsibility                                   |
| • Summation of strategic issues discussed at pre-Board meetings  | • Review of risks, sustainability development, HR practices/updates, etc.     |

## 1.2. Roles and Responsibilities of the Board

In carrying out its responsibilities, the Board promotes a culture of openness and productive dialogue with a view to creating value to all stakeholders. In executing its role, the Board of Directors is collectively responsible for the below key matters, as per the John Keells Group Corporate Governance Framework:

- Provide direction and guidance to the Company in the formulation of its high-level strategies, with emphasis on the medium and long term, in the pursuance of the Group's long-term success
- Reviewing and approving annual plans and longer-term business plans
- Tracking actual progress against plans
- Reviewing Human Resource (HR) processes with emphasis on top management succession planning
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework
- Monitoring systems of governance and compliance
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits
- Ensuring that key management personnel and the management team have the required skills, experience and knowledge to implement strategy
- Determining any changes to the discretions/authorities delegated by the Board to the executive levels
- Reviewing and approving major acquisitions, disposals and capital expenditure
- Approving any amendments to constitutional documents
- Ensuring all Related Party Transactions are compliant with statutory obligations
- Adopting voluntarily, best practices where relevant and applicable

## 1.3. Act in accordance with Laws and Access to Independent Professional Advice

The Board acts in compliance with the laws of the country and all employees are required to adhere to the JKH Code of Conduct. The quarterly compliance statements (Financial/Operational) submitted by the management of the Company and reviewed by the President of the Plantations Services Sector, are provided to the Board and Board Audit Committee (BAC) for their review and comments.

In order to preserve the independence of the Board, and to strengthen decision making, the Board seeks independent professional advice when deemed necessary. Accordingly, the Board obtains independent professional advice covering areas such as;

- Impacts on business operations of the current and emerging economic and geo-political shifts.
- Legal, tax and accounting aspects, particularly where independent external advice is deemed necessary in ensuring the integrity of the subject decision.
- Market surveys, architectural and engineering advisory services as necessary for business operations
- Actuarial valuation of retirement benefits and valuation of property including that of investment property.
- Information technology consultancy services pertaining to enterprise resource planning system, distributor management system or other major projects.
- Specific technical know-how and domain knowledge for identified project feasibilities and evaluations

Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.

## 1.4. Role of the Company Secretary

The Company Secretaries, Keells Consultants (Private) Limited,

- is responsible for the induction of new Directors,
- assist the Chairman and the Board of Directors in determining the annual Board Plan,
- guide the Board and the individual Directors in the proper discharge of their responsibilities and act as a central source of guidance on matters of ethics and governance. Further, they are responsible for making necessary disclosures on related party transactions required by law and regulations and acts as a channel of communication with shareholders to ensure good shareholder relations.

The shareholders can contact Keells Consultants (Private) Limited, the Company Secretaries on 011-2306245 for any Company related information requirements.

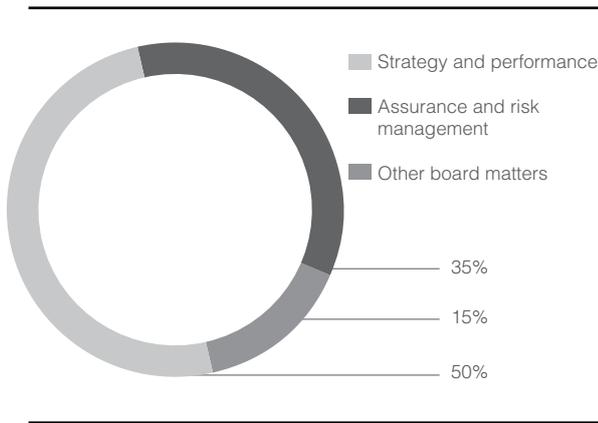
## 1.5. Independent Judgement

When discharging their official duties, all Directors bring in their mix of skills, expertise and knowledge complemented with a high sense of integrity and independent judgment on issues of strategy,

performance, resources and standard of business conduct. Independent, Non-Executive Directors (ID/NED) are responsible for providing independent judgment for the proposals made by the Chairman and the rest of the Board.

### 1.6. Dedication of adequate time and effort by Directors

The Board has dedicated sufficient time prior to Board meetings to review Board papers and request additional material and information for further clarification as deemed necessary. This is to ensure that the duties and responsibilities of them towards the Company are satisfactorily discharged. It is estimated that NEDs each devoted about 30 full time equivalent days to the Group during the year.



### 1.7. Training for Directors

Once a NED is newly appointed to the John Keells Group, they are apprised with the Company's values and culture, Group governance framework, policies and processes, Code of Conduct expected by the Company, business model of the Company, strategy and the Directors' responsibilities in accordance with current legislation.

The Chairman ensures that new Directors are introduced to other Board members and key management personnel and briefed on matters taken up at prior meetings.

Directors are encouraged to update their skills and knowledge on a continuous basis, and this is facilitated through the following activities.

- Access to External and Internal Auditors
- Periodic reports on performance
- Updates on topics that range from proposed / new regulations to industry best practices
- Opportunities to meet Senior Management of the Managing Agents in a structured setting
- Access to industry experts and other external professional advisory services
- Access to the Centre Legal, Tax and Finance Divisions of the John Keells Group of which the Company is a member
- The services of the Company Secretary

The Directors also have the opportunity of gaining further insight into the Company's business by undertaking business visits. As laid out

in Section 1.6. above, the Directors devote sufficient time and make every effort to ensure that in proportion with their knowledge and experience, they discharge their responsibilities to the Company.

### 2. Chairman & the Chief Executive Officer (CEO)

The roles of Chairman and CEO have been segregated in the Company. The purpose and role of both these officers is summarized below:

| Role of Chairman  | Role of CEO   |
|---|---|
| <ul style="list-style-type: none"> <li>• To provide leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board</li> </ul>   | <ul style="list-style-type: none"> <li>• Execute strategies and policies of the Board</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Ensure constructive working relations are maintained between the Executive and Non-Executive members of the Board</li> </ul>   | <ul style="list-style-type: none"> <li>• Ensure the efficient management of all businesses</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Ensure with the assistance of the Board Secretary that:                             <ul style="list-style-type: none"> <li>• Board procedures are followed</li> <li>• Information is disseminated in a timely manner to the Board</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Guide and supervise Executive Directors towards striking a balance between their Board and Executive responsibilities</li> </ul> |
|   | <ul style="list-style-type: none"> <li>• Ensure the operating model of the Group is aligned with short and long-term strategies of the Group</li> </ul>                   |
|   | <ul style="list-style-type: none"> <li>• Ensure succession at the very senior levels is planned</li> </ul>  |

### 3. Role of Chairman

The main responsibility of the Chairman is to lead and manage the Board and its Committees for their effective functioning so that they can function effectively. He sets the tone at the top for the governance and ethical framework of the Group, facilitates and encourages the expression of differing views, and by keeping in touch with local and global industry developments, ensures that the Board is alert to its obligations to the Company's shareholders and other stakeholders. He represents the Company externally and is the focal point of contact for shareholders on all aspects of corporate governance.

### 4. Financial Acumen

Mr. J G A Cooray, Ms. B A I Rajakarier and Ms. K D Weerasinghe who are members of the Board are also members of professional accounting bodies who are able to offer sound financial guidance through their specialized knowledge on the subject of finance.

### 5. Managing Conflicts

The JKL 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 JKL Group.

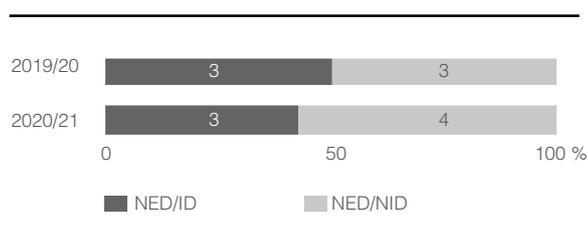
In order to avoid such potential conflicts or biases, the Directors make a general disclosure of interests, as illustrated below, at appointment, at the beginning of every financial year and during the year as required. Such potential conflicts are reviewed by the Board from time

to time to ensure the integrity of the Board's independence. Details of companies in which Board members hold Board or Board Committee membership are available with the Company Secretary for inspection by shareholders, on request.

| Prior to Appointment   | Once Appointed   | During Board Meetings  |
|--|--|--|
| Nominees are requested to make known their various interests | <p>Directors obtain Board clearance prior to:</p> <ul style="list-style-type: none"> <li>Accepting a new position</li> <li>Engaging in any transaction that could create or potentially create a conflict of interest</li> </ul> <p>All NEDs are required to notify the Chairman-CEO of any changes to their current Board representations or interests and a new declaration is made annually</p> | <p>Directors who have an interest in a matter under discussion:</p> <ul style="list-style-type: none"> <li>Excuse themselves from deliberations on the subject matter</li> <li>Abstain from voting on the subject matter (abstention from decisions are duly minuted)</li> </ul> |

## 6. Board Balance

The Board of Directors of the Company comprises solely of NED's with four (4) NED/NIDs and three (3) NED/IDs. Further details on the Directors is given under Directors Profile section on pages 36 to 37.



Independence of NED/IDs were assessed based on the following criteria:

- No shareholding in the Company
- Not being employed by the Company, its subsidiaries or

Parent during the period of two years immediately preceding appointment as a Director

- Not holding a Directorship at another company in which a majority of the other Directors of the Company are employed, or are Directors, or have a significant shareholding, or have a material business relationship
- No close family member being a Director, CEO or a Key Management Personnel (KMP)
- Continuous service on the Board for a period not exceeding nine years from the date of the first appointment
- Is not employed, has a material business relationship and/or significant shareholding in other companies in which a majority of the other Directors of the Company are employed, or are Directors, or have a significant shareholding, or have a material business relationship

## Summary of Non-Executive Independent Directors' Interests and Conformity

| Name of Director     | Shareholding (i) | Employed (ii) | Director / Management (iii) | Family member a Director or CEO or KMP (iv) | Continuous Service for more than 9 years (v) | Material Business Relationship (vi) |
|----------------------|------------------|---------------|-----------------------------|---|--|-------------------------------------|
| Mr. C N Wijewardene  | No               | No            | No                          | No  | No   | No                                  |
| Ms. A K Gunawardhana | No               | No            | No                          | No  | No   | No                                  |
| Ms. B A I Rajakarier | No               | No            | No                          | No  | No   | No                                  |

Based on above criteria, the independence of Directors Mr. C N Wijewardene, Ms. A K Gunawardhana and Ms. B A I Rajakarier, was established. All three NED's of the Company have submitted signed declarations of their independence.

The Company is conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in ensuring that the skills representation is in sync with current and future needs.

## 7. Supply of Information

Information to be tabled at the Board meetings are provided to the Directors well in advance (at least one week prior to the Board meeting) in order to facilitate more informed decision making. Board packs supplied to the Directors prior to the Board meeting includes, but not limited to; Board Resolutions and other information on functional areas such as tax, human resources, treasury and corporate social responsibility.

## 8. Appointments to the Board

Directors' appointment to the Board is under the purview of the Nominations Committee of the parent Company, JKH. All NED/IDs are appointed for an initial period of three years and are eligible for re-election by the shareholders, subject to the age limit as per statutory provisions at the time of re-appointment. NED/IDs can serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the requirements of the JKL Group. Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement made to the CSE. Details of such appointments are also carried in the respective Interim Release and the Annual Report. 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. Casual vacancies are filled by the Board following a similar rigorous process of selecting nominees.

### Composition of the Nominations Committee of JKH and Committee Attendance

| Name                    | 7/Apr/2020 | 31/Dec/2020 |
|-------------------------|------------|-------------|
| Mr. M A Omar (Chairman) | ✓          | ✓           |
| Mr. K N J Balendra      | ✓          | ✓           |
| Dr. S S H Wijayasuriya  | ✓          | ✓           |
| Ms. M P Perera          | ✓          | ✓           |

## 9. Re-election

At each Annual General Meeting (AGM) one third of the Directors, except the Chairman, are subject to retirement by rotation in accordance with the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment / re-appointment. In addition, any new Director who was appointed to the Board during the year is required to stand for re-election at the next Annual General Meeting in terms of the Articles of Association of the Company. Annually, the Board discusses the possibilities of any impairment of Directors independence due to extended Board tenures, and collectively evaluates the re-election of such Board members.

Proposals for the re-election of Directors are set out in the Annual Report of the Board of Directors on pages 61 to 65.

## 10. Appraisal of Board Performance

The performance appraisal of the Board is conducted annually by the Board itself. Each member of the Board will self-appraise on an anonymous basis, the performance of the Board, using a detailed checklist / questionnaire, under the areas of;

- Role clarity and effective discharge of responsibilities
- People mix and structures

- Systems and procedures
- Quality of participation
- Board image

The results of this exercise are analyzed and discussed among the Board members to understand the level of effectiveness of the Board, and areas which require further strengthening.

## 11. Disclosure of Information in respect of Directors

As per the Code of Best Practice on Corporate Governance (2013), the below details have been disclosed in this annual report, with respect to the Directors;

- Name, qualifications, expertise, material business interests and brief profiles on pages 36 to 37.
- Membership of Sub-Committees and attendance at Board Meetings and Sub-Committee meetings on pages 38 to 52.
- Related party transactions in Note 35 to the Financial Statements.

## 12. Appraisal of CEO

The appraisal of the CEO is carried out annually, at a parent level and is based on pre-agreed performance criteria.

## B. DIRECTORS' REMUNERATION

### 1. Remuneration Procedure

JKH Group remuneration policies apply to Directors of the Company. This procedure is independently performed upon the recommendations of the Human Resources and Compensation Committee of JKH, and no Director is involved in determining his/her own remuneration.

### Composition of the Human Resources and Compensation Committee of JKH and Meeting Attendance

As permitted by the listing rules of the CSE, the Human Resources and Compensation Committee of JKH, acts as the Human Resources and Compensation Committee for the Company.

| Name                       | 30/June/2020 |
|----------------------------|--------------|
| Mr. D A Cabraal (Chairman) | ✓            |
| Dr. S S H Wijayasuriya*    | ✓            |
| Mr. M A Omar*              | ✓            |
| <b>By Invitation</b>       |              |
| Mr. K N J Balendra         | ✓            |
| Mr. J G A Cooray           | ✓            |

\*Member

### 2. Level and Make Up of Remuneration

#### Non-Executive Director Remuneration

Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable companies and is adjusted where necessary in keeping with the complexity of the JKL Group. The fees received by NEDs are determined by the Board and reviewed annually. NEDs do not receive any performance /incentive payments and are not eligible to participate in any of the John Keells Group's ESOPs. NEDs fees are not subject to time spent or defined by a maximum/minimum number of hours committed to the JKL Group per annum, and hence are not

subject to additional/lower fees for additional/lesser time devoted. Directors fees applicable to NEDs nominated by JKH are paid directly to JKH and not to individuals.

Total aggregate of NED remuneration for the financial year 2020/21 was Rs. 7.46 Mn. (2019/20 – Rs 6.00 Mn)

#### Compensation for Early Termination

In the event of an early termination of a Director, there are no compensation commitments other than for NED's accrued fees payable, if any, as per the terms of their contract.

### C. SHAREHOLDER RELATIONS

#### 1. Constructive use of AGM and General Meetings

The AGM is a main mode of communication of the Company with its shareholders. 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 JKL Group. Shareholders are provided with the Annual Report in electronic form. Shareholders may at any time elect to receive an Annual Report from JKL in printed form, which is provided free of charge.

The Company makes use of the AGMs constructively to promote better shareholder relations and to enhance shareholder inclusiveness in the businesses concerned. To facilitate this, below procedures are followed;

- Notice of the AGM and related documents, are sent to shareholders along with the Annual Report within the specified period
- Summary of procedures governing voting at General Meetings are clearly communicated
- All the Directors are available to answer queries
- The Chairman ensures that the relevant Senior Managers are available at the AGM to answer specific queries
- Separate resolutions are proposed for each item
- Proxy votes are counted

#### 2. Communications with Shareholders

The primary modes of communication between the Company and the shareholders are through the announcements made to the CSE, Annual and Quarterly Reports and the AGM.

The Board of Directors, in conjunction with the Board Audit Committee (BAC), is responsible in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual Financial Statements for the year ended 31st March 2021.

All other material and price sensitive information about the Company is promptly communicated to the CSE, where the shares of the Company are listed, and such information is also released to the employees, press and shareholders.

#### 3. Major and Material Transactions

Shareholders are advised of any instance where the contemplated value of a transaction would be in excess of half of the assets of the

Company ("Major transactions"). There were no major transactions as defined under Section 185 of the Companies Act No. 07 of 2007 (Companies Act), during the year under review.

### D. ACCOUNTABILITY AND AUDIT

#### 1. Financial and Business Reporting

The Financial Statements included in this Annual Report are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS).

The following specialized information requirements are also included in this Annual Report:

- The Annual Report of the Board of Directors on the Affairs of the Company - pages 61 to 65.
- The Statement of Directors' Responsibility - page 66
- The Independent Auditors' Report - pages 69 to 71
- The Management Discussion and Analysis - pages 17 to 34
- Related Party transactions - pages 125 to 126

#### 2. Risk Management and Internal Control

##### 2.1. Internal Control

The parent company, JKH, extends the services of its Group Business Process Review (BPR) division to the Company, to oversee systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information. The risk review program, covering the Internal Audit of the Company is outsourced and coordinated by the John Keells Group BPR division on behalf of the Company.

Reports arising out of such audits, are first considered and discussed at the Company level, and reviewed by the President.

An Executive Summary including appropriate management action prepared by the John Keells Group BPR division is forwarded to the relevant Board Audit Committee (BAC), through the Group Finance Director, on a quarterly basis. Further, the Board Audit Committee assesses the effectiveness of the risk review process and systems of internal control periodically.

The role of Internal Audit is given higher value within the Company as it adds value to the systems and processes in place to enhance value creation of the business. The audit findings form an integral input in modifying and improving internal processes.

##### 2.2. Internal Compliance Statements

The JKL Group requires each business unit to produce a self-completion checklist with regards to Operational and Financial compliances adhered to during the year under review. This program requires the Sector Head of the Plantation Services Sector of JKH and the CEO of the Company to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms. The Sector Head of the Plantation Services Sector of JKH and the CEO of the Company are required to confirm operational compliance with statutory and other regulations and key control procedures, and also identify any significant deviations from the expected norms.

## 2.3. Risk Review

The JKL Group's Risk Management initiatives focus on wider sustainability development, to identify, evaluate and manage significant risks and to stress-test various risk scenarios. These initiatives ensure that the operations are effectively managed with a view to creating, enhancing and preserving shareholder and stakeholder value.

The steps taken towards promoting the Integrated Risk Management process are:

- Integrating and aligning activities and processes related to planning, policies / procedures, culture, competency, financial management, monitoring and reporting with risk management.
- Supporting executives / managers in moving the organization 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 Enterprise Risk Management section to this Annual Report set out on pages 53 to 56 provides a detailed account on the risk management initiatives of the Company.

## 3. Board Audit Committee (BAC)

The Board Audit Committee (BAC) solely comprises NED/IDs and conforms to the requirements of the Listing Rules of the CSE. Details on the composition of the Board Audit Committee, and attendance at meetings is provided in the Audit Committee Report on pages 57 to 59. It is governed by a Charter, which inter alia, covers the reviewing of policies and procedures of internal control, business risk management, compliance with laws and JKL Group policies and independent audit function.

The Committee is responsible for the consideration and recommendation of the appointment of External Auditors, the maintenance of a professional relationship with them, reviewing the accounting principles, policies and practices adopted in the preparation of published financial information and examining all documents representing the final Financial Statements.

The quarterly self-compliance exercises performed by the JKL Group have significantly aided the committee in its efforts in ensuring correct financial reporting and effective internal control and risk management.

CEO of the Company and John Keells Stock Brokers (Private) Limited (JKSB), the Chief Financial Officer (CFO), the Head of Finance and other operational heads are invited to the meetings of the Board Audit Committee. The detailed Board Audit Committee report including areas reviewed during the financial year 2020/21 is given on pages 57 to 59 of the Annual Report.

## Composition and Meeting Attendance of the Board Audit Committee of the Company

| Name                                  | 14/May/<br>2020 | 24/July/<br>2020 | 23/Oct/<br>2020 | 21/Jan/<br>2021 |
|---------------------------------------|-----------------|------------------|-----------------|-----------------|
| Ms. B A I Rajakarier<br>(Chairperson) | ✓               | ✓                | ✓               | ✓               |
| Mr. A K Gunawardhana                  | ✓               | ✓                | ✓               | ✓               |
| Mr. C N Wijewardene                   | ✓               | ✓                | ✓               | ✓               |

## 4. Related Party Transactions Review Committee

As permitted by the listing rules of the CSE, the Related Party Transactions Review Committee of JKH, the Parent Company, functions as the Related Party Transactions Review Committee of the Company.

The Board ensures that no related party transactions (RPT) which would provide 'more favorable treatment' to the related parties, occur within the business setup. The Related Party Transactions Review Committee aids in ensuring the same, by assessing if all RPT are executed in line with the provisions laid out in LKAS 24 – Related Party Disclosures

## Composition and Meeting Attendance of the Related Party Transactions Review Committee of JKH

| Name                            | 15/May/<br>2020 | 28/July/<br>2020 | 03/Nov/<br>2020 | 26/Jan/<br>2021 |
|---------------------------------|-----------------|------------------|-----------------|-----------------|
| Ms. M P Perera<br>(Chairperson) | ✓               | ✓                | ✓               | ✓               |
| Mr. D A Cabraal*                | ✓               | ✓                | ✓               | ✓               |
| Mr. A N Fonseka *               | ✓               | ✓                | ✓               | ✓               |
| <b>By Invitation</b>            |                 |                  |                 |                 |
| Mr. K N J Balendra              | ✓               | ✓                | ✓               | ✓               |
| Mr. J G A Cooray                | ✓               | ✓                | ✓               | ✓               |

\*Member

The Related Party Transactions Review Committee report for the financial year 2020/21 is given on page 60.

## 5. Code of Business Conduct & Ethics

The Company follows the JKH Code of Conduct.

The objectives of the Code of Conduct are further affirmed by a strong set of corporate values which are well institutionalized at all levels within the Company through structured communication.

Adherence to Code of Conduct is linked to reward and recognition schemes, to promote more employee inclusion to the Company Code of Ethics and enhance ethical business practices.



**5.1. Ombudsperson**

The ombudsperson has been appointed by the Company's parent company, JKH, for any employee (or group of employees) who feel that an alleged violation has not been addressed satisfactorily using the available/existing procedures and processes. The Ombudsperson's duty ceases upon the confidential written communication of the findings of the Ombudsperson and recommendations to the Chairman or the Senior Independent Director of JKH, as the case may be.

The Chairman or the Senior Independent Director of JKH, as the case may be, will place before the Board.

- The decision and the recommendations of the Ombudsperson
- The action taken based on the recommendations
- The areas of disagreement and the reasons adduced in instances where the Chairman or the Senior Independent Director disagrees with any or all findings and/ or recommendations. In such cases, the Board shall consider the areas of disagreement and determine the way forward.

It is important to note that the Chairman or the Senior Independent Director takes steps necessary to ensure that the complainant is not victimized for having invoked this process. The organization's open-door policies facilitate such constant dialogue, communication, transparency and ultimately employee confidence, which would help retain existing talent whilst attracting new.

**5.2. Whistleblower policy**

The employees can report to the Chairman through a communication link named "Chairman Direct", on any concerns about unethical behavior and any violation of the John Keells Group values. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a selected committee under the direction of the Chairman.

**5.3. Securities trading policy**

The JKL Group's securities trading policy prohibits all employees and agents engaged by the Company who are in possession of unpublished price sensitive information from trading in the Company shares or other companies in which the Company has a business interest. The Group has a zero-tolerance policy against any employee who is found to be in violation of the same.

**5.4 Employee Participation**

Human Resource unit is designed in a manner that enables high accessibility by any employee to every level of management. Structured 'skip level' meetings are held where employees are given the opportunity to discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment. Through the participation of 360 Degree surveys and Voice of Employee (VOE) surveys which are conducted annually, employees are able to voice their opinion about the Company and their respective superiors. The employees also have the opportunity to take part in the Great Place To Work (GPTW) survey conducted by JKH once every four years giving them the opportunity to voice their opinion on the overall work environment.

**6. Corporate Governance Disclosures**

The Board through the support and guidance provided by JKH Legal division, strives to ensure that the Company complies with the laws and regulations of the country.

The Board of Directors have also taken all reasonable steps in ensuring that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards / Sri Lanka Financial Reporting Standards (LKAS / SLFRS) issued by the CA Sri Lanka and the requirements of the CSE and other relevant regulatory authorities. Statement of Directors' Responsibility given on page 66 elaborates on how financial reporting compliance is ensured, as required by the statutes. Details on corporate governance disclosures are set out on pages 38 to 52. In any case, where the Company has not adopted any best practice, the rationale for such non adoption is articulated.

**E. & F. INSTITUTIONAL & OTHER INVESTORS**

**1. Shareholder voting**

Shareholders are provided sufficient financial information and other relevant information on the website of the Company to enable them to take decisions regarding their investments. Annual Reports and Interim Financial Statements are circulated to all registered shareholders within prescribed timelines. All shareholders are encouraged to participate at the Annual General Meeting and vote on matters set before the shareholders.

**2. Other investors**

Individual investors directly investing in the Company are encouraged to seek advice in their investment/divestment decisions. The Company facilitates this to the best of their ability by making available their Annual and Interim Financial Statements on public platforms such as the CSE website and by inviting individual shareholders to their General Meetings to exercise their voting rights.

## G. DIGITAL OVERSIGHT, CYBERSECURITY, DATA PROTECTION, INFORMATION MANAGEMENT AND ADOPTION

The IT Governance framework used by the Parent Company, provides guidance on best practices and industry leading models such as COBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO 27001, ISO 9000:2008, COSO (Committee of Sponsoring Organizations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library) in providing a best of breed framework.

Below are the primary objectives upon which the IT Governance framework is built;

- Leverage IT as a Strategic Asset
- Ensuring agility, in a fast-moving environment
- Create better alignment between business and IT
- Create greater business value with our investments in IT
- Create a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best practices in line with world-class organizations

The integration of operations with technological processes has led the Group to be vulnerable to cyber threats. In such a background, there is a significant increase in the organisation's reliance on technology, and Cyber security continues to be a regular item on the agenda of Risk Management and Audit Committees and is periodically discussed at the Board level.

The Board accepts that the risk of a security breach needs to be continually managed, and the need to be well aware of where the vulnerabilities lie.

Upon the emergence of regulations such as European Union General Data Protection Regulation (GDPR), data security, integrity and information management has become pivotal. JKL Group continues to strengthen its focus on data governance to ensure ownership, accountability and execution of clearly articulated data governance policies, processes and data quality standards.

## H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

The Company, through its risk management model, identifies its ESG risks and opportunities. Once recognized, these are then measured, managed and reported on. The Enterprise Risk Management Report on pages 53 to 56 further elaborates these measures.

The Company recognises that emphasis should not only be on maximising long term shareholder value, but it should also place emphasis on the rights and appropriate claims of many non-shareholder groups such as employees, consumers, clients, suppliers, lenders, environmentalists, host communities and governments. A detailed description of the Company's CSR activities can be found on the Management Discussion and Analysis section of this Annual Report on pages 33 to 34.

## STATEMENTS OF COMPLIANCE

### 1. Statement of compliance under Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance (Mandatory provisions – Fully Complied)

| Rule No.                                 | Subject                                    | Applicable requirement   | Reference within the Report               |
|--|--|--|---|
| 7.10 Compliance                          |  |  |   |
| a./b./c.                                 | Compliance with Corporate Governance Rules | The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable       | Corporate Governance                      |
| 7.10.1 Non-Executive Directors           |  |  |   |
| a./b./c.                                 | Non-Executive Directors (NED)              | 2 or at least 1/3 of the total number (whichever is higher) of Directors should be NEDs                                  | Corporate Governance                      |
| 7.10.2 Independent Directors             |  |  |   |
| a.                                       | Independent Directors (ID)                 | 2 or 1/3 of NEDs, whichever is higher, should be independent   | Corporate Governance                      |
| b.                                       | Independent Directors                      | Each NED should submit a signed and dated declaration of independence or non-independence                                | Available with the Secretaries for review |
| 7.10.3 Disclosures relating to Directors |  |  |   |
| a./b.                                    | Disclosure relating to Directors           | The Board shall annually determine the independence or otherwise of the NEDs   | Corporate Governance                      |
| c.                                       | Disclosure relating to Directors           | A brief resume of each Director should be included in the Annual Report (AR) including the Director's areas of expertise | Board of Directors section                |

| Rule No.                                  | Subject  | Applicable requirement  | Reference within the Report   |
|---|--|---|---|
| d.  | Disclosure relating to Directors               | Provide a brief resume of new Directors appointed to the Board along with details to CSE  | Corporate Governance  |
| 7.10.4 Criteria for defining independence |  |   |   |
| a. - h.                                   | Determination of Independence                  | Requirements for meeting criteria to be an Independent Director   | Corporate Governance  |
| 7.10.5 Remuneration Committee             |  |   |   |
| 7.10.5                                    | Remuneration Committee (RC)                    | The Human Resources and Compensation Committee (equivalent of the RC with a wider scope) of the listed parent company may function as the RC  | Corporate Governance  |
| a.  | Composition of RC                              | Shall comprise of NEDs, a majority of whom will be independent<br><br>One NED shall be appointed as Chairman of the Committee by the Board of Directors   | Corporate Governance  |
| b.  | Functions of RC                                | The RC shall recommend the remuneration of the CEO  | Corporate Governance  |
| c.  | Disclosure in the Annual Report relating to RC | Names of Directors comprising the RC<br><br>Statement of Remuneration Policy<br><br>Aggregated remuneration paid to NED's   | Corporate Governance, Corporate Governance of Holding Company and Notes to the Financial Statements |
| 7.10.6 Audit Committee                    |  |   |   |
| a.  | Composition of Board Audit Committee (BAC)     | Shall comprise of NEDs a majority of whom should be Independent<br><br>A NED shall be appointed as the Chairman of the Committee<br><br>CEO and Financial Controller should attend BAC meetings<br><br>The Chairman of BAC or one member should be a member of a professional accounting body   | Corporate Governance and the Board Committee Reports  |
| b.  | BAC Functions                                  | Overseeing the; <ul style="list-style-type: none"> <li>preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS)</li> <li>compliance with financial reporting requirements, information requirements of the Companies Act and related regulations and requirements</li> <li>process to ensure the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS</li> <li>assessment of the independence and performance of the External Auditors</li> </ul> and <ul style="list-style-type: none"> <li>Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor</li> </ul> | Corporate Governance and the Board Committee Reports  |

# CORPORATE GOVERNANCE

| Rule No. | Subject  | Applicable requirement   | Reference within the Report                          |
|----------|--|--|--|
| c.       | Disclosure in Annual Report (AR) relating to BAC | Names of Directors comprising the BAC<br>The AC shall determine the independence of the Auditors and disclose the basis for such determination<br>The AR shall contain a Report of the BAC setting out the manner of compliance with their functions | Corporate Governance and the Board Committee Reports |

## 2. Statement of Compliance under Section 7.6 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance (Mandatory provisions – Fully Complied)

| Sub-section   | Compliance status  | Reference within the Report |
|---|--|-----------------------------|
| (i) Names of persons who were Directors of the Entity during the financial year   | Complied   | Pages 36 to 37              |
| (ii) Principal activities of the Entity and its subsidiaries during the year, and any changes therein   | Complied   | Page 80                     |
| (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  | Complied   | Page 129                    |
| (iv) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement | Complied   | Page 128                    |
| (v) A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year  | Complied   | Page 65                     |
| (vi) Information pertaining to material foreseeable risk factors of the Entity  | Complied   | Pages 54 to 56              |
| (vii) Details of material issues pertaining to employees and industrial relations of the Entity   | During the year 2020/21, there were no material issues pertaining to employees and industrial relations of the Company | N/A                         |
| (viii) Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties   | Complied   | Pages 112 to 113            |
| (ix) Number of shares representing the Entity's stated capital  | Complied   | Pages 120 to 121            |
| (x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings   | Complied   | Page 128                    |
| (xi) Financial ratios and market price information  | Complied   | Page 130                    |
| (xii) Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year              | Complied   | Pages 106 to 110            |
| (xiii) Details of funds raised through a public issue, rights issue and a private placement during the year   | N/A  | N/A                         |
| (xiv) Information in respect of Employee Share Ownership or Stock Option Schemes  | Complied   | Pages 121 to 122            |
| (xv) Disclosures pertaining to corporate governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules   | Complied   | Pages 48 to 52              |
| (xvi) Related party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower                              | Complied   | Pages 125 to 127            |

**1. Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance (Mandatory provisions – Fully Complied)**

| Sub-section   | Compliance Status | Reference within the Report  |
|---|-------------------|--|
| (a) Details pertaining to Non-Recurrent Related Party Transactions (RPT)  | Complied          | Notes to the Financial Statements (page 125)                       |
| (b) Details pertaining to RPT   | Complied          | Notes to the Financial Statements (page 125)                       |
| (c) Report of the Related Party Transactions Review Committee   | Complied          | Report of the Related Party Transaction Review Committee (page 60) |
| (d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise | Complied          | Annual Report of the Board of Directors (pages 61 to 65)           |

**2. Statement of Compliance under Section 168 of the Companies Act No. 7 of 2007 (Mandatory provisions – Fully Complied)**

| Sub-section  | Compliance Status | Reference within the Report |
|--|-------------------|-----------------------------|
| (1) (a) The nature of the business of the Group and the Company together with any change thereof during the accounting period        | Complied          | Page 80                     |
| (1) (b) Signed financial statements of the Group and the Company for the accounting period completed                                 | Complied          | Pages 72 to 127             |
| (1) (c) Auditors' Report on financial statements of the Group and the Company  | Complied          | Pages 69 to 71              |
| (1) (d) Accounting policies and any changes therein  | Complied          | Page 82                     |
| (1) (e) Particulars of the entries made in the Interests Register during the accounting period                                       | Complied          | Page 65                     |
| (1) (f) Remuneration and other benefits paid to Directors of the Company during the accounting period                                | Complied          | Page 100                    |
| (1) (g) Corporate donations made by the Company during the accounting period   | Complied          | Page 100                    |
| (1) (h) Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period            | Complied          | Page 64                     |
| (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period | Complied          | Page 100                    |
| (1) (j) Auditors' relationship or any interest with the Company and its subsidiaries   | Complied          | Pages 57 to 59              |
| (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board   | Complied          | Pages 61 to 65              |

**3. Code of Best Practice of Corporate Governance 2013 Issued Jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (Voluntary provisions – Fully Complied)**

| Sub-Section                | Compliance Summary   |
|----------------------------|--|
| A. Directors               | <p>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.</p> <p>Roles of Chairman and CEO are separate. Their performances are appraised annually. Board Balance is maintained as the Code stipulates.</p> <p>Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.</p> |
| B. Directors' Remuneration | <p>The Human Resource and Compensation Committee of JKH, consisting of exclusively NEDs is responsible for determining the remuneration of Chairman, CEO and NEDs.</p> <p>Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under Section xx and is in line with the Code.</p>   |

# CORPORATE GOVERNANCE

| Sub-Section                       | Compliance Summary  |
|-----------------------------------|---|
| C. Relationship with Shareholders | <p>There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.</p> <p>The Group has in place multiple channels to reach shareholders as discussed on page 47.</p>  |
| D. Accountability and Audit       | <p>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.</p> <p>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.</p> <p>There is an annual review of effectiveness of Internal Control which ensures the maintenance of a sound system of internal control.</p> <p>The Internal Audit function and the Board Audit Committee, functions as stipulated by the Code.</p> |
| E. Institutional Investors        | <p>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.</p>  |
| F. Other Investors                | <p>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.</p>   |
| G. Sustainability Reporting       | <p>The JKH Group places emphasis on sustainable development and value creation. The JKH Group's Sustainability Management Framework includes strategies for entrenchment of sustainability through awareness creation, monitoring and sustainability assurance.</p>   |

#### **4. Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka**

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 JKL Group.

# ENTERPRISE RISK MANAGEMENT

## OVERVIEW

Enterprise Risk Management (ERM) is the process of identifying, evaluating and prioritizing the risks that will affect the Group, and taking mitigation actions to minimize negative impacts to business, or to seize reasonable opportunities that may arise. We at John Keells PLC engage in a continuing risk management process across the Group, as we understand the consequences and effects such risks can bring forth to our businesses if not addressed properly.

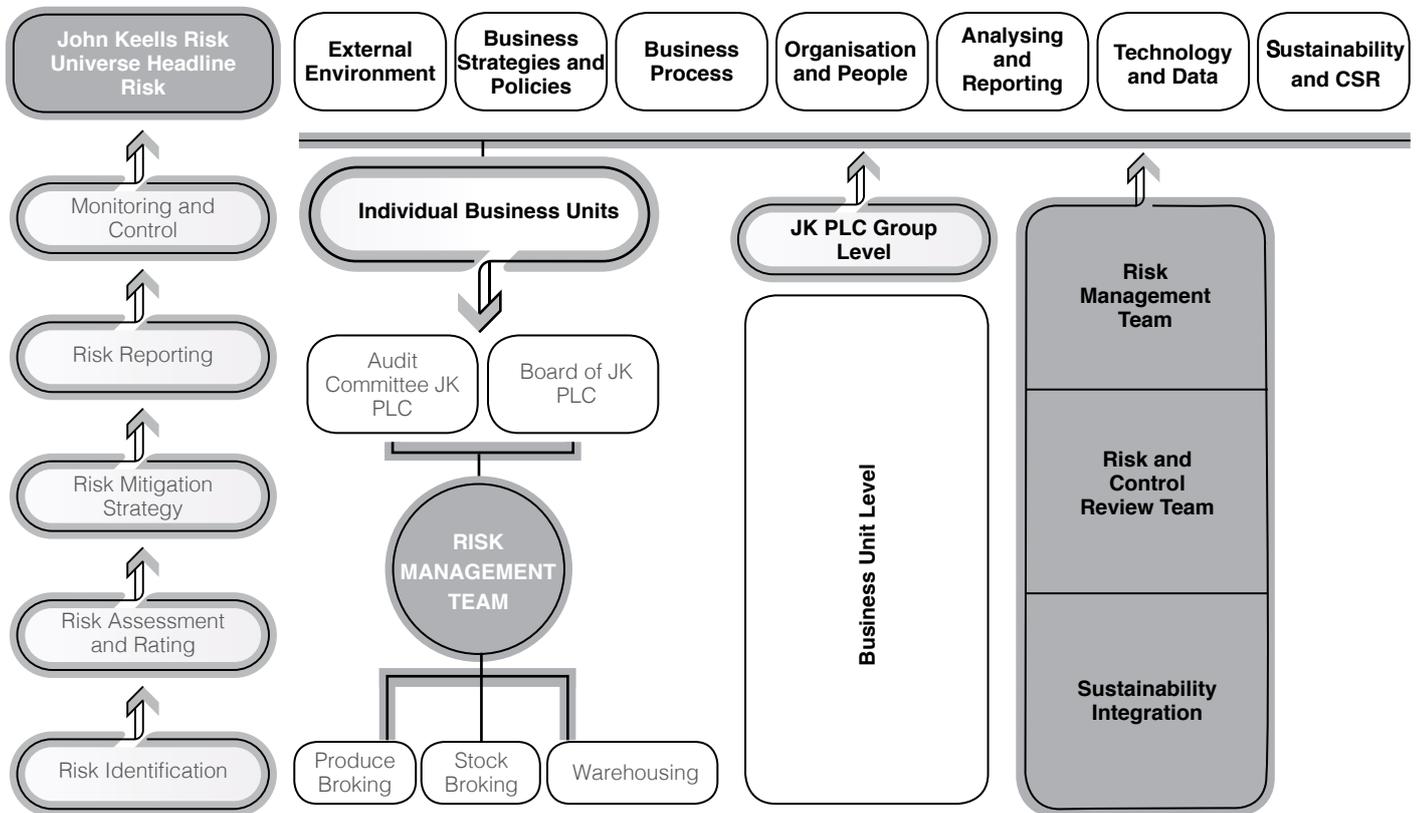
The objective of the Risk Management Strategy of the Group is to facilitate smooth execution of the Group's long-term and short-term strategies which in turn will help achieve the overall objectives of the businesses. Risk Management is practiced across all the Group's

operating segments, namely; produce broking, share broking & warehousing. The Board of John Keells PLC is committed to effectively and efficiently managing the risks of the business.

### The Risk Management Team

The Management Committee of each business segment forms the Risk Management team for their respective business segment. Risk Management Teams are headed by the Chief Executive Officer. Each team would also include a Risk Champion who will be the focal communication point for reporting. The Risk Management teams and the Champions are guided by the framework of Sustainability and Enterprise Risk Management Division of John Keells Holdings PLC.

## Risk Management Process



### I. Identification of Risk

A 'Risk Event' is identified as any event with a degree of uncertainty which, if occurs, may result in the Business Unit failing to meet its stated objectives.

While the Risk Management Team at each business unit is responsible for Risk identification within their segment, the staff too proactively commit to notifying any possible risk scenario to their Risk Management Teams, making this process more inclusive. The team will also make use of their experience, intelligence gathering, safety audits, internal audits and customer feedback when identifying potential risks.

# ENTERPRISE RISK MANAGEMENT

## II. Assessment and Rating of Risk

Identified risks are assessed on a matrix of 'Impact to Company' and 'Likelihood of Occurrence'. Based on this matrix, each identified risk will be assigned a score, which is tabulated into the Risk Control Self-Assessment (RCSA) document on a scale of "Insignificant" to "Ultra-high".

|                     |               |                            |          |          |        |                |    |
|---------------------|---------------|----------------------------|----------|----------|--------|----------------|----|
| Impact to Company ↑ | Extreme       | 5                          | 5        | 10       | 15     | 20             | 25 |
|                     | Very High     | 4                          | 4        | 8        | 12     | 16             | 20 |
|                     | High          | 3                          | 3        | 6        | 9      | 12             | 15 |
|                     | Minor         | 2                          | 2        | 4        | 6      | 8              | 10 |
|                     | Insignificant | 1                          | 1        | 2        | 3      | 4              | 5  |
| Risk Rating Matrix  |               | 1                          | 2        | 3        | 4      | 5              |    |
|                     |               | Remote                     | Unlikely | Possible | Likely | Almost Certain |    |
|                     |               | Likelihood of Occurrence → |          |          |        |                |    |

| Score | Risk Rating   |
|-------|---------------|
| 1-2   | Insignificant |
| 3-6   | Low           |
| 7-9   | Medium        |
| 10-12 | High          |
| 13-25 | Ultra-high    |

## III. Mitigation of Risk

Risks are mitigated in two ways:

- Prevention – Risks are identified prior to occurrence, and action taken to prevent the same
- Detection & Correction – Risks are detected after occurrence, and corrective action is taken

The Risk Management Team assigns each identified risk to a 'Risk Owner' who will be responsible for the implementation and reporting of the risk mitigating strategy. Risk mitigation plans depend on the risk ratings given under the 'impact-likelihood' matrix, where high risk events are prioritized over lower risk events.

## IV. Reporting

Each business unit is responsible for periodic review of the RCSA. The RCSA is reviewed quarterly by each company, through signing off the operational and financial compliance statements. These are also signed off by the President of the Sector, prior to being tabled at the Audit Committee of John Keells PLC.

### Risk report of the Company

The risks in relation to the Company's operations are identified and assessed through the risk management process and are documented and reviewed every year. This helps the management to provide focused attention on high risk events and ensure that mitigating action plans are available for the same. The risk report given below outlines the key risks identified through this process and the relevant mitigation plans available for the same.

| Risk Description and Rating   | Mitigation Plan(s)   |
|---|--|
| <p><b>Skilled staff recruitment and retention</b><br/>Lack of skilled staff and difficulty in retaining skilled staff may cause adverse impact on efficiency of operations and loss of competitive advantage.</p> <p>Risk Rating – Insignificant</p>  | <ul style="list-style-type: none"> <li>The Company attempts to mitigate this risk by encouraging continuous education, providing relevant training and development opportunities, &amp; fostering a culture where all employees, regardless of rank, can actively contribute to the business.</li> </ul> |
| <p><b>Health and safety of warehouse staff</b><br/>Lack of attention to health and safety may result in injuries, fatalities, unnecessary costs to the Company and may also cause bad reputation for the Company.</p> <p>Risk Rating – Insignificant</p>  | <ul style="list-style-type: none"> <li>The staff members, especially at our warehouse are under good supervision of the Management and their health and safety needs are given prompt attention.</li> <li>OHSAS are in place, and third-party health and safety audits are carried out.</li> </ul>       |
| <p><b>Loss of business due to factories closing down</b><br/>All the key stakeholders in the industry work as a closely-knit system. Therefore, any closing down of factories directly affects the supply chain of the industry and causes loss of business and financial losses to the Company.</p> <p>Risk Rating – Low</p> | <ul style="list-style-type: none"> <li>The Company closely monitors the green leaf intakes to the factories, and the catalogued quantities.</li> </ul>   |

| Risk Description and Rating  | Mitigation Plan(s)  |
|--|---|
| <p><b>Fraud &amp; Corruption</b><br/>Any frauds and corruption within the business will result in loss of revenue and will hinder the business reputation which has been built over the years.</p> <p>Risk Rating – Low</p>  | <ul style="list-style-type: none"> <li>• We carefully monitor and review Forestpin analyses in collaboration with Group Business Process Review.</li> <li>• There is constant management supervision and internal audits conducted to oversee and investigate any frauds / deviations to internal control systems. Strict disciplinary action is taken towards any frauds identified.</li> </ul>  |
| <p><b>Other Brokers not adhering to bye-laws</b><br/>Not adhering to industry bye-laws will result in loss of business.</p> <p>Risk Rating – Low</p>   | <ul style="list-style-type: none"> <li>• Canvassing to strengthen the Colombo Brokers Association (CBA) audit by extending it to cataloging and warehousing of tea.</li> <li>• John Keells PLC checks other brokers' stores and catalogues after the sale.</li> </ul>   |
| <p><b>Natural Disasters</b><br/>Disastrous events of nature will cause loss of productivity, damage to critical assets such as stocks, machinery &amp; equipment and may even cause harm to HR.</p> <p>Risk Rating – Low</p> | <ul style="list-style-type: none"> <li>• JK PLC has a Business Continuity Plan (BCP) in place, which is reviewed and updated quarterly.</li> <li>• We ensure that our assets are adequately covered through insurance.</li> </ul>   |
| <p><b>Increase in interest rates</b><br/>This leads to increases in the Company's overall borrowing cost.</p> <p>Risk Rating – Low</p>   | <ul style="list-style-type: none"> <li>• We maintain constant communication with Group Treasury &amp; CBA on minimum lending rates.</li> <li>• We regularly review the Average Weighted Prime Lending Rate (AWPLR) and revise the interest rate charged to clients.</li> </ul>  |
| <p><b>Over Exposure on lending</b><br/>Providing advances over and above the stock values will reduce cash flows and profitability.</p> <p>Risk Rating – Low</p>   | <ul style="list-style-type: none"> <li>• The Company deals mostly with recognized, credit-worthy clients who are private tea factory owners &amp; plantation companies. Credit risks are minimized as we advance funds based on the inventory available in our warehouse, valued based on historical as well as potential market trends.</li> <li>• Over advances are made available only for those clients who have a good track record and are monitored closely but as a norm we minimize over advancing and adhere to the policy manual and processes in place.</li> <li>• Advances are released following an automated approval grid procedure.</li> <li>• Legal action would be taken on clients who fail to adhere to the commitment they made.</li> </ul> |
| <p><b>Fire at warehouse</b><br/>This will cause loss of stocks, owned property and may lead to loss of brand reputation and customer base.</p> <p>Risk Rating – Low</p>  | <ul style="list-style-type: none"> <li>• We make sure that a BCP is in place and reviewed on a quarterly basis.</li> <li>• John Keells Warehousing has installed fire smoke detectors and carries out annual compliance audits. Further, the Company has obtained OHSAS &amp; HACCP certification to ensure up to date adherence to safety requirements.</li> <li>• Covering all possible risks through an insurance policy.</li> </ul>   |

# ENTERPRISE RISK MANAGEMENT

| Risk Description and Rating  | Mitigation Plan(s)   |
|--|--|
| <p><b>Information Technology (IT) related risks</b><br/>Dependence on outsourced IT vendors for system support create vulnerability for the Company in case of system breakdowns. External vendor may not meet the expected service quality levels.</p> <p>Risk Rating – Low</p> | <ul style="list-style-type: none"> <li>John Keells PLC invested in a security infrastructure appropriate for its size and scale of operations &amp; security procedures are constantly updated to take account of the latest knowledge and technical enhancements. Security regulations cover technical aspects as well as organizational measures including staff training, end user computer policies etc. The Company has a fully-fledged disaster recovery location in place and recovery plan is tested periodically and found to be satisfactory.</li> <li>Conducting IT internal audits, management supervision &amp; legal contractual obligations from both parties are in place to mitigate risk.</li> </ul> |
| <p><b>Unauthorized access to critical assets</b><br/>Compromising of delivery orders being issued prior to buyers making payments.</p> <p>Risk Rating – Low</p>  | <ul style="list-style-type: none"> <li>John Keells PLC being a part of John Keells Holdings Group, follows the Group IT policies as set out by center. We have a disaster recovery plan in place, in the case of a perpetration to our IT systems.</li> <li>We have implemented a new system for releasing electronic delivery orders.</li> <li>There are Internal audits and manual checks carried out periodically to ensure that the internal control system is up-to-date and relevant.</li> </ul>   |
| <p><b>Acts of terrorism</b><br/>Will cause disruption to business operations.</p> <p>Risk Rating – Low</p>   | <ul style="list-style-type: none"> <li>We maintain an agile working policy which allows staff to work from home.</li> <li>Teas are stored at multiple warehouses.</li> </ul>   |
| <p><b>Macro-economic environment of exporting countries</b><br/>This includes currency fluctuation and drop in oil prices, which may result in increased operational cost &amp; potential loss of revenue.</p> <p>Risk Rating – Medium</p>                                       | <ul style="list-style-type: none"> <li>Monitoring of the macro-environment changes.</li> <li>We maintain extra space in the warehouses in the short run to accommodate any short-term fluctuations of quantities.</li> </ul>   |
| <p><b>Pandemic impacting business operations</b><br/>Due to the current pandemic, employees may not be able to attend work as usual. The sample distribution process may be hampered.</p> <p>Risk Rating – Medium</p>  | <ul style="list-style-type: none"> <li>With the introduction of the new e-platform for conducting the tea auctions online, the Company has been able to introduce an agile working policy. This allows our staff to continue most of their usual work without travelling to office.</li> </ul>   |

## V. Monitoring and Control

The Risk Management Team, headed by the CEO, is responsible to ensure that each risk item is properly identified, mitigation actions are put in place, and are reported on during the risk review process.

The implemented operational and management controls and mitigation plans are regularly verified through independent internal audits.

## Responsibility of the Board of Directors on Risk Management

The responsibility of maintaining an effective system of internal control and risk management lies with The Board. The Audit Committee, on behalf of the Board, reviews the Risk Management process adopted and reported by the Group.

The Board confirms that a process for identifying, evaluating and managing significant risks that compromise the achievement of the strategic objectives of John Keells PLC has been in place throughout the year in accordance with the guidelines set out by the Institute of Chartered Accountants of Sri Lanka and industry best practice. In compliance with the Sri Lanka Accounting Standards (SLFRS), potential Financial Risk is disclosed on pages 86 to 91 under notes to the Financial Statements.

# REPORT OF THE BOARD AUDIT COMMITTEE

## INTRODUCTION

The Board Audit Committee (Committee) of John Keells PLC (herein referred to as the "Company" / "JKPLC") is a formally constituted Sub-Committee of the Board of Directors which assists in the areas of financial reporting, internal audit, internal controls, external audit and corporate risk. This report focuses on the responsibilities and activities of the Committee for the year under review.

## ROLE OF THE BOARD AUDIT COMMITTEE

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management systems, ensuring that high standards of Corporate Governance are in place by adopting and adhering to policies and procedures of the Company, ensuring the efficiency, effectiveness and adequacy of the Company's internal controls and risk management measures and processes to accept, avoid, transfer or mitigate current and potential risks, assessing the Company's ability to continue as a going concern in the foreseeable future, compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence, and, the adequacy and performance of the Internal Audit function.

The terms of reference of the Committee are defined in the Audit Committee Charter. The Audit Committee Charter is periodically reviewed and revised with the concurrence of the Board of Directors to ensure that new developments relating to the function of the Committee are adopted. The Charter of the Committee was last reviewed and approved by the Board in Jan 2021.

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 BOARD AUDIT COMMITTEE AND MEETINGS

The Committee is appointed by and accountable to the Board of Directors and is formally constituted as a Sub-Committee of the Board of Directors and in accordance with the requirements of the Listing Rules of the CSE, the members of the Committee comprised three Independent Non-Executive Directors for the financial year 2020/2021 whose detailed profiles are given on pages 36 to 37 of this report. The Committee is chaired by Ms. Aruni Rajakarier, Fellow member of the Institute of Chartered Accountants of Sri Lanka. The Chief Financial Officer of the Plantation Services Sector of the John Keells group serves as the Secretary to the Committee.

The Committee convened four times during the financial year 2020 / 2021 and the attendance of its members at these meetings is illustrated at the end of this report.

The Committee comprises the Independent Non-Executive, Directors of JKPLC. The Sector Head of Plantation Services Sector, the Chief Executive Officer of JKPLC, Head of Operations of JKPLC, Financial Controller of JKPLC, Chief Executive Officer of John Keells Stock Brokers (Pvt) Ltd (JKSB), Finance Manager of JKSB, Chief Financial Officer of the Financial Services Sector and Head of Group Business Process Review (Group BPR) of John Keells Holdings PLC attend the meetings of the Committee by invitation. The External Auditors,

Outsourced Internal Auditors and other officials attend the meetings on a needs basis. The Committee engaged with management to review key risks and control aspects in the Company with a view to obtaining assurances that appropriate and effective risk mitigation strategies were in place.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

## FINANCIAL REPORTING

The Committee reviews the financial reporting system adopted in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining statements of compliance from the Chief Financial Officer. The Committee also discussed with the External Auditors and Management, any matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

The Committee is satisfied that all relevant matters have been considered in the preparation of the financial statements through discussion regarding the operations of the Company both during the financial year and its outlook with the management.

The Committee continues to monitor compliance in accordance with the financial reporting standards of The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, The Sri Lanka Accounting and Auditing Standards and the Continuing Listing Rules of the Colombo Stock Exchange.

## INTERNAL AUDIT AND CONTROL ASSESSMENT

The internal audit plan and scope of work were formulated in consultation with the Group BPR Division and the Outsourced Internal Auditors (BDO Partners), which was then approved by the Committee.

The main focus of the Internal Audit was to provide independent assurance on the overall system of internal controls, risk management and governance, by evaluating the adequacy and efficacy of internal controls, and compliance with laws, regulations and established policies and procedures of the Company. The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded, and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements

During the year, the reports were presented to the Committee by the Outsourced Internal Auditors, which were reviewed and discussed along with the management and the Group BPR Division. Findings and recommendations of internal investigations have been given due attention and followed up for implementation.

# REPORT OF THE BOARD AUDIT COMMITTEE

## EXTERNAL AUDIT

The Committee along with the External Auditors and the management, reviewed and discussed the External Auditor's letter of engagement, audit plan, scope of the audit 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 to discuss all audit issues and agreed on their treatment. The Committee also met the External Auditors, without the management, prior to the finalization 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. The External Auditors' Management Letter for the year 2020/21, together with management's responses was discussed with management and the auditors.

The Committee is satisfied that the independence and objectivity of the External Auditors are safeguarded and has not been impaired by any event or service that gives rise to a conflict of interest. The assigned audit and non-audit work were reviewed by the Committee and due consideration has been given to the level of audit and non-audit fees received by the External Auditors.

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company. Representations have been provided by Messrs. Ernst & Young to the Committee, confirming the compliance on its independence criteria as given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Based on the evaluation of the scope, delivery of audit resources and the quality of the assurance initiatives taken during the year, the Committee recommended to the Board that Messrs. Ernst & Young be re-appointed as the External Auditors of John Keells PLC for the financial year ending 31st March 2022, subject to approval by the shareholders at the Annual General Meeting.

## RISK ASSESSMENT

The Audit Committee has also reviewed the processes for the identification, evaluation and management of all significant operational risks including risks relating to health & safety aspects arising due to the pandemic. The management and the Sustainability and Enterprise Risk Management Division of the John Keells Group, review the notable risks and the measures taken to mitigate those identified risks. The key risks that could impact operations have been identified and appropriate actions have been taken to mitigate their impact.

Formal confirmations and assurances have been received quarterly from senior management regarding the efficacy and status of the internal control systems, risk management systems and, compliance with applicable laws and regulations.

## INFORMATION TECHNOLOGY AND RISK ASSESSMENT

The IT services are made use of by the Company to enhance the efficiency and the effectiveness of the internal processes and to provide value added services to its customers. When utilizing IT services, conformity is drawn from the Head of IT of the Plantation Services Sector and Group IT as well as the outsourced Internal

Auditors, Messrs. BDO Partners. The Group BPR division, drawing from the growing benefits of assurance related inputs provided by the digital forensic capability that is operational across the entire Group, has extended the scope of the project to include measures to optimise internal process efficiencies and behavioral responses with a view to enhancing operational controls and to support governance reporting. The Group BPR division has adopted an integrated fraud deterrent and investigation framework to drive greater stakeholder synergies and collaboration efficiencies between components that deliver governance and assurance and related services and has implemented a digital platform for compliance reporting and monitoring purposes.

## ETHICS, GOVERNANCE AND WHISTLE BLOWING

The continuous emphasis by the Committee on sustaining the ethical values of the employees through the whistle blowing policy ensured the achievement of highest standards of Corporate Governance and adherence to the Code of Ethics of the Company.

The Company has an established mechanism for employees to report to the Chairman of John Keells Holdings PLC through a communication link named "Chairman Direct" with regard to any unethical behavior, any violation of group values or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistleblowing or identified through other means. The Whistle Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

## PROFESSIONAL ADVICE

It is within the power of the Committee to seek external professional advice as and when it requires on any relevant subject area. During the year under review, the committee has drawn comfort from the services rendered by Actuarial & Management Consultants (Pvt) Ltd, Mr. P. B. Kalugalgedera Chartered Valuer and Mr. K. T. D. Tissera Chartered Valuer alongside the services of Messrs. Ernst & Young and Messrs. BDO Partners.

## COMPLIANCE OF THE BOARD AUDIT COMMITTEE

The scope and the functions of the Committee are in compliance with the requirements of the Code of Best Practice on Audit Committee. The Committee has conducted its affairs in accordance with the requirements of the code of best practice on Corporate Governance and the Corporate Governance Rules as per section 7.10 of the Listing Rules of the Colombo Stock Exchange.

## EVALUATION OF THE BOARD AUDIT COMMITTEE

An evaluation of the effectiveness of the Committee was carried out by its members along with the Chief Executive Officer (JK PLC), Financial Controller (JK PLC), Chief Executive Officer (JKSB), Chief Financial Officer of the Plantation Services Sector. The evaluation carried out during the year is tabled at the meeting of the Committee and communicated to the Board of the Company.

## CONCLUSION

Based on the reports submitted by the external auditors and the outsourced internal auditors of the Company, the assurances and certifications provided by the senior management, its effectiveness of the organizational structure and operational controls and the discussions with the management and the auditors both at formal

meetings and informally, the Committee is satisfied that the control environment within the Company is satisfactory and provides reasonable assurance that the financial position of the Company is adequately monitored and its assets properly accounted and safeguarded. The Committee is also satisfied that the Group's Internal and External Auditors have been effective and independent throughout the period under review.

Attendance at Meetings:

|                     | 14/May/2020 | 24/July/2020 | 23/Oct/2020 | 21/Jan/2021 | Eligibility to Attend | Attended |
|---------------------|-------------|--------------|-------------|-------------|-----------------------|----------|
| B. A. I. Rajakarier | ✓           | ✓            | ✓           | ✓           | 4                     | 4        |
| A. K. Gunawardhana  | ✓           | ✓            | ✓           | ✓           | 4                     | 4        |
| C. N. Wijewardane   | ✓           | ✓            | ✓           | ✓           | 4                     | 4        |



**B A I Rajakarier**

Chairperson of the Board Audit Committee  
18th May 2021

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following Directors served as members of the Committee during the financial year:

P Perera  
N Fonseka  
A Cabraal

The Chairman, Deputy Chairman/Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with "the Code "and Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels and Properties PLC, Trans Asia Hotels PLC, John Keells Hotels PLC, Ceylon Cold Stores PLC, Keells Food Products PLC, and Union Assurance PLC. Recurrent RPTs were reviewed annually by the Committee.

Furthermore, guidelines were introduced to facilitate requisite disclosures & assurances by senior management of the aforementioned listed companies, in relation to Recurrent RPTs so as validate compliance with sec 9.5(a) of the listing rules and thus exclusion from review and pre-approval by the Committee.

Other significant transactions of non-listed subsidiaries were also presented to the Committee for information.

In addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below.

| Name                 | 15/May/<br>2020 | 28/July/<br>2020 | 03/Nov/<br>2020 | 26/Jan/<br>2021 |
|----------------------|-----------------|------------------|-----------------|-----------------|
| N. Fonseka           | ✓               | ✓                | ✓               | ✓               |
| A. Cabraal           | ✓               | ✓                | ✓               | ✓               |
| P. Perera            | ✓               | ✓                | ✓               | ✓               |
| <b>By Invitation</b> |                 |                  |                 |                 |
| K. Balendra          | ✓               | ✓                | ✓               | ✓               |
| G. Cooray            | ✓               | ✓                | ✓               | ✓               |

The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.



**P Perera**

Chairperson of the Related Party Transactions Review Committee  
20th May 2021

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 74th Annual Report together with the Audited Financial Statements of John Keells PLC ('the Company or JKL'), and the Audited Consolidated Financial Statements of the JKL Group for the year ended 31st March, 2021.

## GENERAL

This report also considers the requirements of the Companies Act No. 07 of 2007 (Companies Act), the relevant listing rules of the Colombo Stock Exchange (CSE) and recommended best reporting practices, such as the rules on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and are also guided by recommended best accounting practices.

The Company was incorporated on 01st April 1960 as a Public Limited Liability Company and the issued shares of the Company are listed on the CSE. Pursuant to the requirements of the Companies Act, the Company obtained a new Company registration No. PQ11 on 15th June 2007.

## PRINCIPAL ACTIVITIES

### Company

The principal activities of the Company remain unchanged as produce broking services.

### Subsidiaries

John Keells Stock Brokers (Private) Limited continues to provide stock broking services.

John Keells Warehousing (Private) Limited continues to provide warehousing facilities.

## BUSINESS REVIEW

A review of the Company and its subsidiaries (JKL Group's) performance during the financial year is given in the Chairman's Statement and in the Management Discussion and Analysis. These reports form an integral part of the Directors Report and provide a fair review of the performance of the JKL Group during the financial year ended 31st March 2021.

## FINANCIAL STATEMENTS

The Financial Statements of the Company and the JKL Group are set out on pages 72 to 127 of the Annual Report.

## AUDITOR'S REPORT

The Auditor's Report on the Financial Statements are given on pages 69 to 71 of the Annual Report.

## SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 72 to 127 of the Annual Report.

## GOING CONCERN

In preparing these Financial Statements, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Company and its subsidiaries, the appropriateness of the use of the going concern basis. In March 2021, each business segment evaluated the resilience of its businesses considering a wide range of factors such as current and expected profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services.

Having presented the outlook for each business segment, the Directors are satisfied that the Company and its subsidiaries, have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these Financial Statements.

In determining the above significant management judgements, estimates and assumptions, the impact of the COVID-19 pandemic has been considered as of the reporting date and specific considerations have been disclosed under the relevant notes.

Financial Statements are prepared based on the "Going Concern Concept".

## STATED CAPITAL

The total stated capital of the Company as at 31st March 2021 was Rs.152 million (2020- Rs. 152 million).

## REVENUE

Revenue generated by the Company amounted to Rs. 355 million (2020 - Rs. 422 million), whilst JKL Group revenue amounted to Rs. 828 million (2020 - Rs. 647 million). Contribution to JKL Group revenue, from the different business segments is provided in Note 6.1 to the Financial Statements on page 85.

## RESULTS AND APPROPRIATIONS

The profit/(loss) after tax of the Company was Rs. 179 million (2020 - Rs.(164) million) whilst the JKL Group profit /(loss) attributable to equity holders of the Parent Company for the year was Rs. 254 million (2020-Rs.(188) million).

Results of the Company and of the JKL Group are given in the Income Statement on page 72.

## DIVIDEND

An Interim Dividend of Rs. 1.00 per share for the financial year 2020/2021 was paid on the 29th March 2021.

The Directors have recommended a Final Dividend of Rs. 2.29 per share for the year ended 31st March 2021 from the profits available for appropriation. In accordance with the Sri Lanka Accounting Standards, events after the Reporting Period, the proposed dividend has not been recognized as a liability as at 31st March 2021.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

As required by Section 56(2) of the Companies Act, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of Companies Act and a certificate has been obtained from the Auditors, prior to declaring all dividends.

Dividend per share has been computed for all periods based on the number of shares in issue at the time of the dividend payout. The dividends are paid out of taxable profits of the Company and will be subjected to a withholding tax at the rate prevailing on the date of payment.

Detailed description of the results and appropriations are given below.

| Profits  | Group                  |                       | Company                |                       |
|--|------------------------|-----------------------|------------------------|-----------------------|
|  | 2020 /2021<br>Rs 000's | 2019/2020<br>Rs 000's | 2020 /2021<br>Rs 000's | 2019/2020<br>Rs 000's |
| After making provision for bad and doubtful debts and for all known liabilities and after providing for depreciation on fixed assets, the profit/(loss) earned was | 358,532                | (156,916)             | 221,327                | (127,645)             |
| From which has to be (deducted) the provision for taxation of  | (74,149)               | (37,521)              | (42,456)               | (35,898)              |
| Leaving a net profit/(loss) on ordinary activities after taxation of   | 284,383                | (194,437)             | 178,871                | (163,543)             |
| From which the amount attributable to minority Interest was (deducted)/ added  | (30,198)               | 6,643                 | -                      | -                     |
| To which Other Comprehensive Income was added/(deducted)   | 149,964                | (21,835)              | 140,053                | (32,112)              |
| To which share Based payment Expenses is added   | 6,238                  | 9,524                 | 2,589                  | 3,700                 |
| And after the balance brought forward from the previous year was added   | 3,787,118              | 4,108,823             | 3,440,804              | 3,754,359             |
| The amount available for appropriation was   | 4,197,505              | 3,908,718             | 3,762,317              | 3,562,404             |
| <b>Appropriations</b>  |                        |                       |                        |                       |
| An interim dividend of Rs. 1.00 per share paid for 2020/21 on 29th March 2021 (First and Final Dividend of Rs. 2.00 per share paid for 2018/19)                    | (60,800)               | (121,600)             | (60,800)               | (121,600)             |
| Leaving a balance to be carried forward to the next year of  | 4,136,705              | 3,787,118             | 3,710,517              | 3,440,804             |
|  | 4,136,705              | 3,787,118             | 3,710,517              | 3,440,804             |

## DONATIONS

During the year under review the Company has not made any donations. (2020 – Nil).

The John Keells Foundation, which operates with funds contributed by each of the companies in the John Keells Group, handles most of the JKL Group's CSR initiatives and activities. The foundation manages a range of programs that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development.

The Company's contribution to John Keells Foundation was Rs. 0.87 million (2020 -Rs. 1.18 million) and the Group's contribution was Rs. 1.66 million (2020 Rs. 1.71 million) respectively.

## PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant and equipment as at the Reporting date amounted to Rs. 12 million (2020-Rs.14 million) and Rs. 353 million (2020 - Rs. 352 million) for the Company and Group respectively.

Capital expenditure for the Company and JKL Group amounted to Rs. 0.9 million (2020 - Rs. 0.3 million) and Rs. 7.2 million (2020 - Rs. 10.6 million), respectively. Details of property, plant and equipment and their movements are given in Note 18 to the Financial Statements on pages 106 to 110.

## MARKET VALUE OF PROPERTIES

All properties classified as investment property were valued in accordance with the requirements of SLAS40 (2005) Investment Property. The carrying value of Investment Property of the Company and JKL Group amounted to Rs.394 million (2020-Rs.379 million) and Rs.394 million (2020 - Rs. 379 million) respectively. The investment, property was revalued by Mr.P.B. Kalugalagedara, Associated Chartered Valuer as at 31st December 2020.

Details of the valuation of Investment property is provided in Note 20 to the Financial Statements on pages 112 to 113.

The real estate portfolio of the JKL Group as at 31st March 2021 is disclosed on page 113.

## INVESTMENT

Investments of the Company and the JKL Group and other external investments amounted to Rs. 3,105 million (2020-Rs.2,964 million) and Rs. 2,882 million (2020 - Rs. 2,877 million), respectively.

## INVESTMENT IN WATERFRONT PROPERTIES (PVT) LTD

During the year, the Company's shareholding in Waterfront Properties (Pvt) Ltd was diluted to 3.31 percent from 4.1 percent as a result of

the direct equity infusion in Waterfront Properties (Pvt) Ltd by the Parent Company, John Keells Holdings PLC (JKH) as envisaged at the outset of the project.

Detailed description of the long term investments held as 31st March 2021, are given in Note 24 to the Financial statements on page pages 116 to 118.

## RESERVES

Total reserves as at 31st March 2021 of the Company and JKL Group amounted to Rs. 3,549 million (2020 - Rs. 3,289 million) and Rs. 3,985 million (2020 - Rs. 3,635 million), respectively.

The movement and composition of the Capital and Revenue reserves is disclosed in the Statement of Changes in Equity on pages 75 to 76.

## EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no events subsequent to the Reporting date, which would have any material effect on the Company or on the JKL Group other than those disclosed in Note 37 to the Financial Statements on page 127.

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There have been no commitments or contingent liabilities other than those stated in Note 36 on page 127 of this Annual Report.

## HUMAN RESOURCES

The number of persons employed by the Company and JKL Group as at 31st March 2021 was 48 (2020 - 49) and 70 (2020 - 78), respectively.

The JKL Group is committed to pursuing various Human Resources (HR) initiatives that ensure the individual development of all our teams as well as facilitating the creation of value for themselves, the Company and all other stakeholders.

There were no material issues pertaining to employees and industrial relations in the year under review.

## CORPORATE GOVERNANCE

Corporate Governance practices and principles with respect to the Management and operations of the Company is set out on pages 38 to 52 of this Report. The Directors confirm that the Company is in compliance with the relevant rules on Corporate Governance contained in the listing rules of the CSE.

The Directors declare that:

- a) The Company has not engaged in any activities, which contravene laws and regulations.
- and
- b) The Directors have declared all material interest in contracts involving the Company and refrained from voting on matters in which they were materially interested; and

- c) The Company has made all endeavors to ensure the equitable treatment of shareholders; and
- d) The business is a Going Concern with supporting assumptions or qualifications as necessary; and
- e) The Directors have conducted a review of internal controls covering financial operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the JKL Group. Risk assessment and evaluation for each business unit takes place as an integral part of the annual strategic planning cycle and the principle risks and mitigating actions in place are reviewed regularly by the Board and the Audit Committee. The Board, through the involvement of the risk review and control division takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives reports on the results of internal control reviews and the Head of the John Keells Group risk review and control division has direct access to the Chairman of the Audit Committee.

## AUDIT COMMITTEE

The following Independent Non-Executive, Directors of the Board served on the Audit Committee of the Company.

Ms. B.A.I. Rajakarier –Chairperson

Mr. C.N.Wijewardane

Ms A.K.Gunawardhana

The report of the Audit Committee is given on pages 57 to 59 of the Annual Report.

## HUMAN RESOURCES AND COMPENSATION COMMITTEE

As permitted by the listing rules of the CSE, the Human Resources and Compensation Committee of JKH, the Parent Company functions as the Human resources and Compensation Committee of the Company. The Human Resources and Compensation Committee of JKH comprises of three independent Directors.

Mr. D A Cabraal - Chairman

Mr. M A Omar

Dr. S.S.H.Wijayasuriya

The remuneration policy of the Company and its subsidiaries is detailed in the Corporate Governance report on page 44 of the Annual Report.

## NOMINATION COMMITTEE

As permitted by the listing rules of the CSE, the Nomination Committee of JKH, the Parent Company, functions as the Nomination Committee of the Company. The Committee comprises of three Independent Non-Executive Directors and one Non Independent Executive Director.

Mr. M A Omar - Chairman

Dr. S S H.Wijayasuriya

Ms. P Perera

Mr. K N J Balendra

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

As permitted by the listing rules of the CSE, the Related Party Transactions Review Committee of JKH, the Parent Company, functions as the Related Party Transactions Review Committee of the Company. The Committee comprises of three Independent Non-Executive Directors.

Ms. M P Perera – Chairperson

Mr. A N Fonseka

Mr. D A Cabraal

## PROJECT RISK ASSESSMENT COMMITTEE

Project Risk Assessment Committee of JKH, the parent of the Company, functions as the Project Risk Assessment Committee of the Company and its subsidiaries. The Project Risk Assessment committee members of the parent company are as follows;

Dr. S S H Wijayasuriya - Chairman

Ms. M P Perera

Mr. K N J Balendra

Mr. J G A Cooray

## STOCK MARKET INFORMATION

An ordinary share of the Company was quoted on the CSE at Rs. 70.00 as at 31st March 2021 (31st March 2020 - Rs. 43.00). Information relating to public holding, earnings, dividend, net assets, market value per share and share trading is given in Key Ratios and Information on pages 130 and in the Shareholders Information section on pages 128 to 129.

The Company endeavors at all times to ensure equitable treatment to all shareholders.

## SUBSTANTIAL SHAREHOLDINGS

The names of the twenty largest shareholders, the number of shares held and the percentages held are given on page 129 of the Annual Report. The distribution schedule of the shareholders and public holdings are disclosed on page 128 of the Annual Report.

## DIRECTORATE

As at 31st March 2021 the Board of Directors of the Company consisted of seven Directors with wide commercial, academic knowledge and experience. The Directors profile is given on pages 36 and 37 of this Annual Report.

The Board of Directors of the Company and its subsidiaries as at 31st March 2021 are listed below.

| Name of the Director        | John Keells PLC | John Keells Stock Brokers (Private) Limited | John Keells Warehousing (Private) Limited |
|-----------------------------|-----------------|---|---|
| Mr. K N J Balendra Chairman | ✓               | -   | -   |
| Mr. J. G. A. Cooray         | ✓               | -   | -   |
| Ms. K D Weerasinghe*        | ✓               | -   | ✓   |
| Ms. B. A. I. Rajakarier     | ✓               | -   | -   |
| Mr. C. N. Wijewardane       | ✓               | -   | -   |
| Ms. A. K. Gunawardhana      | ✓               | -   | -   |
| Mr. D P Gamlath             | -               | ✓   | -   |
| Ms. R S Cader               | -               | ✓   | -   |
| Mr. S Rajendra*             | -               | ✓   | -   |
| Mr. K C Subasinghe          | -               | -   | ✓   |
| Mr. A Z Hashim*             | ✓               | -   | ✓   |

Mr. J R Gunaratne resigned from the Board of Directors of the Company, John Keells Stock Brokers (Private) Limited and John Keells Warehousing (Private) Limited with effect from 31st December 2020.

\*Appointed to the Board of Directors of the relevant company w.e.f. 1st January 2021

## RETIREMENT OF DIRECTORS BY ROTATION AND RE-ELECTION

In accordance with the Article 83 of the Article of Association of the Company Mr. C N Wijewardane who retires by rotation and being eligible, will offer himself for re-election at the next Annual General Meeting.

In accordance with Article 90 of the Articles of Association of the Company Mr. A Z Hashim and Ms. K D Weerasinghe will retire and be re-elected at the Annual General Meeting.

## DIRECTORS' REMUNERATION

Details of the remuneration and other benefits received by the Directors are set out on page 100 of the Financial Statements.

## DIRECTORS' AND CEO'S SHAREHOLDINGS

| Name of Director / CEO      | Number of shares      |                       |
|-----------------------------|-----------------------|-----------------------|
|                             | As at 31st March 2021 | As at 31st March 2020 |
| Mr. K N J Balendra-Chairman | Nil                   | Nil                   |
| Mr. J. G. A. Cooray         | Nil                   | Nil                   |
| Mr. A Z Hashim              | Nil                   | Nil                   |
| Ms. B. A. I. Rajakarier     | Nil                   | Nil                   |
| Ms. K D Weerasinghe         | Nil                   | Nil                   |
| Mr. C. N. Wijewardane       | Nil                   | Nil                   |
| Ms. A. K. Gunawardhana      | Nil                   | Nil                   |
| Mr. H. G. R. De Mel (CEO)   | Nil                   | Nil                   |

## INTEREST REGISTER

The Company maintains an Interests Register as required by the Companies Act and entries have been made therein.

As both subsidiaries of the Company are private companies which have dispensed with the requirement to maintain an Interest Register, this Annual Report does not contain particulars of entries made in the Interest Registers of subsidiaries.

### Particulars of Entries in the Interests Register

- Interests In Contracts - The Directors have all made a general disclosure 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.
- There have been no disclosures of share dealings during the financial year ended 31st March 2021.
- Indemnities and Remuneration

Mr. A Z Hashim and Ms. K D Weerasinghe were appointed as Non-Executive Directors of the Company with effect from 1st January 2021 at the standard Non-Executive fees approved by the Board for Non-Executive Directors (if applicable) which fees are commensurate with the market complexities of the Company.

## SUPPLIER POLICY

The JKL Group applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers, and endeavors to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2021 the trade and other payables of the Company and JKL Group amounted Rs. 542 million (2020-Rs. 53 million) and Rs. 7,084 million (2020-Rs. 154 million) respectively.

## ENVIRONMENTAL PROTECTION

The JKL Group complies with the relevant environmental laws, regulations and endeavors to comply with best practices applicable in the country of operation.

## 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 Reporting date have been paid or, where relevant provided for, except as specified in Note 36 to the Financial statements on page 127, covering Contingent liabilities.

## AUDITORS

Messrs. Ernst & Young, Chartered Accountants, have intimated their willingness to continue as Auditors of the Company, and a resolution to re-appoint them as Auditor and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Group, including the level of audit and non-audit fees paid to the Auditor.

Details of Audit fees are set out in Note 14 of the Financial Statement. 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 on page 57.

## ANNUAL REPORT

The Board of Directors approved the Company and Consolidated Financial Statements on 21st May 2021. The appropriate number of copies of this report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

## ANNUAL GENERAL MEETING

The date of the Annual General Meeting of the Company is to be notified.

This Annual Report is signed for and on behalf of the Board of Directors



Chairman



Director



Keells Consultants (Private) Limited.

Secretaries

21st May 2021

# 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 provisions of the Companies Act No. 07 of 2007, is set out in the Independent Auditors Report.

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 the Companies Act and the Listing Rules of the Colombo Stock Exchange, in compliance with the applicable laws and regulations.

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.

Further, as required by Section 56(2) of the Companies Act No. 07 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. 07 of 2007, and have obtained a certificate from the Auditors, prior to declaring an Interim Dividend of Rs. 1.00 per share for this year, which was paid on 29th March 2021.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

## Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in note 36 to the financial statements covering contingent liabilities.

By order of the Board



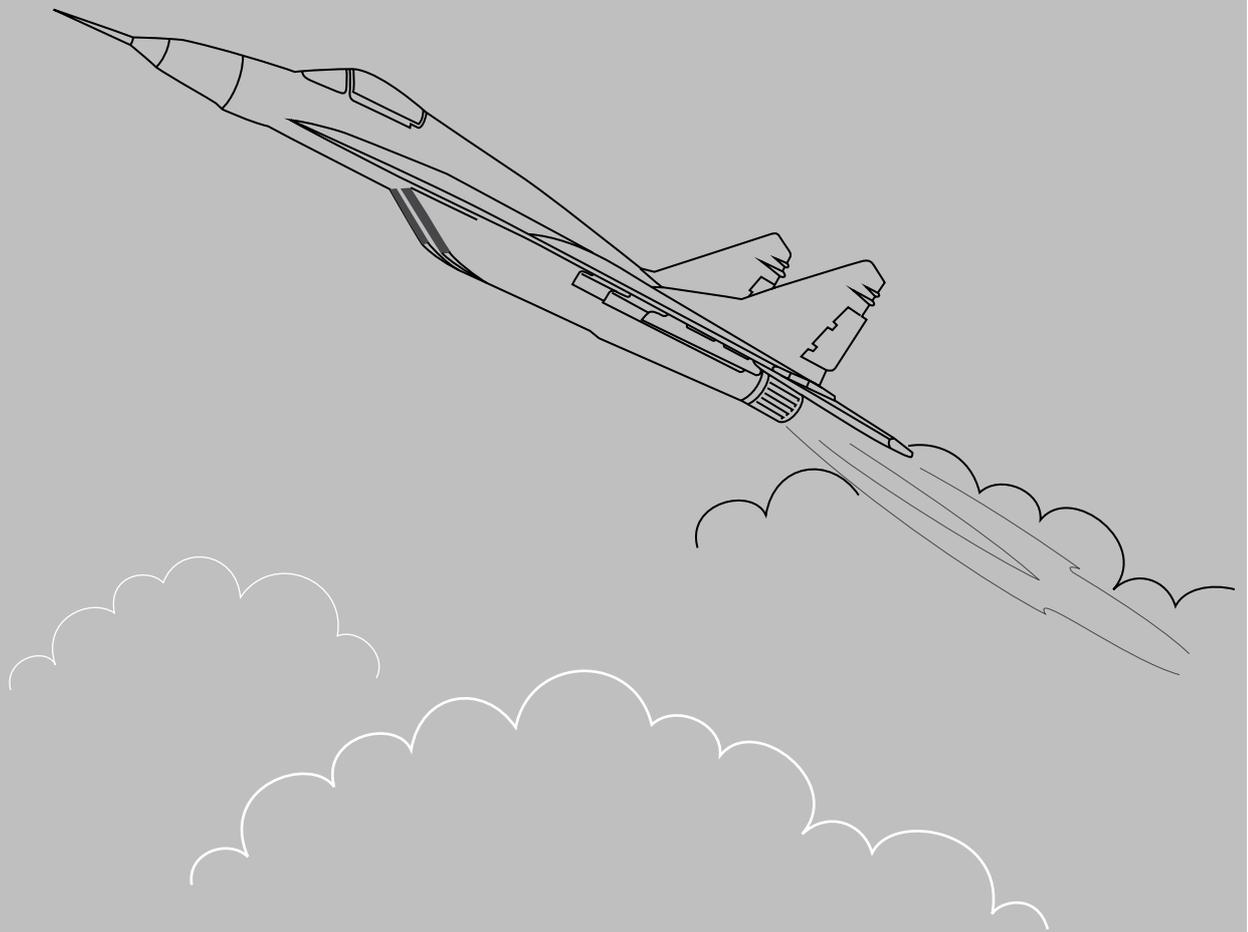
**Keells Consultants (Pvt) Ltd.**

Secretaries

21st May 2021

# SOARING THROUGH POSSIBILITIES

As we look hopefully into a future of infinite possibilities, we at John Keells PLC are focused on embracing new strategies and technologies to leverage our potential and revolutionise how we operate.



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**INTERIM FINANCIAL STATEMENTS WILL BE PUBLISHED  
AS PER RULE 7.4 OF THE COLOMBO STOCK EXCHANGE**

|             |                     |
|-------------|---------------------|
| 1st Quarter | - 24th July 2020    |
| 2nd Quarter | - 23rd October 2020 |
| 3rd Quarter | - 21st January 2021 |
| 4th Quarter | - 21st May 2021     |

**Annual Reports**

|                           |                 |
|---------------------------|-----------------|
| 2020/2021 (Annual Report) | - 21st May 2021 |
| 2019/2020 (Annual Report) | - 21st May 2020 |

**Meetings**

|                             |                       |
|-----------------------------|-----------------------|
| 74th Annual General Meeting | - Date to be notified |
| 73rd Annual General Meeting | - 26th June 2020      |

**Dividends**

Final dividend of Rs. 2.29 per share will be paid on 7th June 2021  
Interim dividend of Rs. 1.00 per share was paid on 29th March 2021

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
Chartered Accountants  
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Sri Lanka

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JOHN KEELLS PLC Report on the audit of the Consolidated Financial Statements Opinion

We have audited the financial statements of John Keells PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2021, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the

Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Impairment of Trade Receivables including advances and Loans given to Tea Sellers</b></p> <p>Impairment of Trade Receivables include the provision made for doubtful balance of advance and loans given to tea sellers.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>materiality of the reported trade receivables' balances which amounted to Rs. 1,216 Mn and represent 26% of the total assets as at 31st March 2021.</li> <li>the degree of assumptions, judgements and estimates associated with evaluating the recoverability amplified by the impact of COVID-19.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions included the following:</p> <ul style="list-style-type: none"> <li>Probability of future default on the loans and advances</li> <li>Value of the collaterals obtained against the Loans</li> </ul> | <p>Our audit procedures included the following amongst others;</p> <ul style="list-style-type: none"> <li>Obtained and understanding the process for credit assessment and approval, and impairment assessment of Trade Receivable and Loans given to Tea Sellers.</li> <li>Checked on a sampling basis that credit assessment has been appropriately completed and authorization of credit had been in accordance with the standard operating procedures for granting credit to Tea sellers.</li> <li>Evaluated the reasonableness of the recoverable amounts of Receivables collateralized by Tea Stock by comparing the most recent trading prices as of reporting date.</li> </ul> <p>We also assessed the adequacy of the disclosures in notes 7.1.1.3 and 26 in the financial statements regarding credit risk and impairment of Trade Receivables and Loans given to Tea Sellers.</p> |

# INDEPENDENT AUDITORS' REPORT

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Valuation of Investment Property</b><br/>Investment Property include Lands carried at fair value.</p> <p>The fair values of lands were determined by an external valuer engaged by the Company.</p> <p>Assessing the carrying value of Lands was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>materiality of the reported investment property balances amounted to Rs. 393.8 Mn which collectively represented 8.5% of the total assets as at 31 March 2021.</li> <li>the degree of assumptions, judgements and estimates associated with the valuation of Lands amplified by the impact of COVID-19. The valuation contains higher estimation uncertainties as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions included the following:</p> <ul style="list-style-type: none"> <li>estimate of per perch value of the land</li> </ul>   | <p>Our audit procedures included the following amongst others;</p> <ul style="list-style-type: none"> <li>Assessed the competency, capability and objectivity of the external valuer engaged by the Company.</li> <li>Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of investment property.</li> <li>Assessed appropriateness of the valuation techniques used and reasonableness of the significant judgements and assumptions such as, per perch price.</li> </ul> <p>We have also assessed the adequacy of the disclosures made in notes 8.2 and 20 to the financial statements relating to the significant judgements, valuation technique and estimates.</p>  |
| <p><b>Valuation of unquoted financial asset classified as Fair Value through Other Comprehensive Income (FVOCI)</b><br/>The Fair Value through Other Comprehensive income (FVOCI) balance of the Group consists of an unquoted equity investment in Waterfront Properties (Pvt) Ltd. The fair value was determined based on the discounted cash flow approach, which is derived based on the projected cash flows of Waterfront Properties (Pvt) Ltd.</p> <p>This was a key audit matter due to;</p> <ul style="list-style-type: none"> <li>materiality of the reported unquoted investment balances which amounted to Rs. 2,505 Mn and represent 21 % of the total assets.</li> <li>the degree of assumptions, judgements and estimates associated with valuation of unquoted equity investments amplified by the impact of COVID-19.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions used in the valuation of unquoted investments included the following:</p> <ul style="list-style-type: none"> <li>The use of a valuation technique based on unobservable inputs as further disclosed in notes 24.2 in the financial statements.</li> </ul> | <p>Our audit procedures included the following amongst others;</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of cash flow forecast, revenue growth rates with comparable market data considering the impact of Covid 19 on those forecasts.</li> <li>Evaluated the appropriateness and completeness of the data included in the value in use calculation based on our cumulative knowledge of the Waterfront Properties (Pvt) Ltd driven by our review of strategic initiative and minutes of the executive committee meetings.</li> <li>Engaged our internal specialized resources to assist us in assessing the appropriateness of the valuation technique and reasonableness of assumptions used by the management to ascertain the fair value of the unquoted equity investment.</li> </ul> <p>We further evaluated the adequacy of the related disclosures in notes 8.3 and 24.2 to the financial statements.</p> |

## Other information included in the Group's 2020/21 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have

nothing to report in this regard.

## Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

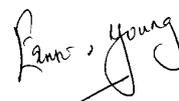
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



21st May 2021  
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# INCOME STATEMENT

| For the Year Ended 31st March                  | Note | Group            |                  | Company          |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Continuing Operations</b>                   |      |                  |                  |                  |                  |
| Services transferred over time                 | 10   | 828,218          | 647,492          | 354,666          | 422,317          |
| <b>Revenue from contracts with customers</b>   |      | 828,218          | 647,492          | 354,666          | 422,317          |
| Cost of Sales                                  |      | (308,638)        | (264,741)        | (144,226)        | (148,742)        |
| <b>Gross Profit</b>                            |      | 519,580          | 382,751          | 210,440          | 273,575          |
| Dividend Income                                | 11   | -                | -                | 69,280           | 31,920           |
| Other Operating Income                         | 12.1 | 2,094            | 1,456            | 617              | 1,279            |
| Selling and Distribution Expenses              |      | 14,512           | (285,535)        | 15,828           | (282,880)        |
| Administrative Expenses                        |      | (205,711)        | (222,997)        | (81,869)         | (91,915)         |
| <b>Results from Operating Activities</b>       |      | 330,475          | (124,325)        | 214,296          | (68,021)         |
| Finance Expenses                               | 13.4 | (34,217)         | (97,806)         | (33,966)         | (97,785)         |
| Finance Income                                 | 13.3 | 45,897           | 47,200           | 25,912           | 23,061           |
| <b>Net Finance Expenses</b>                    |      | 11,680           | (50,606)         | (8,054)          | (74,724)         |
| Changes in Fair Value of Investment Properties |      | 15,085           | 15,100           | 15,085           | 15,100           |
| Share of Results of Associate                  |      | 1,292            | 2,915            | -                | -                |
| Profit/(loss) Before Tax                       | 14   | 358,532          | (156,916)        | 221,327          | (127,645)        |
| Tax Expense                                    | 17.1 | (74,149)         | (37,521)         | (42,456)         | (35,898)         |
| <b>Profit/(loss) for the Year</b>              |      | 284,383          | (194,437)        | 178,871          | (163,543)        |
| <b>Attributable to:</b>                        |      |                  |                  |                  |                  |
| <b>Equity Holders of the Parent</b>            |      | 254,185          | (187,794)        |                  |                  |
| <b>Non- Controlling Interests</b>              |      | 30,198           | (6,643)          |                  |                  |
|  |      | 284,383          | (194,437)        |                  |                  |
| <b>Earnings/(loss) per share</b>               |      |                  |                  |                  |                  |
| Basic  | 15   | 4.18             | (3.09)           | 2.94             | (2.69)           |
| <b>Dividend per share</b>                      | 16   | 1.00             | 2.00             | 1.00             | 2.00             |

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 80 to 127 form an integral part of these Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

| For the Year Ended 31st March  | Note | Group            |                  | Company          |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Profit/(loss) for the year   |      | 284,383          | (194,437)        | 178,871          | (163,543)        |
| <b>Other comprehensive income not to be reclassified to income statement in subsequent periods</b> |      |                  |                  |                  |                  |
| Net (loss) / gain on equity instruments at fair value through other comprehensive income           |      | 141,742          | (33,406)         | 141,742          | (33,406)         |
| Revaluation of land and buildings  |      | 14,132           | 10,882           | -                | -                |
| Re-measurement gain /(loss) on defined benefit plans   | 32.2 | (3,048)          | 6,479            | (1,957)          | 3,088            |
| Net other comprehensive income not to be reclassified to income statement in subsequent periods.   |      | 152,826          | (16,045)         | 139,785          | (30,318)         |
| Income tax on other comprehensive income   | 17.2 | (2,862)          | (5,790)          | 268              | (1,794)          |
| <b>Other Comprehensive Income for the period, Net of Tax</b>                                       |      | 149,964          | (21,835)         | 140,053          | (32,112)         |
| <b>Total Comprehensive Income for the period, Net of Tax</b>                                       |      | 434,347          | (216,272)        | 318,924          | (195,655)        |
| <b>Attributable to:</b>  |      |                  |                  |                  |                  |
| Equity Holders of the Parent   |      | 404,149          | (209,629)        |                  |                  |
| Non- Controlling Interests   |      | 30,198           | (6,643)          |                  |                  |
|  |      | 434,347          | (216,272)        |                  |                  |

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 80 to 127 form an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31st March   | Note | Group            |                  | Company          |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>ASSETS</b>  |      |                  |                  |                  |                  |
| <b>Non-Current Assets</b>                                  |      |                  |                  |                  |                  |
| Property, Plant and Equipment                              | 18.3 | 352,767          | 352,079          | 11,644           | 13,686           |
| Right of Use Assets  | 19   | 33,668           | 34,757           | -                | -                |
| Investment Property  | 20   | 393,785          | 378,700          | 393,785          | 378,700          |
| Intangible Assets  | 21   | 4,405            | 2,642            | 1,221            | 2,642            |
| Investments in Subsidiaries                                | 22   | -                | -                | 158,570          | 158,570          |
| Investments in Associates                                  | 23   | 100,958          | 96,331           | 24,000           | 24,000           |
| Non-Current Financial Assets                               | 24   | 3,256,930        | 2,985,414        | 3,232,536        | 2,960,273        |
| Deferred Tax Assets  | 17.5 | 12,267           | 20,049           | 3,301            | 3,975            |
| Other Non - Current Assets                                 |      | 6,973            | 8,997            | 2,437            | 3,218            |
|  |      | 4,161,753        | 3,878,969        | 3,827,493        | 3,545,064        |
| <b>Current Assets</b>                                      |      |                  |                  |                  |                  |
| Inventories  | 25   | 1,419            | 1,521            | 1,047            | 1,173            |
| Trade and Other Receivables                                | 26   | 7,122,744        | 638,559          | 737,827          | 591,082          |
| Amounts due from Related Parties                           | 35.1 | 1,506            | 5,946            | 1,131            | 4,446            |
| Income Tax Refunds   | 17.4 | -                | 539              | -                | -                |
| Other Current Assets                                       | 27   | 3,052            | 3,641            | 1,659            | 1,406            |
| Short Term Investments                                     | 28   | 481,499          | 203,044          | -                | -                |
| Cash in Hand and at Bank                                   | 29.1 | 76,308           | 108,849          | 59,357           | 60,568           |
|  |      | 7,686,528        | 962,099          | 801,021          | 658,675          |
| <b>Total Assets</b>  |      | 11,848,281       | 4,841,068        | 4,628,514        | 4,203,739        |
| <b>EQUITY AND LIABILITIES</b>                              |      |                  |                  |                  |                  |
| <b>Equity attributable to equity holders of the parent</b> |      |                  |                  |                  |                  |
| Stated Capital   | 30.1 | 152,000          | 152,000          | 152,000          | 152,000          |
| Revenue Reserves   |      | 2,797,294        | 2,606,225        | 2,591,138        | 2,474,554        |
| Other components of equity                                 | 30.2 | 1,187,410        | 1,028,893        | 958,379          | 814,250          |
|  |      | 4,136,704        | 3,787,118        | 3,701,517        | 3,440,804        |
| <b>Non-Controlling Interests</b>                           |      | 57,022           | 37,690           | -                | -                |
| <b>Total Equity</b>  |      | 4,193,726        | 3,824,808        | 3,701,517        | 3,440,804        |
| <b>Non-Current Liabilities</b>                             |      |                  |                  |                  |                  |
| Deferred Tax Liabilities                                   | 17.6 | 82,358           | 97,572           | -                | -                |
| Employee Benefit Liabilities                               | 32.8 | 92,281           | 76,084           | 50,952           | 40,825           |
|  |      | 174,639          | 173,656          | 50,952           | 40,825           |
| <b>Current Liabilities</b>                                 |      |                  |                  |                  |                  |
| Trade and Other Payables                                   | 33   | 7,084,324        | 153,914          | 541,511          | 53,226           |
| Amounts due to Related Parties                             | 35.2 | 26,605           | 4,193            | 4,549            | 6,571            |
| Income Tax Liabilities                                     | 17.4 | 41,293           | 8,944            | 22,850           | 8,535            |
| Other Current Liabilities                                  | 34   | 3,305            | 804              | 2,586            | 667              |
| Short Term Loan  |      | 10,000           | -                | 10,000           | -                |
| Bank Overdrafts  | 29.2 | 314,389          | 674,749          | 294,549          | 653,111          |
|  |      | 7,479,916        | 842,604          | 876,045          | 722,110          |
| <b>Total Equity and Liabilities</b>                        |      | 11,848,281       | 4,841,068        | 4,628,514        | 4,203,739        |

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

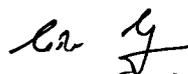


**Ms. K. D. Weerasinghe**  
Chief Financial Officer

The Board of directors is responsible for these Financial Statements.



**Mr. K. N. J. Balendra**  
Director



**Mr. J. G. A. Cooray**  
Director

The Accounting Policies and Notes as set out on pages 80 to 127 form an integral part of these Financial Statements.

21st May 2021

# STATEMENT OF CHANGES IN EQUITY

| Group  |      |  |                      |   |                        |                  |                            |                          |           |
|--|------|--|----------------------|---|------------------------|------------------|----------------------------|--------------------------|-----------|
| For the Year Ended 31st March                    | Note | Attributable to Equity Holders of the Parent |                      |   |                        |                  | Other Components of Equity |                          |           |
|  |      | Stated capital                               | Revaluation reserves | Fair value reserve of financial assets at FVOCI | Other capital reserves | Revenue reserves | Total                      | Non Controlling interest | Total     |
|  |      | Rs 000's                                     | Rs 000's             | Rs 000's  | Rs 000's               | Rs 000's         | Rs 000's                   | Rs 000's                 | Rs 000's  |
| <b>As at 01st April 2019</b>                     |      | 152,000                                      | 153,887              | 768,404   | 123,578                | 2,910,954        | 4,108,823                  | 42,591                   | 4,151,414 |
| Profit for the year                              |      | -  | -                    | -   | -                      | (187,794)        | (187,794)                  | (6,643)                  | (194,437) |
| Other Comprehensive Income net of tax            |      | -  | 7,835                | (34,335)  | -                      | 4,665            | (21,835)                   | -                        | (21,835)  |
| Total Comprehensive Income net of tax            |      | -  | 7,835                | (34,335)  | -                      | (183,129)        | (209,629)                  | (6,643)                  | (216,272) |
| Share based payment expenses                     | 31   | -  | -                    | -   | 9,524                  | -                | 9,524                      | 1,742                    | 11,266    |
| Final Dividend Paid - 2018/19                    | 16   | -  | -                    | -   | -                      | (121,600)        | (121,600)                  | -                        | (121,600) |
| <b>As at 31st March 2020</b>                     |      | 152,000                                      | 161,722              | 734,069   | 133,102                | 2,606,225        | 3,787,118                  | 37,690                   | 3,824,808 |
| Profit for the year                              |      | -  | -                    | -   | -                      | 254,185          | 254,185                    | 30,198                   | 284,383   |
| Other Comprehensive Income net of tax            |      | -  | 10,739               | 141,540   | -                      | (2,316)          | 149,964                    | -                        | 149,964   |
| Total Comprehensive Income net of tax            |      | -  | 10,739               | 141,540   | -                      | 251,869          | 404,149                    | 30,198                   | 434,347   |
| Share based payment expenses                     | 31   | -  | -                    | -   | 6,238                  | -                | 6,238                      | 1,134                    | 7,372     |
| 1st Interim Dividend Paid - 2020/21              | 16   | -  | -                    | -   | -                      | (60,800)         | (60,800)                   | -                        | (60,800)  |
| Subsidiary Dividend to Non- Controlling Interest |      |  |                      |   |                        |                  |                            | (12,000)                 | (12,000)  |
| <b>As at 31st March 2021</b>                     |      | 152,000                                      | 172,461              | 875,609   | 139,340                | 2,797,294        | 4,136,705                  | 57,022                   | 4,193,727 |

The Accounting Policies and Notes as set out on pages 80 to 127 form an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

| Company                               |      |                            |                        |   |                  |           |
|---------------------------------------|------|----------------------------|------------------------|---|------------------|-----------|
| For the Year Ended 31st March         | Note | Other Components of Equity |                        |   |                  | Total     |
|                                       |      | Stated capital             | Other capital reserves | Fair value reserve of financial assets at FVOCI | Revenue reserves |           |
|                                       |      | Rs 000's                   | Rs 000's               | Rs 000's  | Rs 000's         | Rs 000's  |
| <b>As at 01st April 2019</b>          |      | 152,000                    | 76,481                 | 768,404   | 2,757,474        | 3,754,359 |
| Profit for the year                   |      | -                          | -                      | -   | (163,543)        | (163,543) |
| Other Comprehensive Income net of tax |      | -                          | -                      | (34,335)  | 2,223            | (32,112)  |
| Total Comprehensive Income net of tax |      | -                          | -                      | (34,335)  | (161,320)        | (195,655) |
| Share based payment expenses          | 31   | -                          | 3,700                  | -   | -                | 3,700     |
| Final Dividend Paid - 2018/19         | 16   | -                          | -                      | -   | (121,600)        | (121,600) |
| <b>As at 31st March 2020</b>          |      | 152,000                    | 80,181                 | 734,069   | 2,474,554        | 3,440,804 |
| Profit for the year                   |      | -                          | -                      | -   | 178,871          | 178,871   |
| Other Comprehensive Income net of tax |      | -                          | -                      | 141,540   | (1,487)          | 140,053   |
| Total Comprehensive Income            |      | -                          | -                      | 141,540   | 177,384          | 318,924   |
| Share based payment expenses          | 31   | -                          | 2,589                  | -   | -                | 2,589     |
| 1st Interim Dividend Paid - 2020/21   | 16   | -                          | -                      | -   | (60,800)         | (60,800)  |
| <b>As at 31st March 2021</b>          |      | 152,000                    | 82,770                 | 875,609   | 2,591,138        | 3,701,517 |

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 80 to 127 form an integral part of these Financial Statements.

# CASH FLOW STATEMENT

| For the Year Ended 31st March                                 | Note | Group            |                  | Company          |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                    |      |                  |                  |                  |                  |
| Profit/(loss) before tax                                      |      | 358,532          | (156,916)        | 221,327          | (127,645)        |
| Adjustments to reconcile profit before tax to net cash flows: |      |                  |                  |                  |                  |
| Associate Companies Share of Profit                           | 23.2 | (1,292)          | (2,915)          | -                | -                |
| Interest income   | 13.3 | (27,885)         | (32,480)         | (7,900)          | (8,344)          |
| Dividend income- FVOCI Financial Assets                       | 13.3 | (18,012)         | (14,719)         | (18,012)         | (14,719)         |
| Dividend income- Subsidiaries                                 |      | -                | -                | (69,280)         | (31,920)         |
| Finance expenses  | 13.4 | 34,217           | 97,806           | 33,966           | 97,785           |
| Change in fair value of investment properties                 | 20   | (15,085)         | (15,100)         | (15,085)         | (15,100)         |
| Depreciation of property, plant and equipment                 | 14   | 20,634           | 20,507           | 2,956            | 3,510            |
| Amortisation expense of right-of-use assets                   | 19.1 | 1,089            | 1,089            | -                | -                |
| Amortisation of Intangible Assets                             | 21.2 | 2,058            | 1,421            | 1,421            | 1,421            |
| Amotisation of trade debtors                                  |      | (17,938)         | 277,844          | (17,938)         | 277,844          |
| Amotisation of prepaid staff cost                             |      | 1,803            | 1,316            | -                | -                |
| (Profit) / loss on sale of property, plant and equipment      |      | (165)            | (5)              | -                | (5)              |
| Share based payment expenses                                  | 31   | 7,372            | 11,266           | 2,589            | 3,700            |
| Gratuity provision and related costs                          | 32.3 | 12,038           | 11,538           | 6,348            | 6,232            |
| Other long term employee benefits                             |      | 3,464            | 3,722            | 3,464            | 3,722            |
| <b>Operating Profit Before Working Capital Changes</b>        |      | <b>360,830</b>   | <b>204,373</b>   | <b>143,856</b>   | <b>196,483</b>   |
| <b>Working Capital adjustments :</b>                          |      |                  |                  |                  |                  |
| Decrease / (Increase) in Inventories                          |      | 102              | (418)            | 126              | (395)            |
| Decrease / (Increase) in Trade and Other Receivables          |      | (6,466,248)      | 859,575          | (128,807)        | 708,886          |
| Decrease / (Increase) in Other Non-Current Assets             |      | (129,774)        | 35,183           | (129,418)        | 34,629           |
| Decrease / (Increase) in amounts Due from Related Parties     |      | 4,440            | 104              | 3,315            | 932              |
| Decrease / (Increase) in Other Current Assets                 |      | 589              | 4,400            | (253)            | 1,491            |
| Increase / (Decrease) in Trade and Other Payables             |      | 6,930,409        | (516,176)        | 488,285          | (376,890)        |
| Increase / (Decrease) in amounts Due to Related Parties       |      | 22,413           | (1,930)          | (2,021)          | (2,063)          |
| Increase / (Decrease) in Other Current Liabilities            |      | 2,501            | 115              | 1,919            | 181              |
| <b>Cash Generated from Operations</b>                         |      | <b>725,262</b>   | <b>585,226</b>   | <b>377,002</b>   | <b>563,254</b>   |
| Interest Received   | 13.3 | 27,885           | 32,480           | 7,900            | 8,344            |
| Finance Expenses Paid   | 13.4 | (34,217)         | (97,806)         | (33,966)         | (97,785)         |
| Dividend income - Subsidiaries                                | 11   | -                | -                | 69,280           | 31,917           |
| Income Tax Paid and set off                                   | 17.4 | (55,948)         | (56,696)         | (27,521)         | (28,103)         |
| Gratuity paid/Transfers(Net)                                  | 32.2 | (2,353)          | (9,369)          | (1,642)          | (6,206)          |
| <b>Net Cash Flow from/(used in) Operating Activities</b>      |      | <b>660,629</b>   | <b>453,797</b>   | <b>391,053</b>   | <b>471,383</b>   |

# CASH FLOW STATEMENT

| For the Year Ended 31st March                                 | Note | Group            |                  | Company          |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES</b>        |      |                  |                  |                  |                  |
| Acquisition of Property, Plant and Equipment                  | 18.1 | (7,192)          | (10,646)         | (914)            | (310)            |
| Purchase of Intangible Assets                                 | 22.1 | (3,821)          | -                | -                | -                |
| Dividend income- FVOCI Financial Assets                       | 13.3 | 19,292           | 14,719           | 18,012           | 14,719           |
| Proceeds from Sale of Property Plant & Equipment              |      | 166              | 230              | -                | 22               |
| <b>Net cash flow from/(used in) Investing Activities</b>      |      | <b>8,445</b>     | <b>4,303</b>     | <b>17,098</b>    | <b>14,431</b>    |
| <b>CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>        |      |                  |                  |                  |                  |
| Dividend Paid   |      | (60,800)         | (121,600)        | (60,800)         | (121,600)        |
| Subsidiary Dividend to Non- Controlling Interest              |      | (12,000)         | -                | -                | -                |
| Proceeds from Short Term borrowings                           |      | 10,000           | -                | 10,000           | -                |
| <b>Net cash flow From /(Used in) Financing Activities</b>     |      | <b>(62,800)</b>  | <b>(121,600)</b> | <b>(50,800)</b>  | <b>(121,600)</b> |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |      | <b>606,274</b>   | <b>336,500</b>   | <b>357,351</b>   | <b>364,214</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING</b>             |      | <b>(362,856)</b> | <b>(699,356)</b> | <b>(592,543)</b> | <b>(956,757)</b> |
| <b>CASH AND CASH EQUIVALENTS AT THE END</b>                   |      | <b>243,418</b>   | <b>(362,856)</b> | <b>(235,192)</b> | <b>(592,543)</b> |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>                  |      |                  |                  |                  |                  |
| <b>Favourable balances</b>                                    |      |                  |                  |                  |                  |
| Cash in hand and at bank                                      |      | 76,308           | 108,849          | 59,357           | 60,568           |
| Short Term Investments  |      | 481,499          | 203,044          | -                | -                |
|   |      | 557,807          | 311,893          | 59,357           | 60,568           |
| <b>Unfavourable balances</b>                                  |      |                  |                  |                  |                  |
| Bank Overdrafts   |      | (314,389)        | (674,749)        | (294,549)        | (653,111)        |
| Cash and cash equivalents                                     |      | 243,418          | (362,856)        | (235,192)        | (592,543)        |

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 80 to 127 form an integral part of these Financial Statements.

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# NOTES TO THE FINANCIAL STATEMENTS

## CORPORATE AND GROUP INFORMATION

### 1 CORPORATE INFORMATION

#### Reporting Entity

John Keells PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the company is located at 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02 and the principal place of business of the company is located at 186, Vauxhall Street, Colombo 02.

Ordinary shares of the company are listed on the Colombo Stock Exchange.

#### Consolidated financial statements

The financial statements for the year ended 31st March 2021, comprise "the Company" referring to John Keells 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 31st March 2021 were authorized for issue by the directors on 21st May 2021.

#### Principal Activities and Nature of Operations

##### Holding Company

The principal activities of the Group's holding Company is Commodity broking.

##### Subsidiaries and Associate

The companies within the Group and its business activities are disclosed in the Group Structure on page 6 of the Annual Report. There were no other significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

##### Parent Entity and Ultimate Parent Entity

The Company's parent entity is John Keells Holdings PLC in the opinion of the directors, which is incorporated in Sri Lanka.

##### Responsibility for Financial Statements

The responsibility of the Directors in relation to the financial statements is set out in 'The statement of director's responsibility on Page 66 to in the Annual report.

##### Statement of compliance

The financial statements which comprise the statement of financial position, the income statement, statement of comprehensive income, 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 (ICASL) and the requirement of the Companies Act No. 7 of 2007.

### 2 BASIS OF PREPARATION

#### Going Concern

In determining the basis of preparing the financial statements for the year ended 31st March 2021, based on available information, the management has assessed the prevailing and anticipated further effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

Operationalisation of risk mitigation initiatives and continuous monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group, the management decided that there is no material uncertainties that may cast significant doubt on the Groups' ability to continue to operate as a going concern. The management has formed judgment that the Company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining the above significant management judgements, estimates and assumptions, the impact of the COVID-19 pandemic has been considered as of the reporting date and specific considerations have been disclosed under the relevant notes.

#### Bases of Measurement

The company's financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties and financial assets at fair value designated at FVOCI that have been measured at fair value.

#### **Presentation and Functional Currency**

The consolidated financial statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, 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.

All values are rounded to the nearest rupees thousand (Rs. '000) except when otherwise indicated.

The significant accounting policies are discussed with relevant individual notes.

### **3 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31st March 2021. Control 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. 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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and 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
- The Group's voting rights and potential voting rights

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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

#### **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.

#### **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.

## 4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements of the Company 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 Company'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 line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

- a) Valuation of property, plant and equipment and investment property.
- b) Impairment of non-financial assets
- c) Share based payments
- d) Taxes
- e) Employee benefit liability
- f) Provision for expected credit losses of trade receivables and contract assets

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *ACCOUNTING POLICIES*

The accounting policies adopted by the group are consistent with those used in the previous year.

### **Changes in accounting standards and standards issued but not yet effective**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

The following amendments and improvements do not expect to have a significant impact on the Group's financial statements.

Amendments to SLFRS 3: Definition of a Business  
Amendments to SLFRS 7 and SLFRS 9 Interest Rate Benchmark Reform  
Amendments to LKAS 1 and LKAS 8 Definition of Material  
Conceptual Framework for Financial Reporting  
Amendments to SLFRS 16 Covid-19 Related Rent Concessions

### **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. 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. 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.

### **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.

## 5.1 Business combinations & goodwill

Acquisitions of subsidiaries 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 recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the income statement.

The Group selects on a transaction-by transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognized 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 recognized at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of SLFRS 9, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS/LKAS.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired the difference is recognized in the income statement.

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 maybe impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized. 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 area 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.

Other significant accounting policies not covered with individual notes.

Following accounting policies which have been applied consistently by the Group, are considered to be significant but are not covered in any other sections.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### 5.2 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, or
- \* 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.

## 6 OPERATING SEGMENT INFORMATION

### ACCOUNTING POLICIES

The group internal organisation and management is structured based on individual services which are similar in nature and process and where the risk and returns are similar. The operating segments represent the Group's business structure.

The activities of each of the operating businesses of the Group are detailed in the Group structure of the Annual report.

The Group's operating business segments are as follows:

#### Produce Broking

Provision of tea and rubber broking services

#### Warehousing

Provision of warehousing of tea services

#### Share Broking

Provision of stock broking services

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. Transfer prices are between operating segments are carried out in the ordinary course of business, on arm's length basis in a manner similar to transactions with third parties. The Income taxes are managed on Group basis and are not allocated to operating segments.

## 6.1 Business Segments

| Group  | Produce Broking  |                  | Warehousing      |                  | Share Broking    |                  | Total            |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Disaggregation of revenue - Timing of revenue recognition</b> |                  |                  |                  |                  |                  |                  |                  |                  |
| Services transferred over time                                   | 354,666          | 422,317          | 97,964           | 101,295          | 381,647          | 129,936          | 834,277          | 653,548          |
| <b>Total revenue from contracts with customers</b>               | 354,666          | 422,317          | 97,964           | 101,295          | 381,647          | 129,936          | 834,277          | 653,548          |
| <b>Elimination of inter segment revenue</b>                      |                  |                  | (6,059)          | (6,056)          |                  |                  | (6,059)          | (6,056)          |
| <b>Net revenue</b>   | 354,666          | 422,317          | 91,905           | 95,239           | 381,647          | 129,936          | 828,218          | 647,492          |
| <b>Segment Results</b>   | 145,016          | (99,941)         | 32,270           | 30,234           | 153,189          | (54,618)         | 330,475          | (124,325)        |
| Finance Income   | 25,912           | 23,061           | 3,529            | 5,279            | 16,456           | 18,860           | 45,897           | 47,200           |
| Finance Expenses   | (33,966)         | (97,785)         | (186)            | -                | (65)             | (20)             | (34,217)         | (97,806)         |
| <b>Net Finance (Expenses)/Income</b>                             | (8,054)          | (74,724)         | 3,343            | 5,279            | 16,391           | 18,840           | 11,680           | (50,606)         |
| Changes in fair value of Investment Property                     | 15,085           | 15,100           | -                | -                | -                | -                | 15,085           | 15,100           |
|  | 152,047          | (159,565)        | 35,613           | 35,513           | 169,579          | (35,778)         | 357,239          | (159,831)        |
| Share of results of Associate                                    |                  |                  |                  |                  |                  |                  | 1,292            | 2,915            |
| <b>Profit/(loss) Before Tax</b>                                  |                  |                  |                  |                  |                  |                  | 358,532          | (156,916)        |
| Tax Expense  | (42,456)         | (35,897)         | 8,093            | (8,900)          | (43,754)         | 8,099            | (78,117)         | (36,698)         |
| Unallocated Tax Expenses   |                  |                  |                  |                  |                  |                  | 3,968            | (823)            |
| Total Tax Expenses   | (42,456)         | (35,897)         | 8,093            | (8,900)          | (43,754)         | 8,099            | (74,149)         | (37,521)         |
| <b>Profit/(loss) After Tax</b>                                   |                  |                  |                  | -                |                  |                  | 284,383          | (194,437)        |
| Purchase and construction of PPE*                                | 914              | 310              | 3,498            | 9,058            | 2,780            | 1,278            | 7,192            | 10,646           |
| Addition to Intangible assets                                    | -                | -                | -                | -                | 3,821            | -                | 3,821            | -                |
| Depreciation of PPE*   | 2,956            | 3,510            | 16,096           | 15,452           | 1,582            | 1,545            | 20,634           | 20,507           |
| Amortisation of Intangible assets                                | 1,421            | 1,421            | -                | -                | 637              | -                | 2,058            | 1,421            |
| Amortisation of Lease rentals paid in advance                    | -                | -                | 1,089            | 1,089            | -                | -                | 1,089            | 1,089            |
| Gratuity provision and related cost                              | 6,348            | 6,232            | 378              | 338              | 5,312            | 4,968            | 12,038           | 11,538           |

## 6.2 Business Segments

|                     |           |           |         |         |           |         |            |           |
|---------------------|-----------|-----------|---------|---------|-----------|---------|------------|-----------|
| Segment Assets      | 4,548,574 | 4,117,924 | 424,352 | 434,601 | 6,875,356 | 288,543 | 11,848,282 | 4,841,068 |
| Segment Liabilities | 935,628   | 769,150   | 85,464  | 120,036 | 6,633,464 | 126,537 | 7,654,556  | 1,015,723 |

\* PPE - Property, Plant & Equipment

**7 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group and Company has loans and other receivables, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group and Company also holds other financial instruments such as Financial Assets designated at FVOCI. The Group's and Company'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 and Company's operations and to provide guarantees to support its operations. The Group and Company is exposed to market risk, credit risk and liquidity risk.

**7.1 Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group and Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group and Company trades only with recognised, creditworthy third parties. It is the Group's and Company'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 and proactive steps taken to reduce the risk.

With respect to credit risk arising from the other financial assets of the Group and Company, such as cash and cash equivalents, financial assets FVOCI, the exposure to credit risk arises from default of the counterparty. The Group and Company manages its operations to avoid any excessive concentration of counterparty risk and the Group and Company takes all reasonable steps to ensure the counterparties fulfil their obligations.

**7.1.1 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.

| <b>Group</b>                               |         |  |                                      |   |                               |  |                   |                             |
|--|---------|--|--------------------------------------|---|-------------------------------|--|-------------------|-----------------------------|
| As at 31st March 2021                      | Notes   | Other non current financial assets<br>Rs 000's | Cash in hand and at bank<br>Rs 000's | Trade and other receivables<br>Rs 000's | Other investments<br>Rs 000's | Amounts due from related parties<br>Rs 000's | Total<br>Rs 000's | % of allocation<br>Rs 000's |
| Government securities                      | 7.1.1.1 | -  | -                                    | -                                       | 481,499                       | -  | 481,499           | 4%                          |
| Loans to executives                        | 7.1.1.2 | 27,283   | -                                    | 9,510                                   | -                             | -  | 36,793            | 0%                          |
| Trade receivables                          | 7.1.1.3 | -  | -                                    | 6,563,252                               | -                             | -  | 6,563,252         | 60%                         |
| Loans given to Tea/Rubber Sellers          | 7.1.1.4 | 299,809  | -                                    | 166,354                                 | -                             | -  | 466,163           | 4%                          |
| Advances given to Tea sellers              | 7.1.1.4 | -  | -                                    | 383,628                                 | -                             | -  | 383,628           | 4%                          |
| Amounts due from related parties           | 7.1.1.5 | -  | -                                    | -                                       | -                             | 1,506  | 1,506             | 0%                          |
| Cash in hand and at bank                   | 7.1.1.6 | -  | 76,308                               | -                                       | -                             | -  | 76,308            | 1%                          |
| Deposit                                    |         | 7,000  | -                                    | -                                       | -                             | -  | 7,000             | 0%                          |
| <b>Total credit risk exposure</b>          |         | <b>334,092</b>                                 | <b>76,308</b>                        | <b>7,122,744</b>                        | <b>481,499</b>                | <b>1,506</b>                                 | <b>8,016,149</b>  | <b>73%</b>                  |
| Financial Assets at fair value through OCI | 7.1.1.7 | 2,922,839                                      | -                                    | -                                       | -                             | -  | 2,922,839         | 27%                         |
| <b>Total equity risk exposure</b>          |         | <b>3,256,931</b>                               | <b>76,308</b>                        | <b>7,122,744</b>                        | <b>481,499</b>                | <b>1,506</b>                                 | <b>10,938,988</b> | <b>100%</b>                 |

| As at 31st March 2020                      | Notes   | Other non current financial assets<br>Rs 000's | Cash in hand and at bank<br>Rs 000's | Trade and other receivables<br>Rs 000's | Other investments<br>Rs 000's | Amounts due from related parties<br>Rs 000's | Total<br>Rs 000's | % of allocation<br>Rs 000's |
|--|---------|--|--------------------------------------|---|-------------------------------|--|-------------------|-----------------------------|
| Government securities                      | 7.1.1.1 | -  | -                                    | -                                       | 203,044                       | -  | 203,044           | 5%                          |
| Loans to executives                        | 7.1.1.2 | 32,440   | -                                    | 9,856                                   | -                             | -  | 42,296            | 1%                          |
| Trade receivables                          | 7.1.1.3 | -  | -                                    | 103,787                                 | -                             | -  | 103,787           | 3%                          |
| Loans given to Tea/Rubber Sellers          | 7.1.1.4 | 168,378  | -                                    | 15,760                                  | -                             | -  | 184,138           | 5%                          |
| Advances given to Tea sellers              | 7.1.1.4 | -  | -                                    | 509,156                                 | -                             | -  | 509,156           | 13%                         |
| Amounts due from related parties           | 7.1.1.5 | -  | -                                    | -                                       | -                             | 5,946  | 5,946             | 0%                          |
| Cash in hand and at bank                   | 7.1.1.6 | -  | 108,849                              | -                                       | -                             | -  | 108,849           | 3%                          |
| Deposit                                    |         | 3,500  | -                                    | -                                       | -                             | -  | 3,500             | 0%                          |
| <b>Total credit risk exposure</b>          |         | 204,318  | 108,849                              | 638,559                                 | 203,044                       | 5,946  | 1,160,716         | 29%                         |
| Financial Assets at fair value through OCI | 7.1.1.7 | 2,781,096                                      | -                                    | -                                       | -                             | -  | 2,781,096         | 71%                         |
| <b>Total equity risk exposure</b>          |         | 2,985,414                                      | 108,849                              | 638,559                                 | 203,044                       | 5,946  | 3,941,812         | 100%                        |

| Company                                    |         |  |                                      |   |                               |  |                   |                             |
|--|---------|--|--------------------------------------|---|-------------------------------|--|-------------------|-----------------------------|
| As at 31st March 2021                      | Notes   | Other non current financial assets<br>Rs 000's | Cash in hand and at bank<br>Rs 000's | Trade and other receivables<br>Rs 000's | Other investments<br>Rs 000's | Amounts due from related parties<br>Rs 000's | Total<br>Rs 000's | % of allocation<br>Rs 000's |
| Loans to executives                        | 7.1.1.2 | 9,888  | -                                    | 4,284                                   | -                             | -  | 14,172            | 0%                          |
| Trade receivables                          | 7.1.1.3 | -  | -                                    | 186,365                                 | -                             | -  | 186,365           | 5%                          |
| Loans given to Tea/Rubber Sellers          | 7.1.1.4 | 299,809  | -                                    | 163,550                                 | -                             | -  | 463,359           | 11%                         |
| Advances given to Tea sellers              | 7.1.1.4 | -  | -                                    | 383,628                                 | -                             | -  | 383,628           | 10%                         |
| Amounts due from related parties           | 7.1.1.5 | -  | -                                    | -                                       | -                             | 1,131  | 1,131             | 0%                          |
| Cash in hand and at bank                   | 7.1.1.6 | -  | 59,357                               | -                                       | -                             | -  | 59,357            | 1%                          |
| <b>Total credit risk exposure</b>          |         | 309,697  | 59,357                               | 737,827                                 | -                             | 1,131  | 1,108,012         | 27%                         |
| Financial Assets at fair value through OCI | 7.1.1.7 | 2,922,839                                      | -                                    | -                                       | -                             | -  | 2,922,839         | 73%                         |
| <b>Total equity risk exposure</b>          |         | 3,232,536                                      | 59,357                               | 737,827                                 | -                             | 1,131  | 4,030,851         | 100%                        |

| As at 31st March 2020                      | Notes   | Other non current financial assets<br>Rs 000's | Cash in hand and at bank<br>Rs 000's | Trade and other receivables<br>Rs 000's | Other investments<br>Rs 000's | Amounts due from related parties<br>Rs 000's | Total<br>Rs 000's | % of allocation<br>Rs 000's |
|--|---------|--|--------------------------------------|---|-------------------------------|--|-------------------|-----------------------------|
| Loans to executives                        | 7.1.1.2 | 10,799   | -                                    | 5,162                                   | -                             | -  | 15,961            | 0%                          |
| Trade receivables                          | 7.1.1.3 | -  | -                                    | 64,074                                  | -                             | -  | 64,074            | 2%                          |
| Loans given to Tea/Rubber Sellers          | 7.1.1.4 | 168,378  | -                                    | 12,690                                  | -                             | -  | 181,068           | 5%                          |
| Advances given to Tea sellers              | 7.1.1.4 | -  | -                                    | 509,156                                 | -                             | -  | 509,156           | 14%                         |
| Amounts due from related parties           | 7.1.1.5 | -  | -                                    | -                                       | -                             | 4,446  | 4,446             | 0%                          |
| Cash in hand and at bank                   | 7.1.1.6 | -  | 60,568                               | -                                       | -                             | -  | 60,568            | 2%                          |
| <b>Total credit risk exposure</b>          |         | 179,177  | 60,568                               | 591,082                                 | -                             | 4,446  | 835,273           | 23%                         |
| Financial Assets at fair value through OCI | 7.1.1.7 | 2,781,096                                      | -                                    | -                                       | -                             | -  | 2,781,096         | 77%                         |
| <b>Total equity risk exposure</b>          |         | 2,960,273                                      | 60,568                               | 591,082                                 | -                             | 4,446  | 3,616,369         | 100%                        |

**7 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)**
**7.1.1.1 Government securities**

As at March 2021 as shown in table above 4 % (2020 - 5%) of debt securities comprises investment in government securities consist of treasury bills and reverse repo investments.

Government securities are usually referred to as risk free due to sovereign nature of the instrument.

**7.1.1.2 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 Power of Attorney/promissory notes as collateral for the loans granted.

**7.1.1.3 Trade and other receivables**

| As at 31st March  | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Neither past due nor impaired</b>                        | 6,558,759        | 24,310           | 194,868          | 17,852           |
| <b>Past due but not impaired</b>                            |                  |                  |                  |                  |
| <b>0–30 days</b>  | 235,767          | 590,280          | 215,111          | 555,896          |
| <b>31–60 days</b>   | 2,067            | 12,803           | 1,814            | 9,239            |
| <b>61–90 days</b>   | 17               | 1,458            | -                | 201              |
| <b>&gt; 91 days</b>   | 813,307          | 530,899          | 813,207          | 529,084          |
| <b>Gross carrying value</b>                                 | 7,609,917        | 1,159,750        | 1,225,000        | 1,112,272        |
| Less: impairment provision                                  |                  |                  |                  |                  |
| Individually assessed impairment provision (Note 7.1.1.3.1) | (487,173)        | (521,190)        | (487,173)        | (521,190)        |
| <b>Total</b>  | 7,122,744        | 638,560          | 737,827          | 591,082          |

The Company 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 all customers. The calculation is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Company 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.

**7.1.1.3.1 Movement in the provision for impairment of receivables**

|                              | Group<br>Rs 000's | Company<br>Rs 000's |
|------------------------------|-------------------|---------------------|
| <b>As at 01st April 2019</b> | 250,650           | 250,650             |
| Charge for the year          | 308,452           | 308,452             |
| Write off                    | (7,071)           | (7,071)             |
| Recoveries                   | (30,841)          | (30,841)            |
| <b>As at 31st March 2020</b> | 521,190           | 521,190             |
| Charge for the year          | 9,513             | 9,513               |
| Write off                    | (16,080)          | (16,080)            |
| Recoveries                   | (27,450)          | (27,450)            |
| <b>As at 31st March 2021</b> | 487,173           | 487,173             |

#### 7.1.1.4 Loans given to Tea/Rubber sellers

The Group and Company has loaned money to Tea producers by reviewing their past performance and credit worthiness.

#### 7.1.1.5 Amounts due from related parties

The Group's and Company's amount due from related parties mainly consists of the balance from affiliate companies and companies under common control.

#### 7.1.1.6 Credit risk relating to cash and cash equivalents

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.

#### 7.1.1.7 Financial Assets at fair value through OCI

All unquoted/quoted equity investments are made after obtaining approval from the Board of Directors.

### 7.2 Liquidity Risk

The Group's & Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Company has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Group & Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's & Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, loan notes, & overdrafts.

#### 7.2.1 Net (debt)/cash

| As at 31st March          | Group            |                  | Company          |                  |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Cash in hand and at bank  | 76,308           | 108,849          | 59,357           | 60,568           |
| Short term investments    | 481,499          | 203,044          |                  | -                |
| <b>Liquid Assets</b>      | <b>557,807</b>   | <b>311,893</b>   | <b>59,357</b>    | <b>60,568</b>    |
| Bank Overdrafts           | (314,389)        | (674,749)        | (294,549)        | (653,111)        |
| <b>Liquid Liabilities</b> | <b>(314,389)</b> | <b>(674,749)</b> | <b>(294,549)</b> | <b>(653,111)</b> |
| <b>(Net debt) Cash</b>    | <b>243,418</b>   | <b>(362,856)</b> | <b>(235,192)</b> | <b>(592,543)</b> |

#### 7.2.2 Liquidity risk management

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 borrowing.

# NOTES TO THE FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

### Maturity analysis

The table below summarises the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted payments.

| Group                          | 2021                              |                               |                                    |                   | 2020                              |                               |                                    |                   |
|--------------------------------|-----------------------------------|-------------------------------|------------------------------------|-------------------|-----------------------------------|-------------------------------|------------------------------------|-------------------|
|                                | Less than<br>3 Months<br>Rs 000's | 3 to 12<br>Months<br>Rs 000's | More than<br>12 months<br>Rs 000's | Total<br>Rs 000's | Less than<br>3 Months<br>Rs 000's | 3 to 12<br>Months<br>Rs 000's | More than<br>12 months<br>Rs 000's | Total<br>Rs 000's |
| As at 31 st March              |                                   |                               |                                    |                   |                                   |                               |                                    |                   |
| Trade and Other Payables       | 7,084,324                         | -                             | -                                  | 7,084,324         | 153,914                           | -                             | -                                  | 153,914           |
| Amounts due to Related Parties | 26,605                            | -                             | -                                  | 26,605            | 4,193                             | -                             | -                                  | 4,193             |
| Bank Overdrafts                | 314,389                           | -                             | -                                  | 314,389           | 674,749                           | -                             | -                                  | 674,749           |
| Total                          | 7,425,318                         | -                             | -                                  | 7,425,318         | 832,856                           | -                             | -                                  | 832,856           |

| Company                        | 2021                              |                               |                                    |                   | 2020                              |                               |                                    |                   |
|--------------------------------|-----------------------------------|-------------------------------|------------------------------------|-------------------|-----------------------------------|-------------------------------|------------------------------------|-------------------|
|                                | Less than<br>3 Months<br>Rs 000's | 3 to 12<br>Months<br>Rs 000's | More than<br>12 months<br>Rs 000's | Total<br>Rs 000's | Less than<br>3 Months<br>Rs 000's | 3 to 12<br>Months<br>Rs 000's | More than<br>12 months<br>Rs 000's | Total<br>Rs 000's |
| As at 31 st March              |                                   |                               |                                    |                   |                                   |                               |                                    |                   |
| Trade and Other Payables       | 541,511                           | -                             | -                                  | 541,511           | 53,226                            | -                             | -                                  | 53,226            |
| Amounts due to Related Parties | 4,549                             | -                             | -                                  | 4,549             | 6,571                             | -                             | -                                  | 6,571             |
| Bank Overdrafts                | 294,549                           | -                             | -                                  | 294,549           | 653,111                           | -                             | -                                  | 653,111           |
| Total                          | 840,609                           | -                             | -                                  | 840,609           | 712,908                           | -                             | -                                  | 712,908           |

### 7.3 Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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 prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. The financial instruments affected by the Company is Financial Assets designated at FVOCI which include equity securities.

Accordingly no interest rate risk, currency risk and commodity price risk to the Company.

#### 7.3.1 Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The CSE re-commenced trading in May 2020 and by 31 March 2021, investor sentiment has improved significantly, providing an active market for price discovery. Therefore, the fair value of the equity portfolio as of 31 March 2021 was determined based on the closing prices available as of 31 March 2021.

#### 7.3.2 Financial Assets designated at FVOCI

All quoted equity and unquoted equity investments are made after obtaining Board of Directors approval.

#### 7.3.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the market index, with all other variables held constant, of the Company's profit before tax & equity due to changes in the fair value of the listed equity securities.

| As at 31 st March | Change in year end market price index | Effect on profit before tax | Effect on equity<br>Rs 000's |
|-------------------|---------------------------------------|-----------------------------|------------------------------|
| <b>Group</b>      |                                       |                             |                              |
| 2021              | 10%                                   | -                           | 41,814                       |
|                   | -10%                                  | -                           | (41,814)                     |
| 2020              | 10%                                   | -                           | 27,842                       |
|                   | -10%                                  | -                           | (27,842)                     |
| <b>Company</b>    |                                       |                             |                              |
| 2021              | 10%                                   | -                           | 41,814                       |
|                   | -10%                                  | -                           | (41,814)                     |
| 2020              | 10%                                   | -                           | 27,842                       |
|                   | -10%                                  | -                           | (27,842)                     |

#### 7.4 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios to support its business and maximise shareholder value.

The Company 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 Company may issue new shares, have a rights issue or buy back of shares.

| As at 31 st March | Group            |                  | Company          |                  |
|-------------------|------------------|------------------|------------------|------------------|
|                   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Debt/Equity       | 7.60%            | 17.82%           | 7.96%            | 18.98%           |

## 8 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 | 24.2 |
| · Property, plant and equipment under revaluation model             | Note | 18.8 |
| · Investment properties   | Note | 20   |
| · Financial Instruments (including those carried at amortised cost) | Note | 9    |

#### 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.

**8 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES (Contd.)**

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 categorized 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 reassessing 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. External valuers are involved for valuation of significant assets, such as land and building and investment properties, and significant liabilities, such as insurance contracts. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussion with the external valuers, which valuation techniques and inputs to use for individual assets and liabilities. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above.

**8.1 Financial Assets by Fair Value Hierarchy**

The Company held the following financial instruments carried at fair value in the statement of financial position.

| <b>Financial Assets</b>              |                   | Level 1          |                  | Level 2          |                  | Level 3          |                  |
|--------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Group</b>                         | Date of valuation | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Non-listed equity investments</b> |                   |                  |                  |                  |                  |                  |                  |
| Waterfront Properties (Pvt) Ltd      | 31.03.2021        | -                | -                | -                | -                | 2,504,695        | 2,502,676        |
| <b>Listed equity investments</b>     |                   |                  |                  |                  |                  |                  |                  |
| Keells Food Products PLC             | 31.03.2021        | 418,144          | -                | -                | 278,420          | -                | -                |
| <b>Total</b>                         |                   | <b>418,144</b>   | <b>-</b>         | <b>-</b>         | <b>278,420</b>   | <b>2,504,695</b> | <b>2,502,676</b> |

| <b>Financial Assets</b>              |                   | Level 1          |                  | Level 2          |                  | Level 3          |                  |
|--------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Company</b>                       | Date of valuation | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Non-listed equity investments</b> |                   |                  |                  |                  |                  |                  |                  |
| Waterfront Properties (Pvt) Ltd      | 31.03.2021        | -                | -                | -                | -                | 2,504,695        | 2,502,676        |
| <b>Listed equity investments</b>     |                   |                  |                  |                  |                  |                  |                  |
| Keells Food Products PLC             | 31.03.2021        | 418,144          | -                | -                | 278,420          | -                | -                |
| <b>Total</b>                         |                   | <b>418,144</b>   | <b>-</b>         | <b>-</b>         | <b>278,420</b>   | <b>2,504,695</b> | <b>2,502,676</b> |

During the reporting period ended 31 March 2021, there were transfers between Level 1 and Level 2 fair value measurements.

The CSE recommenced trading in May 2020 and by 31st March 2021, investor sentiment has improved significantly, providing an active market. Therefore the fair value of equity portfolio as of 31st March 2021, was determined based on the closing prices available as of 31st March 2021.

## 8.2 Non - Financial Assets by Fair Value Hierarchy

### Non Financial Assets -Group

| As at 31 st March                                | Date of valuation | Level 1          |                  | Level 2          |                  | Level 3          |                  |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Fair Value Hierarchy Non Financial Assets</b> |                   |                  |                  |                  |                  |                  |                  |
| <b>Assets Measured at fair value</b>             |                   |                  |                  |                  |                  |                  |                  |
| Investment Property                              | 31.12.2020        | -                | -                | -                | -                | 393,785          | 378,700          |
| Buildings on Leasehold land                      | 31.12.2020        | -                | -                | -                | -                | 325,000          | 320,000          |

### Non Financial Assets- Company

| As at 31 st March                                | Date of valuation | Level 1          |                  | Level 2          |                  | Level 3          |                  |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Fair Value Hierarchy Non Financial Assets</b> |                   |                  |                  |                  |                  |                  |                  |
| <b>Assets Measured at fair value</b>             |                   |                  |                  |                  |                  |                  |                  |
| Investment Property                              | 31.12.2020        | -                | -                | -                | -                | 393,785          | 378,700          |

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 have been considered. Also the valuers have made reference to market evidence of the transaction prices for similar properties, with appropriate adjustments for the size and location. The appraised fair values are rounded within the range of values.

#### Reconciliation of fair value measurements of level 3 financial instruments

The Company carries unquoted equity shares as equity instruments designated at fair value through OCI classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

| In LKR '000s                                      | Group     | Company   |
|---|-----------|-----------|
| As at 1st April 2020                              | 2,502,676 | 2,502,676 |
| Acquisition/(disposal) of subsidiaries            | -         | -         |
| Remeasurement gain/(Loss) recognised for the year | 2,019     | 2,019     |
| As at 31st March 2021                             | 2,504,695 | 2,504,695 |

## 8.3 Basis of valuation of Financial and non - financial assets- Group / Company

Details of the valuation is given below;

The valuation of the investment in Waterfront Properties (Private) Limited (WPL) has been conducted based on the Discounted Cash Flow Method.

#### Discounted Cash Flow Method

Estimates the fair market value of the entity considering the future cash flow generation of the company, as of now. Projected cash flows, which are denominated in USD, are discounted at a USD cost of equity, to arrive at the net present value of the investment. Key assumptions used in the Discounted Cash Flow Method are noted below.

#### • Probability Weighted Scenarios

Assumptions have been forecasted under scenarios of a base case and a sensitised case, with corresponding probabilities factored. Whilst the base case scenario is based on the current business plan, the sensitised case takes into account the uncertainties prevalent at present and possible disruptions to the commencement and ramp up of operations in the event the current situation in the country and the region continues for a prolonged period of time.

**8 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES (Contd.)**

• **Forecast Horizon**

Cash Flows have been forecasted for 7 years , with the Terminal Value based on an appropriate Terminal Growth Rate in line with the market.

• **Revenue and EBITDA margins**

Revenue and EBITDA margins have been projected based on the existing operations in the market, independent market studies, as applicable, and the performance of similar properties regionally, which has been adjusted for project specific aspects.

• **Discount Rate**

A 9% USD cost of equity based on the risk-free rate post adjustments for appropriate risk premiums.

Details of the valuation as at 31st March 2020 is given below:

| Financial Asset  | Valuation Technique  | Unobservable Inputs           | Range of unobservable inputs (Probability weighted average) | Sensitivity of fair value to unobservable input |
|--|--|-------------------------------|---|---|
| Unquoted equity investment Waterfront Properties (Pvt) Ltd - Subsidiary of JKH | Adjusted Net Asset Method - estimates the fair market value of the Company by subtracting the total liabilities from the total assets, after adjusting the balance sheet to fair market value. | Adjusted net assets per share | Rs. 12.90 - Rs. 13.20                                       | Positively correlated                           |
|  | Further, value of the instrument has been adjusted to compensate for the liquidity and minority holding of the investment.   | Estimated discount rate       | 10%   | Negatively correlated                           |

**9 FINANCIAL INSTRUMENTS**

*Accounting policy*

i) Financial instruments- Initial recognition and subsequent 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 Company’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 Company 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 rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

### **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 assets is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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.

The Group does not have debt instruments carried at fair value through OCI.

## **Equity Instruments**

### **Financial assets designated at fair value through OCI**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 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 Company 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 does not have financial assets at fair value through profit or loss.

### **Financial assets - derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

### **Impairment of financial assets**

From 1 April 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

## 9 FINANCIAL INSTRUMENTS (Contd.)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

### Financial liabilities at fair value through profit or loss

The Group does not have financial liabilities at fair value through profits or loss.

### 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 statement of profit or loss.

### 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.

### Fair Value of financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. (bid prices for long position and ask price for short positions), without any deductions for transaction costs. For instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is subsequent that is substantially the same; a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 8.

## 9.1 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9

| Group  | Financial assets/<br>liabilities at amortised<br>cost |                  | Financial assets/<br>liabilities at fair<br>value through OCI<br>with recycling of<br>cumulative gains<br>and losses |                  | Financial assets/liabilities<br>designated at fair value<br>through OCI with no<br>recycling of cumulative<br>gains and losses upon<br>derecognition |                  | Total            |                  |
|--|---|------------------|--|------------------|--|------------------|------------------|------------------|
|  | 2021<br>Rs 000's                                      | 2020<br>Rs 000's | 2021<br>Rs 000's   | 2020<br>Rs 000's | 2021<br>Rs 000's   | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>As at 31st March</b>  |   |                  |  |                  |  |                  |                  |                  |
| <b>Financial instruments in non-current assets/non-current liabilities</b> |   |                  |  |                  |  |                  |                  |                  |
| Other Non - Current Financial Assets                                       | 334,091   | 204,318          | -  | -                | 2,922,839  | 2,781,096        | 3,256,930        | 2,985,414        |
| <b>Financial instruments in current assets/current liabilities</b>         |   |                  |  |                  |  |                  |                  |                  |
| Trade & Other Receivables  | 7,122,744   | 638,559          | -  | -                | -  | -                | 7,122,744        | 638,559          |
| Trade and Other Payables   | (7,084,324)   | (153,914)        | -  | -                | -  | -                | (7,084,324)      | (153,914)        |
| Amount Due from Related Parties  | 1,506   | 5,946            | -  | -                | -  | -                | 1,506            | 5,946            |
| Amount Due to Related Parties  | (26,605)  | (4,193)          | -  | -                | -  | -                | (26,605)         | (4,193)          |
| Cash in Hand and at Bank   | 76,308  | 108,849          | -  | -                | -  | -                | 76,308           | 108,849          |
| Bank Overdrafts  | (314,389)   | (674,749)        | -  | -                | -  | -                | (314,389)        | (674,749)        |

| Company  | Financial assets/<br>liabilities at amortised<br>cost |                  | Financial assets/<br>liabilities at fair<br>value through OCI<br>with recycling of<br>cumulative gains<br>and losses |                  | Financial assets/liabilities<br>designated at fair value<br>through OCI with no<br>recycling of cumulative<br>gains and losses upon<br>derecognition |                  | Total            |                  |
|--|---|------------------|--|------------------|--|------------------|------------------|------------------|
|  | 2021<br>Rs 000's                                      | 2020<br>Rs 000's | 2021<br>Rs 000's   | 2020<br>Rs 000's | 2021<br>Rs 000's   | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>As at 31 st March</b>   |   |                  |  |                  |  |                  |                  |                  |
| <b>Financial instruments in non-current assets/non-current liabilities</b> |   |                  |  |                  |  |                  |                  |                  |
| Other Non - Current Financial Assets                                       | 309,697   | 179,177          | -  | -                | 2,922,839  | 2,781,096        | 3,232,536        | 2,960,273        |
| <b>Financial instruments in current assets/current liabilities</b>         |   |                  |  |                  |  |                  |                  |                  |
| Trade & Other Receivables  | 737,827   | 591,082          | -  | -                | -  | -                | 737,827          | 591,082          |
| Trade and Other Payables   | (541,511)   | (53,226)         | -  | -                | -  | -                | (541,511)        | (53,226)         |
| Amount Due from Related Parties  | 1,131   | 4,446            | -  | -                | -  | -                | 1,131            | 4,446            |
| Amount Due to Related Parties  | (4,549)   | (6,571)          | -  | -                | -  | -                | (4,549)          | (6,571)          |
| Cash in Hand and at Bank   | 59,357  | 60,568           | -  | -                | -  | -                | 59,357           | 60,568           |
| Bank Overdrafts  | (294,549)   | (653,111)        | -  | -                | -  | -                | (294,549)        | (653,111)        |

## 9 FINANCIAL INSTRUMENTS (Contd.)

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology.

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.

## 10 REVENUE

### Accounting policy

#### Contracts with customers

Revenue from contracts with Group is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

#### 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 overtime, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

### 10.1 Disaggregation of revenue

The Group presented disaggregated revenue with the Group's reportable segments based on timing of revenue recognition, Groups internal organization and management structure based on individual services which are similar in nature and processes and where risk and returns are similar.

#### Timing of revenue recognition

| For the Year Ended 31st March                      | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Services transferred over time                     | 828,218          | 647,492          | 354,666          | 422,317          |
| <b>Total revenue from contracts with customers</b> | <b>828,218</b>   | <b>647,492</b>   | <b>354,666</b>   | <b>422,317</b>   |

### 10.2 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segments has been provided in the operating segments information section.

## 11 DIVIDEND INCOME

### Accounting policy

Dividend income is recognised when the Company's right to receive the payment is established.

| For the Year Ended 31st March              | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Income from investments in related parties | -                | -                | 69,280           | 31,920           |
|  | -                | -                | 69,280           | 31,920           |

## 12 OTHER OPERATING INCOME

### 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, are accounted for 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.

### 12.1 Other Operating Income

Other income is recognised on an accrual basis.

| For the Year Ended 31st March                         | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Sundry income   | 1,929            | 1,451            | 617              | 1,274            |
| Net gain on disposal of Property, Plant and Equipment | 165              | 5                | -                | 5                |
|   | 2,094            | 1,456            | 617              | 1,279            |

## 13 NET FINANCE INCOME / (EXPENSES)

### 13.1 Finance Income

#### Accounting Policy

Finance income comprises interest income on funds invested (including Fair Value reserve of financial assets at FVOCI), dividend income from financial investment designated on FVOCI, gains on the disposal of Fair Value reserve of financial assets at FVOCI, 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.

### 13.2 Finance Costs

#### Accounting Policy

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of financial assets at FVOCI, 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 Company incurs in connection with the borrowing of funds.

# NOTES TO THE FINANCIAL STATEMENTS

## 13.3 Finance Income

| For the Year Ended 31st March                         | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Interest income                                       | 5,922            | 6,095            | 5,893            | 6,250            |
| Financial assets at FVOCI Keells Foods Products PLC   | 18,012           | 14,719           | 18,012           | 14,719           |
| Financial assets at fair value through profit or loss | 21,963           | 26,386           | 2,007            | 2,092            |
| <b>Total finance income</b>                           | <b>45,897</b>    | <b>47,200</b>    | <b>25,912</b>    | <b>23,061</b>    |

## 13.4 Finance cost

|                                |               |                 |                |                 |
|--------------------------------|---------------|-----------------|----------------|-----------------|
| Interest expense on borrowings | (34,217)      | (97,806)        | (33,966)       | (97,785)        |
| Total finance cost             | (34,217)      | (97,806)        | (33,966)       | (97,785)        |
| <b>Net finance income</b>      | <b>11,680</b> | <b>(50,606)</b> | <b>(8,054)</b> | <b>(74,724)</b> |

## 14 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 Group's and company performance.

| For the Year Ended 31st March   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>PROFIT BEFORE TAX</b>  |                  |                  |                  |                  |
| <b>Profit before tax is stated after charging all expenses including the following;</b> |                  |                  |                  |                  |
| <b>Administration Expenses</b>  |                  |                  |                  |                  |
| Remuneration to Non Executive Directors   | 7,457            | 6,000            | 5,460            | 6,000            |
| Audit Fees  | 2,164            | 2,143            | 1,158            | 1,158            |
| Amortisation of Right of Use Assets   | 1,089            | 1,089            |                  | -                |
| <b>Personnel costs includes</b>   |                  |                  |                  |                  |
| Defined Benefit Plan Cost   | 12,038           | 11,538           | 6,348            | 6,232            |
| Defined Contribution Plan Cost - EPF and ETF  | 30,198           | 25,317           | 12,924           | 13,144           |
| Other Staff Cost  | 267,858          | 229,631          | 108,470          | 107,157          |
| Depreciation of Property, Plant and Equipment   | 20,634           | 20,507           | 2,956            | 3,510            |
| Amortization of Intangible Assets   | 2,058            | 1,421            | 1,421            | 1,421            |
| Other long term employee benefits cost  | 3,464            | 3,722            | 3,464            | 3,722            |
| Donations   | 1,301            | 1,708            | 878              | 1,177            |
| <b>Selling and Distribution Expenses</b>  |                  |                  |                  |                  |
| Impairment (Recoveries) of Trade Receivables  | (17,938)         | 277,844          | (17,938)         | 277,844          |

## 15 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.

| For the Year Ended 31st March                                | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Basic earnings per share</b>                              |                  |                  |                  |                  |
| Profit / (loss) attributable to equity holders of the parent | 254,185          | (187,794)        | 178,871          | (163,543)        |
| Weighted average number of ordinary shares (In 000's)        | 60,800           | 60,800           | 60,800           | 60,800           |
|  | Rs               | Rs               | Rs               | Rs               |
| Basic earnings / (loss) per share                            | 4.18             | (3.09)           | 2.94             | (2.69)           |
| <b>Amount used as denominator</b>                            |                  |                  |                  |                  |
| Ordinary shares at the beginning of the year (In 000's)      | 60,800           | 60,800           | 60,800           | 60,800           |
| Ordinary shares at the end of the year (In 000's)            | 60,800           | 60,800           | 60,800           | 60,800           |

## 16 DIVIDEND PER SHARE

| For the Year Ended 31st March             | 2021 |          | 2020 |          |
|---|------|----------|------|----------|
|   | Rs   | Rs 000's | Rs   | Rs 000's |
| <b>Equity dividend on ordinary shares</b> |      |          |      |          |
| Declared and paid during the year         |      |          |      |          |
| Out of Dividends received - Free of tax   | 1.00 | 60,800   | 0.89 | 54,305   |
| Out of Profits -Liable for tax            | -    | -        | 1.11 | 67,295   |
| Total dividend                            | 1.00 | 60,800   | 2.00 | 121,600  |

# NOTES TO THE FINANCIAL STATEMENTS

## 17 TAX

### 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 country where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and for items recognized in other comprehensive income shall be recognized in other comprehensive income 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.

#### Current tax

Deferred tax assets are recognized 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 utilized except:

- Where the deferred income tax asset 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 and associates, deferred tax assets are recognized 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 utilized.

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 utilized. 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 profit or loss is recognised outside profit or loss. 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.

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of a assets or services 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
- receivables and payables that 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.

### 17.1 Tax Expense

| For the Year Ended 31st March                                      | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Current income tax</b>  | <b>84,443</b>    | <b>49,390</b>    | <b>41,514</b>    | <b>35,418</b>    |
| <b>Deferred income tax</b>   |                  |                  |                  |                  |
| Relating to origination and reversal of temporary differences 17.2 | (10,294)         | (11,869)         | 942              | 480              |
|  | <b>74,149</b>    | <b>37,521</b>    | <b>42,456</b>    | <b>35,898</b>    |

| For the Year Ended 31st March  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Reconciliation between tax expense and the product of accounting profit</b> |                  |                  |                  |                  |
| Profit / (loss) before tax   | 358,532          | (156,916)        | 221,327          | (127,645)        |
| Dividend income from group companies   | (88,572)         | (46,639)         | (88,572)         | (46,639)         |
| Fair value change in investment properties                                     | (15,085)         | (15,100)         | (15,085)         | (15,100)         |
| Share of results of associate  | 1,292            | 2,915            | -                | -                |
| Adjusted accounting profit /(loss) chargeable to income tax                    | 256,167          | (215,740)        | 117,670          | (189,384)        |
| Disallowable expenses  | 42,461           | 344,137          | 10,546           | 311,004          |
| Allowable expenses   | (19,177)         | (22,457)         | (7,442)          | (12,331)         |
| (Utilisation)/ Un Utilisation of tax losses                                    | (26,062)         | 26,062           | -                | -                |
| Taxable income   | 253,389          | 132,002          | 120,774          | 109,289          |
| Income tax charged at  |                  |                  |                  |                  |
| Standard rate 28%  | -                | 33,994           | -                | 22,951           |
| Standard rate 24% -(2020-28%)  | 72,222           | 9,486            | 29,293           | 6,557            |
| Standard rate 14% -(2020-14%)  | 12,221           | 5,910            | 12,221           | 5,910            |
| Current tax charge   | 84,443           | 49,390           | 41,514           | 35,418           |
| <b>Reconciliation between tax expense and the product of accounting profit</b> |                  |                  |                  |                  |
| Profit / (loss) before tax   | 358,532          | (156,916)        | 221,327          | (127,645)        |
| Income tax not liable for income tax   | (103,657)        | (19,526)         | (103,657)        | (19,526)         |
| Accounting profit / (loss) chargeable to income taxes                          | 254,875          | (176,442)        | 117,670          | (147,171)        |
| Tax effect on chargeable profits / Losses                                      | 85,110           | (40,165)         | 40,769           | (39,736)         |
| Tax effect on non deductible expenses  | 1,033            | 83,000           | (865)            | 79,957           |
| Tax effect on deductions claimed   | (956)            | (1,020)          | (254)            | (309)            |
| Income tax on other comprehensive income                                       | 204              | (985)            | -                | -                |
| Other income based taxes (Cap. Gain 10%)                                       | 1,509            | -                | 1,509            | -                |
| Current and deferred tax share of associate                                    | 648              | 29               | -                | -                |
| Net tax effect of deferred tax for prior years                                 | 2,296            | (4,014)          | -                | (4,014)          |
| (Over)/Under provision for previous years                                      | (3,203)          | 794              | 1,297            | -                |
| Tax effect on rate differentials   | (12,492)         | (118)            | -                | -                |
|  | 74,149           | 37,521           | 42,456           | 35,898           |
| Income tax charged at  |                  |                  |                  |                  |
| Standard rate 28%  | -                | 33,994           | -                | 22,951           |
| Standard rate 24% (2020-28%)   | 72,222           | 9,486            | 29,293           | 6,557            |
| Standard rate 14% -(2020-14%)  | 12,221           | 5,910            | 12,221           | 5,910            |
| Charge for the year  | 84,443           | 49,390           | 41,514           | 35,418           |
| Deferred Tax Charge/(Reversal) (Note 17.2)                                     | (10,294)         | (11,869)         | 942              | 480              |
| Total income tax expense   | 74,149           | 37,521           | 42,456           | 35,898           |

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 TAX (Contd.)

### 17.2 Deferred tax expense

| For the Year Ended 31st March  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>Income statement</b>  |                  |                  |                  |                  |
| Deferred tax expense arising from;   |                  |                  |                  |                  |
| Accelerated depreciation for tax purposes  | (19,635)         | (4,471)          | (239)            | 8                |
| Deferred tax assets recognized on account of carry forward tax losses                                      | 7,296            | (7,298)          | -                | -                |
| Deferred tax expense arising from revaluation of investment property to fair value                         | 1,509            | 1,510            | 1,509            | 1,510            |
| Employee benefit liabilities   | (112)            | (1,638)          | (328)            | (1,038)          |
| Undistributed Profits of Investment in Associate & Subsidiaries  | 648              | 28               | -                | -                |
| <b>Deferred tax charge/ (release)</b>  | <b>(10,294)</b>  | <b>(11,869)</b>  | <b>942</b>       | <b>480</b>       |
| <b>Statement of Comprehensive Income</b>   |                  |                  |                  |                  |
| Deferred tax expense arising from;   |                  |                  |                  |                  |
| Revaluation of building at fair value  | 3,392            | 3,047            | -                | -                |
| Total deferred tax /(reversal) recognised in other Comprehensive income arising from Actuarial gain/(loss) | (530)            | 2,743            | (268)            | 1,794            |
|  | 2,862            | 5,790            | (268)            | 1,794            |
| <b>Total deferred tax charge</b>   | <b>(7,432)</b>   | <b>(6,079)</b>   | <b>674</b>       | <b>2,274</b>     |

The Group has computed deferred tax at the rates based on Substantively enacted rate which is the rate legislated as of the reporting date specified in the Inland Revenue Act, No. 24 of 2017. (2021 -24%)

### 17.3 Tax losses carried forward

| For the Year Ended 31st March | Group            |                  | Company          |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Tax losses brought forward    | 26,062           | -                | -                | -                |
| Tax Loss for the year 2020/21 | -                | 26,062           | -                | -                |
| Tax loss recovered            | (26,062)         | -                | -                | -                |
| Tax losses carried forward    | -                | 26,062           | -                | -                |

**17.4 INCOME TAX LIABILITIES/REFUNDS**

| For the Year Ended 31st March                            | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| At the beginning of the year                             | 8,405            | 19,209           | 8,535            | 3,923            |
| Charge for the year                                      | 89,058           | 48,595           | 41,514           | 35,418           |
| (Over)/ Under Provision of current tax of previous Years | 322              | (2,703)          | 322              | (2,703)          |
| WHT Set off against Payments                             | (544)            |                  |                  |                  |
| Payments and set off against refunds                     | (55,948)         | (56,696)         | (27,521)         | (28,103)         |
| At the end of the year                                   | 41,293           | 8,405            | 22,850           | 8,535            |
| Income Tax Refund  | -                | 539              | -                | -                |
| Income Tax Liability                                     | 41,293           | 8,944            | 22,850           | 8,535            |

**17.5 DEFERRED TAX ASSET**

| For the Year Ended 31st March   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| At the beginning of the year  | 20,049           | 15,090           | 3,975            | 6,249            |
| (Charge) and release  | (8,254)          | 7,620            | (942)            | (480)            |
| (Charge) and release Other - Comprehensive Income                       | 674              | (1,732)          | 470              | (865)            |
| Deferred tax on other unquoted equity investments                       | (202)            | (929)            | (202)            | (929)            |
| At the end of the year  | 12,267           | 20,049           | 3,301            | 3,975            |
| <b>The closing deferred tax asset balances relate to the following;</b> |                  |                  |                  |                  |
| Carried forward losses  | -                | 7,297            | -                | -                |
| Tax effect on gain on remeasurement of FVOCI Financial Assets           | 3,752            | 3,954            | 3,752            | 3,954            |
| Accelerated depreciation for tax purposes                               | (2,408)          | (2,853)          | (2,112)          | (2,352)          |
| Revaluation of investment property to fair value                        | (10,569)         | (9,060)          | (10,569)         | (9,060)          |
| Employee retirement benefit liability                                   | 21,492           | 20,711           | 12,230           | 11,433           |
|   | 12,267           | 20,049           | 3,301            | 3,975            |

**17 TAX (Contd.)**
**17.6 Deferred Tax Liabilities**

| As at 31st March  | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| At the beginning of the year  | 97,572           | 98,693           | -                | -                |
| Charge and (release)  | (18,548)         | (4,250)          | -                | -                |
| (Charge) and release Other - Comprehensive Income                           | 3,334            | 3,129            | -                | -                |
| At the end of the year  | 82,358           | 97,572           | -                | -                |
| <b>The closing deferred tax liability balances relate to the following;</b> |                  |                  |                  |                  |
| Accelerated depreciation for tax purposes                                   | 72,243           | 88,041           | -                | -                |
| Employee Retirement benefit liability                                       | (658)            | (595)            | -                | -                |
| Impact on consolidation of Associates' retained earnings                    | 10,773           | 10,126           | -                | -                |
|   | 82,358           | 97,572           | -                | -                |

The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, incorporating announcements implemented by the Inland Revenue Circular Nos. PN/IT/2020-03 (Revised) and PN/IT/2021-01 was Gazetted on 18 March 2021.

As the Bill has been Gazetted and also printed by order of Parliament as of the reporting date, the Group's management, having applied significant judgment have concluded the provisions of the Inland Revenue (Amendment) Bill to be substantially enacted, and have relied upon the income tax rates specified therein to calculate the income tax liability and deferred tax provision for the 2020/21 financial year of the Group.

**18 PROPERTY, PLANT AND EQUIPMENT**
*Accounting Policy*
**Basis of recognition**

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

**Basis of measurement**

Plant and equipment 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. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### Derecognition

An item of property, plant and equipment are 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 on leasehold land | over the lease period |
| Plant and machinery         | 2-10                  |
| Equipment                   | 6-8                   |
| Furniture and fittings      | 8                     |
| Motor vehicles              | 5                     |
| Computer Equipment          | 5                     |
| Other                       | 5                     |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

**18 PROPERTY, PLANT AND EQUIPMENT (Contd.)**

| As at 31st March  | Buildings on Leasehold Land | Plant and machinery | Furniture and fittings | Motor vehicles  | Computer equipment | Office equipment | Others         | Total            | Total            |
|---|-----------------------------|---------------------|------------------------|-----------------|--------------------|------------------|----------------|------------------|------------------|
|   | Rs 000's                    | Rs 000's            | Rs 000's               | Rs 000's        | Rs 000's           | Rs 000's         | Rs 000's       | Rs 000's         | Rs 000's         |
| <b>Group</b>  |                             |                     |                        |                 |                    |                  |                |                  |                  |
| <b>18.1 Cost/Valuation</b>                                |                             |                     |                        |                 |                    |                  |                |                  |                  |
| At the beginning of the year                              | 320,000                     | 34,253              | 79,401                 | 29,181          | 21,165             | 10,408           | 1,669          | 496,077          | 488,717          |
| Additions   | 878                         | 2,516               | 18                     | -               | 3,014              | 767              | -              | 7,193            | 10,646           |
| Revaluation   | 14,132                      | -                   | -                      | -               | -                  | -                | -              | 14,132           | 10,882           |
| Disposals   | -                           | (1,558)             | -                      | -               | (768)              | (7)              | -              | (2,334)          | (4,677)          |
| Transfers   | (10,010)                    |                     |                        |                 |                    |                  |                | (10,010)         | (9,491)          |
| <b>At the end of the year</b>                             | <b>325,000</b>              | <b>35,211</b>       | <b>79,419</b>          | <b>29,181</b>   | <b>23,411</b>      | <b>11,168</b>    | <b>1,669</b>   | <b>505,058</b>   | <b>496,077</b>   |
| <b>18.2 Accumulated depreciation and impairment</b>       |                             |                     |                        |                 |                    |                  |                |                  |                  |
| At the beginning of the year                              | (2,500)                     | (27,889)            | (73,203)               | (17,680)        | (17,425)           | (3,696)          | (1,605)        | (143,998)        | (137,640)        |
| Charge for the year                                       | (10,130)                    | (2,931)             | (2,559)                | (2,058)         | (1,405)            | (1,501)          | (50)           | (20,634)         | (20,506)         |
| Disposals   | -                           | 1,558               | -                      | -               | 768                | 5                | -              | 2,331            | 4,658            |
| Transfers   |                             |                     |                        |                 |                    |                  |                | -                | -                |
| Transfer of accumulated depreciation on asset revaluation | 10,010                      |                     |                        |                 |                    |                  |                | 10,010           | 9,490            |
| <b>At the end of the year</b>                             | <b>(2,620)</b>              | <b>(29,262)</b>     | <b>(75,762)</b>        | <b>(19,738)</b> | <b>(18,062)</b>    | <b>(5,192)</b>   | <b>(1,655)</b> | <b>(152,291)</b> | <b>(143,998)</b> |
| <b>18.3 Carrying value</b>                                |                             |                     |                        |                 |                    |                  |                |                  |                  |
| <b>As at 31 March 2021</b>                                | <b>322,380</b>              | <b>5,949</b>        | <b>3,657</b>           | <b>9,443</b>    | <b>5,349</b>       | <b>5,976</b>     | <b>13</b>      | <b>352,767</b>   | <b>-</b>         |
| As at 31 March 2020                                       | 317,500                     | 6,364               | 6,198                  | 11,501          | 3,740              | 6,712            | 64             | -                | 352,079          |

During the financial year, the Group acquired Plant and Equipment to the aggregate value of Rs 7.19 Mn (2020 Rs 10.64 Mn) Cash payments amounting to Rs 7.19 Mn(2020 Rs 10.64 Mn) was paid during the year for the acquisition of Plant and Equipment

| As at 31st March                                    | Plant and machinery<br>Rs 000's | Furniture and fittings<br>Rs 000's | Motor vehicles<br>Rs 000's | Computer equipment<br>Rs 000's | Office equipment<br>Rs 000's | Others<br>Rs 000's | Total<br>Rs 000's | Total<br>Rs 000's |
|---|---------------------------------|------------------------------------|----------------------------|--------------------------------|------------------------------|--------------------|-------------------|-------------------|
| <b>Company</b>                                      |                                 |                                    |                            |                                |                              |                    |                   |                   |
| <b>18.4 Cost</b>                                    |                                 |                                    |                            |                                |                              |                    |                   |                   |
| At the beginning of the year                        | 458                             | 22,483                             | 29,180                     | 10,846                         | 719                          | 1,183              | 64,869            | 69,236            |
| Additions   | 286                             | -                                  | -                          | 628                            | -                            | -                  | 914               | 310               |
| Disposals   | -                               | -                                  | -                          | -                              | -                            | -                  | -                 | (4,677)           |
| <b>At the end of the year</b>                       | <b>744</b>                      | <b>22,483</b>                      | <b>29,180</b>              | <b>11,474</b>                  | <b>719</b>                   | <b>1,183</b>       | <b>65,783</b>     | <b>64,869</b>     |
| <b>18.5 Accumulated depreciation and impairment</b> |                                 |                                    |                            |                                |                              |                    |                   |                   |
| At the beginning of the year                        | (146)                           | (22,285)                           | (17,680)                   | (9,387)                        | (568)                        | (1,117)            | (51,183)          | (52,331)          |
| Charge for the year                                 | (83)                            | (94)                               | (2,058)                    | (607)                          | (64)                         | (50)               | (2,956)           | (3,510)           |
| Disposals   |                                 |                                    |                            |                                |                              |                    | -                 | 4,658             |
| At the end of the year                              | (229)                           | (22,379)                           | (19,738)                   | (9,994)                        | (632)                        | (1,167)            | (54,139)          | (51,183)          |
| <b>18.6 Carrying value</b>                          |                                 |                                    |                            |                                |                              |                    |                   |                   |
| <b>As at 31 March 2021</b>                          | <b>515</b>                      | <b>104</b>                         | <b>9,442</b>               | <b>1,480</b>                   | <b>87</b>                    | <b>15</b>          | <b>11,644</b>     | <b>-</b>          |
| As at 31 March 2020                                 | 312                             | 198                                | 11,500                     | 1,459                          | 151                          | 66                 | -                 | 13,686            |

During the financial year, the Company acquired Plant and Equipment to the aggregate value of Rs 0.91 Mn (2020 Rs 0.31Mn) Cash payments amounting to Rs 0.91 Mn (2020 Rs 0.31 Mn) was paid during the year for the acquisition of Plant and Equipment.

#### 18.7 Carrying value of Property, Plant and Equipment

| As at 31st March | Group            |                  | Company          |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| At Cost          | 30,386           | 34,579           | 11,644           | 13,686           |
| At valuation     | 322,380          | 317,500          | -                | -                |
|                  | 352,766          | 352,079          | 11,644           | 13,686           |

#### 18.8 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation was carried out on 31st December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

## 18 PROPERTY, PLANT AND EQUIPMENT (Contd.)

### 18.9 Details of group's buildings stated at valuation are indicated below

| Property   | Location   | Valuation technique | Significant unobservable Inputs | Estimates for unobservable input                          | Sensitivity of fair value to unobservable inputs | Property Valuer                   | Effective date of valuation |
|--|--|---------------------|---------------------------------|---|--|-----------------------------------|-----------------------------|
| Building on leasehold land John Keells Warehousing (Pvt) Ltd | 93, 1st Lane, Mthurajawela<br>Hendala<br>Wattala | Investment Method   | Estimated price per sq. ft.     | Rs. 2,000 to Rs. 2,500<br>(2020 - Rs. 2,000 to Rs. 2,500) | Positively correlated sensitivity                | K. T. D. Tissera Chartered Valuer | 31st December 2020          |

#### Summary description of valuation methodology;

##### Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

##### Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

### 18.10 The carrying amount of revalued land and buildings if they were carried at cost less depreciation, would be as follows;

| As at 31st March                        | Group            |                  |
|---|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Property Plant and Equipment            |                  |                  |
| Cost                                    | 151,778          | 123,956          |
| Accumulated depreciation and impairment | (45,793)         | (41,489)         |
|   | 105,985          | 82,467           |

## 19 LEASES

#### Accounting Policy

Set out below are the new accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application:

#### Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

#### Lease liabilities

The Group did not have a significant impact on its statements of financial position or equity on applying the classification and measurement requirement of SLFRS 16 since the Group did not have a lease liability as at 31st March 2021.

#### Short-term leases and leases of low-value assets

The Group did not have any short - term or low - value lease assets

**19.1 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 period ended 31 March 2021.

**Right of Use Assets**

|  | Group<br>2021<br>Rs 000's | Company<br>2021<br>Rs 000's |
|--|---------------------------|-----------------------------|
| As at 31st March                               |                           |                             |
| <b>Right of Use Assets</b>                     |                           |                             |
| <b>Cost</b>                                    |                           |                             |
| At the beginning of the year                   | 35,846                    | -                           |
| Additions                                      | -                         | -                           |
| Transfers from Lease rentals paid in advance   |                           | -                           |
| At the end of the year                         | 35,846                    | -                           |
| <b>Accumulated amortisation and impairment</b> |                           |                             |
| At the beginning of the year                   | 1,089                     | -                           |
| Amortisation                                   | 1,089                     | -                           |
| Transfers                                      | -                         | -                           |
| At the end of the year                         | 2,178                     | -                           |
| <b>Carrying value</b>                          | <b>33,668</b>             | <b>-</b>                    |

The following are the amounts recognised in profit or loss:

**Right of use assets**

|  | Group<br>2021<br>Rs 000's | Company<br>2021<br>Rs 000's |
|--|---------------------------|-----------------------------|
| For the year ended 31st March<br>In Rs. '000s    |                           |                             |
| Amortisation expense of right-of-use assets      | 1,089                     | -                           |
| <b>Total amount recognised in profit or loss</b> | <b>1,089</b>              | <b>-</b>                    |

No expenses relating to short term leases and leases of low value assets has been recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 19 LEASES (Contd.)

### 19.2 Property

| As at 31st March | Land extent | Lease period | 2021<br>In Rs. '000s | 2020<br>In Rs. '000s |
|------------------|-------------|--------------|----------------------|----------------------|
|------------------|-------------|--------------|----------------------|----------------------|

#### Details of Right of Use Assets

| Right of Use Assets  |                  |                            |        |        |
|----------------------|------------------|----------------------------|--------|--------|
| Land - Muthurajawela | A - 6 and P - 30 | 50 years from 1 March 2002 | 33,668 | 34,757 |

## 20 INVESTMENT PROPERTIES

### Accounting Policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Company 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 using Group accounting policy for property, plant and equipment.

| As at 31st March                     | Group            |                  | Company          |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>INVESTMENT PROPERTY</b>           |                  |                  |                  |                  |
| At the beginning of the year         | 378,700          | 363,600          | 378,700          | 363,600          |
| Change in fair value during the year | 15,085           | 15,100           | 15,085           | 15,100           |
| At the end of the year               | 393,785          | 378,700          | 393,785          | 378,700          |

### 20.1

| Location                             | Land in Perches | Valuation Amount<br>Rs | Date       | Name of Valuer                              |
|--------------------------------------|-----------------|------------------------|------------|---|
| 50, Minuwangoda Road, Ekala, Ja- Ela | 603.90          | 392,535,000            | 31.12.2020 | Mr P B Kalugalagedera<br>(Chartered Valuer) |
| 58, Kirulapone Avenue, Colombo 6     | 12.56           | 1,250,000              | 31.12.2020 | Mr P B Kalugalagedera<br>(Chartered Valuer) |
|                                      |                 | 393,785,000            |            |   |

Investment Properties are stated at fair value which has been determined based on a valuation performed by Mr P B Kalugalagedera Chartered Valuer, using the open market value method of valuation as at 31st December 2020.

| Location                            | Valuation technique   | Significant unobservable inputs | Estimates for unobservable inputs | Sensitivity of fair value to unobservable inputs<br>In Rs. '000s |
|-------------------------------------|---|---------------------------------|-----------------------------------|--|
| 50, Minuwangoda Road Ekala, Ja- Ela | Market comparable Method  | Estimated price per perch       | Rs 650,000                        | Positively correlated sensitivity                                |
| 58, Kirulapone Avenue Colombo 6     | Book value maintained until the vacant possession of the land is obtained | Estimated price per perch       | Rs 100,000                        | Zero correlated  |

#### Real Estate Portfolio

| As at 31st March | No of buildings | Buildings in (Sq. Ft) | Land in acres |           | Net book value at valuation |                  |
|------------------|-----------------|-----------------------|---------------|-----------|-----------------------------|------------------|
|                  |                 |                       | Freehold      | Leasehold | 2021<br>Rs 000's            | 2020<br>Rs 000's |

#### Owning company and location

| PROPERTIES IN COLOMBO                             |   |         |               |              |         |         |
|---|---|---------|---------------|--------------|---------|---------|
| 56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.    | 1 | 1,200   | 12.56 Perches | -            | 1,250   | 1,250   |
| PROPERTIES OUTSIDE COLOMBO                        |   |         |               |              |         |         |
| 17/1, Temple Road, Ekala, Ja-Ela.                 | - | -       | 603.9 Perches | -            | 392,535 | 377,450 |
| 93, First Avenue, Muthurajawela, Hendala, Wattala | 3 | 141,669 | -             | A-6 and P-30 | 320,000 | 311,353 |

## 21 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 company and the cost of the asset can be reliably measured.

#### Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost.

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 against income statement in the year in which the expenditure is incurred.

#### Useful economic lives, amortization 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 of 3 years 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 such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortized 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.

#### Software license

Software license costs are recognised as an intangible asset and amortised over the period of expected future usage of 3 years, of related ERP systems.

Gains or losses arising from de recognition 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

## 21 INTANGIBLE ASSETS (Contd.)

### 21.1 Cost

Software licenses

| For the Year Ended 31st March                       | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>At the beginning of the year</b>                 | 5,673            | 5,673            | 4,263            | 4,263            |
| Additions   | 3,821            | -                | -                | -                |
| Derecognition                                       | -                | -                | -                | -                |
| <b>At the end of the year</b>                       | 9,494            | 5,673            | 4,263            | 4,263            |
| <b>21.2 Accumulated amortisation and impairment</b> |                  |                  |                  |                  |
| At the beginning of the year                        | (3,031)          | (1,610)          | (1,621)          | (200)            |
| Amortisation  | (2,058)          | (1,421)          | (1,421)          | (1,421)          |
| Derecognition                                       | -                | -                | -                | -                |
| <b>At the end of the year</b>                       | (5,089)          | (3,031)          | (3,042)          | (1,621)          |
| <b>21.3 Carrying value</b>                          |                  |                  |                  |                  |
| <b>As at 31 March 2021</b>                          | 4,405            | -                | 1,221            | -                |
| As at 31 March 2020                                 | -                | 2,642            | -                | 2,642            |

## 22 INVESTMENTS IN SUBSIDIARIES

*Accounting Policy*

Investments in subsidiaries are carried at cost less any accumulated impairment losses. Each year the Group carries out an extensive analysis of impairment testing based on the cash flow forecasts of each cash-generating unit. While short term performance and cash flows will be affected due to the ongoing situation, the impact to long term cash flows may not indicate a significant impact and hence impairment is not warranted at this juncture.

| As at 31st March            | Note | Company          |                  |
|-----------------------------|------|------------------|------------------|
|                             |      | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>22.1 Carrying value</b>  |      |                  |                  |
| Investments in subsidiaries | 22.2 | 158,570          | 158,570          |
| Unquoted                    |      |                  |                  |
|                             |      | 158,570          | 158,570          |

| As at 31st March                                       | Number of shares | Additions | Number of shares | Effective holding % | Company          |                  |
|--|------------------|-----------|------------------|---------------------|------------------|------------------|
|  |                  |           |                  |                     | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>22.2 Group unquoted investments In Subsidiaries</b> |                  |           |                  |                     |                  |                  |
| John Keells Stock Brokers (Pvt) Ltd.                   | 1,140            | -         | 1,140            | 76                  | 38,570           | 38,570           |
| John Keells Warehousing (Pvt) Ltd.                     | 12,000           | -         | 12,000           | 100                 | 120,000          | 120,000          |
|  |                  |           |                  |                     | 158,570          | 158,570          |

## 23 INVESTMENTS IN ASSOCIATE

### 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 does not control or jointly control those policies. Associate company of the Group which has been accounted for under the equity method of accounting is:

| Name                | Country of Incorporation |
|---------------------|--------------------------|
| Keells Realtors Ltd | Sri Lanka                |

The investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of equity accounted investees' in the income statement.

The income statement reflects the share of the results of operations of the associate. Changes, if any, recognised directly in the equity of the associate, the Group recognises its share and discloses this, when applicable in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the Associate are eliminated to the extent of the interest in the Associate.

The share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The Group ceases to recognise further losses when the Group's share of losses in an associate equals or exceeds the interest in the undertaking, unless it has incurred obligations or made payments on behalf of the entity. The accounting policies of associate companies conform to those used for similar transactions of the Group.

Equity method of accounting has been applied for associate financial statements using their respective 12 month financial period. Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

| As at 31st March   | Number of shares<br>(000's) | Holding % | Group            |                  | Company          |                  |  |
|--|-----------------------------|-----------|------------------|------------------|------------------|------------------|--|
|  |                             |           | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |  |
| <b>23.2 Carrying value</b>                                     |                             |           |                  |                  |                  |                  |  |
| Unquoted ordinary shares                                       |                             |           |                  |                  |                  |                  |  |
| Keells Realtors Ltd  | 2,400                       | 32        | 24,000           | 24,000           | 24,000           | 24,000           |  |
| Share of Profit as at the beginning of the year                |                             |           | 72,331           | 72,132           | -                | -                |  |
| Cumulative profit/(Loss) accruing to the group net of dividend |                             |           | 4,627            | 199              | -                | -                |  |
| Net of Dividend  |                             |           | 76,958           | 96,331           | -                | -                |  |
| Net Assets at the end of the year                              |                             |           | 100,958          | 96,331           | -                | -                |  |

# NOTES TO THE FINANCIAL STATEMENTS

## 23 INVESTMENTS IN ASSOCIATE (Contd.)

### 23.2 Summarised financial information of Associate

| As at 31st March                              | Company          |                  |
|---|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Revenue                                       | 7,670            | 12,177           |
| Cost of sales                                 | (684)            | (679)            |
| Gross Profit                                  | 6,986            | 11,498           |
| Total operating expenses                      | (3,072)          | (2,486)          |
| Financial Income                              | 122              | 96               |
| Income Tax Expenses                           | 14,423           | (2,485)          |
| Profit for the year                           | 18,459           | 6,623            |
| Group share of profit for the year            | 1,292            | 2,915            |
| Group share of other comprehensive income     | -                | -                |
| Share of results of equity accounted investee | 1,292            | 2,915            |
| Non - Current Assets                          | 405,060          | 405,060          |
| Current Assets                                | 3,330            | 6,171            |
| Total Assets                                  | 408,390          | 411,231          |
| Non - Current Liabilities                     | (92,438)         | (107,845)        |
| Current Liabilities                           | (455)            | (2,350)          |
| Total Liabilities                             | (92,893)         | (110,195)        |
| Net Assets                                    | 315,497          | 301,036          |
| Group Share of net Assets                     | 100,958          | 96,332           |

Each year the Group carries out an extensive analysis of impairment testing based on cash flow forecast of each cash-generating unit. While short term performance and cash flows will be affected due to the ongoing situation, the impact to long term cash flows may not indicate a significant impact and hence impairment is not warranted at this juncture.

## 24 NON CURRENT FINANCIAL ASSETS

| As at 31st March                     | Note | Group            |                  | Company          |                  |
|--------------------------------------|------|------------------|------------------|------------------|------------------|
|                                      |      | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Other quoted equity investments      | 24.1 | 418,144          | 278,420          | 418,144          | 278,420          |
| Other unquoted equity investments    | 24.2 | 2,504,694        | 2,502,676        | 2,504,695        | 2,502,676        |
| Loans to executives                  | 24.4 | 27,283           | 32,440           | 9,888            | 10,799           |
| Loans given to Tea Sellers           | 24.3 | 299,809          | 168,378          | 299,809          | 168,378          |
| Deposits with Colombo Stock Exchange | 24.3 | 7,000            | 3,500            | -                | -                |
|                                      |      | 3,256,930        | 2,985,414        | 3,232,536        | 2,960,273        |

| As at 31st March                            | Number of shares<br>000's | Holding<br>% | Group            |                  | Company          |                  |
|---|---------------------------|--------------|------------------|------------------|------------------|------------------|
|   |                           |              | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>24.1 Other quoted equity investments</b> |                           |              |                  |                  |                  |                  |
| <b>Keells Food Products PLC</b>             |                           |              |                  |                  |                  |                  |
| At the beginning of the year                | 2,573                     | 10.09        | 134,599          | 134,599          | 134,599          | 134,599          |
| At the end of the year                      | 2,573                     | 10.09        | 134,599          | 134,599          | 134,599          | 134,599          |
| <b>Market Value</b>                         |                           |              |                  |                  |                  |                  |
| Keells Food Products PLC                    |                           |              | 418,144          | 278,420          | 418,144          | 278,420          |
|   |                           |              | 418,144          | 278,420          | 418,144          | 278,420          |

The market value of quoted investments amounts to Rs. 418.14 Mn (2020 - 278.42Mn ).

The CSE re-commenced trading in May 2020 and by 31 March 2021, investor sentiment has improved significantly, providing an active market for price discovery. Therefore, the fair value of the equity portfolio as of 31 March 2021 was determined based on the closing prices available as of 31 March 2021.

| As at 31st March                              | Group                                |                                      | Company          |                  |
|---|--------------------------------------|--------------------------------------|------------------|------------------|
|   | 2021<br>Number of shares<br>Rs 000's | 2020<br>Number of shares<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>24.2 Other unquoted equity investments</b> |                                      |                                      |                  |                  |
| Ceylon Cold Stores PLC - Preference Share     | 1                                    | 1                                    | 1                | 1                |
| Waterfront Properties (Pvt) Ltd (000's)       | 191,638                              | 191,638                              | -                | -                |
| At the beginning of the year                  |                                      |                                      | 2,502,676        | 2,493,366        |
| Remeasurement gain recognised for the year    |                                      |                                      | 2,018            | 9,309            |
|   |                                      |                                      | 2,504,694        | 2,502,676        |

The Company's shareholding in Waterfront Properties (Pvt) Ltd diluted to 3.31% as at 31.03.2021 from 4.01% as at end of the last financial year as a result of the direct investment in stated capital of Waterfront Properties (Pvt) Ltd by John Keells Holdings PLC.

Basis of valuation of Financial and non - financial assets- Group / Company

Details of the valuation is given below;

The valuation of the investment in Waterfront Properties (Private) Limited (WPL) has been conducted based on the Discounted Cash Flow Method.

#### Discounted Cash Flow Method

Estimates the fair market value of the entity considering the future cash flow generation of the company, as of now. Projected cash flows, which are denominated in USD, are discounted at a USD cost of equity, to arrive at the net present value of the investment. Key assumptions used in the Discounted Cash Flow Method are noted below.

#### • Probability Weighted Scenarios

Assumptions have been forecasted under scenarios of a base case and a sensitised case, with corresponding probabilities factored. Whilst the base case scenario is based on the current business plan, the sensitised case takes into account the uncertainties prevalent at present and possible disruptions to the commencement and ramp up of operations in the event the current situation in the country and the region continues for a prolonged period of time.

# NOTES TO THE FINANCIAL STATEMENTS

## 24 NON CURRENT FINANCIAL ASSETS (Contd.)

### • Forecast Horizon

Cash Flows have been forecasted for 7 years , with the Terminal Value based on an appropriate Terminal Growth Rate in line with the market.

### • Revenue and EBITDA margins

Revenue and EBITDA margins have been projected based on the existing operations in the market, independent market studies, as applicable, and the performance of similar properties regionally, which has been adjusted for project specific aspects.

### • Discount Rate

A 9% USD cost of equity based on the risk-free rate post adjustments for appropriate risk premiums.

Details of the valuation as at 31st March 2020 is given below:

| Financial Asset  | Valuation Technique  | Unobservable Inputs           | Range of unobservable inputs (Probability weighted average) | Sensitivity of fair value to unobservable input |
|--|--|-------------------------------|---|---|
| Unquoted equity investment Waterfront Properties (Pvt) Ltd - Subsidiary of JKH | Adjusted Net Asset Method - estimates the fair market value of the Company by subtracting the total liabilities from the total assets, after adjusting the balance sheet to fair market value. | Adjusted net assets per share | Rs. 12.90 - Rs. 13.20                                       | Positively correlated                           |
|  | Further, value of the instrument has been adjusted to compensate for the liquidity and minority holding of the investment.   | Estimated discount rate       | 10%   | Negatively correlated                           |

| As at 31st March | Group            |                  | Company          |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |

### 24.3 Other non equity investments

|                                      |                |                |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Loans to executives                  | 27,283         | 32,440         | 9,888          | 10,799         |
| Loans Given to Tea Clients           | 299,809        | 168,378        | 299,809        | 168,378        |
| Deposits with Colombo Stock Exchange | 7,000          | 3,500          | -              | -              |
|                                      | <b>334,092</b> | <b>204,318</b> | <b>309,697</b> | <b>179,177</b> |

### 24.4 Loans to executives

|                                       |               |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
| At the beginning of the year          | 42,296        | 42,440        | 15,961        | 16,661        |
| Loans granted                         | 4,675         | 14,581        | 4,675         | 7,200         |
| Recoveries/ Transfers                 | (10,178)      | (14,725)      | (6,465)       | (7,900)       |
| At the end of the year                | <b>36,793</b> | <b>42,296</b> | <b>14,171</b> | <b>15,961</b> |
| <b>Receivable within one year</b>     | <b>9,510</b>  | <b>9,856</b>  | <b>4,284</b>  | <b>5,162</b>  |
| <b>Receivable after one year</b>      |               |               |               |               |
| Receivable between one and five years | 27,283        | 32,440        | 9,888         | 10,799        |
|                                       | <b>36,793</b> | <b>42,296</b> | <b>14,172</b> | <b>15,961</b> |

**25 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:

Other inventories- At actual Cost

| As at 31st March       | Group            |                  | Company          |                  |
|------------------------|------------------|------------------|------------------|------------------|
|                        | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>INVENTORIES</b>     |                  |                  |                  |                  |
| Consumables and Spares | 1,419            | 1,521            | 1,047            | 1,173            |
|                        | 1,419            | 1,521            | 1,047            | 1,173            |

**26 TRADE AND OTHER RECEIVABLES**

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are on no interest bearing and are generally on the term of 30 to 90 days. In 2020, Rs. 487.17 million was recognized as provision for expected credit losses on trade receivables.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different rearrangement of homogeneous groups which the COVID-19 outbreak affects different types of customers. Receivable balances are monitored on an ongoing basis to minimize bad debt risk and to ensure default rates are kept very low.

| As at 31st March   | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Trade Receivables including advances and loans given to Tea/Rubber sellers | 7,593,384        | 1,134,133        | 1,216,497        | 1,094,420        |
| Less: Provision for impairment of trade debtors                            | (487,173)        | (521,190)        | (487,173)        | (521,190)        |
| Other Receivables  | 7,023            | 15,760           | 4,219            | 12,690           |
| Loans to Executives (24.4)   | 9,510            | 9,856            | 4,284            | 5,162            |
|  | 7,122,744        | 638,559          | 737,827          | 591,082          |

# NOTES TO THE FINANCIAL STATEMENTS

## 27 OTHER CURRENT ASSETS

| As at 31st March                    | Group            |                  | Company          |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Prepayments and non cash receivable | 3,052            | 3,641            | 1,659            | 1,406            |
|                                     | 3,052            | 3,641            | 1,659            | 1,406            |

## 28 SHORT TERM INVESTMENTS

| As at 31st March                           | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Government Securities (less than 3 months) | 481,499          | 203,044          | -                | -                |
|  | 481,499          | 203,044          | -                | -                |

## 29 CASH IN HAND AND AT BANK

### Accounting Policy

Cash and short-term deposits in the statement of financial position comprise cash at banks and on 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.

| As at 31st March | Group            |                  | Company          |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |

### 29.1 Favourable cash and bank balances

|                          |        |         |        |        |
|--------------------------|--------|---------|--------|--------|
| Cash in hand and at bank | 76,308 | 108,849 | 59,357 | 60,568 |
|                          | 76,308 | 108,849 | 59,357 | 60,568 |

### 29.2 Unfavourable cash and bank balances

|                             |           |           |           |           |
|-----------------------------|-----------|-----------|-----------|-----------|
| Bank Overdrafts             | 314,389   | 674,749   | 294,549   | 653,111   |
|                             | 314,389   | 674,749   | 294,549   | 653,111   |
| Net cash & Cash Equivalents | (238,081) | (565,900) | (235,192) | (592,543) |

## 30 STATED CAPITAL AND OTHER COMPONENTS OF EQUITY

### Accounting Policy

The ordinary shares of John Keells PLC are quoted in the Colombo Stock Exchange. Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible to one vote per share at the General Meeting of the Company.

Fair Value reserve of financial assets at FVOCI included changes of fair value of equity instruments.

Revaluation reserve consist of the net surplus on the revaluation of property, plant and equipment and equipment and present value of acquired in - force business (PVIB)

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.

| As at 31st March                  | 2021                      |                             | 2020                      |                             |
|-----------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
|                                   | Number of shares<br>000's | Value of shares<br>Rs 000's | Number of shares<br>000's | Value of shares<br>Rs 000's |
| <b>30.1 Stated Capital</b>        |                           |                             |                           |                             |
| <b>Fully paid ordinary shares</b> |                           |                             |                           |                             |
| At the beginning of the year      | 60,800                    | 152,000                     | 60,800                    | 152,000                     |
| At the end of the year            | 60,800                    | 152,000                     | 60,800                    | 152,000                     |

| As at 31st March                                | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>30.2 Other Components of Equity</b>          |                  |                  |                  |                  |
| Fair Value reserve of financial assets at FVOCI | 875,609          | 734,069          | 875,609          | 734,069          |
| Revaluation Reserve                             | 172,461          | 161,722          | -                | -                |
| Other Capital reserves                          | 139,340          | 133,102          | 82,770           | 80,181           |
|   | <b>1,187,410</b> | <b>1,028,893</b> | <b>958,379</b>   | <b>814,250</b>   |

### 31 SHARE BASED PAYMENT PLANS

#### Accounting Policy

Employees of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The company applied SLFRS 02 Share Based Payments in accounting for employee remuneration in the form of shares from 2013/14 financial year onwards.

#### Equity-settled transactions

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 income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in the share based payment plan note.

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.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

#### Share Based Payments- Employee Share Option Scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to senior executives of the Company with more than 12 months of service. The exercise price of the share options is equal to the 30 day 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.

**31 SHARE BASED PAYMENT PLANS (Contd.)**

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.

The expense recognised for employee services received during the year is shown in the following table:

| As at 31st March   | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Expense arising from equity-settled share-based payment transactions | 7,372            | 11,266           | 2,589            | 3,700            |
| <b>Total expense arising from share-based payment transactions</b>   | <b>7,372</b>     | <b>11,266</b>    | <b>2,589</b>     | <b>3,700</b>     |

**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 31st March                         | Group       |                    |             |                    | Company     |                    |             |                    |
|--|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|
|  | 2021<br>No. | 2021<br>WAEP<br>Rs | 2020<br>No. | 2020<br>WAEP<br>Rs | 2021<br>No. | 2021<br>WAEP<br>Rs | 2020<br>No. | 2020<br>WAEP<br>Rs |
| Outstanding at the beginning of the year | 1,432,982   | 153.16             | 1,950,721   | 161.24             | 692,606     | 152.86             | 1,101,945   | 162.76             |
| Granted during the year                  | 190,000     | 132.86             | 150,000     | 136.97             | 55,000      | 132.86             | 55,000      | 136.97             |
| Exercised during the year                | -           | -                  | (37,844)    | 146.63             | -           | -                  | (18,322)    | 146.88             |
| Lapsed/Forfeited during the year         | (422,648)   | 149.84             | (629,895)   | 174.73             | (299,160)   | 149.84             | (446,017)   | 175.60             |
| Transfers in /(out) During the year      | -           | -                  | -           | -                  | -           | -                  | -           | -                  |
| Outstanding at the end of the year       | 1,200,334   | 151.11             | 1,432,982   | 153.16             | 448,446     | 152.43             | 692,606     | 152.86             |
| Exercisable at the end of the year       | 673,432     | 155.75             | 869,529     | 153.16             | 264,782     | 156.30             | 457,312     | 152.30             |

**Fair value of the share option and assumptions**

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 valuation takes into accounting factors such as stock price, expected time to maturity, exercise price, expected volatility of share price, expected dividend yield and risk free interest rate.

**32 EMPLOYEE BENEFIT LIABILITIES**

Accounting Policy

**32.1 Employee Contribution Plan - 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.

**32.2 Employee Defined Benefit Plan- Gratuity**

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in statement of other comprehensive income statement.

| As at 31st March                                | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>EMPLOYEE BENEFIT LIABILITIES</b>             |                  |                  |                  |                  |
| At the beginning of the year                    | 70,687           | 75,037           | 35,428           | 38,530           |
| Current service cost                            | 4,594            | 5,576            | 2,451            | 2,186            |
| Transfers                                       | -                | (40)             | -                | (40)             |
| Interest cost on benefit obligation             | 7,444            | 5,962            | 3,897            | 4,046            |
| Payments  | (2,353)          | (9,369)          | (1,642)          | (6,206)          |
| (Gain)/Loss arising from changes in assumptions | 3,048            | (6,479)          | 1,957            | (3,088)          |
| At the end of the year                          | 83,420           | 70,687           | 42,091           | 35,428           |

**32.3 The expenses are recognised in the income statement in the following line items;**

|   |        |        |       |       |
|---|--------|--------|-------|-------|
| Cost of Sales                           | 6,362  | 7,690  | 5,157 | 5,069 |
| Administrative Expenses                 | 5,635  | 3,807  | 1,150 | 1,122 |
| Cost reimbursement for shared employees | 41     | 41     | 41    | 41    |
|   | 12,038 | 11,538 | 6,348 | 6,232 |

The employee benefit liability of listed company and the group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

**32.4** The principal assumptions used in determining the cost of employee benefits were:

| As at 31st March        | Group            |                  | Company          |                  |
|-------------------------|------------------|------------------|------------------|------------------|
|                         | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Discount rate           | 9.0%             | 11.00%           | 9.0%             | 11.00%           |
| Future salary increases | 8.0%             | 8.00%            | 8.0%             | 8.00%            |

**32.5 Sensitivity of assumptions used**

A one percentage change in the assumptions would have the following effects:

| As at 31st March                                   | Group            |                  |                  |                  | Company          |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | Discount rate    |                  | Salary increment |                  | Discount rate    |                  | Salary increment |                  |
|  | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Effect on the defined benefit obligation liability |                  |                  |                  |                  |                  |                  |                  |                  |
| Increase by one percentage point                   | (3,429)          | (2,146)          | 3,977            | 2,466            | (2,227)          | (1,162)          | 2,573            | 1,316            |
| Decrease by one percentage point                   | 3,839            | 2,300            | (3,618)          | (2,337)          | 2,538            | 1,252            | (2,298)          | (1,242)          |

# NOTES TO THE FINANCIAL STATEMENTS

## 32 EMPLOYEE BENEFIT LIABILITIES (Contd.)

### 32.6 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

| As at 31st March                | Group                      |                            | Company                    |                            |
|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                 | 2021<br>Rs 000's           | 2020<br>Rs 000's           | 2021<br>Rs 000's           | 2020<br>Rs 000's           |
| <b>Future Working Life Time</b> | Defined Benefit Obligation | Defined Benefit Obligation | Defined Benefit Obligation | Defined Benefit Obligation |
| Within the next 12 months       | 25,251                     | 11,679                     | 13,865                     | 5,696                      |
| Between 1-2 years               | 23,309                     | 32,906                     | 5,442                      | 14,048                     |
| Between 2-5 years               | 11,409                     | 14,638                     | 7,633                      | 8,447                      |
| Between 5-10 years              | 10,947                     | 8,818                      | 4,940                      | 5,630                      |
| Beyond 10 years                 | 12,504                     | 2,646                      | 10,211                     | 1,607                      |
| <b>Total</b>                    | <b>83,420</b>              | <b>70,687</b>              | <b>42,091</b>              | <b>35,428</b>              |

The average duration of the defined benefit plan obligation at the end of the reporting period is 9.73 years for the Company (2020- 3.72 Years)

The average duration of the defined benefit plan obligation at the end of the reporting period is 3.06 years for John Keells Stock Brokers (Pvt) Ltd (2020 - 3.01 Years)

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.53 years for John Keells Warehousing (Pvt) Ltd (2020- 4.65 Years)

### 32.7 Other long term employee benefits

| As at 31st March             | Group            |                  | Company          |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| At the beginning of the year | 5,397            | 1,675            | 5,397            | 1,675            |
| Current service cost         | 3,464            | 3,722            | 3,464            | 3,722            |
| At the end of the year       | 8,861            | 5,397            | 8,861            | 5,397            |

### 32.8 Employee Benefit Liabilities

| As at 31st March                                    | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Employee defined benefit plan- gratuity (Note 32.2) | 83,420           | 70,687           | 42,090           | 35,428           |
| Other long term employee benefits (Note 32.7)       | 8,861            | 5,397            | 8,862            | 5,397            |
| At the end of the year                              | 92,281           | 76,084           | 50,952           | 40,825           |

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.

### 33 TRADE AND OTHER PAYABLES

#### *Accounting Policy*

Trade payables are the aggregate amount of obligations to pay for goods and services, that have been acquired in the ordinary course of business.

| As at 31st March                            | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| Trade payables                              | 7,009,007        | 100,481          | 500,908          | 24,110           |
| Sundry creditors including accrued expenses | 75,317           | 53,433           | 40,603           | 29,116           |
|   | <b>7,084,324</b> | <b>153,914</b>   | <b>541,511</b>   | <b>53,226</b>    |

Trade and other payables are normally non- interest bearing and settled within one year.

### 34 OTHER CURRENT LIABILITIES

#### *Accounting Policy*

Group classifies all non financial current liabilities under other current liabilities.

These include non refundable deposits and other tax payables. These liabilities are recorded at amounts expected to be set off at the reporting date.

| As at 31st March                 | Group            |                  | Company          |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2021<br>Rs 000's | 2020<br>Rs 000's | 2021<br>Rs 000's | 2020<br>Rs 000's |
| <b>OTHER CURRENT LIABILITIES</b> | <b>3,305</b>     | <b>804</b>       | <b>2,586</b>     | <b>667</b>       |
| Other tax payables               | 3,305            | 804              | 2,586            | 667              |

### 35 RELATED PARTY TRANSACTIONS

#### **Terms and conditions of transactions with related parties**

The Group and Company carried out transactions in the ordinary course of business with the following related entities. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

#### **Non- recurrent related party transactions**

There were no non -recurrent related party transactions which aggregate value exceeds 10% of equity or 5% of total assets which ever is lower of the company as per 31st March 2021 audited financial statements, which required additional disclosure in the 2019/2020 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c ) of the Security Exchange Commission Act.



### **35.6 Terms and conditions of transactions with related parties**

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

## **36 COMMITMENTS & CONTINGENT LIABILITIES**

### *Accounting Policy*

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
- Contingent assets are disclosed, where inflow of economic benefit is probable.

### **36.1 Capital Commitments**

The Company did not have any capital commitments as at the reporting date.

### **36.2 Financial Commitments**

The Company did not have any financial commitments as at the reporting date.

### **36.3 Contingencies**

There are no significant contingent liabilities as at the reporting date.

### **36.4 Assets Pledged**

There are no assets pledged as security against borrowings as at 31st March 2021.

## **37 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

The Board of Directors of the Company has declared a final dividend of Rs 2.29 per share for the financial year ended 31st March 2021. As required by section 56 (2) of the Companies Act no 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the companies Act No.07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on the 7th June 2021.

# INFORMATION TO SHAREHOLDERS AND INVESTORS

## 1 STOCK EXCHANGE LISTING

The issued ordinary shares of John Keells PIC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company and the Consolidated Accounts for the year ended 31st March 2021 have been submitted to the Colombo Stock Exchange.

Stock Symbol - JKL.N0000

ISIN - LK0093N00001

## 2 DISTRIBUTION OF SHAREHOLDINGS

| No. of Shares held  | 31st March 2021 |        |            |        | 31st March 2020 |        |            |        |
|---------------------|-----------------|--------|------------|--------|-----------------|--------|------------|--------|
|                     | Shareholders    |        | Holdings   |        | Shareholders    |        | Holdings   |        |
|                     | Number          | %      | Number     | %      | Number          | %      | Number     | %      |
| less than 1,000     | 987             | 69.12  | 193,956    | 0.32   | 903             | 69.78  | 205,748    | 0.34   |
| 1,001 - 10,000      | 322             | 22.54  | 1,235,405  | 2.03   | 286             | 22.10  | 1,016,560  | 1.67   |
| 10,001 - 100,000    | 100             | 7.00   | 2,822,974  | 4.64   | 83              | 6.41   | 2,569,610  | 4.23   |
| 100,001 - 1,000,000 | 18              | 1.26   | 3,712,881  | 6.22   | 21              | 1.63   | 4,173,298  | 6.86   |
| 1,000,001 and over  | 1               | 0.08   | 52,834,784 | 86.90  | 1               | 0.08   | 52,834,784 | 86.90  |
| Total               | 1428            | 100.00 | 60,800,000 | 100.00 | 1294            | 100.00 | 60,800,000 | 100.00 |

## 3 ANALYSIS OF SHAREHOLDERS

| Categories of Shareholders            | 31st March 2021 |        |            |        | 31st March 2020 |        |            |        |
|---------------------------------------|-----------------|--------|------------|--------|-----------------|--------|------------|--------|
|                                       | Shareholders    |        | Holdings   |        | Shareholders    |        | Holdings   |        |
|                                       | Number          | %      | Number     | %      | Number          | %      | Number     | %      |
| Individuals                           | 1,336           | 93.55  | 5,754,172  | 9.46   | 1,208           | 93.35  | 5,464,620  | 8.99   |
| Institutions                          | 92              | 6.45   | 55,045,828 | 90.54  | 86              | 6.65   | 55,335,380 | 91.01  |
| Total                                 | 1,428           | 100.00 | 60,800,000 | 100.00 | 1,294           | 100.00 | 60,800,000 | 100.00 |
| Residents                             | 1,413           | 98.95  | 60,530,040 | 99.56  | 1,282           | 99.07  | 60,581,685 | 99.64  |
| Non-residents                         | 15              | 1.05   | 269,960    | 0.44   | 12              | 0.93   | 218,315    | 0.36   |
| Total                                 | 1,428           | 100.00 | 60,800,000 | 100.00 | 1,294           | 100.00 | 60,800,000 | 100.00 |
| John Keells Holdings and subsidiaries | 1               | 0.07   | 52,834,784 | 86.90  | 1               | 0.08   | 52,834,784 | 86.90  |
| Public                                | 1,427           | 99.93  | 7,965,216  | 13.10  | 1,293           | 99.92  | 7,965,216  | 13.10  |
| Total                                 | 1,428           | 100.00 | 60,800,000 | 100.00 | 1,294           | 100    | 60,800,000 | 100.00 |

No shares are held by directors and the chief executive officer at the end of the year.

## 4 SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE

|                                   | Group     |           |
|-----------------------------------|-----------|-----------|
|                                   | 2020/2021 | 2019/2020 |
| Highest market price              | 89.50     | 63.20     |
| Lowest market price               | 42.00     | 41.90     |
| Closing price as at 31st of March | 70.00     | 43.00     |

## 5 DIVIDEND PAYMENTS

First Interim Dividend of Rs. 1.00 per share was paid on 29th March 2021.

## 6 TWENTY LARGEST SHAREHOLDERS

| NAME OF SHAREHOLDERS                                    | 31st March 2021 |           | 31st March 2020 |           |
|---|-----------------|-----------|-----------------|-----------|
|   | No. of Shares   | Holding % | No. of Shares   | Holding % |
| 1 John Keells Holdings PLC                              | 52,834,784      | 86.90     | 52,834,784      | 86.90     |
| 2 H. S.D. Soysa   | 625,611         | 1.03      | 620,160         | 1.02      |
| 3 Peoples; Leasing & Finance PLC/ H.S.D Soysa & G Soysa | 314,327         | 0.52      | 318,839         | 0.52      |
| 4 Bank of Ceylon No 1 a/c                               | 250,200         | 0.41      | 250,200         | 0.41      |
| 5 Peoples; Leasing & Finance PLC/ L.P Hapangama         | 242,563         | 0.40      | 152,993         | 0.25      |
| 6 H. G. S.Ansell  | 240,000         | 0.39      | 240,000         | 0.39      |
| 7 Est. of Late M Radhakrishnan                          | 232,800         | 0.38      | 232,800         | 0.38      |
| 8 N Muhunthan   | 208,176         | 0.34      | 180,101         | 0.30      |
| 9 Mrs. M . L. De Silva                                  | 207,872         | 0.34      | 207,872         | 0.34      |
| 10 A. M. Weerasinghe                                    | 179,792         | 0.30      | 179,792         | 0.30      |
| 11 Catholic Bishops Conference in Sri Lanka             | 171,416         | 0.28      | 171,416         | 0.28      |
| 12 Employees Trust Fund Board                           | 169,988         | 0.28      | 169,988         | 0.28      |
| 13 H.A.Van Starrex                                      | 166,169         | 0.27      | 166,169         | 0.27      |
| 14 N S De Mel   | 137,115         | 0.23      | 137,115         | 0.23      |
| 15 Mrs. N Tirimanne                                     | 133,580         | 0.22      | 133,580         | 0.22      |
| 16 Sisira Investors Ltd                                 | 114,272         | 0.19      | 114,272         | 0.19      |
| 17 Com.Bank -Colombo Fort Investments Ltd               | 112,000         | 0.18      | 112,000         | 0.18      |
| 18 G Soysa  | 105,000         | 0.17      | 105,000         | 0.17      |
| 19 Commercial Bank of Ceylon/Colombo Investment Trust   | 102,000         | 0.17      | 102,000         | 0.17      |
| 20 Mr. H.P.N. Soysa                                     | 100,000         | 0.16      | 100,000         | 0.16      |
|   | 56,647,665      | 93.17     | 56,529,081      | 92.96     |

## 7 MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

|  | 2020/2021 | Q4        | Q3       | Q2       | Q1      | 2019/2020 |
|--|-----------|-----------|----------|----------|---------|-----------|
| <b>Share Information</b>                     |           |           |          |          |         |           |
| High   | 89.50     | 89.50     | 70.00    | 57.00    | 52.00   | 63.20     |
| Low  | 42.00     | 59.50     | 46.00    | 43.00    | 42.00   | 41.90     |
| Close  | 70.00     | 70.00     | 61.50    | 55.00    | 48.00   | 43.00     |
| <b>Trading Statistics of John Keells PLC</b> |           |           |          |          |         |           |
| Number of transactions                       | 3,189     | 1,289     | 1,086    | 672      | 142     | 813       |
| Number of Shares traded                      | 1,751,163 | 1,017,347 | 407,313  | 280,549  | 45,954  | 228,630   |
| Value of the Shares traded (Rs. Mn)          | 116.25    | 77.39     | 23.22    | 13.56    | 2.09    | 11.38     |
| Market Capitalisation (Rs. Mn)               | 4,256.00  | 4,256.00  | 3,739.20 | 3,344.00 | 2,918.4 | 2,614.40  |

# KEY RATIOS AND INFORMATION

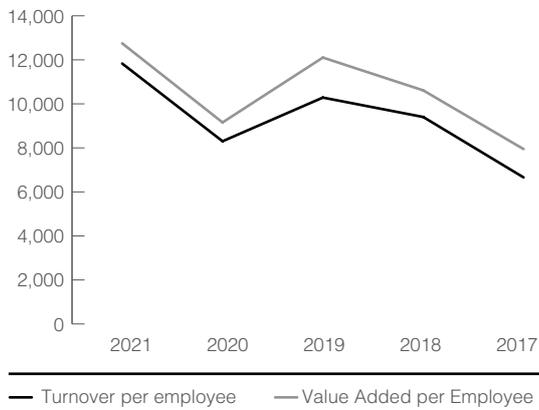
| For the year ended 31st March                         | GROUP     |           |           |           |           | COMPANY   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | 2021      | 2020      | 2019      | 2018      | 2017      | 2021      | 2020      | 2019      | 2018      | 2017      |
| <b>KEY INDICATORS</b>                                 |           |           |           |           |           |           |           |           |           |           |
| <b>(A) Profitability &amp; Return to Shareholders</b> |           |           |           |           |           |           |           |           |           |           |
| Annual Turnover Growth (%)                            | 27.91     | (22.28)   | 4.24      | 30.47     | (13.31)   | (16.02)   | (21.16)   | 3.21      | 22.65     | (0.32)    |
| Net Profit Ratio (%)                                  | 34.34     | (30.03)   | 24.30     | 29.75     | 31.23     | 50.43     | (38.73)   | 37.11     | 46.63     | 44.63     |
| Earnings per share (Rs.) *                            | 4.18      | (3.09)    | 3.32      | 3.86      | 3.22      | 2.94      | (2.69)    | 3.27      | 3.98      | 3.11      |
| Returns on Shareholders' Funds (%)                    | 7.18      | (4.92)    | 5.35      | 6.93      | 5.76      | 5.01      | (4.75)    | 5.30      | 7.77      | 6.24      |
| Return on Capital Employed (%)                        | 8.82      | (1.32)    | 7.92      | 9.81      | 7.45      | 6.39      | (0.73)    | 7.79      | 10.30     | 8.18      |
| Dividend per share (Rs.)*                             | 1.00      | 2.00      | 2.30      | 2.00      | 1.00      | 1.00      | 2.00      | 2.30      | 2.00      | 1.00      |
| Debt Equity Ratio (%)                                 | 7.60      | 17.82     | 27.98     | 20.61     | 19.79     | 7.96      | 18.98     | 30.23     | 22.07     | 22.21     |
| <b>(B) Liquidity</b>                                  |           |           |           |           |           |           |           |           |           |           |
| Current Ratio (No. of Times)                          | 1.03      | 1.14      | 1.22      | 1.38      | 1.19      | 0.91      | 0.91      | 1.12      | 1.29      | 1.17      |
| Interest Cover (No. of Times)                         | 11.48     | (0.60)    | 3.48      | 5.10      | 4.83      | 7.52      | (0.31)    | 3.19      | 4.91      | 4.83      |
| <b>(C) Investor Ratio</b>                             |           |           |           |           |           |           |           |           |           |           |
| Net Assets per share at year end (Rs.)*               | 68.04     | 62.29     | 67.58     | 56.83     | 55.97     | 60.88     | 56.59     | 61.75     | 51.27     | 49.80     |
| Price Earning Ratio (Times)*                          | 16.74     | (13.92)   | 14.46     | 15.31     | 15.85     | 23.81     | (15.99)   | 14.68     | 14.85     | 16.45     |
| Enterprise Value (Rs. 000's)                          | 4,489,418 | 2,251,544 | 2,219,044 | 3,350,365 | 2,829,567 | 4,010,808 | 2,021,857 | 1,961,643 | 3,058,627 | 2,593,145 |
| Dividends (Rs. 000's)                                 | 60,800    | 121,600   | 139,840   | 121,600   | 60,800    | 60,800    | 121,600   | 139,840   | 121,600   | 60,800    |
| Dividend Cover (Times)*                               | 4.68      | (1.60)    | 1.45      | 1.95      | 3.22      | 2.94      | (1.34)    | 1.42      | 1.99      | 3.11      |
| <b>(D) Share Valuation</b>                            |           |           |           |           |           |           |           |           |           |           |
| Market price per share (Rs.)                          | 70.00     | 43.00     | 48.00     | 59.10     | 51.10     | 70.00     | 43.00     | 48.00     | 59.10     | 51.10     |
| Market Capitalisation (Rs. 000's)                     | 4,256,000 | 2,614,400 | 2,918,400 | 3,593,280 | 3,106,880 | 4,256,000 | 2,614,400 | 2,918,400 | 3,593,280 | 3,106,880 |
| <b>(E) Other Information</b>                          |           |           |           |           |           |           |           |           |           |           |
| Number of Employees**                                 | 70        | 78        | 81        | 85        | 92        | 44        | 49        | 54        | 61        | 58        |
| Turnover per employee (Rs.000's)                      | 11,832    | 8,301     | 10,285    | 9,403     | 6,658     | 8,061     | 8,619     | 9,920     | 8,509     | 7,296     |
| Value Added per Employee (Rs. 000's)                  | 12,749    | 9,156     | 12,103    | 10,612    | 7,946     | 9,006     | 9,424     | 11,813    | 9,934     | 8,863     |

## Note:

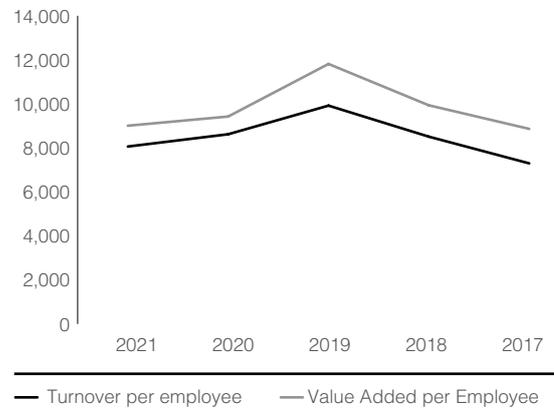
\*Earnings per share, Dividends per share & Net Assets per share is based on 60,800,000 number of shares in issue as at 31st March 2021.

\*\* Excluding contract Employees

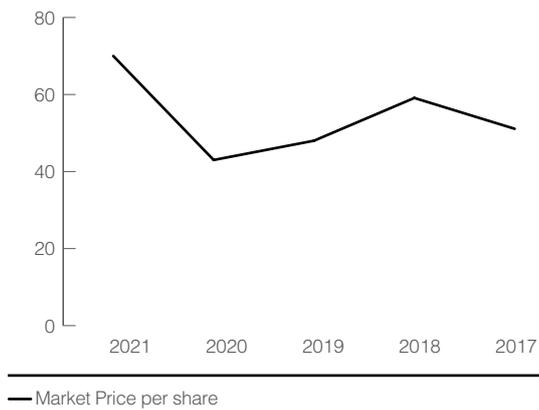
GROUP - VALUE ADDITION (Rs.000's)



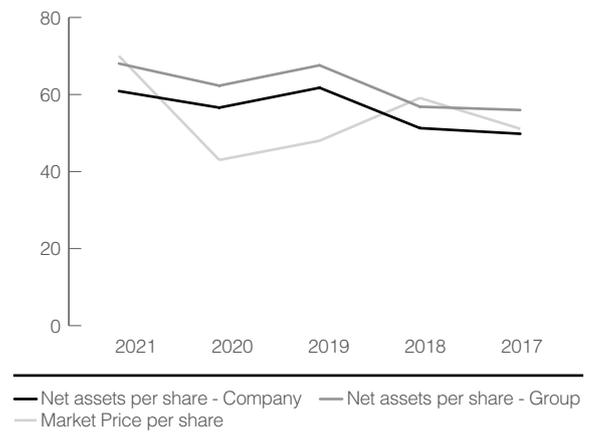
COMPANY - VALUE ADDITION (Rs.000's)



MARKET VALUE PER SHARE- (Rs.)



RETURN ON SHARES (Rs.)



# FIVE YEAR SUMMARY

| GROUP   |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| For the year ended 31st March                                 | 2021             | 2020             | 2019             | 2018             | 2017             |
|   | Rs.000's         | Rs.000's         | Rs.000's         | Rs.000's         | Rs.000's         |
| <b>OPERATING RESULTS</b>                                      |                  |                  |                  |                  |                  |
| Gross Revenue   | 828,218          | 647,492          | 833,119          | 799,267          | 612,627          |
| Operating Profit/(loss)                                       | 328,381          | (125,781)        | 269,043          | 306,440          | 185,399          |
| Other Income  | 2,094            | 1,456            | 493              | 8,759            | 195              |
| Dividend Income   | -                | -                | -                | -                | -                |
| Changes in Fair Value of Investment Property                  | 15,085           | 15,100           | 75,500           | 60,350           | 45,330           |
| Finance Charges   | (34,217)         | (97,806)         | (119,439)        | (80,164)         | (62,868)         |
| Finance Income  | 45,897           | 47,200           | 51,770           | 47,254           | 65,438           |
| Share of Results of Associate                                 | 1,292            | 2,915            | 19,433           | (13,652)         | 7,432            |
| <b>Profit before Taxation</b>                                 | <b>358,532</b>   | <b>(156,916)</b> | <b>296,800</b>   | <b>328,987</b>   | <b>240,926</b>   |
| Taxation based thereon  | (74,149)         | (37,521)         | (94,345)         | (91,224)         | (49,597)         |
| <b>Profit after Taxation</b>                                  | <b>284,383</b>   | <b>(194,437)</b> | <b>202,455</b>   | <b>237,763</b>   | <b>191,329</b>   |
| Non-controlling interests                                     | (30,198)         | 6,643            | (667)            | (3,004)          | 4,691            |
| <b>Profit/(loss) attributable to John Keells PLC</b>          | <b>254,185</b>   | <b>(187,794)</b> | <b>201,788</b>   | <b>234,759</b>   | <b>196,020</b>   |
| <b>CAPITAL EMPLOYED</b>                                       |                  |                  |                  |                  |                  |
| Stated Capital  | 152,000          | 152,000          | 152,000          | 152,000          | 152,000          |
| Revenue Reserves  | 2,797,294        | 2,606,225        | 2,910,954        | 2,847,937        | 2,736,703        |
| Other components of equity                                    | 1,187,410        | 1,028,893        | 1,045,869        | 455,260          | 514,270          |
|   | 4,136,704        | 3,787,118        | 4,108,823        | 3,455,197        | 3,402,973        |
| Non-controlling interests                                     | 57,022           | 37,690           | 42,591           | 39,535           | 33,781           |
| <b>Total Equity</b>   | <b>4,193,726</b> | <b>3,824,808</b> | <b>4,151,414</b> | <b>3,494,732</b> | <b>3,436,754</b> |
| Total Debt  | -                | -                | -                | -                | -                |
|   | 4,193,726        | 3,824,808        | 4,151,414        | 3,494,732        | 3,436,754        |
| <b>ASSETS EMPLOYED</b>  |                  |                  |                  |                  |                  |
| Current Assets  | 7,686,528        | 962,099          | 2,241,507        | 2,019,755        | 2,494,984        |
| Current Liabilities   | (7,479,916)      | (842,604)        | (1,843,101)      | (1,458,683)      | (2,088,415)      |
| <b>Net Current Assets/(Liabilities)</b>                       | <b>206,614</b>   | <b>119,495</b>   | <b>398,406</b>   | <b>561,072</b>   | <b>406,569</b>   |
| Fixed Assets and Investments                                  | 4,161,752        | 3,878,969        | 3,928,413        | 3,093,378        | 3,130,608        |
| Long Term Liabilities   |                  | -                | -                | -                | -                |
| Non-current liabilities                                       | (174,640)        | (173,656)        | (175,405)        | (159,718)        | (100,423)        |
|   | 4,193,726        | 3,824,808        | 4,151,414        | 3,494,732        | 3,436,754        |
| <b>CASH FOLW</b>  |                  |                  |                  |                  |                  |
| Net cash flows from / (used in) operating activities          | 660,629          | 453,797          | (317,924)        | 192,945          | 81,641           |
| Net cash flows from / (used in) investing activities          | 8,445            | 4,303            | 1,322            | (36,946)         | (3,627)          |
| Net cash flows from / (used in) financing activities          | (62,800)         | (121,600)        | (139,840)        | (121,600)        | (48,920)         |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>606,274</b>   | <b>336,500</b>   | <b>(456,442)</b> | <b>34,399</b>    | <b>29,094</b>    |



# GLOSSARY OF FINANCIAL TERMS

## **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.

## **CAPITAL EMPLOYED**

Shareholders' Funds plus Debt

## **CONTINGENT LIABILITIES**

A condition or situation existing at the Balance Sheet date 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 over Current Liabilities

## **DEBT/EQUITY RATIO**

Debt as a percentage of Shareholders' Funds

## **DIVIDEND COVER**

Earnings per Share over Dividends per Share

## **DIVIDEND PAYOUT RATIO**

Dividend paid as a percentage of Company profits.

## **DIVIDEND YIELD**

Dividends adjusted for changes in number of shares in issue as a percentage of the share price at the end of the period.

## **EARNINGS PER SHARE (EPS)**

Profit after tax attributable to ordinary shareholding over weighted average numbers of shares in issue during the period

## **EARNINGS YIELD**

Earnings per Share as a percentage of Market price per Share at the end of the period.

## **EARNINGS BEFORE INTEREST AND TAX (EBIT)**

Earnings before interest and tax (includes other operating income)

## **EFFECTIVE RATE OF TAXATION**

Income Tax, (including deferred tax) over Profit before Tax

## **ENTERPRISE VALUE (EV)**

Market capitalisation plus net debt/(net cash).

## **INTEREST COVER**

Profit before Interest and Tax over Finance Expenses

## **MARKET CAPITALISATION**

Number of Shares in issue at the end of the period multiplied by the Market price at end of period

## **NET ASSETS**

Total assets minus Current Liabilities minus Long Term Liabilities minus Minority Interest

## **NET ASSET PER SHARE**

Net Assets, divided by the number of Ordinary Shares in issue

## **NET DEBT**

Total debt minus cash equivalents (cash in hand and at bank plus short-term deposits).

## **NET TURNOVER PER EMPLOYEE**

Net Turnover over average number of employees

## **PRICE EARNINGS RATIO**

Market Price per Share over Earnings per Share

## **QUICK RATIO**

Cash plus Short-Term Investments plus Receivables Divided by Current Liabilities

## **RETURN ON ASSETS**

Profit after Tax over Average Total Assets

## **RETURN ON EQUITY**

Profit after Tax as a percentage of Average Shareholder's Funds

## **RETURN ON CAPITAL EMPLOYED**

Earning before interest and tax as percentage of Capital Employed

## **SHAREHOLDERS FUNDS**

Stated Capital plus other components of equity Plus Revenue Reserves

## **TOTAL ASSETS**

Fixed Assets plus Investments plus Non Current Assets plus Current Assets

## **TOTAL DEBT**

Long Term Loans plus Short Term Loans and Overdrafts

## **TOTAL EQUITY**

Shareholders' funds plus non-controlling interest

## **TOTAL VALUE ADDED**

The difference between revenue (including other income) and expenses, cost of materials and services purchased from external sources

## **WORKING CAPITAL**

Capital required finance the day-to-day operations (Current Assets minus Current Liabilities)





# CORPORATE INFORMATION

**Name of Company**

John Keells PLC

**Company Registration Number**

PQ 11

**Name of Subsidiaries**

John Keells Stock Brokers (Pvt) Limited  
John Keells Warehousing (Pvt) Limited

**Name of Associate Company**

Keells Realtors Limited

**Legal Form:**

Public Limited Liability Company listed on  
the Colombo Stock Exchange  
(Incorporated in Sri Lanka in 1960)

**Registered Office:**

No. 117, Sir Chittampalam A. Gardiner Mawatha  
Colombo 2, Sri Lanka  
Tel: 0094 11 2306000  
Telefax: 0094 11 2342456  
E-mail: jkl@keells.com

**Business Address:**

No. 186, Vauxhall Street,  
Colombo 2.

**Directors**

Mr. K.N.J. Balendra  
Mr. J.G.A. Cooray  
Mr. A.Z. Hashim  
Ms. K.D. Weerasinghe  
Mr. B.A.I. Rajakarier  
Mr. C.N. Wijewardane  
Mr. A.K. Gunawardhana

**Secretaries & Registrars**

Keells Consultants (Pvt) Limited  
No. 117, Sir Chittampalam A. Gardiner Mawatha  
Colombo 2.

**Auditors**

Messrs. Ernst & Young  
Chartered Accountants  
P.O. Box 101, Colombo.

**Principal Bankers (in alphabetical order)**

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
Deutsche Bank  
DFCC Vardhana Bank  
Hatton National Bank  
Hongkong & Shanghai Banking Corporation Ltd.  
Nation's Trust Bank  
National Development Bank PLC  
People's Bank  
Sampath Bank PLC  
Seylan Bank PLC  
Standard Chartered Bank



John Keells PLC  
No. 117, Sir Chittampalam A. Gardiner Mawatha  
Colombo 2, Sri Lanka  
Tel: 2306000  
[jkl@keells.com](mailto:jkl@keells.com)