MOVING WITH THE TIMES

JOHN KEELLS PLC ANNUAL REPORT 2019/20

JOHN KEELLS PLC

In every step we take, John Keells PLC has always kept up with the fast-changing world – staying at the top of our game even as we embrace change and welcome the challenges it brings.

We have mastered our traits through the years of our existence to fine-tune and perfect our trade to fulfill the needs of each stakeholder. Our winning formula has been decades of experience and market leadership juxtaposed with the latest in technology and innovation.

Now more than ever before, industries such as ours must be resourceful and responsive to remain relevant, and to thrive through innovation and transformation. At John Keells PLC, we stand ready to lead that change.

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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.

JKL 1870

JOHN KEELLS PLC

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, always strive to keep the stakeholders informed with regards to the affairs of the Company. Therefore, it is with much pleasure, we present to you our Annual Report for the financial year 2019/20, compiled in accordance with relevant reporting frameworks as elaborated in this section. This Report will narrate the value creating ability of John Keells PLC (herein referred to as the "Company") its subsidiaries; John Keells Warehousing (Pvt) Ltd (JKW) and John Keells Stock Brokers (Pvt) Ltd (JKSB), and associate company; Keells Realtors (KRL) (herein referred to as the "Group") in the short, medium and long term.

Adhering to the local and international regulations & guidelines on Financial and Non-Financial reporting, this report will carry the Financial Statements, Reports, other 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 2019/20 of John Keells PLC covers the operations of the Company and the Group for the reporting period from 1st April 2019 to 31st March 2020. Any material event post this reporting period, up to the date of sign-off by the Board of Directors on 21st May 2020, have been disclosed in note no. 37 to the financial statements ensuring relevance and reporting accuracy. Our last report for the most recent financial year ending 31st March 2019 is available on our website www.johnkeellstea.com.

The Consolidated Financial Statements of the Group laid out in pages from 76 to 82 provides information on financial reporting of the Group. Management discussion appearing from pages 16 to 34 identifies the activities of the Group. This report also covers risks, opportunities and outcomes that could materially affect the organization'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 also 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)

Enterprise Governance

We value good governance as we believe that it forms the foundation of relationships that we build and maintain throughout our business engagements. The section on Corporate Governance given on pages 38 to 53 of this report elaborates how we implement and execute corporate governance practices in the Company and the Group. The section also describes the mandatory and voluntary compliances the Group has made with regards to the 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).

Forward-Looking Statements

Within this report, you will find forward-looking statements and information. Such information is based on management experience & judgment, current and forecasted economic conditions and a variety of other factors. However, the reality may differ from the anticipated performance, and hence may change our business expectations, future outlook, plans and forecasts. Therefore, shareholders and other stakeholders are advised to 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.

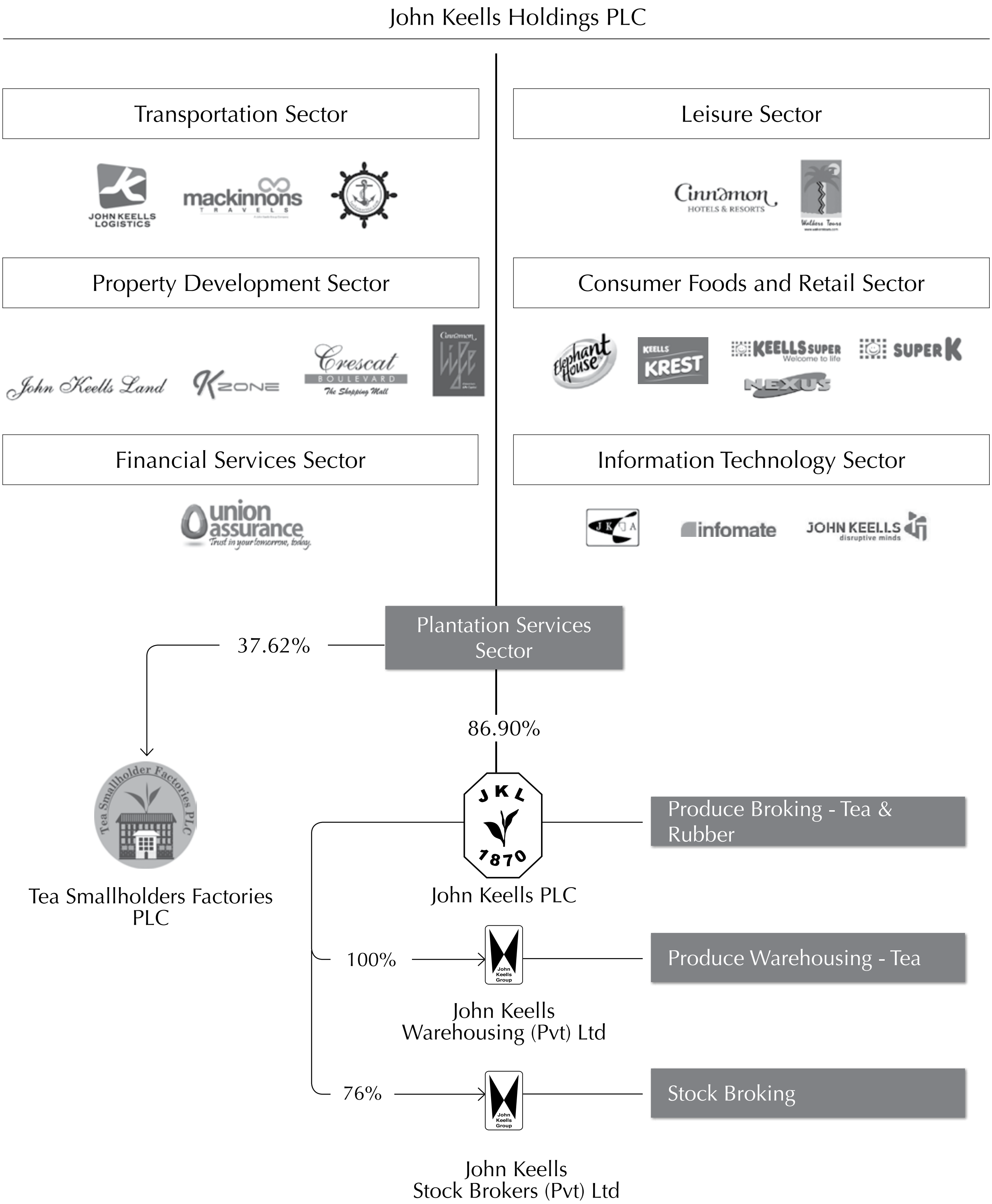
Contact Person

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

GROUP STRUCTURE



SENIOR MANAGEMENT TEAM

JOHN KEELLS PLC [Inc. 1960]

- 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 Information Technology

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 Information Technology
- Marinus Fernando – Manager IT

PERFORMANCE HIGHLIGHTS

Year ended 31st March		2019/2020	2018/2019	2017/2018
FINANCIAL CAPITAL				
RESULTS OF THE YEAR				
Group revenue	Rs. 000's	647,492	833,119	799,267
Group profits /(Loss)before interest and tax (EBIT)	Rs. 000's	(59,110)	416,239	409,151
Group profits/ (Loss) before tax	Rs. 000's	(156,916)	296,800	328,987
Group profits / (Loss)after tax	Rs. 000's	(194,437)	202,455	237,763
Group profits/(Loss) attributable to shareholders	Rs. 000's	(187,794)	201,788	234,760
Earnings / (loss) per share	Rs.	(3.09)	3.32	3.86
Interest cover	No. of times	(0.60)	3.48	5.10
Return on Equity	%	(4.92)	5.35	6.93
Return on capital employed	%	(1.32)	7.92	9.82
FINANCIAL POSITION AT THE YEAR END				
Total assets	Rs. 000's	4,841,068	6,169,920	5,113,135
Total debt	Rs. 000's	674,749	1,149,693	712,112
Number of shares in issue	000's	60,800	60,800	60,800
Total shareholder funds	Rs. 000's	3,787,118	4,108,823	3,455,198
Net assets per share	Rs.	62.29	67.58	56.83
Net debt	Rs. 000's	(362,856)	(699,356)	(242,914)
Debt/Equity	%	17.64	27.69	20.38
Debt/Total assets	%	13.94	18.63	13.93
MARKET / SHAREHOLDER INFORMATION				
Market price as at 31st March	Rs.	43.00	48.00	59.10
Market capitalization	Rs. 000's	2,614,400	2,918,400	3,593,280
Enterprise value	Rs. 000's	2,251,543	2,219,044	3,350,366
Price earning ratio	No. of times	(13.92)	14.46	15.31
Dividend paid	Rs. 000's	121,600	139,840	121,600
Dividend per share	Rs.	2.00	2.30	2.00
Dividend pay-out ratio	%	(64.75)	69.30	51.81
Dividend yield	%	4.65	4.79	3.38
VALUE ADDITIONS				
Economic value added	Rs. 000's	714,163	980,315	901,978
Proportion of purchases from local suppliers within Sri Lanka	%	100	100	100
MANUFACTURED CAPITAL				
Total Property Plant and Equipment	Rs. 000's	352,079	351,075	353,465
Capital investments	Rs. 000's	10,646	12,298	42,518

KEY EVENTS

MILESTONE

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

KALA POLA

Kala Pola 2020 was successfully concluded in the month of February 2020, Giving opportunities for employees to engage in CSR activities embarking on group values.

WORKSHOPS

Workshops were carried out “Detailing all aspects of Tea Manufacturing”, for the Factory Officers in the RPC's.

A group wide series of workshops to enhance “Leadership Capabilities” and “Peoples Management Skills” was implemented.

IMPROVED SYSTEMS

The final installation of the solar panelling was completed during the year which enabled the Company to reduce electricity costs by 86 percent.

ZERO WASTE DAY

A collaborative effort to encourage staff members to reduce the generation of single use waste in the working environment and create awareness on the waste streams created by our day to day activities.

CAREER DEVELOPMENT

Successful completion of the Annual Performance Management Cycle.

WORK FROM HOME

John Keells PLC successfully confronted COVID-19 pandemic while implementing efficient strategies for remote work.

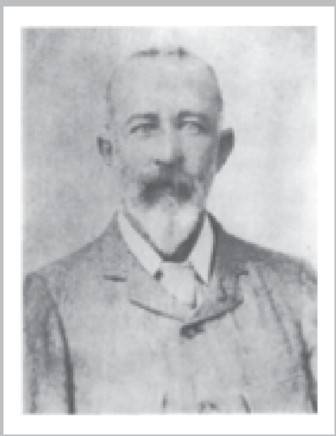
CERTIFICATIONS

John Keells Warehousing was recertified for compliance of Health & Safety Assessment Series (OHSAS) and certified for ISO 22000:2005 Food and Safety Management Systems during the year.

AWARDS

John Keells PLC was lauded with a Silver Award in the “Diversified Holdings (Groups up to 10 Subsidiaries)” category at the 54th Annual Report Award Competition conducted by the Institute of Chartered Accountants of Sri Lanka.

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 warehouse.

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 Board of Investment (BOI) 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, JK PLC increased its investment in its subsidiary John Keells Stock Brokers (Pvt) Ltd by accepting the rights for 570,000 shares.

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

2019 Krishan Balendra was appointed as the new Chairman of John Keells Holdings PLC (w.e.f. 01st January 2019) with the retirement of S. Ratnayake.

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

CHAIRMAN'S STATEMENT

The financial year ended 31st March 2020 was a complex and challenging year for Sri Lanka, which began with the terror attacks across the country on Easter Sunday of 2019 and ended with the unprecedented lockdown of the nation due to the advent of the COVID-19 pandemic towards mid-March 2020. Amidst these challenging times, we showed resilience as a nation and people, determined to progress despite all obstacles and sorrows which resulted in a turnaround in economic growth towards the third quarter of the financial year and well into the fourth quarter before the sudden standstill. In a similar vein, John Keells PLC (JK PLC) also focused on meeting our strategic imperatives amidst myriad challenges and difficulties supported by our employees and key supply partners.

Macro-Economic Overview

The Sri Lankan economy continued its downward growth momentum impacted by a further slowdown in macro-economic activity caused by continuing fiscal pressures and the added impact from the Easter Sunday terror attacks of 2019 resulting in an 18-year low growth rate of 2.3 percent in 2019, 1 percent lower than the economic growth achieved in 2018. The main contributors to the slowdown in economic activity was dismal performance of the tourism sector which resulted in the decelerated growth of the services sector by 2.3 percent in 2019 compared to the 4.6 percent growth recorded in 2018 and the agricultural sector which only recorded a growth of 0.6 percent in 2019. The growth of the agricultural sector was mainly impacted by unfavourable weather patterns which had a severe negative impact on tea, rubber, marine fishing, and marine aquaculture sub-sectors as well as on forestry and logging activities. The industry sector, however, grew by 2.7 percent during the year recording a 1.5 percent higher growth than in 2018 supported by the manufacture of textiles, wearing apparel, leather products, food, beverages, and tobacco products, as well as the revival of construction, mining and quarrying activities.

Inflation rates recorded some fluctuations during 2019 rising above the low rates maintained during most part of 2018 but remained at single-digit levels and well within the anticipated range proving the success of the monetary policy measures adopted by the Central Bank of Sri Lanka (CBSL) and the subdued demand conditions. Inflation rates by end-December 2019 were 4.8 percent for CCPI and 6.2 percent for NCPI. The Sri Lankan Rupee appreciated marginally by 0.6 percent against the US dollar in 2019 compared to the significant depreciation recorded in 2018. The gain of the Rupee and the policies introduced to curb import expenditure together with the marginal growth of export earnings resulted in slightly lowering the trade deficit in 2019 to USD 7,997 million compared to the USD 10,343 million recorded in 2018.

Following the diagnosis of COVID-19 patients in Sri Lanka from mid-March 2020 onwards, the Government declared a state of "work from home" for the general public, post which an island-wide curfew was imposed on 20th March 2020, with restrictions waived only for services classified as 'essential'. This resulted in a severe slowdown in economic activity, the impact of which will be realised in the forthcoming financial year.

Tea Segment Review

The Sri Lankan tea industry continued to be inundated with the impact of unfavourable weather conditions during the year under review adversely affecting the quality and quantity of green leaf production and resulting in many manufacturers operating below capacity throughout the year. Thus, the total tea production recorded for 2019 was 300.13 million kilograms, a fall of 1.25 percent compared to 303.94 million kilograms in 2018. Tea auction prices also were negatively impacted during 2019 ranging between Rs. 494 per kilogram and Rs. 585 per kilogram, with prices remaining below rates achieved in 2018. The devaluation of currencies of key tea importing nations such as Iran, Iraq, Turkey, and Russia impacted overall export volumes as did the continued sanctions imposed on Iran by the United States. Despite these challenges, Sri Lanka's tea industry successfully increased total export volumes by 3.64 percent to reach 292.7 million kilograms in 2019 compared to 282.40 million kilograms in 2018. The increasing export volumes is partly attributed to the lifting of the ban on Glyphosate in 2018 resulting in new tea produced being able to meet the Maximum Residue Level (MRL) of tea as required by the Japanese and the European Union markets. It must be noted that the lower tea auction prices did not impact tea export earnings, which was the highest achieved in recent years, recording Rs. 240.6 billion (USD 1.346 million) mainly credited to the increased export volumes in 2019.

The JK PLC tea segment was negatively impacted by industry operating conditions during the year under review. The business faced issues such as reduced demand for lower grade varieties of teas due to higher Colombo auction prices compared to global prices, increasing production costs due to tea factories operating at below capacities as a result of the lower availability of green tea leaf quantity, and larger unsold volumes during the early part of the financial year due to fluctuating demand from importers. Thus, the segment sold only 35.74 million kilograms in 2019 compared to 37.39 million kilograms in 2018.

Rubber Segment Review

The continued decline in the country's rubber production, the falling global rubber prices, and the reducing levels of competitiveness of Sri Lanka's rubber industry continue to impact the business growth of this segment. Rubber production continued its declining trend recording only 74.8 million kilograms in 2019 compared to 82.6 million kilograms in 2018. Exports of rubber is also highly competitive as Sri Lanka mainly exports raw rubber latex which garners a lower price than the export of value-added products. This situation is further aggravated by the sanctions imposed by the United States on China as China remains a key importer of rubber from Sri Lanka, thereby impacting export volumes. The total export volumes of rubber latex declined by 7 percent to 13 million kilograms in 2019 compared to 14 million kilograms in 2018. Exports earnings also saw a decline amounting to only USD 24.2 million in 2019, compared to USD 31.6 million in 2018. The added quantity of rubber latex available for sale in the local market, further reduced local prices to Rs. 302.32 per kilogram compared to Rs. 321.70 per kilogram in 2018. However, the 2019 Budget allocation for the sector coupled with the development of the 'rubber master plan' provides a positive outlook for the rubber sector in the coming years enabling both an increased focus on value-added exports and increasing competitiveness of the industry both locally and globally.

These industry challenges also cascaded down to the Company during the year under review. Thus, the total rubber latex sold during 2019 reduced by 46 percent recording only 2.1 million kilograms in 2019 compared to 3.91 million kilograms in 2018.

Warehouse Segment Review

The strategies to increase storage capacity utilisation and store tea products of competing brokers in the previous financial years continued to reap rewards for this segment's sustained business growth. The warehouse segment of the Group achieved a 79 percent capacity utilisation during the year under review compared to 85 percent achieved in the previous financial year.

Stock Broking Segment Review

Activity on the Colombo Stock Exchange (CSE) remained subdued during the year under review, as high net worth individuals, and foreign and local institutional investors took a cautious approach in view of local economic developments. The final market day for the financial year under review was 20th March 2020, after which the CSE was closed due to the COVID-19 pandemic.

Foreign participation throughout the year was high although this was driven by net outflows from the market. The broader All Share Index declined by 17.7 percent over the financial year while the S&P20 Index declined by 28.9 percent during the same period. Daily average turnover for the financial year 2019/2020 was Rs. 806 million compared to Rs. 697.6 million in previous financial year. Net foreign outflows for the year under review recorded at over Rs. 10.8 billion. The CSE market capitalisation as at 20th March 2020 was Rs. 2,128 billion compared to Rs. 2,606 billion as at 31st March 2019.

Group Performance

Despite the challenges faced by the tea industry, the Group achieved reasonable performance levels for the year under review driven by the strategic focus on maintaining quality of products and warehousing services, and the collaborative efforts to assist tea factory operators to prudently manage working capital. The key drivers of Group revenue was the Produce broking and Stock broking segments which contributed 65 percent and 20 percent respectively, to consolidated revenue. The Group's consolidated revenue for the year under review amounted to Rs. 647.49 million compared to Rs. 833 million in the previous financial year, while John Keells Warehousing (Pvt) Ltd contributed only 15 percent to consolidated revenue.

The implementation of process efficiencies in back office functions and the benefits from solar panel usage at the warehouse, coupled with prudent financial measures enabled the Group to maintain overheads at acceptable levels. Thus, the Group's overheads only marginally increased by 6% percent to Rs. 418 million during the year under review compared to the previous financial year. However, the industry challenges faced during the year under review required JK PLC to significantly increase provision for doubtful debts as at 31st March 2020.

The stringent lockdown measures imposed by the Sri Lankan government due to the spread of COVID-19 in Sri Lanka on 20th March 2020, resulted in JK PLC actioning its business continuity plans to ensure that business operations were maintained to the extent possible. The Company has evaluated all guidelines issued by the Sri Lankan government as well as international best practices and individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers, and other stakeholders.

As tea was identified as an essential service by the government, support has been given to encourage all industry stakeholders to continue their business operations. Special approvals have been given for the people involved to commute to work in the export companies, brokering firms, plantations/factories, transportation of goods, and warehousing services. As such, the Company's Warehousing operations will continue operations in the coming year but with restricted employee numbers and will maintain social distancing guidelines and take all required precautions as advised by health officials.

Outlook

The Company views the forthcoming year with uncertainly at the time of writing this message, mainly due to the uncertainties existing on the impact on business from the COVID-19 pandemic. While the tea segment is being supported by the government to boost export earnings, and the tea manufacturing operations have continued uninterrupted, albeit with restrictions, during this lockdown period, the true impact of the Corona virus on local and global macroeconomic environments is yet to be seen. However, the Company's management continues to pursue business operations on a positive note focusing on business continuity in the longer term.

We are encouraged by developments such as the e-platform for the very first online tea auction which took place in April 2020 and is expected to continue. The Company successfully sold 2.77 million kilograms of tea at this first tea auction in April 2020. Furthermore, the first two months of the new financial year saw tea prices improving due to exporters purchasing actively to fulfil their orders leading to a positive outlook for the industry during this period. However, declining oil prices, further devaluation of currencies in tea importing nations, and the continued prevalence of the COVID-19 pandemic in Europe, Russia, Iran and other tea consumer countries, may adversely impact tea prices in the medium term.

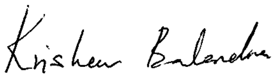
The tea road map which clearly identifies focused strategies to regain the glory of Ceylon Tea by 2030 is also a source of optimism to the industry and the Company. We also support the increasing controls imposed by the tea industry regulator on tea factories as this will result in ethical and good manufacturing practices aligned to world and ISO standards enabling Ceylon Tea to further increase brand equity and resultantly demand by tea consuming nations. The expectations of improvements in the rubber industry as highlighted by the Budget 2019 allocations together with the interest shown for value-added rubber products by China has caused an increasing confidence for the industry's future growth. We remain hopeful, that industry improvement mechanisms continue without interruption resulting in propelling industry growth in the medium to long terms.

The Group will also pursue planned internal strategies in the coming year subject to changes required by any further changes to on-going lockdown situations. Thus, the cost saving process implementations which began during the year under review will continue to be implemented once normal work routines are re-established. We will also continue to partner with our key suppliers and continue to support them with technical assistance as done in the past. This will enable sharing of global industry best practices with partner production facilities to improve product quality and enhance process efficiency enabling optimal production capacity utilisation. The new supplier partnerships established during the year under review show our continued commitment towards new business opportunities which result in creating greater value to our stakeholders. As part of the John Keells Holdings PLC Group, we ensure that all regulatory requirements of operating a business are adhered to and will review and adopt relevant voluntary standards in the coming years which support ethical and sustainable business operations in the long term.

However, given the volatile and evolving global and local landscape, the Company will continue to monitor the impacts to its operations and proactively take measures to ensure business continues as seamlessly as possible. At this moment, the focus is on transitioning to back-to-work arrangements by ensuring all health and safety protocols are in place. While the Company has adequate funding and availability of banking facilities, we will continue to focus our efforts to preserving this position and obtaining added banking lines ahead of any future requirements.

Appreciation and Acknowledgments

I take this opportunity to thank the Board of Directors for their continued guidance and support. I also thank the management and employees of JK PLC for their tireless efforts in pursing business activities in challenging conditions. Finally, on behalf of the Company, I place on record our appreciation for the trust and support extended by our stakeholders over the years.



K. N. J. Balendra
Chairman
21st May 2020

MANAGEMENT
DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

TEA BROKERING SEGMENT - Operating Environment

Overview

JKPLC's tea brokering business holds a pre-eminent position among the local tea brokering community and having been in business for over 15 decades, is ranked among the top tea brokers with a current market share of approximately 13%

The Sri Lankan tea sector experienced challenges in maintaining tea quality and production levels during 2019 due to the negative impacts from adverse weather conditions. The excessive rainfall experienced in the first half of the year and the drought in the latter half of 2019 resulted in declining green leaf quantity and quality. The availability of lesser amounts of green leaf resulted in a reduction in Sri Lankan tea production in 2019 compared to 2018. Lower amounts of tea for production had a negative impact on the revenues and capacity utilisation of tea factories, many of which operated at below optimal levels during 2019. The erratic weather patterns also impacted tea quality and had a cascading effect on tea prices in 2019, which fell compared to the prices commanded in 2018.

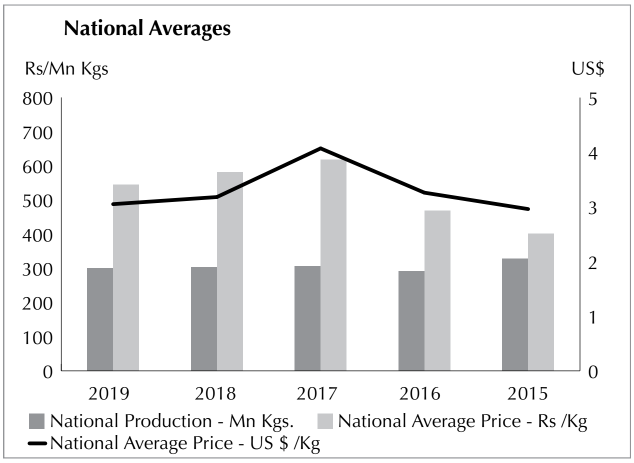
Export volumes and prices of tea realised some negative effects from development in local and global macroeconomic factors such as currency devaluations and trade embargoes causing fluctuating demand throughout 2019. The main disadvantage for tea exports was the devaluation of currencies against the US dollar of key Ceylon Tea importing nations such as Turkey, Iran, Russia, and Syria which further decelerated the slowly increasing demand for Ceylon tea which commands higher prices at the auction compared to other global tea producing nations. The economic sanctions imposed on Iran by the United States in August 2018 further hindered the optimisation of the full potential of the Iranian tea market in 2019 slowing down payment and re-orders. Increasing political tensions in the global economy, especially in the Middle Eastern countries resulted in lower exports to the countries in 2019. However, the negative impact on maximum residue level

(MRL) standards from the ban on the use of the agrochemical glyphoste was seen to be minimised during 2019 due to the impacts of the lifting of the ban in May 2018 coming into effect in 2019. As such, Ceylon Tea was able to meet the high MLR standards set by Japan and many European countries in 2019 which transformed to increasing import orders by these countries. Despite the many setbacks experienced by the Sri Lankan tea sector, tea export volumes increased during 2019, and tea export revenues faired extremely favourably rising to levels not seen in the recent past. The main contributing factors remain the high regard for Ceylon Tea globally, the increased marketing efforts to promote Ceylon Tea worldwide, and the concentrated efforts during 2019 to maintain quality in the face of the extremely challenging tea growing environment.

Tea Production

Global tea production continued to rise in 2019, increasing by 1.6 percent to 6 billion kilograms compared to 5.91 billion kilograms recorded in 2018. China was the largest producer recording a production of 2.7 billion kilograms. India followed at second place, producing 1.39 billion kilograms of tea in 2019, an increase of 6 percent compared to 2018. The increased production in India is attributed to the increasing levels of tea produced by the Northern regions which had a favourable year with production increasing by 7 percent to 1.17 billion kilograms. The South Indian region faced another year of falling production mainly due to unfavourable weather conditions recording only 219 million kilograms compared to 224 million kilograms produced in 2018. Kenya, which has in recent years been steadily increasing tea production, however, recorded a decline in 2019 by 6.9 percent to 459 million kilograms compared to 493 million kilograms in 2018 mainly due to unfavourable weather conditions. Coupled with falling production levels in other African nations such as Uganda and Malawi, total tea production in Africa declined by 6.7 percent to 685 million kilograms compared to 734 million kilograms in 2018. Despite reduction in production levels, Africa remain the third largest global producer of tea with Kenya leading the way. Sri Lanka retains fourth place in the global tea production list despite falling production levels over the last few years.

Sri Lanka's tea production faired unfavourably in terms of quality and quantity due to unpredictable weather patterns causing excessive rains during the first half of 2019 and dry weather conditions during the latter half of the year. Thus, tea production recorded a fall by 1.3 percent to 300.13 million kilograms in 2019 compared to 303.94 million kilograms produced in 2018. A decline was seen in both high-grown and low-grown elevation levels, while medium-grown teas recorded a marginal increase of 0.3 percent to 47.17 million kilograms in 2019 compared to 47.02 million kilograms in 2018. High-grown tea production recorded a decline of 2.79 percent to 63.04 million kilograms in 2019 compared to 64.8 million kilograms in 2018, while low-grown tea production fell for the second consecutive year by 1 percent to 189.91 million kilograms compared to 192 million kilograms in 2018. From a category perspective, Orthodox teas garnered the highest decline in production falling by 1.4 percent to 276 million kilograms in 2019 compared to 280 million kilograms in 2018. CTC teas, however, realised only marginal decline of 2 percent to 23.9 million kilograms in 2019 compared to 23.38 million kilograms in 2018.

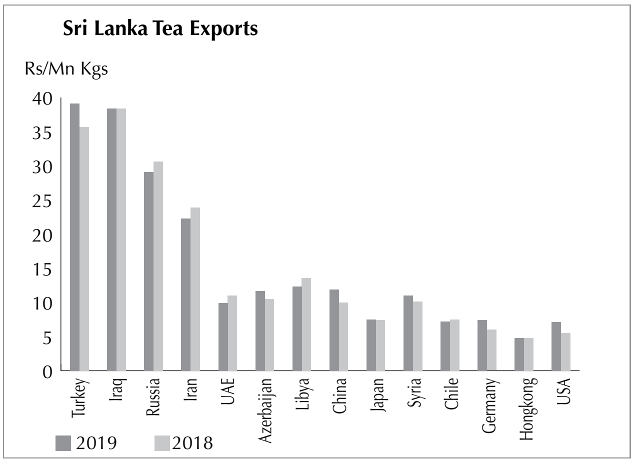


Tea Exports

Global tea export volumes marginally increased in 2019 by 1.6 percent to 1.89 billion kilograms compared to 1.86 billion kilograms in 2018. The largest exporting nation by volume is Kenya with a total volume of 496.8 million kilograms in 2019 an 4.63 percent increase compared to 2018. China is placed second with a total export volume of 380 million kilograms during 2019, while Sri Lanka retains third place. India, the fourth largest worldwide exporter of tea, has been growing its export volumes in the last two years, but realised a marginal decline of 1.19 percent to 248.3 million kilograms in 2019 compared to 251.3 million kilograms in 2018.

Sri Lanka's tea export volumes which has been on a declining trend since 2014 experienced a rise in 2019 to 289.6 million kilograms, increasing by 6.55 percent compared to 271.8 million kilograms exported in 2018. Bulk and packed black tea constituted the largest component of exports at 89.5 percent in 2019. Total bulk black tea export volumes amounted to 122.84 million kilograms, a marginal increase of 0.3 percent compared to 2018 while packed black tea export volumes amounted to 139.08 million kilograms in 2019, a 6 percent from 131.25 million kilograms exported in 2018. Exports of black tea bags increased marginally to 22.91 million kilograms in 2019 and remains consistent at approximately 8 percent of total tea exports. Exports of instant tea increased to 3.07 million kilograms in 2019 compared to 2.48 million kilograms exported in 2018, while Green Tea exports gained marginally by 2.6 percent to 4.74 million kilograms in 2019.

Nearly 48 percent of Sri Lankan tea was exported to five countries - Turkey, Iraq, Russia, Iran, and Libya in 2019. Turkey was the largest Ceylon Tea importing nation in 2019 recording a volume of 39.1 million kilograms, a 9.5 percent increase compared to 2018. Imports by Iraq remained at similar levels as 2018, recording 38.4 million kilograms placing the country as the second highest importer of Ceylon Tea in 2019. Russia recording export volumes of 29.1 million kilograms is the third largest importing nation of Ceylon Tea, despite a 5 percent decline in volumes compared to 2018. Iran continued to import lower volumes of tea for the third consecutive year mainly due to currency depreciation and the continued impact of US sanctions imposed, causing delays in payments and follow-up orders. Thus, the total tea export volumes in 2019 to Iran declined by 6.7 percent to 22.3 million kilograms compared to 2018. Libya was placed as the fifth largest importer of Ceylon Tea recording 12.3 million kilograms in 2019, although export volumes declined by 9.5 percent compared to 2018.



Sri Lanka's tea export value was supported by increasing export volumes and the brand value of Ceylon Tea which garners higher prices at the auction compared to other global tea auction centers, despite an overall fall in Colombo tea auction prices in 2019. As a result, total export revenue increased by Rs. 8.9 billion (USD 0.08 billion) to Rs. 240.6 billion (USD 1.346 billion) compared to Rs. 231.7 billion (USD 1.425 billion) earned in 2018. The falling value of exports in US dollar terms is a result of the depreciation of the Sri Lankan Rupee against the US dollar during 2019. As published by the Tea Exporters Association, total export value in 2019 was the highest ever earned surpassing the previous best value of Rs. 233.3 billion (USD 1.530 billion) earned in 2017.

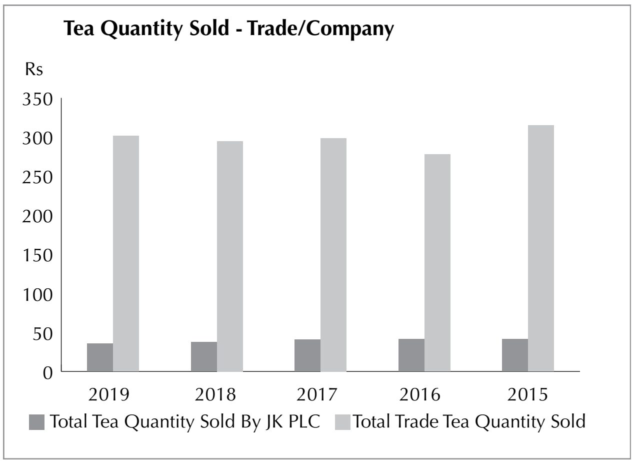
Tea Auctions

The fluctuating quality of Sri Lankan tea production in 2019 together with the oversupply of global tea and the falling global tea prices adversely impacted Colombo tea auction prices which continued its downward spiral in 2019. The cumulative average tea price in 2019 declined by Rs. 37.37 (USD 0.13) per kilogram to reach Rs. 544.54 (USD 3.05) per kilogram compared to the cumulative average price of Rs. 581.91 (USD 3.18) per kilogram achieved in 2018. All three tea elevations witnessed lower average auction prices in 2019 compared to 2018.

All tea elevations achieved increasing sales volumes at the Colombo tea auction in 2019. This resulted in the total cumulative auction sales volumes of Ceylon Tea increasing by 3.54 percent to 301.5 million kilograms in 2019 compared to 291.2 million kilograms achieved in 2018.

The Mombasa tea auction continued its three-year trend of reduced auction prices in 2019 mainly due to oversupply of tea, fluctuation in quality due to weak enforcement of regulations, and the devaluation of currencies of Kenya's major tea importing nations. Mombasa tea auction average price fell by 13.6 percent to USD 2.23 per kilogram in 2019 compared to USD 2.58 per kilogram in 2018, as per the data on commodity prices by the World Bank.

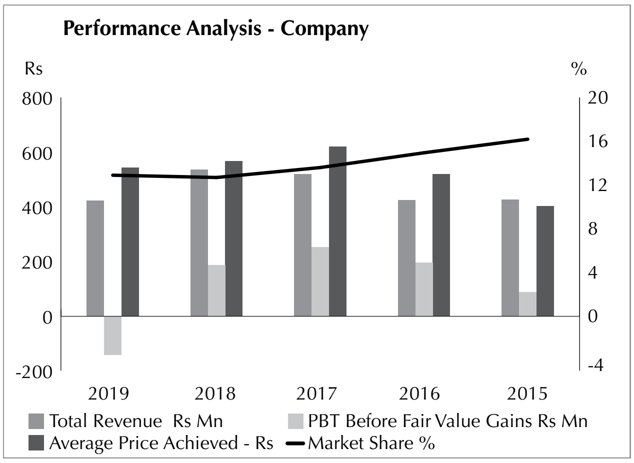
Conversely, Indian auction centres experienced another year of increasing prices at auction with the North Indian tea auctions outperforming the South Indian tea auctions. The North Indian tea auction prices increased by 1.81 percent to INR 152.26 per kilogram in 2019 compared to INR 150.00 per kilogram recorded in 2018. However, the South Indian auctions realised a marginal fall in prices to INR 100.57 per kilogram compared INR 101.19 per kilogram increase recorded in 2018. Cumulatively, Indian tea auction centres recorded a 1.56 percent auction price increase to INR 140.73 per kilogram in 2019 compared to INR 138.57 per kilogram in 2018.



Business Performance Review

The Tea Brokering business of JK PLC performed below expectation during the year under review mainly due to unfavourable weather conditions adversely affecting the quality and the quantity of green leaf production resulting in many tea factories operating below capacity throughout the year. Thus, the total volume sold by the Company decreased by 4.4 percent to 35.74 million kilograms in 2019 compared to 37.39 million kilograms sold in the previous financial year. The overall average sale price recorded by JK PLC for the 2019/20 financial year was Rs. 542.17, a decline of 4.28 percent compared to the Rs. 566.43 per kilogram achieved in the previous financial year. Both the lower quantities sold and the lower prices resulted in decreasing brokerage income and other related tea sales revenue by 8 percent during the financial year under review, although at much lower level than the 25 percent decrease recorded in the previous financial year. Interest income decreased by 31 percent during the year under review recording Rs. 188.31 million compared to the Rs. 273.85 million earned in the previous financial year.

As a result, revenue from the Segment decreased to Rs. 413 million in the year under review compared to Rs. 520 million in the previous financial year.



Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of "work from home" for the general public, post which island-wide curfew was imposed on 20 March 2020, with restrictions waived only for services classified as 'essential'.

The Government identified tea as an essential service and are encouraging all stake holders to continue with their operations. Special approvals have been given for the people involved to commute to work in the export companies, brokering firms, plantations/factories, transportation of goods and warehousing services.

During this period, the Company actioned it's business continuity plans to ensure that activities were maintained to the extent possible. The Government identified tea as an essential service and have encouraged all stake holders to continue with their operations. Special approvals were given for the people involved to commute to work. For staff who could perform their work remotely, work from home arrangements were facilitated, via the Group's IT infrastructure and within the IT governance framework, to ensure that the required internal controls are preserved.

Tea auctions were conducted via an electronic platform in April 2020 and is expected to continue. Warehousing operations continue with restricted staff numbers, maintaining social distancing and taking required precautions as advised by the health officials.

Tea prices improved during this period due to the exporters purchasing actively to cover the orders. The tea prices could be impacted in the future with the prevailing COVID-19 pandemic in Europe, Russia, Iran and other consumer countries, declining oil prices and devalued currencies.

Outlook

Global tea production is expected to continue its growth momentum during 2020 and beyond, with oversupply of tea being a key factor for the continued decline of global tea prices in the coming year. While production in the largest tea producing nations of Kenya and China is expected to decline or slowdown due to erratic weather patterns and other country specific factors in the coming year, overall global tea production is expected to increase as per analyst predictions.

Global tea consumption has been increasing over the past few years in line with increasing demand due to greater consumer awareness of the benefits of drinking tea. However, these changing consumer preferences will play an important role in changing the global tea industry outlook in the longer term with many nations moving towards production of ready-to-drink, flavoured, green, herbal, and other value-added teas as consumers demand more convenience and variety as well as become more aware of the health benefits from tea consumption.

Sri Lankan tea production will continue to be adversely affected by changing weather patterns, and the projected slowdown in economic growth due to the impact of the COVID-19 pandemic which will likely extend the difficulties to tea growers and producers faced during 2019. While, Ceylon Tea remains a renowned global brand, issues of quality from the impact of climate change could have longer term negative impacts on tea auction prices and export volumes, unless adequate measures are taken at both individual producer and industry levels to maintain tea quality and quantity. While tea auction prices are also impacted by global prices and global supply of tea, as Ceylon Tea commands a high price in comparison to other global producers, Sri Lankan tea is placed in an advantageous position to benefit from future demand. However, the higher prices pose a problem as currency depreciations of key Ceylon Tea importing nations is a key determining factor for export volumes and value. The countries key tea importing nations whose currencies have been steadily depreciating against the US dollar in the last five years, will continue to curtail their orders or opt for lower priced varieties of teas. Thus, it is imperative for the Sri Lankan tea sector to reduce its high dependence on a few importers and focus on increasing share of the global tea market by targeting nations whose demand for tea is on the rise. As many of these emerging tea consuming countries are focused on value-added and other types of teas, Sri Lanka too will need to change its production patterns to remain competitive in the longer term. These factors are the basis for the development of the 10-year strategic plan by the Sri Lanka Tea Board which is expected to drive the growth of the country's tea sector in an integrated manner to increase overall industry productivity and competitiveness by 2030. The 'Road Map Ceylon Tea 2030' and the phased promotions undertaken by the Sri Lanka Tea Board to increase awareness of the characteristics and superiority of Ceylon Tea globally is expected to have a positive impact on the global market share for Ceylon Tea by increasing exports and developing new markets in the medium to long term.

RUBBER BROKERING SEGMENT - Operating Environment

Overview

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 which still retains an approximate market share of 28.30 percent.

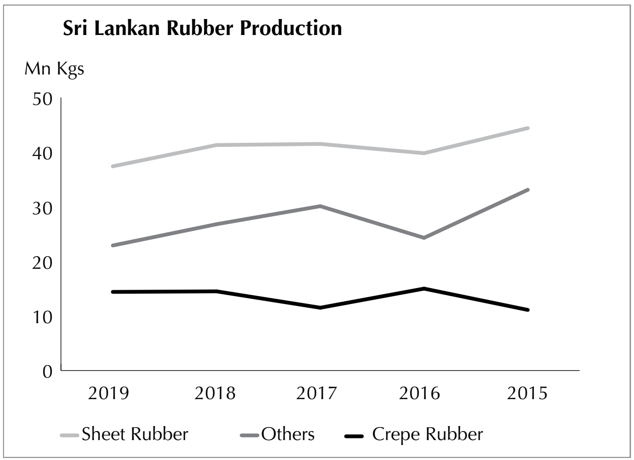
Global Industry Overview

The global rubber industry faced a challenging operating environment during 2019, resulting in the total world production of rubber declining by 1.3 percent to 28.8 million tonnes compared to the 2 percent increase recorded in 2018. Global rubber imports realised a decline of 3.6 percent recording only 22.2 million tonnes in 2019 from 23.0 million tonnes in 2018. Global rubber exports reduced marginally to 21.5 million tonnes in 2019 from 21.9 million tonnes in 2018. The world consumption of rubber which has been steadily increasing in the last five years, recorded a marginal decline of 0.5 percent to 29 million tonnes in 2019 compared to 29.2 million tonnes in 2018.

Over the last few years, the rubber industry has been seeing a decline in natural rubber production and consumption. The ratio of natural rubber to synthetic rubber produced and consumed in 2019 was 47:53. The top 10 rubber consuming nations in 2019 were China, USA, India, Japan, Thailand, Malaysia, Indonesia, Brazil, Germany, and Russia.

Sri Lankan Industry Overview

Sri Lanka pioneered rubber growth outside of South America nearly 150 years ago. Since, rubber has been a primary agricultural sector crop, and one of the country's key export crops. However, since the 1960s, the natural rubber production in the country has been on a decline placing Sri Lanka at the 12th position amongst the world's natural rubber producers from its coveted fourth place nearly 50 years ago. The overall slowdown in the rubber sector is caused by the reducing productivity of rubber lands due to a combination of factors including unfavourable weather conditions, increasing labour costs, the changing use of agro-chemical regulations, and the falling global rubber prices which discourages investments in and expansion of the local rubber industry. However, investment in the last five years in new rubber breeds, automation, and focus on value-added production has caused some revitalisation of the industry the rewards of which are being incrementally realised.



Rubber production recorded a 9.5 percent decline in 2019 recording 74.8 million kilograms compared to 82.6 million kilograms in 2018 with an average rubber yield of 667 kilograms per hectare in 2019 compared to 770 kilograms per hectare in 2018. This decline is mainly driven by disruptions to tapping operations due to rainy weather conditions during the latter part of the year and abandonment of tapping operations due to low remunerative prices. The exports of rubber latex continued to decline, recording a 7 percent reduction to 13 million kilograms in 2019 compared to 14 million kilograms in 2018. Earning from exports of rubber latex amounted to US$ 24.2 million in 2019 compared to US$ 31.6 million in 2018. During 2019, rubber products amounted to 0.2 percent of the total composition of Sri Lanka's exports. Average rubber prices increased during 2019 compared to 2018, with the average price of Ribbed Smoked Sheet Number 1 (RSS1) registering a increase of 3 percent to Rs. 288.51 per kilogramme during 2019. The average price of latex crepe rubber decreased by 6 percent to Rs. 302.32 per kilogramme at the Colombo Rubber Auction.

Business Performance Review

The segment's performance during the year under review was below expectations mainly due to the continued impact of falling global rubber prices, the decline in the Sri Lankan rubber production, and the reducing levels of competitiveness of Sri Lanka's rubber industry. Thus, total sales volume for the year under review declined by 46 percent to 2.10 million kilograms compared to 3.91 million kilograms sold in the previous financial year. The revenue generated by this segment also declined by 26 percent to Rs. 6.55 million during the year compared to Rs. 8.90 million recorded in the previous financial year. JK PLC recorded an average auction price of Rs. 286.50 per kilogram for the financial year under review compared to Rs. 226.74 per kilogram recorded during the previous financial year. Resultantly, the Company's rubber market share declined to 28.30 percent in the financial year under review compared to 30.01 percent achieved in the previous financial year.

The Company's long-term sustainable relationships with our rubber suppliers and customers and the strength of the Parent Company's brand remained as the key aspects which enabled JK PLC to overcome challenges in the operating environment and remain viable in the marketplace.

Outlook

Investments during the last five years on new rubber breeds and varieties to increase productivity of rubber lands leading to increase in the production of natural rubber is a source of considerable optimism for the industry's future success. The technical support required for good agricultural practices (GAP) for rubber plantations is available with the Rubber Research Institute of Sri Lanka (RRI) and if the industry can garner more interest then there is much potential which can be exploited. Furthermore, the focus of the industry to increase production of value-added rubber products together with the higher domestic rubber prices compared to global prices provides impetus for local farmers to invest in improving their rubber plantations to supply latex locally while aspiring to increase production in the long term to even accommodate the growing rubber latex needs of countries such as China, thereby enabling the revival of the global market position of Sri Lankan rubber exports.

WAREHOUSING OPERATIONS SEGMENT - Business Performance Review

The Company's warehouse operations had a satisfactory year of operations as the strategies to increase storage capacity utilisation by storing tea products of competing brokers in the previous financial year continued to benefit the segment's bottom-line. Thus, the segment was able to achieve its targets and secured on average a 79 percent capacity utilisation during the year under review. In total, John Keells Warehousing (Pvt) Ltd stored 34.25 million kilograms of tea during the year under review a 13 percent decrease compared to the previous financial year. The primary reason for the lower capacity utilisation and lower quantities of teas stored was the erratic demand and the lower tea production levels experienced during the year under review.

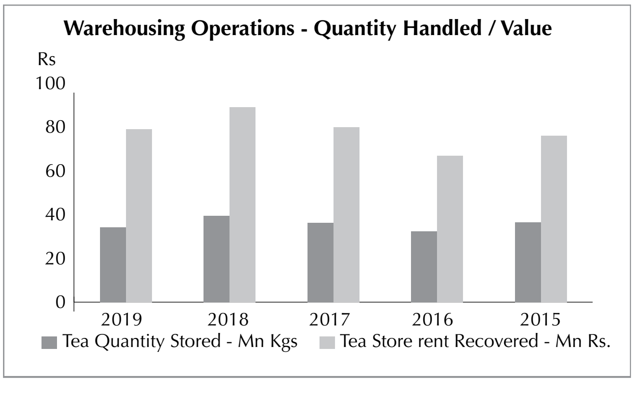
Total revenue earned by the segment was Rs. 101.29 million, compared to the Rs. 108.89 million earned in the financial year ended 31st March 2019. The segment's profit before tax was Rs. 35.51 million in the year under review compared to Rs. 47.0 million recorded in the previous financial year.

The final installation of the solar panelling was completed during the beginning of year under review at a total investment cost of Rs. 7.50 million. The panels which were operational from the start of the financial year under review has during these 12 months enabled the Company to reduce electricity costs by 86 percent. The planned upgrade and renovation of the washroom facilities and drainage system was completed during the year under review at a cost of Rs. 4.9 million. In addition, process improvements in back office functions were also undertaken during the year which is expected to bring in greater efficiency in operations and minimise operational costs. These improvements will also enhance automation of services for higher service levels to our customers. General maintenance continued to be prioritised for the warehousing operations and the Group invested Rs. 1.2 million on the fire pump and sump repairs, generator maintenance, maintenance of vehicles, and other minor repairs during the year.

Quality was a strategic imperative for the Group and John Keells Warehousing (Pvt) Ltd was successful in renewing the ISO 22000:2005 Food Safety Management Systems for the warehousing operations for a further year. As an integral part of the Group's efforts to ensure safety of our employees, the segment is also certified for OHSAS 18001:2007 Occupational Health and Safety, which was successfully maintained during the year under review.

Outlook

The warehousing operations remain an important part of the Group's revenue stream and thus, will continue to be reviewed for greater operational and costs efficiencies leading to offering value for money services to our customers in the longer term. The planned capital expenditure will be undertaken in the coming year provided the environment will be conducive for such investment.



STOCK BROKING OPERATIONS SEGMENT - Business Performance Review

Operating Environment

Activity on the Colombo Stock Exchange was subdued with the main segments of local retail, High Net Worth Individuals and foreign and local institutional investors remaining cautious.

Although foreign participation was higher it was once again driven by net outflows. The broader All Share Index declined by 17.7 percent over the financial year while the more sensitive S&P20 index declined by 28.9 percent. Daily average turnover for the financial year 2019/2020 came to Rs.806.0m as compared to Rs. 697.6 million in the financial year 2018 /2019. Net foreign outflows for the year in review came to over Rs.10.8 billion.

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.

Business Performance Review

John Keells Stock Brokers (Pvt) Ltd, generated a revenue of Rs. 130 million in the year under review compared to Rs. 194 million in the previous financial year. The final market day for the year was 20th March after which the CSE was closed due to the coronavirus pandemic until the 11th of May 2020.

Outlook

Equity market outlook continues to be muted amid the existing macroeconomic conditions.

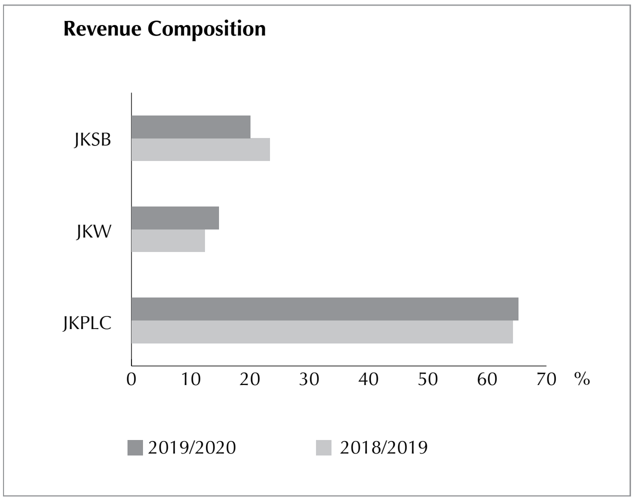
FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of Rs 647 million for the year under review, a 22 percent decrease against the Rs 833 million recorded during the corresponding previous year. The decrease is mainly attributed to the decrease in revenue of John Keells Stock Brokers (Pvt) (JKSB) Ltd by 33 percent, John Keells PLC (JK PLC) 21 percent and a 7 percent revenue decrease in John Keells Warehousing (Pvt) Ltd (JKW). The decrease in revenue at John Keells PLC is attributed to the lower prices achieved for teas sold and lower tea quantity sold during the year in comparison to the previous year. The decrease in revenue of the Warehouse segment is attributed to lower quantity of teas stored and lower extra duration of storage rent recovered from exporters in comparison to the previous year. John Keells Stock Brokers (Pvt) Ltd revenue decrease is mainly attributed to lower trading activity at the Colombo Stock Exchange.

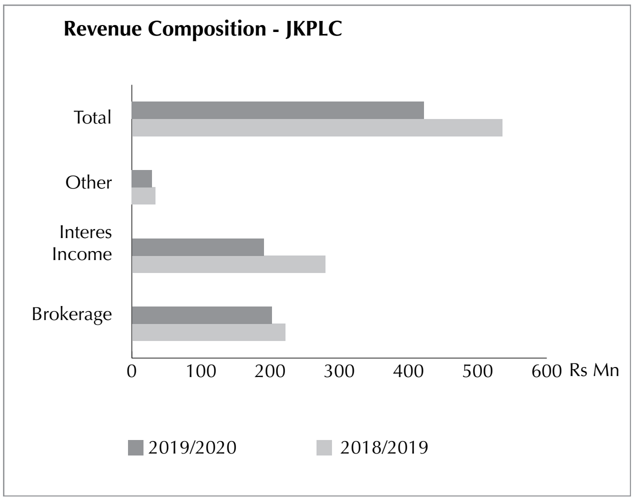
Composition of Revenue

A marginal 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 65 percent to the total revenue, Share Broking contributed 20 percent and the Warehousing operation contributed 15 percent to the total revenue. This was a shift from the composition of 64 percent, 23 percent and 13 percent respectively, from Produce Broking, Share Broking and warehousing during the previous year.

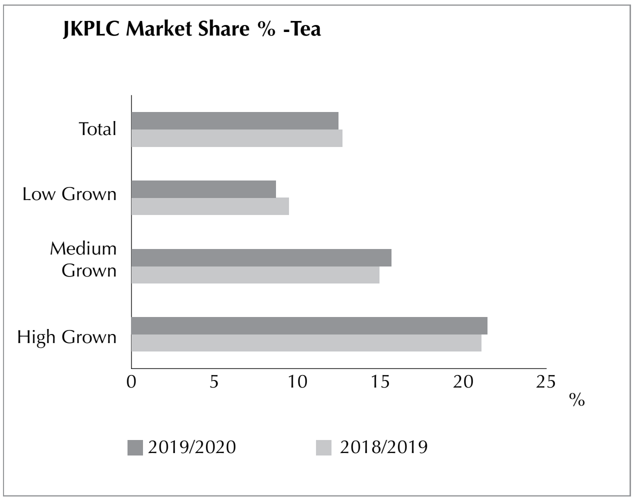


Produce Brokering Revenue

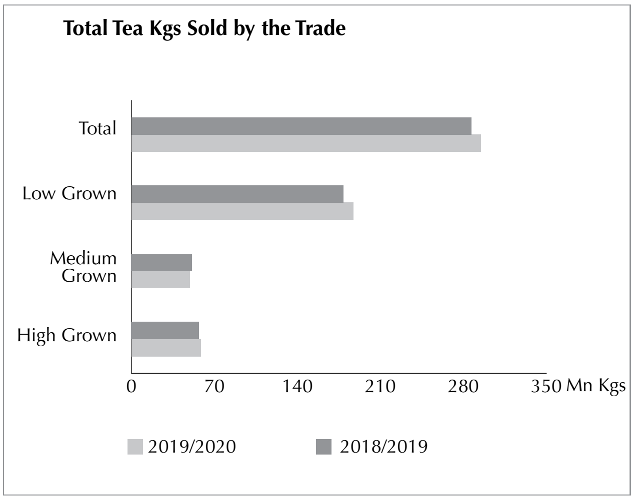
Revenue generated from produce broking was Rs 422 million for the year. This was a decrease of 21 percent from the Rs. 536 million recorded in the previous year. The main contributor to this decrease by 32 percent was interest income received from producer's advance and loans when compared to the previous year while the decrease in brokerage income by 8 percent also had an adverse impact. The decrease in Interest income was mainly on account of low lending due to stringent control measures implemented during the year when considering lending money to tea clients and also the inability to recover interest on monies already lent due to factories discontinuing operations. The brokerage revenue drop was mainly on account of lower tea volumes handled in comparison to the previous year, and to a lesser extent the marginal decrease in tea prices achieved.

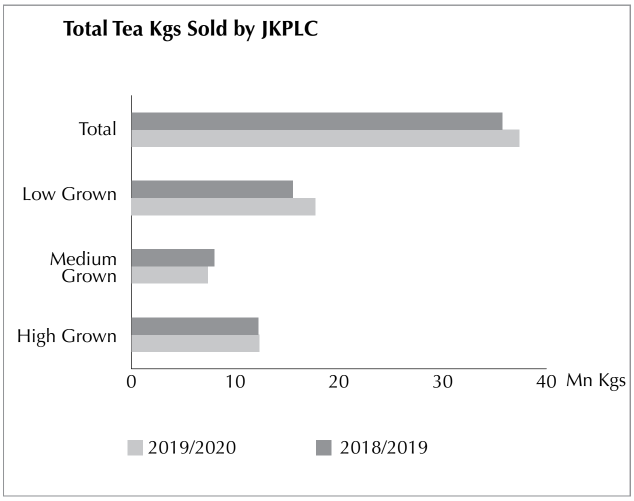


The average selling price achieved by JK PLC was Rs 542.17 per kilogram of tea. This was a decrease of 3.77 percent from the Rs 563.43 average recorded in the previous year. The Tea sale volumes handled by JK PLC during the financial year was 35.74 million kilograms. This was a 4.41 percent decrease over the previous years' 37.39 million kilograms that was sold. The continued decline was once again attributed to the strategic decision to consolidate business rather than grow market share by lending to unsustainable clients. The market share achieved for the financial year was 12.47 percent. This was a decrease of 1.73 percent over the previous years' market share of 12.69 percent.

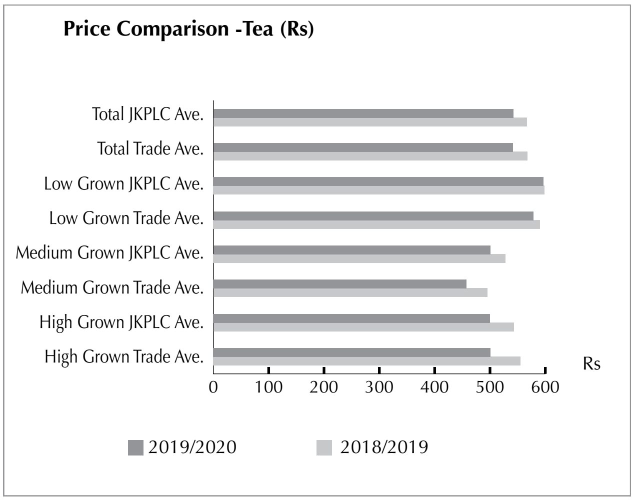


During the financial year 2019/2020 all brokers sold 7.85 million kilograms of tea, lower when compared to the previous years' total kilograms of 294.60 million kilograms sold. The low grown was the main contributor to the decrease by 8.33 million kilograms. While the high grown contributed to the overall decrease by 1.36 million kilograms. The medium grown elevation was the only elevation that registered a 1.82 million kilogram increase in comparison to the volumes sold in the previous year.

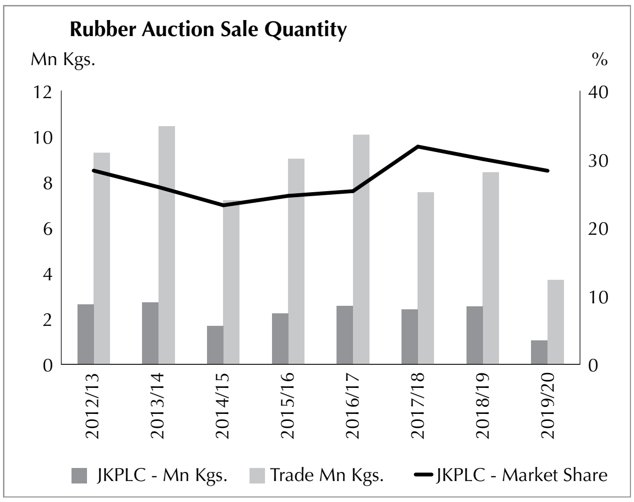




The total quantity sold by JK PLC for 2019/2020 was 35.74 million kilograms against the previous years' 37.39 million kilograms. The composition comprised low grown 15.54 million kilograms, high grown 12.22 million kilograms and medium grown 7.99 million kilograms. The low grown sold quantity decreased by 2.20 million kilograms, high grown decreased by 0.08 million kilograms and the medium grown increased by 0.64 million kilograms in comparison to the previous years' respective volumes.



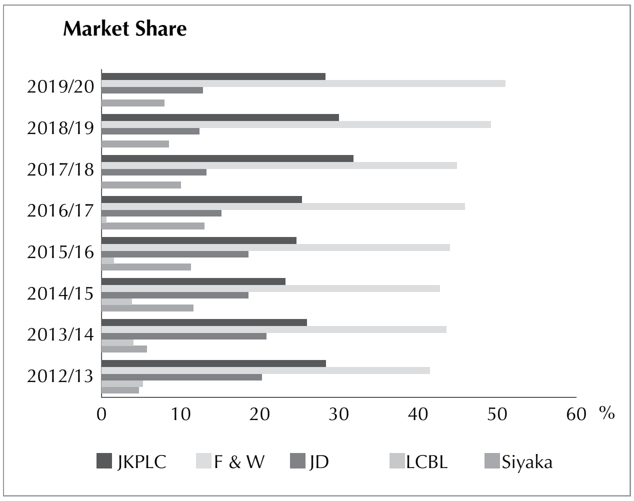
The average overall sale price achieved by JK PLC for 2019/2020 was Rs 542.17. This comprised a low grown average of Rs 596.53, high grown average of Rs 500.26 and the medium grown average of Rs 500.52. The low, high and medium grown averages were Rs 2.10, Rs 42.60 and Rs 27.60 below the previous year's respective elevation averages. The low grown and the medium grown average achieved by JK PLC in the current financial year was Rs 18.48 and Rs 43.26 higher than the overall trade average of Rs 578.05 and Rs 457.26 achieved respectively. The high grown average achieved by JK PLC for the current year was Rs 0.78 lower than the overall trade average of Rs 501.04.

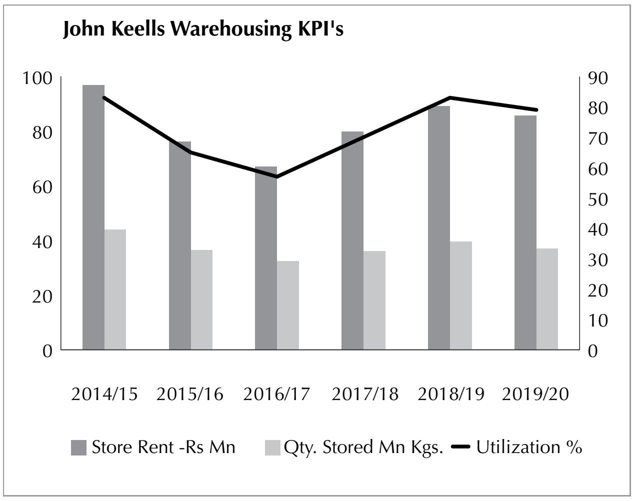


Rubber Broking Revenue

The revenue from Rubber Broking decreased by 26 percent during the year to Rs 6.56 million in comparison to Rs 8.90 million of the previous year. JK PLC recorded an average price of Rs 286.49 per kilogram for rubber in comparison to the previous year average of Rs 226.74 per kilogram. Rubber sales volumes handled, by JK PLC decreased by 48 percent to 2.01 million kilograms for the year ended 31st March 2020.

During the year, Auction rubber market share of JK PLC decreased by 1.71 percent to 28.30 percent





Warehousing Revenue

The continuous decrease in the low grown tea quantity market share of JK PLC continued to negatively impact the warehouse space utilization. The decision to rent the excess space to external brokers assisted in utilization of idle space. The warehouse recorded a 3.82 percent decrease in store rent during 2019/2020. In addition, it recorded a further 28.07 percent decrease on account of store rent recovered from Exporters who failed to collect their teas before the free store rent period lapsed. The total revenue recorded was Rs 101.29 million as against Rs 108.89 million recorded during the corresponding previous year.

The average utilization of the warehouse space during the year recorded 79 percent of capacity when compared with 83 percent in the previous year. 37.10 million kilograms of tea was stored during the year in comparison to the 39.52 million kilograms of tea stored during the year 2018/19.

Share Brokering Revenue

Activity on the Colombo Stock Exchange was subdued with the economic environment driving the main segments of local retail, high net worth Individuals and foreign and local institutional investors to take a cautious approach. The final market day for the year was 20th March after which the CSE was closed due to the COVID-19 pandemic.

Foreign participation throughout the year was high although this was driven by net outflows from the market. The broader All Share Index declined by 17.7% over the financial year while the S&P20 index declined by 28.9%. Daily average turnover for the financial year 2019/2020 came to Rs. 806.0 million as compared to Rs. 697.6 million in financial year 2018/2019. Net foreign outflows for the year in review came to over Rs. 10.8 billion. The CSE market capitalization as at 20th March 2020 was Rs. 2,128 billion as compared to Rs. 2,606 billion on the 31st of March 2019.

The revenue generated by JKSB was Rs 130 million which is a 33.15 percent decrease from the previous years' revenue of Rs 194 million.

Income and Expenditure Distribution

	2020		2019	
	Rs 000's	%	Rs 000's	%
Revenue	647,492	100	833,119	100
Cost of sales	(264,741)	(41)	(287,274)	(34)
Gross profit	382,751	59	545,845	66
Other operating income	1,456	0.22	493	0.06
Administrative expenses	(222,997)	(34)	(243,322)	(29)
Sales and Marketing expenses	(285,535)	(44)	(33,480)	(4)
Results from operations	(124,325)	(19)	269,536	33

Cost of Sales and Gross Profit

Direct cost of sales of the Group decreased by 8 percent when compared with previous year. The decrease is attributed to a 8 percent decrease from JK PLC due to decrease in financial VAT charges , a 18 percent decrease from JKSB on account of decrease in commission, incentive fees and brokerage fees on foreign brokers and a 8 percent increase from JKW due to increase in depreciation and plant maintenance cost.

Therefore, due to this decrease and the decrease in revenue by 22 percent the gross profit of the group decreased by 30 percent.

Administrative Expenses

Group administration expenses decreased by 8 percent to Rs 223 million from the Rs 243 million recorded in the previous year. The decrease constitutes a 9 percent decrease from JK PLC, a 8 percent decrease from JKSB and a 0.2 percent increase from JKW.

Sales and Marketing Expenses

The overall selling and distribution cost of the Group recorded was Rs 285.54 million. This consisted of Rs 282.88 million from JK PLC of which Rs 278 million (Net) was on account of impairment provisions for debtors, Rs 0.8 million expenses on account of JKW and a Rs 1.87 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. With regards to cases which have been already initiated, the Group is confident that these cases would be resolved in favour of JK PLC.

Finance Income

The Group's interest income from investments in Treasury Bills and other short-term Investments decreased by 9 percent during the year when compared to the previous year. The contribution from JK PLC was 5 percent, while JKSB contributed 6 percent and JKW 1 percent to this decrease. The finance income of the group also includes the dividends received from Keells Food Products PLC. The decrease in dividend income received from Keells Food Products PLC was 17 percent, which contributed to the overall decrease of 9 percent in finance income during the year.

Finance Expenses (Net)

The Group's finance expenses decreased by 18 percent during the year. The decrease in use of overdraft facilities by JK PLC is due to the reduction in lending based on new strategy adopted was the main contributory factor for the decrease when compared to the previous year's cost of Rs 119.44 million. The 9 percent decrease in overall finance income along with the 18 percent decrease in the finance expenses resulted in the net interest expense decreasing by 25 percent to Rs 50.61 million when compared with the previous year's expenses of Rs 67.67 million. The interest cover for the year was (0.60) when compared with previous years' 3.48. The decrease is mainly attributed to the loss before tax.

Profitability

The Group profit before tax decreased by 153 percent to a loss of Rs. 157 million for the year compared to Rs 297 million profit recorded during the previous year. The current years LBT includes a, Rs 15 million fair value adjustment of investment properties in comparison to Rs 76.0 million in the previous year. As in the previous year tea prices and volumes sold experienced a significant drop in the current year. This had an adverse impact on the brokerage income earned in comparison to the previous year while the decline in interest received from sellers further contributed to the decrease. The interest income decrease is mainly due to lower lending to tea producers based on strict measures adopted in lending to tea clients and also due to the inability to charge interest on large outstanding amounts of non operative clients. The revenue decrease and the increase in impairment provisions for factories which discontinued operations negatively impacted the profitability of JK PLC by 149 percent in comparison to the previous year.

Lower store rent income generated due to decrease in space utilization on account of lower volumes handled at the warehouse coupled with reduced income earned from exporters for delayed collection of their teas had a negative impact on the JKW profitability for the year. The profitability of JKW recorded for the year was Rs 35.51 million in comparison to the Rs 47.01 million recorded in the previous year.

JKSB recorded a, Rs 35.78 million loss in comparison to the previous years' PBT of Rs 5.78 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 2019. The change in value was a positive Rs 15 million during the current year as against Rs 76 million during the previous year.

Taxation

As per the tax regulations that prevailed during the financial year, produce brokering, stock brokering and warehousing income were subject to a tax rate of 28 percent for the 1st nine months and the balance 3 months profit was subjected to a tax rate of 24 percent. Hence the decrease in taxable 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 decreased by 10 percent to Rs 2,606 million from Rs 2,911 million recorded in the previous year. This was on account of Rs 183 million loss recorded for the current year and a Rs 121.6 million dividend payout made for 2018/2019.

Available for Sale Reserve

The available for sale reserve balance decreased by 4 percent to Rs 734 million from the Rs 768 million recorded in the previous year. This was mainly due to Fair value decrease of investments held in Keells Food Products PLC by Rs 43 million and Fair value increase in Waterfront Properties (Pvt) Ltd by Rs 9 million during the year.

Non- Controlling Interest

The Non- controlling interest decreased by 12 percent to Rs 38 million from the Rs 43 million in the previous year on account of the loss registered by JKSB during the year. The Non – controlling interest in JKSB is 24 percent.

Cash Flow

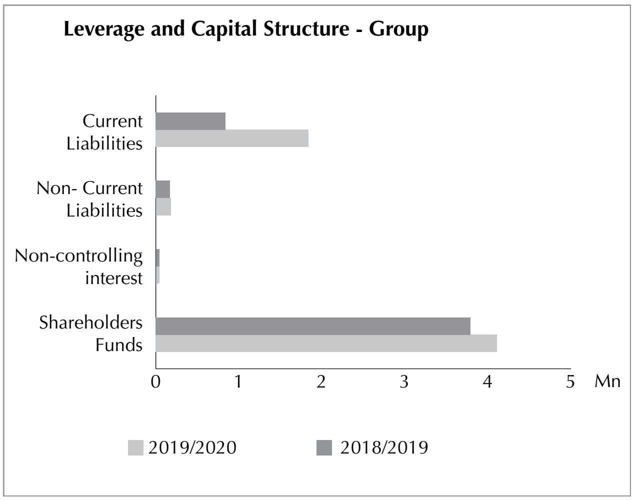
The net movement in cash and cash equivalents for the year under review was an inflow of Rs 337 million compared to the cash outflow of Rs 456 million recorded in the previous year. The inflow comprises, decrease in cash used in operations by Rs 711 million, increase in cash outflow by Rs 3 million on account of increase in investments made in fixed assets and decrease in cash outflow by Rs 18 million on account of lower dividend payment.

Working Capital/Liquidity

Net working capital of the Group decreased to Rs 119 million as at 31st March 2020 from Rs 398 million in 2018/2019.The Group's current assets decreased by 57 percent in comparison to the previous year and the Group's current liabilities decreased by 54 percent in comparison to the previous year. The Group current assets have decreased by Rs 1,279 million on account of trade and other receivables decreasing by Rs 1,124 million and short term investments and cash and bank balances decreasing by Rs 138 million. The decrease in trade and other receivables consist of Rs 973 million decrease in JK PLC, Rs 149 million decrease in JKSB and Rs 2 million decrease in JKW. The Group's current liabilities have decreased by Rs 1,000 million mainly on account of trade and other payables decreasing by Rs 513 million, income tax payable reducing by Rs 10 million and bank overdraft decreasing by Rs 475 million. The decrease in trade and other payables of JK PLC by Rs 373 million is mainly due to lower tea sale volumes as at end March due to cancellation of one public sale and the decrease in JKSB of Rs 140 million is due to decrease in trade volumes as at end March. The decrease in bank overdraft balances consist of JK PLC decreasing by Rs 482 million on account of lower utilization of bank overdraft facilities, to lend money to tea producers as advance on stocks, and decrease in overdraft balances of JKSB by Rs 15 million. The JKW overdraft increased by Rs 20 million on account monies temporally borrowed to overcome the difficulty that arose in cashing the fixed deposits to meet payment requirements due to the situation that prevailed due to the COVID-19 pandemic.

Leverage and Capital Structure

Group total assets of Rs 4.84 billion was funded by shareholders funds (78.18 percent) non – controlling interest (0.80 percent), non- current liabilities (3.59 percent) and current liabilities (17.43 percent). The long-term funding of assets including shareholders funds, non – controlling interest and other non – current liabilities together accounted for 82.59 percent of the total assets, an equivalent of Rs 3.99 billion.

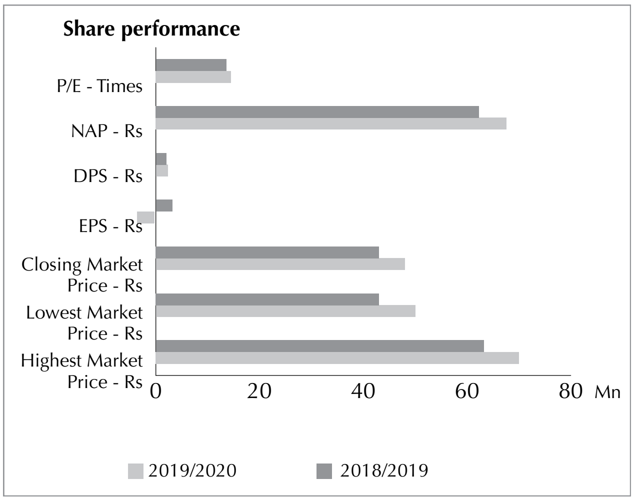


Share Price and Market Capitalisation

JKPLC's shares lost 10 percent of its value during the year with the highest trading price of Rs 63.20 per share recorded on 29th July 2019.

During the year Earnings per Share (EPS) decreased by 195 percent to Rs (3.09) from the Rs 3.32 per share the previous year. The Price earnings ratio (PER) for the year under review was (13.92) times, this was a decrease from the previous years' value of 14.46 times. Net Assets per share decreased by 7.83 percent to Rs 62.29 per share from the Rs 67.58 per share reported the previous year.

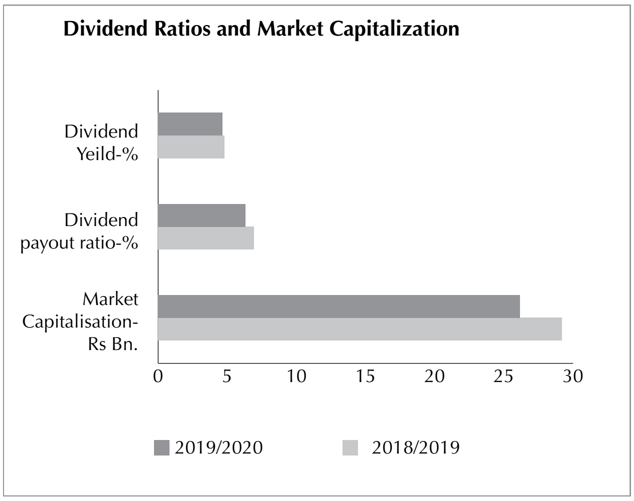
The total shares issued by JK PLC is 60.8 million. The total Market Capitalisation as at 31st March 2020 was Rs 2,614 million, a decrease of 10 percent from the previous years' Market Capitalisation of Rs 2,918 million as at 31st March 2019.



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 Divined of Rs 2.00 per share resulting in a total cash outflow of Rs 121.6 million. The dividend payout ratio stood at a (64.75) percent whilst the dividend yield was at 4.65 percent.



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	2019/2020 Rs 000's	2018/2019 Rs 000's
Direct economic value generated		
Revenue	647,492	833,119
Finance income	47,200	51,770
Share of results of associates	2,915	19,433
Profit on sale of assets and other income	1,456	493
Valuation Gain on Investment Property	15,100	75,500
	714,163	980,315
Economic value distributed		
Operating costs	446,738	219,432
Employee wages & benefits	245,083	220,272
Payments to providers of funds	212,744	259,945
Payments to Government	106,654	193,500
Community investments	1,957	2,060
	1,013,176	895,209
Economic value retained		
Depreciation	20,505	21,202
Amortization	1,421	1,289
Profit/ (Loss) after dividends	(316,037)	88,562
	(294,111)	111,053

The group has contributed Rs 1,013 million to varied stakeholders during the current year and retained Rs 21.9 million for growth and development of assets.

Subsequent Events

There are no further matters or circumstances arising since 31st March 2020, not otherwise dealt with in the financial statements that would materially affect the operations or results of the Group.

As at 31st March 2020 given the volatile and evolving global and local landscape, owing to the COVID-19 pandemic, the Company will continue to monitor the impacts. While the Company and Group has adequate funding and availability of banking facilities, the Group will continue to focus its efforts to preserving this position and obtaining added banking lines ahead of any future requirements.

HUMAN RESOURCES & CSR

HUMAN RESOURCES

JK PLC continues to consider it's 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 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 2020, JK PLC had an employee cadre of 49 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, one employee of JK PLC was successfully included in the "Talent Pool".

Performance Appraisal Process

JK PLC 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, JK PLC nominated employees for training and development programmes to meet required competencies at their current job level and to develop them for future potential roles.

JK PLC 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 JK PLC 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. During the year under review two employees of the Company participated in this programme.

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 JK PLC 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

Employee receiving "25 Years" service award.

Employee receiving "25 Years" service award.

Employee receiving "25 Years" service award.

Employee receiving the "Employee of the Year" award for high performance.

Employee receiving the "Champion of the Year" award for high performance.

Communicative & Open Culture

JK PLC 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 employees' 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 JK PLC every two months 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. JK PLC 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 organized an Annual Christmas Party and a celebration for all female employees on Women's Day. Employees were also given the opportunity to participate in inter Company sports events as well.

These events not only treated the employees to fun and games but also gave the organizing teams the opportunity to bond and learn to work together, thereby building a team culture.

Corporate Social Responsibility

For JK PLC, 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.

John Keells PLC Value Chain Activities- Tea and Rubber Broking

Procurement

Providing warehousing facilities to tea and rubber producers for the upcoming sales.

Valuation

Assessing the quality of the produce and providing feedback for further improvements.

Cataloguing

Recording information of tea lots in a systematic manner into the catalogues which are presented to the buyer.

Presenting

Through weekly public auctions for sale.

Satisfying

Value additions are achieved by meeting buyers and providing them with information on quality of produce. By meeting sellers information is shared on how to improve quality of the produce to meet the future demands.

Delivering

Providing value for money by selling quality tea and rubber produce to customers and achieving an optimum price for the seller for the produce supplied.

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.

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, JK PLC 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.

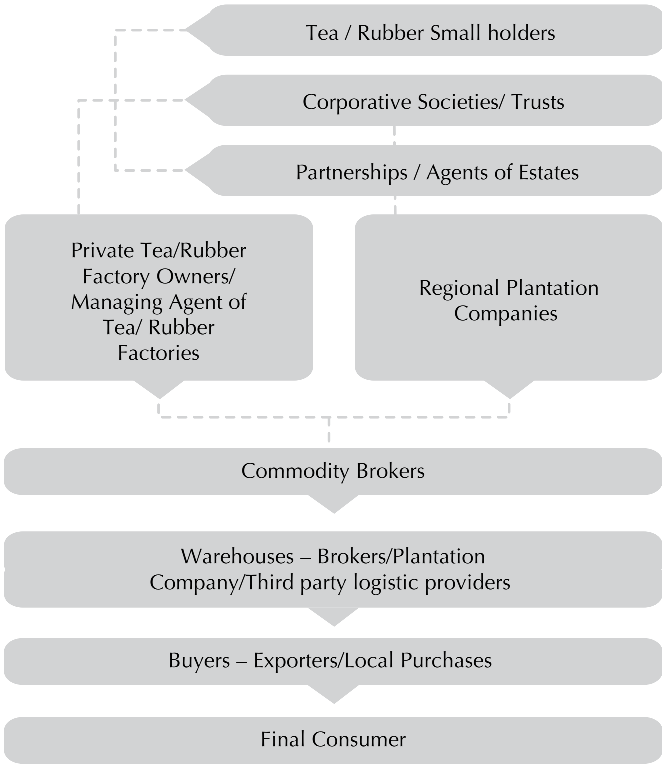
The increasing customer base of the Company is testimony of the trust placed in our brand and the quality of our services.

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, JK PLC 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, JK PLC 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.

STEWARDSHIP

THE BOARD OF DIRECTORS

KRISHAN BALENDRA

CHAIRMAN/NON INDEPENDENT - NON EXECUTIVE DIRECTOR

Appointed to Board	2018

Board committees
Member – Nominations Committee
Member – Related Party Transactions Review Committee (Resigned with effect of 31st March 2020)

Skills and Expertise
Mr Balendra started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four-year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence and Company PLC, Sri Lanka prior to joining JKH. Holds a law degree (LLB) from the University of London and he holds 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 the Hon. Consulate General of the Republic of Poland in Sri Lanka.

GIHAN COORAY

NON INDEPENDENT - NON EXECUTIVE DIRECTOR

Appointed to Board	2018

Board committees
None

Skills and Expertise
Mr Cooray has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology functions (including John Keells IT) 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 an Associate member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK.

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.

JITENDRA GUNARATNE

NON INDEPENDENT - NON-EXECUTIVE DIRECTOR

Appointed to Board	2018

Board committees
None

Skills and Expertise
His 40 years of Management experience in the Group also covers Property and Retail, Consumer Food and Leisure Industry Group.

Position held in Other Companies
Currently serves as a member of the Council of the Employers' Federation of Ceylon.

Other Current Appointments
President of the Leisure sector in JKH Group.

CHARITHA NISSANKA WIJEWARDANE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board	2016

Board Committees
Member of the 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 and New Zealand.

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

Served in the BOC RISK Committee as Chairperson.

Served as a Member of the Audit committee of the Bank of Ceylon.

Board member of MBSL, MBSL Insurance, BOC Travels. He was also the Chairman Hotels Colombo (1963) owning company of Grand Oriental Hotel.

ANANDHIY K. GUNAWARDHANA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board	2016

Board Committees
Member of the 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	2018

Board Committees
Chairperson of the 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 the 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 PLC 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.

CORPORATE GOVERNANCE

Highlights of the 72nd AGM held on 27th June 2019

- Mr. C N Wijewardene, 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. B A I Rajakarier, who retired in terms of Article 83 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Mr. J R Gunaratne, who retired in terms of Article 90 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.

Significant initiatives during the Financial Year 2019/2020 to further strengthen the Company's adherence with Corporate Governance rules and principles:

- Introduction of the historic e-auction platform, powered by CICRA solutions, as a business continuity initiative by the tea trade during the COVID-19 outbreak in Sri Lanka.

We at JKL, believe that a firm corporate governance framework is a core business value, which enables us to make effective and ethical decisions, which in turn helps to bring out the best outcomes for our stakeholders. The Company and along with its subsidiary and associate company (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 observance 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 allowed 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 2019/2020.

Compliance Summary

Regulatory Benchmarks

Regulation / Code	Requirement	Compliance Status
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

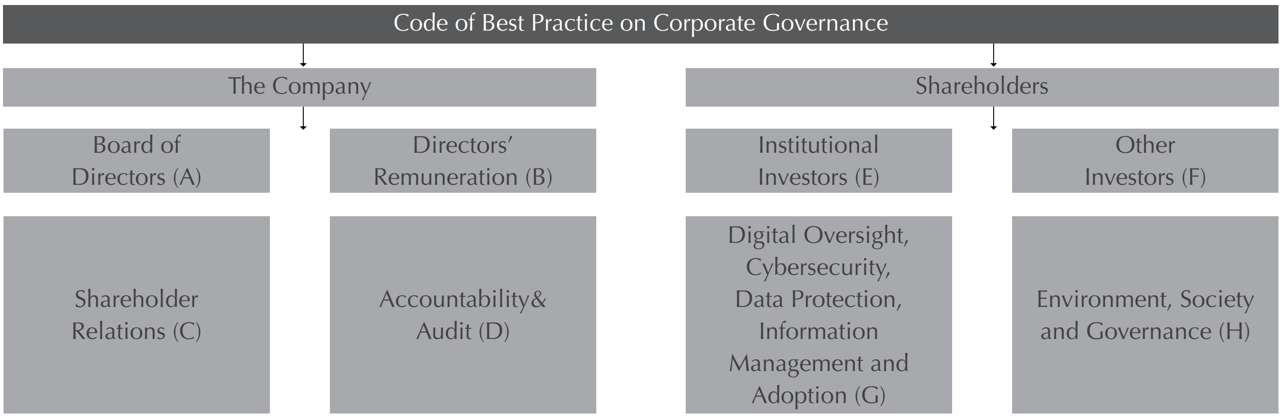
Regulation / Code	Requirement	Compliance Status
Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions	Fully compliant
UK Corporate Governance Code (formerly known as the Combined Code of 2010)	Voluntary provisions	Compliant, as applicable to JK PLC
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	• Recruitment and selection policies
• Learning and development policies	• Policies on equal opportunities, career management and promotions
• Rewards and recognition policy	• Leave, flexi-hours and tele-working policies
• Code of conduct	• Policy against sexual harassment
• Policies against on forced, compulsory and child labour	• Disciplinary procedure
• Policy on grievance handling	• Policies on anti-fraud, anti-corruption and anti-bribery
• Policies on gifts, entertainment and facilitation payments	• Policy on communications and advertising
• Ombudsperson policy	• Group accounting procedures and policies
• Policies on enterprise risk management	• Policies on fund management and FX risk mitigation
• IT policies and procedures, including data protection, classification and security	• Group environmental and economic policies
• Policies on energy, emissions, water and waste management	• Policies on products and services

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

A Snapshot of the Corporate Governance Framework developed at JKL Group



A. Board of Directors

1. An Efficient Board

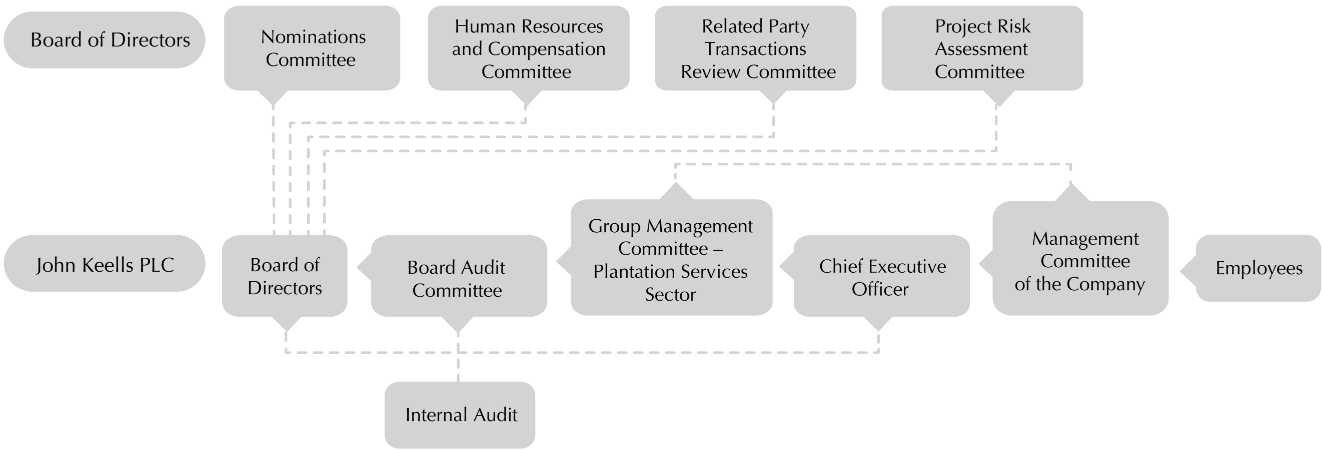
The governance structure of the JKL Group is given below with reporting lines clearly identified. The Board meets regularly to discuss all matters relevant to the operation and governance of the Company and the minutes of all Board meetings are documented by the Company Secretaries, Keells Consultants (Private) Limited.

Certain functions of the Board have been delegated to the Board Sub-Committees, with the Board retaining final decision rights. This enables to bring in more specialized knowledge into the decision-making process, whereby 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 NED/ID.

John Keells Holdings PLC (Parent Company)



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)

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 are as follows;

Name of Director		Board meeting attendance					
		6-May-19	26-Jul-19	25-Oct-19	16-Jan-20	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	√	√	√	√	4	4 of 4
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

Abbreviations

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

A typical Board meeting agenda in financial year 2019/20 contained;

- Confirmation of minutes of previous meeting
- Matters arising from the previous minutes
- Status updates of major projects
- Review of performance in summary and in detail, including high level commentary on actuals and outlook
- Summation of strategic issues discussed at pre-Board meetings
- Approval of quarterly and annual financial statements, and quarterly financial and operational compliance statement
- Any other business of which due notice has been given
- Ratification of capital expenditure, disposal of fixed assets and donations
- Ratification of the use of the Company seal and share certificates issued
- Ratification of circular resolutions and new resolutions
- Report on corporate social responsibility
- Review of risks, sustainability development, HR practices/updates, etc...
- Board sub-committee reports and other matters exclusive to the Board

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,
- Assists the Chairman and the Board of Directors in determining the annual Board Plan,
- Guides the Board and the individual Directors in the proper discharge of their responsibilities and acts 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 also 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 a minimum of 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 and
- 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 has been segregated in the Company. The purpose and role of both these officers is summarized below:

Role of Chairman	Role of CEO
• To provide leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board	• Execute strategies and policies of the Board
• Ensure constructive working relations are maintained between the Executive and Non-Executive members of the Board	• Ensure the efficient management of all businesses
• Ensure with the assistance of the Board Secretary that: • Board procedures are followed • Information is disseminated in a timely manner to the Board	• Guide and supervise Executive Directors towards striking a balance between their Board and Executive responsibilities • Ensure the operating model of the Group is aligned with short and long-term strategies of the Group • Ensure succession at the very senior levels is planned

3. 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 and Ms. B A I Rajakarier, 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

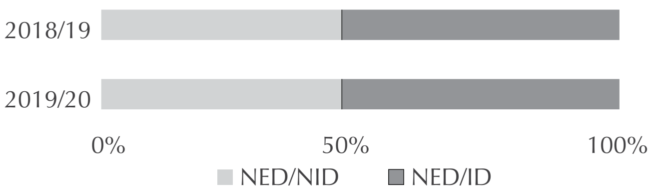
The JKL Group takes necessary steps to ensure that Directors avoid situations in which they have, or could have, a direct or indirect interest which conflicts with, or might possibly conflict with, the interests of the JKL Group.

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	Role of Once Appointed CEO	During Board Meetings
• Nominees are requested to make known their various interests	• Directors obtain Board clearance prior to: • Accepting a new position Engaging in any transaction that could create or potentially create a conflict of interest • All NEDs are required to notify the Chairman-CEO of any changes to their current Board representations or interests and a new declaration is made annually.	• Directors who have an interest in a matter under discussion: • Excuse themselves from deliberations on the subject matter • Abstain from voting on the subject matter (abstentation from decisions are duly minuted)

6. Board Balance

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



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

i. No shareholding in the Company

ii. Not being employed by the Company, its subsidiaries or Parent during the period of two years immediately preceding appointment as a Director

iii. 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

iv. No close family member being a Director, CEO or a Key Management Personnel

v. Continuous service on the Board for a period not exceeding nine years from the date of the first appointment

vi. 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 NEDs 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	17/May/2019	6/Nov/2019
Mr. M A Omar (Chairman)	✓	✓
Mr. K N J Balendra	✓	✓
Dr. R Coomaraswamy*	✓	✓
Dr. S S H Wijayasuriya	✓	✓(By Phone)
Ms. M P Perera**	✓	N/A

*Resigned from the JKH Board with effect from 31st December 2019

**Composition was reconstituted at the JKH Board Meeting held on 24th May 2019, following which Ms. P Perera was released from her role in the said sub-committee. She was re-appointed to the Nominations Committee of JKH w.e.f. 1st January 2020.

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 page 68.

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 analysed 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 44 to 47.
- Related party transactions on pages 129 to 130.

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.

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.

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

Name	29/June/2019	25/July/2019
Mr. D A.Cabraal (Chairman)	✓	✓
Dr. S S H Wijayasuriya*	✓	✓
Mr. M A Omar*	x	✓
By Invitation		
Mr. K N J Balendra	✓	✓
Mr. J G A Cooray	✓	✓

* Member

2. Level and Make Up of Remuneration

2.1. 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 2019/20 was Rs. 6.00 Mn. (2018/19 – Rs 6.90 Mn)

2.2. 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. 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.

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). This Annual Report also conforms to the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

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 given on pages 64 to 69 to cover all areas of this section.
- The "Statement of Directors' Responsibility" is given on page 70.
- The Directors' Statement on Internal Controls is given on pages 60 to 62.
- The "Independent Auditors' Report" on pages 73 to 75 for the Auditors' responsibility.
- The Management Discussion and Analysis on pages 16 to 34.
- Related Party transactions on pages 129 to 130.

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 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 by them during the year under review. This program requires the President of the Plantation Services Sector of JKH and the CFO of the Company to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms. The President 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 54 to 59 further elaborates 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 60 to 62. 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 public 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 Audit Committee. The detailed Audit Committee report including areas reviewed during the financial year 2019/20 is given on pages 60 to 62 of the Annual Report.

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

Name	13/May/2019	26/July/2019	25/Oct/2019	16/Jan/2020
Ms. B A I Rajakarier (Chairperson)	✓	✓	✓	✓
Mr. A K Gunawardhana*	✓	✓	✓	✓
Mr. C N Wijewardene*	✓	✓	✓	✓

* Member

4. Related Party Transactions Review Committee

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

The Board ensures that no related party transactions which would provide 'more favourable 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	16/May/2019	24/July/2019	31/Oct/2019	28/Jan/2020
Ms. M P Perera (Chairperson)	✓	✓	✓	✓
Mr. D A Cabraal*	✓	✓	x	✓
Mr. A N Fonseka *	✓	✓	✓	✓
Mr. K N J Balendra**	✓	✓	✓	✓
By Invitation				
Mr. J G A Cooray	✓	✓	✓	✓

* Member

** Composition of the Related Party Transaction Review Committee was reconstituted at the Board Meeting held on 31st March 2020, following which Mr. K N J Balendra was released from his role in the committee. Mr. K N J Balendra will attend meetings, as required, by invitation.

The Related Party Transactions Review Committee report for the financial year 2019/20 is given on page 63.

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 of the 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 behaviour 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 70 elaborates on how financial reporting compliance is ensured, as required by the statutes. Details on corporate governance disclosures are set out in pages 49 to 53. 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 next Annual General Meeting (of which the date is yet to be notified) 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 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 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 being more prone 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 that one needs to be well aware of where the vulnerabilities lie.

Although the JKL Group has continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, adoption of such systems and features still remain at an early stage across the JKL Group. To address this divergence, awareness sessions are being conducted to better drive user adoption.

Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR), data security, integrity and information management will be pivotal. To this end, the JKL Group will continue to strengthen its data governance structure to ensure ownership and accountability 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 Section on pages 54 to 59 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 16 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 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 or1/3 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	The Board shall annually determine the independence or otherwise of the NEDs
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	The Board Directors
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	1. Shall comprise of NEDs, a majority of whom will be independent 2. 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

Rule No.	Subject	Applicable requirement	Reference within the Report
c.	Disclosure in the Annual Report relating to RC	• Names of Directors comprising the RC • Statement of Remuneration Policy • Aggregated remuneration paid to NED	Corporate Governance, Corporate Governance of Holding Company and Notes to the Financials.
7.10.6 Audit Committee			
a.	Composition of Board Audit Committee (BAC)	• Shall comprise of NEDs a majority of whom should be Independent • A NED shall be appointed as the Chairman of the Committee • CEO and Financial Controller should attend AC meetings • The Chairman of AC or one member should be a member of a professional accounting body	Corporate Governance and the Board Committee Reports
b.	AC Functions	• Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) • Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and related regulations and requirements • Overseeing the process to ensure the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS • Assessment of the independence and performance of the External Auditors • 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	Corporate Governance and the Board Committee Reports
c.	Disclosure in Annual Report relating to AC	• Names of Directors comprising the AC • The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination • The AR shall contain a Report of the AC 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	Note 01 to the Financial Statements, on page 84
(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 133
(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 132
(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 68

Sub-section		Compliance status	Reference within the Report
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Risk grid on pages 57 to 59
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	During the year 2019/20, 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	Real Estate Portfolio on page 117
(ix)	Number of shares representing the Entity's stated capital	Complied	Note 30 to the Financial Statements, on page 124
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	Page 132
(xi)	Financial ratios and market price information	Complied	Page 135
(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	Note 18 to the Financial Statements, on pages 111 to 114
(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	Note 31 to the Financial Statements, on pages 125 to 126
(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	Statements of compliance on pages 49 to 50.
(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	Note 35 to the Financial Statements, on pages 129 to 130

3. 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 (pages 129 to 130)
(b)	Details pertaining to RPT	Complied	Notes to the Financial Statements (pages 129 to 130)
(c)	Report of the Related Party Transactions Review Committee	Complied	Report of the Related Party Transaction Review Committee (page 63)
(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 64 to 69)

4. 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 84
(1) (b)	Signed financial statements of the Group and the Company for the accounting period completed	Complied	Pages 76 to 131
(1) (c)	Auditors' Report on financial statements of the Group and the Company	Complied	Pages 73 to 75
(1) (d)	Accounting policies and any changes therein	Complied	Pages 86 to 89
(1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Complied	Page 68
(1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Page 45
(1) (g)	Corporate donations made by the Company during the accounting period	Complied	Page 65
(1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Complied	Pages 67 to 68
(1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Complied	Page 105
(1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries	Complied	Pages 60 to 62
(1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	Pages 64 to 69

5. 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
Directors	• The Company is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen. • Roles of Chairman and CEO are separate. Their performances are appraised annually. Board Balance is maintained as the Code stipulates. • Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.
Directors' Remuneration	• The Human Resource and Compensation Committee of JKH, consisting of exclusively NEDs is responsible for determining the remuneration of Chairman, CEO and NEDs. • Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed on page 45 and is in line with the Code.
Relationship with Shareholders	• There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute. • The Group has in place multiple channels to reach shareholders as discussed on page 45.

Sub-Section	Compliance Summary
Accountability and Audit	• Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the company carried out all business in accordance with regulations and applicable laws, equitably and fairly. • The Company continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements. • There is an annual review of effectiveness of Internal Control which ensures the maintenance of a sound system of internal control. • The Internal Audit function and the Audit Committee, functions as stipulated by the Code.
Institutional Investors	• The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.
Other Investors	• Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.
Sustainability Reporting	• 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.

6. 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

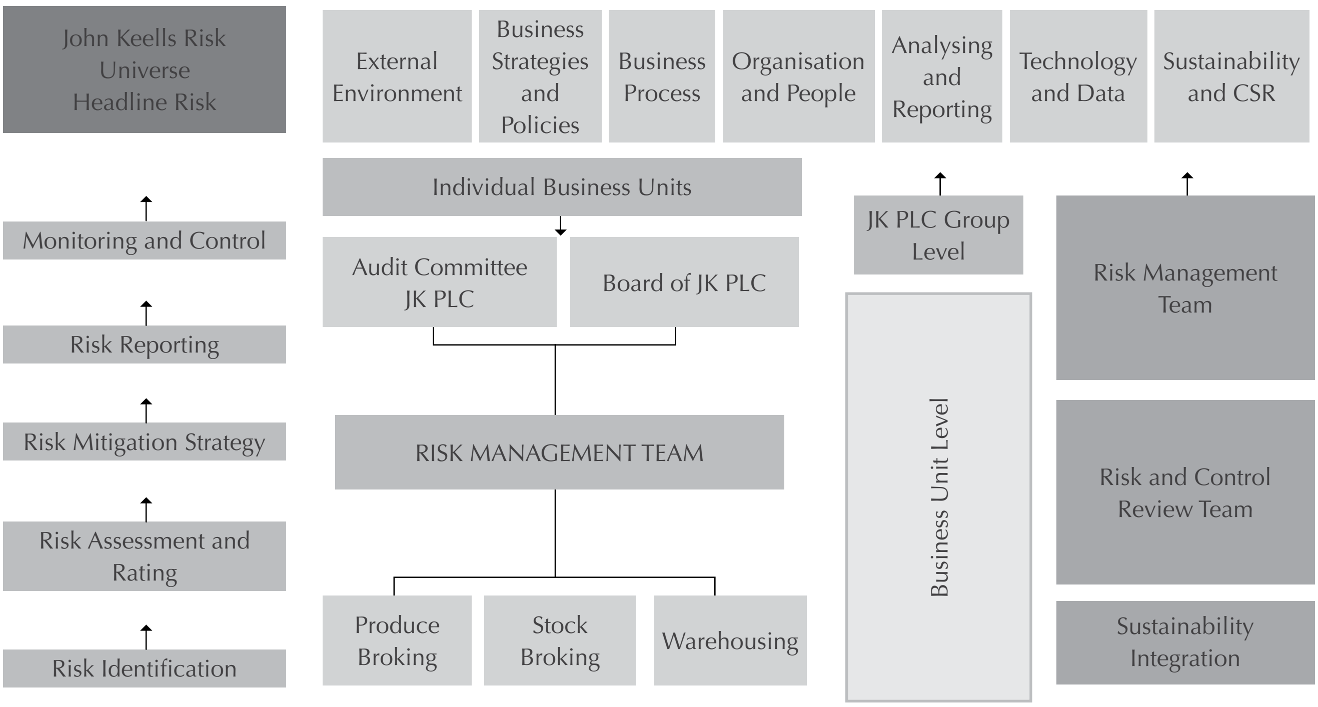
1. Overview

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 seize reasonable opportunities that may arise. The objective of the Risk Management Strategy of the Group, therefore, is to support in ensuring that the Group adopts 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 risks of the business.

Being guided by the ERM framework of John Keells Holdings PLC, the Company and Group has a process in place to identify specific operational and financial risks faced by the organization, related to the environment, community and employees.

The risk management process and information flow is depicted below:



2 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.

3 Risk Management Process

3.1 Risk Identification

The following definitions are important in identifying the types of risks the Group may face:

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.

'Core Sustainability Risks' are defined as those risks having a catastrophic impact to, and from the organisation, but may have a very low or nil probability of occurrence.

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.

3.1.1 Risk Universe

The Risk Universe applicable to the Group is depicted below. The identified risks are broadly classified into the Risk Universe laid out by the parent, John Keells Holdings PLC.

External Environment	Business Strategies and Policies	Business Process	Organisation and People	Analysing and Reporting	Technology and Data	Sustainability and CSR
Political	Reputation & Brand Image	Internal Business Process	Leadership/ Talent Pipeline	Performance Measurement and reporting	Technology Infrastructure/ Architecture	Sustainability Strategy
Competitor	Governance	Operations – Planning, Production, Process	Training and Development	Budgeting/ Financial Planning	Technology Reliability and Recovery	Biodiversity and Climate Change
Catastrophic Loss	Capital & Finance	Operations – Technology, Design, Execution, Continuity	Human Resource Policies & Procedures	Accounting/ Tax	Data relevance, Processing and Integrity	Natural/ Sustainable Resource Utilisation
Stakeholder Expectations	Strategy and Planning	Interdependency	Ethics	Internal/ External Reporting and Disclosures	Cyber Security	Community Investment and Philanthropy
Macro Economic	Business/ Product Portfolio	Customer Satisfaction	Fraud and Abuse		IT processes	Financing and Tax
Foreign Exchange and Interest Rates	Organisation Structure	Legal, Regulatory Compliance and Privacy	Attrition		Cloud computing	Oversight/ Monitoring/ Compliance
Weather and Climate	Innovation and R&D	Property & Equipment Damage & Breakdown	Knowledge and Intellectual Capital			Goal Congruence/ Dependence
	Investment, Mergers, Acquisitions & Divestments	Vendor/Partner Reliance	Employee Relations and Welfare/H & S			
	Treasury, Hedging and Insurance		Performance Management and Compensation			

3.2 Risk Assessment and rating

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

Guideline for Rating Risks

Impact / Severity						
5	Catastrophic/ Extreme Impact	5	10	15	20	25
4	Major / Very High Impact	4	8	12	16	20
3	Major / Very High Impact	3	6	9	12	15
2	Minor Impact	2	4	6	8	10
1	Low/ Insignificant Impact	1	2	3	4	5
		Rare/ Remote to Occur	Unlikely to Occur	Possible to Occur	Unlikely to Occur	Almost Certain to Occur
		1	2	3	4	5

Occurrence / Likelihood

Priority level Colour code Score	Ultra High	High	Medium	Low	Insignificant

3.3 Risk Mitigation

Risk mitigation mainly happens through 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 mitigation plan depends on the risk rating given under the above 'severity-likelihood' matrix. The Risk Management Team would then assign each identified risk to a Risk Owner who will be responsible for the implementation and reporting of the risk mitigating strategy.

3.4 Risk 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.

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.

3.5 Monitoring of Controls

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 as well as safety audits.

3.6 Opportunities

The available of a Risk Review Process helps the Group to identify opportunities and trends in the operating environment. Opportunities specific to the Company are further discussed in the Management Discussion and Analysis section of this Report.

The key risks that may hinder the achievement of our strategic business objectives together with control measures and action plans implemented to mitigate them are given below:

Risk Item	Potential Impact	Risk control measure & action plans to mitigate risk	Change In Risk Profile		
			2019/20	2018/19	2017/18
(1) Regional Plantation companies investing in broking companies	Increased operational cost	The Company closely monitors competitor activities and ensure the Tea & Rubber Brokers operate within the controlled environment.	Medium	Medium	Medium
	Potential loss of revenue	Providing manufacturing advice, enterprise management & marketing advice to producer clients in order that estates are aligned to market requirements			
	Loss of reputation				
(2) Loss of business due to factories closing down	Loss of business and financial loss to the company	Monitoring of green leaf intakes to the factories, and catalogued quantities.	Medium	Medium	Medium
(3) Fraud & Corruption	Loss of revenue/ business	Regular Forestpin analyses done in collaboration with Group BPR division.	Low	Low	Low
	Negative impact on business reputation built over time	Having proper and adequate Insurance policies in place.			
		Constant management supervision, Internal audit, and strict disciplinary action taken towards any frauds identified.			
(4) Brokers not adhering to by laws Segment – Produce Broking	Loss of business	Canvassing to strengthen the CBA audit by extending it to cataloging and warehousing of tea	Low	Medium	Low
(5) Entry of Non CBA Members Segment – Produce Broking	Loss of business due to non CBA members not adhering to By Laws	Lobbying with important authorities and converting the importance for new entrants to be members of the Colombo Brokers Association.	Insignificant	Insignificant	Insignificant
(6) Natural Disasters	Loss of productivity	Having a proper BCP in place	Low	Low	Insignificant
	Damaged goods	Covering all possible risks through an insurance policy			
	Harm to HR	Carrying out quarterly reviews of BCP			
	Damaged machinery & equipment				
(7) Increase in interest rates Segment – Produce Broking	Increased cost of debt	Having constant communication with Group Treasury & CBA on minimum lending rates	Low	Low	Insignificant
		Revision of interest rates charged to clients			
		Constant review of the Average Weighted Prime Lending Rate (AWPLR)			

Risk Item	Potential Impact	Risk control measure & action plans to mitigate risk	Change In Risk Profile		
			2019/20	2018/19	2017/18
(8) Over Exposure on lending Segment – Produce Broking	Reduced cash flow and profitability	The Company deals mostly with recognized, credit worthy clients who are private Tea factory owners & plantation companies. Credit risks are minimized as we advance funds based on inventories available in our warehouse valued based on historical as well as potential market trends.	Medium	Medium	Medium
		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.			
		Advances are released following an automated approval grid procedure			
		Legal action would be taken on clients who fail to adhere to the commitment they made.			
(9) Fire at warehouse Segment – Warehousing	Loss of customers, Stock and property	Making sure BCP is in place and reviewed on a quarterly basis	Low	Low	Insignificant
	Decline of brand reputation	John Keells Warehousing has installed fire smoke detectors and carries out annual compliance audits. Further, the Company has obtained OHSAS & HACCP certification to ensure up to date adherence to safety requirements			
		Covering all possible risks through an insurance policy			
(10) Human Resources risk Segment – Produce broking, Warehousing, Stock Broking	Adverse impact on efficiency of operations and loss of competitive advantage	The Company attempts to mitigate this risk by encouraging continuous education, providing relevant training and development opportunities, & fostering a culture where all employees, regardless of rank, can actively contribute to the business.	Low	Low	Insignificant
(11) Information Technology (IT) Risk Segment – Produce broking, Stock Broking	Not meeting service quality levels	JK PLC invested in a security infrastructure appropriate for its size and scale of operations & 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.	Low	Low	Insignificant
	Potential loss of inventory & reputational loss				
	Breakdown of internal controls due to IT being outsourced.	Conducting IT internal audits, management supervision & legal contractual obligations from both parties are in place to mitigate risk.			

Risk Item	Potential Impact	Risk control measure & action plans to mitigate risk	Change In Risk Profile		
			2019/20	2018/19	2017/18
(12) Unauthorized access to critical assets	Compromising of delivery orders being issued prior to buyers making payments	Following of Group IT policies Introduction of a new system Carrying internal audits on a timely basis to ensure that actions are initiated in compliance with the regulations	Low	Insignificant	Insignificant
(13) Macro-economic environment of exporting countries. Currency fluctuation and drop in oil prices	Increased operational cost & potential loss of revenue	Constant monitoring of the environment, maintaining extra space in the warehouses in the short term	Medium	Medium	Medium
(14) Trade rejection by Custodian Client of JKSB	Broking Firm has to fund the purchase on T+3; Inability to fund large purchase rejection could result in settlement failure by JKSB	Close follow up with client or broker on affirmation	Low	Low	Low
(15) Miscommunication of buy or sell orders	Financial Loss Loss of reputation Legal liability	Staff training, awareness and vigilance	Insignificant	Insignificant	Insignificant
(16) Pandemic impacting business operations	Employees not being able to attend work as usual.	Conduct weekly auctions on the online platform. Observe health and safety precautions according to government regulations, when reporting to work.	Low	N/A	N/A

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. Potential Financial Risk in compliance with the Sri Lanka Accounting Standards (SLFRS) is disclosed on pages 91 to 96 under notes to the Financial Statements.

REPORT OF THE BOARD AUDIT COMMITTEE

Introduction

The Board Audit Committee (Committee) of the Company 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 activities of the Committee for the year under review.

Role of the Board Audit Committee

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 Oct 2019.

The Committee assists the Board in fulfilling its responsibilities with regard to;

> Ensuring the integrity of the financial statements of the Company in accordance with the Accounting Standards as defined by The Institute of Chartered Accountants of Sri Lanka, applicable local laws and regulations and the requirements of the Listing Rules of the Colombo Stock Exchange (CSE) to provide accurate, appropriate and timely information to management, regulatory authorities, shareholders and other stakeholders.

> Ensuring that high standards of Corporate Governance are in place by adopting and adhering to policies and procedures of the Company.

> Ensuring compliance with laws, regulations, policies of the Group and Company.

> Evaluating and reviewing the independence of the External Auditors and outsourced Internal Auditors and follow up on their findings and recommendations.

> 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 unforeseen risks.

> Assessing the Company's ability to continue as a going concern in the foreseeable future.

Composition of the Board Audit Committee and Meetings

The Board Audit Committee (Committee) of John Keells PLC 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 Board Audit Committee comprised three Independent Non-Executive Directors for the financial year 2019/2020 whose detailed profiles are given on pages 36 to 37 of this report. The BAC 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.

Meeting of the Board Audit Committee

The Committee convened four times during the financial year 2019 / 2020 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 John Keells PLC (JK PLC). The Chief Executive Officer of JK PLC, Head of Operations of JK PLC, Financial Controller of JK PLC, 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 need basis. The Chairman and members of the Committee were in regular contact with the management of the Company through numerous meetings and communications to oversee the auditing and control aspects in the Company.

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 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 future 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.

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 any unresolved matters of significance. 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.

The External Auditors' Management Letter for the year 2019/20, 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.

Re- Appointment of the External Auditors

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 2021, subject to approval of the shareholders at the next Annual General Meeting.

Risk Assessment

The Audit Committee has also reviewed the processes for the identification, evaluation and management of all significant operational risks faced by the Company. 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 Plantation Services Sector and Group IT as well as the outsourced Internal Auditors, Messer's BDO Partners.

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 behaviour, any violation of group values or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing 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. Kalugalagedera 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.

BOARD AUDIT COMMITTEE ATTENDANCE

	13.05.2019	26.07.2019	25.10.2019	16.01.2019	Eligibility to attend	Attended
B. A. I. Rajakarier	✓	✓	✓	✓	4	4
A. K. Gunawardhana	✓	✓	✓	✓	4	4
N. Wijewardane	✓	✓	✓	✓	4	4

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

B A I Rajakarier
Chairperson of the Board Audit Committee

21st May 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

P Perera
N Fonseka
A Cabraal
K Balendra

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

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best 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. Further, recurrent RPTs were reviewed annually by the Committee. Other significant transactions of non-listed subsidiaries were presented to the Committee for information.

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

The Committee held four meetings during the financial year.

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

P Perera
Chairperson of the Related Party Transaction Review Committee

13th May 2020

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 73rd 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, 2020.

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 view 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 2020.

Financial Statements

The Financial Statements of the Company and the JKL Group are set out on pages 76 to 131 of the Annual Report.

Auditor's Report

The Auditor's Report on the Financial Statements are given on pages 73 to 75 of the Annual Report.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 84 to 131 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 2020, 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 2020 was Rs. 152 million (2019-Rs. 152 million).

Revenue

Revenue generated by the Company amounted to Rs. 422 million (2019 - Rs. 536 million), whilst JKL Group revenue amounted to Rs. 647 million (2019 - Rs. 833 million). Contribution to JKL Group revenue, from the different business segments is provided in Note 06 to the Financial Statements on pages 89 to 90.

Results and Appropriations

The profit/(Loss) after tax of the Company was Rs. (164) million (2019 - Rs. 199 million) whilst the JKL Group profit /(Loss) attributable to equity holders of the Parent Company for the year was Rs. (188) million (2019-Rs. 202 million).

Results of the Company and of the JKL Group are given in the Income Statement on page 76.

Dividend

A First and Final Dividend of Rs. 2.00 per share (2018 - Rs. 2.30) was paid for the financial year ended 31st March 2019 amounting to Rs. 121.60 million (2018 - Rs. 139.84 million) on 14th June 2019.

Dividend per share has been computed based on the amount of dividends recognized as distribution to the equity holders during the period.

Detailed description of the results and appropriations are given below.

	Group		Company	
Profits	2019 /2020	2018/2019	2019 /2020	2018/2019
	Rs. 000's	Rs. 000's	Rs. 000's	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	(156,916)	296,800	(127,645)	261,240
From which has to be (deducted) the provision for taxation of	(37,521)	(94,345)	(35,898)	(62,434)
Leaving a net profit/(loss) on ordinary activities after taxation of	(194,437)	202,455	(163,543)	198,806
From which the amount attributable to minority Interest was (deducted)/Added	6,643	(667)	-	-
To which Other Comprehensive Income was (Deducted)	(21,835)	(4,901)	(32,,112)	(9,644)
To which share Based payment Expenses is added	9,524	17,056	3,700	8,563
And after the balance brought forward from the previous year was added	4,108,823	3,455,197	3,754,359	3,116,951
The amount available for appropriation was	3,908,718	4,248,663	3,562,404	3,894,199
Appropriations				
First and Final Dividend of Rs. 2.00 per share paid for 2018/2019 on 14th June 2019 (2017/2018-Rs. 2.30)	(121,600)	(139,840)	(121,600)	(139,840)
Leaving a balance to be carried forward to the next year of	3,787,118	4,108,823	3,440,804	3,754,359

Donations

During the year under review the Company has not made any donations. (2019 – 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. 1.18 million (2019 - Rs. 1.30 million) and the Group's contribution was Rs. 1.71 million (2019 Rs. 1.88 million) respectively.

Property, Plant and Equipment

The book value of property, plant and equipment as at the Reporting date amounted to Rs. 14 million (2019- Rs. 17million) and Rs. 352 million (2019 - Rs. 351 million) for the Company and Group respectively.

Capital expenditure for the Company and Group amounted to Rs. 0.3 million (2019 - Rs. 1.3 million) and Rs. 10.6 million (2019 - Rs. 8.5 million), respectively. Details of property, plant and equipment and their movements are given in Note 18 to the Financial Statements on pages 111 to 114.

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 Group amounted to Rs. 379 million (2019-Rs. 364 million) and Rs. 379 million (2019 - Rs. 364

million) respectively. The investment, property was revalued by Mr. P. B. Kalugalagedra Associated Chartered Valuer as at 31st December 2019.

Details of the valuation of Investment property is provided in Note 20 to the Financial Statements on page 117.

The real estate portfolio of the Group as at 31st March 2020 is disclosed on page 117.

Investment

Investments of the Company and the Group and other external investments amounted to Rs. 2,964 million (2019-Rs. 2,997 million) and Rs. 2,877 million (2019 - Rs. 2,914 million), respectively.

Investment in Waterfront Properties (Pvt) Ltd

During the year, the Company's shareholding in Waterfront Properties (Pvt) Ltd was diluted to 4.01 percent from 5.17 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 2020, are given in Note 24.2 to the Financial statements on pages 121 to 122.

Reserves

Total reserves as at 31st March 2020 of the Company and JKL Group amounted to Rs. 3,289 million (2019 - Rs. 3,602 million) and Rs. 3,635 million (2019 - Rs. 3,957 million), respectively.

The movement and composition of the Capital and Revenue reserves is disclosed in the statement of Changes in equity on pages 79 to 80.

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 131.

Contingent Liabilities and Capital Commitments

There have been no commitments or contingent liabilities other than those stated in Note 36 on page 131 of this Annual Report.

Human Resources

The number of persons employed by the Company and Group as at 31st March 2020 was 49 (2019 - 54) and 78 (2019 - 81), 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 53 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 endeavours to ensure the equitable treatment of shareholders; and

d) The business is a Going Concern with supporting as 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 Sustainability, ERM & GI 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 60 to 62 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 two Independent Non-Executive Directors and one Non Independent Executive Director

Mr. M A Omar - Chairman
Dr. S S H.Wijayasuriya
Mr. K N J Balendra
Dr. R Coomaraswamy (Resigned w.e.f 31st December2019)
Ms. M P Perera

Composition of the Nomination Committee was reconstituted at the JKH Board Meeting held on 24 May 2019, following which Ms. M P Perera was released from her role in the said sub-committee. She was re-appointed to the Nominations Committee of JKH w.e.f. 1 January 2020

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 and one Non-Independent Executive Director.

Ms. M P Perera - Chairperson
Mr. A N Fonseka
Mr. D A Cabraal
Mr. K N J Balendra*

The Chairperson is an Independent Non – Executive Director of JKH.

* Composition of the Related Party Transaction Review Committee was reconstituted at the Board Meeting held on 31st March 2020, following which Mr. K N J Balendra was released from his role in the committee. Mr. K N J Balendra will attend meetings, as required, by invitation.

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. 43.00 as at 31st March 2020 (31st March 2019 - Rs. 48.00). 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 135 to 137 and in the Shareholders Information section on pages 132 to 134.

The Company endeavours 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 133 of the Annual Report. The distribution schedule of the Shareholders and public holdings are disclosed on page 132 of the Annual Report.

Directorate

As at 31st March 2020 the Board of Directors of the Company consisted of six Directors with wide commercial, academic knowledge and experience. The Directors profile are given on pages 36 to 37 of this Annual Report.

The Board of Directors of the Company and its subsidiaries as at 31st March 2020 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. B. A. I. Rajakarier	✓	-	-
Mr. C. N. Wijewardane	✓	-	-
Ms. A. K. Gunawardhana	✓	-	-
Mr. J R Gunaratne	✓	✓	✓
Mr. D P Gamlath		✓	
Ms. R S Cader	-	✓	-
Mr. K C Subasinghe	-	-	✓
Mr. A Z Hashim	-	-	✓

Retirement of Directors by Rotation and Re-Election

In accordance with the Article 83 of the Article of Association of the Company Mr. J G A Cooray and Ms. A K Gunawardhana who retire by rotation and being eligible, will offer themselves for re-election at the next Annual General Meeting.

Directors' Remuneration

Details of the remuneration and other benefits received by the Directors are set out on page 105 of the Financial Statements.

Directors' and CEO's Shareholdings

Name of Director	Number of shares	
	As at 31st March 2020	As at 31st March 2019
Mr. K N J Balendra - Chairman	Nil	Nil
Mr. J. G. A. Cooray	Nil	Nil
Mr. J R Gunaratne	Nil	Nil
Ms. B. A. I. Rajakarier	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

a) 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 and no additional interests have been disclosed by any Director.

b) There have been no disclosures of share dealings as at 31st March 2020.

c) Indemnities and Remuneration

The contracts of Ms. A K Gunawardhana, Ms. B A I Rajakarier and Mr. C N Wijewardene as Non- Executive Directors of the Company were renewed for a further period of 3 years with effect from 27th June 2019 at Non-Executive Directors fees approved by the Board of Directors, which fees are commensurate with the market and complexities of the business of the Company.

Fees payable to Non-Executive nominee Directors of JKH were paid to JKH and not to individual Directors.

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 endeavours to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2020 the trade and other payables of the Company and JKL Group amounted Rs. 53 million (2019-Rs. 427 million) and Rs. 154 million (2019-Rs. 667 million) respectively.

Environmental Protection

The JKL Group complies with the relevant environmental laws, regulations and endeavours 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 131, 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 pages 60 to 62.

Annual Report

The Board of Directors approved the Company and Consolidated Financial Statements on 21st May 2020. 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 Board of Directors is closely monitoring the ongoing developments in the Country due to the COVID-19 pandemic and the resultant directives issued by the regulatory authorities. Given the unprecedented nature of these events and the fact that the health and well-being of all Meeting attendees is of paramount importance, the date and venue of the Annual General Meeting and the business to be transacted in terms of the agenda of the Meeting, will be notified to Shareholders in due course.

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

Krishan Balendra

Chairman

Director

Keells Consultants (Private) Limited.
Secretaries

21st May 2020

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 profit and loss of the Company and its subsidiaries for the financial year.

- 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.

- A Statement of Other Comprehensive Income

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.

- 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.

- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company and its subsidiaries 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 consider being appropriate to enable them to give their audit opinion.

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 2020

FINANCIAL INFORMATION

FINANCIAL CALENDAR

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

1st Quarter	26th July 2019
2nd Quarter	25th October 2019
3rd Quarter	16th January 2020
4th Quarter	21st May 2020

ANNUAL REPORTS

2019/20 (Annual Report)	21st May 2020
2018/19 (Fifth Integrated Annual Report)	24th May 2019

MEETINGS

73rd Annual General Meeting	Date to be notified
72nd Annual General Meeting	27th June 2019

INDEPENDENT AUDITORS' REPORT

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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 2020, 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 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of Trade Receivables and Loans given to Tea Sellers As of 31 March 2020, Trade Receivables and Loans given to Tea Sellers amount to Rs. 1,094 Mn. This represents 26% of total Assets of the Company. The impairment review of such Receivables was a key audit matter as management judgments and estimates were used in evaluating the recoverability of such balances.	Our procedures focused on the adequacy of provision for impairment and included the following; • We obtained an understanding of the process for credit assessment and approval, and impairment assessment of Trade Receivable and Loans given to Tea Sellers. • We 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. • We assessed the adequacy of provision for impairment based on the Expected Credit Loss (ECL) model specified in SLFRS 9 ("Financial Instruments "). • We evaluated the reasonableness of the recoverable amounts of Receivables collateralized by Tea Stocks by comparing the most recent trading prices as of reporting date 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property As at reporting date 31 March 2020, Investment Property carried at fair value amounted to Rs. 378.7 Mn. The fair value of such property was determined by an external valuer engaged by the Group. The valuation of Investment Property was significant to our audit due to the use of significant judgments in arriving at the fair value of Investment properties and estimates such as per perch price disclosed in the financial statements.	Our audit procedures focused on the valuation performed by the external valuer engaged by the Group, and included the following; • We assessed the competency, capability and objectivity of the external valuer engaged by the Group. • We read the external valuer's report and understood the key judgements and estimates made and the approach taken by the valuer in determining the valuation of each property. • We engaged our internal specialized resources to assist us in assessing appropriateness of the valuation technique used and the reasonableness of the significant judgements and assumptions such as per perch price used by the valuer. We have also assessed the adequacy of the disclosures made in note 8.2 in the financial statements relating to the significant judgements, valuation technique and estimates used by the external valuer.
Valuation of unquoted financial asset classified as Fair Value through Other Comprehensive Income (FVOCI) The Company's Financial Asset at Fair Value Through Other Comprehensive income consists of an unquoted equity investment in Waterfront Properties (Pvt) Ltd. This financial asset is fair valued at Rs. 2,502 Mn as at the reporting date. Such fair value was derived based on an adjusted net assets basis, which was dependent on the fair value of the assets and liabilities held by Waterfront Properties (Pvt) Ltd. We determined the valuation of this unquoted financial asset as a key audit matter due to the use of a valuation technique based on unobservable inputs as further disclosed in notes 8.1 and 24.2 in the financial statements.	Our audit procedures focused on the valuation of the FVOCI investment performed by the Management, and included the following; • We engaged our internal specialized resources to assist us in evaluating the appropriateness of the valuation technique and reasonableness of assumptions and estimates used by Management to ascertain the fair value of this unquoted equity investment. • We validated the key valuation inputs used by Management, such as extent of land, per perch price, cost incurred to date for the capital construction work in progress of the investee entity - Waterfront Properties (Pvt) Ltd. We further evaluated the adequacy of the related disclosures in notes 8.1 and 24.2 in the financial statements.

Other information included in the Group's 2020 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

21st May 2020
Colombo

INCOME STATEMENT

For the year ended 31st March	Note	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
Continuing Operations					
Services transferred over time	10	647,492	833,119	422,317	535,675
Revenue from contracts with customers		647,492	833,119	422,317	535,675
Cost of Sales		(264,741)	(287,274)	(148,742)	(161,525)
Gross Profit		382,751	545,845	273,575	374,150
Dividend Income	11	-	-	31,920	36,602
Other Operating Income	12.1	1,456	493	1,279	288
Selling and Distribution Expenses		(285,535)	(33,480)	(282,880)	(31,447)
Administrative Expenses		(222,997)	(243,322)	(91,915)	(100,879)
Results from Operating Activities		(124,325)	269,536	(68,021)	278,714
Finance Expenses	13.2	(97,806)	(119,439)	(97,785)	(119,438)
Finance Income	13.1	47,200	51,770	23,061	26,464
Net Finance Expenses		(50,606)	(67,669)	(74,724)	(92,974)
Changes in Fair Value of Investment Properties		15,100	75,500	15,100	75,500
Share of Results of Associate		2,915	19,433	-	-
Profit / (loss) Before Tax	14	(156,916)	296,800	(127,645)	261,240
Tax Expense	17.1	(37,521)	(94,345)	(35,898)	(62,434)
Profit / (Loss) for the Year		(194,437)	202,455	(163,543)	198,806
Attributable to:					
Equity Holders of the Parent		(187,794)	201,788		
Non- Controlling Interests		(6,643)	667		
		(194,437)	202,455		
		Rs.	Rs.	Rs.	Rs.
Earnings / (loss) per share					
Basic	15	(3.09)	3.32	(2.69)	3.27
Dividend per share	16	2.00	2.30	2.00	2.30

Figures in brackets indicate deductions.
The Accounting Policies and Notes as set out on pages 84 to 131 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31st March	Note	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Profit / (loss) for the year		(194,437)	202,455	(163,543)	198,806
Other comprehensive income					
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Net (loss) / gain on equity instruments at fair value through other comprehensive income		(33,406)	(10,517)	(33,406)	(10,517)
Revaluation of land and buildings		10,882	6,678	-	-
Re-measurement gain /(loss) on defined benefit plans	32.2	6,479	1,484	3,088	1,575
Net other comprehensive income not to be reclassified to income statement in subsequent periods.		(16,045)	(2,355)	(30,318)	(8,942)
Income tax on other comprehensive income	17.2	(5,790)	(2,546)	(1,794)	(702)
Other Comprehensive Income for the period, Net of Tax		(21,835)	(4,901)	(32,112)	(9,643)
Total Comprehensive Income for the period, Net of Tax		(216,272)	197,554	(195,655)	189,163
Attributable to:					
Equity Holders of the Parent		(209,629)	196,887		
Non- Controlling Interests		(6,643)	667		
		(216,272)	197,554		

Figures in brackets indicate deductions.
The Accounting Policies and Notes as set out on pages 84 to 131 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	18.3	352,079	351,075	13,686	16,905
Right of Use Assets - Lease hold properties	19	34,757	-	-	-
Lease Rentals Paid in Advance	19	-	35,846	-	-
Investment Property	20	378,700	363,600	378,700	363,600
Intangible Assets	21	2,642	4,063	2,642	4,063
Investments in Subsidiaries	22	-	-	158,570	158,570
Investments in Associates	23	96,331	96,132	24,000	24,000
Non-Current Financial Assets	24	2,985,414	3,053,240	2,960,273	3,028,288
Deferred Tax Assets	17.5	20,049	15,090	3,975	6,249
Other Non - Current Assets		8,997	9,367	3,218	3,237
		3,878,969	3,928,413	3,545,064	3,604,912
Current Assets					
Inventories	25	1,521	1,103	1,173	778
Trade and Other Receivables	26	638,559	1,775,976	591,082	1,577,813
Amounts due from Related Parties	35.1	5,946	6,050	4,446	5,378
Income Tax Refunds	17.4	539	-	-	-
Other Current Assets	27	3,641	8,041	1,406	2,896
Short Term Investments	28	203,044	249,348	-	-
Cash in Hand and at Bank	29.1	108,849	200,989	60,568	178,349
		962,099	2,241,507	658,675	1,765,214
Total Assets		4,841,068	6,169,920	4,203,739	5,370,126
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated Capital	30.1	152,000	152,000	152,000	152,000
Revenue Reserves		2,606,225	2,910,954	2,474,554	2,757,474
Other components of equity	30.2	1,028,893	1,045,869	814,250	844,885
		3,787,118	4,108,823	3,440,804	3,754,359
Non-Controlling Interests		37,690	42,591	-	-
Total Equity		3,824,808	4,151,414	3,440,804	3,754,359
Non-Current Liabilities					
Deferred Tax Liabilities	17.6	97,572	98,693	-	-
Employee Benefit Liabilities	32.8	76,084	76,712	40,825	40,205
		173,656	175,405	40,825	40,205
Current Liabilities					
Trade and Other Payables	33	153,914	667,387	53,226	427,412
Amounts due to Related Parties	35.2	4,193	6,123	6,571	8,634
Income Tax Liabilities	17.4	8,944	19,209	8,535	3,924
Other Current Liabilities	34	804	689	667	486
Bank Overdrafts	29.2	674,749	1,149,693	653,111	1,135,106
		842,604	1,843,101	722,110	1,575,562
Total Equity and Liabilities		4,841,068	6,169,920	4,203,739	5,370,126

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.

Krishan Balendra

Mr K.N.J. Balendra
Director

Mr. J. G. A. Cooray
Director

The Accounting Policies and Notes as set out on pages 84 to 131 form an integral part of these Financial Statements.

21st May 2020

STATEMENT OF CHANGES IN EQUITY

Group	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
	Note	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
As at 01st April 2018		152,000	149,079	779,182	106,522	2,847,937	4,034,720	39,535	4,074,255
Profit for the year		-	-	-	-	201,788	201,788	667	202,455
Other Comprehensive Income net of tax		-	4,808	(10,778)	-	1,069	(4,901)	-	(4,901)
Total Comprehensive Income net of tax		-	4,808	(10,778)	-	202,857	196,887	667	197,554
Share based payment expenses	31	-	-	-	17,056	-	17,056	2,389	19,445
Final Dividend Paid - 2017/18	16	-	-	-	-	(139,840)	(139,840)	-	(139,840)
As at 31 March 2019		152,000	153,887	768,404	123,578	2,910,954	4,108,823	42,591	4,151,414
Loss 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)
As at 31 March 2020		152,000	161,722	734,069	133,102	2,606,225	3,787,118	37,690	3,824,808

Figures in brackets indicate deductions.
The Accounting Policies and Notes as set out on pages 84 to 131 form an integral part of these Financial Statements.

Company

			Other Components of Equity			
		Stated capital	Other capital reserves	Fair value reserve of financial assets at FVOCI	Revenue reserves	Total
	Note	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
As at 1st April 2018		152,000	67,918	779,182	2,697,374	3,696,474
Profit for the year		-	-	-	198,806	198,806
Other Comprehensive Income net of tax		-	-	(10,778)	1,134	(9,644)
Total Comprehensive Income net of tax		-	-	(10,778)	199,940	189,162
Share based payment expenses	31	-	8,563	-		8,563
Final Dividend Paid - 2017/18	16	-	-	-	(139,840)	(139,840)
As at 31 March 2019		152,000	76,481	768,404	2,757,474	3,754,359
Loss for the year		-	-	-	(163,543)	(163,543)
Other Comprehensive Income net of tax		-	-	(34,335)	2,223	(32,112)
Total Comprehensive Income		-	-	(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)
As at 31 March 2020		152,000	80,181	734,069	2,474,554	3,440,804

Figures in brackets indicate deductions.
The Accounting Policies and Notes as set out on pages 84 to 131 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

For the year ended 31st March	Note	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
CASH FLOW FROM OPERATING ACTIVITIES					
Profit / (loss) before tax		(156,916)	296,800	(127,645)	261,240
Adjustments to reconcile profit before tax to net cash flows:					
Associate Companies Share of Profit	23.2	(2,915)	(19,433)	-	-
Interest income	13.1	(32,480)	(34,066)	(8,344)	(8,760)
Dividend income - FVOCI Financial Assets	13.1	(14,719)	(17,704)	(14,719)	(17,704)
Dividend income - Subsidiaries	11			(31,920)	(36,602)
Finance expenses	13.2	97,806	119,439	97,785	119,438
Change in fair value of investment properties	20	(15,100)	(75,500)	(15,100)	(75,500)
Depreciation of property, plant and equipment	14	20,507	21,202	3,510	6,622
Amortisation of Lease Charges	19.2	-	1,089	-	-
Amortisation expense of right-of-use assets	19.1	1,089	-	-	-
Amortisation of Intangible Assets		1,421	200	1,421	200
Impairment of trade debtors		277,844	25,946	277,844	25,946
Amortisation of prepaid staff cost		1,316	807	-	-
(Profit) / loss on sale of property, plant and equipment		(5)	5	(5)	5
Share based payment expenses	31	11,266	19,445	3,700	8,563
Gratuity provision and related costs	32.3	11,538	11,416	6,232	6,201
Other long term employee benefits		3,722	1,675	3,722	1,675
Operating Profit Before Working Capital Changes		204,373	351,321	196,483	291,324
Working Capital adjustments :					
Decrease / (Increase) in Inventories		(418)	(442)	(395)	(308)
Decrease / (Increase) in Trade and Other Receivables		859,575	(258,197)	708,886	(187,660)
Decrease / (Increase) in Other Non-Current Assets		35,183	(185,194)	34,629	(165,742)
Decrease / (Increase) in amounts Due from Related Parties		104	(4,247)	932	(3,507)
Decrease / (Increase) in Other Current Assets		4,400	(4,075)	1,491	(1,691)
Increase / (Decrease) in Trade and Other Payables		(516,176)	(23,846)	(376,890)	(55,626)
Increase / (Decrease) in amounts Due to Related Parties		(1,930)	2,571	(2,063)	4,874
Increase / (Decrease) in Other Current Liabilities		115	(3,721)	181	(1,499)
Cash Generated from Operations		585,226	(125,830)	563,254	(119,835)
Interest Received	13.1	32,480	34,066	8,344	8,760
Finance Expenses Paid	13.2	(97,806)	(119,439)	(97,785)	(119,438)
Dividend income - Subsidiaries	11	-	-	31,917	36,602
Income Tax Paid and set off	17.4	(28,104)	(107,196)	(28,103)	(97,486)
Gratuity paid/Transfers(Net)	32.2	(6,246)	475	(6,245)	(3,163)
Net Cash Flow from/(used in) Operating Activities		453,797	(317,924)	471,383	(294,560)

For the year ended 31st March	Note	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of Property, Plant and Equipment	18.1	(10,646)	(12,297)	(310)	(1,298)
Purchase of Intangible Assets	21.1	-	(4,263)	-	(4,263)
Dividend income- FVOCI Financial Assets	13.1	14,719	17,704	14,719	17,704
Proceeds from Sale of Property Plant & Equipment		230	178	22	152
Net cash flow from/(used in) Investing Activities		4,303	1,322	14,431	12,295
CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		(121,600)	(139,840)	(121,600)	(139,840)
Net cash flow From /(Used in) Financing Activities		(121,600)	(139,840)	(121,600)	(139,840)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		336,500	(456,442)	364,214	(422,105)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		(699,356)	(242,914)	(956,757)	(534,652)
CASH AND CASH EQUIVALENTS AT THE END		(362,856)	(699,356)	(592,543)	(956,757)
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Cash in hand and at bank		108,849	200,989	60,568	178,349
Short Term Investments		203,044	249,348	-	-
		311,893	450,337	60,568	178,349
Unfavourable balances					
Bank Overdrafts		(674,749)	(1,149,693)	(653,111)	(1,135,106)
Cash and cash equivalents		(362,856)	(699,356)	(592,543)	(956,757)

Figures in brackets indicate deductions.
The Accounting Policies and Notes as set out on pages 84 to 131 form an integral part of these Financial Statements.

INDEX TO THE NOTES

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 2020, 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 2020 were authorized for issue by the directors on 21st May 2020.

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 06 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 70 in the Annual report.

Statement of compliance

The financial statements which comprise the statement of financial position, the statement of income, 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 preparing these financial statements, based on the available information the management has assessed the existing and anticipated effects of COVID-19 on the Company and its Subsidiaries and the appropriateness of the use of the going concern basis.

In March 2020, each business evaluated the resilience of its business considering a wide range of factors such as current, the impact on profitability and cash flow, 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 of the businesses to the Board, the directors are satisfied that the Company, Subsidiaries & Associates 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 judgments, 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 31 March 2020. 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 the 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 JUDGMENTS, 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. Other than the adoption of SLFRS 16.

Changes in accounting standards
The Group applied SLFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but did not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 16 Leases
SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Group has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Group is the lessor.

The effect of adoption of SLFRS 16 as at 1st April 2019 is as follows:

Assets	
Right of use assets	35,846,250
Lease rentals paid in advance	(35,846,250)
Other current assets	-
Total assets	-
Liabilities	
Interest-bearing loans and borrowings	-
Other deferred liabilities	-
Total Liabilities	-

a) **Nature of the effect of adoption of SLFRS 16**

The Group has performed a detailed impact assessment of SLFRS 16 as at the reporting date.

The Group did not have a significant impact on it's statement of financial position or equity on applying the classification and measurement requirements of SLFRS 16 since the Group did not have a lease liability as at 31st March 2020.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

Company did not have a significant impact on it's balance sheet on applying IFRIC Interpretation 23 Uncertainty over Income Tax Treatment.

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 LKAS 39, 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 LKAS 39, 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.

The Group has not determined Impairment of goodwill as at the reporting date due to the COVID-19 pandemic. Each business unit currently operating under the business continuity plans as per the Group risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. Other business units where it is not feasible to operate in full or partial capacity in the immediate short term under the current environment, the management has taken necessary steps to safeguard the assets.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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.

5.2 **Current versus non-current classification**

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is 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 exchange 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 POLICY

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 businesses 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 manger 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 that 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 OPERATING SEGMENT INFORMATION (Contd.)

6.1 Business Segments

Group	Produce Broking		Warehousing		Share Broking		Total	
For the Year Ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Disaggregation of revenue - Timing of revenue recognition								
Services transferred over time	422,317	535,675	101,295	108,890	129,936	194,366	653,548	838,931
Total revenue from contracts with customers	422,317	535,675	101,295	108,890	129,936	194,366	653,548	838,931
Elimination of inter segment revenue	-	-	(6,056)	(5,812)	-	-	(6,056)	(5,812)
Net revenue	422,317	535,675	95,239	103,078	129,936	194,366	647,492	833,119
Segment Results	(99,941)	242,114	30,234	41,687	(54,618)	(14,265)	(124,325)	269,536
Finance Income	23,061	26,463	5,279	5,323	18,860	19,984	47,200	51,770
Finance Expenses	(97,785)	(119,438)	-	-	(20)	(1)	(97,806)	(119,439)
Net Finance(Expenses)/ Income	(74,724)	(92,975)	5,279	5,323	18,840	19,983	(50,606)	(67,669)
Changes in fair value of Investment Property	15,100	75,500	-	-	-	-	15,100	75,500
	(159,565)	224,639	35,512	47,010	(35,778)	5,718	(159,831)	277,367
Share of results of Associate							2,915	19,433
Profit / (Loss) Before Tax							(156,916)	296,800
Tax Expense	(35,897)	(62,434)	(8,900)	(13,545)	8,099	(2,939)	(36,698)	(78,918)
Unallocated Tax Expenses							(823)	(15,428)
Total Tax Expenses	(35,897)	(62,434)	(8,900)	(13,545)	8,099	(2,939)	(37,521)	(94,346)
Profit / (Loss) After Tax							(194,437)	202,454
Purchase and construction of PPE	310	1,299	9,058	10,594	1,278	405	10,646	12,297
Addition to Intangible assets	-	4,263	-	-	-	-	-	4,263
Depreciation of PPE	3,510	6,622	15,452	13,155	1,545	1,425	20,507	21,202
Amortisation of Intangible assets	1,421	200	-	-	-	-	1,421	200
Amortisation of Lease rentals paid in advance	-	-	1,089	1,089	-	-	1,089	1,089
Gratuity provision and related cost	6,232	6,201	338	386	4,968	4,829	11,538	11,416

6.2 Business Segments

Segment Assets	4,117,924	5,279,484	434,601	426,977	288,543	463,459	4,841,068	6,169,920
Segment Liabilities	769,150	1,621,659	120,036	113,566	126,537	283,281	1,015,723	2,018,506

*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 such as Financial Assets designated at FVOCI. The Group's and Company's principal financial liabilities, comprise 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.

Group

		Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation
2020	Note	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	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		-	612,943	-	-	612,943	15%
Loans given to Tea/Rubber Sellers and other receivables	7.1.1.4	168,378		15,760	-		184,138	5%
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%
Total credit risk exposure		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%
Total equity risk exposure		2,985,414	108,849	638,559	203,044	5,946	3,941,812	100%

7 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

Group

2019	Note	Other non current financial assets Rs 000's	Cash in hand and at bank Rs 000's	Trade and other receivables Rs 000's	Other investments Rs 000's	Amounts due from related parties Rs 000's	Total Rs 000's	% of allocation
Government securities	7.1.1.1	-	-	-	249,348	-	249,348	5%
Loans to executives	7.1.1.2	32,229	-	10,211	-	-	42,440	1%
Trade receivables	7.1.1.3	-	-	1,760,380	-	-	1,760,380	33%
Loans given to Tea/Rubber Sellers and other receivables	7.1.1.4	203,010	-	5,385	-	-	208,395	4%
Amounts due from related parties	7.1.1.5	-	-	-	-	6,050	6,050	0%
Cash in hand and at bank	7.1.1.6	-	200,989	-	-	-	200,989	4%
Deposit		3,500					3,500	0%
Total credit risk exposure		238,739	200,989	1,775,976	249,348	6,050	2,471,102	47%
Financial Assets at fair value through OCI	7.1.1.7	2,814,501	-	-	-	-	2,814,501	53%
Total equity risk exposure		3,053,240	200,989	1,775,976	249,348	6,050	5,285,603	100%

Company

2020	Note	Other non current financial assets Rs 000's	Cash in hand and at bank Rs 000's	Trade and other receivables Rs 000's	Other investments Rs 000's	Amounts due from related parties Rs 000's	Total Rs 000's	% of allocation
Loans to executives	7.1.1.2	10,799	-	5,162	-	-	15,961	0%
Trade receivables	7.1.1.3	-	-	573,230	-	-	573,230	16%
Loans given to Tea / Rubber Sellers and other receivables	7.1.1.4	168,378	-	12,690	-	-	181,068	5%
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%
Total credit risk exposure		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%
Total equity risk exposure		2,960,273	60,568	591,082	-	4,446	3,616,369	100%

Company

2019	Note	Other non current financial assets Rs 000's	Cash in hand and at bank Rs 000's	Trade and other receivables Rs 000's	Other investments Rs 000's	Amounts due from related parties Rs 000's	Total Rs 000's	% of allocation
Loans to executives	7.1.1.2	10,777		5,884			16,661	0%
Trade receivables	7.1.1.3			1,569,608			1,569,608	33%
Loans given to Tea / Rubber Sellers and other receivables	7.1.1.4	203,010		2,321			205,331	4%
Amounts due from related parties	7.1.1.5					5,378	5,378	0%
Cash in hand and at bank	7.1.1.6		178,349				178,349	4%
Total credit risk exposure		213,787	178,349	1,577,813	-	5,378	1,975,327	41%
Financial Assets at fair value through OCI	7.1.1.7	2,814,501					2,814,501	59%
Total equity risk exposure		3,028,288	178,349	1,577,813	-	5,378	4,789,828	100%

7.1.1.1 Government securities

As at 31st March 2020 as shown in table above 5% (2019 - 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

		Group		Company	
For the year ended 31st March		2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Neither past due nor impaired		24,309	261,903	17,852	74,910
Past due but not impaired	0–30 days	590,280	1,414,165	555,896	1,405,085
	31–60 days	12,803	45,751	9,239	44,078
	61–90 days	1,458	75,143	201	74,907
	> 91 days	530,899	229,664	529,084	229,483
Gross carrying value		1,159,749	2,026,626	1,112,272	1,828,463
Less: impairment provision					
Individually assessed impairment provision (Note 7.1.1.3.1)		(521,190)	(250,650)	(521,190)	(250,650)
Total		638,559	1,775,976	591,082	1,577,813

7 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

The Company has obtained deposit as collateral from major customers by reviewing their past performance and credit worthiness.

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 Rs 000's	Company Rs 000's
As at 01st April 2018	224,283	224,283
Charge for the year	30,004	30,004
Utilized	(3,637)	(3,637)
As at 31st March 2019	250,650	250,650
Charge for the year	308,452	308,452
Utilized	(37,912)	(37,912)
As at 31st March 2020	521,190	521,190

7.1.1.4 Loans given to Tea / Rubber sellers

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

7.1.1.5 Amounts due from related parties

The Group's and Company's amounts due from related party mainly consist 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

	Group		Company	
	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Cash in hand and at bank	108,849	200,989	60,568	178,349
Short term investments	203,044	249,348	-	-
Liquid Assets	311,893	450,337	60,568	178,349
Bank Overdrafts	(674,749)	(1,149,693)	(653,111)	(1,135,106)
Liquid Liabilities	(674,749)	(1,149,693)	(653,111)	(1,135,106)
(Net debt) Cash	(362,856)	(699,356)	(592,542)	(956,757)

7.2.2 Liquidity risk management

Group has implemented a mixed approach 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 inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

The Group and the Company considered that Cash flow scrutiny is paramount and has adopted a disciplined approach across the group including setting up of Group-wide spend control and cash management steering committees (Cash war rooms) for preserving and increasing liquidity, particularly on account of the impact of COVID-19.

Maturity analysis

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

Group

	2020				2019			
As at 31st March	Less than 3 Months	3 to 12 Months	More than 12 Months	Total	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Trade and Other Payables	153,914	-	-	153,914	667,387	-	-	667,387
Amounts due to Related Parties	4,193	-	-	4,193	6,123	-	-	6,123
Bank Overdrafts	674,749	-	-	674,749	1,149,693	-	-	1,149,693
Total	832,856	-	-	832,856	1,823,203	-	-	1,823,203

Company

	2020				2019			
As at 31st March	Less than 3 Months	3 to 12 Months	More than 12 Months	Total	Less than 3 Months	3 to 12 Months	More than 12 Months	Total
Trade and Other Payables	53,225	-	-	53,225	427,412	-	-	427,412
Amounts due to Related Parties	6,571	-	-	6,571	8,634	-	-	8,634
Bank Overdrafts	653,111	-	-	653,111	1,135,106	-	-	1,135,106
Total	712,907	-	-	712,907	1,571,152	-	-	1,571,152

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, namely; 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 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

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.

7.3.2 Financial Assets designated at FVCOI

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 31st March	Change in year end market price index	Effect on profit before tax	Effect on equity Rs 000's
Group			
2020	10%	-	27,842
	-10%	-	(27,842)
2019	10%	-	32,113
	-10%	-	(32,113)
Company			
2020	10%	-	27,842
	-10%	-	(27,842)
2019	10%	-	32,113
	-10%	-	(32,113)

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.

	Group		Company	
As at 31st March	2020	2019	2020	2019
Debt/Equity	17.82%	27.98%	18.98%	30.23%

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:

· Other unquoted equity investment	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.

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.

Financial Assets

Group	Date of valuation	Level 1		Level 2		Level 3	
As at 31st March		2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Non-listed equity investments							
Waterfront Properties (Pvt) Ltd	31.03.2020	-	-	-	-	2,502,676	2,493,366
Listed equity investments							
Keells Food Products PLC	20.03.2020	-	321,135	278,420	-	-	-
Total		-	321,135	278,420	-	2,502,676	2,493,366

Financial Assets

Company	Date of valuation	Level 1		Level 2		Level 3	
As at 31st March		2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Non-listed equity investments							
Waterfront Properties (Pvt) Ltd	31.03.2020	-	-	-	-	2,502,676	2,493,366
Listed equity investments							
Keells Food Products PLC	20.03.2020	-	321,135	278,420	-	-	-
Total		-	321,135	278,420	-	2,502,676	2,493,366

During the reporting period ended 31st March 2020, there were transfers between Level 1 and Level 2 fair value measurements.

Due to the COVID-19 Pandemic situation, the fair value as of 31st March 2020 has been determined based on the last open trading day of the Colombo Stock Exchange (CSE).i.e. 20th March 2020.

The extent of information about the impact of COVID-19 that was available as at the reporting date shows factors which are indicative of an inactive market such as a significant drop in trade volumes, significant decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indexes and subsequent closure of the exchange for trading. Accordingly Management has determined the best indicative value the share prices as of 20th March 2020.

8.2 Non - Financial Assets by Fair Value Hierarchy

Non Financial Assets - Group

Group	Date of valuation	Level 1		Level 2		Level 3	
As at 31st March		2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Fair Value Hierarchy Non Financial Assets							
Assets Measured at fair value							
Investment Property	31.12.2019	-	-	-	-	378,700	363,600
Buildings on Leasehold land	31.12.2019	-	-	-	-	320,000	311,354

Non Financial Assets - Company

Company	Date of valuation	Level 1		Level 2		Level 3	
As at 31st March		2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Fair Value Hierarchy Non Financial Assets							
Assets Measured at fair value							
Investment Property	31.12.2019	-	-	-	-	378,700	363,600

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 2019	2,493,366	2,493,366
Acquisition/(disposal) of subsidiaries	-	-
Remeasurement gain/(loss) recognised for the year	9,309	9,309
As at 31st March 2020	2,502,675	2,502,675

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

Financial Assets	Value Techniques	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted Average)	Sensitivity of fair value to unobservable input unquoted equity
Unquoted equity investment - Waterfront Properties (Pvt) Ltd (Subsidiary of John Keells Holdings PLC)	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 12.96 (2019 Rs 13.00) - Rs 13.20 (2019 - 13.01) Positively correlated	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 solely payments of principal and interest (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.

9 FINANCIAL INSTRUMENTS (Contd.)

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 theses 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 did 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 did not have financial assets at fair value through profits 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 1st April 2018, the group assessed on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, 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 did 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 effective interest rate (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 FINANCIAL INSTRUMENTS (Contd.)

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/liabilities at amortised cost		Financial assets/liabilities at fair value through OCI with recycling of cumulative gains and losses		Financial assets/liabilities designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition		Total	
As at 31 st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Financial instruments in non-current assets/non-current liabilities								
Other Non - Current Financial Assets	204,318	238,739	-	-	2,781,096	2,814,501	2,985,414	3,053,240
Financial instruments in current assets/current liabilities								
Trade & Other Receivables	638,559	1,775,976	-	-	-	-	638,559	1,775,976
Trade and Other Payables	(153,914)	(667,387)	-	-	-	-	(153,914)	(667,387)
Amount Due from Related Parties	5,946	6,050	-	-	-	-	5,946	6,050
Amount Due to Related Parties	(4,193)	(6,123)	-	-	-	-	(4,193)	(6,123)
Cash in Hand and at Bank	108,849	200,989	-	-	-	-	108,849	200,989
Bank Overdrafts	(674,749)	(1,149,693)	-	-	-	-	(674,749)	(1,149,693)

Company	Financial assets/liabilities at amortised cost		Financial assets/liabilities at fair value through OCI with recycling of cumulative gains and losses		Financial assets/liabilities designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition		Total	
As at 31 st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Financial instruments in non-current assets/non-current liabilities								
Other Non - Current Financial Assets	179,177	213,787	-	-	2,781,096	2,814,501	2,960,273	3,028,288
Financial instruments in current assets/current liabilities								
Trade & Other Receivables	591,082	1,577,813	-	-	-	-	591,082	1,577,813
Trade and Other Payables	(53,226)	(427,412)	-	-	-	-	(53,226)	(427,412)
Amount Due from Related Parties	4,446	5,378	-	-	-	-	4,446	5,378
Amount Due to Related Parties	(6,571)	(8,634)	-	-	-	-	(6,571)	(8,634)
Cash in Hand and at Bank	60,568	178,349	-	-	-	-	60,568	178,349
Bank Overdrafts	(653,111)	(1,135,106)	-	-	-	-	(653,111)	(1,135,106)

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

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Services transferred over time	647,492	833,119	422,317	535,675
Total revenue from contracts with customers	647,492	833,119	422,317	535,675

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.

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Income from investments in related parties	-	-	31,920	36,602
	-	-	31,920	36,602

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

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Sundry income	1,451	498	1,274	293
Net gain on disposal of Property, Plant and Equipment	5	(5)	5	(5)
	1,456	493	1,279	288

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.

13.1 Finance income

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Interest income	6,095	4,972	6,250	8,760
Dividend income on				
Financial Assets at FVOCI Keells Food Products PLC	14,719	17,704	14,719	17,704
Financial assets at fair value through profit or loss	26,386	29,094	2,092	-
Total finance income	47,200	51,770	23,061	26,464
13.2 Finance cost				
Interest expense on borrowings	(97,806)	(119,439)	(97,785)	(119,438)
Total finance cost	(97,806)	(119,439)	(97,785)	(119,438)
Net finance income	(50,606)	(67,669)	(74,724)	(92,974)

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.

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
PROFIT BEFORE TAX				
Profit before tax is stated after charging all expenses including the following;				
Administration Expenses				
Remuneration to Non Executive Directors	6,000	9,278	6,000	6,900
Audit Fees	2,143	2,137	1,158	1,157
Amortisation of lease rental paid in advance	-	1,089	-	-
Amortisation of Right of Use Assets - Lease hold properties	1,089	-		-
Personnel costs includes				-
Defined Benefit Plan Cost	11,538	11,416	6,232	6,201
Defined Contribution Plan Cost - EPF and ETF	25,317	26,459	13,144	13,511
Other Staff Cost	229,631	241,351	107,157	111,942
Depreciation of Property, Plant and Equipment	20,507	21,402	3,510	6,622
Amortization of Intangible Assets	1,421	200	1,421	200
Other long term employee benefits cost	3,722	1,675	3,722	1,675
Donations	1,708	1,877	1,177	1,305
Selling and Distribution Expenses				-
Impairment / Recoveries of Trade Receivables	277,844	25,946	277,844	25,946

The Group considered that Cash flow scrutiny is paramount and has adopted a disciplined approach across the group including setting up of Group-wide spend control and cash management steering committees (Cash war rooms) for preserving and increasing liquidity, particularly on account of the impact of COVID-19.

15 EARNINGS PER SHARE

ACCOUNTING POLICY

Basic earnings per share (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.

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Basic earnings per share				
Profit / (loss) attributable to equity holders of the parent	(187,794)	201,788	(163,543)	198,806
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	(3.09)	3.32	(2.69)	3.27
Amount used as denominator				
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

		Group		Company	
For the year ended 31st March		2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Equity dividend on ordinary shares					
Declared and paid during the year					
Out of Dividends received	- Free of tax	0.89	54,305	0.65	39,797
Out of Profits	- Liable for tax	1.11	67,295	1.65	100,043
Total dividend		2.00	121,600	2.30	139,840

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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

		Group		Company	
For the year ended 31st March	Note	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Current income tax		49,390	79,430	35,418	56,231
10% Withholding Tax on Inter Company Dividends			-		-
Deferred income tax		-	5,958		-
Relating to origination and reversal of temporary differences	17.2	(11,869)	8,957	480	6,203
		(37,521)	94,345	35,898	62,434

17 TAX (Contd.)

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Reconciliation between tax expense and the product of accounting profit				
Profit / (loss) before tax	(156,916)	296,800	(127,645)	261,240
Dividend income from group companies	(46,639)	(54,305)	(46,639)	(54,305)
Fair value change in investment properties	(15,100)	(75,500)	(15,100)	(75,500)
Share of results of associate	2,915	19,433	-	-
Adjusted accounting profit / (loss) chargeable to income tax	(215,740)	186,429	(189,384)	131,435
Disallowable expenses	344,137	98,179	311,004	79,110
Allowable expenses	(22,457)	(13,184)	(12,331)	(9,721)
(Utilisation)/ Un Utilisation of tax losses	26,062	(12,966)	-	
Taxable income	132,002	258,458	109,289	200,824
Income tax charged at				
Standard rate 28% -(2019-28%)	33,994	79,430	22,951	56,231
Standard rate 24% -(2019-28%)	9,486		6,557	-
Standard rate 14% -(2019-28%)	5,910		5,910	-
Current tax charge	49,390	79,430	35,418	56,231
Reconciliation between tax expense and the product of accounting profit				
Profit / (loss) before tax	(156,916)	296,800	(127,645)	261,240
Income not liable for income tax	(19,526)	(129,805)	(19,526)	(129,805)
Accounting profit / (loss) chargeable to income taxes	(176,442)	166,995	(147,171)	131,435
Tax effect on chargeable profits / losses	(40,165)	56,999	(39,736)	36,795
Tax effect on non deductible expenses	83,000	29,176	79,957	25,637
Tax effect on deductions claimed	(1,020)	(1,856)	(309)	-
Income tax on other comprehensive income	(985)	38	-	-
14% Withholding Tax on Inter Company Dividends	-	5,958	-	-
Current and deferred tax share of associate	29	4,028	-	-
Net tax effect of deferred tax for prior years	(4,014)	-	(4,014)	
(Over)/Under provision for previous years	-	2	-	2
Tax effect on rate differentials	(118)	-	-	-
	36,727	94,345	35,898	62,434
Income tax charged at				
Standard rate 28%	33,994	79,430	22,951	56,231
Standard rate 24% (2019-28%)	9,486		6,557	
Standard rate 14% -(2019-28%)	5,910		5,910	
14% Withholding Tax on Inter Company Dividends	-	5,958	-	-
Charge for the year	49,390	85,388	35,418	56,231
Deferred Tax Charge/(Reversal) (Note 17.2)	(11,869)	8,957	480	6,203
Total income tax expense	37,521	94,345	35,898	62,434

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.

17.2 Deferred tax expense

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	(4,471)	(2,398)	8	27
Deferred tax assets recognized on account of carry forward tax losses	(7,298)	3,630	-	-
Deferred tax expense arising from revaluation of investment property to fair value	1,510	7,055	1,510	7,055
Employee benefit liabilities	(1,638)	(3,358)	(1,038)	(879)
Undistributed Profits of Investment in Associate & Subsidiaries	28	4,028	-	
Deferred tax charge/(release)	(11,869)	8,957	480	6,203
Statement of Comprehensive Income				
Deferred tax expense arising from;				
Revaluation of building at fair value	3,047	1,870	-	-
Total deferred tax charge / (reversal) recognised in other Comprehensive income arising from Actuarial gain/(loss)	2,743	676	1,794	702
	5,790	2,546	1,794	702
Total deferred tax charge	(6,079)	11,503	2,274	6,904

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. (2019-28%)

17.3 Tax losses carried forward

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Tax losses brought forward	-	12,966	-	-
Tax Loss for the year 2019/2020	26,062	-	-	-
Tax loss recovered	-	(12,966)	-	-
Tax losses carried forward	26,062	-	-	-

17.4 Income Tax Liabilities/Refunds

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
At the beginning of the year	19,209	46,975	3,923	45,178
Charge for the year	48,595	79,430	35,418	56,231
Over/Under Provisions of tax for previous years	(2,703)	-	(2,703)	-
Payments and set off against refunds	(56,696)	(107,196)	(28,103)	(97,486)
At the end of the year	8,405	19,209	8,535	3,923
Income Tax Refund	539	-	-	-
Income Tax Liability	8,944	19,209	8,535	3,923

17 TAX (Contd.)

17.5 Deferred Tax Asset

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
At the beginning of the year	15,090	17,842	6,249	8,008
(Charge) and release	7,620	(7,146)	(480)	(6,202)
(Charge) and release Other - Comprehensive Income	(1,732)	(751)	(865)	(702)
Deferred tax on SLFRS 9 transitional adjustment	-	5,145	-	5,145
Deferred tax on other unquoted equity investments	(929)	-	(929)	-
At the end of the year	20,049	15,090	3,975	6,249
The closing deferred tax asset balances relate to the following;				
Carried forward losses	7,297	-	-	-
Deferred tax on SLFRS 9 transitional adjustment	-	5,145	-	5,145
Tax effect on gain on remeasurement of FVOCI Financial Assets	3,954	(260)	3,954	(261)
Accelerated depreciation for tax purposes	(2,853)	(3,141)	(2,352)	(2,342)
Revaluation of investment property to fair value	(9,060)	(7,550)	(9,060)	(7,550)
Employee retirement benefit liability	20,711	20,896	11,433	11,257
	20,049	15,090	3,975	6,249

The Group recognizes a deferred tax asset on unused tax losses which is expected to reduce the future tax expense. The Group's risk management strategy involved implementation of the business continuity plans at the respective companies as a response to COVID-19 pandemic.

17.6 Deferred Tax Liabilities

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
At the beginning of the year	98,693	95,088	-	-
Charge and (release)	(4,250)	(2,217)	-	-
(Charge) and release Other - Comprehensive Income	3,129	1,600	-	-
Impact from differed tax rate change	-	4,222	-	-
At the end of the year	97,572	98,693	-	-
The closing deferred tax liability balances relate to the following;				
Accelerated depreciation for tax purposes	88,041	89,177	-	-
Revaluation of investment property to fair value	-	-	-	
Employee Retirement benefit liability	(595)	(583)	-	-
Impact on consolidation of Associates' retained earnings	10,126	10,099	-	
	97,572	98,693	-	-

The Ministry of Finance has instructed on January 31, 2020 and March 05, 2020, that the revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 (IRA) by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from January 01, 2020, pending formal amendments being made to the IRA.

The Group's management having applied significant judgment to the said proposed revision of income tax rates, have determined that it is probable that formal amendments to the IRA will be made. The management concluded that Circular No. PN/IT/2020-03 (Revised) is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the said Circular to be effective from January 01, 2020 have been used to calculate the last quarter income tax provision of the 2019/20 financial year of the Group. Accordingly, the Group has decided to apply the revised income tax rates with effect from January 01, 2020

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	6-10
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.

Impairment

The Group has not determined Impairment as at the reporting date due to the COVID-19 pandemic, and each business unit functions under the respective business continuity plans as per the Group risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives. In other business units where it is not feasible to operate in full or partial capacity in the immediate to short term under the current environment, the management has taken necessary steps to safeguard the assets.

18 PROPERTY,PLANT AND EQUIPMENT(Contd.)

	Buildings on Leasehold Land Rs 000's	Plant and machinery Rs 000's	Furniture and fittings Rs 000's	Motor vehicles Rs 000's	Computer equipment Rs 000's	Office equipment Rs 000's	Others Rs 000's	Capital work in progress Rs 000's	Total 2020 Rs 000's	Total 2019 Rs 000's
Group										
18.1 Cost/Valuation										
At the beginning of the year	313,702	34,131	82,764	29,181	20,594	2,921	1,674	3,750	488,717	479,014
Additions	4,907	264	46	-	1,494	3,935	-	-	10,646	12,297
Revaluation	10,882	-	-	-	-	-	-	-	10,882	6,678
Disposals	-	(142)	(3,409)	-	(923)	(198)	(5)	-	(4,677)	(2,594)
Transfers	(9,491)					3,750		(3,750)	(9,491)	(6,678)
At the end of the year	320,000	34,253	79,401	29,181	21,165	10,408	1,669	-	496,077	488,717
18.2 Accumulated depreciation and impairment										
At the beginning of the year	(2,348)	(25,144)	(74,020)	(15,230)	(16,807)	(2,551)	(1,540)	-	(137,640)	(125,549)
Charge for the year	(9,642)	(2,868)	(2,592)	(2,450)	(1,541)	(1,343)	(70)	-	(20,506)	(21,202)
Disposals	-	123	3,409	-	923	198	5	-	4,658	2,431
Transfers									-	-
Transfer of accumulated depreciation on asset revaluation	9,490								9,490	6,678
At the end of the year	(2,500)	(27,889)	(73,203)	(17,680)	(17,425)	(3,696)	(1,605)	-	(143,998)	(137,642)
18.3 Carrying value										
As at 31 March 2020	317,500	6,364	6,198	11,501	3,740	6,712	64	-	352,079	-
As at 31 March 2019	311,354	8,987	8,744	13,951	3,787	370	134	3,750	-	351,075

During the financial year, the Group acquired Plant and Equipment to the aggregate value of Rs 10.69 Mn (2019 Rs 12.29 Mn) Cash payments amounting to Rs 10.69 Mn(2019 Rs 12.29 Mn) was paid during the year for the acquisition of Plant and Equipment.

	Plant and machinery	Furniture and fittings	Motor vehicles	Computer equipment	Office equipment	Others	Total 2020	Total 2019
	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Company								
18.4 Cost								
At the beginning of the year	336	25,846	29,180	11,769	917	1,188	69,236	68,244
Additions	264	46	-	-	-	-	310	1,298
Disposals	(142)	(3,409)	-	(923)	(198)	(5)	(4,677)	(306)
At the end of the year	458	22,483	29,180	10,846	719	1,183	64,869	69,236
18.5 Accumulated depreciation and impairment								
At the beginning of the year	(231)	(25,563)	(15,230)	(9,555)	(693)	(1,059)	(52,331)	(45,855)
Charge for the year	(38)	(131)	(2,450)	(755)	(73)	(63)	(3,510)	(6,623)
Disposals	123	3,409	-	923	198	5	4,658	147
At the end of the year	(146)	(22,285)	(17,680)	(9,387)	(568)	(1,117)	(51,183)	(52,331)
18.6 Carrying value								
As at 31 March 2020	312	198	11,500	1,459	151	66	13,686	-
As at 31 March 2019	105	283	13,950	2,214	224	129	-	16,905

During the financial year, the Company acquired Plant and Equipment to the aggregate value of Rs 0.31 Mn (2019 Rs 1.29Mn) Cash payments amounting to Rs 0.31 Mn(2019 Rs 1.29 Mn) was paid during the year for the acquisition of Plant and Equipment.

18.7 Carrying value of Property, Plant and Equipment

	Group		Company	
As at 31st March	2020	2019	2020	2019
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
At Cost	34,579	39,723	13,686	16,905
At valuation	317,500	311,354	-	
	352,079	351,077	13,686	16,905

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 31 December 2019.

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ending 31 March 2020, a reassessment of the valuation was obtained by the same independent professional valuers who determined no significant change to the revalued carrying amount provided as at 31 December 2019.

The following items were indicated In the reassessment reports to the Group;

- The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.
- Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in their considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

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, Muthurajawela Hendala Wattala	Investment Method	Estimated price per sq. ft.	Rs. 2,000 (2019 - Rs 2,000) to Rs. 2,500 (2019 - Rs 2,500)	Positively correlated sensitivity	K. T. D. Tissera Chartered Valuer	31 st December 2019

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;

	Group	
As at 31st March	2020 Rs 000's	2019 Rs 000's
Property Plant and Equipment		
Cost	123,956	123,956
Accumulated depreciation and impairment	(41,489)	(39,010)
	82,467	84,946

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.

The Group has not determined impairment of right of use assets due to the COVID-19 pandemic and each business unit is operating under the business continuity plans as per the Group risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. The Group has not determined a discontinuation of any right of use assets as at the reporting date and the lease liability is not reassessed. As there are no lease payments due as of the reporting date

Lease liabilities

The Group did not have a significant impact on it's statement of financial position or equity on applying the classification and measurement requirements of SLFRS 16 since the Group did not have a lease liability as at 31st March 2020.

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 2020.

Right of Use Assets

	Group	Company
As at 31st March	2020 Rs 000's	2020 Rs 000's
Right of Use Assets - Lease hold properties		
Cost		
At the beginning of the year	-	-
Additions	-	-
Transfers from Lease rentals paid in advance	35,846	-
At the end of the year	35,846	-
Accumulated amortisation and impairment		
At the beginning of the year	-	-
Amortisation	1,089	-
Transfers	-	-
At the end of the year	1,089	-
Carrying value	34,757	-

The following are the amounts recognised in profit or loss:

Right of Use Assets

	Group	Company
For the year ended 31st March	2020 Rs 000's	2020 Rs 000's
Amortisation expense of right-of-use assets	1,089	-
Total amount recognised in profit or loss	1,089	-

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

19.2 Lease rentals paid in advance

Prepaid lease rentals paid in advance to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term in accordance with the pattern of benefits provided.

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Lease rentals paid in advance				
Cost/carrying value				
At the beginning of the year	35,846	36,935	-	-
Additions for the year	-	-	-	-
Amortisation for the year	-	(1,089)	-	-
Transfers to Right of Use Assets	(35,846)	-	-	-
At the end of the year	-	35,846	-	-

19 LEASES (Contd.)

19.3 Property

As at 31st March	Land extent	Lease period	2020 Rs 000's	2019 Rs 000's
Details of lease rentals paid in advance				
Land - Muthurajawela	A - 6 and P - 30	50 years from 1st March 2002	-	35,846

Details of Right of Use Assets - Lease hold properties

As at 31st March	Land extent	Lease period	2020 Rs 000's	2019 Rs 000's
Right of Use Assets - Lease hold properties				
Land - Muthurajawela	A - 6 and P - 30	50 years from 1st March 2002	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 a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ending 31 March 2020, a reassessment of the valuation was obtained by the same independent professional valuer who determined no significant change to the revalued carrying amount provided as at 31 December 2019.

In the reassessment reports to the Group, the valuers stated following facts as basis for the judgment;

- The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.
- Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

As at 31st March	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
INVESTMENT PROPERTY				
At the beginning of the year	363,600	288,100	363,600	288,100
Change in fair value during the year	15,100	75,500	15,100	75,500
At the end of the year	378,700	363,600	378,700	363,600

20.1

Location	Land in Perches	Valuation Amount Rs	Date	Name of Valuer
50, Minuwangoda Road Ekala, Ja- Ela	603.90	377,450,000	31.12.2019	Mr P B Kalugalagedera (Chartered Valuer)
58, Kirulapone Avenue Colombo 6	12.56	1,250,000	31.12.2019	Mr P B Kalugalagedera (Chartered Valuer)
		378,700,000		

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 31 December 2019.

Location	Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
50, Minuwangoda Road Ekala, Ja- Ela	Market comparable Method	Estimated price per perch	Rs 625,000 (2019 - Rs 600,000)	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 (2019 - Rs 100,000)	Zero correlated

Real Estate Portfolio

As at 31st March Owning company and location	No of buildings	Buildings in (Sq. Ft)	Land in perches Freehold	Leasehold	Net book value at valuation 2020 Rs 000's	2019 Rs 000's
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	-	377,450	362,350
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.

21 INTANGIBLE ASSETS (Contd.)

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 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 a three year period of expected future usage 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.

21.1 Cost

Software licenses

	Group		Company	
	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
At the beginning of the year	8,857	4,594	4,263	-
Additions	-	4,263	-	4,263
Derecognition		-		-
At the end of the year	8,857	8,857	4,263	4,263
21.2 Accumulated amortisation and impairment				
At the beginning of the year	(4,794)	(4,594)	(200)	-
Amortisation	(1,421)	(200)	(1,421)	(200)
Derecognition		-		-
At the end of the year	(6,215)	(4,794)	(1,621)	(200)
21.3 Carrying value				
As at 31 March 2020	2,642	-	2,642	-
As at 31 March 2019	-	4,063	-	4,063

22 INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICY

Investments in subsidiaries are carried at cost less any accumulated impairment losses. The Group has not determined impairment as at the reporting date due to the COVID-19 pandemic.

		Company	
	Note	2020 Rs 000's	2019 Rs 000's
INVESTMENTS IN SUBSIDIARIES			
22.1 Carrying value			
Investments in subsidiaries			
Unquoted	22.2	158,570	158,570
		158,570	158,570

As at 31st March	Number of shares	Additions	Number of shares	Effective holding %	2020 Rs 000's	2019 Rs 000's
22.2 Group unquoted investments in Subsidiaries						
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 is not control or joint control over 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.

23 INVESTMENTS IN ASSOCIATE (Contd.)

As at 31st March	Number of shares (000's)	Holding %	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
23.1 Carrying value						
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			72,132	60,700		
Cumulative profit/(Loss) accruing to the group net of dividend			199	11,432		
Net of Dividend			72,331	72,132		
Net Assets at the end of the year			96,331	96,132		

	Company 2020 Rs 000's	Company 2019 Rs 000's
23.2 Summarised financial information of Associate		
Revenue	12,177	11,490
Cost of sales	(679)	(469)
Gross Profit	11,498	11,021
Administration Expenses	(2,486)	(2,319)
Financial Income	96	167
Change in fair value of Investment Property	-	51,860
Income Tax Expenses	(2,485)	(17,004)
Profit for the year	6,623	43,725
Group share of profit for the year	2,915	19,433
Group share of other comprehensive income	-	-
Share of results of equity accounted investee	2,915	19,433
Non - Current Assets	405,060	405,060
Current Assets	6,171	6,432
Total Assets	411,231	411,492
Non - Current Liabilities	(107,845)	(107,597)
Current Liabilities	(2,350)	(3,481)
Total Liabilities	(110,195)	(111,078)
Net Assets	301,036	300,414
Group Share of net Assets	96,331	96,132

Investments in equity accounted investees are carried at cost less any accumulated impairment losses. The Group has not determined impairment as at the reporting date due to the COVID-19 pandemic.

24 NON CURRENT FINANCIAL ASSETS

As at 31st March	Note	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
Other quoted equity investments	24.1	278,420	321,135	278,420	321,135
Other unquoted equity investments	24.2	2,502,676	2,493,366	2,502,676	2,493,366
Loans to executives	24.4	32,440	32,229	10,799	10,777
Loans given to Tea Sellers		168,378	203,010	168,378	203,010
Deposits with Colombo Stock Exchange		3,500	3,500	-	-
		2,985,414	3,053,240	2,960,273	3,028,288

As at 31st March	Number of shares (000's)	Holding %	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
24.1 Other quoted equity investments						
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
Market Value						
Keells Food Products PLC			278,420	321,135	278,420	321,135
			278,420	321,135	278,420	321,135

Due to the COVID-19 Pandemic situation, ,the fair value as of 31st March 2020 has been determined based on the last open trading day of the Colombo Stock Exchange (CSE).i.e. 20th March 2020

The extent of information about the impact of COVID-19 that was available as at the reporting date shows factors which are indicative of an inactive market such as a significant drop in trade volumes, significant decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indexes and subsequent closure of the exchange for trading. Accordingly Management has determined the best indicative value of the share prices as of 20th March 2020.

As at 31st March	2020 Number of shares (000's)	2019 Number of shares (000's)	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
24.2 Other unquoted equity investments						
Ceylon Cold Stores PLC - Preference Share	1	1	1	1	1	1
Waterfront Properties (Pvt) Ltd	191,638	191,638				
At the beginning of the year			2,493,366	1,916,381	2,493,366	1,916,381
Impact of reclassifying financial assets from AFS to FVOCI as at 01/04/2018			-	574,378	-	574,378
Remeasurement gain recognised for the year			9,309	2,606	9,309	2,606
			2,502,675	2,493,366	2,502,675	2,493,366

The Company's shareholding in Waterfront Properties (Pvt) Ltd diluted to 4.01% as at 31.03.2020 from 5.17% 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.

24 NON CURRENT FINANCIAL ASSETS (Contd.)

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

Financial Assets	Value Techniques	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted Average)	Sensitivity of fair value to unobservable input unquoted equity
Unquoted equity investment - Waterfront Properties (Pvt) Ltd (Subsidiary of John Keells Holdings PLC)	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 (2019 - Rs 13.00) - Rs 13.20 (2019 - Rs 13.01) Positively correlated	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

In arriving at the adjusted net asset per share, WPL has used judgements, estimates and assumptions. As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ending 31st March 2020, a reassessment was carried out by the management and has considered that there is no material impact of COVID-19 on the valuation.

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
24.3 Other non equity investments				
Loans to executives	32,440	32,229	10,799	10,777
Loans Given to Tea Clients	168,378	203,010	168,378	203,010
Deposits with Colombo Stock Exchange	3,500	3,500	-	-
	204,318	238,739	179,177	213,787
24.4 Loans to executives				
At the beginning of the year	42,440	30,289	16,661	21,919
Loans granted	14,581	28,664	7,200	4,675
Recoveries/ Transfers	(14,725)	(16,513)	(7,900)	(9,933)
At the end of the year	42,296	42,440	15,961	16,661
Receivable within one year	9,856	10,211	5,162	5,884
Receivable after one year				
Receivable between one and five years	32,440	32,229	10,799	10,777
	42,296	42,440	15,961	16,661

25 INVENTORIES

ACCOUNTING POLICY

The Group and Company have evaluated the impact of the COVID-19 pandemic on carrying value of the inventory of Consumables and the risk of an impairment. The Group has not adjusted the carrying value of the inventory to reflect its net realizable value as there was no impact.

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

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Inventories				
Consumables and Spares	1,521	1,103	1,173	778
	1,521	1,103	1,173	778

26 TRADE AND OTHER RECEIVABLES

The Group's simplified Expected Credit Loss model is based on the provision metrics which is allowed to use under the practical expedient of SLFRS 9. As part of the Group wide spend control and cash management efforts set up (Cash war rooms) to manage the COVID-19 impact on working capital and collections, the individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different ways in which the COVID-19 outbreak affects different types of customers. The Group assessed how the timing and amount of cash flows generated by the outstanding trade receivables might be affected and increased loss rates as necessary.

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are interest bearing and are generally on the term of 30 to 90 days. As at 31 March 2020 Rs. 521.19 million was recognized as provision for expected credit losses on trade receivables.

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Trade Receivables including advances and loans given to Tea/Rubber sellers	1,134,133	2,011,030	1,094,420	1,820,258
Less: Provision for impairment of trade debtors	(521,190)	(250,650)	(521,190)	(250,650)
Other Receivables	15,760	5,385	12,690	2,321
Loans to Executives (24.4)	9,856	10,211	5,162	5,884
	638,559	1,775,976	591,082	1,577,813

27 OTHER CURRENT ASSETS

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Prepayments and non cash receivable	3,641	8,041	1,406	2,896
	3,641	8,041	1,406	2,896

28 SHORT TERM INVESTMENTS

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Government Securities (less than 3 months)	203,044	249,348	-	-
	203,044	249,348	-	-

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.

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
29.1 Favourable cash and bank balances				
Cash in hand and at bank	108,849	200,989	60,568	178,349
	108,849	200,989	60,568	178,349
29.2 Unfavourable cash and bank balances				
Bank Overdrafts	674,749	1,149,693	653,111	1,135,106
	674,749	1,149,693	653,111	1,135,106
Net cash & Cash Equivalents	(565,900)	(948,704)	(592,543)	(956,757)

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.

	2020		2019	
As at 31st March	No of Shares 000's	Value of Shares Rs 000's	No of Shares 000's	Value of Shares Rs 000's
30.1 Stated Capital				
Fully paid ordinary shares				
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

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
30.2 Other Components of Equity				
Fair Value reserve of financial assets at FVOCI	734,069	768,404	734,069	768,404
Revaluation Reserve	161,722	153,887	-	-
Other Capital reserves	133,102	123,578	80,181	76,481
	1,028,893	1,045,869	814,250	844,885

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.

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:

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Expense arising from equity-settled share-based payment transactions	11,266	19,445	3,700	8,563
Total expense arising from share-based payment transactions	11,266	19,445	3,700	8,563

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:

31 SHARE BASE PAYMENT PLANS (Contd.)

As at 31st March	Group 2020 No.	Group 2020 WAEP Rs	Group 2019 No.	Group 2019 WAEP Rs	Company 2020 No.	Company 2020 WAEP Rs	Company 2019 No.	Company 2019 WAEP Rs
Outstanding at the beginning of the year	1,950,721	161.24	2,658,123	170.13	1,101,945	162.76	1,605,913	172.65
Granted during the year	150,000	136.97	298,355	154.1	55,000	136.97	133,058	154.10
Exercised during the year	(37,844)	146.63			(18,322)	146.88		
Adjusted - Sub division								
Adjusted - Warrants								
Lapsed/Forfeited during the year	(629,895)	174.73	(671,691)	189.69	(446,017)	175.60	(485,524)	191.65
Transfers in /(out) during the year	-	-	(334,066)	168.37	-	-	(151,502)	167.38
Outstanding at the end of the year	1,432,982	153.16	1,950,721	161.24	692,606	152.86	1,101,945	162.76
Exercisable at the end of the year	837,153	153.16	1,216,211	163.35	457,312	152.30	803,994	164.30

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 account 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 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
EMPLOYEE BENEFIT LIABILITIES				
At the beginning of the year	75,037	64,630	38,530	37,067
Current service cost	5,576	4,945	2,186	2,494
Transfers	(40)	1,900	(40)	(1,738)
Interest cost on benefit obligation	5,962	6,471	4,046	3,707
Payments	(9,369)	(1,425)	(6,206)	(1,425)
(Gain)/Loss arising from changes in assumptions	(6,479)	(1,484)	(3,088)	(1,575)
At the end of the year	70,687	75,037	35,428	38,530

As at 31st March	Group 2020 Rs 000's	Group 2019 Rs 000's	Company 2020 Rs 000's	Company 2019 Rs 000's
32.3 The expenses are recognised in the income statement in the following line items;				
Cost of Sales	7,690	7,493	5,069	4,915
Administrative Expenses	3,807	3,592	1,122	955
Cost reimbursement for shared employees	41	331	41	331
	11,538	11,416	6,232	6,201

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 2020	Group 2019	Company 2020	Company 2019
Discount rate	11.0%	10.50%	11.0%	10.50%
Future salary increases	8.0%	10.00%	8.0%	10.00%

32.5 Sensitivity of assumptions used

A one percentage change in the assumptions would have the following effects:

	Group				Company			
	Discount rate		Salary increment		Discount rate		Salary increment	
As at 31st March	2020 Rs 000's	2020 Rs 000's	2019 Rs 000's	2019 Rs 000's	2020 Rs 000's	2020 Rs 000's	2019 Rs 000's	2019 Rs 000's
Effect on the defined benefit obligation liability								
Increase by one percentage point	(2,146)	(2,919)	2,466	3,298	(1,162)	(1,766)	1,316	2,000
Decrease by one percentage point	2,300	3,190	(2,337)	(3,072)	1,252	1,959	(1,242)	(1,836)

32.6 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

	Group		Company	
As at 31st March	2020	2019	2020	2019
Future Working Life Time	Defined Benefit Obligation	Defined Benefit Obligation	Defined Benefit Obligation	Defined Benefit Obligation
Within the next 12 months	11,679	12,503	5,696	7,358
Between 1-2 years	32,906	22,756	14,048	10,989
Between 2-5 years	14,638	24,490	8,447	9,757
Between 5-10 years	8,818	8,428	5,630	4,644
Beyond 10 years	2,646	6,860	1,607	5,782
Total	70,687	75,037	35,428	38,530

The average duration of the defined benefit plan obligation at the end of the reporting period is 3.72 years for the Company (2019- 5.26 Years)

The average duration of the defined benefit plan obligation at the end of the reporting period is 3.01 years for John Keells Stock Brokers (Pvt) Ltd (2019-3.99 Years)

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.65 years for John Keells Warehousing (Pvt) Ltd (2019- 6.52 Years)

32 EMPLOYEE BENEFIT LIABILITIES (Contd.)

32.7 Other long term employee benefits

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
At the beginning of the year	1,675	-	1,675	-
Current service cost	3,722	1,675	3,722	1,675
At the end of the year	5,397	1,675	5,397	1,675

32.8 Employee Benefit Liabilities

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Employee defined benefit plan- gratuity (Note 32.2)	70,687	75,037	35,428	38,530
Other long term employee benefits (Note 32.7)	5,397	1,675	5,397	1,675
At the end of the year	76,084	76,712	40,825	40,205

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.

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Trade payables	100,481	615,900	24,110	402,369
Sundry creditors including accrued expenses	53,433	51,487	29,116	25,043
	153,914	667,387	53,226	427,412

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.

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
Other current liabilities				
Other tax payables	804	689	667	486
	804	689	667	486

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 2020 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.

	Group		Company	
As at 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
35.1 Amounts due from related parties				
Ultimate Parent	1,253	3,798	1,253	3,798
Companies Under Common Control	3,079	2,252	3,193	1,580
Key management personnel	1,614	-	-	-
	5,946	6,050	4,446	5,378
35.2 Amounts due to related parties				
Ultimate Parent	2,787	2,244	1,635	2,018
Companies Under Common Control	1,406	3,196	4,936	6,616
Key management personnel	-	683	-	-
	4,193	6,123	6,571	8,634

35 RELATED PARTY TRANSACTIONS (Contd.)

	Group		Company	
For the year ended 31st March	2020 Rs 000's	2019 Rs 000's	2020 Rs 000's	2019 Rs 000's
35.3 Transactions with related parties				
Ultimate Parent - John Keells Holdings PLC				
Receiving of Services for which fees are paid	31,441	37,717	18,578	22,118
Providing of Services for which fees are received	(610)	(1,025)	-	-
Companies under Common Control				
Purchase of goods for a fee	2,420	2,174	339	1,409
Receiving of Services for which fees are paid	12,933	9,871	8,269	6,526
Lending Money for which interest is received	(15,323)	(18,015)	-	-
Renting of office space for which rent is received	(1,665)	(1,642)	(1,665)	(1,642)
Providing of Services for which fees are received	(33,554)	(33,211)	(32,208)	(32,135)
Subsidiaries				
Renting of stores space for which rent is paid	-	-	6,056	5,812
35.4 Key management personnel				
Short Term Employee Benefits	6,000	9,278	6,000	6,900
Share Based Payments	-	-	-	-
Brokerage Commission earned on share transactions	(1,046)	(153)	-	-
35.5 Close family members of KMP				
(Receiving) / Rendering of services	-	(28)	-	-
Post employment benefit plan				
Contributions to the provident fund	11,718	12,317	11,718	12,317

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

The Company has received a VAT and NBT assessment on the supply of Financial services for the year of assessment 2016/2017. The company has lodged valid appeals against the assessments raised and is contesting these under the appalate procedure. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31st March 2020 is estimated at Rs 6.3 Million.

Other than the above 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 2020.

37 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Commencement of the Group's business operations

After a stringent lockdown period of over a month, curfew has been gradually eased off in many parts of the country, with the imposition remaining only for few high risk districts, including the Colombo district, although business activity has resumed across the country, and it is encouraging that there is no indication of community spread in the country at the moment. The Group has evaluated all guidelines issued by the Government as well as international best practices and each of the Group businesses have developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

The most recent release by the Government states that curfew restrictions in the two districts will remain, with restrictions being eased off during the day for the gradual commencement of economic activity by the public and private sectors. Tea auctions were conducted via an electronic platform commencing from April 2020 and are expected to continue. Given the volatile and evolving landscape, the Group will continue to monitor the impacts on its operations and proactively take measures to ensure the business continues as seamlessly as possible.

INFORMATION TO SHAREHOLDERS AND INVESTORS

1 STOCK EXCHANGE LISTING

The issued ordinary shares of John Keells PLC 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 2020 have been submitted to the Colombo Stock Exchange.

Stock Symbol - JKL.N0000

ISIN - LK0093N00001

2 DISTRIBUTION OF SHAREHOLDINGS

	31st March 2020				31st March 2019			
	Shareholders		Holdings		Shareholders		Holdings	
No. of Shares held	Number	%	Number	%	Number	%	Number	%
less than 1,000	903	69.78	205,748	0.34	862	68.58	194,303	0.32
1,001 - 10,000	286	22.10	1,016,560	1.67	290	23.07	1,019,114	1.68
10,001 - 100,000	83	6.41	2,569,610	4.23	83	6.60	2,593,950	4.27
100,001- 1,000,000	21	1.63	4,173,298	6.86	21	1.67	4,157,849	6.84
1,000,001 and over	1	0.08	52,834,784	86.90	1	0.08	52,834,784	86.90
Total	1294	100.00	60,800,000	100.00	1,257	100.00	60,800,000	100.00

3 ANALYSIS OF SHAREHOLDERS

	31st March 2020				31st March 2019			
Categories of Shareholders	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Individuals	1,208	93.35	5,464,620	8.99	1167	92.84	5,415,255	8.91
Institutions	86	6.65	55,335,380	91.01	90	7.16	55,384,745	91.09
Total	1,294	100.00	60,800,000	100.00	1,257	100.00	60,800,000	100.00
Residents	1,282	99.07	60,581,685	99.64	1,245	99.04	60,581,085	99.64
Non-residents	12	0.93	218,315	0.36	12	0.96	218,915	0.36
Total	1,294	100.00	60,800,000	100.00	1,257	100.00	60,800,000	100.00
John Keells Holdings and subsidiaries	1	0.08	52,834,784	86.90	1	0.08	52,834,784	86.90
Public	1,293	99.92	7,965,216	13.10	1256	99.92	7,965,216	13.10
Total	1,294	100	60,800,000	100.00	1,257	100.00	60,800,000	100.00

No shares are held by directors and the chief executive officer at the end of the year.

4 PUBLIC SHARE HOLDINGS

As at 31st March	2019/2020	2018/2019
Number of Public Shareholders	1,293	1,256
Public Holding Percentage	13.10	13.10
The Float Adjusted Market Capitalization – Rs Billion	0.34	0.38

The Company has complied with the Rule 7.13.1 (b) option 2 of the Listing Rules of the Colombo Stock Exchange governing the minimum public holding requirement of listed entities for continuous listing requirements. As at 31st March 2020, the public holding of the Company stood at 13.10 percent surpassing the minimum requirement of 10 percent, under the relevant option.

5 SHARE PERFORMANCE AT COLOMBO STOCK EXCHANGE

	2019/2020	2018/2019
Highest market price	63.20	70.00
Lowest market price	41.90	46.00
Closing price as at 31st of March	43.00	48.00

6 DIVIDEND PAYMENTS

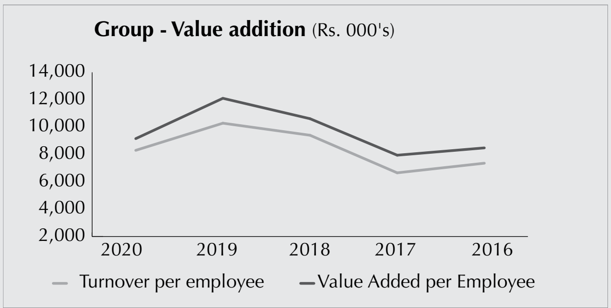
First and Final Dividend of Rs. 2.00 per share was paid on 14th June 2019.

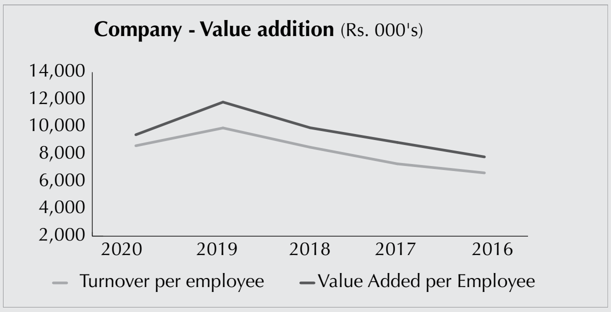
7 TWENTY LARGEST SHAREHOLDERS

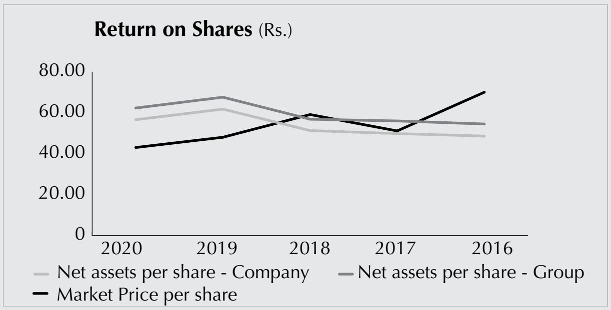
		31st March 2020		31st March 2019	
	NAME OF SHAREHOLDERS	No. of Shares	Holding %	No. of Shares	Holding %
1	John Keells Holdings PLC	52,834,784	86.90	52,834,784	86.90
2	Dr. H.S.D. Soysa	620,160	1.02	620,160	1.02
3	Bank of Ceylon No. 2 A/C	338,414	0.56	338,414	0.56
4	People’s Leasing & Finance PLC/DR.H.S.D Soysa	318,839	0.51	311,846	0.51
5	Bank of Ceylon No. 1 A/C	250,200	0.41	250,200	0.41
6	Mrs. H.G.S. Ansell	240,000	0.39	240,000	0.39
7	EST of LAT M .Radhakrishnan	232,800	0.38	232,800	0.38
8	Mrs. M.L. De Silva	207,872	0.34	207,872	0.34
9	Mr. N. Muhunthan	180,101	0.30	163,882	0.27
10	Mr. 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	Mr. H.A.Van Starrex	166,169	0.27	171,169	0.28
14	People’s Leasing & Finance PLC/L.P.Hapangama	152,993	0.25	155,756	0.26
15	Miss N S De Mel	137,115	0.23	137,115	0.23
16	Mrs. N. Tirimanne	133,580	0.22	133,580	0.22
17	Ms F.A.A. Mack	130,000	0.21	130,000	0.21
18	Sisira Investors Limited	114,272	0.19	114,272	0.19
19	Commercial Bank Of Ceylon PLC/Colombo Fort Investments PLC	112,000	0.18	112,000	0.18
20	Pinnacle Trust (Pvt) Ltd	110,587	0.18	110,587	0.18
Total		56,801,082	93.42	56,785,633	93.35

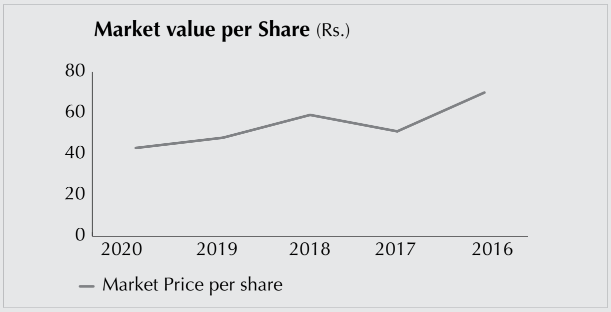
8 MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

No. of Shares held	2019/2020	Q4	Q3	Q2	Q1	2018/2019
Share Information						
High	63.20	51.50	53.50	63.20	56.00	70.00
Low	41.90	41.90	48.50	49.50	48.00	46.00
Close	43.00	43.00	49.00	50.00	49.20	48.00
Trading Statistics of John Keells PLC						
Number of transactions	813	141	298	275	99	674
Number of Shares traded	228,630	59,483	78,488	64,380	26,279	118,962
Value of the Shares traded (Rs. Mn)	11.38	2.82	3.93	3.35	1.28	6.29
Market Capitalisation (Rs. Mn)	2,614.40	2,614.40	2,979.20	3,040.00	2,991.36	2,918.40









KEY RATIOS AND INFORMATION

	Group					Company				
	2020 Rs 000's	2019 Rs 000's	2018 Rs 000's	2017 Rs 000's	2016 Rs 000's	2020 Rs 000's	2019 Rs 000's	2018 Rs 000's	2017 Rs 000's	2016 Rs 000's
KEY INDICATORS										
(A) Profitability & Return to Shareholders										
Annual Turnover Growth (%)	(22.28)	4.24	30.47	(13.31)	(26.38)	(21.16)	3.21	22.65	(0.32)	(24.02)
Net Profit Ratio (%)	(30.03)	24.30	29.75	31.23	7.67	(38.73)	37.11	46.63	44.63	33.99
Earnings per share (Rs.) *	(3.09)	3.32	3.86	3.22	0.87	(2.69)	3.27	3.98	3.11	2.37
Returns on Shareholders' Funds (%)	(4.92)	5.35	6.93	5.76	1.59	(4.75)	5.30	7.77	6.24	4.89
Return on Capital Employed (%)	(1.32)	7.92	9.81	7.45	3.24	(0.73)	7.79	10.30	8.18	5.51
Dividend per share (Rs.)*	2.00	2.30	2.00	1.00	3.75	2.00	2.30	2.00	1.00	3.75
Debt Equity Ratio (%)	17.82	27.98	20.61	19.79	19.68	18.98	30.23	22.07	22.21	21.97
(B) Liquidity										
Current Ratio (No. of Times)	1.14	1.22	1.38	1.19	1.21	0.91	1.12	1.29	1.17	1.17
Interest Cover (No. of Times)	(0.60)	3.48	5.10	4.83	1.97	(0.31)	3.19	4.91	4.83	3.05
(C) Investor Ratio										
Net Assets per share at year end (Rs.)*	62.29	67.58	56.83	55.97	54.48	56.59	61.75	51.27	49.80	48.56
Price Earning Ratio (Times)*	(13.92)	14.46	15.31	15.85	80.69	(15.99)	14.68	14.85	16.45	29.49
Enterprise Value (Rs. 000's)	2,251,544	2,219,044	3,350,365	2,829,567	3,949,592	2,021,857	1,961,643	3,058,627	2,593,145	3,693,608
Dividends (Rs. 000's)	121,600	139,840	121,600	60,800	228,000	121,600	139,840	121,600	60,800	228,000
Dividend Cover (Times)*	(1.60)	1.45	1.95	3.22	0.23	(1.34)	1.42	1.99	3.11	0.63
(D) Share Valuation										
Market price per share (Rs.)	43.00	48.00	59.10	51.10	70.00	43.00	48.00	59.10	51.10	70.00
Market Capitalisation (Rs. 000's)	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	4,256,000
(E) Other Information										
Number of Employees**	78	81	85	92	96	49	54	61	58	64
Turnover per employee (Rs.000's)	8,301	10,285	9,403	6,658	7,361	8,619	9,920	8,509	7,296	6,633
Value Added per Employee (Rs. 000's)	9,156	12,103	10,612	7,946	8,480	9,424	11,813	9,934	8,863	7,804

Note:

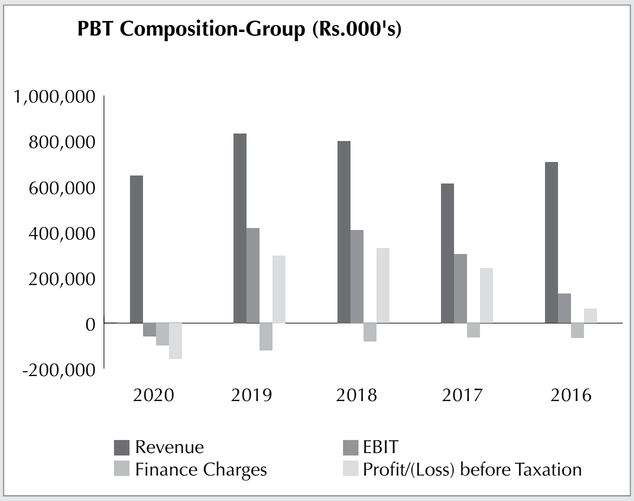
* Earnings per share, Dividends per share & Net Assets per share is based on 60,800,000 number of shares in issue as at 31st March 2020.

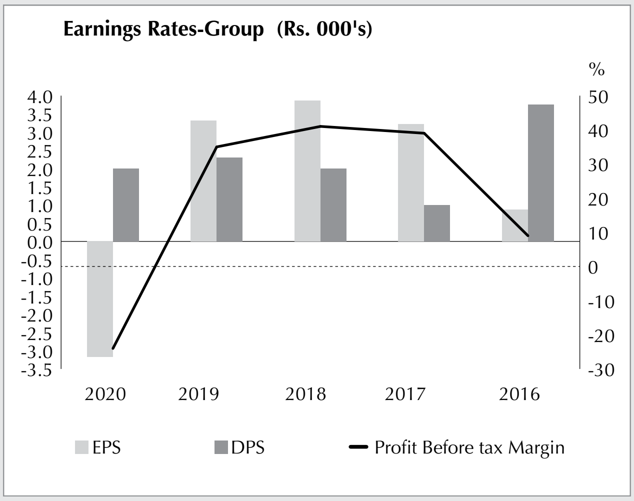
** Excluding contract Employees

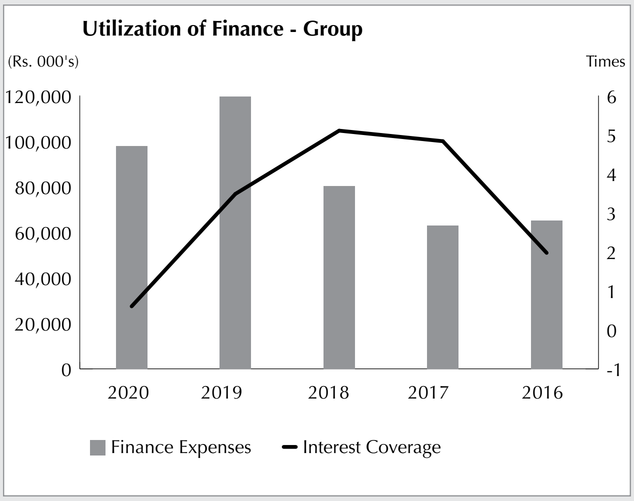
FIVE YEAR SUMMARY

For the year ended 31st March	Group 2020 Rs 000's	2019 Rs 000's	2018 Rs 000's	2017 Rs 000's	2016 Rs 000's
OPERATING RESULTS					
Gross Revenue	647,492	833,119	799,267	612,627	706,664
Operating Profit/(Loss)	(125,781)	269,043	306,440	185,399	21,191
Other Income	1,456	493	8,759	195	3,030
Dividend Income	-	-	-	-	-
Changes in Fair Value of Investment Property	15,100	75,500	60,350	45,330	45,292
Finance Charges	(97,806)	(119,439)	(80,164)	(62,868)	(65,182)
Finance Income	47,200	51,770	47,254	65,438	51,589
Share of Results of Associate	2,915	19,433	(13,652)	7,432	7,546
Profit/(Loss) before Taxation	(156,916)	296,800	328,987	240,926	63,466
Taxation based thereon	(37,521)	(94,345)	(91,224)	(49,597)	(9,253)
Profit/(Loss) after Taxation	(194,437)	202,455	237,763	191,329	54,213
Non-controlling interests	6,643	(667)	(3,004)	4,691	(1,467)
Profit/(Loss) attributable to John Keells PLC	(187,794)	201,788	234,759	196,020	52,746
CAPITAL EMPLOYED					
Stated Capital	152,000	152,000	152,000	152,000	152,000
Revenue Reserves	2,606,225	2,910,954	2,847,937	2,736,703	2,602,606
Other components of equity	1,028,893	1,045,869	455,260	514,270	557,792
	3,787,118	4,108,823	3,455,197	3,402,973	3,312,398
Non-controlling interests	37,690	42,591	39,535	33,781	23,820
Total Equity	3,824,808	4,151,414	3,494,732	3,436,754	3,336,218
Total Debt	-	-	-	-	-
	3,824,808	4,151,414	3,494,732	3,436,754	3,336,218
ASSETS EMPLOYED					
Current Assets	962,099	2,241,507	2,019,755	2,494,984	1,856,979
Current Liabilities	(842,604)	(1,843,101)	(1,458,683)	(2,088,415)	(1,538,915)
Net Current Assets/(Liabilities)	119,495	398,406	561,072	406,569	318,064
Fixed Assets and Investments	3,878,969	3,928,413	3,093,378	3,130,608	3,125,448
Long Term Liabilities	-	-	-	-	-
Non-current liabilities	(173,656)	(175,405)	(159,718)	(100,423)	(107,294)
	3,824,808	4,151,414	3,494,732	3,436,754	3,336,218
CASH FLOW					
Net cash flows from / (used in) operating activities	453,797	(317,924)	192,945	81,641	193,681
Net cash flows from / (used in) investing activities	4,303	1,322	(36,946)	(3,627)	(7,495)
Net cash flows from / (used in) financing activities	(121,600)	(139,840)	(121,600)	(48,920)	(702,000)
Net increase / (decrease) in cash and cash equivalents	336,500	(456,442)	34,399	29,094	(515,814)

Company				
2020	2019	2018	2017	2016
Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
422,317	535,675	519,029	423,183	424,529
(101,219)	241,824	279,229	207,315	(1,599)
1,279	288	5,699	10	2
31,920	36,602	25,902	4,411	124,996
15,100	75,500	60,350	45,330	45,292
(97,785)	(119,438)	(79,819)	(62,671)	(64,979)
23,061	26,464	20,909	45,530	29,652
			-	-
(127,645)	261,240	312,270	239,925	133,364
(35,898)	(62,434)	(70,229)	(51,057)	10,943
(163,543)	198,806	242,041	188,868	144,307
-	-	-	-	-
(163,543)	198,806	242,041	188,868	144,307
152,000	152,000	152,000	152,000	152,000
2,474,554	2,757,474	2,697,374	2,579,617	2,452,151
814,250	844,885	267,577	296,305	348,266
3,440,804	3,754,359	3,116,951	3,027,922	2,952,417
-	-	-	-	-
3,440,804	3,754,359	3,116,951	3,027,922	2,952,417
-	-	-	-	-
3,440,804	3,754,359	3,116,951	3,027,922	2,952,417
658,675	1,765,214	1,573,039	1,433,767	1,373,723
(722,110)	(1,575,562)	(1,222,008)	(1,220,621)	(1,176,251)
(63,435)	189,652	351,031	213,146	197,472
3,545,064	3,604,912	2,802,987	2,846,609	2,796,890
-	-	-	-	-
(40,825)	(40,205)	(37,067)	(31,833)	(41,945)
3,440,804	3,754,359	3,116,951	3,027,922	2,952,417
471,383	(294,560)	97,201	110,761	265,043
14,431	12,295	3,481	(1,303)	24,609
(121,600)	(139,840)	(121,600)	(60,800)	(678,000)
364,214	(422,105)	(20,918)	48,658	(388,348)







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 the end of the 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 shareholders' 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)

NOTES

NOTES

CORPORATE INFORMATION

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: 2306000
Fax: 2446223
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. J.R. Guneratne
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

Designed & produced by
emagewise

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