An abstract graphic featuring two hands reaching towards each other, rendered in a wireframe style with glowing blue lines and dots. The hands are positioned diagonally across the frame, with one hand slightly above and to the right of the other. The background is a dark blue gradient.

# The **STRENGTH** of **WILL**

**JOHN KEELLS PLC**  
ANNUAL REPORT 2022/23



# The STRENGTH of WILL

At John Keells PLC, we have a clearly defined vision for the future. Our legacy is built on thriving through changes that have defined the course of Sri Lankan history.

We are proud of our partnerships, some of which goes back many generations, and reflects the long-term focus on sustainability that we have placed at the forefront of our business operations.

As we embrace the opportunities of the present, we strengthen our capabilities and our connections to extend sustained value in ways that matter. Today, we are ready, with our strength of will, to begin a new tomorrow.



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Corporate Information **Inner Back Cover**

# A CLEARLY DEFINED VISION



## ABOUT US

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# ABOUT US

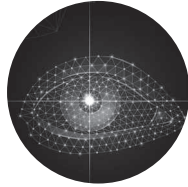
“

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

”

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

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



## VISION

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



## MISSION

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



## VALUES

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



# INTRODUCTION TO THE REPORT

The board's stewardship role brings upon it an obligation to be transparent and accountable. John Keells PLC upholding best practices in reporting presents the 6th integrated Annual Report to our potential investors who seek information relating to the value-creating ability of John Keells PLC and its subsidiaries; John Keells Warehousing (Pvt) Ltd (JKW) and John Keells Stock brokers (Pvt) Ltd (JKSB) (herein referred to as the "Group") in the short, medium and long term.

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

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

### Financial Reporting

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

### Sustainability and Corporate Social Responsibility Reporting

- ▶ Voluntary adoption of Global Reporting Initiatives (GRI) Standards
- ▶ United Nations Sustainable Development Goals

### Reporting Scope and Boundaries

This report covers the operations of the Company and the Group for the reporting period from 1st April 2022 to 31st March 2023. Any material event post reporting period, up to the date of sign-off by the Board of Directors on 22nd May 2023, 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 2022 is available on our website [www.johnkeellstea.com](http://www.johnkeellstea.com).

The Consolidated Financial Statements of the Group laid out in pages from 88 to 94 provides information on financial reporting of the Group. Management discussion appearing from pages 22 to 50 identifies the activities of the Group. This report also covers risks, opportunities and outcomes that could materially affect the organisation's ability to create value. There were no significant changes to the Group's size, structure, shareholding or supply chain during the period under review. There were also no material re-statements of information from the previous reporting period.

### Corporate Governance

A pivotal factor in order to maintain and develop a healthy relationship in our business engagements, is good governance. That is why it is significant and advocated across the group. The section on Corporate Governance elaborated on pages 54 to 69 of this report details on how Corporate Governance practices are executed and initiated in the

## The Six Capitals

We rely on a combination of resources and relationships in driving our strategy and generating value. These are referred to as the six capitals and are shown through the Report with the use of the following navigation icons.

### Financial Capital



### Manufactured Capital



### Intellectual Capital



### Human Capital



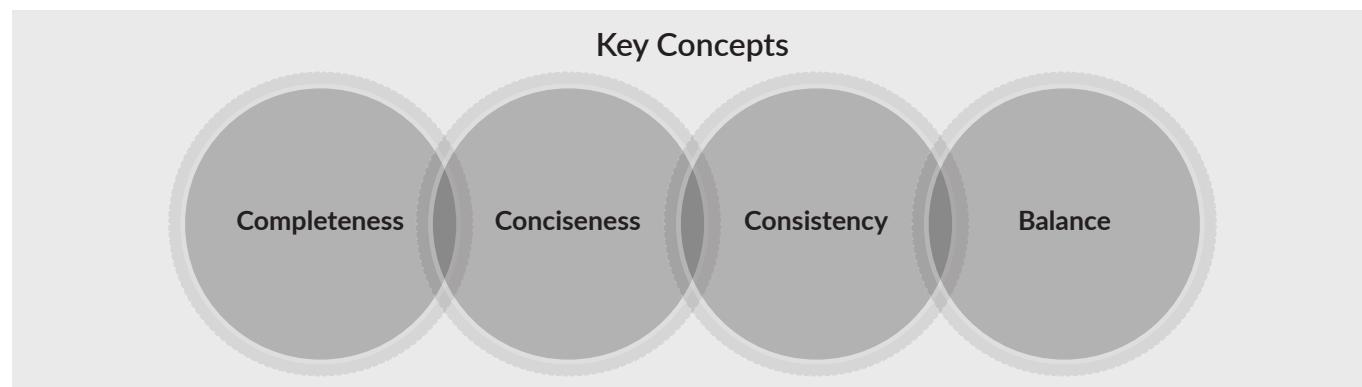
### Social and Relationship Capital



### Natural Capital



# INTRODUCTION TO THE REPORT



Company and the Group. This section also encompasses evidence on the mandatory and voluntary compliances that have been placed in accordance with corporate governance provisions laid out in the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka (SEC).

## Statement of forecast to the future

Forward-looking statements included in this report discuss the possible future financial position and results of the Group's operations.

These statements, however, involve an element of risk and uncertainty. We do not undertake to update or revise these statements publicly in the event of a change of circumstances.

## Information Verification and Quality Assurance

The Board acknowledges its responsibility to ensure the integrity of the Annual Report and is of the opinion that the Report addresses all material issues that it believes to have a bearing on the Company's capacity to create value over the short, medium and long term.

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

- ▶ The Board of Directors
- ▶ Audit Committee of the Company
- ▶ An independent auditor confirming the accuracy of the annual financial statements.
- ▶ The Management Committee

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## Feedback

We understand Integrated Reporting is an evolving principle and a continuous journey of improvement. We welcome your comments, suggestions and queries on this Report; please direct your feedback to,

**Devika Weerasinghe**

*Chief Financial Officer*

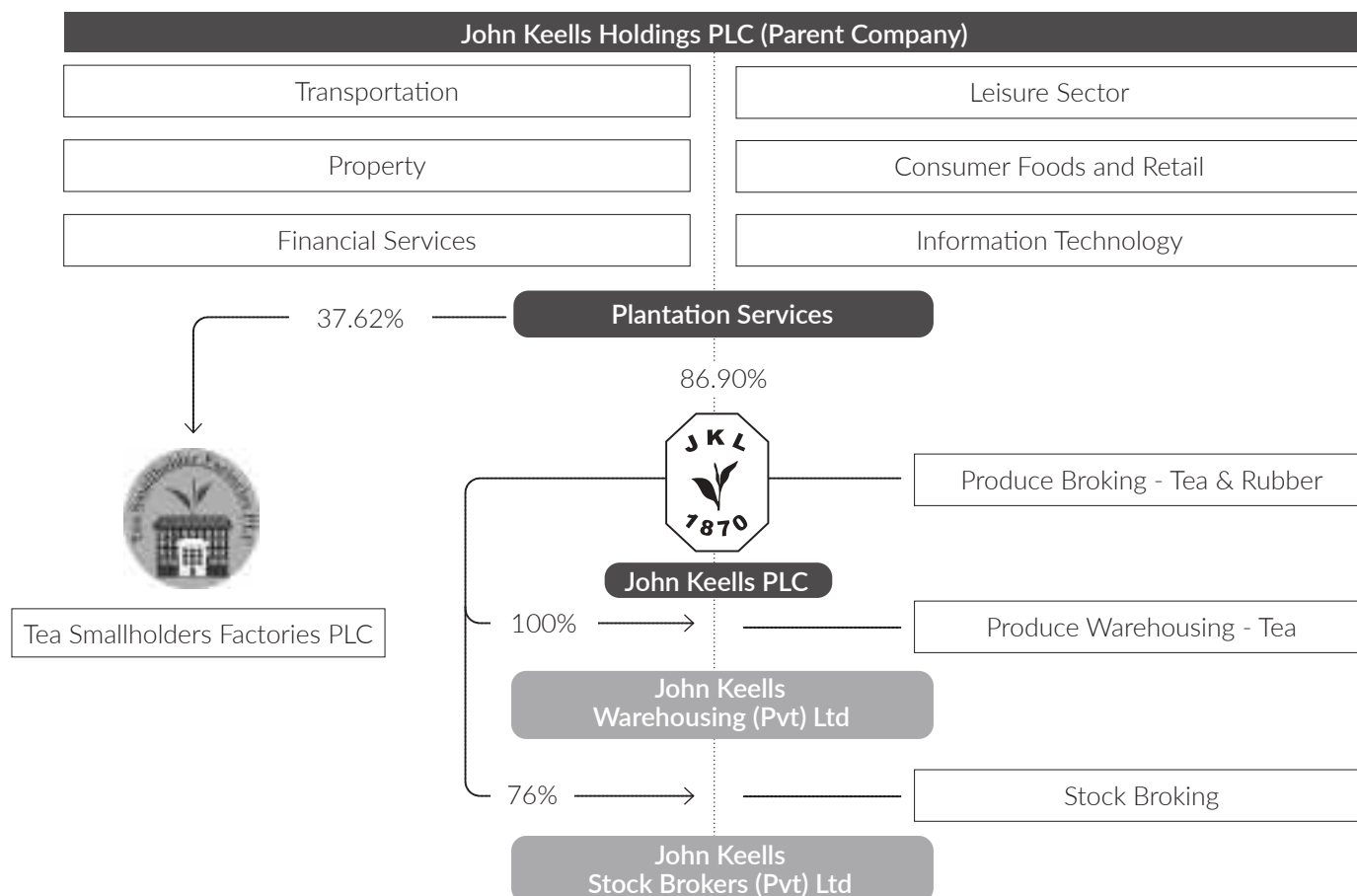
John Keells PLC, No. 186, Vauxhall Street, Colombo 02.

E-mail: [devika@keells.com](mailto:devika@keells.com)

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# GROUP STRUCTURE



## Senior Management Team

### JOHN KEELLS PLC [INC 1960]

- Hishantha De Mel – Chief Executive officer / Vice President John Keells Holdings PLC
- Ravin Vannitamby – Head of Operations / Assistant Vice President John Keells Holdings PLC
- Deshan Bandaranayake – Head of Marketing / Assistant Vice President John Keells Holdings PLC
- Riza Ahamed – Sector Financial Controller / Assistant Vice President John Keells Holdings PLC
- Janith De Silva – Manager Tea
- Kaveesha Hettiarachchi – Manager Tea
- Anushka Mohotti Gamage – Manager Tea
- Nishika Thadhani – Manager Finance
- Rochelle Perera – Manager Human Resource
- Rajkumar Nagarathnam – Head of Business Systems

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

- Suranga Edirisinghe – Manager Warehousing

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

- Tivanka Ratnayake – Chief Executive Officer / Vice President John Keells Holdings PLC
- Sherin Cader – Chief Financial Officer, Financial Services Sector / 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
- Dishan Leo – Manager Research
- Chiranthaka Suraweera – Manager Research
- Harsha Senanayake – Head of Business Systems, Financial Services Sector / Senior Vice President John Keells Holdings PLC
- Marinus Fernando – Manager IT
- Chryshanthi Manuel – Compliance Officer
- Vanitha Saravana – Head of Documentation

# PERFORMANCE HIGHLIGHTS

For the Year Ended 31st March		2022/2023	2021/2022	2020/2021
<b>RESULTS OF THE YEAR</b>				
Group revenue	Rs. 000's	1,024,588	946,167	828,218
Group profit before interest and tax (EBIT)	Rs. 000's	533,379	409,531	392,749
Group profit before tax	Rs. 000's	495,392	377,457	358,532
Group profit after tax	Rs. 000's	309,497	266,084	284,383
Group profit attributable to shareholders	Rs. 000's	305,850	229,577	254,185
Earning per share	Rs.	5.03	3.78	4.18
Interest cover	No. of times	14.04	12.77	11.48
Return on Shareholder Fund	%	7.29	6.29	7.18
Return on capital employed	%	12.55	8.81	8.80
<b>FINANCIAL POSITION AT THE YEAR END</b>				
Total assets	Rs. 000's	5,965,630	6,079,440	11,848,281
Total debt	Rs. 000's	84,123	321,945	324,389
Number of shares in issue	000's	60,800	60,800	60,800
Total shareholder funds	Rs. 000's	4,164,830	4,325,004	4,136,704
Net assets per share	Rs.	68.50	71.13	68.04
Net Debt	Rs. 000's	(509,895)	(354,087)	233,417
Debt/Equity	%	2.02	7.44	7.74
Debt/Total assets	%	1.41	5.30	2.74
<b>MARKET / SHAREHOLDER INFORMATION</b>				
Market price as at 31st March	Rs.	68.80	68.50	70.00
Market capitalization	Rs. 000's	4,183,040	4,164,800	4,256,000
Enterprise value	Rs. 000's	4,692,936	4,518,887	4,489,418
Price earning ratio	No. of times	13.68	18.14	16.74
Dividend paid	Rs. 000's	179,360	139,232	60,800
Dividend per share	Rs.	2.95	2.29	1.00
Dividend pay-out ratio	%	58.64	60.65	23.92
Dividend yield	%	4.29	3.34	1.43

For the Year Ended 31st March		2022/2023	2021/2022	2020/2021
<b>FINANCIAL CAPITAL</b>				
Economic Value added	Rs. 000's	1,197,694	1,053,720	892,421
Proportion of purchases from local suppliers within Sri Lanka	%	100	100	100
<b>MANUFACTURED CAPITAL</b>				
Total Property, Plant and Equipment	Rs. 000's	594,406	399,415	352,767
<b>NATURAL CAPITAL</b>				
Direct energy consumption (GJ)	GJ	153.00	163.00	186.00
Direct energy (GJ) per Rs. million of revenue	No. of times	0.15	0.17	0.22
Indirect energy consumption (GJ)	GJ	658.00	619.00	606.00
Total carbon foot print (MT)	MT	100.00	128.00	129.00
Total carbon foot print (MT) per Rs. million of revenue	No. of times	0.10	0.14	0.16
Water withdrawal (m3)	(m3)	5,287.00	5,266.00	5,173.00
Water withdrawal (m3) per Rs. million revenue	No. of times	5.16	5.57	6.25
Significant environment fines	Rs.	Nil	Nil	Nil
<b>HUMAN CAPITAL</b>				
Turnover per employee	Rs. 000's	13,481	12,450	11,832
Total employees	Number	76	76	70
Number of lost days	Number	Nil	Nil	Nil
Number of employees receiving performance review	%	100	100	100
<b>SOCIAL AND RELATIONSHIP CAPITAL</b>				
Proportion of business analysed for risk of corruption	%	100	100	100
Significant fines for violation of laws/regulations	Rs.	Nil	Nil	Nil
Significant fines for product/service issues	Rs.	Nil	Nil	Nil
<b>INTELLECTUAL CAPITAL</b>				
Software Development - work in progress	Rs. 000's	Nil	Nil	Nil
Intangible assets	Rs. 000's	Nil	Nil	Nil

# 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 Waldoock 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 Chairperson 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 Chairperson 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 Chairperson of the Company.

**1990**

K. Balendra took over as Chairperson, 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 Chairperson on 31st December, 2000.

**2001**

V. Lintotawela took over as Chairperson on 1st January, 2001. John Keells PLC incorporated John Keells Warehousing (Pvt) Ltd a fully owned subsidiary with B.O.I status.

**2003**

The state-of-the-art warehouse of John Keells Warehousing (Pvt) Ltd., which is the largest hi-tech tea warehouse in this part of the region was commissioned for storing pre-auctioned produce.



## 2004

The Company disposed its Investment in International Tourists and Hoteliers Ltd.

## 2005

V. Lintotawela retired as Chairperson on 31st December 2005 and S. Ratnayake took over as Chairperson 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 based on a 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 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 based on a 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

To ensure compliance with the new Securities Exchange Commission directive, which was to come in to effect from 1st January 2016, the shares of the Company, which were listed on the Main Board, were transferred to the Diri Savi Board of the Colombo Stock Exchange.

## 2016

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

## 2018

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

## 2019

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

## 2020

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

## 2021

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

# CHAIRPERSON'S MESSAGE

On behalf of the Board of Directors of John Keells PLC (JK PLC), I am pleased to present the Integrated Annual Report and Financial Statements of John Keells PLC (JK PLC) for the financial year ended 31st March 2023.

Despite the unprecedented challenges encountered both in the domestic operating environment as well as in external markets, I am pleased to report that together demonstrated adaptability and resilience in fulfilling its commitments to both internal and external stakeholders.

## Overview of the Sri Lankan Economy

Though there were no pandemic related disruptions, the year under review witnessed significant challenges and macroeconomic pressures on account of a precarious external financing position, particularly in the first half of the year, including severe fuel shortage, scarcity of essential commodities, and disruptions to power supply. The resultant economic turmoil, further exacerbated by unprecedented levels of inflation and interest rates, gave rise to public anxiety and political upheaval.

Sri Lanka recorded a contraction in the macro economy in Calendar Year 2022 with Gross Domestic Product (GDP) contracting by 7.8 percent in 2022 compared to the 3.5 percent growth recorded in 2021. The agricultural sector contracted by 4.6 percent in 2022 compared to 2021, primarily attributed to severe shortages in chemical fertilisers and agrochemicals, increased raw material costs, and disruptions in supply chains. The industrial sector experienced a significant contraction of 16 percent mainly due to poor performance in the construction and manufacturing subsectors. The services sector performed well in the first quarter of 2022 due to the gradual normalisation following the pandemic.

Similar to the previous year, global and domestic supply side disruptions continued to exert inflationary pressures on the economy, thereby impacting business performance. Foreign exchange liquidity remained a key concern as high levels of foreign debt, a growing trade deficit and the slower than expected recovery of foreign exchange inflows contributed towards a deterioration of the external financing position. This, among others, prompted the Central Bank of Sri Lanka

(CBSL) to accommodate a flexible exchange rate regime from March 2022 onwards, which resulted in an immediate 27% depreciation of the Rupee. Additionally, the foreign exchange crisis also resulted in suspending the servicing of external debt in mid-April 2022, as an interim measure, while soliciting support from official and private creditors to restructure outstanding debt. Against this backdrop, Sri Lanka moved to a pre-emptive default status, until such time progress is made on the debt restructure process.

The Sri Lankan government and the Central Bank of Sri Lanka (CBSL) implemented various containment and remedial measure to manage the impact of the above. These measures included a contractionary monetary policy stance and fiscal tightening, with an increase in both direct and indirect taxes to bridge the budget deficit. Market reflective pricing mechanisms were established for fuel and cooking gas whilst multiple upward revisions to electricity tariffs were undertaken to reduce the cost of subsidies provided by the Government. A fuel rationing scheme was successfully implemented to ensure an equitable and consistent distribution across the country. While these policies did come with significant adjustment costs in the short-term, they supported the containment of demand-side excessive price pressures, improved foreign exchange liquidity, and minimised external and fiscal sector stresses, supporting economic activity and steered the economy towards stability.

Thus far, the policy measures and reforms implemented have yielded notable success. Inflation which peaked in September 2022, has gradually decelerated. The exchange rate, which experienced a sharp depreciation in the first half of 2022, has stabilised and even appreciated in early 2023. Furthermore, the external current account deficit remained manageable, and official reserves gradually increased.

As a result of these efforts, the country has managed to transition to a workable equilibrium focused on restoring socio-economic stability. The successful securing of the USD 3 billion bailout package from the International Monetary Fund (IMF) has also aided in this recovery.

“The Company will closely monitor the developments in the country's macroeconomic environment and work towards overcoming any obstacles and challenges to ensure long-term sustainability. Additionally, JK PLC will remain attentive to stakeholder expectations and collaborate with business partners to create value for the business and stakeholders in the future.”

## Financial Performance Highlights

The Group's consolidated revenue increased by 8 percent to Rs. 1,024.59 million for the year ended 31st March 2023, compared to Rs. 946.17 million earned in the previous financial year. Accordingly, the Group's profit after tax for the financial year under review increased by 16 percent to Rs. 309.50 million compared to Rs. 266.08 million earned in the previous financial year. The Group's performance was mainly driven by the tea sector, which benefitted from the high prices obtained for Ceylon tea, though moderated by the volume declines which were the result of lower production. The Company's performance was further enhanced by the continued focus on reducing operational costs. In addition, the Group implemented various process improvements and remained committed to providing personalised services to producers and value-added services to buyers.

In terms of revenue contribution, the tea segment and stock brokering segment were the top two contributors, accounting for 62 percent and 25 percent of the Group's consolidated revenues, respectively. The warehousing segment and rubber segment contributed 13 percent and 1 percent respectively.

### Tea Segment Performance

Despite a decline in tea production experienced during the year under review, which was to mainly due to the reduced fertiliser applications in the previous year effecting both the quality and quantity of the crop, the Company's tea segment recorded increasing average prices by 117 percent with JK PLC achieving 153 all-time-record prices for teas sold during the calendar year. While the tea segment recorded a decline in volumes by 17 percent compared to the 7.4 percent increase in volumes recorded in the previous financial year, the segment's revenue growth was supported by the high tea auction prices for the year under review, including the positive impact on price in Sri Lankan Rupee terms due to the depreciation of the Rupee. Total segmental revenue amounted to Rs 641.17 million compared to Rs. 343.31 million recorded in the previous financial year.

Total tea sold through the Company during the financial year ended 31st March 2023 was 32.45 million kilograms compared to 39.04 million kilograms sold in the previous financial year. The Company's income from brokerage increased by 75 percent due to an increase in average price, including the translation impact of the depreciating currency, while income from sellers' interest increased by 118 percent mainly due to the increase in the minimum lending rate stipulated by the Colombo Brokers Association. The Company continued with its prudent approach and stringent controls when it came to lending related decisions.

### Rubber Segment Performance

The rubber segment of the Company had a year of subdued performance, in line with the Sri Lankan rubber industry. Unlike the tea segment, the depreciating rupee did not benefit rubber exports. Consequently, the Company's total rubber sales volumes declined by 46 percent to 1.24 million kilograms during the year under review, compared to a decline of 18.6 percent to 2.29 million kilograms recorded in the previous financial year. Although the first two quarters of the year attracted good prices, the overall rubber auction prices did not fare well during the year under review. The rubber prices declined in the third and fourth quarters as demand continued to drop.

As a result, the segment's revenues declined by 26 percent to Rs. 8.99 million for the financial year under review compared to the 22 percent increase to Rs. 12.13 million recorded in the previous financial year.

### Warehousing Segment Performance

The Company's warehousing performance for the year under review was negatively impacted by the decline in tea production levels and rising costs of operations. As brokers had lesser quantities of tea for storage this impacted revenues earned, although, the higher rental rates did negate this impact to some extent.

Thus, the revenues earned by the segment reduced by 5 percent to Rs. 129.40 million for the financial year under review compared to the 40 percent year-on-year increase achieved during the year ended 31st March 2022. Total utilisation also declined in line with the lower production volumes and the faster turnaround of buyer shipments. Consequently, area utilisation declined to 81 percent for the financial year under review, compared to the 97 percent utilisation achieved in the previous financial year.

The segment's focus for the year remained on managing rising costs while maintaining high levels of efficiency. However, the overall costs of operating the warehouse increased significantly during the year under review driven by escalating electricity costs, insurance and the higher expenses incurred for equipment maintenance and repairs.

### Stock Broking Segment Performance

The Company's stock broking segment was impacted by the volatile domestic and external market dynamics that impacted the equity market and investor sentiments. The primary reasons for the stock market's volatility were factors such as pre-emptive default and the downgrades by credit agencies, political uncertainty and social unrest, steep depreciation of the Sri Lankan Rupee and resultant confidence therein, market liquidity constraints and significant shortages of essential commodities caused by depleted forex reserves. This impact was worsened due to the sharp fiscal adjustments and steep rise in interest rates. As a result, the Colombo Stock Exchange (CSE) experienced yet another volatile year with the All-Share Index moving up only by 4.5 percent from 1st April 2022 up to 31st March 2023. Despite these challenging circumstances, the revenue generated by the segment was Rs 251 million for the year under review.

### Creating Value for Employees

Emerging from the post-pandemic era, the Group focused on enhancing team strength and re-instating a culture of personal interaction with both existing and potential clients Considering the high inflation rates and rising living costs which impacted the country in 2022, JK PLC aligned with the holding company's lead and provided employees relief by way of a crisis allowance. The Company also continued its efforts to focus on professional development, succession planning, and transition to ensure a strong management and leadership pipeline for the future.

### People and Partnerships

The value creation process of your Company has been built around our loyal and dedicated workforce, and I wish to acknowledge, with gratitude, the contribution and commitment of our employees during yet another year of unprecedented challenges. The Group commenced the year on a hybrid working model but normalized to working from office as pandemic concerns waned to align with business needs. Cognisant of the economic hardships faced by the Group employees on account of rising prices and reduced disposable income, a plethora of initiatives were undertaken to support employees. These included, among others, a one-off, uniform financial care package in the form of an ex-gratia payment for employees not governed by the collective agreements, a monthly temporary crisis allowances effective from January 2023, awareness sessions and webinars on managing personal finances in the current economic climate and emotional support with counsellors.

Your Company rolled out the landmark parental leave policy of the John Keells Group, extending the 100 days of maternity leave to cover both parents as parental leave at the birth or adoption of a child, ensuring equity, and recognising the importance of both parents' roles in early childcare. Several initiatives in addition to the parental leave policy such as the adoption of gender-neutral terminology and strategies focused on improving accommodations for persons with disabilities were implemented in line with the John Keells Group's Diversity, Equity and Inclusion (DE&I) initiative, 'ONE JKH'.



# CHAIRPERSON'S STATEMENT

## Commitment to Strong ESG Practices

The Company's environmental, social and governance (ESG) strategy which is well entrenched with the governance and sustainability management frameworks of the John Keells Group, continued to ensure that sustainability and governance considerations remain an integral part of business operations.

## Focused on Good Governance and Responsibility

JK PLC remains committed to adhering to the Code of Business Conduct and Ethics as well as the Code of Best Practice of Corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Furthermore, the Company upholds the John Keells Group policies and Code of Conduct, ensuring that our business operations are conducted with ethical practices, adhere to legal and regulatory requirements, and with zero tolerance for corruption, bribery, workplace harassment or discrimination.

## Future Prospects 2023 and Beyond

The prospects for the Plantation Services sector remain positive, given its export-oriented nature. The Sri Lanka Tea Board (SLTB) anticipates the overall tea production to reach 290 million kilograms in CY2023 [CY2022: 252 million kilograms], with tea exports projected at ~275 million kilograms.

Current signs indicate that the lagged effect of fertiliser shortages which materialised as a result of the ban imposed by the Government on the importation of agrochemicals in April 2021, has largely subsided. The increase in tea production with expectations of improved green leaf quality is expected to improve volumes at the Colombo Tea Auction, which was largely constrained in the recent months due to inadequate production. Potential headwinds include increases in production costs due to the industry's dependence on labour and imported fertiliser and adverse weather conditions.

Tea prices, in USD terms, are envisaged to remain resilient in the short term, despite the increase in tea supply. Demand for tea is envisaged to continue aided by organic growth and with the emergence of health-conscious consumers, given the various health benefits associated with tea, although demand may be impacted as a result of a global economic

slowdown. In Rupee terms, the prices would depend on the outlook for the economy and the Rupee.

Global demand for tea is expected to gain traction on the back of an increase in tea drinking trends globally. Growing demand for low grown tea from traditional markets in the Middle East and Russia and new demand from emerging tea drinking countries such as Germany and the United States is expected to augur well for the long-term prospects for Sri Lanka. Adverse and increasingly unpredictable weather conditions on account of climate change and significant competition from other tea-producing nations such as Kenya, India and China remain as key challenges for the business.

Rising costs continue to be a significant issue for the business and the industry at large, impacting competitiveness regionally and globally. The business will continue to place emphasis on managing its working capital requirements on the back of the tightening domestic macroeconomic conditions, particularly in terms of managing debt collection. The business will continue to ensure prudent cost management and productivity enhancing measures are in place to navigate any short-term impacts that may arise from the macroeconomic environment.

The projected rise in tea volumes is expected to boost capacity utilisation in the warehousing segment, resulting in higher revenues and profitability. Challenges in terms of higher prices for goods and services are expected to remain, but the Company remains steadfast in implementing strong financial and cost management strategies to maintain performance levels and ensure the Company's viable growth. These include increasing the use of solar energy, enhancing the racking systems, and improving the efficiency of loading and unloading operations. Additionally, the Company is committed to protecting the environment by converting all paper-based documents of the warehousing operations to electronic formats.

The Company maintains a positive outlook on the growth potential of the rubber segment in the medium to long term, subject to supportive measures from the authorities to foster the development and growth of the Sri Lankan rubber industry. There exists a considerable opportunity to expand rubber production and

diversify into a wider range of high-quality rubber products by pursuing productivity enhancement, innovative production and manufacturing techniques, and targeted research and development. In the short term, JK PLC will adopt strategies to drive volume growth and work with producers to reduce the inconsistencies in volumes available for auctions.

This increased optimism about the country's macroeconomic stability is expected to have a positive impact on stock market performance and investor sentiment. The Company expects a revival in foreign investor participation in tandem with the improvement of the macro economy, which will further contribute to improved activity in the CSE. The Company will continue to cultivate foreign tie-ups in order to strengthen its presence amongst foreign institutional investors. The business will simultaneously work towards expanding its local client base aimed at local corporates, fund managers and high net-worth individuals.

## Integrated Reporting

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

## Appreciations and Acknowledgments

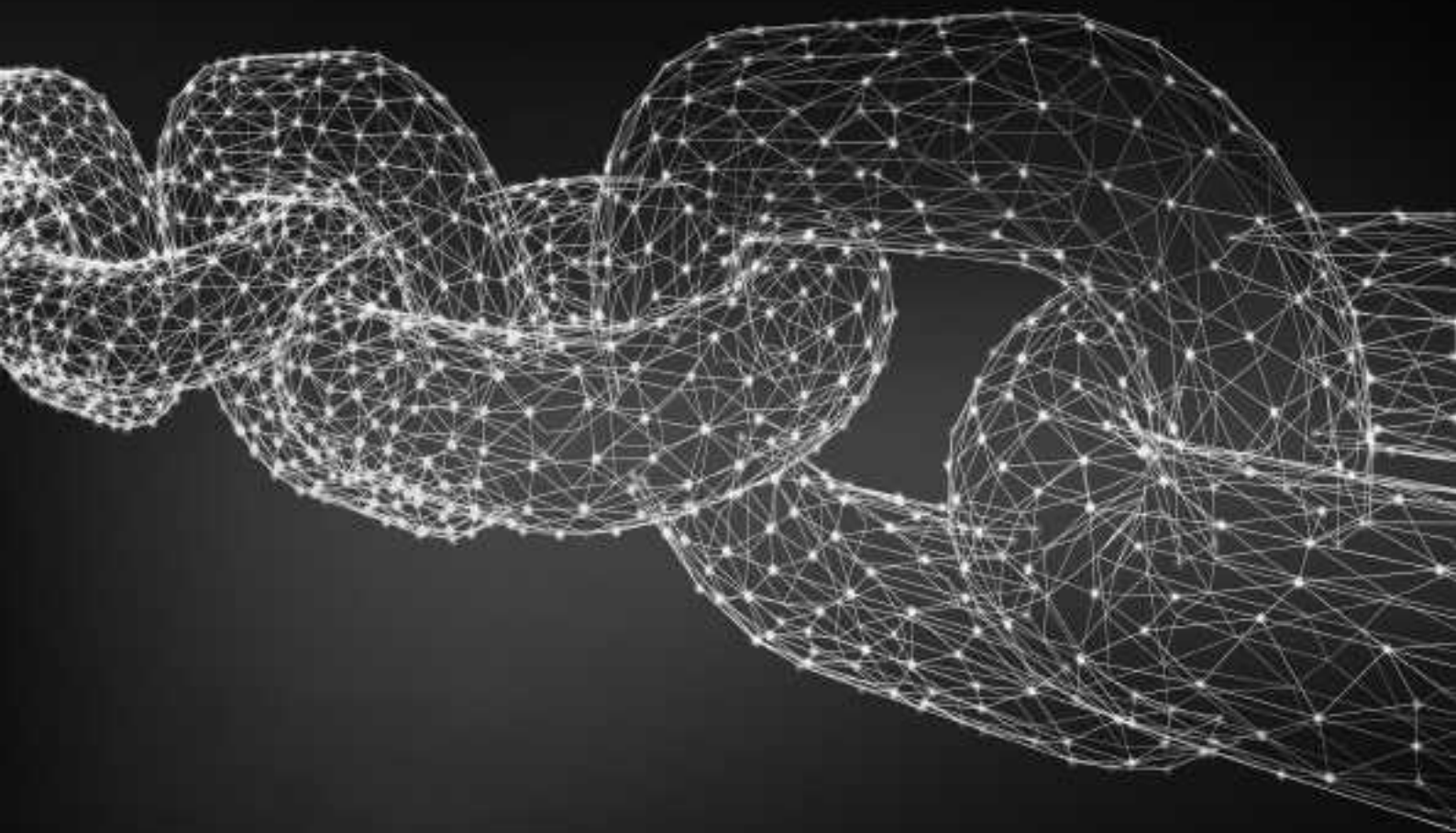
I would like to express my gratitude and appreciation to the Board of Directors for their unwavering support and guidance during these challenging times. I would also like to thank our teams for their dedication and commitment to ensure the Group's goals were achieved and growth realised in a demanding operating environment. Lastly, I would like to extend my gratitude to all our stakeholders, including business partners, shareholders, and regulators for their continued support, trust, and loyalty towards the Group.



**K N J Balendra**  
Chairperson

22nd May 2023

# FORTIFYING UNITY



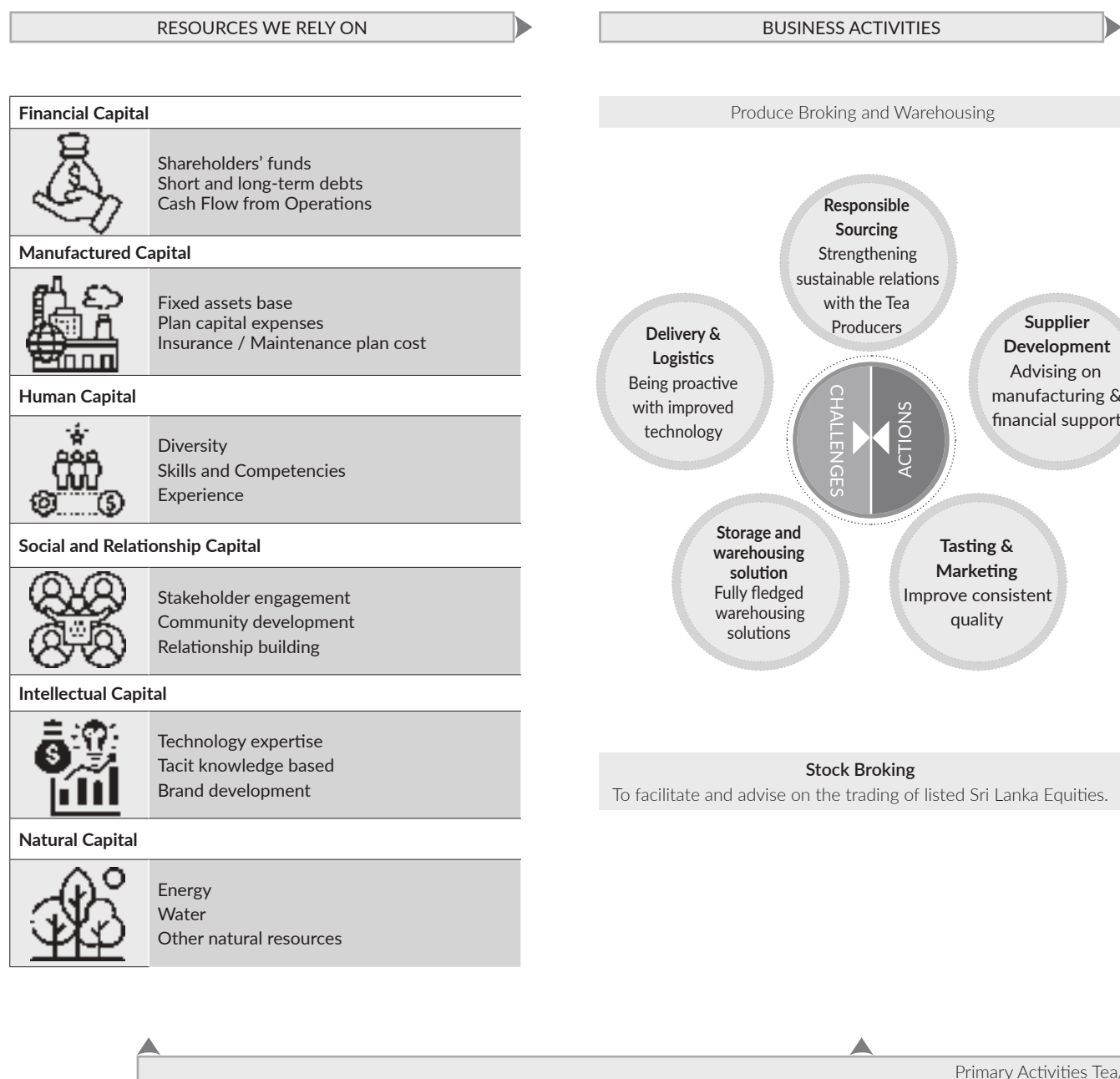
## MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion & Analysis 16 Capital Management 33 GRI Context Index 47

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS MODEL

WE FACE CHALLENGES AND ACTIONS HEAD-ON, BY MANAGING OUR INPUTS, I.E. THE RESOURCES WHICH WE DEPENDED ON TO CARRY OUT OPERATIONS WITH THE THINKING OF LONG TERM VALUE CREATION. THROUGHOUT THE PROCESS WE ENHANCE THE POSITIVE AND MINIMIZE THE NEGATIVE OUTCOMES OF THE BUSINESS WHILE SUSTAINING VALUE FOR THE STAKEHOLDERS.



## OUTCOMES



Shareholder returns/dividends  
Share price appreciation  
Payments to other stakeholders



Total assets purchases  
Insurance claims recoveries  
Cost savings on efficient usage of assets



Staff motivation  
Employee turnover  
Talented/efficient work force



Community quality of life improvement  
Well informed stakeholder base  
Better stakeholder relations



Intellectual assets  
Sound judgments  
Goodwill



Carbon foot print  
Utility consumption  
Renewable energy sources

## MANAGING THE POSITIVE AND NEGATIVE OUTCOMES

Restructuring the debt capital  
Financial growth and stability  
Competitive pricing on short term debt

Efficient usage of assets and  
innovative solutions to reduce service cost

Advancing on leadership, encourage team work  
for productive effort

Continuously improve stakeholder  
engagement strategies

Continue to improve governance practices,  
leverage on expertise and specialized  
skills and encourage innovation

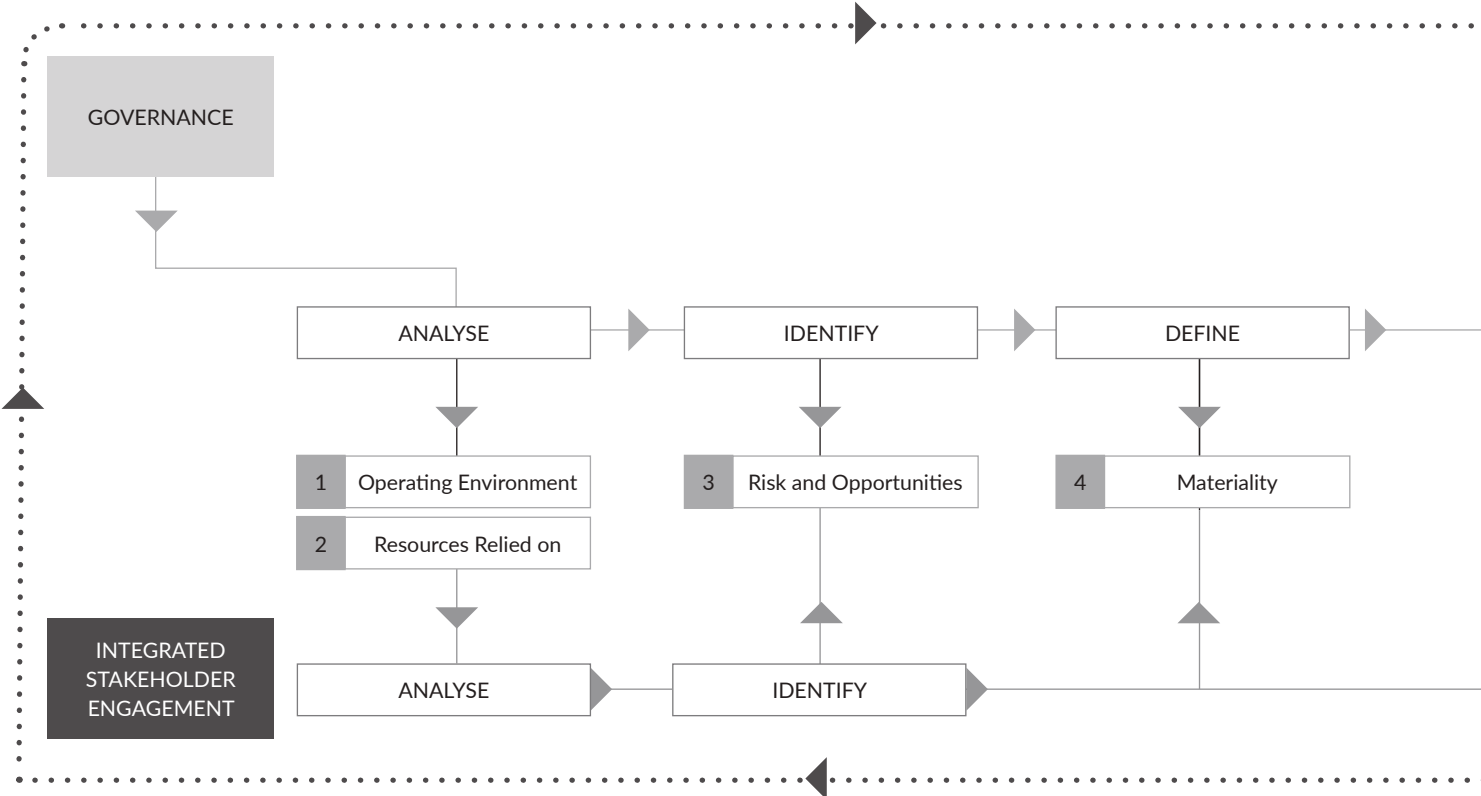
Pursue further renewable sources of energy,  
pledge on plastic Initiative, optimized  
energy & water usage

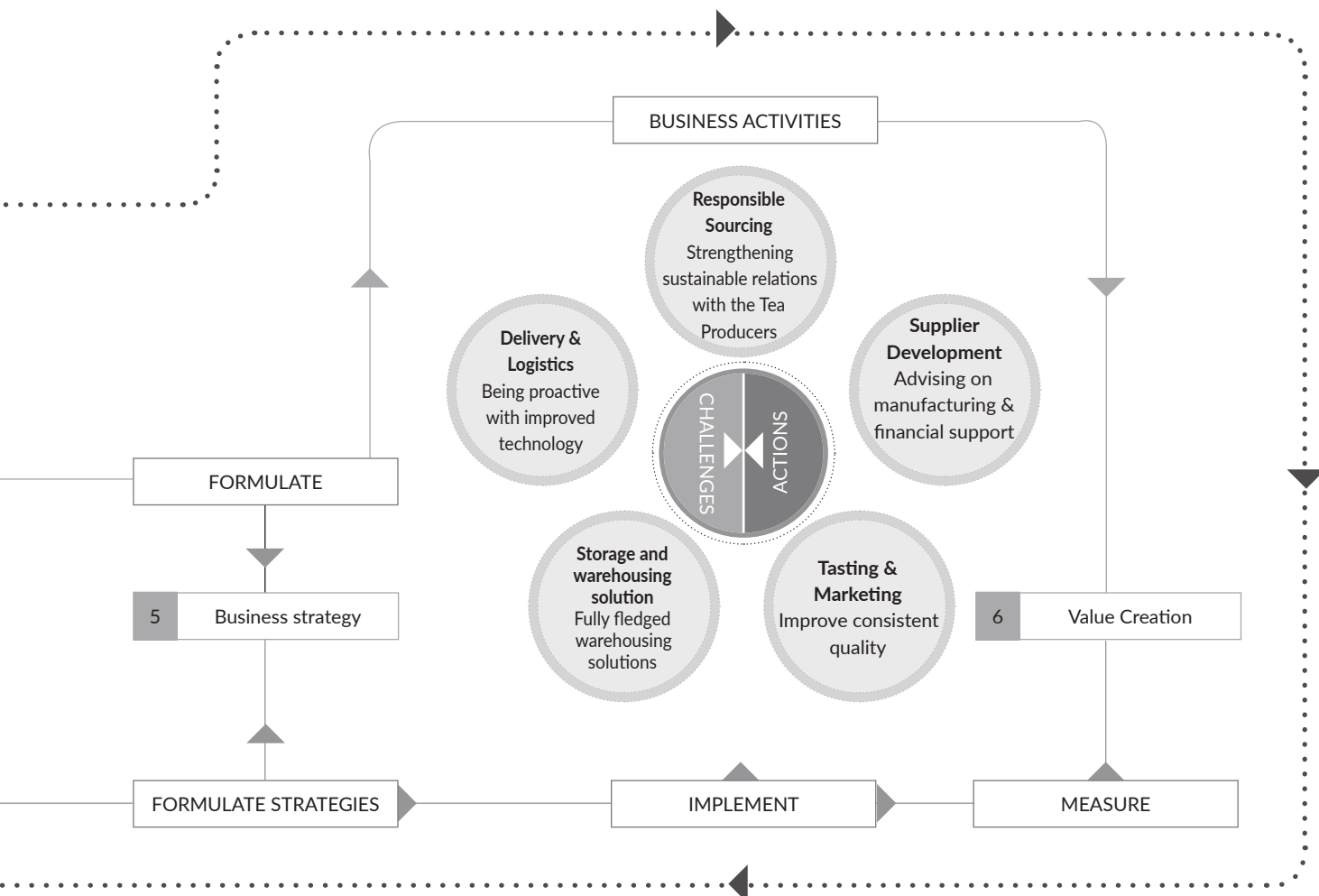
/Share broking and Tea Warehousing

# MANAGEMENT DISCUSSION & ANALYSIS

## VALUE CREATION MODEL

VALUE CREATION REVEALS THE RELATIONSHIP BETWEEN VARIOUS ELEMENTS INVOLVED IN ACHIEVING OUR STAKEHOLDER OBJECTIVES. WITH THE UNDERSTANDING OF THE ENVIRONMENT AND ITS IMPLICATIONS, THE RIGHT THINKING IS ADOPTED ON PLANNING AND ADJUSTING THE BUSINESS IN A CONSISTENTLY CHANGING ENVIRONMENT FILLED WITH CHALLENGES TO OVERCOME AND EXPLOIT OPPORTUNITIES.





#### 1 Operating Environment

Analysing global and local industry specific trends; determining risks and opportunities that have significant impact on our ability to create value in the short, medium and long-term.

#### 2 Resources Relied on

Ability to create value depends on the capitals & their availability, usage & impact on them.

#### 3 Risk and Opportunities

Capabilities are evaluated alongside the identified risk & opportunities and strategic planning is incorporated.

#### 4 Materiality

Based on the impact and importance to the stakeholders prioritizing the issues for the effective response.

#### 5 Business strategy

Prioritizing the risk and opportunities and identify the material matters to sustain short, medium and long term values.

#### 6 Value Creation

Achieve our stakeholder goals.

# STAKEHOLDER RELATIONSHIPS

At JKPLC, our stakeholders are an integral part of who we are. Various stakeholder groups contribute to different aspects of the organisation's operation and growth. Their combined contribution is what enables JKPLC to thrive and prosper even during challenging times. Thus, during the year under review, the company focused on key areas for different stakeholder groups in pursuit of creating sustainable long-term value.

Customers	Employees	Shareholders	Suppliers
<b>How we engage</b>			
<ul style="list-style-type: none"> <li>▶ Adopting latest technology</li> <li>▶ Building long term sustainable relationships</li> <li>▶ Create customer value individually and as a group</li> </ul>	<ul style="list-style-type: none"> <li>▶ Staff Meetings</li> <li>▶ Staff engagement activities</li> <li>▶ Performance Management System</li> </ul>	<ul style="list-style-type: none"> <li>▶ Annual General Meeting</li> <li>▶ Annual report and Quarterly Financial Statements</li> <li>▶ Website (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Building long term sustainable relationships</li> <li>▶ Effective risk management</li> </ul>
<b>Stakeholder expectation</b>			
<ul style="list-style-type: none"> <li>▶ Service quality</li> <li>▶ Value for money</li> <li>▶ Product responsibility</li> <li>▶ Attitude of employees</li> </ul>	<ul style="list-style-type: none"> <li>▶ Health &amp; safety considerations</li> <li>▶ Job security</li> <li>▶ Competitive compensation and benefits</li> <li>▶ Opportunities for skill development and career progression</li> <li>▶ Diversity and equal opportunity</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sustainable Growth and business continuity</li> <li>▶ Good risk and crisis management</li> <li>▶ Compliance</li> <li>▶ Corporate Governance and Ethics</li> <li>▶ Transparency and credibility of disclosures</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continued business opportunities</li> <li>▶ Knowledge sharing</li> <li>▶ Fair pricing</li> <li>▶ Long term business relationships</li> </ul>
<b>Strategic response</b>			
<ul style="list-style-type: none"> <li>▶ Linking the sellers' capabilities and export market conditions</li> <li>▶ Rewarding on outstanding performance</li> <li>▶ Estate/factory visits</li> <li>▶ Informing market performance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continuation of flexible and agile work arrangements</li> <li>▶ Ongoing training and development opportunities</li> <li>▶ Promote diversity, equity, and inclusion</li> <li>▶ Review of salary and organisation structures</li> </ul>	<ul style="list-style-type: none"> <li>▶ Ongoing focus on cost and revenue management measures</li> <li>▶ Provide timely company updates through Colombo Stock Exchange</li> <li>▶ Open and transparent communication with shareholders</li> <li>▶ Publish annual report</li> </ul>	<ul style="list-style-type: none"> <li>▶ One-on-one discussion on issues such as product quality and improvements</li> <li>▶ Information reports on product quality and improvements</li> <li>▶ Rewarding outstanding performance</li> <li>▶ On-site visits to and from suppliers</li> </ul>

## STAKEHOLDER ENGAGEMENT

Stakeholder Engagement is the first step in our journey towards identifying how we deliver economic, social and environmental value to our stakeholders by engaging at different levels and at different times using a range of tools and methodologies to obtain a better perspective of their expectation from the Company. The Company follows a decentralised engagement process where all employees are responsible for building relationships with our stakeholders. There is no dedicated team which oversees stakeholder management and engagement process, but each team who interact with different stakeholders are given the responsibility and

held accountable for managing relationships and meeting expectations of both internal and external stakeholders. Accordingly, each business unit and divisions of the Company are mandated with maintaining inclusive, mutually beneficial relationships with stakeholders with whom they interact on a regular basis. They are expected to document processes and procedures and follow the broad guidelines as set by the Company in undertaking a proactive and transparent engagement on an on-going basis.

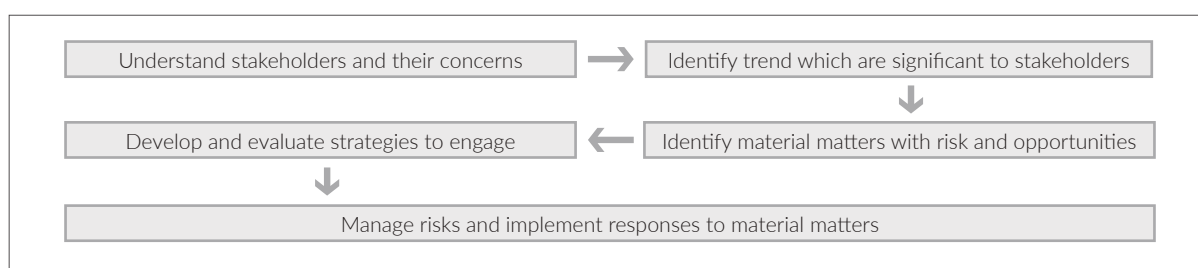
## STAKEHOLDERS INVOLVEMENT

The Company's regular and ongoing interaction with all stakeholder groups attest our efforts

to operationalise an integrated sustainability approach which will build long-term business resilience. Therefore, stakeholder engagement is undertaken with a far broader aim than merely communicating 'to' various stakeholder groups. It is our aim to establish deep and meaningful partnerships with stakeholders to ensure they remain aligned to our values and are willing to work closely together for mutual benefit and prosperity. This in return enables the Company to build long-term relationships with our stakeholders.

## STAKEHOLDER ENGAGEMENT PROCESS

The JKPLC stakeholder engagement process is built on these five ideologies.





## Materiality Analysis

Materiality analysis of issues is done once feedback is received through the stakeholder engagement process. The materiality analysis assists the Company to identify issues considered as material from the perspective of stakeholders thereby enabling the creation of capital values while safeguarding the sustainability of business.

JKPLC applies a two-pronged approach to map each material aspect vis-à-vis highlighting its importance to the stakeholder as well as the significance to the Company. Each material aspect is ranked and mapped according to importance and impact at three levels - high, medium and low. This materiality mapping mechanism forms the basis for JKPLC's strategy development and planning process.



## Materiality Analysis Process

### Material topics and corresponding principles as per GRI Standard guidelines

GRI Standard No	Material topic	Boundary	Impact to Company	Impact to Community	Overall Impact
<b>Economic</b>					
201	Economic Performance	Internal	High	High	High
204	Procurement Practices	Internal	Low	Low	Low
205	Anti-corruption	Internal	Low	Low	Low
206	Anti-competitive Behaviour	Internal	Low	Low	Low
<b>Environmental</b>					
302	Energy	Internal	Medium	Medium	Medium
303	Water	Internal	Medium	Medium	Medium
305	Emissions	Internal	Medium	Medium	Medium
306	Effluents and Waste	Environment	Medium	Medium	Medium
307	Environmental Compliance	Environment	Medium	Medium	Medium
308	Supplier Environmental Assessment	Suppliers	Low	Low	Low
<b>Social</b>					
401	Employment	Internal	High	High	High
402	Labour/Management Relations	Internal	High	High	High
403	Occupational Health and Safety	Internal	High	Low	Low
404	Training and Education	Internal	High	High	High
406	Non-discrimination	Internal	High	Low	Low
408	Child Labour	Internal	Low	Low	Low
409	Forced or Compulsory Labour	Internal	Low	Low	Low
412	Human Rights Assessment	Internal	Low	Low	Low
414	Supplier Social Assessment	Suppliers	Low	Medium	Medium
415	Public Policy	Internal/ Government	High	High	High
419	Socioeconomic Compliance	Community	Medium	High	High

# MANAGEMENT DISCUSSION & ANALYSIS



## TEA BROKERING SEGMENT

JK PLC, a prominent tea brokering enterprise in Sri Lanka, boasts a 150-year legacy in expertly handling the brokering and export of the world-renowned Ceylon Tea. Our unwavering commitment to providing top-quality teas, together with the value-added services provided to tea smallholders, sets us apart in the market. Our pursuit to maintain a competitive edge motivates us to establish a distinctive standing in the industry, all while delivering value to our stakeholders. Currently, we hold a substantial portion of Sri Lanka’s tea market, estimated at 13.30 percent.

80%

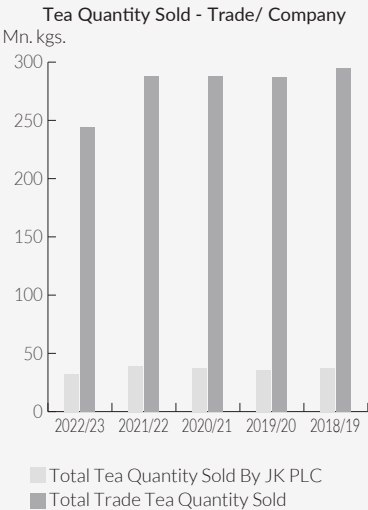
YOY GROWTH  
Brokerage Income

117%

YOY GROWTH  
Average Prices

153

ALL-TIME  
Price Records



## Overview Global Tea Industry

The global tea industry faced intense competition from robust competitors offering a diverse range of tea products, while climate change, inconsistencies in production level, concerns about maintaining the quality of the green leaf, evolving consumer preferences, and intermittent supply chain disruptions pose a challenge. The traditional definition of tea is being redefined as consumers increasingly prefer herbal and fruit blends. The global herbal infusion market is expanding at double the rate of the tea industry, posing a need for fast-paced changes in production and tea blends to meet future market demand.

Global tea production recorded a marginal 1 percent decline to 6,397.92 million kilograms in 2022 compared to 6,469 million kilograms in 2021. The decrease in tea production is primarily due to lower output in Sri Lanka, Africa, Bangladesh, Indonesia, and India.

Asia remains the largest tea producer globally, accounting for 86.5 percent of total global tea production in 2022. Africa is the second-largest producer, contributing only 12 percent of the total global tea production. The third largest tea-producing region is South America, with the rest of the global tea production being accounted for by the CIS region and Oceania. From a country perspective, China remains the largest global producer of tea in 2022 followed by India in second place. Kenya remains the third-largest tea-producing nation despite another year of declining production levels. Kenya is also the largest tea-producing nation in the African region. Due to the 16 percent decline in tea production in 2022, Sri Lanka has fallen to fifth place among the world's largest tea-producing nations, while Turkey regained its fourth place position amongst the top five largest global tea-producing nations.

Global tea exports experienced a 5 percent decline in volume to 1,827.99 million kilograms in 2022 compared to the 2.6 percent increase in volume to 1,879 million kilograms recorded in 2021. This decline can be attributed to several factors, including price fluctuations, decreased tea production, sluggish growth in consumption, natural disasters in key tea-importing nations, and domestic developments in tea-drinking and importing nations. In general, most tea-exporting countries experienced a decrease in their export volumes in 2022. Moreover, global tea export earnings are also suffering. In 2021, worldwide tea sales amounted to USD 7.3 billion, representing a 9.4 percent decline from 2017, when tea exports were valued at USD 8.1 billion. However, while 2022 recorded increases in tea auction prices per kilogram, the long-term trend indicates a downward trajectory.

LEADING TEA PRODUCING AND EXPORTING NATIONS 2022					
GLOBAL TOP 5 TEA PRODUCERS			GLOBAL TOP 5 TEA EXPORTERS		
Country	Production Volume	YOY Increase (+)/ Decline (-)	Country	Export Volume	YOY Increase (+)/ Decline (-)
China	3,090.0 million kilograms	26.80	Kenya	456.0 million kilograms	(102.90)
India	1,340.5 million kilograms	(2.61)	China	375.2 million kilograms	5.80
Kenya	530.0 million kilograms	(7.80)	Sri Lanka	250.2 million kilograms	(35.80)
Turkey	280.0 million kilograms	(2.02)	India	224.0 million kilograms	33.20
Sri Lanka	251.5 million kilograms	(47.90)	Vietnam	140.0 million kilograms	(5.00)

## Overview - Sri Lankan Tea Industry

Throughout 2022, the Sri Lankan tea industry faced a series of challenges, compounded by the ongoing economic crisis in the country which disrupted operations and added to the industry's existing troubles. Despite these difficulties, tea export earnings increased, as did the average tea auction prices. However, tea production across all elevations and tea export volumes declined. The industry also experienced inconsistencies in tea quality due to climate change and erratic fertiliser applications. The labour-intensive nature of the industry, the devaluation of the Sri Lankan rupee, high inflationary pressures, and fuel shortages were some of the challenges faced due to the unstable economic and political conditions in Sri Lanka.

Moreover, the Sri Lankan tea industry in 2022 was also affected by global developments, including an increase in oil prices, the ongoing conflict between Russia and Ukraine, and difficulties in key export markets such as Turkey. The currency devaluations in several countries that import tea were also a factor of concern.

Despite the impact of global and local market developments and prevailing economic uncertainties, industry personnel made a great effort to minimise the impact of industry challenges and sustain growth momentum.

### Tea Production

Tea production levels recorded a 16 percent decline in 2022, with 251.49 million kilograms of tea produced in 2022, compared to 299.5

million kilograms produced in 2021. This decline in production is mainly attributed to the reduced use of fertilisers in the previous year which had a ripple effect on tea production in 2022. This caused a significant decline in both the quality and quantity of crops. In addition, tea production was challenged by unfavourable weather conditions as in previous years.

The Sri Lankan economic crisis of 2022 also had a substantial impact on the tea industry. High inflation rates resulted in increased costs of fertiliser, other agricultural inputs, and fuel, affecting production and logistics. Furthermore, the frequent power outages also hindered factory operations during the year.

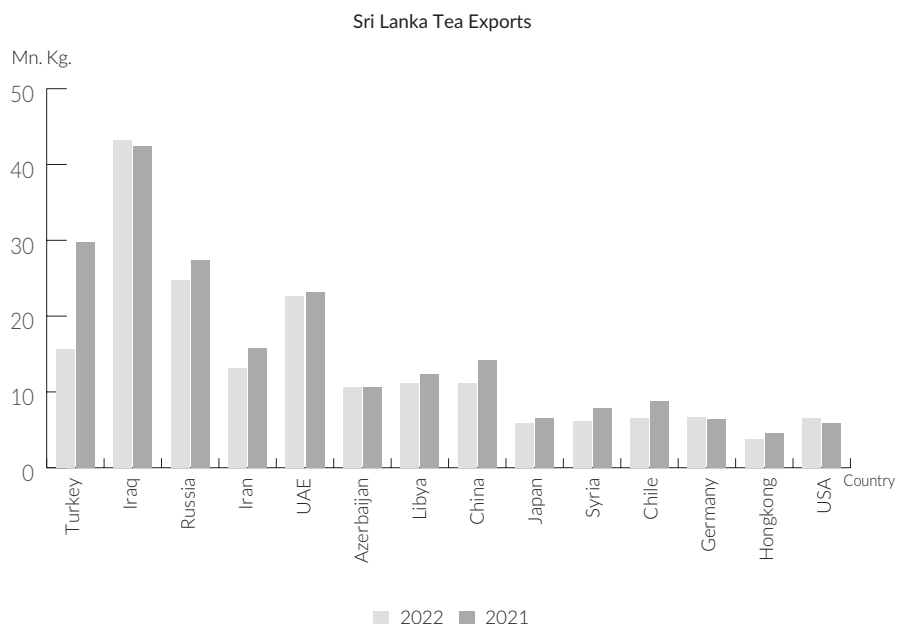
# MANAGEMENT DISCUSSION & ANALYSIS

Unlike in 2021, tea production declined across all quarters of the year, as well as across all elevations. Production in quarter one declined by 15 percent to 63.00 million kilograms in 2022 compared to 74.51 million kilograms of tea produced in 2021. The second quarter recorded the highest level of production decline, with a drop of 21 percent to 69.10 million kilograms compared to 87.2 million kilograms in 2021. Tea production in the third quarter of 2022 declined by 19 percent to 59.10 million kilograms, a decrease from the 73.01 million kilograms produced in 2021. The fourth quarter production declined only by 9 percent to 58.32 million kilograms, compared to the 64.41 million kilograms produced in 2021.

From an elevation perspective, high-grown elevation production declined by 14 percent to 56.32 million kilograms in 2022 from 65.33 million kilograms in 2021. The medium-grown elevation recorded a 21 percent decrease to 40.19 million kilograms in 2022, compared to 50.99 million kilograms in 2021. The low-grown elevation experienced the largest decline, with tea production falling by 15 percent to 154.99 million kilograms in 2022, compared to 183.17 million kilograms in 2021.

## Tea Exports

In 2022, tea export volumes declined by 12.5 percent to 250.19 million kilograms, dropping from 286.02 million kilograms exported in 2021. Total black tea export volumes decreased to 242.89 million kilograms in 2022 from 278.4 million kilograms in 2021, recording an 13 percent year-on-year decline. While black tea in bulk and packets were in high demand, both recorded declining export volumes compared to 2021, selling 110.45 million kilograms and 110.77 million kilograms, respectively in 2022. The export volume of black tea in bags declined by 12 percent to 21.67 million kilograms in 2022 compared to 24.67 million kilograms sold in 2021. Despite declining volumes, black tea continues to dominate the Sri Lankan tea export market, accounting for 97 percent of total tea export volumes.



Green tea and instant tea continue to be sold in limited quantities. Green tea exports recorded a marginal decline to 4.22 million kilograms in 2022 compared to 4.59 million kilograms in 2021. However, instant tea exports recorded a marginal increase to 3.08 million kilograms in 2022 compared to 3.03 million kilograms in 2021.

The decline across all varieties of tea was driven mainly due to the decreased demand from Russia and Ukraine due to their ongoing war, and a reduction in orders from Japan and Turkey. Additionally, rising auction prices for Ceylon Tea were a significant detriment to increasing export volumes, as some countries chose to purchase lower-priced teas from India and Vietnam instead.

However, despite the decrease in volume, the total tea export earnings in 2022 increased by an unprecedented 54 percent, reaching Rs. 411.09 billion (USD 1,268.37 million), the highest in history. The increase is mainly attributed to the considerable devaluation of the Sri Lankan rupee compared to the US dollar and higher market demand for specific grades

and categories of Ceylon Tea due to lower production levels.

The primary destinations for Sri Lankan tea exports are the Middle East and selected Asian and European countries. Iraq maintained its spot as the top tea exporting nation of Sri Lanka, purchasing 43.2 million kilograms in 2022, a 2 percent increase compared to 2021. Russia was placed as the second-highest tea exporting nation of Sri Lanka despite a 10 percent decline in export volume to 24.7 million kilograms in 2022 compared to 27.4 million kilograms exported in 2021. The United Arab Emirates ranked third with an export volume of 22.6 million kilograms, slightly lower than the 23.1 million kilograms exported in 2021. Meanwhile, Turkey, which imported 29.7 million kilograms of tea in 2021 and was placed second, fell to take fourth place in 2022 as the country's tea import volumes declined significantly by 47 percent to 15.6 million kilograms. Iran remained the fifth largest importer of Ceylon Tea, despite a decline in recorded export volumes by 17 percent to 13.1 million kilograms in 2022.

## 8 CEYLON TEA IMPORTING TOP NATIONS 2022

Country	Export Volume	Year-on-Year Increase (+)/Decline (-)	
Iraq	43.2 million kilograms	+ 2 percent	+ 0.8 million kilograms
Russia	24.7 million kilograms	- 10 percent	- 2.7 million kilograms
United Arab Emirates	22.6 million kilograms	- 2 percent	- 0.5 million kilograms
Turkey	15.6 million kilograms	- 47 percent	- 14.1 million kilograms
Iran	13.1 million kilograms	- 17 percent	- 2.7 million kilograms
Azerbaijan	12.1 million kilograms	+ 14 percent	+ 1.5 million kilograms
Libya	11.2 million kilograms	- 9 percent	- 1.1 million kilograms
China	11.1 million kilograms	- 22 percent	- 3.1 million kilograms

### Tea Auctions

In 2022, the combination of reduced tea production levels and the devaluation of the Sri Lankan rupee caused a limited quantity of tea available for sale, which resulted in an increase in average auction prices for all months compared to 2021. As a result, the average auction price doubled, reaching Rs. 1,234.24 per kilogram in 2022, compared to Rs. 615.44 per kilogram in 2021.

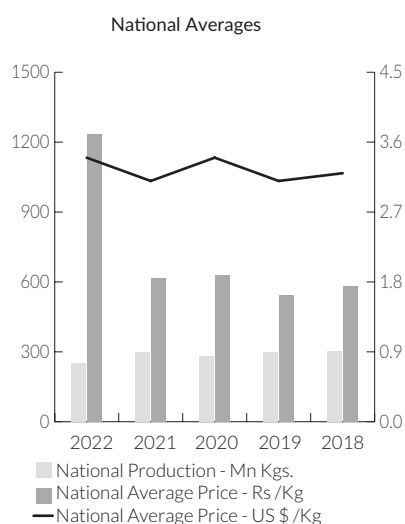
Similarly, elevation-wise average prices performed remarkably well in 2022 compared to 2021. High-grown teas recorded an 86 percent increase in average auction price to Rs. 1,093.1 per kilogram, and medium-grown teas saw an 87 percent increase to Rs. 1,030.82 per kilogram. The low-grown elevation teas experienced the most significant price rise in 2022, increasing by 108 percent to record an average auction price of Rs. 1,339.86 per kilogram compared to 2021.

A noteworthy achievement for the industry with regard to auction prices was the remarkable rise in the average price of low-grown orthodox tea. The prices reached a historic high in March 2022, recording Rs. 1,049.07 per kilogram during Sale No. 12. Then in September 2022, the average auction price for Sale No. 37 surged to a record high of Rs. 1,810.10 per kilogram, marking a new milestone for low-grown orthodox tea prices.

However, auction sales volumes recorded a declining trend in 2022 compared to 2021, both from total quarterly sales and elevation-wise sales perspectives. The highest sale at auction was recorded in May, selling 27.7 million kilograms of tea. December had the lowest sale at auction, with only 13.6 million kilograms of tea sold in that month.

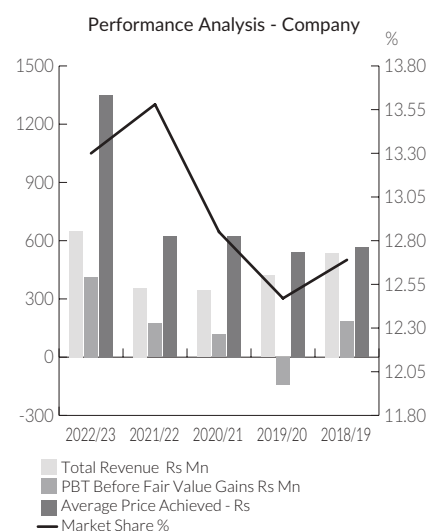
### Performance of JK PLC Tea Brokering Business

The financial year under review was a challenging one for JK PLC's tea brokering business, mainly due to the prevailing conditions of the tea industry. Business volumes recorded a decline of 12 percent mainly due to lower quantities of tea available for sale. Thus, the total tea sold during the financial year ended 31st March 2023 was 32.5 million kilograms compared to 39.0 million kilograms sold in the previous financial year.



A positive for the tea brokering business of JK PLC was the increasing auction price averages. The price increase recorded throughout the year under review resulted in the growth of the business segment. Selling prices recorded between Rs. 999.3 per kilogram and Rs. 1,652.85 per kilogram during the year under review. The average price earned by the segment for the year under review was Rs. 1,349.5 per kilogram compared to Rs. 621.58 per kilogram achieved in the previous financial year. Thus, JK PLC successfully increased

average auction prices by 117 percent for the financial year ended 31st March 2023. The high prices achieved also resulted in JK PLC achieving 153 all-time record prices for teas sold.



Higher tea prices had a positive impact on the segment's revenue position. Accordingly, segmental revenue increased by 87 percent to Rs. 641.2 million, surpassing the previous year's earnings of Rs. 343.3 million. The brokerage income also recorded increasing levels, rising by 75 percent to Rs. 447.9 million due to the increase in average price compared to the 3.9 percent increase to Rs. 275.61 million recorded in the previous financial year. The business segment recorded an increasing sellers' interest income by 118 percent to Rs. 147.9 million as the business took a cautious lending approach with its tea-producing partners. The segment also welcomed 18 new customers, contributing to the revenue growth achieved during the financial year under review.

# MANAGEMENT DISCUSSION & ANALYSIS

The total segmental profit recorded for the year under review increased by 445 percent to Rs. 427.3 million for the year ended 31st March 2023, compared to Rs. 78.4 million for the year ended 31st March 2022.

The segmental performance was supported by the specific strategies implemented to sustain business operations. These included the pre-emptive tactics adopted to manage rising costs; the focused effort to increase the low-grown business operations; services to producers such as specialised manufacturing expertise, dedicated personnel to support production improvements. Furthermore, we facilitated closer coordination between producers and auctioneers to ensure that buyers' needs and expectations were better communicated to meet their demands.

The tea brokering segment also collaborated closely with the Sri Lankan Tea Board to ensure that producers were able to repay their loans under the terms of the tripartite agreement without any negative impact, given the prevailing cash crunch and increasing production costs.

## **Expectations for 2023 and Beyond**

The Sri Lankan tea industry is expected to foresee a turnaround in production levels in the coming year with a more robust timetable for fertiliser applications and improved management of the industry's operations. Research predicts growing tea consumption in the coming years, and Sri Lanka as a premier tea-producing nation can look forward to increased demand for Ceylon Tea. However, while orthodox tea remains in high demand, local tea producers must evolve and begin fulfilling the changing demands of global tea drinkers to

ensure the sustainability and competitiveness of the industry in the long term. The Ceylon Tea Roadmap 2030 will support industry efforts and the segment will play its part in collaborating with the industry to enhance sustainability through the implementation of relevant developments, marketing initiatives, and innovations in tea production.

JK PLC anticipates a rise in tea volumes towards the end of the first quarter of the upcoming financial year, which provides a positive outlook for increasing sales volume. Moreover, the growing demand for Ceylon Tea in emerging markets such as the UAE, the United States, and Taiwan is a promising sign for expanding export volumes and diversifying the tea industry's exports to a wider geographical range. The outlook for Ceylon Tea exports in the Middle Eastern and other oil-producing nations continues to remain positive, especially against the backdrop of rising crude oil prices increasing their purchasing power. Iran, one of the key exporting nations for the Company's high-priced teas, is expected to continue to increase import volumes in the coming financial year. We also anticipate that Russia will maintain its increasing tea import volume, despite being in a state of war.

To remain competitive and regain the lost market share experienced in the year under review, the segment will remain focused on cost control measures and implementing strategies aligned with external market conditions. The segment will continue to support the producer in their effort to improve process efficiencies and manage the costs of tea production.





## RUBBER BROKERING SEGMENT

With years of experience in the intricate workings of both global and local rubber industries, JK PLC stands as a foremost Sri Lankan rubber broker. Our unwavering commitment to maintaining a viable business operation has enabled us to successfully navigate through the challenges prevalent in the industry. By embracing sustainable business practices, we have been able to maintain our responsibility to the environment and society, all while safeguarding the value creation of our business operations.

**39%**

**YOY GROWTH**  
Average Prices

**Rs. 9.0 Mn**

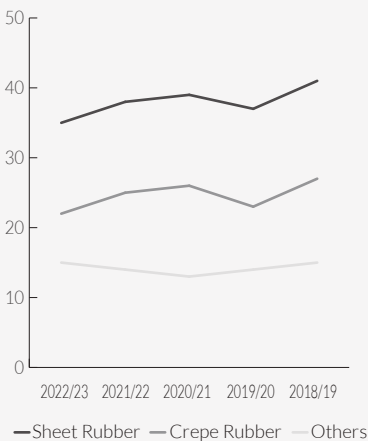
**REVENUE**

**1.37 Mn**

**TOTAL QUANTITY  
SOLD**



Sri Lankan Rubber Production (Mn. Kg)





# MANAGEMENT DISCUSSION & ANALYSIS

## Overview - Global Rubber Industry

The Malaysian Rubber Council reported that global natural and synthetic rubber production increased by 0.5 percent to 29.46 million tonnes in 2022 compared to 29.4 million tonnes produced in 2021. In 2022, the proportion of natural rubber to synthetic rubber produced was 49:51, a 2 percent increase in natural rubber production compared to 2021. The top three natural rubber-producing countries were Thailand, Indonesia, and Vietnam, respectively. While China, the U.S.A., and Russia attained the top three positions for synthetic rubber-producing nations.

Global exports of rubber declined by 3.4 percent to 22.1 million tonnes compared to 28.1 million tonnes recorded in 2021. This decline partly reflects the decline in worldwide rubber consumption by 0.8 percent to 29.9 million tonnes in 2022 compared to 29.9 million tonnes consumed in 2021. Thailand, Vietnam, and Indonesia were the biggest natural rubber exporters by volume in 2022, whilst South Korea, the U.S.A and Germany were the largest three synthetic rubber exporting nations, respectively. From a consumption viewpoint, China is the largest consumer of both natural and synthetic rubber consumption globally, with a consumption rate of 5.63 million tonnes and 4.62 million tonnes, respectively.

## Overview - Sri Lankan Rubber Industry

The Sri Lankan rubber industry faced another year of declining rubber production in 2022 mainly due to a shortage of fertilisers and other agrochemicals, the substantial increase in production cost, and disruptions in fuel supply resulting from the prevailing economic crisis. Fertiliser shortages had a significant impact on immature rubber plantations, causing stunted tree growth and reducing land productivity.

Moreover, the industry faced more challenges with unfavourable weather conditions and the outbreak of Pestalotiopsis disease due to the lack of fertiliser application. The spread of the Pestalotiopsis disease affected around 40,000 hectares of rubber plantations, causing a decline in yield. Despite an increase in local rubber prices, productivity and tapping limitations in the rubber sector prevented plausible improvements in production during the year 2022. The average yield of rubber decreased by 2.1 percent year-on-year to 665 kilograms per hectare in 2022 due to the decrease in tapping days.

These factors contributed to a 7.8 percent decline in rubber production in 2022 compared to the 1.7 percent contraction recorded in the previous

year. The total rubber produced amounted to 70.9 million kilograms in 2022 compared to 76.9 million kilograms in 2021. The growing of rubber also recorded a decline of 6.7 percent compared to the 6.2 percent growth achieved in 2021. The average yield of rubber also decreased by 2.1 percent year-on-year to 665 kilograms per hectare due to the decrease in tapping days.

The cost of production of rubber increased by 30.3 percent compared to 2021. Domestic consumption of raw rubber by the industrial sector contracted by 12.4 percent to 117.3 million kilograms in 2022, partly due to reduced demand for medical gloves in domestic and global markets as the COVID-19 pandemic waned.

The Colombo Rubber Auction saw historically high prices for most varieties of rubber driven by favourable demand in the global market during the first half of 2022. However, the latter half of the year recorded a decline in rubber prices, which can be attributed to the weakened demand for rubber-based products in both domestic and global markets. The average auction price for 2022 declined by 29.1 percent and amounted to Rs. 460.78 per kilogram compared to Rs. 595 per kilogram in 2021. The export FOC price declined by 55.7 percent to Rs. 540.77 per kilogram in 2022 compared to Rs. 841.72 per kilogram in 2021. Total rubber exports were also negatively impacted in 2022, with the industry recording a 7.8 percent decline to 70.9 million kilograms compared to the 1.7 percent decline to 15.5 million kilograms in 2021.

The Rubber Research Institute conducted multiple research studies during the year to increase the productivity of the rubber sector. The Rubber Development Department continued to expand rubber cultivation through new planting and replanting activities during the year. A series of awareness and training programs were conducted to promote sustainable harvesting and rubber product manufacturing.

## Performance of JK PLC Rubber Brokering Business

The under performance of the Sri Lankan rubber industry negatively impacted the rubber brokering business of JK PLC. Although the segment achieved strong sales and high prices in the first two quarters of the financial year under review, both volumes and prices began to decline by the third quarter. The fourth quarter was the worst in the business's history, as no sales were made at auction. This was consistent with the overall trend in the industry, as declining auction prices discouraged producers

from offering their lots at auction. In fact, during the second week of March 2023, lots at the Colombo Rubber Auction went unsold for the first time in the industry's history as plantation companies withdrew their quantities. None of the 202,846 kilograms of rubber on offer during this week in March 2023 received any quotes at the Colombo Rubber Auction.

The average auction price recorded by JK PLC for the financial year ended 31st March 2023 was Rs. 448 per kilogram compared to Rs. 471 per kilogram recorded in the previous financial year.

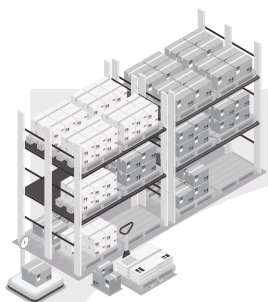
Thus, the segmental revenues and profitability for the financial year under review were severely impacted compared to the year ended 31st March 2022. Total sales volumes for the financial year under review declined by 38 percent to 1.37 million kilograms, compared to the increase of 10 percent to 2.2 million kilograms archived in the previous financial year. The segment's review declined by 27 percent to Rs. 8.70 million for the year ended 31st March 2023 compared to the increased revenue earnings by 23 percent to Rs. 11.92 in the previous financial year. The segmental profits declined by 26 percent to Rs. 9.00 million, compared to the 30 percent increase to Rs. 12.12 million recorded for the year ended 31st March 2022.

The results achieved despite the challenges and difficulties faced by the segment can be primarily attributed to efficient strategic management procedures, implementation of cost control measures, and the enduring relationships established with our suppliers over an extended period.

## Expectations for 2023 and Beyond

The performance of JK PLC's rubber brokering business is closely tied to the overall performance of the rubber industry. However, the initiatives taken by the Rubber Development Department (RDD) and the Rubber Research Institute (RRI) to improve the productivity of natural rubber are a positive development for the industry, which has significant potential given the increasing global demand for natural rubber.

To overcome the many challenges faced and improve the outlook for the Company's rubber segment growth in the coming years, JK PLC is implementing measures to boost the volumes sold at auctions while minimising the inconsistencies in volumes that are directed towards the auction. The Company is also exploring the possibility of engaging in direct sales with importers. These initiatives are anticipated to have favourable outcomes in the future.



## WAREHOUSING SEGMENT

Despite encountering several hurdles, JKW was able to attain an impressive average capacity utilisation rate of 81 percent for the financial year ended 31st March 2023. Our unwavering dedication to upholding high standards and providing an exclusive and unparalleled experience for our valued clients is attributed to this achievement.

**81%**

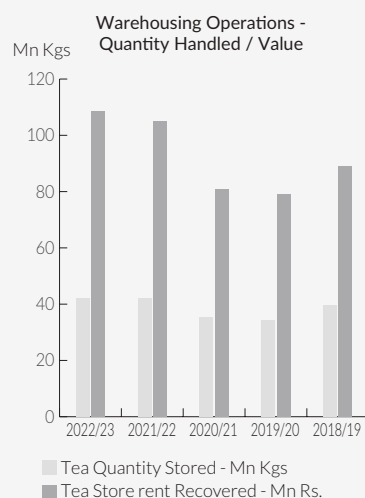
**CAPACITY  
UTILISATION**

**Rs. 9.62 Mn**

**INVESTMENTS**

**129.40 Mn**

**REVENUE**



# MANAGEMENT DISCUSSION & ANALYSIS

## Performance of the Warehousing Segment

The warehousing segment's performance was negatively affected by the repercussions of reduced tea production, leading to an overall decline in performance for the financial year under review. Consequently, the quantity of tea produced and sent for storage at the warehouse decreased. External economic factors such as rising costs and higher rental prices added to the burden. In response, buyers hastened shipment turnaround times to manage their distribution and delivery costs, leading to lowering rental income. Thus, the total quantity of tea stored through the Company's warehousing operations decreased 11 percent, amounting to 42.23 million kilograms during the financial year under review compared to 47.41 million kilograms stored in the previous financial year. As a result, the total segmental revenue also recorded a decline of 5 percent to Rs. 120.40 million compared to the 40 percent increase to Rs. 136.71 million recorded in the previous financial year.

Accordingly, the segment's capacity utilisation declined to 81 percent during the financial year under review, compared to the previous year's impressive 97 percent utilisation rate, which represented a 20 percent increase.

Rising costs were a major concern, driven by the depreciation of the Sri Lankan rupee and a decrease in the supply of imported goods, leading to increased operational expenses for the warehousing segment. Maintenance expenses for machinery and equipment rose in tandem with higher costs of imported spare parts. Another concern was the escalating cost of electricity, given that a significant portion of the warehouse's operations rely on the national electricity grid.

Considering the current macroeconomic conditions, the efficient cost management of operations remained a crucial factor for the warehousing segment. Rising inflation rates and escalating prices of goods and services necessitated proactive measures to preserve the segment's profitability. As a result, the Company continued to implement measures to enhance warehousing efficiencies to optimise warehousing operations.

## Expectations for 2023 and Beyond

The warehousing segment plans to concentrate on two crucial aspects in the coming year: enhancing operational efficiencies and investing in initiatives aimed at mitigating the Company's ecological impact and carbon footprint.

The priority is to enhance warehousing operations by upgrading the existing racking system and streamlining the loading and unloading process. This will involve the implementation of innovative solutions to optimise the use of space and increase the capacity of the warehouse. By improving the efficiency of the loading and unloading process, JKW will reduce turnaround times, lower operational costs, and improve customer satisfaction.

The warehousing segment is also evaluating the feasibility of installing additional rooftop solar panels, despite the potential costs involved in such an initiative. The aim of this is to further reduce the segment's dependence on the national electricity grid and minimise the Company's carbon footprint. The installation of more solar panels would also result in a substantial reduction in electricity costs over the long term, providing a return on investment.

As part of our commitment to value creation for stakeholders and the environment, the segment plans to implement an electronic document transfer within the warehousing value chain. The aim is to eliminate the use of paper and become completely paperless across all warehousing operations. This initiative will not only reduce the division's environmental impact but also increase operational efficiency and reduce costs associated with paper usage.



## STOCK BROKING OPERATIONS SEGMENT

Equity markets underwent one of its most challenging periods which was marred by the country declaring a pre-emptive default along with record high inflation sparked by a significant devaluation in the rupee. Listed entities faced numerous challenges as consumer demand was hampered by social uprisings and one-off adjustments that were required to ensure necessary fiscal reforms were carried out by the GoSL. The tight monetary policy stance followed by the CBSL led to a sharp rise in lending rates which also resulted in a drop in market activity. However, optimism regarding Sri Lanka's recovery was seen towards the end of the financial year with renewed interest by foreign investors in line with the country receiving the board level approval by the IMF which is expected to be a catalyst in the year ahead for equity markets.

**Rs. 251 Mn**

**REVENUE**

**120%**

**YOY GROWTH  
IN FINANCE INCOME**

**Rs. 21 Mn**

**PROFIT  
BEFORE TAX**



# COMPETITOR ANALYSIS - PRODUCE BROKERING SERVICES

Being brokers, JKPLC operates in a highly competitive environment. It is believed that the key to staying ahead in such a setting is to be proactive in the assessment of our competition. The Company conducts a regular Competitor Analysis to map our progress against that of our immediate competitors. In effect a gap analysis, the main aim of the process is to determine

our strengths and get more clarity on areas for improvement in terms of technology, people and processes.

The Competitor analysis also involves a horizon scan to identify new emerging competitive threats. Results of the most recent Competitor Analysis are given below;

By analysing our competition and then monitoring them on an ongoing basis, we are able to better understand their behaviour, enabling us to anticipate their actions and stay ahead.

	<div>Bargaining power of suppliers</div> <div> <b>High</b> <ul style="list-style-type: none"> <li>▶ Limited numbers of suppliers</li> <li>▶ Low switching cost of producers who have not borrowed against stock</li> <li>▶ Low supplier interest on overall market growth opportunities.</li> </ul> </div>	
<div>Bargaining power of customers</div> <div> <b>Moderate</b> <ul style="list-style-type: none"> <li>▶ Large number of buyers</li> <li>▶ Low switching cost of Tea /Rubber exporters and local buyers</li> <li>▶ Auction trading providing the opportunity to compete in competitive pricing environment</li> </ul> </div>	<div>Rivalry among existing players</div> <div> <b>Moderate</b> <ul style="list-style-type: none"> <li>▶ Operate with eight Tea and seven Rubber brokers at the Colombo Auctions</li> <li>▶ Broking services govern by strict regulations</li> <li>▶ No significant competition among the suppliers</li> </ul> </div>	<div>Threat of substitutes</div> <div> <b>Moderate</b> <ul style="list-style-type: none"> <li>▶ The availability of a number of substitutes for tea and rubber</li> <li>▶ Increasing number of warehousing facilities owned by brokers and plantations companies</li> <li>▶ Increasing production at low cost in other countries</li> </ul> </div>
	<div>Threat of new entrants</div> <div> <b>Low</b> <ul style="list-style-type: none"> <li>▶ The requirement of acceptance by the Tea/Rubber regulatory body and other CBA/CRTA</li> <li>▶ The requirement to attract producer clients by recruiting reputed and ethical auctioneers</li> <li>▶ The initial allocation of investment is significant to be a supplier.</li> </ul> </div>	

The risks identified through the Competitor Analysis process goes on to add value to our Risk Management and Strategic Planning Processes enabling us to take appropriate mitigating action to safeguard the interests of the Company and its shareholders.

# CAPITAL MANAGEMENT



## FINANCIAL CAPITAL

THE COMPANY'S PERFORMANCE IN THE FINANCIAL YEAR 2022/2023 DEMONSTRATED STRONG FINANCIAL MANAGEMENT, WITH REVENUE GROWTH AND IMPROVED PROFITABILITY. WE ARE PROUD TO REPORT THAT OUR INTERNAL CONTROLS AND GOVERNANCE PROCESSES ARE IN PLACE AND FUNCTIONING EFFECTIVELY, VALIDATING OUR REVENUE GENERATION AND COST CONTROL MODELS. OUR PROACTIVE RISK MANAGEMENT MEASURES ENSURED WE COULD SAFEGUARD AGAINST ANY UNEXPECTED EXTERNAL DEVELOPMENTS.

Strategic planning and resource allocation played a key role in managing our financial capital, allowing us to allocate resources efficiently to ensure the proper functioning of all other capitals and contribute to our economic value generation capacity. This financial review will provide an overview of the key financial capital indicators and their progress during the year under review.

### Revenue

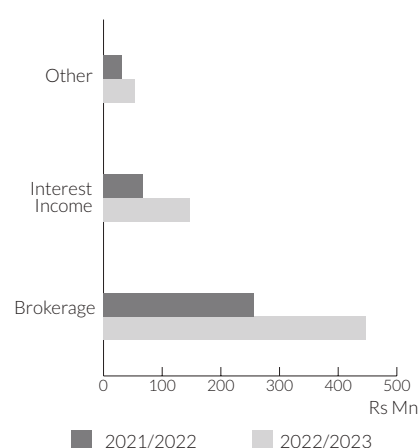
The Group's financial performance for the year under review indicated a positive trend, with consolidated revenue increased by 8 percent to reach Rs. 1,024.6 million, compared to previous financial year's Rs. 946.2 million. This growth can be attributed to the impressive 83 percent increase in revenue generated by John Keells PLC (JKPLC). However, the in revenue for John Keells Stock Brokers (Pvt) Ltd (JKSB) and John Keells Warehousing (Pvt) Ltd (JKW), decreased by 45 percent and 5 percent respectively. JKPLC's performance was driven by an increase in the average price and an uptick in interest earned from producer clients on monies lent as advances.

### Composition of Revenue

During the year under review, the Company's revenue composition remained consistent with the previous financial year, with the highest contributor segments to revenue being Produce Broking, followed by Share Broking, and Warehousing operations. However, there was a marginal shift in the actual percentages,

with Produce Broking contributing 63 percent, Share Broking contributing 24 percent, and the Warehousing operation contributing 13 percent to the total revenue, compared to 38 percent, 48 percent, and 14 percent, respectively, in the previous financial year. This shows the Company's resilience and ability to maintain a stable revenue stream in challenging market conditions.

John Keells PLC Revenue Comparison - Tea



### Tea Brokering Revenue

In the fiscal year under review, the revenue generated from Produce Broking amounted to Rs. 650.2 million, marking an impressive 83 percent improvement over the previous year's Rs. 355.4 million. Furthermore, interest income saw a substantial increase of 118 percent,

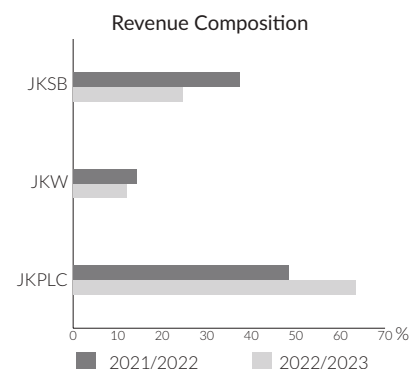
attributable to producer's advances and loans, while the tea broking income experienced a 80 percent rise to Rs. 439.2 million from Rs. 244.6 million recorded in the previous financial year. The noteworthy decrease in tea production, coupled with the depreciation of the Sri Lankan, resulted in a high average selling price and played a significant role in contributing to the increase in Brokerage Income earned during the period.

During the financial year, JKPLC achieved an impressive average selling price of Rs. 1,349.50 per kilogram of tea, marking an increase of 117 percent from the previous financial year's average of Rs. 621.58 per kilogram. While the volume of teas sold decreased by 17 percent to 32.45 million kilograms compared to the previous year's 39.04 million kilograms, the company's focus on consolidating its business and avoiding unsustainable lending to clients has contributed to its long-term sustainability. Although the company's market share decreased by 0.28 percent to 13.30 percent in the financial year 2023, it remains a formidable player in the market.

In the financial year 2022/2023, there was a decline in the total volume of tea sold by all brokers, with a decrease of 43.63 million kilograms compared to the previous year's total of 287.59 million kilograms. Specifically, the volume of low grown tea sales decreased by 21.80 million kilograms compared to the previous year's volume of 172.73 million kilograms. Similarly, the volume of high grown and medium grown tea sales decreased by 10.52 million kilograms and 11.32 million kilograms, respectively, in comparison to the 61.47 million kilograms and 53.41 million kilograms sold in the previous year.

The total quantity sold by JKPLC for 2022/2023 was 32.45 million kilograms against the previous year's 39.04 million kilograms. The composition comprised low grown 13.19 million kilograms, high grown 12.09 million kilograms and medium grown 7.16 million kilograms. The low grown sold quantity decreased by 2.74 million kilograms, high grown decreased by 1.88 million kilograms and medium grown decreased by 1.99 million kilograms in comparison to the previous years' respective volumes.

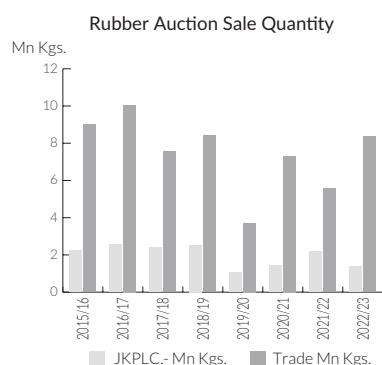
# CAPITAL MANAGEMENT



The average overall sale price achieved by JKPLC for 2022/2023 was Rs 1,349.50 in comparison to Rs 621.58 of the previous year. This comprised a low grown average of Rs 1,491.03, high grown average of Rs 1,286.59 and the medium grown average of Rs 1,195.05. The low, high, and medium grown averages were Rs 834.91, Rs 675.00 and Rs 618.33 higher than the previous year's respective elevation averages. In the current financial year, high and medium grown elevation average was Rs. 14.37 and Rs 36.85 higher than the overall trade average of Rs 608.61 and Rs 557.65, respectively. The low grown average achieved by JKPLC for the current year was Rs. 17.15 lower than the overall trade average of Rs 673.59.

## Rubber Broking Revenue

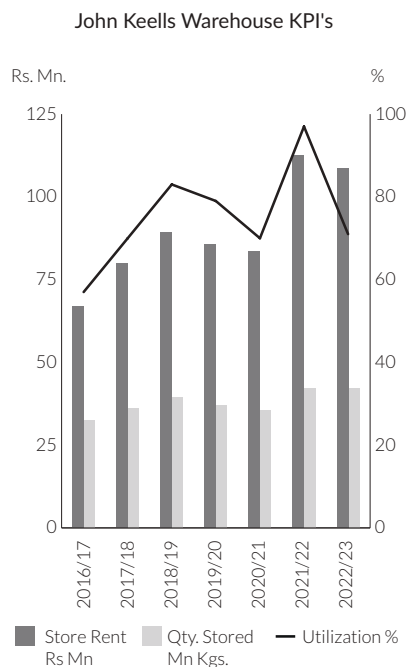
The revenue from Rubber Broking decreased by 27 percent during the year to Rs 8.7 million in comparison to Rs 11.9 million of the previous year. JKPLC recorded an average price of Rs 571.58 per kilogram for rubber in comparison to the previous year average of Rs 471.27 per kilogram. Rubber sales volumes handled, by JKPLC dropped by 44 percent to 1.2 million kilograms for the year ended 31st March 2023.



## Warehousing Revenue

The continuous decrease in the low grown tea market share of JKPLC continued to negatively impact the warehouse space utilization. The warehouse recorded a 3 percent decrease in store rent during 2022/2023. The decision to rent out the excess space to other brokers assisted in improving utilization of idle space. In addition, it recorded a further 25 percent decrease in the extra store rent recovered from Exporters as the collection of their teas were within the free store rent period or with a lesser number of days being delayed when compared to the previous year. The total revenue recorded was Rs 129.4 million as against Rs 136.7 million recorded during the previous year.

The average utilization of the warehouse space during the year recorded 81 percent of capacity when compared with 90 percent in the previous year. 42.23 million kilograms of tea was stored during the year in comparison to the 42.09 million kilograms of tea stored during the year 2021/22.



## Share Brokering Revenue

The Colombo Stock Exchange (CSE) experienced yet another volatile year with the All-Share Index moving up 4.5 percent from 1st April 2022 up to 31st March 2023. Sri Lanka witnessed its worst ever economic crisis during the year resulting in higher level of uncertainty

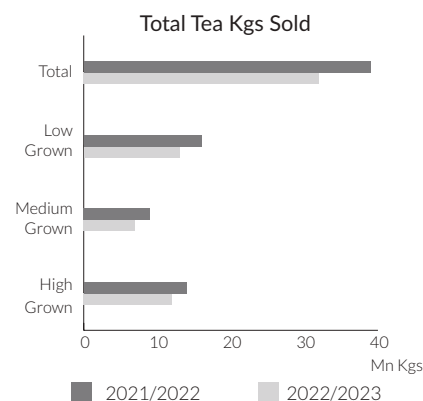
among market participants. The volatility seen in markets were primarily driven by the pre-emptive default, social unrest along with massive shortages of essential commodities due to the depletion of forex reserves. Investor sentiment was also dampened by the sharp fiscal adjustments and steep rises in interest rates. However, Sri Lanka was able to obtain the IMF staff level approval in September 2022 while the board level approval was granted in March 2023 which led to increased optimism regarding Sri Lanka's growth prospects. Foreign activity saw a gradual recovery to around 9 percent with an overall net inflow.

The daily average turnover for the financial year amounted to Rs. 2,132 million. The overall market capitalization of the CSE was Rs.3,903 billion at the end of the financial year compared to Rs. 3,826 billion at the end of the previous year.

The revenue generated by JKSB was 251.4 million which is a 45 percent decrease compared to the previous years' revenue of Rs 460.4 million.

## Cost of Sales and Gross Profits

The Group's direct cost of sales increased by 3 percent compared to the previous year, with JKPLC accounting for the majority of the increase at 20 percent, while JKSB and JKW recorded a decrease of 25 percent and 22 percent, respectively. The increase in JKPLC's cost of sales can be attributed to the 83 percent increase in revenue, whereas both JKSB and JKW saw a decrease in cost of sales due to a drop in revenue. Despite the 3 percent increase in direct cost of sales, the Group achieved an impressive 11 percent increase in gross profit, primarily due to an 8 percent increase in consolidated revenue.





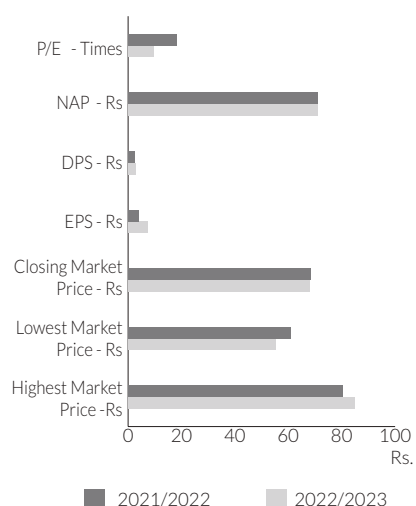
### Administrative Expenses

Group administration expenses increased by 23 percent to Rs 296.6 million from the Rs 240.4 million recorded in the previous year. The increase constitutes a 15 percent increase from JKPLC, a 28 percent increase from JKSB and a 23 percent increase from JKW. Due to the significantly high inflation rate prevailing in the country, the group's administrative expenses witnessed an increase during the current financial year.

### Sales and Marketing Expenses

The overall selling and distribution cost of the Group recorded Rs 3.7 million compared to the 49.9 million recorded in the previous year. The group's 3.7 million consisted of Rs 1.8 million from JKPLC (comprising of a bad debt recovery of Rs 6.4 million), Rs 1.1 million from JKW and a Rs 0.9 million expense from JKSB. The group didn't have any new bad debt provisions for the current year and has already initiated legal action against clients who had unsettled amounts in previous years for which a provision had been made. The Group maintains a high level of confidence that ongoing legal proceedings will ultimately result in a favourable resolution for JKPLC.

### Share Performance



### Finance Income

The Group's interest income from investments in Treasury Bills and other short-term Investments increased by 62 percent during the year when compared to the previous year. All three companies in the group saw notable growth in interest income from the previous year, with JKW, JKSB & JKPLC achieving 121 percent, 120 percent & 17 percent growth respectively. However, the group's finance income, which includes dividends received from Keells Food Products PLC, saw a 81 percent decrease from the previous year. Despite JKPLC's 227 percent increase in interest income compared to the previous year, this decrease contributed to a smaller increase in finance income.

### Finance Expenses (Net)

The Group's finance expenses increased by 18 percent during the year. The increase in use of overdraft facilities by JKPLC due to higher advances given to the Tea Producers along with the increased rates on borrowings was the main contributory factors for the increase when compared to the previous year's cost of Rs 32.1 million. The 62 percent increase in overall finance income along with the 18 percent decrease in the finance expenses resulted in the net interest income increase by 106 percent to Rs 64.4 million when compared with the previous year's expenses of Rs 31.2 million. The interest cover for the year was 14.04 when compared with previous years' 12.77. The increase is mainly attributed to the current year increase in profit before tax in comparison to the previous year.

### Profitability

The Group profit before tax increased by 31 percent to a profit of Rs. 495.4 million for the year compared to Rs 377.5 million recorded the previous year. The current year's PBT includes a Rs 60.3 million fair value adjustment of investment properties in comparison to Rs 30.2 million in the previous year. The Group's tea brokerage income recorded a positive impact from the significant increase in the average tea price per kilogram during the current year. Despite the reduced lending to tea producers, the increase in interest rates resulted in an increase in the interest earned from sellers during the year. Further, profitability was also positively impacted by a decrease in selling and distribution expenses,

as bad debt provisioning was not required this year, unlike in the previous year.

Both JKSB and JKW posted lower PBT than the previous year, which decreased by 90 percent and 35 percent in comparison to the previous year's profit before tax of Rs 201.9 million and 56.3 million respectively.

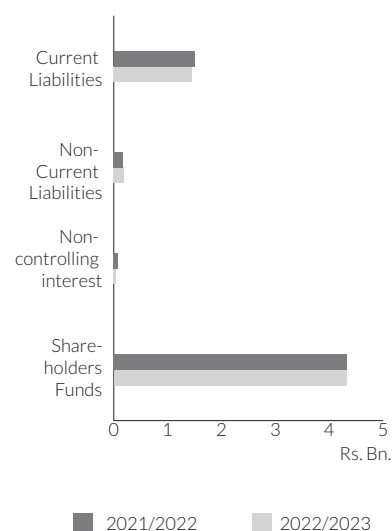
### Change in Fair Value of Investment Property

The Investment properties were valued by Mr P B Kalugalagedera using open market value method of valuation as at 31st December 2022. The change in value was a positive Rs 60.3 million during the current year as against Rs 30.2 million during the previous year.

### Taxation

As per the tax regulations that prevailed during the financial year, produce brokering, warehousing and stock brokering income was subject to a tax of 30 percent. Increase in profits had a direct impact on the amount of taxes paid to the government during the year.

### Leverage and Capital Structure - Group



### Statement of Financial Position Revenue Reserve

The Group revenue reserve increased by 2 percent to Rs. 2,942 million from Rs. 2,887 million recorded in the previous year. The profit recorded for the financial year was 309.45 million. A payment of Rs. 179.36 million was paid out as dividend as the year 2022/23.

# CAPITAL MANAGEMENT

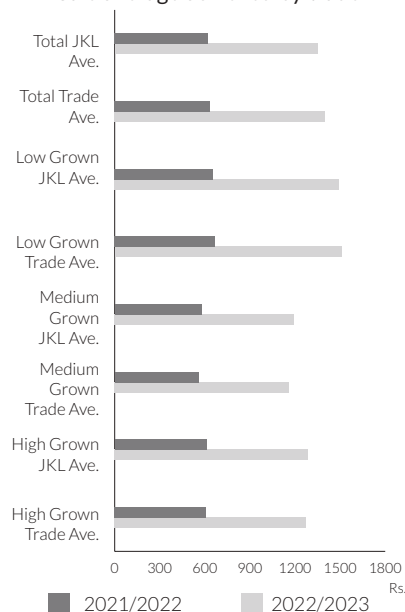
## Non- Controlling Interest

The Non- controlling interest decreased by 22 percent to Rs 60.1 million from the Rs 76.5 million in the previous year.

## Cash flow

The net movement in cash and cash equivalents for the year under review was an inflow of Rs 152 million compared to the cash inflow of Rs 114 million recorded in the previous year. The increased inflow of Rs 37 million comprises an increase in cash generated from operations by Rs 77 million, drop in cash inflow from investing activities by Rs 8 million and an increase in cash outflows for financing activities by Rs 32 million. The increase in cash outflow for financing activities is mainly on account of increased payout of dividends during the year.

### Sale average achieved by trade



## Working Capital/Liquidity

Net working capital of the Group increased by Rs 32 million to Rs 382 million as at 31st March 2023 from Rs 349 million in 31st March 2022. The Group's current assets dropped by 1 percent to Rs 1,835.9 million in comparison to the previous year's Rs 1,853.1 million. The Groups current liabilities also dropped by 3 percent to Rs 1,453.9 million in comparison to the previous year's Rs 1,503 million. The group current assets have dropped by Rs 17 million on account of trade and other receivables decreasing by Rs 57 million and short-term investments and cash and

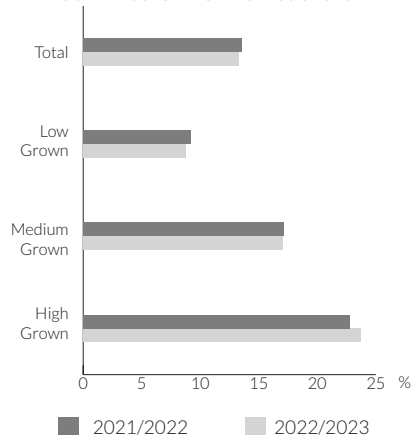
bank balances decreasing by Rs 75 million. The increase in trade and other receivables consist of Rs 134 million increase in JKPLC, Rs 75 million drop in JKSB and Rs 1.8 million drop in JKW. The Group's current liabilities have dropped by Rs 49 million mainly on account of trade and other payables increased by Rs 69 million, income tax payable increased by Rs 50 million and bank borrowing dropped by Rs 234 million. The increase in trade and other payables of JKPLC by Rs 135 million is mainly due to the increase in average price this year in comparison to last year. The drop in JKSB of Rs 60 million is due to drop in share trade volumes as at end March.

## Share Price and Market Capitalisation

JKPLC's shares gained 18 percent of its value during the year with the highest trading price of Rs 85.00 per share recorded on 15th September 2022. During the year Earnings per Share (EPS) increased by 33 percent to Rs 5.03 from the Rs 3.78 per share the previous year. The Price earnings ratio (PER) for the year under review was 13.68 times, this was a decrease from the previous years' value of 18.14 times. Net Assets per share decreased to 1 percent to Rs 70.04 per share from the Rs 71.13 per share reported the previous year.

The total shares issued by JKPLC is 60.8 million. The total Market Capitalisation as at 31st March 2023 was Rs 4,183 million, an increase of 0.46 percent from the previous years' Market Capitalisation of Rs 4,164 million as at 31st March 2022.

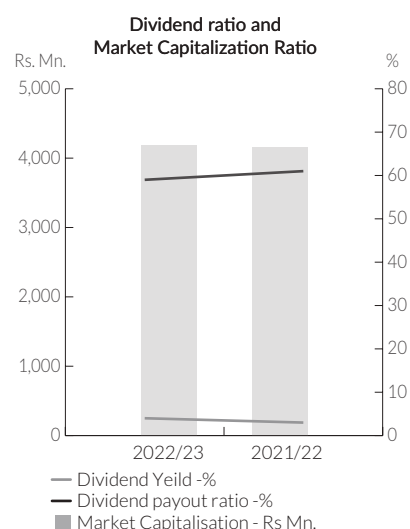
### John Keells PLC Market Share



## Dividend

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

During the year under review the Group paid a Dividend of Rs 2.95 per share resulting in a total cash outflow of Rs 179 million. The dividend payout ratio stood at a 59 percent whilst the dividend yield was at 30.



## Economic value statement

The economic value addition refers to the process of creating and distributing wealth among stakeholders in various business and social activities across the entire value chain. It involves identifying the sources of value creation, capturing that value, and allocating it to different participants involved in the value chain.

## Subsequent Events

There are no further matters or circumstances arising since 31 March 2023, not otherwise dealt with in the financial statements that would materially affect the operations or results of the Group.



## MANUFACTURED CAPITAL

JKPLC'S MANUFACTURED CAPITAL COMPRISES OF THE 125,000 SQUARE FOOT WAREHOUSE COMPLEX AND RELATED MOVING EQUIPMENT USED IN THE DAY-TO-DAY WAREHOUSE OPERATIONS, ENHANCING THE VALUE OF THE BUSINESS OPERATIONS. IN ADDITION, PART OF THE COMPANY'S MANUFACTURED CAPITAL INCLUDES OFFICE EQUIPMENT, FURNITURE AND FITTINGS, AND VEHICLES USED TO CONDUCT BUSINESS ACTIVITIES.

### MANAGEMENT APPROACH

We are committed to invest continually in maintaining and upgrading existing assets, incurring capital expenditure to increase capacity when needed, which will ensure that we can continue to deliver on our strategy. All precautions are taken to safeguard our asset base, with our physical assets fully insured following a full annual valuation to determine market values. Moreover, where applicable maintenance contracts are in place for regular upkeep to ensure the effective utilisation of physical assets.

The Company also makes additional investments in manufactured capital as and when required to increase warehouse capacity, enhance process efficiencies, and enable employees to work in an automated environment of convenience, as part of our efforts to continue delivering on our business strategy and goals. Furthermore, as a conscientious entity concerned with minimising our impact on the natural environment, JKPLC also conducts research for new and innovative technology which will enable the Company to steadily reduce the environmental impact of our business and remain compliant with regulations across our markets.

We conduct auctions and reach our customers online, ensuring our Tea and Rubber is made available to everyone, due to the distribution system that continuously evolves to reflect the shifting preferences of our customers.

### CHALLENGES FACED AND ACTIONS IMPLEMENTED

Safeguarding the Company's manufactured capital amidst the rapidly changing operating environment necessitates a clear understanding of the wider implications which can affect its ability to create value. Thus, JKPLC has in place a proactive action plan which involves all employees to act at the 'right time' and in the 'right manner' to ensure our manufactured capital is maintained and enhanced to enable value creation for all stakeholders and the business.

### Proposed investments and planned activities for 2023/24

- Revamping of the racking system.
- Upgrade the weighing scale to automate weighing system.
- Update the insured value of the manufactured capital by informing the value additions to the insurance broker

### Investments during 2022/23

	Net Book Value of Assets as at 31st March 2022 (Rs. Mn)	Net Book Value of Assets as at 31st March 2023 (Rs. Mn)	Investment Activities during 2022/23	Investment Value (Rs. Mn)
Buildings on Leasehold Land	356	545	Increase in Valuation	197
Plant and machinery	19	22	Re-wiring the warehouse	4
Furniture and fittings	4	9	Purchase of new furniture for office use	7
Computer Equipment	7	6	Purchase of new computer equipment for staff	1
Office Equipment	5	2	Purchase of new office equipment for office use	2
Total	391	584		211



## INTELLECTUAL CAPITAL

JKPLC'S INTELLECTUAL CAPITAL ENCOMPASSES SEVERAL KEY COMPONENTS THAT CONTRIBUTE TO THE COMPANY'S OVERALL VALUE AND COMPETITIVE ADVANTAGE. THESE COMPONENTS INCLUDE: BRAND EQUITY, MARKET LEADERSHIP, SYSTEMS AND PROCESSES, KNOWLEDGE BASE OF EXPERIENCED, QUALIFIED EMPLOYEES, STRONG GOVERNANCE FRAMEWORK. THESE FACTORS CONTRIBUTE TO JKPLC'S INTELLECTUAL CAPITAL, PROVIDING THE COMPANY WITH A COMPETITIVE ADVANTAGE, SUSTAINABLE GROWTH, AND THE ABILITY TO DELIVER VALUE TO ITS STAKEHOLDERS.

### MANAGEMENT APPROACH:

Our commitment to develop Intellectual Capital is underpinned by the desire to drive excellence at all levels of the business by benchmarking global best practices, leadership in regulatory compliance, early adoption of digital technology, comprehensive business continuity planning, and increased participation in industry and business to lead the movement for positive change.

As a service organisation, JKPLC's Intellectual Capital is in essence the Company's long-standing reputation and expertise in each line of business; Brokering (Tea, Rubber and Stocks) and Warehousing. The software infrastructure, data storage mechanisms, innovative processes, control procedures and quality management systems needed to carry out these business functions, are the other key elements that make up the Company's Intellectual Capital.

Global best practices including the following internationally accredited certifications obtained by the Warehousing business further enhances the JKPLC's Intellectual Capital;

- ▶ ISO 22000: 2005 – Food Safety Management Systems

### Membership in Trade and Professional Bodies

The Group and company views memberships in various trade and professional bodies as pivotal to the business given the ability of such bodies to recommend policy changes, address industry concerns and lobby for betterment of the industry as a whole. In addition, membership is also maintained in internationally recognized publications with the view of receiving global updates on the trade best practices and trends. Given below are some of the trade, professional bodies and publications in which the Group and the Company held membership during the year.

- ▶ Ceylon Chamber of Commerce
- ▶ Colombo Brokers Association
- ▶ Colombo Tea Traders' Association
- ▶ Colombo Rubber Traders Association
- ▶ Kerawalapitiya Industrial Zone Association
- ▶ Employer' Federation of Ceylon
- ▶ Colombo Stock Brokers' Association
- ▶ Colombo Stock Exchange
- ▶ Planters' Association of Ceylon
- ▶ International Tea Committee

The employees of JKPLC contribute an immense amount of equity to our intellectual capital, providing the company a significant competitive advantage in the market. Over 53 percent of our employees have employees record a service period in excess of for over ten years and account for a vast data base of tacit, accumulated knowledge, including highly specialised expertise in the core business domain, capital management and risk management.

Yet we are aware that knowledge is only as powerful as how it is actually used and manifested in the work we do. Therefore, we strive to document and share information in multiple ways in order to best exploit and utilise this most important resource, through knowledge sharing sessions, Myportal, extensive training and human capital management tools.

At JKPLC we favour a friendly working environment over formal systems and this ambience shapes our employees' interactions with customers, colleagues and other stakeholders. Such interactions also help to encourage the practical use and sharing of knowledge.

### CHALLENGES AND THE RIGHT THINKING

Several challenges exist when developing Intellectual Capital, the most critical being the need to secure the commitment of employees and to ensure they remain consistently aligned to the Company's thinking at all times. Employee commitment is critical especially if the Company is to achieve industry leadership with regards to technology adoption. Equally important is the continuous and ongoing interaction with regulators, which will enable JKPLC to stay updated with the latest developments in the compliance framework.

JKPLC will seek to enhance its Intellectual Capital through targeted efforts that would enable the Company to sustain its growth momentum in the long-term.



## NATURAL CAPITAL

NATURAL CAPITAL IS A VITAL CAPITAL THAT INCLUDES NATURAL RESOURCES THAT WE OBTAIN FROM RENEWABLE AND NON-RENEWABLE SOURCES. JKPLC BEING A PREDOMINANT SERVICE-BASED COMPANY, USES NATURAL RESOURCES SPARINGLY. FOR THE PURPOSE OF CARRYING OUT DAILY BUSINESS OPERATIONS, VARIOUS COMPONENTS OF THE COMPANY'S OPERATIONS, SUCH AS THE WAREHOUSE FACILITIES AND OFFICE BUILDINGS, REQUIRE NATURAL RESOURCES, INCLUDING FUEL, ENERGY PRODUCED FROM NON-RENEWABLE SOURCES, AND WATER.

As a result, our natural capital is comprised of resources such as non-renewable energy, fuel sources, water, paper, and single-use plastics. JKPLC believes that even moderate use of natural resources can have a detrimental effect on the environment and, as a consequence, may result in the depletion of natural resources. JKPLC, however, endeavours to continuously limit the consumption of this finite natural capital and adopt measures and processes which have the least detrimental effect on reducing the company's natural capital value.

### MANAGEMENT APPROACH

JKPLC is aware that business operations have an impact on the environment because they consume resources like water and other non-renewable energy and fuel sources.. As a result, the company has put in place policies that ensure efficient resource use and waste minimization. In carrying out this policy, the Company makes an effort to use the most energy-efficient equipment, implement cost-saving measures, and engage in waste reduction. Regular awareness and training campaigns are conducted to create and increase awareness amongst the Company's employees. We research and stay updated on energy efficient measures and procedures and invest in new technology and equipment which will deliver significant benefits to the Company as well as the environment. Our framework for monitoring and controlling the use of natural resources also includes ongoing monitoring and measurement of water and energy use.

### ENERGY CONSUMPTION

Energy is primarily used by JKPLC for the lighting and cooling of office and warehouse buildings, the operation of office and warehouse machinery and equipment, and the operation of vehicles used for travel and for transportation of goods. The National grid is the source of electricity. The Company keeps track of all energy use, including electricity, gasoline,

and diesel. Henceforth, Energy emissions are calculated annually using the Greenhouse Gas (GHG) Protocol guidelines. The determination of GHG Scope 1, Scope 2, and Scope 3 emission data assists in establishing the company's annual carbon footprint for the financial period and also highlights practices that require more controlled action. During the year under review, JKPLC's energy consumption increased mainly due to an increase in peak time usage, while consumption of fuel for vehicles increased due to increased travel resulting from factory and client visits. In order to conserve energy, JKPLC has implemented methods like charging reach trucks during off-peak hours and keeping the air conditioning at company premises at a standard temperature.

### WATER CONSUMPTION AND EFFLUENTS

All water used in the day-to-day business operations is drawn from Municipal sources, while drinking water is purchased from third-party vendors. Water consumed from Municipal sources is recorded and compared to water discharged either to Municipal drainage lines or to soakage pits. Being a service based organisation, the Company does not generate any effluents.



# CAPITAL MANAGEMENT

## WASTE MANAGEMENT

The JKPLC policy on waste management is entrenched in the John Keells Holdings PLC (JKH) Group's 5R philosophy for the reduction of plastic waste. However, the Company has expanded this concept to cover all other types of waste generated in the course of conducting business. Accordingly, we have adopted the 5R concept of reduce, reuse, recycle, remind, and refuse for the reduction of waste.

Accordingly, while the Company encourages employees to Reduce, Reuse and Recycle, we continuously remind employees of their responsibility to adopt best practices for waste management and encourage them to Refuse the use of plastics and other unsustainable materials.

### Reducing paper usage

The Company advocates communication via electronic or digital mediums and generates e-reports to a greater extent. Printing of hard copies is restricted and done strictly on a need basis by using the double-sided printing option. We encourage reuse of single-sided printed documents, while common reports are made available for sharing among users. We also promote the recycling of cardboard and waste papers using third-party vendors.

### Disposal of e-waste

E-waste, such as printer cartridges and ribbons, is disposed of using an authorized e-waste disposal contractor.

### Plastic usage – the plastic-cycle project

JKPLC has also committed to "Plastic-Cycle", the John Keells Group's plastic recycling initiative, which aims to drive significant reductions in plastic wastage through widespread recycling. The following measures have been adopted to reduce the use of polythene/plastics in business:

- ▶ Adhere to zero waste day (every month).

### Organic waste

All organic waste generated by the Company, mainly by our employees, is disposed of using the services of the Colombo Municipal Council garbage disposal services.

## CHALLENGES FACED AND ACTIONS IMPLEMENTED

JKPLC undertakes adding value to the environment with a progressive mindset, the active participation of all stakeholders leads the way for a broader systemic change.

### PROPOSED ACTIVITIES FOR 2023/24

- ▶ Grid that will result in an above par energy cost savings.
- ▶ Redevelopment of the Warehousing roadways by using plastic asphalt, which is a direct product of recycling of plastic waste.
- ▶ Continued participation in the JKH Group's plastic reduction project for waste management.
- ▶ Continuing to participate in the John Keells Foundation environmental Protection initiatives.



## HUMAN CAPITAL

JKPLC VALUES ITS EMPLOYEES AS A CRUCIAL PART OF THE ORGANISATION'S SUCCESS AND GROWTH. THE COMPANY ACKNOWLEDGES THE SIGNIFICANCE OF OUR EMPLOYEES IN ACCOMPLISHING BUSINESS PLANS, TARGETS, AND GOALS, AS WELL AS SUSTAINING PERFORMANCE, INNOVATION, AND COMPETITIVENESS. ACCORDINGLY, THE COMPANY STRIVES TO ENHANCE THEIR ABILITIES, POTENTIAL, AND EFFICIENCY AS KEY FACTORS FOR ACHIEVING PERFORMANCE, INNOVATION, AND COMPETITIVENESS.

### The Human Resource Information System (HRIS)

The Group's advanced HRIS has revolutionised our HR operations by seamlessly connecting and automating end-to-end processes. This comprehensive system offers the convenience of executing all tasks on a single platform, significantly enhancing efficiency and effectiveness, particularly with the inclusion of mobile-enabled features. Additionally, the system is designed to facilitate paperless workflows while ensuring the secure storage and retrieval of information in a protected environment. The accompanying mobile application enables real-time engagement amongst employees, aligning with contemporary trends.

### MANAGEMENT APPROACH

The Company approaches human capital management with a strategic and holistic perspective. Recognising that its employees are the Company's most valuable asset, JKPLC invests in their development, engagement, and well-being. The Company aligns its human capital management practices with its business objectives and values, fostering a culture of excellence, innovation, and collaboration. The Company also leverages data and technology to optimise its human capital management processes and outcomes.

The Company's HR framework is designed to support the strategic goals and objectives of the organisation, outlining the policies, procedures, and practices that guide the management of human resources and ensure compliance with relevant laws and regulations. The framework also defines the roles and responsibilities of the HR function and its relationship with other business units and stakeholders. The framework is based on the principles of fairness, transparency, accountability and respect for diversity and inclusion.

Our human development strategy is primarily focused on strengthening the mutually advantageous relationship between the company and its employees. We place great importance on both attracting and retaining individuals who possess the requisite experience and mindset for each role. The Company's rewards structure ensures employees receive competitive compensation together with plenty of opportunities for professional growth and advancement. In line with these principles, JKPLC maintains unwavering dedication to the following core principles of human resource management.



### Annual Employee Excursion

The annual trip to Cinnamon Beruwala provided an opportunity for all employees to bond and enjoy a shared experience.



# CAPITAL MANAGEMENT

1. Ensuring equality and diversity throughout the entire employment process, including recruitment, selection, evaluation, promotion, and training and development.
2. Offering competitive compensation and benefits that align with industry standards and comply with relevant statutory laws.
3. Assessing the performance of all employees to identify their potential and determine any training needs.
4. Providing training and development opportunities to equip employees with the skills and competencies necessary to maximise their capabilities, while aligning with the JKH Group's behavioural competencies framework.
5. Cultivating a communicative and open culture that enables employees to freely give and receive feedback to their colleagues, supervisors, and senior managers.
6. Recognising and fostering leadership qualities in employees to inspire them to achieve greater heights in their professional careers.
7. Offering opportunities for employee engagement, team building, and voluntary participation in CSR activities.
8. Supporting work-life balance by providing flexible working hours, work-from-home policies, agile working policies, and parental leave opportunities to all employees.
9. Strictly adhering to the equal opportunity principle by welcoming individuals from diverse genders, social, religious, and ethnic backgrounds, and across different age groups.
10. Enforcing a strict policy against child labour, ensuring its complete prohibition.

## Overview of Employee Cadre

JKPLC's employee cadre at the end of the financial year under review was comprised of 49 individuals with four new recruits. The Company consistently maintains diversity in our workforce and ensures that we hire people across ages, experiences, and gender. This commitment supports us in remaining relevant



Retirement after long years of service

to today's progressive operating landscape. The combination of extensive hands-on experience exhibited by our senior employees together with fresh new insights and contemporary techniques brought forward by the younger generation, plays a pivotal role in ensuring the business's sustainability. We take pride in the fact that over 50 percent of JKPLC employees have remained with the Company for more than a decade, a testament to our standing as an employer of choice.

## Recruitment

The recruitment process is a crucial aspect of the Company's success, involving finding, attracting, selecting, and retaining the best

candidates for the available positions. A well-designed and executed recruitment process supports JKPLC to achieve our goals, enhance our reputation, and foster a positive work culture.

## Talent Management

The Company continues to maintain its commitment to the "Talent Pool" concept, which involves identifying and recognising talent following Career Committee Meetings based on recommendations from the Profit Centre Manager (PCM) for Assistant Managers and Executives. For Manager-level employees, approval from the Sector Head/President is obtained. This pool is established and

## Internal Job Posting Programme

John Keells Holdings (JKH Group) has implemented a programme to facilitate internal employee mobility within the Group. Under this programme, employees of JKPLC are eligible to apply for inter-group vacancies, allowing them to gain exposure in different industries and explore opportunities in alternative disciplines. This initiative not only broadens employees' skill sets but also aids in retaining talented individuals within the JKH Group who seek change in their career paths, thereby mitigating the risk of losing them to competitors.

updated in the system by the end of May annually, allowing for the retention of highly skilled employees who receive training and development opportunities to align with their career aspirations within the Company. The selection process for inclusion in the "Talent Pool" adheres to the predetermined criteria established by the JKH Group.

### Performance Appraisal Process

JKPLC is committed to providing feedback and guidance to its employees throughout the year. The Company's performance management system ensures all employees undergo regular assessments and receive valuable feedback. The executive cadre receives formal feedback bi-annually, while other employees receive annual feedback. Additionally, employees are provided

with an opportunity to share their own feedback with their managers, fostering a culture of open communication and collaboration. Performance management and appraisal also help managers and employees align their goals, monitor progress, identify strengths and areas for improvement, and recognise achievements.

The JKPLC's performance management process is anchored in the Group's core values and facilitates the identification of high-potential individuals and potential successors, as well as the identification and enhancement of skills for individuals requiring support in achieving business outcomes. It is important to highlight that the appraisal process motivates employees to make meaningful contributions to the overall success of the Group, extending

beyond the scope of their specific business or functional units.

Consistent with previous years, the Company implemented its performance management cycle for the year under review, where all employees are assessed and given feedback with identified opportunities for training and development.

### Competency Assessment Tool

The development of the Competency Assessment Tool was aimed at aiding both employees and the Company in identifying areas for growth and improvement within its employee cadre. This tool involves both a self-evaluation and evaluation by the supervisor, followed by a one-on-one meeting to discuss and reach an agreement on the competencies that require development. The assessment is conducted before the year-end performance appraisal to ensure its findings can be utilised effectively in that process as well.

### Diversity and Inclusion

Embracing diversity and inclusion is of utmost importance to JKPLC as we strive to thrive in the modern world. These values enable us to attract and retain top talent, cultivate an environment of innovation and creativity, and effectively serve our diverse customer base. We firmly believe in providing equitable treatment and equal opportunities to all individuals, regardless of their identity or background. By embracing diversity and inclusion, we harness the power of varied perspectives, experiences, and skills, which ultimately enhances the Company's success.



### Celebrating Christmas

A festive celebration was held for Christmas, bringing employees together.

As a part of the JKH Group, JKPLC actively contributed to the successful completion of initiatives under the IFC SheWorks Sri Lanka partnership. These initiatives were dedicated to implementing gender-inclusive solutions to enhance female participation in the workforce. In line with this commitment, the JKH Group also joined the "Target Gender Equality" program by the UN Global Compact, aiming to expedite women's representation and leadership in the business sphere.

In a visual representation of its dedication to diversity and inclusion, the JKH Group introduced the brand "ONE JKH" in September 2020. The inclusion of this logo in vacancy advertisements serves as a powerful symbol, showcasing the Group's firm stance against discrimination and its unwavering commitment to providing equal opportunities for all.

On International Women's Day, observed on March 8th, JKH Group made a commitment to achieve a 40 percent female participation rate by the conclusion of the FY 2025/26, with interim milestones established for each of the JKH Group companies. To advance towards this ambitious objective, JKPLC committed to increasing female representation by 2 percent in both overall and leadership categories. Through various initiatives and interventions aimed at challenging gender stereotypes and promoting women in non-traditional roles, substantial progress has already been made.

As of 31st March 2023, JKPLC surpassed the set target, achieving an impressive increase of 6 percent and 8 percent in the overall and leadership categories, respectively.

# CAPITAL MANAGEMENT

FY 2022/23

As part of its alignment with JKH Group initiatives, the Company distributed sanitary napkins to all female employees on a quarterly basis. This proactive measure is taken with the aim of destigmatising the topic and promoting the well-being of women working for JKPLC.

The Centre for Child Rights and Business extended an invitation to JKPLC to take part in a panel discussion on "Gender Equality and Justice" at the "Towards a Family Friendly Tea Industry Conference." This opportunity allowed JKPLC to contribute to the important dialogue surrounding gender equality and justice within the tea industry.

To promote a healthy work-life balance for employees, JKPLC implemented a practical and accessible methodology based on its formalised Agile Workplace Policy. This initiative proved to be highly valuable during the transition period into the new normal, empowering employees to effectively manage both their personal and professional commitments.

## Training & Development

Training and development are essential tools of the Company's strategy to improve the performance and satisfaction of our employees. In line with this, during the reviewed year, JKPLC selected employees to participate in training and development programs aimed at enhancing their competencies at their current job level and preparing them for future potential roles.

Additionally, an annual Development Centre is conducted at the Group level. Employees who participate in the Development Centre receive a personalised development plan, aimed at advancing their competencies to the next level in their career progression. Throughout their development journey, employees are observed and provided with feedback, with two formal reviews conducted at the six-month and one-year marks after completing the program.

As part of our safety program, the Company, in collaboration with Finlays Colombo and the fire department, conducted fire drills at both the warehouse and office premises during the financial year under review. These annual fire drills are aimed at raising awareness about preventive measures and ensuring preparedness in the event of a fire.

## Rewards and Recognition

The Company recognises the fundamental importance of rewards and recognition in motivating and retaining employees, as they contribute to enhancing employee satisfaction, engagement, performance, and loyalty. JKPLC offers employees a range of monetary or non-monetary rewards including salary, bonuses, benefits, promotions, awards, or praise. Rewards also ensure that employees receive the recognition they deserve for their contributions and individual accomplishments.

The Company firmly believes that the achievements of employees reflect the leadership capabilities of their immediate supervisors and department heads. Moreover, it fosters a culture where employees embody the JKH values in their daily work. The JKH Group Rewards and Recognition Programme is accessible to all employees of JKPLC.

Currently, there is a wide range of recognition platforms available, designed to cater to different categories of employees.

## Communicative and Open Culture

At JKPLC, fostering an open and communicative culture is highly valued, where employees are actively encouraged to provide feedback on all business activities and developments. To facilitate this, the following programmes are currently implemented.

## Employee Engagement

To enhance work-life balance and foster stronger personal relationships among employees, the Company supports and sponsors a variety of events and activities that contribute to a more engaged workforce. Throughout the year under review, the Company organised numerous programs aimed at improving employee engagement and fostering camaraderie among its employees. These initiatives have been designed to create a positive and inclusive work environment where employees can form meaningful relationships and enjoy a greater sense of belonging within the Company.



### Celebrating Women's Day

A special celebration for all female employees was held on Women's Day, highlighting their contributions and achievements over the years.

<p><b>Skip Level Meetings (All Employees)</b></p> <p>These meetings offer employees the opportunity to bypass their immediate supervisor and directly engage with senior management. They serve as a platform for senior management to establish trust with junior-level employees, conduct individual assessments, and seek fresh ideas, solutions, and process improvements, all while fostering an open-door culture. Conversely, junior employees gain valuable insights into business strategies and initiatives, while receiving guidance, coaching, and mentoring from senior management. These interactions facilitate mutual understanding and collaboration across different levels of the organisation.</p>	<p><b>Peer and Upward Survey (Manager &amp; Above Category)</b></p> <p>The Company utilises an annual e-based feedback tool to enable employees to receive confidential feedback from their peers and direct reports. This feedback is then compared to the employee's self-assessment form, aligning with the JKH Group's roof competencies.</p>	<p><b>Joint Consultative Committee (JCC) Meetings (Non-Executive Category)</b></p> <p>Regularly, one employee from each department at the non-executive level is granted the opportunity to meet with the CEO and Head of HR at JKPLC. During these meetings, employees can voice their concerns, provide suggestions, and engage in discussions regarding areas for improvement.</p>
<p><b>Staff Meetings (All Employees)</b></p> <p>Staff meetings are scheduled to disseminate financial information and relevant updates about the Company to all employees. These meetings also provide a forum for employees to express their ideas and opinions, encouraging open communication while fostering a culture of collaboration.</p>	<p><b>Great Place to Work (GPTW) Survey (All Employees)</b></p> <p>During the financial year under review, JKPLC conducted a comprehensive survey to gather feedback from employees on key aspects including Credibility, Respect, Fairness, Pride, and Camaraderie. The Company is pleased to report a significant improvement in its overall score, which substantially increased to 84 percent compared to 55 percent achieved in the previous financial year. This increase was observed across all demographics within the Company's employee cadre, reflecting a positive trend in employee satisfaction and engagement.</p>	<p><b>Engagement Forum (All Employees)</b></p> <p>This initiative, led by the JKH Group, aims to foster communication both from the bottom-up and the top-down within the organisation. It provides employees with the opportunity to engage in informal discussions with the JKH Group chairperson and the Head of Group HR. As part of this initiative, JKPLC designates three representatives from the categories of Executive, Assistant Manager, and Manager to participate in these discussions.</p>



#### Celebrating the Sinhala & Tamil New Year

A festive celebration was held for the Sinhala and Tamil New Year, bringing employees together to commemorate this cultural occasion.







## SOCIAL AND RELATIONSHIP CAPITAL

JKPLC'S SOCIAL AND RELATIONSHIP CAPITAL REFERS TO THE IMPORTANCE OF THE RELATIONSHIPS THAT THE COMPANY HAS WITH ITS CUSTOMERS, SUPPLIERS, AND THE COMMUNITIES. THESE RELATIONSHIPS ARE CRUCIAL FOR THE SUCCESS OF THE COMPANY'S VALUE CHAIN.

### MANAGEMENT APPROACH

The Company is keenly aware of all the different ways in which our business operations impact our stakeholders. We take into account the impact made to these various stakeholders by establishing pertinent processes and measures to disseminate information to increase each stakeholder group's value and collective well-being related to the Company when creating long-term value for social and relationship capital. From the company's standpoint, several factors generate social and relationship value, such as responsible product creation, reasonable contract negotiations, prompt payments, knowledge sharing on efficient and sustainable resource management strategies, and community livelihood development.

### Creating Value for Customers

As part of JKPLC's commitment to serving its customers (buyers) effectively and conveniently, the company maintains continuous one-on-one interactions to better understand their specifications, which in turn promotes the efficiency of our business actions and operations.

The Company's weekly Tea Market Report, which is a part of the tea brokering operation, is an essential tool to share information with our customers. The most recent changes in

both the global and Sri Lankan tea industries are included in the report. JKPLC also promotes communication between our two major stakeholders- buyers and suppliers to further solidify connections throughout the value chain by arranging visits to the factories and production facilities.

Additionally, the Company places a strong emphasis on quality warehousing procedures to ensure that customers who purchase products from our warehouse receive products that have not degraded or been adversely affected by storage issues.

The company's expanding customer base serves as proof of the confidence customers have in our brand and the high standard of our services.

### Creating Value for Suppliers

Our value chain's crucial connection is our suppliers of tea and rubber, mainly because JKPLC's success heavily depends on having trustworthy and sustainable supply chain partners. As such, the Company remains fully committed to working 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.



In order to help factory owners (suppliers) manage their working capital needs and pursue expansion plans, JKPLC has developed systems and processes over the years. These systems and processes also allow us to share knowledge and best practices, to share the most recent industry developments and challenges, and one-on-one interaction with our customers for greater understanding of their needs.

Additionally, the Company places a strong emphasis on effective warehousing procedures and quality standards to make certain that suppliers' produce is stored in optimal conditions without affecting quality, thereby increasing their ability to obtain higher prices at the marketplace.

### Creating Value for the Community

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

Community activities are generally carried out with the support of our employees who are encouraged to volunteer their time in organizing 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.



# GRI CONTEXT INDEX

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	102-18 Governance Structure	54-69	
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	102-41 Collective bargaining agreements	41-45	
	102-42 Identifying and selecting stakeholders	20	
	102-43 Approach to stakeholder engagement	20	
	102-44 Key topics and concerns raised	21	
	102-45 Entities included in the consolidated financial statements	5-6	
	102-46 Defining report content and topic boundary	5-6	
	102-47 Material topics	21	
	102-48 Restatement of Information	22-94	
	102-49 Changes in reporting	22-94	
	102-50 Reporting period	5-6	
	102-51 Date of most recent report	84	
	102-52 Reporting cycle	5-6	
	102-53 Contact point for questions regarding Report	5-6	
	102-54 Claims of reporting in accordance with GRI Standards	5-6	
	102-55 GRI context index	47-50	
	102-56 External assurance	N/A	Company has not obtained External assurance on this report

# GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 201:	201-2 Financial Implications and other risks and opportunities due to climate change	16	
Procurement Practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 204:	204-1 Proportion of spending on local suppliers	33 - 36	
Materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 301: Raw materials	301-1: Raw materials used by weight or volume	39-40	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	39-40	
	302-4 Reduction of energy consumption		
Water & Effluents			
GRI 103: Management Approach	303-1 Interactions with water as a shared resource		
	303-2 Management of water-discharge related impacts		
GRI 303: Water & Effluents 2018	303-3 Water withdrawal	39-40	
	303-4 Water discharge		
	303-5 Water consumption		
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	39-40	
	305-2 Energy Indirect ( Scope 2) GHG emissions		
	305-5 Reduction in GHG emissions		



GRI Standard	Disclosure	Page number	Omission
Waste			
GRI 103: Management Approach	306-1: Waste generation and significant waste-related impacts		
	306-2 Management of significant waste related impacts		
GRI 306 : Waste 2018	306-3 Waste generated	39-40	
	306-4 Water diverted from disposal		
	306-5 Waste directed to disposal		
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	39-40	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 401: Employment 2016	401-1 Employee hires and turnover	41-45	
Labour Management Relations			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	41-45	
Occupational Health and Safety			
GRI 103: Management Approach	403-1 Occupational health and safety management system	41-45	
	403-2 Hazard identification, risk assessment and incident investigation		
	403-3 Occupational health services		
	403-4 Worker participation, consultation and communication on occupational health and safety		
	403-5 Worker training on occupational health and safety		
	403-6 Promotion of worker health		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
GRI 403: Occupational Health and Safety 2018	403-9 Worker related injuries		

# GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 404: Training and education	404-1 Average hours of training per year per employee	41-45	
	404-2 programme for upgrading skills and transition assistance programmes		
	404-3 Percentage of employees receiving regular performance and career development reviews		
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	46	
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 416: Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	38	
Marketing and Labelling			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 417: Product and Service labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	46	
	417-2 Incidents of non-compliance concerning marketing communications		
Socio economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries		
	103-2 The Management Approach and its components		
	103-3 Evaluation of the Management Approach		
GRI 419: Socio economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	46	

# SUSTAINED VALUE



## STEWARDSHIP

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Report of the Related Party Transactions Review Committee **76** Annual Report of the Board of Directors **77** Statement of Directors' Responsibility **82**

# BOARD OF DIRECTORS

## **KRISHAN BALENDRA**

CHAIRPERSON/NON-INDEPENDENT  
- NON-EXECUTIVE DIRECTOR

Appointed to Board 2018

### **Board Committees**

Member – Nominations Committee  
Member – Related Party Transactions Review Committee

### **Skills and Expertise**

Krishan Balendra is the Chairperson - CEO of John Keells Holdings PLC. He is also the Chairperson of the Employers Federation of Ceylon, Deputy Vice Chairperson of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairperson of Nations Trust Bank and the Colombo Stock Exchange. Krishan started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

### **Positions held in Other Companies**

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

### **Other Current Appointments**

Chairperson - CEO of John Keells Holdings PLC, Chairperson of the Employers Federation of Ceylon, Deputy Vice Chairperson of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka.

## **GIHAN COORAY**

NON-INDEPENDENT  
- NON-EXECUTIVE DIRECTOR

Appointed to Board 2018

### **Board Committees**

None

### **Skills and Expertise**

Gihan Cooray has overall responsibility for the Group's Finance and Accounting, Taxation Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He is a Director of several companies in the John Keells Group. Gihan Cooray holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK.

### **Other Current Appointments**

Deputy Chairperson & Group Finance Director of John Keells Holdings PLC and serves as a committee member of the Ceylon Chamber of Commerce.

(He served as the Chairperson at Nations Trust Bank PLC, till 30th April 2023)

## **ZAFIR HASHIM**

NON-INDEPENDENT  
- NON-EXECUTIVE DIRECTOR

Appointed to Board 2021

### **Board Committees**

None

### **Skills and Expertise**

Zafir Hashim has been in the group for 20 years. He has an MSc in Chemical Engineering from the University of Birmingham (UK).

## **Positions held in Other Companies**

He joined the JKH Group in 2003, seconded to Lanka Marine Services, where he served as the CEO from 2005-2015. He has also served as a member of the Transportation Sector Committee from 2005. During the last 20 years he has held the position of CEO at John Keells Logistics Lanka Ltd. for a short time, and Mackinnons Mackenzie Shipping Co. Ltd, Mack International Freight Ltd and Mackinnons Travels Ltd.

### **Other Current Appointments**

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

## **DEVIKA WEERASINGHE**

NON-INDEPENDENT  
- NON-EXECUTIVE DIRECTOR

Appointed to Board 2021

### **Board Committees**

None

### **Skills and Expertise**

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

### **Positions held in Other Companies**

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

### **Other Current Appointments**

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

**CHARITHA NISSANKA WIJEWARDANE**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board 2016

**Board Committees**

Member - Board Audit Committee

**Skills and Expertise**

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

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

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

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

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

**Positions held in Other Companies**

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

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

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

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

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

**ANANDHIY K. GUNAWARDHANA**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board 2016

**Board Committees**

Member - Board Audit Committee

**Skills and Expertise**

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

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

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

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

Having joined Julius & Creasy in August 1996 as an apprentice, she was made a professional associate in July 1997 and admitted as a Partner in 2005. Her areas of specialization are Capital Markets, Corporate and Commercial Law and Mergers & Acquisitions.

**Positions held in Other Companies**

None

**BODIYABADUGE ARUNDATHI INDIRA RAJAKARIER**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board 2016

**Board Committees**

Chairperson - Board Audit Committee

**Skills and Expertise**

She has over 25 years working experience as a finance professional. She is a Fellow member of the Institute of Chartered Accountants, Sri Lanka.

She is a founder Director of SheConsults (Pvt) Ltd., a financial consulting company. She has also been a Consultant to World Bank and other institutions on various assignments.

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

**Positions held in Other Companies**

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

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

She served as the Country Manager for ACCA Sri Lanka and Maldives, at NDB Bank in senior roles covering Corporate Banking, Merchant Banking and Consultancy and Internal Audit; and as Finance Director of Lanka Cellular Services (Pvt) Ltd. She served on the Board of NCAP as an Independent Non- Executive Director and was the Chairperson of the Audit, Risk and Compliance Committee and the Remuneration Committee and a member of the Investment Committee. She also served on the Board of NDB Securities (Pvt) Ltd., a subsidiary of NCAP as a Non-Executive Director.

# CORPORATE GOVERNANCE

## Highlights of the 75th AGM held on 23rd June 2022

- ▶ 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
- ▶ Ms. A K Gunawardhana, who retired in terms of Article 83 of the Articles of Association of the Company was re-elected as a Director of the Company
- ▶ Re-appointment of Auditors and the authorization of the Directors to determine their remuneration

John Keells PLC values good governance because we believe it's a core strength, we possess in establishing and sustaining long-term business relationships, which has enabled us stand strong and resilient within this industry. John Keells PLC (herein referred to as "The Company"), along with its subsidiary and associate companies (collectively termed as "JKL Group") has its own set of internal benchmarks, processes and structures towards meeting accepted best practices in governance, in addition to the compliance with mandatory regulatory requirements. The JKL Group has an internal structure and control system that has been continually reviewed to support the

implementation of the fundamental corporate governance concepts.

Ethics and good governance are ingrained in the company's culture and are instilled in the core values of the organisation. The parent company, John Keells Holdings PLC's (JKH) Code of Conduct, which is applicable to all our employees, 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 organisation.

The JKL Group constantly strives for a high level of transparency in all parts of its reporting in order to uphold the highest standards of moral business conduct and good governance. The Corporate Governance philosophy practiced at the Company and JKL Group, is in compliance with the following and where necessary, any deviations as permitted by the relevant rules and regulations have been explained. The corporate governance framework practices followed by the Company and the JKL Group for the fiscal year 2022/2023 are laid forth in this report.

## Compliance Summary

REGULATORY BENCHMARKS	COMPLIANCE
The Companies Act No.7 of 2007 and regulations (Mandatory provisions)	fully compliant
Listing Rules of the Colombo Stock Exchange (CSE) (Mandatory provisions)	fully compliant
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars (Mandatory provisions)	fully compliant
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC) (Mandatory provisions)	fully compliant
Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) (Voluntary provisions)	fully compliant
UK Corporate Governance Code (formerly known as the Combined Code of 2010) (Voluntary provisions)	compliant, as applicable to JKL
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka (Voluntary provisions)	compliant with almost the full 2017 Code, to the extent of business exigency and as required by the JKL Group Key Internal Benchmarks

## Compliance Summary

### Regulatory Benchmarks

▶ Articles of Association of the Company	▶ Policies on anti-fraud, anti-corruption, and anti-money laundering and countering the financing of terrorism
▶ Recruitment and selection policies	▶ Policy on communications and ethical advertising
▶ Learning and development policies	▶ Ombudsperson policy
▶ Policies on equal opportunities, career management and promotions	▶ Whistleblower policy
▶ Rewards and recognition policy	▶ Group accounting procedures and policies
▶ Leave, flexi-hours and tele-working policies including health and safety enhancements and protocols	▶ Policies on enterprise risk management
▶ Code of conduct which also includes policies on gifts, entertainment, facilitation, payments, proprietary and confidential information	▶ Policies on fund management and foreign exchange risk mitigation
▶ Policy against sexual harassment	▶ IT policies and procedures, including data protection, classification and security
▶ Policies against on forced, compulsory and child labour	▶ Group environmental and economic policies
▶ Disciplinary procedure	▶ Policies on energy, emissions, water and waste management
▶ Policy on grievance handling	▶ Policies on products and services

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

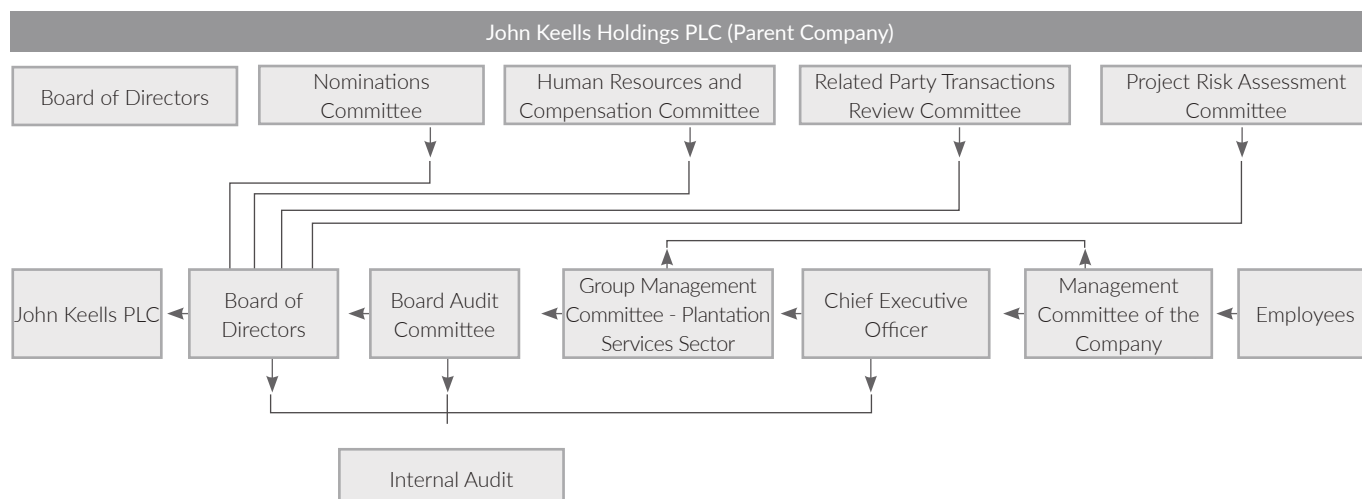
### Detailed Account of Compliance with the Code of Best Practice on Corporate Governance

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



### A. Board of Directors

#### 1. An Efficient Board





# CORPORATE GOVERNANCE

The Board holds regular meetings to discuss all matters pertaining to the operation and governance of the Company, and the Company Secretaries, Keells Consultants (Private) Limited, keeps minutes of every Board meeting.

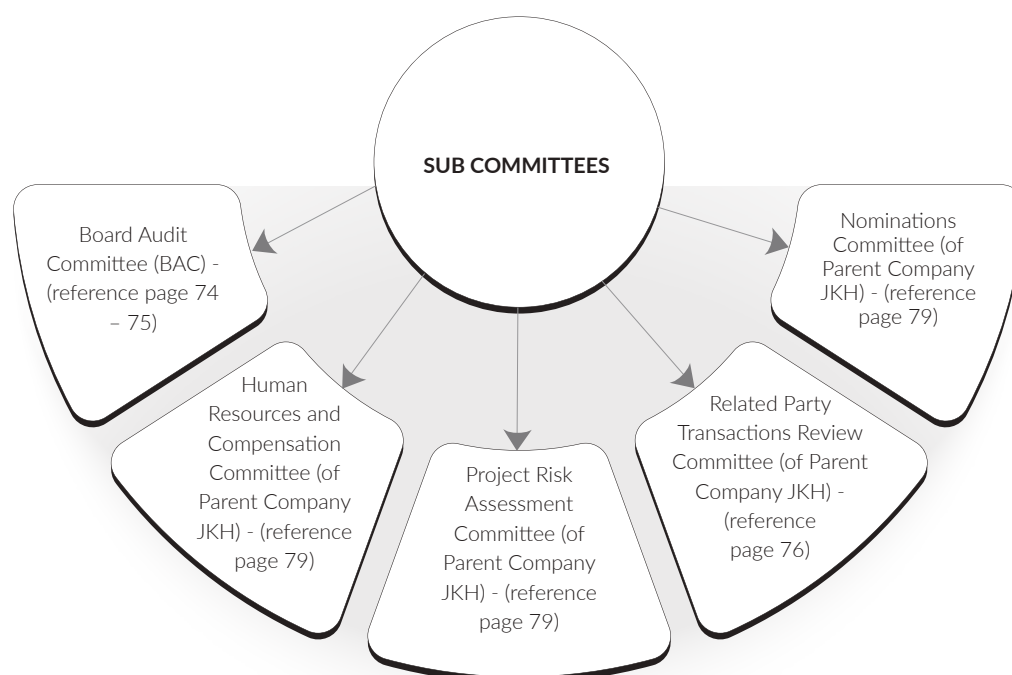
Certain functions of the Board have been delegated to the Board Sub-Committees, with the Board retaining final decision rights. This allows more specialized knowledge to be brought into the overall decision-making process, by having the members of these Sub-Committees focus on their area of expertise.

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

The Company has its own Board Audit Committee composed solely of NED/ID.

The reports of the below sub committees are given within this Annual Report on the pages specified herein.

▶ Board Audit Committee (BAC)	- (reference page 74 – 75)
▶ Nominations Committee (of Parent Company JKH)	- (reference page 79)
▶ Human Resources and Compensation Committee (of Parent Company JKH)	- (reference page 79)
▶ Related Party Transactions Review Committee (of Parent Company JKH)	- (reference page 76)
▶ Project Risk Assessment Committee (of Parent Company JKH)	- (reference page 79)



The Company's governance model, indicating the Board, its sub-committees and the overall hierarchy are shown in page 55.

## 1.1. Attendance at Board Meetings

The Board holds meetings at least once every quarter or more frequently if necessary. Any absences are properly documented in minutes with an advance justification. The discussions and actions made at the meeting are immediately conveyed to the absent Board members.

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

Name of Director		Board meeting attendance				Eligible no. of meetings	Meetings Attended
		29-Apr-22	22-Jul-22	28-Oct-22	27-Jan-23		
Mr. K N J Balendra (Chairperson)	NED/NID	✓	✓	✓	✓	4	4 of 4
Mr. J G A Cooray	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
Ms K D Weerasinghe	NED/NID	✓	✓	✓	✓	4	4 of 4
Mr A Z Hashim	NED/NID	✓	✓	✓	✓	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 2022/23 contained;**

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

**1.2. Roles and Responsibilities of the Board**

In carrying out its duties, the Board encourages an atmosphere of candour and productive debate with the goal of generating value for all stakeholders. According to the John Keells Group Corporate Governance Framework, the Board of Directors is collectively responsible for the following key matters in executing its role:

- 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 major acquisitions, disposals and capital expenditure
- Tracking actual progress against plans
- Reviewing and approving annual plans and longer-term business plans
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits
- Monitoring systems of governance and compliance
- Ensuring all Related Party Transactions are compliant with statutory obligations
- Approving any amendments to constitutional documents
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework
- Adopting voluntarily, best practices where relevant and applicable
- Reviewing Human Resource (HR) processes with emphasis on top management succession planning
- 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

# CORPORATE GOVERNANCE

## 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 systems, distributor management systems or other major projects.
- Specific technical know-how and domain knowledge for identified project feasibilities and evaluations

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

## 1.4. Role of the Company Secretary

The Company Secretaries, Keells Consultants (Private) Limited,

- is responsible for the induction of new Directors,
- assist the Chairperson and the Board of Directors in determining the annual Board Plan,
- guide the Board and the individual Directors in the proper discharge of their responsibilities and act as a central source of guidance on matters of ethics and

governance. Further, they are responsible for making necessary disclosures on related party transactions required by law and regulations and acts as a channel of communication with shareholders to ensure good shareholder relations.

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

## 1.5. Independent Judgement

All Directors bring a variety of skills, knowledge, and expertise to the table while carrying out their official responsibilities. They also add a strong sense of integrity and independent judgment to the mix when making decisions regarding strategy, performance, resources and standard of business conduct. It is the responsibility of Independent, Non-Executive Directors (ID/NED) to offer unbiased assessment regarding the proposals made by the Chairperson and the other members of the Board.

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

The Board has allotted sufficient time prior board meetings to study board documents and,

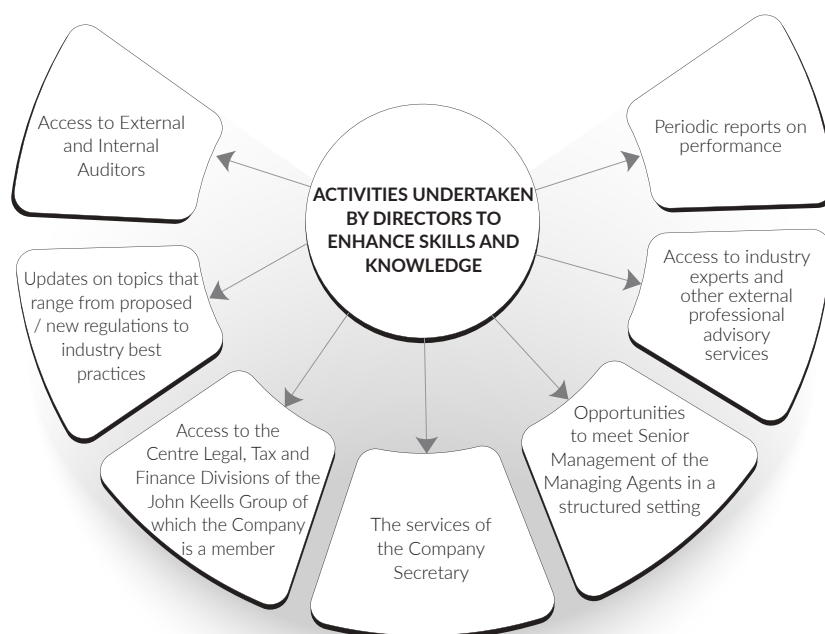
where necessary, request additional materials and information for clarification. This is to ensure that their duties and responsibilities towards the Company are satisfactorily discharged. It is estimated that NEDs each devoted a minimum of 30 full time equivalent days to the Group during the year.

## 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 Chairperson 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 continuously enhance their skills and knowledge, for the excellence of the company's performance and this is facilitated through the following activities.



The Directors also have the opportunity of gaining further insight into the Company's business by undertaking business visits. As laid out in Section 74 above, the Directors commit sufficient time and make every effort to ensure that in proportion with their knowledge and experience, they discharge their responsibilities to the Company.

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

The roles of Chairperson and CEO have been segregated in the Company. The following summarizes the roles and responsibilities of both of these officers:

Role of Chairperson	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 built and sustained between the Executive and Non-Executive members of the Board	▶ Ensure the efficient management of overall operations of all businesses
▶ Ensure with the assistance of the Board Secretary that: <ul style="list-style-type: none"> <li>▶ Board procedures are followed efficiently</li> <li>▶ Information is disseminated in an on-time manner to the Board</li> </ul>	▶ 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 highest senior levels is planned

## 3. Role of Chairperson

The key responsibility of the Chairperson is to lead and manage the Board and its Committees for their effective functioning so that they can carry out operations smoothly. The Chairperson also 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. The Chairperson is also responsible for representing the Company externally and is the focal point of contact for shareholders on all aspects of corporate governance.

## 4. Financial Acumen

Mr. J G A Cooray, Ms. B A I Rajakarier and Ms. K D Weerasinghe are members of the Board are also members of professional accounting bodies, 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 the Directors avoid circumstances in which they have, or may have, a direct or indirect interest that conflicts with or may potentially conflict with, the JKL Group's interests.

In order to avoid such potential conflicts or biases, the Directors make a general disclosure of interests, as illustrated below, at the appointment, at the beginning of every financial

year and during the year as required. Such potential conflicts are reviewed by the Board on a regular basis to ensure 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.

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

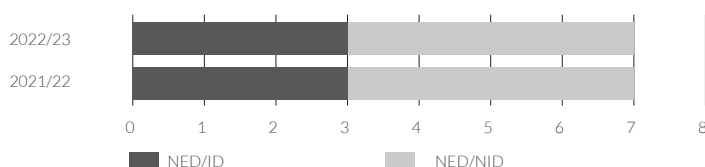
- No shareholding in the Company
- Not being employed by the Company, its subsidiaries or Parent during the period of two years immediately preceding appointment as a Director
- Not holding a Directorship at another company in which a majority of the other Directors of the Company are employed, or are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

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

# CORPORATE GOVERNANCE

## 6. Board Balance

The Board of Directors of the Company comprises solely of NED's with four (4) NED/NIDs and three (3) NED/IDs. Further details on the Directors are given under the Directors Profile section in pages (52) to (53).



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

The Company is conscious of the need to maintain an appropriate mix of skills and experience on 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	23-May-22	06-Dec-22	Eligible to Attend	Attended
Mr. A Cabraal (Chairperson)**	N/A	✓	1	1
Mr. M A Omar*	✓	N/A	1	1
Mr. K N J Balendra	✓	✓	2	2
Dr. S S H Wijayasuriya	✓	✓	2	2
Ms. M P Perera	✓	✓	2	2

\*Retired from the JKH Board and the sub-committee appointment on 27 June 2022. Chairperson of the Sub-Committee prior to the appointment of Mr. A Cabraal as the Chairperson.

\*\*Appointed to the Committee and as Chairperson of the Committee effective 27 June 2022.

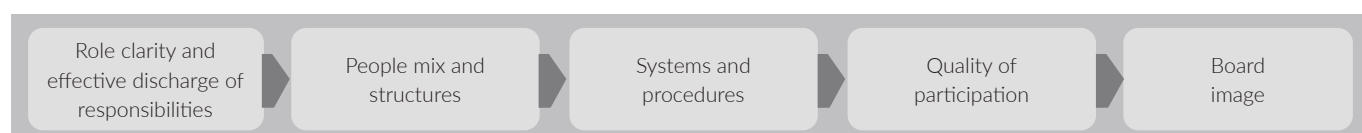
## 9. Re-election

At each Annual General Meeting (AGM) one third of the Directors, except the Chairperson, 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 72 and in the Notice of Meeting on page 149 of this Report.

## 10. Appraisal of Board Performance

The Board itself evaluates its own performance on a yearly basis. Each Board member will conduct an anonymous self-evaluation on the performance of the Board, using a detailed checklist / questionnaire, under the areas of;



The outcomes of this exercise are reviewed and discussed among the Board members in order to determine the efficacy of the Board and the areas that 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 52 to 53.

- Membership of Sub-Committees and attendance at Board Meetings and Sub-Committee meetings on pages 57
- Related party transactions on pages 141 to 142

## 12. Appraisal of CEO

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

## B. Directors' Remuneration

### 1. Remuneration Procedure

JKH Group remuneration policies apply to Directors of the Company. This procedure is independently

performed upon the recommendations of the Human Resources and Compensation Committee of JKH, and no Director is involved in determining his/her own remuneration.

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

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

Name	01-July-2022	12-Dec-2022*	Eligible to Attend	Attended
A Cabraal (Chairperson)	✓	✓	2	2
H Wijayasuriya	✓	✓	2	2
A Omar**	N/A	N/A	N/A	N/A
N Fonseka***	✓	✓	2	2
By Invitation				
K Balendra	✓	✓	2	2
G Cooray	✓	✓	2	2
P Perera	N/A	✓	1	1

\*Directors of John Keells Holdings PLC who were not sub-committee members of the Human Resources and Compensation Committee were requested to attend via invitation.

\*\*Retired from the JKH Board and the sub-committee appointment on 27 June 2022.

\*\*\*Appointed on 27 June 2022, on retirement of Mr. Omar.

## 2. Level and Make Up of Remuneration

### Non-Executive Director Remuneration

Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable companies and is adjusted where necessary in keeping with the complexity of the JKL Group. The Board sets and periodically reviews the fees paid to NEDs. NEDs are not eligible to participate in any of the ESOPs

offered by the John Keells Group and do not earn any performance or incentive payments. 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.

The total aggregate of NED remuneration for the financial year 2022/23 was Rs.6.4 Mn. (2021/22 - Rs. 6 Mn.)

### Compensation for Early Termination

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

# CORPORATE GOVERNANCE

The statement of the Remuneration Policy and the Remuneration Committee Report are given on page 66.

## C. Shareholder Relations

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

The AGM serves as the Company's primary channel of contact with its shareholders. Prior to the AGM, information is provided to Shareholders to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the JKL Group. The Annual Report is made available to shareholders electronically. Shareholders may at any time elect to receive an Annual Report from JKL in printed form, which is provided free of charge.

The Company makes use of the AGMs constructively to promote better shareholder relations and to enhance shareholder inclusiveness in the businesses concerned. To facilitate this, the 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 Chairperson ensures that the relevant Senior Managers are available at the AGM to answer specific queries;
- Separate resolutions are proposed for each item; and
- Proxy votes are counted.

### 2. Communications with Shareholders

The CSE announcements, annual and quarterly reports, and the AGM serve as the Company's main channels of contact with its shareholders.

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 2023.

All other material and price sensitive information about the Company is promptly communicated to the CSE, where the shares of the Company are listed, and such information

is also released to the employees, press and shareholders.

### 3. Major and Material Transactions

Shareholders are advised of any instance where the contemplated value of a transaction would be in excess of half of the assets of the Company ("Major transactions"). There were no major transactions as defined under Section 185 of the Companies Act No. 07 of 2007 (Companies Act), during the year under review.

## D. Accountability and Audit

### 1. Financial and Business Reporting

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

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

- |   |               |
|---|---------------|
| • The Annual Report of the Board of Directors on the Affairs of the Company | pages 77-81   |
| • The Statement of Directors' Responsibility                                | pages 82      |
| • The Directors' Statement on Internal Controls                             | pages 82      |
| • The Independent Auditors' Report  | pages 85-87   |
| • The Management Discussion and Analysis                                    | pages 18-50   |
| • Related Party transactions  | pages 141-142 |

### 2. Risk Management and Internal Control

#### 2.1. Internal Control

The parent business, JKH, offers the business the Group Business Process Review (BPR) division's services to oversee the Company's asset protection, accurate accounting, and management information systems. The risk review program, covering the Internal Audit of the Company is outsourced and coordinated by the John Keells Group BPR division on behalf of the Company.

Reports arising out of such audits, are initially 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 the 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 regarding Operational and Financial compliances adhered to during the year under review. This program requires the Sector Head of the Plantation Services Sector of JKH and the CEO of the Company to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms.

#### 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 organisation forward in a cohesive, integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking.

The Enterprise Risk Management section to this Annual Report set out on pages 70 to 73 provides a detailed account on the risk management initiatives of the Company.



### 3. Board Audit Committee (BAC)

The Board Audit Committee (BAC) solely comprises of NED/IDs with one of them having current membership of a reputed accounting body 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 are provided in the Audit Committee Report on pages 74 to 75. 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 in charge of considering and recommending the appointment of External Auditors, the maintenance of a professional relationship with them, reviewing the accounting principles, policies, and practices followed in the generation of published financial information, and assessing all documents pertaining to the final Financial Statements.

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

CEO of the Company and John Keells Stock Brokers (Private) Limited (JKSB), the Chief Financial Officer (CFO), the Head of Finance and other operational heads are invited to the meetings of the Board Audit Committee. The detailed Board Audit Committee report including areas reviewed during the financial year 2022/23 is given on pages 74 to 75 of the Annual Report.

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

Name of Director	06-May-2022	18-May-2022	21-Jul-2022	27-Oct-2022	26-Jan-2023	Attendance
B A I Rajakarier	✓	✓	✓	✓	✓	5/5
A K Gunawardhana	✓	✓	✓	✓	✓	5/5
C N Wijewardane	✓	✓	✓	✓	✓	5/5

### 4. Related Party Transactions Review Committee

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

The Board ensures that no Related Party Transaction (RPT) 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 Board Related Party Transaction Review Committee of the JKH

Name	19-May-22	25-Jul-22	03-Nov-22	30-Jan-23	Eligible to Attend	Attended
M P Perera (Chairperson)	✓	✓	✓	✓	4	4
D A Cabraal*	✓	✓	✓	✓	4	4
A N Fonseka *	✓	✓	✓	✓	4	4
By Invitation						
G Cooray	✓	✓	✓	✓	4	4
P Perera	✓	✓	✓	✓	4	4

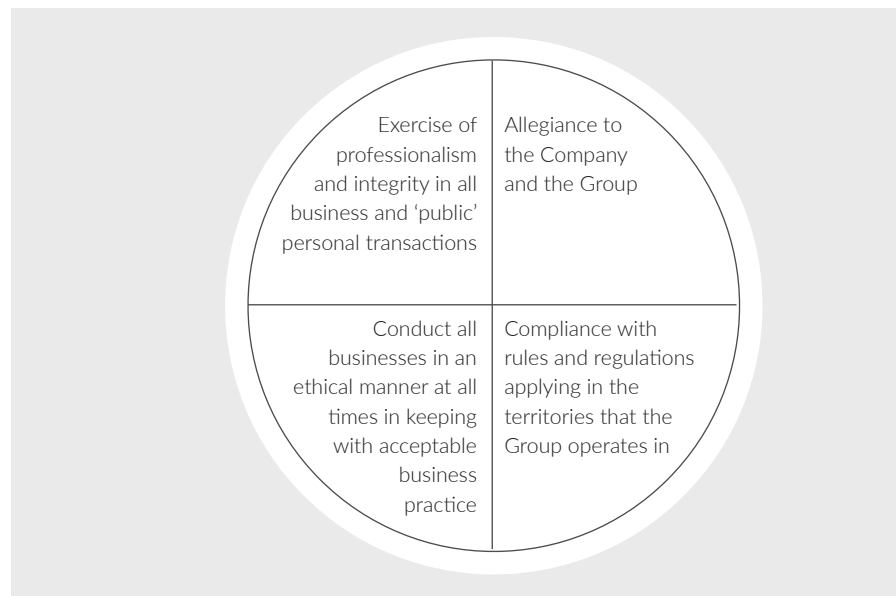
The Related Party Transactions Review Committee report for the financial year 2022/23 is given on page 76.

### 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 the Code of Conduct is linked to reward and recognition schemes, to promote more employee inclusion in 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 feels 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 Chairperson or the Senior Independent Director of JKH, as the case may be.

The Chairperson 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 Chairperson or the Senior Independent Director disagrees with any or all findings and/ or recommendations. In such cases, the Board shall consider the areas of disagreement and determine the way forward.

It is essential to note that the Chairperson or Senior Independent Director takes the

required actions to make sure the complainant is not treated unfairly as a result of having used this process. Open-door practices at the company encourage this kind of constant dialogue, communication, transparency and ultimately employee confidence, which would help maintain current talent while enticing new hires.

## 5.2. Whistleblower policy

The employees can report to the Chairperson through a communication link named "Chairperson 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 Chairperson.

## 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 strives to ensure that the Company complies with the laws and regulations of the country with the support and guidance of JKH Legal division.

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 82 elaborates on how financial reporting compliance is ensured, as required by the statutes. Details on corporate governance disclosures are set out on pages (54) to (69). 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 make decisions regarding their investments. Annual Reports and Interim Financial Statements are circulated to all registered shareholders within prescribed timelines. All shareholders are encouraged to participate at the Annual General Meeting and vote on matters set before the shareholders which are detailed on page 149.

## 2. Other investors

Individual investors who make direct investments in the company are advised to consult a financial advisor before making an investment or distribution. The Company does its utmost to enable this by making its Annual and Interim Financial Statements accessible on public platforms like the CSE website and by allowing individual shareholders to participate in voting at general meetings.

## G. Digital Oversight, Cybersecurity, Data Protection, Information Management and Adoption

The IT Governance framework used by the Parent Company, provides guidance on best practices and industry leading models such as COBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO 27001, ISO 9000:2008, COSO (Committee of Sponsoring Organisations 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 organisations

There has been a significant increase in the organisation's reliance on technology, which has made the Group vulnerable to cyber threats. In this context, cyber security continues to be a regular item on the agenda of the Risk Management and Audit Committees and is occasionally discussed at the Board level.

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

Upon the emergence of regulations such as European Union General Data Protection Regulation (GDPR), data security, integrity

and information management have become pivotal. JKL Group continues to strengthen its focus on data governance to ensure ownership, accountability and execution of clearly articulated data governance policies, processes and data quality standards.

## H. Environment, Society and Governance (ESG)

The Company, through its risk management model, identifies its ESG risks and opportunities. Once recognized, these are then measured, managed and reported on. The Enterprise Risk Management Report on pages 70 to 73 further elaborates on these measures.

The Group provides disclosure on emission management, water management, waste management and material management, which are laid out on pages (39) to (40).

The Company is aware that priority should be given to many non-shareholder groups, including employees, customers, clients, suppliers, lenders, environmentalists, host communities, and governments, in addition to maximizing long-term shareholder value. A detailed description of the Company's CSR activities can be found in the Management Discussion and Analysis section of this Annual Report on pages (22) to (50).

## 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
<b>7.10 Compliance</b>			
a./b./c.	Compliance with Corporate Governance Rules	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable	Corporate Governance
<b>7.10.1 Non-Executive Directors</b>			
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
<b>7.10.2 Independent Directors</b>			
a.	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Corporate Governance
b.	Independent Directors	Each NED should submit a signed and dated declaration of independence or non-independence	Available with the Secretaries for review
<b>7.10.3 Disclosures relating to Directors</b>			
a./b.	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs	Corporate Governance
c.	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report (AR) including the Director's areas of expertise	Board of Directors section

# CORPORATE GOVERNANCE

Rule No.	Subject	Applicable requirement	Reference within the Report
d.	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board along with details to CSE	Corporate Governance
<b>7.10.4 Criteria for defining independence</b>			
a. - h.	Determination of Independence	Requirements for meeting the criteria to be an Independent Director	Corporate Governance
<b>7.10.5 Remuneration Committee</b>			
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	<ul style="list-style-type: none"> <li>Shall comprise of NEDs, a majority of whom will be independent</li> <li>One NED shall be appointed as Chairperson of the Committee by the Board of Directors</li> </ul>	Corporate Governance
b.	Functions of RC	The RC shall recommend the remuneration of the CEO	Corporate Governance
c.	Disclosure in the Annual Report relating to RC	<ul style="list-style-type: none"> <li>Names of Directors comprising the RC</li> <li>Statement of Remuneration Policy</li> <li>Aggregated remuneration paid to NED's</li> </ul>	Corporate Governance, Corporate Governance of Holding Company and Notes to the Financial Statements
<b>7.10.6 Audit Committee</b>			
a.	Composition of Board Audit Committee (BAC)	<ul style="list-style-type: none"> <li>Shall comprise of NEDs a majority of whom should be Independent</li> <li>A NED shall be appointed as the Chairperson of the Committee</li> <li>CEO and Financial Controller should attend BAC meetings</li> <li>The Chairperson of BAC or one member should be a member of a professional accounting body</li> </ul>	Corporate Governance and the Board Committee Reports
b.	BAC Functions	Overseeing the; <ul style="list-style-type: none"> <li>preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS)</li> <li>compliance with financial reporting requirements, information requirements of the Companies Act and related regulations and requirements</li> <li>process to ensure the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS</li> <li>assessment of the independence and performance of the External Auditors and</li> <li>Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor</li> </ul>	Corporate Governance and the Board Committee Reports
c.	Disclosure in Annual Report (AR) relating to BAC	<ul style="list-style-type: none"> <li>Names of Directors comprising the BAC</li> <li>The AC shall determine the independence of the Auditors and disclose the basis for such determination</li> <li>The AR shall contain a Report of the BAC setting out the manner of compliance with their functions</li> </ul>	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	52-53
(ii)	Principal activities of the Entity and its subsidiaries during the year, and any changes therein	Complied	96
(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	144
(iv)	The float adjusted market capitalisation, public holding percentage (percent), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Complied	143
(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	80
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	70-73
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	During the year 2022/23, 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	122-125
(ix)	Number of shares representing the Entity's stated capital	Complied	143
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	143
(xi)	Financial ratios and market price information	Complied	145
(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	122-125
(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	136
(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	54-69
(xvi)	Related party transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	141

# CORPORATE GOVERNANCE

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

Sub-section		Compliance Status	Reference within the Report
(a)	Details pertaining to Non-Recurrent Related Party Transactions (RPT)	Complied	Notes to the Financial Statements (page 141)
(b)	Details pertaining to RPT	Complied	Notes to the Financial Statements (page 141-142)
(c)	Report of the Related Party Transactions Review Committee	Complied	Report of the Related Party Transaction Review Committee (page 76)
(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 (page 77-81)

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

Sub-section		Compliance Status	Reference within the Report
(1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Complied	96
(1) (b)	Signed financial statements of the Group and the Company for the accounting period completed	Complied	88-142
(1) (c)	Auditors' Report on financial statements of the Group and the Company	Complied	85-87
(1) (d)	Accounting policies and any changes therein	Complied	98
(1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Complied	80
(1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	116
(1) (g)	Corporate donations made by the Company during the accounting period	Complied	116
(1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Complied	77
(1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Complied	116
(1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries	Complied	74-75
(1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	77-81

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

Sub-Section	Compliance Summary
A. Directors	<ul style="list-style-type: none"> <li>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.</li> <li>Roles of Chairperson and CEO are separate. Their performances are appraised annually. Board Balance is maintained as the Code stipulates.</li> <li>Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, take place at regular intervals.</li> </ul>
B. Directors' Remuneration	<ul style="list-style-type: none"> <li>The Human Resource and Compensation Committee of JKH, consisting of exclusively NEDs is responsible for determining the remuneration of Chairperson, CEO and NEDs.</li> <li>Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid are disclosed under Section 77 and are in line with the Code.</li> </ul>
C. Relationship with Shareholders	<ul style="list-style-type: none"> <li>There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.</li> <li>The Group has in place multiple channels to reach shareholders as discussed under Section 62.</li> </ul>
D. Accountability and Audit	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>There is an annual review of effectiveness of Internal Control which ensures the maintenance of a sound system of internal control.</li> <li>The Internal Audit function and the Board Audit Committee, functions as stipulated by the Code.</li> </ul>
E. Institutional Investors	<ul style="list-style-type: none"> <li>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.</li> </ul>
F. Other Investors	<ul style="list-style-type: none"> <li>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.</li> </ul>
G. Sustainability Reporting	<ul style="list-style-type: none"> <li>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.</li> </ul>

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

The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency and as required by the JKL Group.



# ENTERPRISE RISK MANAGEMENT

## Overview

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

The objective of the Risk Management Strategy of the Group is to facilitate smooth execution of the Group's long-term and short-term strategies which in turn will help achieve the overall objectives of the businesses. Risk Management is practiced across all the Group's operating segments, namely, produce broking, share broking & warehousing.

The Board of Directors oversee and retain the ultimate responsibility for the group's risk management framework and is assisted by the Board Audit Committee which has the oversight responsibility for risks and internal controls. At Business Unit level, the Management Committee of each business segment forms the Risk Management team for their respective business. 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 established by the Sustainability and Enterprise Risk Management Division of John Keells Holdings PLC.

## Risk Management Process

### I. Identification of Risk

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

### Core Sustainability Risks

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.

### II. Assessment and Rating of Risk

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

Impact to Company ↑	Extreme	5	5	10	15	20	25
	Very High	4	4	8	12	16	20
	High	3	3	6	9	12	15
	Minor	2	2	4	6	8	10
	Insignificant	1	1	2	3	4	5
Risk Rating Matrix		1	2	3	4	5	
		Remote	Unlikely	Possible	Likely	Almost Certain	
		Likelihood of Occurrence →					
		Score	Risk Rating				
		1-2	Insignificant				
		3-6	Low				
		7-9	Medium				
		10-12	High				
		13-25	Ultra-high				

## III. Mitigation of risk

### Risks are mitigated through two ways:

i. Prevention – Risks are identified prior to occurrence, and action taken to prevent the same

ii. Detection & Correction – Risks are detected after occurrence, and corrective action is taken. The Risk Management Team assigns each identified risk to a 'Risk Owner' who will be responsible for the implementation and reporting of the risk mitigating strategy. Risk mitigation plans depend on the risk ratings given under the 'impact-likelihood' matrix, where high risk events are prioritized over lower risk events.

## IV. Reporting

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

## V. Monitoring and Control

The Risk Management Team, headed by the CEO, is responsible to ensure that each risk item is properly identified, mitigation actions are put in place, and are reported on during the risk review process. The implemented operational and management controls and mitigation plans are regularly verified through independent internal audits.

## Risk report of the Company

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

Risk Description and Rating	Risk Response
<p><b>Other Brokers not adhering to by-laws</b></p> <p>Not adhering to industry by laws will result in loss of business.</p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>• Canvassing to strengthen the Colombo Brokers Association (CBA) audit by extending it to cataloguing and warehousing of tea.</li> <li>• John Keells PLC checks other brokers' stores and catalogues after the sale.</li> </ul>
<p><b>Loss of business due to factories closing down</b></p> <p>All the key stakeholders in the industry work as a closely-knit system. Therefore, any closing down of factories directly affects the supply chain of the industry and causes loss of business and financial losses to the Company.</p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>• The Company closely monitors the green leaf intakes to the factories, and the catalogued quantities.</li> <li>• Ensuring proper background checks are carried out before when taking on new businesses.</li> </ul>
<p><b>Inadequate power supply/lack of fuel</b></p> <p>Not being able to charge the batteries on reach trucks, disruption to warehouse operations. Disruption to operations directly affects the supply chain of the industry and causes loss of business and financial losses to the Company.</p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>• Maintain fuel stocks at adequate levels at all times.</li> <li>• Increase storage capacity.</li> </ul>
<p><b>Labour wage increases/unrests</b></p> <p>Day to day operations getting interrupted due to strikes etc.</p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>• Discussion with man power suppliers to maintain adequate supply of manpower</li> <li>• Continuous monitoring and payment as per industry standards</li> <li>• Looking for backup outsourced labour providers</li> <li>• Monitoring of statutory payments of staff</li> <li>• Provision of safe and quality work environment</li> </ul>
<p><b>Exposure on lending</b></p> <p>Providing advances over and above the stock values will reduce cash flows and profitability. Exposure to probable losses due to delayed or non-settlement.</p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>• The Company deals mostly with recognized, credit-worthy clients who are private tea factory owners &amp; plantation companies. Credit risks are minimized as we advance funds based on the inventory available in our warehouse, valued based on historical as well as potential market trends.</li> <li>• Advances granted will only be within stock values</li> <li>• Minimize over advancing and credit policy and adherence to the policy manual and processes in place</li> <li>• Management supervision of adherence to credit policy, advance approval grid and automated procedure.</li> <li>• Legal action would be taken on clients who fail to adhere to the commitment they made.</li> </ul>
<p><b>Power failures during the E Auction</b></p> <p>The nationwide electricity power outages interrupts the ongoing sale of a catalogue</p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>• This can be dealt with by logging into the system with multiple devices out of which any could be used as a backup.</li> <li>• Wifi has been backed up with a battery in order for continuity till the generator can be switched on.</li> </ul>

# ENTERPRISE RISK MANAGEMENT

Risk Description and Rating	Risk Response
<p><b>Forged documents indicating fraudulent bank details for remittance of proceeds</b></p> <p>Sale proceeds could be remitted to incorrect bank accounts</p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>Obtaining original signed documents from clients regarding the confirmation of their bank details.</li> </ul>
<p><b>Decline in utilization due to closing down of factories / adverse weather and fertiliser issues</b></p> <p><b>Risk Rating - Medium</b></p>	<ul style="list-style-type: none"> <li>Orchestrating agreements with third party tea brokers</li> <li>Looking into openings of synergizing with 3PL service providers including JKLL, EFL etc</li> <li>Looking into options of expanding into the 3PL business independently</li> <li>Monitoring of green leaf intakes to the factories, and catalogued quantities</li> </ul>
<p><b>Information Technology (IT) related risks</b></p> <p>Dependence on outsourced IT vendors for system support create vulnerability for the Company in case of system breakdowns. External vendor may not meet the expected service quality levels.</p> <p><b>Risk Rating - Low</b></p>	<ul style="list-style-type: none"> <li>Contracted outsourced vendor for the entirety of the solution - CICRA</li> <li>John Keells PLC invested in a security infrastructure appropriate for its size and scale of operations &amp; security procedures are constantly updated to take account of the latest knowledge and technical enhancements. Security regulations cover technical aspects as well as organisational measures including staff training, end user computer policies etc. The Company has a fully-fledged disaster recovery location in place and recovery plan is tested periodically and found to be satisfactory</li> <li>Conducting IT internal audits, management supervision &amp; legal contractual obligations from both parties are in place to mitigate risk</li> </ul>
<p><b>Fire at warehouse</b></p> <p>This will cause loss of stocks, owned property and may lead to loss of brand reputation and customer base.</p> <p><b>Risk Rating - Low</b></p>	<ul style="list-style-type: none"> <li>We make sure that a Business Continuity Plan is in place and reviewed on a quarterly basis.</li> <li>John Keells Warehousing has installed fire smoke detectors and carries out annual compliance audits. Further, the Company has obtained OHSAS &amp; HACCP certification to ensure up to date adherence to safety requirements.</li> <li>Covering all possible risks through an insurance policy</li> </ul>
<p><b>Acts of terrorism</b></p> <p>Will cause disruption to business operations.</p> <p><b>Risk Rating - Low</b></p>	<ul style="list-style-type: none"> <li>We maintain an agile working policy which allows staff to work from home.</li> <li>Teas are stored at multiple warehouses.</li> </ul>
<p><b>Skilled staff recruitment and retention</b></p> <p>Lack of skilled staff and difficulty in retaining skilled staff may cause adverse impact on efficiency of operations and loss of competitive advantage.</p> <p><b>Risk Rating - Low</b></p>	<ul style="list-style-type: none"> <li>The Company attempts to mitigate this risk by encouraging continuous education, providing relevant training and development opportunities, and fostering a culture where all employees, regardless of rank, can actively contribute to the business.</li> <li>Reliance on sister companies for trained personnel.</li> </ul>
<p><b>Natural Disasters</b></p> <p>Disastrous events of nature will cause loss of productivity, damage to critical assets such as stocks, machinery &amp; equipment and may even cause harm to HR.</p> <p><b>Risk Rating - Low</b></p>	<ul style="list-style-type: none"> <li>JK PLC has a Business Continuity Plan (BCP) in place, which is reviewed and updated quarterly.</li> <li>We ensure that our assets are adequately covered through insurance.</li> </ul>

Risk Description and Rating	Risk Response
<b>Fraud &amp; Corruption</b>  Any frauds and corruption within the business will result in loss of revenue and will hinder the business reputation which has been built over the years.  Risk Rating - Low	<ul style="list-style-type: none"> <li>We carefully monitor and review Forestpin analyses in collaboration with Group Business Process Review.</li> <li>There is constant management supervision and internal audits conducted to oversee and investigate any frauds/deviations to internal control systems. Strict disciplinary action is taken towards any frauds identified.</li> </ul>
<b>Increase in interest rates</b>  This leads to increases in the Company's overall borrowing cost.  Risk Rating - Low	<ul style="list-style-type: none"> <li>We maintain constant communication with Group Treasury &amp; CBA on minimum lending rates.</li> <li>We regularly review the Average Weighted Prime Lending Rate (AWPLR) and revise the interest rate charged to clients.</li> </ul>
<b>Macro-economic environment of exporting countries</b>  This includes currency fluctuation and drop in oil prices, which may result in increased operational cost & potential loss of revenue.  Risk Rating - Low	<ul style="list-style-type: none"> <li>Monitoring of the macro-environment changes.</li> <li>We maintain extra space in the warehouses in the short run to accommodate any shorter fluctuations of quantities.</li> <li>Synergizing with JKLL for storage as and when needed</li> </ul>
<b>Pandemic impacting business operations</b>  Due to the current pandemic, employees may not be able to attend work as usual. The sample distribution process may be hampered. Threat to the health and safety of the employees.  Risk Rating - Low	<ul style="list-style-type: none"> <li>With the introduction of the new e-platform for conducting the tea auctions online, the Company has been able to introduce an agile working policy. This allows our staff to continue most of their usual work without travelling to office.</li> <li>Two Teams in place in case of a detection.</li> </ul>
<b>Risks involving of the racking system at warehouse</b>  Damage of property and human life  Risk Rating - Low	<ul style="list-style-type: none"> <li>Rack Audit execution of repairs prescribed by audit</li> </ul>

#### Responsibility of the Board of Directors on

##### Risk Management report of the Company

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 prior to discussion by the Board.

The Board confirms that a process for identifying, evaluating, and managing significant risks that compromise the achievement of the strategic objectives of John Keells PLC has been in place throughout the year in accordance with the guidelines set out by the Institute of Chartered Accountants of Sri Lanka and industry best practice. In compliance with the Sri Lanka Accounting Standards (SLFRS), potential Financial Risk is disclosed on pages 102 to 107 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 January 2023.

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.
- ▶ Adopting and upholding the policies and procedures of the company in order to ensure that strong standards of corporate governance are in place.
- ▶ Ensuring adherence to all applicable laws, rules, and company and group policies.
- ▶ Analysing and examining the independence of the external auditors and the outsourced internal auditors and follow up on the results and recommendations they reached.
- ▶ Ensuring that the Company's internal controls, risk management procedures, and measures are adequate to accept, avoid, transfer, or mitigate existing 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

Committee is appointed by and accountable to the Board of Directors and is formally constituted as a Sub Committee of the Board of Directors in accordance with the requirements of the Listing Rules of the CSE. The members have an adequate blend of experience and knowledge to carry out their duties. Detailed profiles of the Directors are given on pages 52 to 53 of this report.

Name of Director	
Ms. B A I Rajakarier (Chairperson)	Independent, Non-Executive Director
Ms. A K Gunawardhana	
Mr. C N Wijewardane	

The Chief Financial Officer for the Plantation Services Sector of the John Keells Group serves as the secretary to the Committee. The President - Plantation Services Sector, Sector Financial Controller - Plantation Services Sector, Chief Executive Officers of JKPLC and John Keells Stock Brokers (Pvt) Ltd (JKSB), Head of Operations of JKPLC, Head of Marketing of JKPLC, Finance Manager of JKPLC and JKSB and the Head of Group Business Process Review (Group BPR) of John Keells Holdings PLC (JKH) attend the meetings by invitation. The External Auditors, Outsourced Internal Auditors and other officials attend the meetings by invitation when required.

## Meetings of the Board Audit Committee

The Committee convened five times during the financial year 2022/2023 and the attendance of the committee members at these meetings are illustrated below. The activities and views of the Committee were communicated to the Board of Directors through verbal briefings and by tabling the minutes of the Committee's meetings at the Board meetings. The Chairperson 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 of the Company.

Name of Director	Attendance at Committee Meetings					Attendance
	06.05.2022	18.05.2022	21.07.2022	27.10.2022	26.01.2023	
Ms. B A I Rajakarier	✓	✓	✓	✓	✓	5/5
Ms. A K Gunawardhana	✓	✓	✓	✓	✓	5/5
Mr. C N Wijewardane	✓	✓	✓	✓	✓	5/5

## AREAS OF FOCUS

### Financial Reporting



### Internal Audit



### Corporate Risk



### Internal Controls



### External Audit



## SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

### Financial Reporting

The Committee has reviewed 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 Senior Management. 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 with management, regarding the operations of the Company both during the financial year and its outlook.

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 (as amended), 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 goal of the Internal Audit was to provide independent assurance on the system of internal controls, risk management, and governance in its entirety by assessing the efficacy and adequateness of internal controls as well as adherence to established policies and procedures of the Company.

The Committee reviewed the process to assess the effectiveness of internal financial controls that have been designed to provide Directors a reasonable level of assurance that assets are protected, and that the financial reporting system can be relied upon in the preparation and presentation of financial statements.

The internal audit 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 approved the external auditor's work plan and resources and agreed on various key areas of focus prior to the commencement of the audit. The external auditor 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. No matters other than those already discussed with management were raised by the External Auditors.

A declaration has been given by Messrs. Ernst & Young to the Committee, confirming the compliance on its independence criteria as required by the Companies Act No. 07 of 2007 (as amended), and the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. 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 Senior management of the Company followed a formal assessment process to evaluate the performance of external auditors and the Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31st March 2024, subject to approval by the shareholders at the next Annual General Meeting.

### Risk Management and System of Internal Controls

The Committee has reviewed the risk management process for identification, evaluation and management of all significant

risks faced by the Company. Key risks that could impact operations have been identified by the management along with the Sustainability and Enterprise Risk Management Division of the John Keells Group and wherever necessary, appropriate action has been taken to mitigate those risks. Formal confirmations and assurances have been received quarterly from the senior management regarding the efficacy and status of the internal control systems, risk management systems and compliance with applicable laws and regulations.

### Compliance of the Board Audit Committee

The Committee's scope and obligations are in compliance with the standards set forth in the Code of Best Practice on Audit Committee. According to section 7.10 of the listing rules of the Colombo Stock Exchange, the Committee has conducted its business in accordance with the requirements of the Code of Best Practice on Corporate Governance and the Corporate Governance Rules.

### Evaluation of the Board Audit Committee

An evaluation of the effectiveness of the Committee was carried out during the year by its members along with the Chief Executive Officer (JK PLC), Chief Executive Officer (JKSB), President Plantation Services, and Chief Financial Officers of the Plantation and Financial Services Sectors and steps have been taken to address any matters highlighted. The result of the evaluation was tabled at the Board Audit Committee meeting and communicated to the Board of Directors of the Company.

### Conclusion

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Company and the implementation of accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with accepted policies and the assets are properly accounted for and adequately safeguarded.



**B A I Rajakarier**

*Chairperson of the Board Audit Committee*

22nd May 2023

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## Composition

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

- ▶ P Perera
- ▶ N Fonseka
- ▶ A Cabraal

The Chairperson-CEO, Deputy Chairperson/ Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee. The Committee held four meetings during the financial year, which were held on a quarterly basis. Information on the attendance at these meetings by the members of the Committee is given alongside.

## Objective and Governing Policies

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed subsidiaries, to ensure compliance with all applicable rules and regulations, namely the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and ensures that transactions are in line with the Groups' internal governance framework and associated policies.

## Procedure

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

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

Non-recurrent Related Party Transactions (RPTs) of listed entities:

## Related Party Transactions Review Committee meeting attendance

Name	Details of Attendance					
	19/05/2022	25/07/ 2022	03/11/2022	30/01/2023	Eligible to Attend	Attended
P Perera	✓	✓	✓	✓	4	4/4
N Fonseka	✓	✓	✓	✓	4	4/4
A Cabraal	✓	✓	✓	✓	4	4/4
By Invitation						
K Balendra	✓	✓	✓	✓	4	4/4
G Cooray	✓	✓	✓	✓	4	4/4

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group's listed entities are submitted to the Committee, for pre-approval. Accordingly, the Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: Asian Hotels and Properties PLC, Ceylon Cold Stores PLC, John Keells PLC, John Keells Hotels PLC, Keells Food Products PLC, Tea Smallholder Factories PLC, Trans Asia Hotels PLC and Union Assurance PLC.

## Recurrent RPTs of listed entities:

The Committee has endorsed guidelines to facilitate disclosures and assurances to be provided by the senior management of listed entities in the Group so as to validate compliance with sec 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.

Accordingly Recurrent RPTs as well as the aforesaid disclosures and assurances were reviewed annually by the Committee.

## Other significant transactions of non-listed subsidiaries:

Material transactions of non-listed subsidiaries in the Group were presented to the Committee for information.

The Group continued to adopt a broader scope in defining key management personnel including therein all senior decision makers. Accordingly, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/ sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

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



**P Perera**

Chairperson of the Related Party Transaction Review Committee

22nd May 2023



# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 76th 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 2023.

## General

This report also considers the requirements of the Companies Act No. 07 of 2007 (as Amended), the relevant listing rules of the Colombo Stock Exchange (CSE) and recommended reporting and corporate governance best reporting practices, such as the rules on Code of Best Practices on Related Party Transactions (2013) issued by the SEC, Code of Best Practice 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), Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka to the extent of business exigency as required by the Company 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 Stockbrokers (Private) Limited continues to provide stock broking services.

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

## Business Review

A review of the Company and its subsidiaries' (JKL Group's) performance during the financial year is given in the Chairperson'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 2023.

## Financial Statements

The Financial Statements of the Company and the JKL Group are set out on pages 88 to 142 of the Annual Report.

## Auditor's Report

The Auditor's Report on the Financial Statements is given on pages 85 to 87 of the Annual Report.

## Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 98 to 100 of the Annual Report.

## Going Concern

The Group has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern.

In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The management has formed judgment that the Company, its subsidiaries, associates and

joint ventures have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above, significant management judgment, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

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

## Stated Capital

The total stated capital of the Company as at 31st March 2023 was Rs. 152 million (2022- Rs. 152 million).

## Revenue

Revenue generated by the Company amounted to Rs. 651 million (2022 - Rs. 355 million), whilst JKL Group revenue amounted to Rs. 1,025 million (2022 - Rs. 946 million). Contribution to JKL Group revenue, from the different business segments is provided in Note 6.1 to the Financial Statements on page 101.

## Results and Appropriations

The profit/(loss) after tax of the Company was Rs 319 million (2022 - Rs.161 million) whilst the JKL Group profit /(loss) attributable to equity holders of the Parent Company for the year was Rs. 306 million (2022- Rs.230 million).

Results of the Company and of the JKL Group are given in the Income Statement on page 88.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

Detailed description of the results and appropriations are given below.

	Group		Company	
	2022 /2023	2021 /2022	2022 /2023	2021 /2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Profits</b>				
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	495,392	377,456	473,373	205,358
From which has to be (deducted) the provision for taxation of	(185,895)	(111,373)	(154,417)	(44,010)
Leaving a net profit/(loss) on ordinary activities after taxation of	309,497	266,084	318,956	161,349
From which the amount attributable to minority Interest was (deducted)/added	(3,647)	(36,507)	-	-
To which Other Comprehensive Income was added/(deducted)	(222,885)	92,023	(343,585)	59,608
To which share Based payment Expenses is added	8,802	6,993	3,348	2,550
And after the balance brought forward from the previous year was added	4,325,006	4,136,705	3,785,791	3,701,517
The amount available for appropriation was	4,416,449	4,465,298	4,115,420	3,925,023
<b>Appropriations</b>				
An interim dividend of Rs. 2.95 per share was paid for 2022/23 on 11th of April 2023	(179,360)	(139,232)	(179,360)	(139,232)
Leaving a balance to be carried forward to the next year of	4,164,830	4,325,006	3,554,634	3,785,791

## Donations

During the year under review the Company has not made any donations. (2022 - Nil).

Most of the JKL Group's CSR initiatives and activities are managed by the John Keells Foundation, which is funded by contributions from each of the firms in the John Keells Group. The foundation handles a range of projects that support its fundamental principle of conducting business ethically in order to promote sustainable development.

The Company's contribution to John Keells Foundation was Rs. 0.83 million (2022 - Rs. 0.53 million) and the Group's contribution was Rs. 2.01 million (2022 - Rs. 1.74 million) respectively.

## Property, Plant and Equipment

The book value of property, plant, and equipment as at the Reporting date amounted to Rs. 20 million (2022 - Rs. 10 million) and Rs. 594 million (2022 - Rs. 399 million) for the Company and Group respectively.

Capital expenditure for the Company and JKL Group amounted to Rs. 11 million (2022 - Rs. 1.7 million) and Rs. 20.8 million (2022 - Rs. 26 million), respectively. Details of property, plant and equipment and their movements are given in Note 18 to the Financial Statements on pages 123 to 124.

## Market Value of Properties

According to the specifications of SLAS40 (2005) Investment Property, all properties classified as investment property were valued. Investment property owned by the company and the JKL Group has a carrying value of Rs. 484 million (2022-Rs. 424 million) and Rs. 484 million (2022 - Rs. 424 million) respectively.

The investment, property was revalued by Mr.P.B. Kalugalagedara, Associated Chartered Valuer as at 31st December 2022.

Details of the valuation of Investment property is provided in Note 20 to the Financial Statements on pages 127 to 128.

The real estate portfolio of the JKL Group as at 31st March 2023 is disclosed on page 128.

## Investment

Investments of the Company and the JKL Group and other external investments amounted to Rs. 2,825 million (2022 - Rs. 3,170 million) respectively.

## Investment in Waterfront Properties (Pvt) Ltd

During the year, the Company's shareholding in Waterfront Properties (Pvt) Ltd was diluted to 1.38 percent from 2.68 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.

A detailed description of the long-term investments held as at 31st March 2023, are given in Note 24 to the Financial statements on pages 132 to 133.

## Reserves

Total reserves as at 31st March 2023 of the Company and JKL Group amounted to Rs. 3,403 million (2022 - Rs. 3,634 million) and Rs. 4,013 million (2022 - Rs. 4,173 million), respectively.

The movement and composition of the Capital and Revenue reserves is disclosed in the Statement of Changes in Equity on pages 91 to 92.

## 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 128.

## Contingent Liabilities and Capital Commitments

There have been no commitments or contingent liabilities other than those stated in Note 37 on page 142 of this Annual Report.

## Human Resources

The number of persons employed by the Company and JKL Group as at 31st March 2023 was 49 (2022 - 50) and 76 (2022 - 76), 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

On pages 54 to 69 of this Report, corporate governance practices and principles related to the Company's management and operations are outlined. The Directors confirm that the Company complies with the relevant corporate governance rules set forth in the CSE listing guidelines.

### The Directors declare that:

- ▶ The Company has not engaged in any activities which contravene laws and regulations.
- and
- ▶ 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
- ▶ The Company has made all endeavours to ensure the equitable treatment of shareholders; and
- ▶ The business is a Going Concern with supporting assumptions or qualifications as necessary; and
- ▶ 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 indicates that there is an ongoing procedure for identifying, evaluating, and managing any significant risks faced by the JKL Group. The annual strategic planning cycle includes an evaluation and risk assessment of each business unit, and the Board and Audit Committee routinely analyse the key risks and preventative measures in place. The Board, through the involvement of the risk review and

control division, takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives reports on the results of internal control reviews and the Head of the John Keells Group risk review and control division has direct access to the Chairperson 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 74 to 75 of the Annual Report.

## Human Resources and Compensation Committee

The Human Resources and Compensation Committee of JKH, the Parent Company functions as the Human Resources and Compensation Committee of the Company as permitted according to the listing rules of the CSE. Three independent Directors comprise JKH's human resources and compensation committee.

- ▶ Mr. D A Cabraal
- ▶ Mr. A N Fonseka\*
- ▶ Dr. S S H Wijayasuriya
- ▶ Mr. M A Omar\*\*

\*Appointed w.e.f. 27.06.2022

\*\*Resigned w.e.f. 27.06.2022

The remuneration policy of the Company and its subsidiaries is detailed in the Corporate Governance report on page 61 of the Annual Report.

## Nomination Committee

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

- ▶ Mr. D A Cabraal\* - Chairperson
- ▶ Mr. M A Omar\*\*
- ▶ Mr. K N J Balendra
- ▶ Ms. M P Perera
- ▶ Dr. S S H Wijayasuriya

\*Appointed w.e.f. 27.06.2022

\*\* Resigned w.e.f. 27.06.2022

## Related Party Transactions Review Committee

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

- ▶ Ms. M P Perera – Chairperson
- ▶ Mr. A N Fonseka
- ▶ Mr. D A Cabraal

## Project Risk Assessment Committee

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

- ▶ Dr. S S H Wijayasuriya - Chairperson
- ▶ Ms. M P Perera
- ▶ Mr. K N J Balendra
- ▶ Mr. J G A Cooray

Note that the Committee shall convene only when there is a need to transact in business as per the terms of its mandate.

## Stock Market Information

An ordinary share of the Company was quoted on the CSE at Rs. 68.80 as at 31st March 2023 (31st March 2022 - Rs. 68.50). Information relating to public holding, earnings, dividend, net assets, market value per share and share trading is given in Key Ratios and Information on page 145 and in the Shareholders Information section on pages 143 to 144.

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 144 of the Annual Report. The distribution schedule of the shareholders and public holdings are disclosed on page 143 of the Annual Report.

## Directorate

As at 31st March 2023 the Board of Directors of the Company consisted of seven Directors with wide commercial, academic knowledge and experience. The Directors profile is given on pages 52 and 53 of this Annual Report.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the Company and its subsidiaries as at 31st March 2023 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 - Chairperson	✓	-	-
Mr. J G A Cooray	✓	-	-
Ms. K D Weerasinghe	✓	-	✓
Ms. B A I Rajakarier	✓	-	-
Mr. C N Wijewardane	✓	-	-
Ms. A K Gunawardhana	✓	-	-
Mr. D P Gamlath	-	✓	-
Ms. R S Cader	-	✓	-
Mr. S Rajendra	-	✓	-
Mr. K C Subasinghe	-	-	✓
Mr. A Z Hashim	✓	-	✓

## 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. K. D. Weerasinghe who are retiring 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 116 of the Financial Statements.

## Directors' and CEO's (including their spouses) Shareholdings

Name of Director / CEO	Number of shares	
	As at 31st March 2023	As at 31st March 2022
Mr. K N J Balendra-Chairperson	Nil	Nil
Mr. J G A Cooray	Nil	Nil
Ms. A K Gunawardhana	Nil	Nil
Mr. C N Wijewardane	Nil	Nil
Ms. B A I Rajakarier	Nil	Nil
Ms. K D Weerasinghe	Nil	Nil
Mr. A Z Hashim	Nil	Nil
Mr. H G R De Mel (CEO)	Nil	Nil

## Related Party Transactions

The Company's transactions with related parties, given in Note 141 to the Financial Statements have complied with the listing Rule 9.3.2 of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act

## INTEREST REGISTER

According to the Companies Act, the Company maintains an Interests Register, and entries have been made in it.

This Annual Report does not contain details concerning entries made in the Interest Registers of the Company's subsidiaries as both are private companies that are exempt from the requirement to maintain an Interest Register.

## Particulars of Entries in the Interests Register

► Interests In Contracts - The Directors have all made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director.

► There have been no disclosures of share dealings during the financial year ended 31st March 2023.

► Indemnities and Remuneration

## SUPPLIER POLICY

The JKL Group endeavours to pay for every item accurately charged in accordance with these agreed terms by applying an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers.

As at 31st March 2023 the trade and other payables of the Company and JKL Group amounted to Rs. 798 million (2022 - Rs. 663 million) and Rs. 1,202 million (2022 - Rs. 1,133 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 142, 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 authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

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

Details of Audit fees are set out in Note 14 of the Financial Statement. The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on page 74.

#### **Annual Report**

The Board of Directors approved the Company and Consolidated Financial Statements on 22nd May 2023. 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.

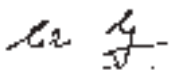
#### **Annual General Meeting**

The Annual General Meeting of the Company will be held as a virtual meeting on 29th June 2023 at 10:00 a.m.

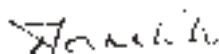
This Annual Report is signed for and on behalf of the Board of Directors.



Chairperson



Director



Keells Consultants (Private) Limited. Secretaries  
22nd May 2023

# 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, (as amended) is set out in the Independent Auditors Report.

## The financial statements comprise:

- ▶ income statement and statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the financial performance of the Company and its subsidiaries for the financial year; and
- ▶ a statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year; and
- ▶ The Directors are required to confirm that the financial statements have been prepared:
- ▶ using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- ▶ in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- ▶ provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange and requirements of any other regulatory authority as applicable to the Company.

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

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to consider the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

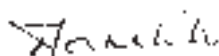
Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the Auditors, prior to declaring an interim dividend of Rs. 2.95 per share for the year ending 31st March 2023, paid before 11th April 2023.

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

## Compliance Report

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

By order of the Board



**Keells Consultants (Pvt) Ltd.**

*Secretaries*

22nd May 2023

# VALUE EMPOWERMENT



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# FINANCIAL CALENDAR

## Interim Statements

1st Quarter	–	22nd July 2022
2nd Quarter	–	02nd November 2022
3rd Quarter	–	27th January 2023
4th Quarter	–	22nd May 2023

## Annual Reports

2022/2023 (Annual Report)	–	22nd May 2023
2021/2022 (Annual Report)	–	23rd May 2022

## Meetings

76th Annual General Meeting	–	29th June 2023
75th Annual General Meeting	–	23rd June 2022

## Dividends 2022 / 2023

Interim Dividend (Rs. 2.95 per share)	–	11th April 2023
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# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
Chartered Accountants  
200, Br. Square Place  
PO Box 101  
Colombo 10 Sri Lanka

Telephone: +94 (0) 11 258 8500  
Fax: +94 (0) 11 258 8669  
Mobile: +94 (0) 11 257 5182  
Email: [info@ey.lk](mailto:info@ey.lk)  
www.ey.lk

## TO THE SHAREHOLDERS OF JOHN KEELLS PLC

### Report on the audit of the 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 2023, and the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial

performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Valuation of unquoted financial assets classified as Fair Value through Other Comprehensive Income (FVOCI)</b> <p>As further detailed in Note 24, Non-current financial assets consist of an unquoted equity investment in Waterfront Properties (Pvt) Ltd. The fair value is determined based on the discounted cash flow approach, which is derived based on the projected cash flows of Waterfront Properties (Pvt) Ltd.</p> <p>This was a key audit matter due to;</p> <ul style="list-style-type: none"> <li>Materiality of the reported unquoted investment balances which amounted to LKR 2,230 Mn and represents 37% of the total assets.</li> <li>The degree of assumptions, judgements and estimates associated with deriving the estimated future cash flows used for unquoted equity investment valuation considering current economic conditions.</li> </ul> <p>Key areas of significant management judgements, estimates and assumptions used in the valuation of unquoted equity investments included the use of a valuation technique and unobservable inputs such as revenue and EBITDA margins, discount rate, etc. as further disclosed in notes 8.3 and 24.2 in the financial statements.</p>	<p>Our audit procedures focused on the valuation of the fair value of the investment performed by the management, and included the following;</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the cash flow forecast based on the best available information up to the date of our audit report. Our evaluation involved the use of comparable market data considering the impacts of the current economic conditions prevailing in the country on those forecasts.</li> <li>Evaluated the appropriateness and completeness of the information included in the value in use calculation.</li> <li>Assessed the appropriateness of the valuation techniques and reasonableness of assumptions used by the management to ascertain the fair value of the unquoted equity investments.</li> </ul> <p>Further, we evaluated the adequacy of the related disclosures in notes 8.3 and 24.2 to the financial statements.</p>

# INDEPENDENT AUDITORS' REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Provision for Impairment allowance for Loans and Advances given to Tea Sellers</b>	
<p>As at 31 March 2023, the Group Loans and Advances given to Tea Sellers amounted to LKR 1,041 Mn with an impairment provision of LKR 462 Mn and represent 10% of total assets of the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>Materiality of the reported Loans and Advances given to Tea Sellers.</li> <li>The degree of assumptions, judgements and estimates associated with evaluating the recoverability of the aforesaid loans and advances.</li> </ul> <p>The key areas of significant judgments, estimates and assumptions included the following:</p> <ul style="list-style-type: none"> <li>The risk over collection of loans and recovery of advances.</li> <li>The value and the realizability of the collateral obtained against the loans and advances.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Checked that the credit limit assessment has been appropriately completed and authorization of credit limit had been in accordance with the standard operating procedures for loans and advances given to Tea sellers.</li> <li>Obtained an understanding of the process for impairment assessment for Loans and Advances given to Tea Sellers, including: <ul style="list-style-type: none"> <li>To ensure compliance with the contractual obligations assessed the subsequent recoveries of the loans and advances.</li> <li>Evaluating the receivables as at the reporting date after taking into consideration the adequacy of the collaterals.</li> </ul> </li> </ul> <p>We also assessed the adequacy of the disclosures in notes 26, 24.3 and 7.1.1.3.1 in the financial statements regarding impairment for loans and advances given to Tea sellers.</p>
<b>Fair value assessment of Land and Buildings</b>	
<p>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value as detailed in note 8.2. The fair values of land and buildings were determined by an external valuer engaged by the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>Materiality of the reported land and buildings balances which amounted to LKR 1,034 Mn and represent 17% of the total assets.</li> <li>The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following:</p> <ul style="list-style-type: none"> <li>Estimate of per perch value of the Land</li> <li>Estimate of the per square foot value of the buildings</li> </ul>	<p>Our audit procedures focused on the valuations performed by the external valuer engaged by the Group, and included the following:</p> <ul style="list-style-type: none"> <li>Assessed the competency, capability and objectivity of the external valuer engaged by the Group.</li> <li>Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each land and building.</li> <li>Assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each land and building.</li> </ul> <p>We have also assessed the adequacy of the disclosures made in notes 8.2, 18.9 and 20 to the financial statements relating to the significant judgements, valuation techniques and estimates used by the external valuer.</p>

## Other information included in the Group's 2022/2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The 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 identified above when it

becomes available 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.

### Auditors' 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.

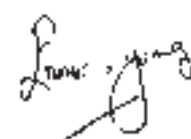
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 auditors' report is 2097.



22 May 2023  
Colombo

අපගේ වගකීම වන්නේ සමස්ත වශයෙන්ම මෙම වාර්ෂික වාර්තාවේ සත්‍යාපනය සහ සාධාරණ බව පරීක්ෂා කිරීමයි. අපගේ වගකීම වන්නේ සමස්ත වශයෙන්ම මෙම වාර්ෂික වාර්තාවේ සත්‍යාපනය සහ සාධාරණ බව පරීක්ෂා කිරීමයි. අපගේ වගකීම වන්නේ සමස්ත වශයෙන්ම මෙම වාර්ෂික වාර්තාවේ සත්‍යාපනය සහ සාධාරණ බව පරීක්ෂා කිරීමයි.

# INCOME STATEMENT

For the Year Ended 31st March	Note	Group		Company	
		2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>Continuing operations</b>					
Services transferred over time	10	1,024,588	946,167	650,167	355,435
<b>Revenue from contract with customers</b>		1,024,588	946,167	650,167	355,435
Cost of Sales		(364,967)	(354,208)	(180,169)	(149,761)
<b>Gross Profit</b>		659,621	591,959	469,998	205,674
Dividend income	11	-	-	38,000	96,960
Other operating income	12.1	9,947	3,198	942	1,406
Selling and distribution expenses		(3,786)	(49,556)	(1,872)	(47,500)
Administrative expenses		(295,560)	(240,425)	(97,990)	(85,216)
<b>Results from operating activities</b>		370,222	305,176	409,078	171,324
Finance expenses	13.2	(37,989)	(32,074)	(37,976)	(32,052)
Finance income	13.1	102,341	63,264	42,001	35,892
<b>Net finance expenses</b>		64,352	31,190	4,025	3,840
Changes in fair value of investment properties	20.1	60,270	30,195	60,270	30,195
Share of results of associate	23.2	548	10,896	-	-
<b>Profit before tax</b>	14	495,392	377,457	473,373	205,359
Tax expense	17.1	(185,895)	(111,373)	(154,417)	(44,010)
<b>Profit for the year</b>		309,497	266,084	318,956	161,349
<b>Attributable to:</b>					
Equity holders of the parent		305,850	229,577		
Non- controlling interests		3,647	36,507		
		309,497	266,084		
		Rs.	Rs.	Rs.	Rs.
<b>Earnings per share</b>					
Basic	15	5.03	3.78	5.25	2.65
<b>Dividend per share</b>	16	2.95	2.29	2.95	2.29

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 96 to 142 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31st March	Note	Group		Company	
		2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Profit for the year		309,497	266,084	318,956	161,349
<b>Other comprehensive income not to be reclassified to income statement in subsequent periods</b>					
Net (loss) / gain on equity instruments at fair value through other comprehensive income		(346,052)	65,733	(346,052)	65,733
Revaluation of buildings	18.1	197,647	41,668	-	-
Re-measurement gain /(loss) on defined benefit plans	32.2	(553)	304	935	(680)
Net other comprehensive income not to be reclassified to income statement in subsequent periods.		(148,958)	107,705	(345,117)	65,053
Income tax on other comprehensive income	17.2	(73,927)	(15,682)	1,532	(5,445)
<b>Other comprehensive income for the period, net of tax</b>		(222,885)	92,023	(343,585)	59,608
<b>Total comprehensive income for the period, net of tax</b>		86,612	358,107	(24,629)	220,957
<b>Attributable to:</b>					
Equity holders of the parent		82,965	321,600		
Non - controlling interests		3,647	36,507		
		86,612	358,107		

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 96 to 142 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	18	594,406	399,415	19,956	10,351
Right of use assets	19	31,490	32,579	-	-
Investment property	20	484,250	423,980	484,250	423,980
Intangible assets	21.3	6,248	8,294	-	-
Investments in subsidiaries	22	-	-	158,570	158,570
Investments in associates	23	101,266	109,238	24,000	24,000
Non-current financial assets	24	2,878,154	3,240,117	2,861,240	3,225,282
Deferred tax assets	17.4	8,170	7,313	-	-
Other non - current assets		25,747	5,390	17,567	1,365
		4,129,731	4,226,326	3,565,583	3,843,548
<b>Current assets</b>					
Inventories	25	1,613	1,122	998	712
Trade and other receivables	26	1,192,438	1,135,030	995,334	860,803
Amounts due from related parties	35.1	10,905	6,951	3,790	4,735
Other current assets	27	36,924	33,979	1,589	1,116
Short term investments	28	454,327	485,375	-	-
Cash in hand and at bank	29.1	139,692	190,657	78,099	129,375
		1,835,899	1,853,114	1,079,810	996,741
<b>Total assets</b>		5,965,630	6,079,440	4,645,393	4,840,289
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Stated capital	30.1	152,000	152,000	152,000	152,000
Revenue reserves		2,942,215	2,887,468	2,722,265	2,612,573
Other components of equity	30.2	1,070,615	1,285,536	680,369	1,021,218
		4,164,830	4,325,004	3,554,634	3,785,791
Non-controlling interests		60,105	76,589	-	-
<b>Total equity</b>		4,224,935	4,401,593	3,554,634	3,785,791
<b>Non-current liabilities</b>					
Deferred tax liabilities	17.5	218,893	97,215	50,553	6,760
Employee benefit liabilities	32.8	67,892	77,416	37,272	44,247
		286,785	174,631	87,825	51,007
<b>Current liabilities</b>					
Trade and other payables	33	1,201,974	1,133,019	797,726	663,126
Amounts due to related parties	35.2	48,640	9,035	13,573	7,119
Income tax liabilities	17.3	86,244	35,353	75,905	19,094
Other current liabilities	34	32,929	3,865	31,607	2,690
Short term loan		-	3,970	-	3,970
Bank overdrafts	29.2	84,123	317,975	84,123	307,492
		1,453,910	1,503,217	1,002,934	1,003,492
<b>Total equity and liabilities</b>		5,965,630	6,079,440	4,645,393	4,840,289

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**

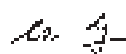
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements



**Mr. K N J Balendra**

Director



**Mr. J G A Cooray**

Director

The accounting policies and notes as set out on pages 96 to 142 form an integral part of these financial statements.

22nd May 2023



# STATEMENT OF CHANGES IN EQUITY

Group	Note	Attributable to equity holders of the parent					Total	Non - controlling interest	Total equity
		Stated capital	Other components of equity			Revenue reserves			
			Revaluation reserves	Fair value reserve of financial assets at FVOCI	Other capital reserves				
		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>As at 01st April 2021</b>		152,000	172,461	875,609	139,341	2,797,294	4,136,705	57,022	4,193,727
Profit for the year		-	-	-	-	229,577	229,577	36,507	266,084
Other comprehensive income net of tax		-	41,972	50,216	-	(165)	92,023	-	92,023
Total comprehensive income net of tax		-	41,972	50,216	-	229,412	321,600	36,507	358,107
Share based payment expenses	31	-	-	-	5,933	-	5,933	1,060	6,993
First interim dividend Paid - 2021/22	16	-	-	-	-	(139,232)	(139,232)	-	(139,232)
Subsidiary dividend to non - controlling interest								(18,000)	(18,000)
<b>As at 31 March 2022</b>		152,000	214,433	925,825	145,274	2,887,474	4,325,006	76,589	4,401,595
Adjustment for Surcharge Tax						(71,276)	(71,276)	(9,438)	(80,714)
As at 1st April 2022 (Adjusted)		152,000	214,433	925,825	145,274	2,816,198	4,253,730	67,151	4,320,881
Profit for the year		-	-	-	-	305,850	305,850	3,647	309,497
Other comprehensive income net of tax			121,784	(344,196)	-	(473)	(222,885)	-	(222,885)
Total comprehensive income net of tax		-	121,784	(344,196)	-	305,377	82,965	3,647	86,612
Share based payment expenses	31	-	-	-	7,495		7,495	1,307	8,802
First interim dividend paid - 2022/23	16	-	-	-	-	(179,360)	(179,360)	-	(179,360)
Subsidiary dividend to non - controlling interest								(12,000)	(12,000)
<b>As at 31 March 2023</b>		152,000	336,217	581,629	152,769	2,942,215	4,164,830	60,105	4,224,935

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 96 to 142 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Company	Note	Stated capital	Other components of equity		Revenue reserves	Total equity
			Other capital reserves	Fair value reserve of financial assets at FVOCI		
		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>As at 01st April 2021</b>		152,000	82,770	875,609	2,591,138	3,701,517
Profit for the year		-	-	-	161,349	161,349
Other comprehensive income net of tax		-	-	60,288	(680)	59,608
Total comprehensive income net of tax		-	-	60,288	160,669	220,957
Share based payment expenses	31	-	2,550	-		2,550
First interim dividend Paid - 2021/22	16	-	-	-	(139,232)	(139,232)
<b>As at 31 March 2022</b>		152,000	85,320	935,897	2,612,575	3,785,792
Adjustment for Surcharge Tax					(30,517)	(30,517)
As at 1st April 2022 (Adjusted)		152,000	85,320	935,897	2,582,058	3,755,275
Profit for the year		-	-	-	318,956	318,956
Other comprehensive income net of tax		-	-	(344,196)	611	(343,585)
Total comprehensive income net of tax		-	-	(344,196)	319,567	(24,629)
Share based payment expenses	31		3,348			3,348
First interim dividend paid - 2022/23	16	-	-	-	(179,360)	(179,360)
<b>As at 31 March 2023</b>		152,000	88,668	591,701	2,722,265	3,554,634

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 96 to 142 form an integral part of these financial statements.

# STATEMENT OF CASH FLOW

For the Year Ended 31st March	Note	Group		Company	
		2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
OPERATING ACTIVITIES					
Profit before tax		495,392	377,457	473,373	205,359
Adjustments to reconcile profit before tax to net cash flows:					
Associate companies share of profit	23.2	(548)	(10,896)	-	-
Interest income	13.1	(97,774)	(38,818)	(37,434)	(11,446)
Dividend income - FVOCI financial assets	13.1	(4,567)	(24,446)	(4,567)	(24,446)
Dividend income - subsidiaries	11	-	-	(38,000)	(96,960)
Finance expenses	13.2	37,989	32,074	37,976	32,052
Change in fair value of investment properties	20.1	(60,270)	(30,195)	(60,270)	(30,195)
Depreciation of property, plant and equipment	14	23,458	21,262	1,576	2,995
Amortisation expense of right-of-use assets	19.1	1,089	1,089	-	-
Amortisation of intangible assets		2,046	2,519	-	1,221
Provision for impairment allowance for loans and advances given to tea sellers.		(6,672)	44,447	(6,672)	44,447
Amortisation of prepaid staff cost		2,367	196	-	-
(Profit) / loss on sale of property, plant and equipment		(524)	-	(515)	-
Share based payment expenses	31	8,802	6,993	3,348	2,550
Gratuity provision and related costs	32.3	10,315	10,162	5,460	5,833
Other long term employee benefits		(11,625)	3,335	(11,625)	2,762
Operating profit before working capital changes		399,478	395,180	362,650	134,172
Working capital adjustments :					
Decrease / (increase) in inventories		(491)	297	(286)	335
Decrease / (increase) in trade and other receivables		(57,407)	5,943,267	(127,860)	(167,423)
Decrease / (increase) in other non - current assets		15,910	84,357	1,786	73,047
Decrease / (increase) in amounts due from related parties		(3,955)	(5,445)	945	(3,604)
Decrease / (increase) in other current assets		(2,945)	(30,927)	(473)	542
Increase / (decrease) in trade and other payables		68,955	(5,951,305)	134,600	123,615
Increase / (decrease) in amounts due to related parties		39,604	(17,571)	6,456	2,570
Increase / (decrease) in other current liabilities		29,064	560	28,917	104
Cash generated from operations		488,213	418,414	406,735	163,367
Interest received	13.1	97,774	38,818	37,434	11,446
Finance expenses paid	13.2	(37,989)	(32,074)	(37,976)	(32,052)
Dividend income - subsidiaries	11	-	-	38,000	96,960
Surcharged tax paid		(71,274)		(30,517)	
Income tax paid and set off	17.3	(105,071)	(111,931)	(52,280)	(44,511)
Gratuity paid/transfers (net)	32.2	(8,767)	(27,119)	124	(15,614)
Net cash flow from operating activities		362,886	286,108	361,520	179,594

# STATEMENT OF CASH FLOW

For the Year Ended 31st March	Note	Group		Company	
		2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	18.1	(20,873)	(26,936)	(11,253)	(1,703)
Purchase of intangible assets	21.1	-	(6,408)	-	
Dividend income- FVOCI financial assets	13.1	4,567	24,446	4,567	24,446
Proceeds from sale of property plant & equipment		589	-	589	-
Net cash flow from investing activities		(15,717)	(8,206)	(6,097)	22,742
FINANCING ACTIVITIES					
Dividend paid		(179,360)	(139,232)	(179,360)	(139,232)
Proceeds from issue of shares - non controlling shareholders'		(12,000)	(18,000)	-	-
Repayment from short term borrowings		(3,970)	(6,030)	(3,970)	(6,030)
Net cash flow from financing activities		(195,330)	(163,262)	(183,330)	(145,262)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		151,839	114,640	172,093	57,075
CASH AND CASH EQUIVALENTS AT THE BEGINNING		358,057	243,418	(178,117)	(235,192)
CASH AND CASH EQUIVALENTS AT THE END		509,896	358,057	(6,024)	(178,117)
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Cash in hand and at bank		139,692	190,657	78,099	129,375
Short term investments		454,327	485,375	-	-
		594,019	676,032	78,099	129,375
Unfavourable balances					
Bank overdrafts		(84,123)	(317,975)	(84,123)	(307,492)
Cash and cash equivalents		509,896	358,057	(6,024)	(178,117)

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 96 to 142 form an integral part of these financial statements.

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# NOTES TO THE FINANCIAL STATEMENTS

## 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 31 March 2023, 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 31 March 2023 were authorized for issue by the Board of Directors on 22nd May 2023.

### Principal activities and nature of operations

#### Holding company

The principal activity 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 07 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 Board of Directors in relation to the financial statements is set out in 'The Statement Of Directors' Responsibility' on Page 82 in the Annual Report.

### Statement of compliance

The financial statements which comprise the income statement, statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007 (as amended).

## 2 BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The Consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and building and available-for-sale financial assets designated at FVOCI that have been measured at fair value.

### Going Concern

The Group has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The management has formed judgment that the Company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above, significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

**Provision for Taxation**

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the (Addendum to) Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 17 on Income Taxes.

**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.

**Presentation and Functional Currency**

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), 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 2023. 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; and
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

**Loss of control**

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position.



# NOTES TO THE FINANCIAL STATEMENTS

## **Non-controlling interest (NCI)**

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent. The consolidated statement of cash flow includes the cash flows of the Company and its subsidiaries.

## **Transactions eliminated on consolidation**

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## **4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the financial statements. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

- a) Going Concern
- b) Valuation of property, plant and equipment and investment property
- c) Impairment of non-financial assets
- d) Share based payments
- e) Taxes
- f) Employee benefit liability
- g) Provision for impairment allowance for loans and advances given to Tea Sellers

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **ACCOUNTING POLICY**

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

### **Standards issued but not yet effective**

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

- Amendments to LKAS 1 : Classification of liabilities as Current or Non current.
- Amendments to LKAS 1 : Disclosure of Accounting Policies.
- Amendments to LKAS 8 : Definition of Accounting Estimates
- Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

### **5.1 Business combinations & goodwill**

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the 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.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation 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 classified as current when it is:

- ▷ Expected to be realised or intended to be sold or consumed in normal operating cycle
- ▷ Held primarily for the purpose of trading
- ▷ Expected to be realised within twelve months after the reporting period, or
- ▷ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

**All other assets are classified as non-current**

**A liability is current when:**

- ▷ It is expected to be settled in normal operating cycle
- ▷ It is held primarily for the purpose of trading
- ▷ It is due to be settled within twelve months after the reporting period, or
- ▷ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 operating businesses of the Group are detailed in the Group structure of the Annual report.

The Group's operating business segments are as follows

#### **Produce Broking**

provision of tea and rubber broking services.

#### **Warehousing**

provision of warehousing of tea services.

#### **Share Broking**

provision of stock broking services.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are carried out on an arm's -length basis in the ordinary course of business in a manner similar to transactions with third parties.

## 6.1 Business segments

Group	Produce broking		Warehousing		Share broking		Total	
For the Year Ended 31st March	2023	2022	2023	2022	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Disaggregation of revenue</b>								
Total revenue from continuing operations	650,167	355,435	129,399	136,710	251,441	460,355	1,031,007	952,501
Elimination of inter segment revenue							(6,419)	(6,334)
<b>Net revenue</b>	650,167	355,435	129,399	136,710	251,441	460,355	1,024,588	946,167
<b>Segment results</b>	371,076	74,364	33,901	54,281	(34,755)	176,531	370,222	305,176
Finance income	42,001	35,892	4,535	2,052	55,805	25,320	102,341	63,264
Finance expenses	(37,976)	(32,052)	-	-	(13)	(22)	(37,989)	(32,074)
<b>Net finance (expenses)/ income</b>	4,025	3,840	4,534	2,052	55,793	25,298	64,352	31,190
Changes in fair value of investment property	60,270	30,195	-	-	-	-	60,270	30,195
	435,371	108,399	38,435	56,333	21,038	201,829	494,844	366,561
Share of results of Associate							548	10,896
<b>Profit before tax</b>							495,392	377,457
Tax expense	(154,417)	(44,010)	(18,563)	(13,871)	(5,840)	(49,718)	(178,820)	(107,599)
Unallocated tax expenses							(7,075)	(3,774)
Total tax expenses	(154,417)	(44,010)	(18,563)	(13,871)	(5,840)	(49,718)	(185,895)	(111,373)
<b>Profit after tax</b>				-			309,497	266,084
Purchase and construction of PPE*	11,253	1,703	9,619	22,176	-	2,365	20,873	26,244
Addition to intangible assets	-	-	-	-	-	6,408	-	6,408
Depreciation of PPE*	1,576	2,995	20,618	16,810	1,264	1,456	23,458	21,954
Amortisation of intangible assets	-	1,221	-	-	2,046	1,298	2,046	2,519
Amortisation of lease rentals paid in advance	-	-	1,089	1,089	-	-	1,089	1,089
Gratuity provision and related cost	5,460	5,833	138	182	4,718	4,147	10,315	10,162

## 6.2 Business segments

Segment assets	4,564,091	4,840,289	679,998	472,900	721,537	839,581	5,965,630	6,079,440
Segment liabilities	1,101,579	1,054,498	173,414	95,785	465,700	515,629	1,740,695	1,677,848

\*PPE -Property plant and equipment

# NOTES TO THE FINANCIAL STATEMENTS

## 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 available for sale. The Group's and Company's principal financial liabilities, consists of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's and Company's operations and to provide guarantees to support its operations. The Group and Company are exposed to market risk, credit risk, interest rate 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 are 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 trade 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

As at March 2023	Notes	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	-	-	-	454,327	-	454,327	10%
Loans to executives	7.1.1.2	47,000	-	8,052	-	-	55,052	1%
Trade receivables	7.1.1.3	-	-	791,831	-	-	791,831	17%
Loans given to Tea Sellers	7.1.1.4	187,635	-	142,326	-	-	329,961	7%
Advance given to Tea Sellers	7.1.1.4	-	-	250,230	-	-	250,230	5%
Amounts due from related parties	7.1.1.5	-	-	-	-	10,905	10,905	0%
Cash in hand and at bank	7.1.1.6	-	139,692	-	-	-	139,692	3%
Deposit		1,000	-	-	-	-	1,000	0%
<b>Total credit risk exposure</b>		235,635	139,692	1,192,438	454,327	10,905	2,032,997	43%
Financial assets at fair value through OCI	7.1.1.7	2,642,519	-	-	-	-	2,642,519	57%
<b>Total equity risk exposure</b>		2,878,154	139,692	1,192,438	454,327	10,905	4,675,516	100%

As at March 2022	Notes	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
		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	
Government securities	7.1.1.1	-	-	-	485,375	-	485,375	10%
Loans to executives	7.1.1.2	25,211	-	8,170	-	-	33,381	1%
Trade receivables	7.1.1.3	-	-	893,045	-	-	893,045	18%
Loans given to Tea Sellers	7.1.1.4	225,335	-	139,280	-	-	364,615	7%
Advance given to Tea Sellers	7.1.1.4	-	-	94,535	-	-	94,535	2%
Amounts due from related parties	7.1.1.5	-	-	-	-	6,951	6,951	0%
Cash in hand and at bank	7.1.1.6	-	190,657	-	-	-	190,657	4%
Deposit		1,000	-	-	-	-	1,000	0%
<b>Total credit risk exposure</b>		251,546	190,657	1,135,030	485,375	6,951	2,069,559	41%
Financial assets at fair value through OCI	7.1.1.7	2,988,571	-	-	-	-	2,988,571	59%
<b>Total equity risk exposure</b>		3,240,117	190,657	1,135,030	485,375	6,951	5,058,130	100%

#### Company

As at March 2023	Notes	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
		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	
Loans to executives	7.1.1.2	31,086	-	3,682	-	-	34,768	1%
Trade receivables	7.1.1.3	-	-	599,096	-	-	599,096	15%
Loans given to Tea Sellers	7.1.1.4	187,635	-	142,326	-	-	329,961	8%
Advance given to Tea Sellers	7.1.1.4	-	-	250,230	-	-	250,230	6%
Amounts due from related parties	7.1.1.5	-	-	-	-	3,790	3,790	0%
Cash in hand and at bank	7.1.1.6	-	78,099	-	-	-	78,099	2%
<b>Total credit risk exposure</b>		218,721	78,099	995,334	-	3,790	1,295,944	33%
Financial assets at fair value through OCI	7.1.1.7	2,642,519	-	-	-	-	2,642,519	67%
<b>Total equity risk exposure</b>		2,861,240	78,099	995,334	-	3,790	3,938,463	100%

As at March 2022	Notes	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
		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	
Loans to executives	7.1.1.2	11,374	-	3,297	-	-	14,671	0%
Trade receivables	7.1.1.3	-	-	633,691	-	-	633,691	15%
Loans given to Tea Sellers	7.1.1.4	225,335	-	139,279	-	-	364,614	9%
Advance given to Tea Sellers	7.1.1.4	-	-	94,537	-	-	94,537	2%
Amounts due from related parties	7.1.1.5	-	-	-	-	4,735	4,735	0%
Cash in hand and at bank	7.1.1.6	-	129,375	-	-	-	129,375	3%
<b>Total credit risk exposure</b>		236,710	129,375	860,803	-	4,735	1,241,623	29%
Financial assets at fair value through OCI	7.1.1.7	2,988,572	-	-	-	-	2,988,572	71%
<b>Total equity risk exposure</b>		3,225,282	129,375	860,803	-	4,735	4,220,195	100%

# NOTES TO THE FINANCIAL STATEMENTS

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

### 7.1.1.1 Government securities

As at 31 March 2023, as shown in the table above, 100% (2022-100%) of Government securities includes investments in government securities consist of repo investments. Government securities are usually referred to as risk free due to the 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

For the Year Ended 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>Neither past due nor impaired</b>	177,437	421,393	3,682	176,318
<b>Past due but not impaired</b>				
0-30 days	787,447	228,209	766,733	199,260
31-60 days	6,790	906	4,504	732
61-90 days	1,288	188	996	179
> 91 days	681,071	952,599	681,013	952,579
<b>Gross carrying value</b>	1,654,032	1,603,295	1,456,928	1,329,068
Less: impairment provision				
Individually assessed impairment provision (Note 7.1.1.3.1)	(461,594)	(468,265)	(461,594)	(468,265)
<b>Total</b>	1,192,438	1,135,030	995,334	860,803

The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 7.1.1.3.1 Movement in the provision for impairment of allowance for Loans and Advances given to Tea Sellers.

	Group Rs 000's	Company Rs 000's
<b>As at 01 April 2021</b>	487,173	487,173
Charge for the year	54,904	54,904
Write off	(63,354)	(63,354)
Recoveries	(10,456)	(10,456)
<b>As at 31 March 2022</b>	468,267	468,267
Charge for the year	-	-
Write off	-	-
Recoveries	(6,674)	(6,674)
<b>As at 31 March 2023</b>	461,594	461,594



#### 7.1.1.4 Loans Given to Tea Sellers

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

#### 7.1.1.5 Amounts due from related parties

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

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

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

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

All unquoted/quoted equity investments are made after obtaining Board of Directors' approvals.

### 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

For the Year Ended 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Cash in hand and at bank	139,692	190,657	78,099	129,375
Short term investments	454,327	485,375	-	-
Liquid assets	594,019	676,032	78,099	129,375
Bank overdrafts	(84,123)	(317,975)	(84,123)	(307,492)
Liquid liabilities	(84,123)	(317,975)	(84,123)	(307,492)
(Net debt) cash	509,896	358,057	(6,024)	(178,117)

#### 7.2.2 Liquidity risk management

The Group and Company has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the sale of assets or other secured borrowings.

##### Maturity analysis

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

Group									
As at 31st March	2023				2022				Total
	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	
	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Trade and other payables	1,201,974	-	-	1,201,974	1,133,019	-	-	1,133,019	
Amounts due to related parties	48,640	-	-	48,640	9,035	-	-	9,035	
Bank overdrafts	84,123	-	-	84,123	317,975	-	-	317,975	
Total	1,334,737	-	-	1,334,736	1,460,029	-	-	1,460,029	

# NOTES TO THE FINANCIAL STATEMENTS

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

### Company

As at 31st March	2023				2022			
	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
	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Trade and other payables	797,726	-	-	797,726	663,126	-	-	663,126
Amounts due to related parties	13,573	-	-	13,573	7,119	-	-	7,119
Bank overdrafts	84,123	-	-	84,123	307,492	-	-	307,492
Total	895,422	-	-	895,422	977,737	-	-	977,737

### 7.3 Market risk

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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. The financial instruments affected by the Company is financial assets designated at FVOCI which include equity securities.

The Central Bank of Sri Lanka (CBSL) continued the tightening of monetary policy stance during current financial year, resulting in a sharp upward trend in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored in to secondary market yields on Government Securities. The shortage of liquidity in the first half of the financial year further put pressure on market interest rates. There was a decrease in interest rates in the last three months of the financial year on account of the reduced Government debt financing requirements and improved liquidity position in the country.

#### 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 FVOCI

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

#### 7.3.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the market index, with all other variables held constant, of the Group's and 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
<b>Group</b>			
2023	10%	-	41,171
	-10%	-	(41,171)
2022	10%	-	42,779
	-10%	-	(42,779)
<b>Company</b>			
2023	10%	-	41,171
	-10%	-	(41,171)
2022	10%	-	42,779
	-10%	-	(42,779)

#### 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 shares.

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Debt/equity	2.02%	7.36%	2.37%	8.13%

## 8 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

### Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

► Investment in unquoted equity shares	Note	24.2
► Property, plant and equipment under revaluation model	Note	18.8
► Investment properties	Note	20
► Financial Instruments (including those carried at amortised cost)	Note	9

### ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES (contd.)

### 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	
		2023	2022	2023	2022	2023	2022
As at 31st March		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Non-listed equity investments</b>							
Waterfront Properties (Pvt) Ltd	31.03.2023	-	-	-	-	2,230,808	2,560,777
<b>Listed equity investments</b>							
Keells Food Products PLC	31.03.2023	411,711	427,794	-	-	-	-
<b>Total</b>		411,711	427,794	-	-	2,230,808	2,560,777

#### Financial Assets

Company	Date of valuation	Level 1		Level 2		Level 3	
		2023	2022	2023	2022	2023	2022
As at 31st March		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Non-listed equity investments</b>							
Waterfront Properties (Pvt) Ltd	31.03.2023	-	-	-	-	2,230,808	2,560,777
<b>Listed equity investments</b>							
Keells Food Products PLC	31.03.2023	411,711	427,794	-	-	-	-
<b>Total</b>		411,711	427,794	-	-	2,230,808	2,560,777

During the reporting period ended 31 March 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

### 8.2 Non - financial assets by fair value hierarchy

Non financial assets - Group	Date of valuation	Level 1		Level 2		Level 3	
		2023	2022	2023	2022	2023	2022
As at 31st March		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Fair value hierarchy non - financial assets</b>							
<b>Assets measured at fair value</b>							
Investment property	31.12.2022	-	-	-	-	484,250	423,980
Buildings on leasehold land	31.12.2022	-	-	-	-	550,000	360,000

Non - financial assets - Company	Date of valuation	Level 1		Level 2		Level 3	
		2023	2022	2023	2022	2023	2022
As at 31st March		Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Fair value hierarchy non - financial assets</b>							
<b>Assets measured at fair value</b>							
Investment property	31.12.2022	-	-	-	-	484,250	423,980

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 value 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:

Rs. '000s	Group	Company
As at 1 April 2022	2,560,777	2,560,777
Remeasurement gain/(loss) recognised for the year	(329,970)	(329,970)
As at 31 March 2023	2,230,807	2,230,807

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

The unquoted equity investment has been fair valued using the Discounted Cash Flow Method of the investee (WPL). The value per share of WPL as at 31st March 2023 was Rs. 11.64 (2021/22: Rs.13.37).

#### Details of the valuation as at 31st March 2023 are given below;

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

#### Discounted Cash Flow Method

Estimates the fair market value of the entity considering the future cash flow generation of the Company, as of now. Projected cash flows, which are denominated in USD, are discounted at a USD cost of equity, to arrive at the net present value of the investment.

Key assumptions used in the Discounted Cash Flow Method are noted below;

#### Forecast Horizon

Cash flows have been forecasted for 6 years, with the terminal value based on an appropriate terminal growth rate in line with the market.

#### Revenue, EBITDA margins and cash flow projections

Revenue and EBITDA margins have been adjusted for project specific aspects and the margin projections are based on the extrapolation of existing operations in the market and independent market studies, as applicable, and the performance of similar integrated properties regionally. The cash flows are forecasted under a base case scenario, considering all aspects of the integrated resort offering, and assuming a normalised macroeconomic environment.

A minority discount has also been factored in, given the Company's shareholding percentage in WPL, which is relatively low on a standalone basis.

#### Discount Rate

The USD discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The USD cost of equity has been updated to reflect the current and expected discount rates, while taking into account the long-term nature of the investment.

#### Details of the evaluation as at 31st March 2022 is given below

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

#### Discounted Cash Flow Method

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

# NOTES TO THE FINANCIAL STATEMENTS

## 8 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES (contd.)

### Forecast Horizon

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

### Revenue and EBITDA margins

Assumption have been forecasted under scenarios of a base case and a sensitised case, with corresponding probabilities factored. A minority discount has also been considered given the Company's shareholding percentage in WPL. Whilst the base case scenario is based on the business plan under a normalized environment, the sensitised case is forecasted taking into account the possible continuation of macro-economic uncertainties prevalent at present in the country. Revenue and EBITDA margins have been adjusted for project specific aspect and the margin projections are based on an extrapolation of the existing operations in the market, independent market studies, as applicable, and the performance of similar properties regionally.

### Discount Rate

The USD discount rate used is the risk-free rate, adjusted by the addition of an appropriate risk premium.

### Sensitivity of assumptions used

The management tested several scenario-based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to the fair value of the asset recognized as at the end of the reporting period.

## 9 FINANCIAL INSTRUMENTS

### ACCOUNTING POLICY

#### i) Financial instruments - initial recognition and subsequent measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient financial assets are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- ▶ Financial assets at amortised cost
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- ▶ Financial assets at fair value through profit or loss

#### Debt instruments

##### Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the Group's effective interest rate.

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 assets at fair value through OCI**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the income statement.

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

### **Equity instruments**

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

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## 9 FINANCIAL INSTRUMENTS (contd.)

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

#### Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid prices for long position and ask price for short positions), without any deductions for transaction costs. For instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is subsequent that is substantially the same; a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 9.

## 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 31st March	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>Financial instruments in non-current assets/non-current liabilities</b>								
Other non-current financial assets	235,635	251,545	-	-	2,642,519	2,988,571	2,878,154	3,240,117
<b>Financial instruments in current assets/current liabilities</b>								
Trade & other receivables	799,882	901,215	-	-	-	-	799,882	901,215
Loans and advances given to Tea Sellers	392,556	233,815	-	-	-	-	392,556	233,815
Trade and other payables	(1,201,974)	(1,133,019)	-	-	-	-	(1,201,974)	(1,133,019)
Amount due from related parties	10,905	6,951	-	-	-	-	10,905	6,951
Amount due to related parties	(48,640)	(9,035)	-	-	-	-	(48,640)	(9,035)
Cash in hand and at bank	139,692	190,657	-	-	-	-	139,692	190,657
Bank overdrafts	(84,123)	(317,975)	-	-	-	-	(84,123)	(317,975)

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 31st March	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>Financial instruments in non-current assets/non-current liabilities</b>								
Other non-current financial assets	218,721	236,709			2,642,518	2,988,572	2,861,240	3,225,281
<b>Financial instruments in current assets/current liabilities</b>								
Trade & other receivables	602,778	626,988				-	602,778	626,988
Loans and advances given to Tea Sellers	392,556	233,816					392,556	233,816
Trade and other payables	(797,726)	(663,126)					(797,726)	(663,126)
Amount due from related parties	3,790	4,735				-	3,790	4,735
Amount due to related parties	(13,573)	(7,119)					(13,573)	(7,119)
Cash in hand and at bank	78,099	129,375				-	78,099	129,375
Bank overdrafts	(84,123)	(307,492)					(84,123)	(307,492)

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, loans and advances given to Tea Sellers, 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

# NOTES TO THE FINANCIAL STATEMENTS

## 10 REVENUE

### ACCOUNTING POLICY

#### Contracts with Customers

Revenue from contracts with customer 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

	Group		Company	
	2023	2022	2023	2022
For the year ended 31st March	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Brokerage fee	699,324	716,876	447,883	256,520
Warehousing income	129,399	136,710	-	-
Other	52,607	29,325	52,607	29,325
<b>Total revenue from contract with customers</b>	<b>881,330</b>	<b>882,911</b>	<b>500,490</b>	<b>285,845</b>
Interest earned on loans and advances	147,907	67,870	147,907	67,870
Rental income earned	1,770	1,720	1,770	1,720
Inter segment revenue	(6,419)	(6,334)	-	-
<b>Total revenue</b>	<b>1,024,588</b>	<b>946,167</b>	<b>650,167</b>	<b>355,435</b>

### 10.2 Reconciliation of revenue

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

## 11 DIVIDEND INCOME

### ACCOUNTING POLICIES

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

	Company	
	2023	2022
For the year ended 31st March	Rs 000's	Rs 000's
Dividend income from investment in subsidiaries	38,000	96,960
	38,000	96,960

## 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 in subsidiaries, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

### 12.1 Other operating income

Other income is recognised on an accrual basis.

For the year ended 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Sundry income	9,423	3,196	427	1,404
Net gain on disposal of property, plant and equipment	524	2	515	2
	9,947	3,198	942	1,406

## 13 FINANCE INCOME AND FINANCE COST

### 13.1 Finance income

#### ACCOUNTING POLICY

Finance income comprises of interest income on funds invested dividend income, gains on the disposal of fair value through OCI financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any preexisting interest in an acquiree that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

#### Finance income

For the year ended 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Interest income	92,978	31,179	35,296	9,220
Dividend income on financial assets at FVOCI Keells Foods Products PLC	4,567	24,446	4,567	24,446
Realised gain on financial assets at fair value through profit or loss	4,796	7,639	2,138	2,226
<b>Total finance income</b>	<b>102,341</b>	<b>63,264</b>	<b>42,001</b>	<b>35,892</b>

### 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 Group incurs in connection with the borrowing of funds.

#### Finance cost

For the year ended 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Interest expense on borrowings	(37,989)	(32,074)	(37,976)	(32,052)
<b>Total finance cost</b>	<b>(37,989)</b>	<b>(32,074)</b>	<b>(37,976)</b>	<b>(32,052)</b>
<b>Net finance income</b>	<b>64,352</b>	<b>31,190</b>	<b>4,025</b>	<b>3,840</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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 running 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's performance.

For the Year Ended 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>PROFIT BEFORE TAX</b>				
<b>Profit before tax is stated after charging all expenses including the following;</b>				
<b>Administration expenses</b>				
Remuneration to non executive directors	10,831	7,997	8,786	6,000
Audit fees	2,916	2,501	1,622	1,475
Amortisation of right of use assets - lease hold properties	1,089	1,089		-
<b>Personnel costs includes</b>				
Defined benefit plan cost	10,316	10,162	5,460	5,833
Defined contribution plan cost - EPF and ETF	31,170	30,865	12,544	13,590
Other staff cost	319,349	313,846	120,168	112,652
Depreciation of property, plant and equipment	23,458	21,262	1,576	2,995
Amortization of intangible assets	2,046	2,519	-	1,221
Other long term employee benefits cost	8,802	7,205	3,348	2,762
CSR	2,014	1,737	829	528
<b>Selling and distribution expenses</b>				
Impairment (recoveries) of trade receivables	(6,674)	44,447	(6,674)	44,447

## 15 EARNINGS PER SHARE

### ACCOUNTING POLICY

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

For the Year Ended 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Basic earnings per share</b>				
Profit / attributable to equity holders of the parent	305,850	229,577	318,956	161,349
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	5.03	3.78	5.25	2.65
<b>Amount used as denominator</b>				
Ordinary shares at the beginning of the year (In 000's)	60,800	60,800	60,800	60,800
Ordinary shares at the end of the year (In 000's)	60,800	60,800	60,800	60,800

## 16 DIVIDEND PER SHARE

For the year ended 31st March	Company			
	2023		2022	
	Rs	Rs 000's	Rs	Rs 000's
<b>Equity dividend on ordinary shares</b>				
<b>Declared and paid during the year</b>				
Out of dividends received - free of tax	0.05	3,281	1.13	68,425
Out of profits -liable for tax	2.90	176,079	1.16	70,807
Total dividend	2.95	179,360	2.29	139,232

## 17 TAXES

### ACCOUNTING POLICY

#### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the 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 and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Differed tax

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

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

- ▶ Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 TAX (contd.)

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 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.

### Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8th April 2022 and is applicable to the John Keells Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 million, for the year of assessment 2020/2021. The liability is computed at the rate of 25 percent on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax liability of Rs. 80.38Mn and Rs. 30.51Mn has been recognised for the Group and the Company respectively as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

## 17.1 Tax Expense

For the year ended 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>Current income tax</b>	138,999	109,255	109,092	41,404
Adjustments in respect of current income tax of previous year	-	(2,008)	-	(2,008)
<b>Deferred income tax</b>				
Relating to origination and reversal of temporary differences 17.2	46,896	4,126	45,325	4,615
	185,895	111,373	154,417	44,010

Income tax and Deferred tax have been provided as per the new rates legislated by the Inland Revenue (Amendment) Act No 45 of 2022. The deferred tax charge in the Income Statement includes Rs. 29.75 Mn and Rs.27.17 Mn for the Group and the Company respectively relating to the tax rate change on the deferred tax temporary differences of previous years. The deferred tax charge in the Other Comprehensive Income statement includes Rs. 16.58 Mn and Rs. 0.01 Mn for the Group and the Company respectively relating to the tax rate change on the deferred tax temporary differences of previous years. Income tax rate deferential has been presented under Tax Expense Note 17.



## 17 TAX (contd.)

### 17.2 Deferred tax expense

For the year ended 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>Income statement</b>				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	4,443	(3,546)	924	(176)
Deferred tax expense arising from revaluation of investment property to fair value	45,257	3,019	45,257	3,019
Employee benefit liabilities	(1,688)	3,494	(856)	1,772
Undistributed profits of investment in associate & subsidiaries	(1,116)	1,159	-	-
<b>Deferred tax charge/ (release)</b>	<b>46,896</b>	<b>4,126</b>	<b>45,325</b>	<b>4,615</b>
<b>Statement of comprehensive income</b>				
Deferred tax expense arising from;				
Revaluation of building at fair value	74,007	10,000	(1,856)	5,445
Total deferred tax /(reversal) recognised in other comprehensive income arising from actuarial gain/(loss)	(80)	5,681	324	-
	73,927	15,682	(1,532)	5,445
<b>Total deferred tax charge</b>	<b>120,823</b>	<b>19,808</b>	<b>43,793</b>	<b>10,060</b>

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

### 17.3 Income tax liabilities/refunds

For the year ended 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
At the beginning of the year	35,353	41,293	19,094	22,850
Charge for the year	155,962	104,632	109,092	41,403
(Over)/under provision of current tax of previous years	-	1,359	-	(648)
WHT set off against payments	-	-	-	-
Payments and set off against refunds	(105,071)	(111,931)	(52,280)	(44,511)
At the end of the year	86,244	35,353	75,905	19,094
	86,244	35,353	75,905	19,094

# NOTES TO THE FINANCIAL STATEMENTS

## 17.4 Deferred tax asset

For the year ended 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
At the beginning of the year	7,313	8,966	-	-
(Charge) and release	574	(1,485)	-	-
(Charge) and release other - comprehensive income	283	(168)	-	-
At the end of the year	8,170	7,313	-	-
<b>The closing deferred tax asset balances relate to the following;</b>				
Accelerated depreciation for tax purposes	(595)	(441)	-	-
Revaluation of investment property to fair value	-	7,754	-	-
Employee retirement benefit liability	8,765	-	-	-
	8,170	7,313	-	-

## 17.5 Deferred tax liabilities

As at 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
At the beginning of the year	97,215	79,060	6,760	(3,301)
Charge and (release)	47,470	2,642	45,325	4,615
(Charge) and release other - comprehensive income	74,209	15,513	(1,532)	5,445
At the end of the year	218,893	97,215	50,553	6,760
<b>The closing deferred tax liability balances relate to the following;</b>				
Tax effect on gain on remeasurement of FVOCI financial assets	(1,856)	1,856	(1,856)	1,856
Accelerated depreciation for tax purposes	101,509	82,595	2,859	1,935
Revaluation of investment property to fair value	119,995	15,834	60,701	13,588
Employee retirement benefit liability	(11,572)	(3,070)	(11,151)	(10,619)
Impact on Consolidation of associates retained earnings	10,817	-	-	-
	218,893	97,215	50,553	6,760

For the year ended 31st March		Group		Company	
		2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>17.6</b>	<b>Reconciliation between tax expense and the product of accounting profit</b>				
	Profit / (loss) before tax	495,392	377,457	473,373	205,359
	Dividend income from group companies	(42,567)	(121,406)	(42,567)	(121,406)
	Fair value change in investment properties	(63,374)	(30,375)	(63,551)	(30,195)
	Share of results of associate	548	10,896	-	-
	Adjusted accounting profit /(loss) chargeable to income tax	389,999	236,572	367,255	53,758
	Disallowable expenses	57,858	101,555	18,173	68,453
	Allowable expenses	(29,159)	(47,103)	(5,035)	(20,514)
	(Utilisation)/ un-utilisation of tax losses	-	-	-	-
	Taxable income	418,698	291,025	380,393	101,697
	Income tax charged at				
	Standard rate 24%	63,215	90,501	46,041	-
	Standard rate 30%	68,779	-	57,551	24,407
	Standard rate 14%	5,500	16,997	5,500	16,997
	(Over)/under provision for previous years	-	1,756	-	-
	Current tax charge	137,494	109,255	109,092	41,404
<b>17.7</b>	<b>Reconciliation between tax expense and the product of accounting profit</b>				
	Profit / (loss) before tax	495,392	377,457	473,372	205,358
	Income tax not liable for income tax	(63,551)	(30,195)	(63,551)	(30,195)
	Accounting profit / (loss) chargeable to income taxes	431,841	347,261	409,821	175,163
	Tax effect on chargeable profits / losses	134,449	91,794	116,660	29,878
	Tax effect on non deductible expenses	9,993	15,503	6,723	13,459
	Tax effect on deductions claimed	(742)	(781)	(528)	(338)
	Income tax on other comprehensive income	45,257	-	45,257	-
	Other income based taxes (cap. gain 10%)	-	3,019	-	3,019
	Current and deferred tax share of associate	7,075	3,774	-	-
	Net tax effect of deferred tax for prior years	(12,492)	1,757	(13,681)	-
	(Over)/under provision for previous years	1,490	-	(15)	(2,008)
	Tax effect on rate differentials	865	(3,693)	-	-
		185,895	111,373	154,417	44,010
	Income tax charged at				
	Standard rate 24%	63,215	-	46,041	24,406
	Standard rate 30%	68,779	92,258	57,551	-
	Standard rate 14%	5,500	16,997	5,500	16,997
	(Over)/under provision for previous years	1,505	(2,008)	-	(2,008)
	Charge for the year	138,999	109,255	109,092	39,395
	Deferred tax charge/(reversal) (note 17.2)	46,896	4,126	45,325	4,615
	Total income tax expense	185,895	111,373	154,417	44,010

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

# NOTES TO THE FINANCIAL STATEMENTS

## 18 PROPERTY, PLANT AND EQUIPMENT

### ACCOUNTING POLICY

#### Basis of recognition

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

#### Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

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

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

#### Derecognition

An item of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

#### Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings on leasehold land	over the Lease period
Plant and machinery	2-10
Equipment	6-8
Furniture and fittings	5-8
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.

## Group

### 18.1 Cost/Valuation

For the year ended 31st March	Buildings on Leasehold Land	Plant and machinery	Furniture and fittings	Motor vehicles	Computer equipment	Office equipment	Others	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
At the beginning of the year	360,000	51,528	92,627	29,181	25,689	11,156	1,910	572,091	515,880
Additions	4,600	6,444	7,325	-	1,478	1,026	-	20,873	26,936
Revaluation	197,647	-	-	-	-	-	-	197,647	41,668
Disposals	-	(132)	(20,716)	-	(3,438)	(225)	(105)	(24,616)	-
Transfers	(12,247)	-	-	-	-	-	-	(12,247)	(10,576)
<b>At the end of the year</b>	<b>550,000</b>	<b>57,840</b>	<b>79,236</b>	<b>29,181</b>	<b>23,729</b>	<b>11,957</b>	<b>1,805</b>	<b>753,748</b>	<b>573,908</b>

### 18.2 Accumulated depreciation and impairment

At the beginning of the year	(3,058)	(32,083)	(88,689)	(21,793)	(18,905)	(6,434)	(1,713)	(172,675)	(163,114)
Charge for the year	(14,036)	(3,390)	(2,225)	(218)	(2,069)	(1,472)	(48)	(23,458)	(21,954)
Disposals		61	20,715	-	3,438	225	105	24,544	-
Transfer of accumulated depreciation on asset revaluation	12,247	-	-	-	-	-	-	12,247	10,576
<b>At the end of the year</b>	<b>(4,847)</b>	<b>(35,412)</b>	<b>(70,199)</b>	<b>(22,011)</b>	<b>(17,536)</b>	<b>(7,681)</b>	<b>(1,656)</b>	<b>(159,342)</b>	<b>(174,493)</b>

### 18.3 Carrying value

<b>As at 31 March 2023</b>	545,153	22,428	9,037	7,170	6,193	4,276	149	594,406	-
As at 31 March 2022	356,942	19,445	3,938	7,387	6,785	4,723	195	-	399,415

During the financial year, the Group acquired plant and equipment to the aggregate value of Rs 20.87 Mn (2022 - Rs 26.94 Mn). Cash payments amounting to Rs 20.87 Mn (2022 - Rs 26.94 Mn) was paid during the year for the acquisition of plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Company

#### 18.4 Cost

For the year ended 31st March	Plant and machinery	Furniture and fittings	Motor vehicles	Computer equipment	Office equipment	Others	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
At the beginning of the year	883	22,557	29,180	11,841	719	1,183	66,363	65,783
Additions	1,560	7,189	-	1,478	1,026	-	11,253	1,703
Disposals	(132)	(20,716)	-	(3,438)	(225)	(105)	(24,616)	-
<b>At the end of the year</b>	<b>2,311</b>	<b>9,030</b>	<b>29,180</b>	<b>9,881</b>	<b>1,520</b>	<b>1,078</b>	<b>53,000</b>	<b>67,486</b>

#### 18.5 Accumulated depreciation and impairment

At the beginning of the year	(338)	(22,444)	(21,793)	(9,569)	(685)	(1,183)	(56,012)	(54,139)
Charge for the year	(181)	(363)	(218)	(779)	(35)	-	(1,576)	(2,996)
Disposals	60	20,716	-	3,438	225	105	24,544	-
At the end of the year	(459)	(2,091)	(22,011)	(6,910)	(495)	(1,078)	(33,044)	(57,135)

#### 18.6 Carrying value

<b>As at 31 March 2023</b>	1,852	6,939	7,169	2,971	1,025	-	19,956	-
As at 31 March 2022	545	113	7,387	2,272	34	-	-	10,351

During the financial year, the Company acquired plant and equipment to the aggregate value of Rs 11.25 Mn (2022 Rs 1.70 Mn) cash payments amounting to Rs 11.25 Mn (2022 Rs 1.70 Mn) was paid during the year for the acquisition of plant and equipment.

#### 18.7 Carrying value of property, plant and equipment

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
At cost	49,253	42,473	19,956	10,351
At valuation	545,153	356,942	-	-
	594,406	399,415	19,956	10,351

#### 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 most recent revaluation was carried out on 31 December 2022.

The changes in fair value are recognised in other comprehensive income and in the statement of changes in equity.

**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 to Rs. 4,000 (2022- Rs. 2000 to Rs 3500)	Positively correlated sensitivity	K. T. D. Tissera Chartered Valuer	31st December 2022

**Summary description of valuation methodology;**

**Investment method (IM)**

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

**Open market value method (OMV)**

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

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

As at 31 March	Group	
	2023 Rs 000's	2022 Rs 000's
Property, plant and equipment		
Cost	151,778	151,778
Accumulated depreciation and impairment	(51,864)	(48,828)
	99,914	102,950

# NOTES TO THE FINANCIAL STATEMENTS

## 19 RIGHT OF USE ASSETS AND LEASE LIABILITY

### ACCOUNTING POLICY

#### Right of use assets

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

#### Lease liabilities

As at the reporting date all rental payments relating to SLFRS 16 leases have been paid in advance as such, there are no lease liabilities as at the reporting date.

#### 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 2023.

#### Right of use assets

As at 31st March	Group	
	2023 Rs 000's	2022 Rs 000's
<b>Right of use assets - lease hold properties Cost</b>		
At the beginning of the year	32,579	33,668
Additions	-	-
At the end of the year	32,579	33,668
<b>Accumulated amortisation and impairment</b>		
At the beginning of the year	-	-
Amortisation	(1,089)	(1,089)
Transfers	-	-
At the end of the year	31,490	32,579

The following are the amounts recognised in profit or loss:

#### Right of use assets

For the year ended 31st March	Group	
	2023 Rs 000's	2022 Rs 000's
Amortisation expense of right-of-use assets	1,089	1,089
<b>Total amount recognised in profit or loss</b>	<b>1,089</b>	<b>1,089</b>

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



## 19.2 Property

### Details of right of use assets

As at 31st March			2023 In Rs 000's	2022 In Rs 000's
	Land extent	Lease period		
Land - Muthurajawela	A - 6 and P - 30	50 years from 1 March 2002	31,490	32,579

## 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. The most recent revaluation was carried out on 31st December 2022.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

### 20.1

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>INVESTMENT PROPERTY</b>				
At the beginning of the year	423,980	393,785	423,980	393,785
Net gain/(loss) from fair value remeasurement	60,270	30,195	60,270	30,195
At the end of the year	484,250	423,980	484,250	423,980
Rental income earned 2022/2023 Group & Company	1,770	1,720	1,770	1,720
Direct operational expenses incurred	-	-	-	-
Direct operating expenses that did not generate rental income	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 20 INVESTMENT PROPERTIES (contd.)

### 20.2

Location	Land in perches	Valuation amount Rs	Date	Name of valuer
50, Minuwangoda Road Ekala, Ja- Ela	603.90	483,000,000	31.12.2022	Mr P B Kalugalagedera (Chartered Valuer)
58, Kirulapone Avenue Colombo 6	12.56	1,250,000	31.12.2022	Mr P B Kalugalagedera (Chartered Valuer)
		484,250,000		

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 based on estimated price per perch and price per sq ft positively correlated to the fair value.

Location	Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity of fair value to un observable inputs
50, Minuwangoda Road Ekala, Ja- Ela	Market comparable Method	Estimated price per perch	Rs 800,000	Positively correlated sensitivity
58, Kirulapone Avenue Colombo 6	Book value maintained until the vacant possession of the land is obtained	Estimated price per perch	Rs 100,000	Zero correlated

### Real Estate Portfolio

As at 31 March

Owning company and location	No of buildings	Buildings in (Sq. Ft)	Land in acres		Net book value at valuation	
			Freehold	Leasehold	2023 Rs 000's	2022 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	-	483,000	422,730
93, First Avenue, Muthurajawela, Hendala, Wattala	3	146,743	-	A-6 and P-30	550,000	360,000

## 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 Group and the cost of the asset can be reliably measured.

#### Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

#### Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

#### Software license

Software license costs are recognised as an intangible asset and amortised over the period of expected future usage of 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

For the year ended 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
At the beginning of the year	15,902	9,494	4,263	4,263
Additions	-	6,408	-	-
Derecognition	-	-	-	-
<b>At the end of the year</b>	<b>15,902</b>	<b>15,902</b>	<b>4,263</b>	<b>4,263</b>

### 21.2 Accumulated amortisation and impairment

At the beginning of the year	(7,608)	(5,089)	(4,263)	(3,042)
Amortisation	(2,046)	(2,519)	-	(1,221)
Derecognition	-	-	-	-
<b>At the end of the year</b>	<b>(9,654)</b>	<b>(7,608)</b>	<b>(4,263)</b>	<b>(4,263)</b>

### 21.3 Carrying value

<b>As at 31 March 2023</b>	6,248	-	-	-
As at 31 March 2022	-	8,294	-	-

Group Intangible assets with a cost of Rs. 2.05 Mn ( 2022- Rs. 2.52 Mn) have been fully amortised and continue to be in use by the Group. No cost recognised as research and development expenditure during the period (2022 - Rs. 6.41 Mn).

# NOTES TO THE FINANCIAL STATEMENTS

## 22 INVESTMENTS IN SUBSIDIARIES

### ACCOUNTING POLICY

Investment in subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. Following the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

### 22.1 Carrying value

As at 31st March	Note	Company	
		2023 Rs 000's	2022 Rs 000's
Investments in subsidiaries			
Unquoted	22.2	158,570	158,570
		158,570	158,570

### 22.2 Group unquoted investments in subsidiaries

As at 31st March	Number of shares 000's	Additions	Effective holding %	Company	
				2023 Rs 000's	2022 Rs 000's
John Keells Stock Brokers (Pvt) Ltd.	1,140	-	76	38,570	38,570
John Keells Warehousing (Pvt) Ltd.	12,000	-	100	120,000	120,000
				158,570	158,570

## 23 INVESTMENTS IN ASSOCIATE

### ACCOUNTING POLICY

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not control or jointly control those policies. Associate company of the Group which has been accounted for under the equity method of accounting is:

Name	Country of Incorporation
Keells Realtors Ltd	Sri Lanka

The investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of equity accounted investees' in the income statement.

The income statement reflects the share of the results of operations of the associate. Changes, if any, recognised directly in the equity of the associate, the Group recognises its share and discloses this, when applicable in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the Associate are eliminated to the extent of the interest in the Associate.

The share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The Group ceases to recognise further losses when the Group's share of losses in an associate equals or exceeds the interest in the undertaking, unless it has incurred obligations or made payments on behalf of the entity. The accounting policies of associate companies conform to those used for similar transactions of the Group.

Equity method of accounting has been applied for associate financial statements using their respective 12 month financial period. Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in income statement.

### 23.1 Carrying value

As at 31st March	Number of shares (000's)	Holding %	Group		Company	
			2023	2022	2023	2022
			Rs 000's	Rs 000's	Rs 000's	Rs 000's
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			85,238	76,958	-	-
Cumulative profit/(loss) accruing to the group net of dividend			(7,972)	8,280	-	-
Net of dividend			77,266	85,238	-	-
Net assets at the end of the year			101,266	109,238	24,000	24,000

### 23.2 Summarised financial information of associate

As at 31st March	Company	
	2023 Rs 000's	2022 Rs 000's
Revenue	5,593	5,085
Cost of sales	(700)	(1,590)
Gross Profit	4,893	3,495
Total operating expenses	(3,599)	(3,094)
Financial income	64	59
Change in fair value of investment property	353	33,588
Income tax expenses	(25,597)	(8,171)
Profit for the year	(23,886)	25,877
Group share of profit for the year	548	10,896
Share of results of equity accounted investee	548	10,896
Non - current assets	439,000	439,389
Current assets	3,951	3,767
Total assets	442,951	443,155
Non - current liabilities	(125,730)	(100,499)
Current liabilities	(761)	(1,285)
Net assets	316,460	341,370
Group share of net assets	101,266	109,238
Cash flows		
Operating Activities	553	(114)
Investing Activities	-	-
Financing Activities	-	-

The share of results of equity accounted investees in the Income Statement and the Statement of Other Comprehensive Income are shown net of all related taxes.

The Group and the Company have neither contingent liabilities nor capital and other commitments towards its associates and joint ventures.

# NOTES TO THE FINANCIAL STATEMENTS

## 24 NON CURRENT FINANCIAL ASSETS

As at 31st March	Note	Group		Company	
		2023	2022	2023	2022
		Rs 000's	Rs 000's	Rs 000's	Rs 000's
Other quoted equity investments	24.1	411,711	427,794	411,711	427,794
Other unquoted equity investments	24.2	2,230,808	2,560,777	2,230,808	2,560,777
Loans to executives	24.4	47,000	25,211	31,086	11,374
Loans given to Tea Sellers	24.3	187,635	225,335	187,635	225,335
Deposits with Colombo Stock Exchange		1,000	1,000	-	-
		2,878,154	3,240,117	2,861,240	3,225,282

### 24.1 Other quoted equity investments

Other quoted equity investments						
As at 31st March	Number of shares  000's	Holding  %	Group		Company	
			2023	2022	2023	2022
			Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>Keells Food Products PLC</b>						
At the beginning of the year	2,573	10.09	134,599	134,599	134,599	134,599
At the end of the year	2,573	10.09	134,599	134,599	134,599	134,599
<b>Market Value</b>						
Keells Food Products PLC			411,711	427,794	411,711	427,794

The market value of quoted investments amounts to Rs. 412 Mn (2022 - 428 Mn).

### 24.2 Other unquoted equity investments

As at 31st March	2023 Number of shares 000's	2022 Number of shares 000's	Group		Company	
			2023	2022	2023	2022
			Rs 000's	Rs 000's	Rs 000's	Rs 000's
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			2,560,777	2,504,694	2,560,777	2,504,694
Remeasurement gain recognised for the year			(329,970)	56,083	(329,970)	56,083
			2,230,808	2,560,777	2,230,808	2,560,777

The Company's shareholding in Waterfront Properties (Pvt) Ltd diluted to 1.96 percent as at 31.03.2023 from 2.65 percent as at end of the last financial year as a result of the direct investment in stated capital of Waterfront Properties (Pvt) Ltd by John Keells Holdings PLC.

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

The unquoted equity investment has been fair valued using the Discounted Cash Flow Method of the investee (WPL). The value per share of WPL as at 31st March 2023 was Rs. 11.64 (2021/22: Rs.13.37).

#### Details of the valuation as at 31st March 2023 are given below;

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

#### Discounted Cash Flow Method

Estimates the fair market value of the entity considering the future cash flow generation of the Company, as of now. Projected cash flows, which are denominated in USD, are discounted at a USD cost of equity, to arrive at the net present value of the investment.

Key assumptions used in the Discounted Cash Flow Method are noted below;

#### Forecast Horizon

Cash flows have been forecasted for 6 years, with the terminal value based on an appropriate terminal growth rate in line with the market.

#### Revenue, EBITDA margins and cash flow projections

Revenue and EBITDA margins have been adjusted for project specific aspects and the margin projections are based on the extrapolation of existing operations in the market and independent market studies, as applicable, and the performance of similar integrated properties regionally. The cash flows are forecasted under a base case scenario, considering all aspects of the integrated resort offering, and assuming a normalised macroeconomic environment.

A minority discount has also been factored in given the Company's shareholding percentage in WPL, which is relatively low on a standalone basis.

#### Discount Rate

The USD discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The USD cost of equity has been updated to reflect the current and expected discount rates, while taking into account the long-term nature of the investment.

### 24.3 Other non equity investments

	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Loans to executives	47,000	25,211	31,086	11,374
Loans given to Tea Sellers	187,635	225,335	187,635	225,335
Deposits with Colombo Stock Exchange	1,000	1,000	-	-
	235,635	251,546	218,721	236,709

### 24.4 Loans to executives

At the beginning of the year	33,381	36,793	14,671	14,172
Loans granted	62,526	5,100	45,050	-
Recoveries/ transfers	(40,855)	(8,512)	(24,953)	499
At the end of the year	55,052	33,381	34,768	14,671
<b>Receivable within one year</b>	8,051	8,170	3,682	3,297
<b>Receivable after one year</b>				
Receivable between one and five years	47,000	25,211	31,086	11,374
	55,051	33,381	34,768	14,671

## 25 INVENTORIES

#### ACCOUNTING POLICY

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

#### Other inventories - at actual cost

	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>INVENTORIES</b>				
Consumables and spares	1,613	1,122	998	712
	1,613	1,122	998	712

# NOTES TO THE FINANCIAL STATEMENTS

## 26 TRADE AND OTHER RECEIVABLES

### ACCOUNTING POLICY

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are on no interest bearing and are generally on the term of 30 to 90 days.

The Group has obtained customer deposits from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset including trade and receivable to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Trade receivables	751,581	838,166	598,626	623,613
Advances and loans given to Tea/Rubber sellers	854,150	702,080	854,150	702,081
Less: allowance for loans and advances given to Tea Sellers	(461,594)	(468,265)	(461,594)	(468,265)
Other receivables	40,250	54,879	470	78
Loans to executives 24.4	8,051	8,170	3,682	3,297
	1,192,438	1,135,030	995,334	860,803

### Significant judgements on advances and loans given to Tea sellers

The measurement of provision for impairment allowance requires judgement, in particular, the amount and timing of future cash flows and collateral values when determining impairment losses. Elements that are considered accounting judgements mainly include the length of business relationship between the Tea Sellers and Company and the global demand and anticipated production of Tea.

## 27 OTHER CURRENT ASSETS

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Prepayments and non cash receivable	36,924	33,979	1,589	1,116
	36,924	33,979	1,589	1,116

## 28 SHORT TERM INVESTMENTS

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Government securities (less than 3 months)	454,327	485,375	-	-
	454,327	485,375	-	-



## 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 in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 29.1 Favourable cash and bank balances

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Cash in hand and at bank	139,692	190,657	78,099	129,375
	139,692	190,657	78,099	129,375

### 29.2 Unfavourable cash and bank balances

Bank overdrafts	84,123	317,975	84,123	307,492
	84,123	317,975	84,123	307,492
Net cash & cash equivalents	55,569	(127,318)	(6,024)	(178,117)

## 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 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.

### 30.1 Stated capital

As at 31st March	2023		2022	
	Number of shares 000's	Value of shares Rs 000's	Number of shares 000's	Value of shares Rs 000's
<b>Fully paid ordinary shares</b>				
At the beginning of the year	60,800	152,000	60,800	152,000
At the end of the year	60,800	152,000	60,800	152,000

### 30.2 Other components of equity

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Fair value reserve of financial assets at FVOCI	581,629	925,825	591,701	935,897
Revaluation reserve	336,217	214,433	-	-
Other Capital reserves	152,769	145,274	88,668	85,320
	1,070,615	1,285,536	680,369	1,021,217

# NOTES TO THE FINANCIAL STATEMENTS

## 31 SHARE BASE 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

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information which are relevant to the John Keells Holdings PLC was used and results were generated using binomial model for ESOP.

The following information were used and results were generated using binomial model for ESOP.

	2023	2022	2021	2020	2019
As at 31st March	Plan no 10 award 3	Plan no 10 award 3	Plan no 10 award 2	Plan no 10 award 1	Plan no 9 award 3
Dividend yield (%)	2.90	3.28	3.87	3.62	3.76
Expected volatility (%)	24.15	22.37	21.35	17.47	17.77
Risk free interest rate (%)	23.10	8.87	6.44	9.83	10.09
Expected life of share options (Years)	5	5	5	5	5
Weighted average share price at the grant date (LKR)	119.85	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	39.95	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (LKR)	121.91	136.64	132.86	136.97	154.10
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2022)	121.91	136.34	132.86	136.97	154.14

As at 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Expense arising from equity-settled share-based payment transactions	8,802	6,993	3,348	2,550
Total expense arising from share-based payment transactions	8,802	6,993	3,348	2,550

#### Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

As at 31st March	Group				Company			
	2023	2023	2022	2022	2023	2023	2022	2022
	No. Rs 000's	WAEP Rs 000's	No. Rs 000's	WAEP Rs 000's	No. Rs 000's	WAEP Rs 000's	No. Rs 000's	WAEP Rs 000's
Outstanding at the beginning of the year	1,098,188	150.71	1,200,334	151.71	410,927	152.53	448,446	152.86
Granted during the year	262,100	126.13	189,700	136.64	92,300	129.62	51,700	136.64
Exercised during the year	-	-	(32,000)	133.76	-	-	-	-
Adjusted - sub division								
Adjusted - warrants								
Lapsed/forfeited during the year	(287,064)	173.25	(259,846)	144.60	(123,542)	173.25	(89,219)	142.83
Transfers in /(out) during the year	8,514	-	-	-	-	-	-	-
Outstanding at the end of the year	1,081,738	138.97	1,098,188	150.71	379,685	140.21	410,927	152.53
Exercisable at the end of the year	613,099	144.93	657,535	158.97	207,360	146.79	264,871	160.15

#### 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 the statement of other comprehensive income statement.

Under the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The Obligation is not externally funded.

As at 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
<b>EMPLOYEE BENEFIT LIABILITIES</b>				
At the beginning of the year	65,791	83,419	32,623	42,091
Current service cost	4,385	5,095	2,524	2,045
Past service cost	-	1,536	-	(367)
Transfers	725	92	725	92
Interest cost on benefit obligation	5,930	3,383	2,936	3,788
Payments	(9,492)	(27,212)	(601)	(15,707)
(Gain)/loss arising from changes in assumptions or due to (over)/under provision in the previous year	553	(304)	(935)	680
At the end of the year	67,892	65,791	37,272	32,622

# NOTES TO THE FINANCIAL STATEMENTS

## 32 EMPLOYEE BENEFIT LIABILITIES (contd.)

### 32.3 The expenses are recognised in the income statement in the following line items;

Cost of Sales	5,902	6,398	4,087	4,359
Administrative Expenses	4,229	3,325	1,189	1,036
Cost reimbursement for shared employees	184	439	184	439
	10,315	10,162	5,460	5,833

The employee benefit liability of listed Company and the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

### 32.4 The principal assumptions used in determining the cost of employee benefits were:

As at 31st March	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Discount rate	19.5%	9.0%	19.5%	9.0%
Future salary increases	15.0%	8.0%	15.0%	8.0%

Retirement Age;

Executive staff and sales representatives as of 17th November 2021, employees who have attained the age of;

	Group		Company	
	2023	2022	2023	2022
Less than 52 years	60 years	60 years	60 years	60 years
53 years	59 years	59 years	59 years	59 years
54 years	58 years	58 years	58 years	58 years
55 years	57 years	57 years	57 years	57 years

The Management tested several scenario based calculations on possible changes of the assumptions due to the prevailing macro-economic conditions. Based on those calculations, the management has concluded that there is no material impact to retirement benefit obligations liability of the Group and the Company.

### 32.5 Sensitivity of assumptions used

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

As at 31st March	Group				Company			
	Discount rate		Salary increment		Discount rate		Salary increment	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Effect on the defined benefit obligation liability								
Increase by one percentage point	(2,402)	(2,999)	2,822	3,139	(1,264)	(1,423)	1,449	1,269
Decrease by one percentage point	2,589	3,076	(2,654)	(3,098)	1,357	1,335	(1,369)	(1,377)

### 32.6 Maturity analysis of the payments

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

	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Future Working Life Time	Defined Benefit Obligation	Defined Benefit Obligation	Defined Benefit Obligation	Defined Benefit Obligation
Within the next 12 months	10,375	7,641	6,855	5,100
Between 1-2 years	22,195	25,695	11,243	10,528
Between 2-5 years	16,943	13,859	9,346	8,178
Between 5-10 years	10,990	10,426	7,783	6,928
Beyond 10 years	7,388	8,170	2,045	1,888
Total	67,891	65,791	37,272	32,622

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.20 years for the Company (2022 - 4.39 years)

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.73 years for John Keells Stock Brokers (Pvt) Ltd (2022 - 5.12 years)

The average duration of the defined benefit plan obligation at the end of the reporting period is 1.47 years for John Keells Warehousing (Pvt) Ltd (2022 - 15.68 years)

### 32.7 Other long term employee benefits

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
At the beginning of the year	11,625	8,862	11,625	8,862
Current service cost	(11,625)	2,762	(11,625)	2,762
At the end of the year	-	11,625	-	11,625

A new Long-Term Incentive Plan (LTI) has been launched in 2018/19 for senior employees of the Group. The overall incentive was to be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five-year strategic plan in place.

The liability recognised in respect of other long term employee benefits are measured as the present value of the estimated future cash outflows expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date.

The management has decided to cease the LTI plan due to failure in achieving overall key performance indicators linked to the five-year strategic plan. Therefore, the total provision has been reversed in the current financial year.

### 32.8 Employee benefit liabilities

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Employee defined benefit plan - gratuity (note 32.2)	67,892	65,791	37,272	32,622
Other long term employee benefits (note 32.7)	-	11,625	-	11,625
At the end of the year	67,892	77,416	37,272	44,247

# NOTES TO THE FINANCIAL STATEMENTS

## 33 TRADE AND OTHER PAYABLES

### ACCOUNTING POLICY

Trade payables are the aggregate amount of obligations to pay for goods and services, that have been acquired in the ordinary course of business.

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
Trade payables	1,127,656	1,067,049	756,271	633,790
Sundry creditors including accrued expenses	74,318	65,970	41,455	29,335
	1,201,974	1,133,019	797,726	663,126

Trade and other payables are normally non - interest bearing and settled within one year.

## 34 OTHER CURRENT LIABILITIES

### ACCOUNTING POLICY

Group classifies all non financial current liabilities under other current liabilities.

These include non refundable deposits and other tax payables. These liabilities are recorded at amounts expected to be set off at the reporting date.

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>OTHER CURRENT LIABILITIES</b>				
Other tax payables	32,929	3,865	31,607	2,690
	32,929	3,865	31,607	2,690

## 35 RELATED PARTY TRANSACTIONS

### Terms and conditions of transactions with related parties.

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

### Non - recurrent related party transactions

There were no non -recurrent related party transactions which in aggregate value exceeds 10 percent of equity or 5 percent of total assets which ever is lower of the Company as per 31st March 2023 audited financial statements, which required additional disclosure in the 2022/2023 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c ) of the Securities and Exchange Commission Act.

### Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10 percent of the consolidated revenue of the Group as per 31st March 2023 audited financial statements, which required additional disclosure in the 2022/2023 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c ) of the Securities and Exchange Commission Act.

### 35.1 Amounts due from related parties

	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
Ultimate parent	1,304	3,545	1,304	3,545
Parent	7,115	-	-	-
Companies under common control	2,486	1,792	2,486	1,190
Key management personnel	-	1,614	-	-
Close family members of KMP	-	-	-	-
	10,905	6,951	3,790	4,735

### 35.2 Amounts due to related parties

Ultimate parent	2,919	1,468	2,588	870
Parent	269	-	-	-
Companies under common control	11,547	6,379	10,985	6,249
Key management personnel	33,905	1,188	-	-
Close family members of KMP	-	-	-	-
	48,640	9,035	13,573	7,119

### 35.3 Transactions with related parties

	Group		Company	
	2023	2022	2023	2022
	Rs 000's	Rs 000's	Rs 000's	Rs 000's
For the year ended 31st March				
<b>Ultimate Parent - John Keells Holdings PLC</b>				
Receiving of services for which fees are paid	39,927	33,923	21,786	18,343
Providing of services for which fees are received	-	-	-	-
<b>Companies under common control</b>				
Purchase of goods for a fee	925	2,180	705	439
Receiving of services for which fees are paid	33,857	27,821	31,673	7,920
Lending money for which interest is received	30,981	16,586	-	-
Renting of office space for which rent is received	(3,279)	(3,300)	(1,770)	(1,720)
Providing of services for which fees are received	(44,683)	(28,567)	(44,078)	(21,210)
Subsidiaries				
Renting of stores space for which rent is paid	-	-	6,334	6,001

### 35.4 Key management personnel

Short term employee benefits	6,405	6,000	6,405	6,000
Share based payments	-	-	-	-
Brokerage commission earned on share transactions	7,103	7,642	-	-

# NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Group		Company	
	2023 Rs 000's	2022 Rs 000's	2023 Rs 000's	2022 Rs 000's
<b>35.5 Close family members of KMP</b>				
(Receiving) / rendering of services	-	322	-	-
<b>Companies controlled / jointly controlled / significantly Influenced by KMP and their close family members</b>	-	-	-	-
(Purchases) / Sales of goods	-	-	-	-
<b>35.6 Post employment benefit plan</b>				
Contributions to the provident fund	11,993	11,814	11,993	11,814

Key management personnel include members of the Board of Directors of John Keells PLC, its parent John Keells Holdings PLC and their subsidiary companies.

## 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 does not have any capital commitments as at the reporting date.

### 36.2 Financial commitments

The Company does not have any financial commitments as at the reporting date.

### 36.3 Contingencies

There are no significant contingent liabilities as at the reporting date.

### 36.4 Assets pledged

There are no assets pledged as security against borrowings as at 31st March 2023.

## 37 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.



# 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 2023 have been submitted to the Colombo Stock Exchange.

Stock Symbol - JKL.N0000

ISIN - LK0093N00001

## 2. Distribution of Shareholdings

No. of Shares held	31st March 2023				31st March 2022			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
less than 1,000	1,076	72.12	198,742	0.33	1,047	71.18	200,673	0.33
1,001 - 10,000	299	20.04	1,139,010	1.87	309	21.01	1,220,589	2.01
10,001 - 100,000	98	6.57	2,748,966	4.52	96	6.53	2,728,227	4.49
100,001-1,000,000	18	1.21	3,878,498	6.38	18	1.22	3,815,727	6.28
1,000,001 and over	1	0.07	52,834,784	86.90	1	0.07	52,834,784	86.9
<b>Total</b>	<b>1,492</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>	<b>1,471</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>

## 3. Analysis of Shareholders

Categories of	31st March 2023				31st March 2022			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Individuals	1,414	94.77	5,465,777	8.99	1,380	93.81	5,513,327	9.07
Institutions	78	5.23	55,334,223	91.01	91	6.19	55,286,673	90.93
<b>Total</b>	<b>1,492</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>	<b>1,471</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>
Residents	1,478	99.06	60,520,074	99.54	1,458	99.12	60,522,679	99.54
Non-residents	14	0.94	279,926	0.46	13	0.88	277,321	0.46
<b>Total</b>	<b>1,492</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>	<b>1,471</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>
John Keells Holdings and subsidiaries	1	0.07	52,834,784	86.90	1	0.07	52,834,784	86.90
Public	1,491	99.93	7,965,216	13.10	1,470	99.93	7,965,216	13.10
<b>Total</b>	<b>1,492</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>	<b>1,471</b>	<b>100.00</b>	<b>60,800,000</b>	<b>100.00</b>

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

## 4. Public Shareholdings

As at 31st March	2022/2023	2021/2022
Number of Public Shareholders	1,491	1,470
Public Holding Percentage	13.10	13.10
The Float Adjusted Market Capitalization – Rs Billion	0.55	0.55

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 2023, the public holding of the Company stood at 13.10 percent surpassing the minimum requirement of 10 percent, under the relevant option.

# INFORMATION TO SHAREHOLDERS AND INVESTORS

## 5. Share Performance at Colombo Stock Exchange

	2022/2023	2021/2022
Highest market price	85.00	80.50
Lowest market price	55.10	61.00
Closing price as at 31st of March	68.80	68.50

## 6. Twenty Largest Shareholders

Name of Shareholders	31st March 2023		31st March 2022	
	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.Soyso & Mrs. G. Soysa	625,611	1.03	625,611	1.03
3 People's Leasing & Finance PLC/Dr.H.S.D. Soysa & Mrs.G. Soysa	429,214	0.71	384,552	0.63
4 People's Leasing & Finance PLC/L.P. Hapangama	397,749	0.65	380,840	0.63
5 Bank Of Ceylon No. 1 Account	250,200	0.41	250,200	0.41
6 Mrs. H.G.S. Ansell & Mrs. A.P. Ansell	240,000	0.39	240,000	0.39
7 Est Of Late M. Radhakrishnan (Deceased)	232,800	0.38	232,800	0.38
8 Mrs. M.L. De Silva	207,872	0.34	207,872	0.34
9 Mr. A.M. Weerasinghe	179,792	0.30	179,792	0.30
10 Catholic Bishops Conference In Sri Lanka	171,416	0.28	171,416	0.28
11 Employees Trust Fund Board	169,988	0.28	169,988	0.28
12 People's Leasing & Finance PLC/L.H.L.M.P. Haradasa	157,041	0.26	157,041	0.26
13 Miss N.S. De Mel	137,115	0.23	137,115	0.23
14 Mrs. N. Tirimanne	133,580	0.22	133,580	0.22
15 Sisira Investors Limited	114,272	0.19	114,272	0.19
16 Colombo Fort Investments PLC	114,000	0.19	112,800	0.19
17 Mr. A.J.M. Jinadasa	110,000	0.18	110,000	0.18
18 Mrs. G. Soysa & Dr. H.S.D. Soysa	105,000	0.17	105,000	0.17
19 Colombo Investment Trust PLC	102,848	0.17	102,848	0.17
20 Mr. H.P.N. Soysa & Mrs. S.N. Jayewardene	100,000	0.16	100,000	0.16
	56,813,282	93.44	56,750,511	93.34

## 7. Market Information on Ordinary Shares of the Company's

	2022/2023	Q4	Q3	Q2	Q1	2021/2022
<b>Share Information</b>						
High	85.00	71.20	74.00	85.00	74.90	80.50
Low	55.10	62.10	62.00	55.10	62.00	61.00
Close	68.80	68.80	65.10	73.00	63.70	68.50
<b>Trading Statistics of John Keells PLC</b>						
Number of transactions	1,119	292	228	428	171	2,533
Number of Shares traded	234,693	50,655	55,896	87,034	41,108	1,039,978
Value of the Shares traded (Rs. Mn)	15.46	3.38	3.64	5.73	2.71	72.54
Market Capitalisation (Rs. Mn)	4,183	4,183	3,958	4,438	3,873	4,164.80

# KEY RATIOS & INFORMATION

	Group					Company				
For the year ended 31st March	2023	2022	2021	2020	2019	2023	2022	2021	2020	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	Rs.000's	Rs.000's
<b>KEY INDICATORS</b>										
<b>(A) Profitability &amp; Return to Shareholders</b>										
Annual Turnover Growth (%)	8.29	14.24	27.91	(22.28)	4.24	82.92	0.22	(16.02)	(21.16)	3.21
Net Profit Ratio (%)	30.21	28.12	34.34	(30.03)	24.30	49.06	45.39	50.43	(38.73)	37.11
Earnings per share (Rs.) *	5.03	3.78	4.18	(3.09)	3.32	5.25	2.65	2.94	(2.69)	3.27
Returns on Shareholders' Funds (%)	7.29	6.29	7.18	(4.92)	5.35	8.69	4.31	5.01	(4.75)	5.30
Return on Capital Employed (%)	12.55	8.81	8.80	(1.32)	7.92	14.05	5.80	6.39	(0.73)	7.79
Dividend per share (Rs.)*	2.95	2.29	1.00	2.00	2.30	2.95	2.29	1.00	2.00	2.30
Debt Equity Ratio (%)	2.02	7.44	7.74	17.82	27.98	2.37	8.12	7.96	18.98	30.23
<b>(B) Liquidity</b>										
Current Ratio (No. of Times)	1.26	1.23	1.03	1.14	1.22	1.08	0.99	0.91	0.91	1.12
Interest Cover (No. of Times)	14.04	12.77	11.48	(0.60)	3.48	13.47	7.41	7.52	(0.31)	3.19
<b>(C) Investor Ratio</b>										
Net Assets per share at year end (Rs.)*	68.50	71.13	68.04	62.29	67.58	58.46	62.27	60.88	56.59	61.75
Price Earning Ratio (Times)*	13.68	18.14	16.74	(13.92)	14.46	13.11	25.81	23.81	(15.99)	14.68
Enterprise Value (Rs. 000's)	4,692,936	4,518,887	4,489,418	2,251,544	2,219,044	4,177,016	3,982,713	4,010,808	2,021,857	1,961,643
Dividends (Rs. 000's)	179,360	139,232	60,800	121,600	139,840	179,360	139,232	60,800	121,600	139,840
Dividend Cover (Times)*	1.73	1.91	4.68	(1.60)	1.45	2.64	1.16	2.94	(1.34)	1.42
<b>(D) Share Valuation</b>										
Market price per share (Rs.)	68.80	68.50	70.00	43.00	48.00	68.80	68.50	70.00	43.00	48.00
Market Capitalisation (Rs. 000's)	4,183,040	4,164,800	4,256,000	2,614,400	2,918,400	4,183,040	4,164,800	4,256,000	2,614,400	2,918,400
<b>(E) Other Information</b>										
Number of Employees**	76	76	70	78	81	49	50	44	49	54
Turnover per employee (Rs.000's)	13,481	12,450	11,832	8,301	10,285	13,269	7,109	8,061	8,619	9,920
Value Added per Employee (Rs. 000's)	15,628	13,823	12,749	9,156	12,103	15,356	8,231	9,006	9,424	11,813

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 2023.

\*\* Excluding contract Employees

# FIVE YEAR SUMMARY

For the year ended 31st March	Group				
	2023 Rs 000's	2022 Rs.000's	2021 Rs.000's	2020 Rs.000's	2019 Rs.000's
<b>OPERATING RESULTS</b>					
Gross Revenue	1,024,588	946,167	828,218	647,492	833,119
Operating Profit/(loss)	360,275	301,979	328,381	(125,781)	269,043
Other Income	9,947	3,198	2,094	1,456	493
Dividend Income	-	-	-	-	-
Changes in Fair Value of Investment Property	60,270	30,195	15,085	15,100	75,500
Finance Charges	(37,989)	(32,074)	(34,217)	(97,806)	(119,439)
Finance Income	102,341	63,264	45,897	47,200	51,770
Share of Results of Associate	548	10,896	1,292	2,915	19,433
Profit before Taxation	495,392	377,457	358,532	(156,916)	296,800
Taxation based thereon	(185,895)	(111,373)	(74,149)	(37,521)	(94,345)
Profit after Taxation	309,497	266,084	284,383	(194,437)	202,455
Non-controlling interests	(3,647)	(36,507)	(30,198)	6,643	(667)
Profit/(loss) attributable to John Keells PLC	305,850	229,577	254,185	(187,794)	201,788
<b>CAPITAL EMPLOYED</b>					
Stated Capital	152,000	152,000	152,000	152,000	152,000
Revenue Reserves	2,942,215	2,887,468	2,797,294	2,606,225	2,910,954
Other components of equity	1,070,615	1,285,536	1,187,410	1,028,893	1,045,869
	4,164,830	4,325,004	4,136,704	3,787,118	4,108,823
Non-controlling interests	60,105	76,589	57,022	37,690	42,591
Total Equity	4,224,935	4,401,593	4,193,726	3,824,808	4,151,414
Total Debt	-	-	-	-	-
	4,224,935	4,401,593	4,193,726	3,824,808	4,151,414
<b>ASSETS EMPLOYED</b>					
Current Assets	1,835,899	1,853,114	7,686,528	962,099	2,241,507
Current Liabilities	(1,453,910)	(1,503,217)	(7,479,916)	(842,604)	(1,843,101)
Net Current Assets/(Liabilities)	381,989	349,897	206,614	119,495	398,406
Fixed Assets and Investments	4,129,731	4,226,326	4,161,752	3,878,969	3,928,413
Long Term Liabilities	-	-	-	-	-
Non-current liabilities	(286,785)	(174,630)	(174,640)	(173,656)	(175,405)
	4,224,935	4,401,593	4,193,726	3,824,808	4,151,414
<b>CASH FLOW</b>					
Net cash flows from / (used in) operating activities	362,883	286,108	660,629	453,797	(317,924)
Net cash flows from / (used in) investing activities	(15,717)	(8,206)	8,445	4,303	1,322
Net cash flows from / (used in) financing activities	(195,330)	(163,262)	(62,800)	(121,600)	(139,840)
Net increase / (decrease) in cash and cash equivalents	151,836	114,640	606,274	336,500	(456,442)



# 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 non-controlling interests and debt including lease liabilities.

## CONTINGENT LIABILITIES

A condition or situation existing at the Balance Sheet date due to past events, where the financial effect is not recognized because:

- ▶ The obligation is crystallized by the occurrence or non-occurrence of one or more future events or,
- ▶ A probable outflow of economic resources is not expected or,
- ▶ It is unable to be measured with sufficient reliability

## CURRENT RATIO

Current assets divided by current liabilities.

## DEBT/EQUITY RATIO

Debt as a percentage of Shareholders' Funds

## 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 (diluted) at the end of the period.

## EARNINGS PER SHARE (EPS)

Profit after Tax attributable to ordinary shareholding over weighted average number 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

Consolidated profit before interest and tax over interest expense.

## MARKET CAPITALISATION

Number of Shares in issue at the end of the period multiplied by the market price at end of period.

## NET ASSETS

Total assets minus current liabilities, long-term liabilities, and non-controlling interests.

## NET ASSET PER SHARE

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

## NET DEBT

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 attributable to shareholders as a percentage of average shareholders' funds.

## RETURN ON CAPITAL EMPLOYED

EBIT as a percentage of average 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 to finance the day-to-day operations (Current Assets minus Current Liabilities)

# NOTICE OF MEETING

Notice is hereby given that the Seventy Sixth Annual General Meeting (AGM) of John Keells PLC will be held as a virtual meeting on 29th June 2023 at 10:00 a.m.

The business to be brought before the Meeting will be to:

1. read the Notice Convening the Meeting.
2. receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2023 with the Report of the Auditors thereon.
3. to re-elect as Director, Mr. J. G. A. Cooray who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. J. G. A. Cooray is contained in the Board of Directors Section on page 52 of the Annual Report.
4. to re-elect as Director, Ms. K. D. Weerasinghe who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Ms. K. D. Weerasinghe is contained in the Board of Directors section on page 52 of the Annual Report.
5. re-appoint the Auditors and to authorise the Directors to determine their remuneration.
6. consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report of John Keells PLC for 2022/2023, is available on the:

(1) Corporate Website – <https://www.johnkeellstea.com>

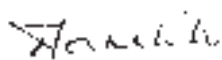
(2) The Colombo Stock Exchange – <https://www.cse.lk>

For clarifications on how to download and/ or access the Annual Report and Financial Statements, please contact Amjed Kaleel on +94 11 70 653 4280 during normal office hours (8.30 a.m. to 4.30 p.m.) or email [investor.relations@keells.com](mailto:investor.relations@keells.com).

Should Members wish to obtain a hard copy of the Annual Report, they may send a written request to the registered office of the Company or fax to 011- 2446223 by filling in the request form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

By Order of the Board

**JOHN KEELLS PLC**



Keells Consultants (Private) Limited  
Secretary

22 May 2023

# NOTICE OF MEETING

## Notes:

- i. A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/ her place.
- ii. A Proxy need not be a member of the Company.
- iii. A Member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed herein.
- iv. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy
- v. In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company or forwarded to the email address: [keellsconsultants@keells.com](mailto:keellsconsultants@keells.com) or Fax No.011 2439037 not less than 48 hours before the meeting.
- vi. A vote can be taken on a show of hands or by a poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual member and his/her proxy holder are both present at the meeting, only the member's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.
- vii. Instructions as to attending the virtual meeting are attached.



# FORM OF PROXY

I/We ..... of  
..... being a Member/Members of John Keells PLC hereby appoint  
.....  
of ..... or, failing him/her

Mr. Krishan Niraj Jayasekara Balendra	or, failing him
Mr. Joseph Gihan Adisha Cooray	or, failing him
Mr. Ahamed Zafir Hashim	or, failing him
Ms. Kamini Devika Weerasinghe	or, failing her
Ms. Anandhiy Krisnajiina Gunawardhana	or, failing her
Mr. Charitha Nissanka Wijewardane	or, failing him Ms. Bodiabaduge Arundathi Indira Rajakarier

as my/our proxy to represent me/us and vote on my/our behalf at the Seventy Sixth Annual General Meeting of the Company to be held on Thursday, 29th June 2023 at 10.00 a.m. and at any adjournment thereof, and at every poll which may be taken on consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as a Director, Mr. J. G. A. Cooray, who retires in terms of Article 83 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as a Director, Ms. K. D. Weerasinghe, who retires in terms of Article 83 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint the Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two Thousand and Twenty Three.

Signature/s of Shareholder/s

NOTE: INSTRUCTIONS AS TO THE COMPLETION OF THIS FORM OF PROXY ARE NOTED ON THE REVERSE.

# FORM OF PROXY

## INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 or forwarded to the email address: keellsconsultants@keells.com or Fax No.011 2439037, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : .....

Address : .....

.....

.....

Jointly with : .....

Share Folio No. : .....

# CORPORATE INFORMATION

**Name of Company**

John Keells PLC

**Company Registration Number**

PQ 11

**Name of Subsidiaries**

John Keells Stock Brokers (Pvt) Limited

John Keells Warehousing (Pvt) Limited

**Name of Associate Company**

Keells Realtors Limited

**Legal Form:**

Public Limited Liability Company listed on  
the Colombo Stock Exchange  
(Incorporated in Sri Lanka in 1960)

**Registered Office:**

No. 117,  
Sir Chittampalam A. Gardiner Mawatha  
Colombo 2, Sri Lanka  
Tel: 0094 11 2306000  
Telefax: 0094 11 2342456  
E-mail: jkl@keells.com

**Business Address:**

No. 186, Vauxhall Street,  
Colombo 2.

**Directors**

Mr. K N J Balendra  
Mr. J G A Cooray  
Mr. A Z Hashim  
Ms. K D Weerasinghe  
Ms. B A I Rajakarier  
Mr. C N Wijewardane  
Ms. 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



**John Keells PLC**

No. 117, Sir Chittampalam A. Gardiner Mawatha  
Colombo 2, Sri Lanka  
Tel: 0112306000  
[jkl@keells.com](mailto:jkl@keells.com)