

Business Today TOP 30 2018-2019



BUSINESS TODAY **TOP 30** **2019-2020**

1 Commercial Bank of Ceylon 27.600

2 LOLC Holdings 26.950

3 Hatton National Bank 26.550

4 Sampath Bank 25.500

5 Dialog Axiata 24.750

6 Ceylinco Insurance 23.950

7 John Keells Holdings 23.450

8 Sri Lanka Telecom 21.050

- 9 National Development Bank 19.100
- 10 Melstacorp 17.500
- 11 Vallibel One 17.100
- 12 Overseas Realty 16.450
- 13 Nestlé Lanka 16.300
- 14 Central Finance Company 16.200
- 15 Nations Trust Bank 16.050
- 16 Seylan Bank 15.650
- 17 CT Holdings 13.900
- 18 People's Leasing and Finance 13.700
- 19 Hayleys 11.400
- 20 DFCC Bank 11.100
- 21 Teejay Lanka 10.900
- 22 Chevron Lubricants Lanka 10.850
- 23 Tokyo Cement 9.350
- 24 Citizens Development Business Finance 7.700
- 25 Commercial Credit and Finance 7.650
- 26 Dilmah Ceylon Tea Company 7.300
- 27 Hemas Holdings 7.050
- 28 Richard Pieris and Company 6.300
- 29 Pan Asia Banking Corporation 5.850
- 30 First Capital Holdings 4.400

Corporate Performance in a Challenging Environment

The financial year 2019-2020 can be considered as one of the most challenging periods for corporate Sri Lanka with the companies being selected for their performance during the financial year 2019-2020. The main factors that impacted the performance of the economy was political instability and insecurity that hindered growth. The country and corporate sector have weathered many storms in the past, therefore, in this uncertain environment corporate Sri Lanka forged ahead.

The beginning of 2019 saw promise with the economy gradually gathering momentum. A vibrant tourism season was expected with visitors arriving in Sri Lanka during months that were traditionally considered 'off season' as well. Destinations such as Arugambay started to see an influx of visitors from all over the world. However, with the Easter Sunday attack the entire country and the economic machinery came to a standstill. The tourism and hospitality industries were deeply affected.

Political fault lines were further exacerbated and vulnerabilities in the economy became more apparent. The resultant instability caused an economic slowdown. It is in such an environment that corporate Sri Lanka had to perform, continuously realigning and re-adjusting their strategies. Businesses were affected drastically and banks and financial institutions were instructed to provide moratoriums and debt relief to customers. This affected the bottom line of the companies in this sector. Furthermore, the leisure, hospitality, tourism and entertainment sectors were severely affected as tourist arrivals were low and the domestic market too were cautious in their spending. Yet, Melstacorp, headed by the dynamic business leader Harry Jayawardena, was able to retain its position in the Business Today TOP 30 2019-2020 even though its main Leisure Sector was severely hampered by the instability of the environment.

The uncertainty and the slowdown of the economy that was faced in Sri Lanka during the first half of 2019 improved towards the latter part of the year. Tourism showed a positive increase with greater vitality in performance in the hospitality and leisure sectors. Export as well as other industries showed growth and promise. Confidence grew with the victory of President Gotabaya Rajapaksa and a

sense of stability was felt in economic, political and social spheres. Through his manifesto 'Saubagyaye Dekma', key areas were identified for development, which would enable economic growth. Furthermore, importance was yet again given to National Security, thus enabling a conducive environment for development.

With Prime Minister Mahinda Rajapaksa heading the Government, it provided the much needed confidence to the people that the country would begin to see development and greater economic activity as it had done during the period of 2005-2014. As the Sri Lanka Podujana Peramuna under the direction and guidance of Basil Rajapaksa gathered popularity, and enabled for the first time in the history of the country a resounding majority in Parliament. Having Basil Rajapaksa to spearhead economic activity also provided the much needed stability and confidence to the people.

The Business Today TOP 30 2018-2019 was held in January 2020 under the patronage of Prime Minister Mahinda Rajapaksa and former Minister Basil Rajapaksa was a Special Guest on this occasion. The event reaffirmed the positive sentiments of the country and the private sector on the return of a Rajapaksa led Government.

With the Sri Lanka Podujana Peramuna winning the Parliamentary elections with a resounding majority providing the much needed stability in the legislature that transcended to the economy as well. Furthermore, with the passing of the 20th Amendment in Parliament with a historical 2/3 majority enabled a strong footing for the Government and the Executive thereby providing the ability to make strong decisions on behalf of the country to ensure stability and security in all spheres.

While initially Sri Lanka was not affected as much as the other countries globally by the COVID-19 pandemic, it gradually started to take its toll. The country faced a lockdown and emerged successfully in curtailing the spread of the virus, however, a second wave of the pandemic has hit the country with new clusters emerging. We are confident that the country will be able to overcome the spread of the virus and bring back a sense of normalcy to Sri Lanka.

Corporate Sri Lanka has weathered many storms. And, during a period of a global pandemic they have continued to function and perform albeit in a limited manner, showing their resilience and positive attitude. The Banking sector continued to

perform giving a sense of financial stability to the country. Large conglomerates with established businesses in diversified sectors adjusted and re-aligned their strategies so that there would be continuous growth, and thereby stability of the organizations were ensured.

Business Today TOP 30 2019-2020 sees movements in the ranking with seasoned players securing a position in the ranking as well as the entrance of companies for the first time into the list. In a challenging environment such as today, it is indeed encouraging to see new players making their mark in the corporate world. Commercial Bank of Ceylon secures the number one position after 19 years, having previously held the number one position for the financial year 2000/2001. The Bank has continuously been in the Business Today TOP Corporate ranking at various positions over the years maintaining its consistency in performance as the the largest private sector bank in Sri Lanka. The strength, aptitude and experience of Dharma Dheerasinghe, Chairman and the astute and forward thinking leadership of S Renganathan, CEO have driven Commercial Bank of Ceylon to greater heights with considerable growth.

Sri Lanka Telecom, ranks at number eight in the Business Today TOP 30 2019-2020 having climbed up the ranking from 15 last year. The telecommunication giant of Sri Lanka is seeing a dynamic attitude in leadership where new thinking and innovation have provided impetus for the Group to grow under the visionary thinking of Rohan Fernando, Chairman and Lalith Seneviratne, Group CEO.

Merrill J Fernando, Founder/Chairman of Dilmah Ceylon Tea Company, completed 70 years in the Ceylon Tea industry and also celebrated his 90th birthday. His fighting spirit has always ensured that the country's interests are protected. Merrill J Fernando believes that in business it is also essential to help others. Therefore, through Merrill J Fernando Charitable Foundation many people are supported and given a second chance in life.

Overseas Realty entered the Business Today TOP 30 for the first time at number 12. In a fluctuating property market, Overseas Realty was able to secure higher earnings on its rentals. Tokyo Cement re-entered the Business Today TOP 30 at number 23. It is always encouraging when companies perform well to re-enter the rankings. Tokyo Cement not only recorded a profitable year, but they also consolidated their position as the largest cement manufacturer in Sri Lanka, both

in capacity and market share. First Capital Holdings entered the Business Today TOP 30 for the first time at number 30.

The 'new normal' has taught many lessons and we continue to learn as the situation evolves. Innovation and new thinking are a must for an organization to grow. As the external environment changes the private sector should adapt and evolve. They should also be proactive and be prepared because the world is unpredictable. This should be the approach of the Government as well. Action must be taken not as a reaction but in preparedness.

Due to the pandemic situation Business Today may be required to revise its criteria when performing the analysis for the financial year 2020-2021. It is our hope that Sri Lanka will be soon able to, as it did so successfully before, manage and curtail the spread of the COVID-19 pandemic so that the country's economy would continue to grow enabling stability and security for all.

The Business Today TOP 30 is based on published information of companies listed in the Colombo Stock Exchange and social considerations. The companies have been selected on the basis of their performance recorded during the financial year ending December 31, 2019 and March 31, 2020 with the assistance of KPMG Sri Lanka.

1. Commercial Bank of Ceylon



Board Of Directors

S Renganathan (Managing Director/CEO)

1 K G D D Dheerasinghe (Chairman)

2 M P Jayawardena

3 K Sripavan

4 T L B Hurulle

5 L D Niyangoda

6 S C U Manatunge

7 S Swarnajothi

8 K Dharmasiri

9 Prof A K W Jayawardane

10 N T M S Cooray

A challenging year

There is no getting around it: 2019 was a difficult year for the Bank, as it was for the entire country. The fallout from the 21/4 Easter Sunday attacks compounded an already vulnerable macroeconomic situation, and a large measure of the Bank's resources and attention were directed towards recovery and consolidation. In the context of depressed economic growth, an unfavourable credit environment, escalating non-performing assets, and the rising impairment charges, the Bank registered a marginally lower profitability than the previous year. The Bank's profit after all taxes for the year was Rs 17.025 Bn, as against Rs 17.544 Bn in 2018.

The Commercial Bank Group ended 2019 with two performance milestones. Deposits surpassed Rupees One Trillion mark and gross income exceeded Rs 150 Bn. A detailed analysis of our performance is given in the Financial Review.

Prudence in the face of adversity

As the Bank approached its centennial, we drew confidence from our history of sustained performance through the waxing and waning of Sri Lanka's economic fortunes. The Bank has maintained, for the entirety of its tenure, an impeccable reputation for compliance, a reputation that is hardwon and well-deserved. Following this ethos in 2019, the Bank held fast to its fundamentals: a disciplined

and focused approach to growth while conforming to best in class risk management and corporate governance practices, as well as the sector's broader regulatory framework. Our commitment to a prudent approach goes above and beyond nominal adherence to the myriad compliance requirements or accounting standards. For us, prudence means ending the precise balance between maximizing revenue and profitability in the present without undermining the Bank's capacity to deliver value to all its stakeholders in the medium to longterm. This balance was felt important during meagre times, when the imperatives and pressures of the moment can cloud a judicious, futureoriented vision. In this respect, our funding, liquidity, and financial capital management played a crucial role. This year, in an environment inhospitable to credit expansion, the Bank strategically invested excess liquidity in both LKR and FCY Government Securities. Similarly, the modest increase in Risk Weighted Assets meant that the Bank was able to efficiently manage its capital to facilitate the expected growth rebound in 2020. Our capital adequacy ratios were once again well in excess of regulatory minimums. Adopting this prudent approach is precisely what has allowed the Bank to deliver value year-over-year and earn the trust of over 3.5 million customers as Sri Lanka's largest private sector bank with the highest market capitalization in the Bank, Finance and Insurance sector. As testament to our efforts during difficult times, our team was encouraged to receive the recognition of being best bank in Sri Lanka for 2019 by both 'Global Finance' and 'The Banker', redirecting a broad consensus of our position at the summit of the country's financial landscape.

Renewing our social license

As a Domestic Systemically Important Bank (D-SIB), the Bank has a responsibility to promote the safety, soundness, and stability of the financial system of the country. Moreover, as an institution entrusted with the fiduciary duty of accepting and deploying vast sums of uncollateralized public funds, the Bank understands that its sustainability rests on the ongoing acceptance and approval of our business by all the stakeholders. We believe that this 'social license to operate', unlike regulatory licenses, cannot be applied for or self-awarded, but must be earned and constantly renewed by demonstrating the Bank's commitment to ensuring productive outcomes for the society and the environment at large. The Bank, as a selfcontained institution, has a relatively limited environmental footprint; but, as a financial intermediary with a wide national reach, has a crucial

role to play as an influencer and driver of sustainability. A thorough assessment was conducted to align our core business with the UN SDGs and strengthened our partnerships with private, public, nongovernmental, governmental and international organizations, to drive our green banking programs in view of our goal of increasing the green funded portfolio to 5% of the Bank's total loan book by 2030. A concerted effort was also made to adopt our Social and Environmental Management System (SEMS) framework throughout our operations. Without limiting the evaluation to credit facilities above Rs 100 million, this year, we broadened our scope to inculcate a SEMS perspective in all our lending activities. This was especially important in our efforts at targeting SMEs, micro enterprises, and women entrepreneurs as distinct customer segments with specific banking needs.

The power of digital

While our growth efforts this year were curtailed, we forged ahead with our digital strategy, creating an infrastructure that will help facilitate our growth in future. Digital innovations are transforming economies and financial ecosystems. Customers are demanding banking that is simple, functional, reliable, and seamless. New opportunities for business growth abound – as do new risks to data security and compliance, among others. To harness the power of new technologies, during 2019, the Bank adopted a strategy of viewing digital innovation as a Transformation Change Agent – a catalyst that will redefine the relationship between the two stakeholders that are at the heart of our business model: our customers and employees. Aimed at making a tangible difference in the lives of our customers, this year, we adopted a focused approach to driving our digital adoption initiatives and are extremely well positioned to cross 30% digital penetration by mid 2020. While the year's economic challenges derailed our efforts at implementing our new customized banking platform, Combank Digital, before the end of the year, we hope to launch it by March 2020. Notably, our Flash Digital Banking App showed encouraging growth during 2019 following our rollout of the Sinhala and the Tamil versions of the App, making it Sri Lanka's first trilingual mobile digital banking platform. It enables customer onboarding to financial planning and all other services required by a retail customer and represents the unique and imaginative possibilities of digital innovation. On the surface, the presentation and full digital banking functionality of the App is designed to appeal to Generation Y and Z customers. Precisely because of its

functionality, it is a powerful tool for

providing immediate banking services to other under-banked and unbanked segments of the market, and for promoting financial inclusion and digital adoption throughout Sri Lanka.

Helping us help our customers

The technological improvements during 2019 to our internal operations – largely unseen by the customer – are just as important as a change agent. We conceptualize this approach as helping us help our customers, i.e. centralizing, digitizing, and automating our backoffice operations to allow us to redeploy staff and resources towards sales and Customer Relationship Management. One of the most important initiatives this year was enhancing the SME value proposition by realigning SME sales strategy and centralization of credit evaluation and approval process with the assistance of a global consultancy firm, deploying dedicated SME officers in branches and serving SME customers at their doorstep. Business process re-engineering in our imports and exports divisions and the card center, introducing Robotic Process Automation (RPA) for a variety of functions, standardizing service proposition across the branch network were among a host of other initiatives. In this respect, we view enhancing productivity and profitability and supporting employee well-being as symbiotic goals. New digital improvements boost the Bank's operational efficiency while enhancing the working experience of employees by delegating repetitive, mundane tasks to RPAs and making work flows more streamlined and intuitive. This, in turn, alleviates the pressure on staff through a more streamlined distribution of workloads, reducing employee stress and fatigue while promoting a better work-life balance. Accordingly, integrated thinking is being promoted at all levels of the Bank. While there will always be trade-offs between different capital allocations in our business model, integrated thinking has the power to reduce the friction between the different imperatives of maximizing profits, catering to customers, and prioritizing our employees.

Towards a banking group

During the year, we initiated various strategies to derive more contribution from our subsidiaries and seconded some of our senior staff as the MD, CEO, COO of such companies. These initiatives enabled the Bank to inculcate best practices,

effect cultural changes, strengthen governance frameworks and improve systems and procedures. We expanded our footprint by opening two branches each in Sri Lanka and in Myanmar. We increased the stake in Commercial Insurance Brokers (Pvt) Ltd, and made it a subsidiary with a view to better serve our customers in future. We are confident of reaping the benefits of these initiatives in future.

A thank you to our stakeholders

It goes without saying that our relationships with the stakeholders are the defining factor in our success. I extend my sincere appreciation to the Chairman and the Board of Directors for their invaluable advice and guidance. I also thank the capable management team and all our members of the Commercial Bank family in Sri Lanka, Bangladesh, Italy, Maldives, Myanmar and other overseas locations including those seconded at these operations, for their commitment and dedication. I also extend my heartfelt gratitude to our customers for their loyal patronage and to our shareholders for their unwavering support for the Bank. Moreover, I wish to recognize and underscore the vital role played by the banking and financial services regulatory authorities and other stakeholders in Sri Lanka, Bangladesh, Italy, Maldives, and Myanmar for their support and cooperation. These relationships will be even more important as we forge ahead into the uncertainties of 2020. While we are eager to see our own growth and profitability rebound, our status as a D-SIB also comes with added responsibility. How the Bank, the banking sector, and the country as a whole responded to the difficulties of 2019 will have ramifications throughout our society at large. We at Commercial Bank look forward to the challenge of being a catalyst for broad-based inclusive, economic growth in 2020 and beyond by consistently doing what we do best: delivering optimum value to our stakeholders.

2. LOLC Holdings



Kapila Jayawardena, Managing Director/CEO's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Kapila Jayawardena (Group Managing Director/CEO)

1 Ishara Nanayakkara (Deputy Chairman)

2 Kalsha Amarasinghe

3 Conrad Dias

4 Ravi Fernando

5 M D D Pieris

The financial year 2019/20 was a test of LOLC Holdings PLC's resilience as despite a massive downturn of the economy the Group went on to record a Profit Before Tax (PBT) of Rs 27.1 Bn (including results from assets held for sale - PRASAC Micro Finance Institution in Cambodia) as compared to Rs 26.8 Bn in 2018/19. A satisfactory growth in deposits was recorded with the deposit book reaching Rs 221 Bn in the year under review, in contrast with Rs 193 Bn (excluding PRASAC results) recorded in the prior year, despite challenging macro-economic conditions. Total Assets grew to Rs 1.34 Tn as compared to Rs 1.04 Tn in the previous year. Equity attributable to shareholders soared from Rs 86.05 Bn in the previous year to reach Rs 92.53 Bn in the year under consideration. These solid numbers were a rare occurrence in a year that saw profitability eroding for many entities.

OPERATING CONDITIONS

Sri Lanka's economy contracted during the year to record GDP growth of 2.3% in 2019, compared to a growth of 3.3% in 2018. The Easter Sunday attacks in April 2019 had a severe impact on the tourism sector and their adverse spill over effects were felt across the economy, worsening the sluggish growth of the economy and further dampening business confidence. Growth of credit to the private sector decelerated sharply, driven by subdued economic activity and weak business confidence, affecting the performance of the financial sector.

PERFORMANCE OF LOLC'S LOCAL OPERATIONS

Considering the global nature of LOLC Holdings, the Group is fortunately not reliant on macro factors in any single country. Much like the previous year, the lack of opportunity for stronger growth in the domestic market was offset by an exceptional performance by LOLC's international operations. While LOLC's financial services arm recorded growth despite the gloom in the rest of the industry, witnessing an increase in Non-Performing Loans, we performed better than peers to end the year under review as the most profitable listed entity. Diversification into overseas markets sustained profitability levels as 80% of the group's top-line and bottom-line is accrued from global operations. The only dark cloud on the horizon for LOLC was its leisure arm, which could not perform as expected due to the terrorist attacks, political uncertainty in the lead up to the presidential elections and the outbreak of the global pandemic thereafter, which has brought tourism to a halt globally. The Group's leisure portfolio in Sri Lanka is now made up of 5 operational resort hotels with the commissioning of 172 roomed Sheraton Kosgoda Turtle Beach Resort during 4Q of FY19/20. The Riverina Hotel development project in Beruwala is currently underway, which once completed will be one of the largest five-star resorts in the country. The Group made a bold move to tap into the Maldives leisure sector over the last few years, securing some of the most sought-after properties in Male as well as other atolls in the Maldives, assuring an even more diversified leisure portfolio. The Nasandhura Mixed Development project in Male is expected to be operational soon and will be the largest mixed development project in the Maldives. The resort hotel with 100 keys in Bodufinolhu atoll is planned to be opened by early 2021. During the year under consideration, the Group remained agile and leveraged on lower interest rates seen in the latter part of the year to manage treasury operations astutely with calculated risk in short-term borrowing and lending for longer tenures. On the deposit side, innovative products were

launched to grow the deposit base, strongly backed by the trusted LOLC credentials. The Group's insurance arm continued to perform strongly through the year under review, carving out substantial new business outside of the group, which reflects that the positioning and value proposition are well aligned to the needs of the market. LOLC Life Assurance and LOLC General Insurance demonstrated an impressive performance during the year by recording Rs 1.5 Bn PBT in comparison to a loss of Rs 175 Mn recorded in the preceding year. Apart from being the most profitable entity, LOLC is also leading Sri Lankan corporates when it comes to technology and innovation as we have launched several digital initiatives in our financial services business creating significant value to our customers, bringing them closer in all transactions. Improved resource efficiency is achieved through digital solutions that facilitate remote operations. In the non-financial services segment, the Browns Group of Companies underwent digitalization to improve delivery channels and customer service. In spite of the challenging and unexpected external shocks, LOLC Finance PLC (LOFC) sustained its market leadership position amongst the Non-Banking Financial Institutions (NBFIs) with an asset base of Rs 192 Bn, a portfolio of Rs 134 Bn and deposits of Rs 99 Bn. The company posted Rs 3.8 Bn Profit After Tax (PAT) in the year under review. As the leading impact lender, LOFC holds the largest pool of Development Finance Institutions (DFIs), guiding their respective development goals for Sri Lanka. The funding lines and the wide array of technical assistance provided by these DFIs through LOFC have transformed the grassroots of the economy. Continuing the Group's legacy of expanding strategic international alliances, LOFC signed a loan agreement with Swedfund, the Swedish Government's Development Finance Institution to promote financial inclusion and gender equality. Attesting the Group's good business practices, LOLC Micro Credit Limited (now merged with LOFC) became the 1st Sri Lankan MFI to be awarded the Client Protection Principles Certification from the SMART Campaign (a global initiative, which exists to ensure strong client protection practices in the microfinance industry). Commercial Leasing and Finance PLC (CLC) has been instrumental in driving the Group's vision of financial inclusion in the country as a leading credit supplier. The company has also established strong relationships with a wide range of FDIs to promote their development missions in the country. In the year under review, CLC managed to protect its portfolio and the profit signature by recording a PAT growth of 29% YoY to Rs 1.5 Bn despite challenging macro-economic situations.

The company holds a Rs 69.6 Bn asset base and Rs 24.9 Bn deposits as at FY2019/20. LOLC Development Finance PLC, formerly known as BRAC Lanka PLC, made a strong recovery in the year under review by recording Rs 176 Mn PBT from a loss of Rs 140 Mn in the last year following the alignment of its business strategies on restructuring the inherited SME portfolio. The company has been able to reduce its credit loss provisioning by 35% through the implementation of prudent strategies to improve collection and recoveries. The company holds a Rs 18.4 Bn asset base and Rs 2.6 Bn deposits as at FY2019/20. Seylan Bank, an associate of the LOLC Group, also contributed Rs 1.3 Bn to the Group's profits. The Group holds its footprint in the local plantation sector through Maturata and Gal Oya plantations, where the business focus lies in the value addition of cinnamon products and sugarcane cultivation. LOLC could also reap the benefits of having market leaders like Agstar Fertilizers and Browns with agricultural supplies and equipment to complement the value chain. The Group exited from its healthcare assets due to the challenging regulatory environment of the sector by disposing Browns Hospital in Ragama for a consideration of Rs 1.6 Bn.

PERFORMANCE OF GLOBAL GROUP OPERATIONS

As for our performance in global markets, LOLC achieved the privileged position of having its group company, LOLC Cambodia PLC, achieve billion dollars in assets within a mere six years of entering the Cambodian market. LOLC is making a difference in the Micro and SME landscape by deploying best practices in customer protection, customer experience, risk management and the application of digital technology. Our spirit of entrepreneurship continues to define our growth as we make forays into Africa and explore investment opportunities in India - emerging markets with large populations, which provide fertile ground for our micro finance services. In the last quarter of 2019/20, LOLC received regulatory approval from the National Bank of Cambodia and the Financial Services Commission of Korea to sell the company's 70% shareholding in PRASAC Micro Finance Institution in Cambodia for US\$ 603 Mn. This is a landmark transaction not only for LOLC, but also for the country as it surpasses any private sector foreign transaction carried out in the history of Sri Lanka.

FUTURE OUTLOOK

As a Group, we remain confident about local business growth and expansion no

sooner economic and political stability is achieved in the country. The short to medium-term prospects for the leisure business will remain under pressure due to the challenges posed by the pandemic. Our foray into new markets such as Malaysia, India, Africa, Vietnam and South America are in their embryonic stages. The Group will continue to focus on the SME and Micro lending sectors and look to harness the dividends from its overseas investments and continue to empower more entrepreneurs in Sri Lanka and across the shores through our unique microfinance model. The COVID-19 fallout, which will be seen in 2020 and beyond will be the biggest challenge for the management but we have charted turbulent waters in the past and are confident of navigating the year ahead.

APPRECIATION

I would like to place on record my gratitude to the Deputy Chairman and the Board of Directors for their unstinted support. I would also like to thank the regulators, shareholders, funding partners, business associates and customers for standing by the LOLC Group. The staff across the Group has demonstrated their commitment and loyalty by working towards making LOLC the most profitable entity.

3. Hatton National Bank





Board of Directors

Jonathan Alles (Managing Director/CEO)

1 Dinesh Weerakkody (Chairman)

2 Amal Cabraal

3 A N de Silva

4 Madu Ratnayake

5 Asoka Pieris

6 Dr L R Karunaratne

7 R S Captain

8 Dr Prasad Samarasinghe

9 Palitha Pelpola

10 P R Saldin

11 Dr Harsha Cabral

12 D Soosaipillai

13 Damien Fernando

Dear Shareholders, 2019 was a year in which Hatton National Bank PLC devoted considerable resources in 'Framing the Future'. This was necessary as we needed

our systems and people aligned to delight customers in the fourth industrial era characterized by disruptive technologies shaping the way we live and work. Inspired by our beginnings in the central hills of Ceylon in 1888 and the transformational journey set out under our ambitious road map, to reach the top, we dubbed it 'Project Everest' in May 2018. It has proved an apt analogy as the forces that shaped our business landscape were as uncertain and impactful as the mighty forces of nature on the mountain top. Leadership, confidence, passion, discipline, and teamwork emerged as the critical success factors as we delivered multiple projects and made tough calls in recalibrating strategy to adapt to the forces at play. While the impact of many projects will become visible only next year, early signs of success serve to re-energize our team to deliver the remaining tasks, creating a 'future ready organization'.

Managing Performance

High levels of uncertainty, a convergence of risks factors and the terror attacks on Easter Sunday combined to paint a bleak business landscape in 2019, necessitating a prudent revision of aggressive growth plans referred to in my 2018 message. Making the right choices became a key imperative and our strengthened analytical capabilities enabled us to seek opportunities that were a right fit with our long-term strategic priorities. Within these operating conditions, HNB Group delivered a balanced performance with a Profit After Tax of Rs 15.0 Bn, and a strong balance sheet with capital adequacy ratios above industry average and regulatory requirements. Net Interest Income increased by 5% for the Group as the Bank exercised a cautious approach towards loan growth and the interest rates declined during the year with the introduction of the deposit rate cap in April 2019, which was subsequently replaced by the lending rate cap in September 2019. Net Fee & Commission Income, which accounts for 15.3% of Net Operating Income, declined by 1.2% for the Group and 4.3% for the Bank as measures to curtail imports of motor vehicles and non-essential consumer goods impacted trade volumes. Consequently, Net Operating Income remained almost flat at Rs 65.1 Bn reflecting our recalibrated prudent growth strategy.

Impairment charges were curtailed to Rs 9.7 Bn by the Bank despite industry wide increase witnessed and accounted for 84.5% of the Group's credit cost. At Group level the impact from HNB Finance pushed the total impairment to Rs 11.4 Bn due to stresses on its operating model. The success at Bank level was achieved through implementation of the new branch operating model, which facilitated

specialization, stronger focus on recoveries and increased rigor of credit monitoring processes. However, in compliance with CBSL directions the Bank classified an exposure of Rs 12.9 Bn to a State Owned Entity, as stage 3, due to an overdue of Rs 1.4 Bn. The full outstanding including interest relating to this exposure is secured by Treasury guarantees. This resulted in the NPA ratio increasing to 5.91% as at end of December 2019. Without this exposure the NPA ratio would have been 4.34%. Increase in Operating Expenses by 12.9% to Rs 36.4 Bn reflect positioning of the Group for growth as a future fit financial powerhouse and an increased claims ratio in our insurance business. Operating Profit before taxes for the Group declined by 13.2% to Rs 28.7 Bn attributable to lower earnings and higher costs to support the transformation. The introduction of the debt repayment levy of 7% on the VAT base in October 2018 for banks resulted in the total effective tax rate of approximately 58% for the industry until end of 3Q 2019. Nevertheless, the regulation issued by the Inland Revenue Department removing the tax applicable on SLDBs in February 2020, with retrospect effect from April 2018 and the relatively lower earnings, resulted in the total taxes for the period reducing by 2% for the Group. Accordingly, Group Taxation was Rs 13.8 Bn and amounted to 48.2% of Profit Before VAT and Tax. Balance sheet growth also moderated during the year as Total Assets increased by a cautious 4.2%. This was largely attributable to growth in investments as the Bank loan book remained flat as we adopted a selective growth strategy in response to the business environment. Total Deposits improved marginally by 2.1% for the Group, while the Bank also raised Rs 10 Bn by way of a Basel III Compliant-Tier 2 Debenture. Equity increased by 9.6% due to retained earnings, strengthening the financial position of the Group. Accordingly, the Core capital and Total Capital ratios stood at 14.7% and 18.1% respectively for the Group, above regulatory requirements, industry average and the Bank's risk appetite.

Creating a Future Ready Organization

Creating a future ready organization was a key goal in 2019 and it relied on every vertical head delivering on initiatives entrusted to them on time. A new reporting structure, redefining our brand, developing our people and investing in technology were key initiatives that were delivered during the year as explained below.

Geared for Growth

During the year, it became apparent that we need an organization structure that is fit for the organization that we are building. After much deliberation, we launched our future fit structure on January 1, 2020. Operations vertical, which is the core of business ensures that the Bank is on a strong platform in terms of risks management and compliance and on this platform, the Bank would be driving business growth under the two verticals – Retail Banking and Wholesale Banking. Thereon the focus would be on business transformation including IT and Digital to ensure that the Bank is future ready.

Making Banking Enjoyable

Our brand has evolved over decades into a strong franchise that has won recognition both locally and internationally using wide ranging criteria that covered various aspects and overall excellence. In 2019, HNB was awarded the ‘Strongest Sri Lankan Bank by Balance Sheet’ by the prestigious Asian Banker Magazine while Euromoney Magazine named us the ‘Best Bank in Sri Lanka’. In addition to this, business verticals also received recognition for their specializations, which are set out in this report, reflecting the HNB spirit as we seek to push boundaries and shape the future of banking in Sri Lanka.

Framing our future also meant that we had to redefine our brand to reflect the new brand proposition, clearly articulating the key aspects that combine to differentiate HNB as we pursue our aspirations to be the leading private commercial bank by the year 2020. My Team and I are excited about where the journey can take us as we reimagine the future of banking.

Teamwork

We have worked as a team to deliver the transformation goals of Project Everest and maintain focus on delivering results in what proved to be a challenging year. I am honored to lead this team through our journey as we test each other’s mettle, forge strong bonds and rely on each other in innumerable ways to achieve common goals. Our training and disciplined approach to accomplishing tasks has proven to be our strength as we delivered transformation that impacted everyone of us. Communication was key and a dedicated working group ensured that everyone was updated on initiatives and progress through multiple channels including structured meetings, newsletters, intranet and our own TV channel.

Over the years, HNB has invested in building capabilities of our team and

creating a positive culture that supports realization of career aspirations. A Talent Fitment exercise ensured that we had people in the roles that were best suited to their talents, which was supported by the implementation of a Role Based Training framework. We continued our Leadership Programs to develop a strong pipeline of leaders facilitating succession. These were on top of our regular training activities delivered both face to face and through e-learning, which supported advancement of technical knowledge. Being named Best Employer Brand at the Sri Lanka Best Employer Brand Awards in 2019 and included in the Top Workplaces in Asia at the Asia Corporate and Sustainability Awards and similar accolades prove that we have truly built a great place to work for a happy and bright team.

Delivering Digital Banking

This is the pivot for the bank of the future. Investing in game changing technologies that will disrupt banking as we know it and making banking more enjoyable for customers is the end goal. Our investments in digital capital in 2019 amounted to approximately Rs 1 Bn, which illustrates our commitment to delivering on our vision. A team of IT professionals headed by the Chief Technology & Digital Officer ensure that we adopt cutting-edge technology at an early stage to stay ahead of the curve. Launch of SOLO, the payment app in 2019, was a step forward in our journey. Currently, the Bank is in the process of upgrading the Core Banking system and the Loan Origination system while also implementing a digital layer, which will enable the Bank to improve customer experience through collaborations. IT Governance and cyber security were strengthened and will remain key focus areas. We will continue to invest in this key pillar to realize our vision of making banking enjoyable.

Agenda for 2020

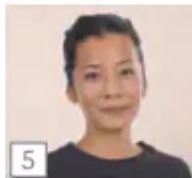
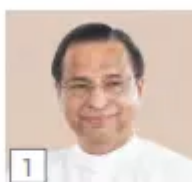
At the top of the agenda is the deliverables of Project Everest. My team is fully committed to delivering these goals and we anticipate completion by the first half of 2021. Forecasts for 2020 point to a recovery of economic growth as fiscal and monetary policy measures announced are implemented. This is expected to provide opportunities for growth within the country as we nurture entrepreneurs to pursue their visions. We will also look beyond our shores for lucrative opportunities for growth with due diligence to ensure alignment with the Bank's long-term strategy. HNB Assurance and HNB Finance are also positioned for

growth and we are encouraged by the strengthened balance sheets and risk management capability, which provide a strong launching pad for growth. ,

Appreciations

Like the journey to Everest, the performance set out in this report required co-ordinated teamwork. I thank the Board for their rigorous oversight of performance and constructive challenge of views, which was key to delivering performance and key milestones in the transformation journey. I extend my sincere appreciation of the work done by the HNB Team who has given of themselves unreservedly to deliver commendable results in an extremely challenging year. I also wish to thank the officials of the Central Bank of Sri Lanka for their assistance in facilitating compliance with regulations. I thank our loyal customers across all our business segments, who have been enthusiastic supporters of our innovations and provided honest feedback of our service standards. This has strengthened our customer value proposition, which has enabled us to differentiate ourselves as we aspire to re-imagine banking. My sincere appreciation to our business partners, who play an important part in enabling us to deliver services to our customers. I thank our shareholders for their continued confidence in a challenging year, as we 'frame our future'.

4. Sampath Bank



Board of Directors

Nanda Fernando (Managing Director)

1 Prof Malik Ranasinghe (Chairman)

2 Saumya Amarasekera

3 Sanjiva Senanayake

4 Dhara Wijayatilake

5 Annika Senanayake

6 Ranil Pathirana

7 Rushanka Silva

8 Dilip de S Wijeyeratne

9 Aroshi Nanayakkara

10 Dr Sanjiva Weerawarana

11 Deshal de Mel

As a nation we entered 2019 with a great deal of optimism, which is why it was impossible to come to terms with the cataclysmic impact of the Easter Sunday attacks that would once again thrust our country into dark times. As the entire country reeled in shock, the economy took a heavy toll in the months that followed the April 21st attacks with many key sectors such as tourism, leisure and transport facing the brunt of the impact. Furthermore given the heightened uncertainty surrounding the November 2019 election, it is no surprise that Sri Lanka's growth forecasts were downgraded with GDP projected to grow by a modest 2.7% in 2019. Amidst this backdrop, the demand for credit too fell sharply. After a rapid expansion during the past three years, we stepped back from the aggressive growth path we had been pursuing and declared 2019 to be a year of consolidation where we would focus extensively on seven key areas:

Credit Quality Management

Having made a conscious decision to scale back on aggressive lending activities in

2019, in light of the weak credit demand, we then turned our attention towards managing credit quality. Taking a holistic approach, we looked at strengthening credit quality management from both the pre-credit and post-credit perspectives. From the pre-credit angle, the key priority was to improve the first line of defense to ensure adequate customer profiling and comprehensive credit evaluation is carried out. This was coupled with extensive training for all front-line and administrative credit officers to reinforce the importance of adhering to the Bank's credit policy and other protocols to safeguard loan quality.

At the same time, special emphasis was placed on strengthening our credit card risk management program, which led to several policy-level changes being implemented to take cognisance of internal business developments as well as external changes rising from the immediate operating environment. Meanwhile we moved ahead with plans to revise our risk rating models to support compliance with SLFRS 9 requirements. Taking the first step in this regard we sought the assistance of an international expert to carry out the model validation study. The findings of the study, which we received in the early part of 2019 are now in the process of being incorporated. We also increased the involvement of our risk team in the post-credit monitoring mechanisms, by granting them the authority to initiate watch listing of customers. A series of investments were also made to beef up the Recoveries Department, among them a new delinquency monitoring system to ensure proactive follow up right from initial stage of default/non-payment. New AI-based predictive analysis software was also installed to examine the repayment patterns of existing customers and detect early warning signals.

Alternative Markets

Challenged by the drop in credit demand along with our own conservative approach towards lending, we were compelled to look elsewhere for potential opportunities, which led us to focus on developing offshore lending activities through our FCBU segment. We focused largely on direct lending to large local corporates looking to invest overseas, which enabled Sampath Bank to expand its reach in the Indian subcontinent and the wider Asian region as well as to penetrate a number of new territories in the African region. In testimony to our efforts, I am pleased to note that the FCBU's offshore lending portfolio registered year on year growth of 8.3% in 2019.

Digital Excellence

As you may be aware, for some years now we have been working on the fundamental premise that digitization is the key to delivering simple, fast and convenient banking to our customers. Since we began this digital journey in 2015, we have invested heavily in expanding, redesigning and strengthening our technology foundation with the aim of completely transforming Sampath Bank's front-end and back-end operations. Continuing to change the way customers bank with us and pursue their financial goals, we launched the WePay mobile wallet in 2019. As the name itself suggests, the WePay mobile wallet creates a seamless digital platform that allows users to make payments to hundreds of registered merchants across the country through their smart phone. We also appointed over 170 'MY BANK agents' and granted the authority to perform routine banking services with the help of POS terminal, which is digitally connected to the Sampath Bank core banking system. Meanwhile, as part of an aggressive effort to increase the number of customers opting for digital solutions, we began setting up dedicated digital banking areas at selected branches. Thank to these efforts we find more and more customers migrating to digital channels with over 94% of our routine transactions now being performed digitally. Admittedly the awards and accolades we continue to receive further affirm Sampath Bank's leadership in the digital banking space. In 2019, Sampath Bank made history by clinching an impressive eight awards at the Lanka- Pay Technnovation Awards, including the highly-coveted 'Most Innovative Bank of the Year 2019'. We have continued to leverage on digital technology to streamline internal workflow systems and simplify our administrative processes with the help of automation and artificial intelligence. Some of the key initiatives implemented in 2019 included the digitization of the customer on-boarding procedure, the FD issuance process and the loan disbursement at the Central Credit Processing Unit (CCPU). These efforts along with the numerous initiatives implemented over the years have created more dynamic and efficient ways of working, which has enabled the Bank to benefit from significant cost savings. In fact I am proud to announce that Sampath Bank's cost-to income ratio has shown healthier results in 2019 and 2018 by registering 36.9% and 35.9% respectively, compared to 42.3% in 2017.

Stable Results

I am pleased to report that notwithstanding the challenging environment, Sampath Bank registered stable results for the year ended 31st December 2019.

The Bank's gross income increased from Rs 115.3 Bn reported in 2018 to Rs 118.9 Bn in 2019, a growth of 3.1% driven mainly by fund-based income, net gains from trading and fee & commission income. The Bank's Net Interest Margin too improved from 4.41% in 2018 to 4.46% in 2019. Regrettably however, our nonperforming 10 loan ratio increased from 3.69% recorded in 2018 to 6.37%, as customers who were thrown into crisis following the Easter Sunday attacks began defaulting or delaying repayments. A similar scenario was observed across the industry causing the Banking industry NPLs to rise to 4.7% as at 31st December 2019 from 3.4% at the end of 2018. The heavy tax burden too continued to add to our stress. Sampath Bank's total tax expenses for 2019 amounted to Rs 11.1 Bn, of which about 20% or Rs 2.2 Bn was attributed to the Debt Repayment Levy (DRL) introduced by the Government in the last quarter of 2018. Seeing the obvious impact on our business, I welcome the proposed decision by the Government to abolish the DRL with effect from January 2020. A culmination of these factors meant Sampath Bank's Profit before Tax (PBT) for 2019 dropped to Rs 15.5 Bn from Rs 18.3 Bn reported in the previous year, a decline of 15.5%. Profit after Tax (PAT) too declined by 8.2% from Rs 12.1 Bn to Rs 11.2 Bn.

Capital Planning

We continued to remain proactive in our capital raising activities underscoring our efforts to strengthen the Bank's capital position in line with the Basel III Capital Standards, which were introduced by the CBSL with effect from 1st July 2017. Accordingly, we raised Rs 7 Bn by way of a Basel III Compliant Debenture in February 2019, enabling the Bank to boost its Tier II capital position. In addition, we also added Rs 12.1 Bn to our Tier I capital by way of a Rights Issue in June 2019. I am indeed pleased to note that, thanks to these efforts, Sampath Bank's Common Equity Tier I, Total Tier I and Total Capital Adequacy ratios stood at 14.22%, 14.22% and 18.12% respectively as at 31st December 2019, well above the regulatory minimum and also notably ahead of industry peers. Further reinforcing our commitment to comply with the Basel III guidelines, our Capital Management Process was revamped and a three-year (2020 - 2022) Capital Management Plan was rolled out at the end of 2019. With this Capital Management Plan we expect to avoid the need for any ad-hoc capital raising activities and to implement a more disciplined approach to support the needs of the business over time and also take into account any impending regulatory

requirements. And in order to ensure capital management activities are carried out more holistically in the future, the new Capital Management Plan was integrated with the Internal Capital Adequacy Assessment Process (ICAAP) as well as the Bank's Strategic Plan.

Sustainability

For the past decade or so, our focus on sustainability has always gone hand in hand with our business. Staying true to our core competencies, we continue to focus on financially empowering communities by providing them with tools to improve their financial knowledge and spearhead their journey towards gaining access to affordable financial services. By taking this strategic approach towards sustainability, we are looking to position Sampath Bank as an inclusive financial institution with the capacity to contribute to the socioeconomic development of the country. We reinforce this premise through our flagship 'Sampath Saviya' Entrepreneurship Development Program series.

In 2019, we broadened the scope of Sampath Saviya program with the intention of reaching out to specific target groups such as MSMEs, youth entrepreneurs, war widows and pensioners. The feedback we received from the participants at these programs is very encouraging, which proves we are on track to fulfilling our sustainability mandate.

Gearing up for the Future

With competitive and regulatory pressures on the rise and numerous other complexities affecting our operating environment, we decided to take a deep dive into our business and critically re-evaluate Sampath Bank's readiness to face the next decade and beyond. The entire month of September was dedicated towards this exercise with a series of intense brain storming sessions and several focused group sessions held with the participation of corporate management and members of the senior management teams. I too was personally involved in many of these sessions, which gave me a broader perspective of the areas we should focus on going forward. After much introspection, and active debate, we developed the Triple Transformation 2020 (TT20) agenda, which marks the beginning of a long-term transformative journey to reform three core areas; Business, Technology and People. The TT20 agenda comprises of 24 strategic levers - 12 Business based, 6 technology based and 5 people based levers that

aim to create a solid foundation for the Bank to move forward over the next three to five years.

Looking Ahead

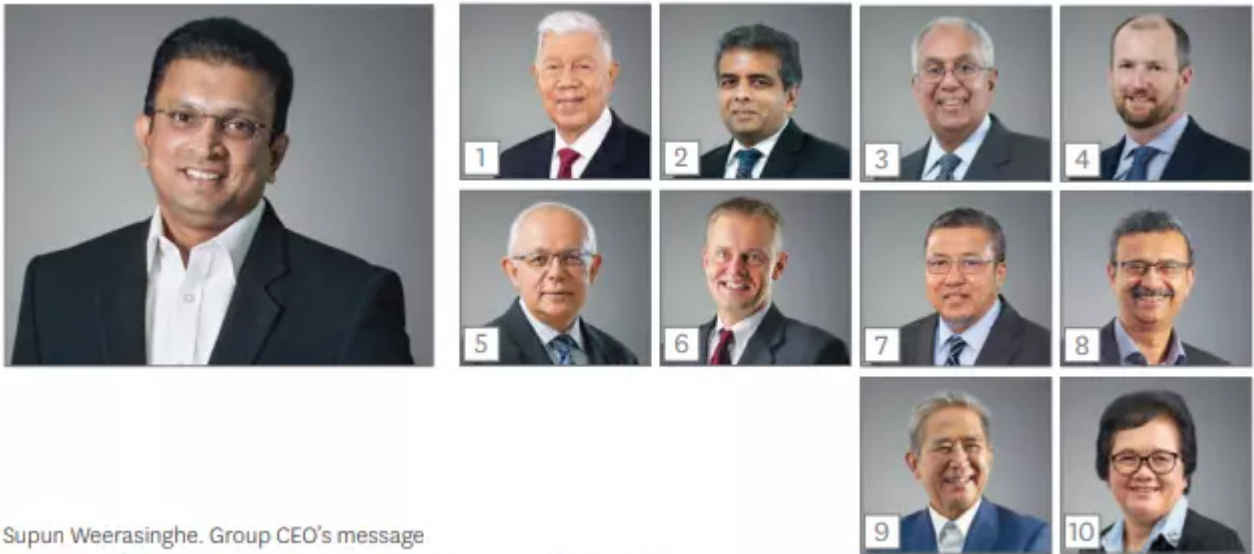
Looking ahead, I believe the next twelve months will be a crucial period for the Sri Lankan economy. After a very challenging year, it is important that the economy gradually settles into a steady growth pace over the coming months in order to set the tone for the next few years. The recovery of key sectors such as tourism and leisure will be vital in order to increase economic activity and boost investor confidence. Moreover interest rates will need to remain on a downward trend, if a revival in private sector credit demand is to materialise. While it is obvious that we are not in a position to control the impacts arising out of the external environment, there is a lot we can do to become more resilient to these forces, which is why I feel our decision to consolidate was a timely move that provided the opportunity to strengthen our own defences. And as we roll out our TT20 program over the next few months, we will remain heavily focused on shaping up the three core areas (Business, Technology and People) to ensure we have the strongest Business initiatives, most efficient Technology and the best in class team that will put Sampath Bank on track to lead the way to a new era of banking in Sri Lanka.

Appreciations

To conclude, I would like to thank the millions of Sampath Bank customers across Sri Lanka for placing their trust in us. You remain the purpose we are driven to evolve and grow. Accordingly, we remain committed to our 'Purpose' as to 'why' we exist and that is the reason why, we enable people to manage their money. I take this opportunity to convey my sincere appreciation to our Corporate Management as well as all members of Team Sampath who have proven beyond doubt that they are our greatest asset. A special word of thanks also to Chairman and my colleagues on the Board for their steadfast support, commitment and conscientious stewardship of the Bank. I would like to express my gratitude to the officials at the Central Bank of Sri Lanka, Securities and Exchange Commission, Colombo Stock Exchange, and the Ministry of Finance for their corporation and support throughout the year. And finally to our loyal shareholders and other stakeholders, while thanking you for being part of our journey so far, I assure you that Sampath Bank aims not just to meet but rather exceed your expectations in

the years to come.

5. Dialog Axiata



Supun Weerasinghe. Group CEO's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Supun Weerasinghe (Group Chief Executive Officer)

1 Datuk Azzat Kamaludin (Chairman)

2 Dr Hans Wijayasuriya

3 Mohamed V Muhsin

4 James Maclaurin

5 Mahesh Amalean

6 Willem Lucas Timmermans

7 Mohd Izzaddin Idris

8 Vivek Sood

9 David Lau Nai Pek

10 Dr Nik Ramlah Nik Mahmood

Dear shareholders,

It is with pleasure, I present to you another year of commendable performance of your Company delivered amidst multiple challenges ranging from economic, climate impacts to security concerns. I join the Chairman, Board and extend my sympathies on behalf of the entire Dialog family, to those affected by the unfortunate Easter Sunday tragedy, which marked one of our darkest hours in Sri Lanka's post-war history. While the tragedy has impacted the entire nation including our own operations, we were able to overcome these challenges with the support of our dedicated team at Dialog, our loyal customer base, our partners, the Sri Lankan Government and the regulatory authorities. We will continue to give back to our society and play our part in supporting our nation to recover from this tragedy. While we have dealt with many challenges over the years, at the time of writing, undoubtedly the most disruptive has been the global outbreak of COVID-19. Amidst the crises, our incredible Dialog team rose to the challenge to ensure that Sri Lanka stays connected and safe during the period whilst fully supporting the tireless efforts of the Government's fight against COVID-19 pandemic in the country. I wish to commend the team's efforts throughout the year 2019 to expand our business, grow our revenues, serve our customers, rescale our cost structures and deliver a solid performance, while navigating through a difficult 2019. I believe that these lessons learnt will hold us in good stead as we reset and reimagine all facets of our business and redefine our approach to thrive in the 'new norm'.

PERFORMANCE OVERVIEW Dialog Axiata PLC recorded consolidated revenue of Rs 116.8 Bn, which represents a 7% YoY growth, which was accompanied by growth in our subscriber base, adoption of Broadband services and usage growth. The growth in the top line, widening of our product portfolio as well as cost rationalization initiatives resulted in a combined Group Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA) of Rs 46.7 Bn, which represents a 7% YoY growth in FY 2019. The Group EBITDA Margin reached 40% in FY 2019, representing a Supun Weerasinghe (Group Chief Executive Officer) 1 Datuk Azzat Kamaludin (Chairman) 2 Dr Hans Wijayasuriya 3 Mohamed V Muhsin 4 James Maclaurin 5 Mahesh Amalean 6 Willem Lucas Timmermans 7 Mohd Izzaddin Idris 8 Vivek Sood 9 David Lau Nai Pek 10 Dr Nik Ramlah Nik Mahmood 2.2 percentage points (PP) improvement compared to the previous year.

In addition to the above, reduction in Finance Expenses and the drop in forex losses owing to a stable exchange rate relative to the previous year resulted in a 43% YoY growth in Net Profit After Tax (NPAT) amounting to Rs 10.7 Bn for FY

2019.

DIVIDENDS TO SHAREHOLDERS

Given your Company's commendable performance in FY 2019, I am pleased to announce that the Board of Directors has recommended a total dividend payment of Rs 4.3 Bn, which translates to a dividend of 53 cents per share. This corresponds to an increase of 43% compared to 2018 and a dividend payout of 40% consistent with the payout for the previous period.

CONTRIBUTIONS TO THE GOVERNMENT OF SRI LANKA

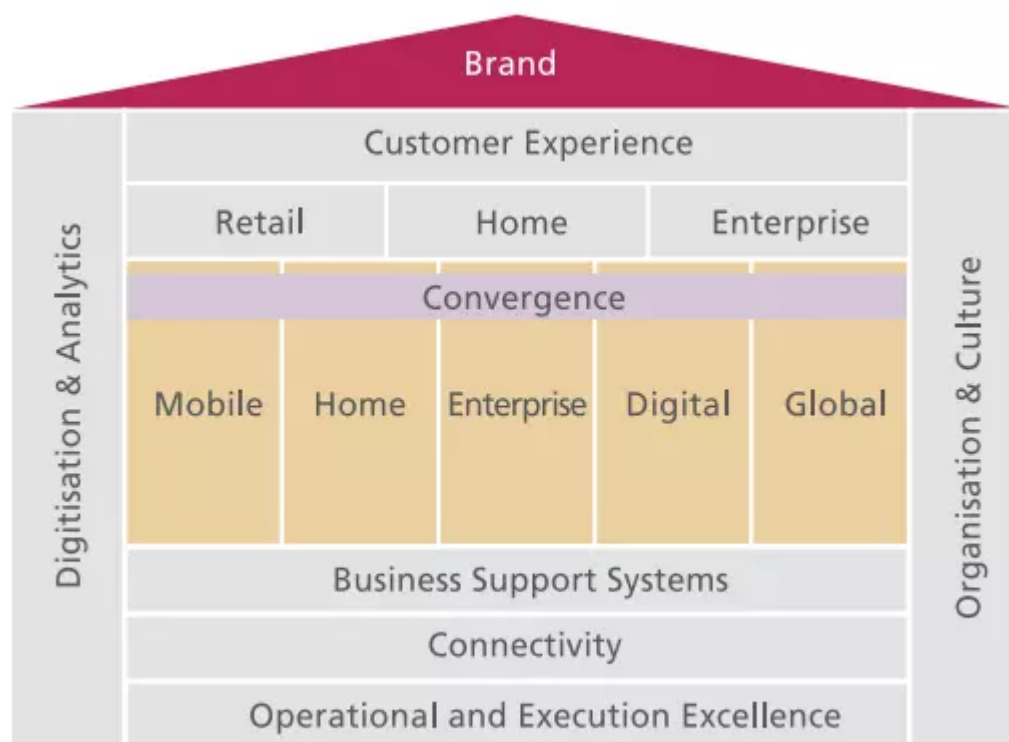
Dialog continues to remain a significant contributor to the Government of Sri Lanka, remitting a total of Rs 33.6 Bn to state finances in FY 2019. Recognizing the pivotal role of digital and connectivity technologies, which supports the transformation of Sri Lanka into a 'future-ready' economy, the Government saw fit to provide a relief to end consumers with a reduction in consumer taxes towards the end of 2019, which resulted in a reduction in the contribution of consumption taxes, which amounted to Rs 22.3 Bn in FY 2019. I am pleased to report that your company paid Rs 11.0 Bn in direct taxes to the Government of Sri Lanka, which represents a 20.2% increase YoY. We continue to be the largest contributor of Foreign Direct Investment (FDI), investing approximately Rs 28.6 Bn in 2019, which represents 20.7% of Sri Lanka's FDI for the year. Dialog, along with our valued investors, holds the distinguished position as the #1 FDI in the country with a total investment of USD 2.7 Bn since inception showcasing the trust and confidence placed in the Government and people of Sri Lanka. During the year under review, the Government of Sri Lanka identified the importance of creating a technologybased society and proposed several macro-economic, institutional and regulatory reforms to promote digital entrepreneurship and inclusivity.

OUR STRATEGY, BUILDING VALUE AT THE CORE

At the pinnacle of the Dialog strategy remains the Dialog Brand, Customer Experience and Service Excellence, which is espoused in our 'Service from the Heart' core value. The Go to Market focus encapsulates our defined approach to serving the Consumer, Home and Enterprise customer segments.

SERVICE FROM THE HEART

As we consistently strive to be a consumer champion, our dedication towards delivering on our core value



Dialog Strategy Framework

‘Service from the Heart’, places customer experience and service delivery excellence at the centre of Dialog’s work ethic and corporate ethos. The Primary customer experience goal of Dialog has been to provide personalized experiences throughout the customer journey, encompassing all touchpoints and the entire customer lifecycle. This translated into not only simplifying and digitalizing our manual processes and channels but doing so with a segmented and hyper-personalized approach. Every phase of the customer journey from Awareness to Consideration, Order to Activate, Usage to Bill, Bill to Cash, and Trouble to Resolve had to be assessed and human-centric digital platforms were developed to serve our customers. Dialog also identified that there was a requirement to meet customers in spaces where much of their digital lives were spent. This meant enabling services such as Facebook Messenger as fully functional customer service channels, alongside personalized customer service interactions serving across all channels, including social media, to create a consistent, omnichannel experience for all customers, even for those without smartphones (via SMS or USSD). We are witnessing a shift in customer inquiries from traditional to digital, as evidenced by the 9.8 Mn inquiries we received on digital channels in 2019.

Furthermore, MyDialog App, which provides our users with complete control of over 350 Dialog services surpassed the 4 Mn download mark during the period under review, illustrating the value addition made to users through accessibility, innovation and convenience.

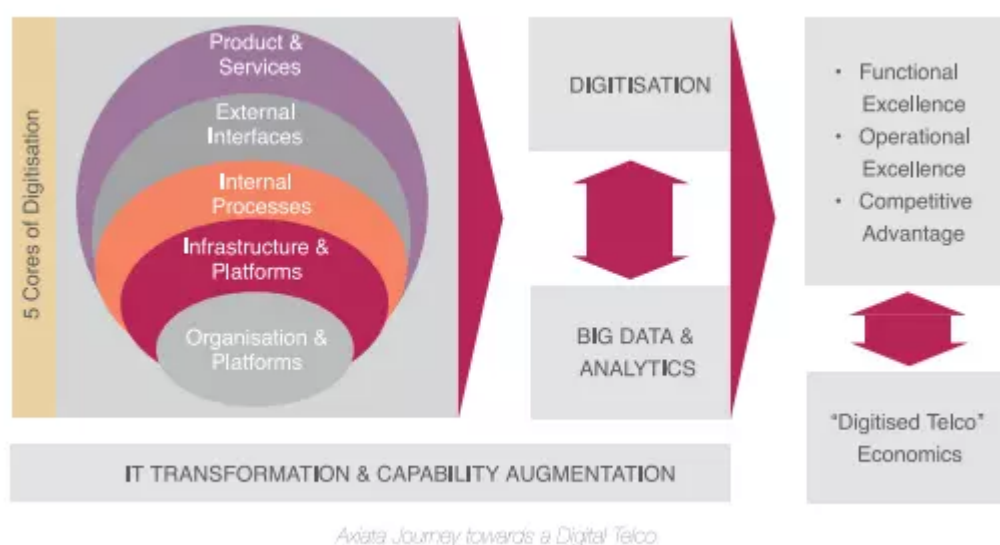
BUILDING THE NEXT GENERATION DIGITAL TELCO

Dialog continues to accelerate its digital transformation programme, which was launched in 2017 to ensure we remain relevant to our customer and continue to deliver world-class digital experiences at an affordable price. In this regard, your Company made significant headway in digitizing the customer experience throughout its journeys encompassing all touchpoints and the entire customer lifecycle. The digitization drive has brought in significant cost savings to the Group while simultaneously delivering superior customer experience. These actions have led to 100% automation of distribution channel activations, 72% automation of kiosk transactions, top 80% automation of the manual processes, and 50% of all payments being automated, leading to an overall 1.6% upliftment of EBITDA. Furthermore, the company's new MyDialog digital self-care app is the most downloaded telecom app in Sri Lanka, with more than 4.5 million downloads and a rating of 4.4 on the Play Store. Digitisation of the retail space has been a key focus area during 2019, with 'Retail Hub' enabling our 25,000 strong retail partners to the Retail Hub digital platform to perform key operations previously done manually. In the most progressive way to automate the onboarding process, Dialog introduced 'Dialog Retail Hub', a secure and fully standards-compliant platform that is future-ready to provide a complete digital customer experience. Retail Hub is Sri Lanka's first-ever true end-to-end Digital Customer Onboarding Platform that transformed and fully automated the retail landscape, thus digitising the most critical Customer Channel interface for Dialog and providing customers with a positive onboarding experience. We will continue to accelerate digitisation across all dimensions of our business, including upskilling our team with digital skills and leveraging the power of analytics to complete the transformation to a digital telco.

Enterprise Business

Dialog Strengthened its Enterprise Business via the establishment of Connectivity, Collaboration, Business Networking, Security & Surveillance, Cloud & Co-location and IoT platforms. Recognising the changing demands of

businesses and to further strengthen our Enterprise portfolio, we established a dedicated Enterprise business unit for our business customers to support them in their digital transformation journeys and become a reliable partner by offering technical expertise, advanced solutions, best-in-class services and converged technologies. This is further supplemented by Dialog's TIER III Data Centre extending the very latest in hosting and co-location services alongside a suite of Cloud services to Sri Lanka's Enterprise and Public sectors and the Company's adoption of a multi-cloud strategy, which offers enterprise customers critical capability in today's new digital economy by adopting different cloud services and features from multiple service providers.



Dialog also launched Sri Lanka's first fully managed Software Defined Networking (SDN) platform - FlexNet, thereby providing a cloud-ready platform for businesses to manage their connectivity and networks. Looking ahead at the future of Enterprise offerings, we aim to facilitate Sri Lankan Enterprises with world-class solutions across multiple domains of digital transformation including but not limited to Cloud, IoT, AI and Advanced Connectivity.

SEGMENTAL REVIEW

Mobile Dialog Axiata PLC, which comprises of Mobile, International, Tele Infrastructure and Digital Services continued to reaffirm the many awards and recognitions it was bestowed with during the year, by strengthening its position as the market leader, where we recorded a subscriber base of 14.9 Mn by the end of FY 2019, which represents an approximate 9% growth over 2018. The mobile business contributed to a lion's share of Revenue and EBITDA, accounting for

71% and 76% of Group performance in FY 2019 respectively. Revenue for the Segment stood at Rs 82.6 Bn in FY 2019 which is a 2% dip, primarily due to the realignment of the International wholesale business to Dialog Broadband Network (DBN); a fully owned subsidiary of the group. In contrast, the segment recorded an EBITDA of Rs 35.5Bn and NPAT of Rs 11.6Bn over the same period, which represents a growth of 17% and 165% respectively.

Fixed Broadband

In line with the Company's vision of delivering affordable and accessible world-class internet services to all Sri Lankans, Dialog Broadband Networks (DBN) recorded a revenue of Rs 28.1 Bn for FY 2019, representing a 64% YoY growth and a 24% contribution to the group's top-line performance. The revenue growth has been driven by an increase in data consumption, where during the period under review, we announced a range of ground-breaking per-day Home Broadband packages enabling customers to enjoy the lowest data rates ever brought to market. The wide range of per-day home broadband packages provides cost-effective solutions to data usage across diverse segments and caters to their usage requirements.

International Business

Dialog's voice roaming was expanded to reach 230 destinations while our LTE roaming footprint was expanded to 142 countries globally. We expanded our wholesale voice aggregation business and strengthened Sri Lanka as a regional hub for data connectivity. Furthermore, Dialog signed a partnership agreement with Ooredoo (Ooredoo Maldives PLC) and Dhiraagu (Dhivehi Raajjeyge Gulhun PLC) Maldives to lay a submarine cable system between Sri Lanka and Maldives to become a regional carrier and serve IP requirements of the region. Our efforts in International business resulted in an EBITDA of Rs. 9.2Bn, which adjusting for a one-off gain recognised in FY 2018 amounts to an 11% YoY growth in FY 2019. However, NPAT for the segment declined and stood at Rs 411 Mn by the end of the period.

Television

Our continuous commitment to enhancing the entertainment experience of our loyal viewers savour endeavours recognised when Dialog Television reached 1.4 Mn households across the nation, representing a robust 26% growth in our

subscriber base. The revenue of Dialog Television Group (DTV), which includes the Digital Pay Television business of the group followed a similar trajectory with a 17% YoY growth for FY 2019 amounting to Rs 8.8 Bn and we are happy to report a 31% YoY improvement in DTV's EBITDA amounting to Rs 2.4 Bn and a narrowing of the segments net loss to Rs 541 Mn. Dialog Television's broadcast services have been migrated to a new satellite with the aim of delivering an improved broadcast experience.

Digital services

Dialog has strengthened its presence in the digital space and has focused its efforts on a limited portfolio of services that can leverage the core business of the Company. During the year 2019, Dialog exited from the e-commerce space, with the integration of WoW.lk with Kaymu Lanka (Pvt) Ltd. Digital Services Business will in the main, focus on fintech, wherein Dialog will work towards digitising micropayments/ lending/savings, to extend affordable financial services to the consumers at the base of the pyramid.

Our focus on fintech through Dialog Finance, eZ Cash and Genie has been a key contributor in advancing digital connectivity and enabling cutting-edge Financial Technology (fintech) to deliver a suite of products and services thereby expanding financial inclusion in Sri Lanka. IdeaMart, our developer ecosystem, launched an award-winning innovative product - APPMAKER - an Android application creation solution, successfully hosted Google I/O Extended for the 4TH consecutive year, and launched the 'Ideamart for Women' initiative with a vision of empowering the Sri Lankan female developer community. Joining the ranks of these innovative digital services are Doc990 - Sri Lanka's fastest growing online Doctor consultation platform, Guru.lk - the largest digital education platform of its kind in the market, InsureTech - first of its kind solution in Sri Lanka offering exclusive value-added micro-insurance services to over 4.5 Mn customers, InsureMe - Dialog's Digital presence in the broker model providing customers with the ease of buying an insurance policy by comparing with different underwriters, and 444 - Sri Lanka's largest location-based booking platform. In 2019, Dialog gained global recognition for its affordable and purposebuilt IoT solutions for industries in emerging markets at the GLOTEL awards and led the way in the IoT front with its award- winning initiatives including IoT enabled smart-grid solution to introduce Prepaid Electricity Metering & SMART Infrastructure monitoring & Automation in Sri Lanka. Dialog also partnered with the Health Informatics Society of Sri

Lanka (HISSL), to establish a 'Digital Health Innovation Laboratory', the first of its kind in the country, to incubate innovative digital solutions for the healthcare sector.

IT PLATFORMS/BUSINESS SUPPORT SYSTEMS

We continue to transform the IT infrastructure for future-ready agile IT by modernizing and containerizing legacy core, while scaling up and enabling the BSS ecosystem to support Enterprise Business with stepping out and increasing cloud infrastructure footprint. The 'API-ification' of Dialog's legacy BSS was another critical step towards our transformation to a Digital Telco. Legacy BSS is in the process of being replaced gradually, wherever possible, as part of a migration to a cloudnative and microservice architecture. By fronting legacy BSS with APIs, Dialog can accelerate upper layer, customer experience-related development using APIs, while continuing to work around and then replace legacy platforms with cloud-native components. Dialog has continued to improve its skill with consolidating multiple systems into one, as with its CRM infrastructure, which had disparate systems for each business unit. Similarly, customer data had to be consolidated to one data lake to support Analytics and AI efforts.

CONNECTIVITY

We will continue to lead in the connectivity space where we invest continuously on new technology applications to be future-ready in all aspects of operations and be ready for 5G technology rollout in the next few years. We are currently reaching the last phases of transiting 2G and 3G subscribers to 4G technology. We continued to invest in Fibre connectivity and work with the Government to ensure that the rollout takes place in a viable and cost-effective manner. We added 329 4G sites to our mobile network, expanding mobile 4G population coverage to 92% whilst continuously adding capacity to maintain data experience at an average speed of 5Mbps.

OPERATIONAL EXCELLENCE

Dialog has an aggressive Cost Rescaling (CRS) program, which has been running for the last few years and has facilitated greater operational excellence and support towards bottomline improvement in the year 2019, which was a challenging year given the unfavourable externalities.

ORGANIZATIONAL TRANSFORMATION & CULTURE

Our 3,000-strong team consists of steadfast individuals responsible for leapfrogging competition and exceeding expectations. Hence, it is of the utmost importance that we retain highly skilled employees in Sri Lanka to sustain current business ecosystems, which enable Dialog. Dialog Axiata Digital Jam 2019 is one such platform, which saw our employees compete in a wide array of challenges for a multitude of different prizes in the spirit of friendly competition. Additionally, employees have the chance to hone their analytical and critical thinking skills through the elearning portal, Lynda, where a total of 89,180 training hours was recorded in conjunction with the LinkedIn training offered. Perceptive to the needs of employees in our increasingly digitized landscape, we trained 54 highly talented individuals in the field of data science. The launch of our 'Agile' program saw the training of 2,255 employees through the use of classrooms and LinkedIn amounting to a total of 6,725 training hours. Our senior leadership team is responsible for heading strategic planning, growing our market and innovation administration, driving budgetary execution, fortifying our brand image and acquiring the highest skilled employees our labour market produces. The Sustainability Report for 2019 discusses the contribution of our people towards driving your Company forward. Implementing this degree of successful change across the entire organization while remaining nimble and improving both customer experience and bottomline continues to be a tremendous challenge. Change had to be driven across the Company and involved substantial investments in up-skilling existing talent and hiring new digital skills.

CORPORATE SUSTAINABILITY

The tragic events on Easter Sunday 2019 marked a period our nation was faced with one of the most perilous of challenges in its post-war history. Despite the tragedy, the eagerness demonstrated by Sri Lankans, corporates, and those around the world to help those most in need and give them the necessary strength to overcome adversities created a new sense of hope. With their generous support, the 'Rally to Care' initiative by Dialog Foundation established a fund amounting to Rs 116.69 Mn. Dialog Foundation, along with our partners and the whole-hearted support of our employees, launched many programs to enable immediate-term out-patient support for victims of physical disability and trauma, and psychosocial rehabilitation for the affected families by setting up the Life Healing Centre in Katuwapitiya. Rally to Care also facilitated longterm

educational support through the 'Shilpa Diriya' program with the Archdiocese of Colombo, where 185 affected children in Katuwapitiya and 102 affected children in Kochchikade were awarded long-term scholarships. Furthermore, 66 affected children in Batticaloa were also granted long-term scholarships by the Rally to Care initiative. Accordingly, the Rally to Care Initiative has granted 353 scholarships to children affected by Easter Sunday incidents and will ensure they receive financial support to complete their school education. The scholarships will continue to be available to these students until they reach the age of 19.

Strengthening Local Livelihoods and Businesses

During the year under review, Hutchison Telecommunications (Hutch) joined hands with us for the second time in our shared vision of enriching the lives of Sri Lankan people through technology, to onboard Hutch subscribers to Sri Lanka's first and largest multilingual mAgri service 'Govi Mithuru', a service for Sri Lankan farmers, which continues to provide valuable insight into crop yields and address market failures. Your Company, observant of rising concerns in agriculture, such as land fragmentation and degradation due to increasingly adverse climatic phenomena, partnered with the University of Ruhuna and the University of Moratuwa to launch 'SARU' - an IoT based crop protection solution. We have been working tirelessly for several years with the Disaster Management Centre of Sri Lanka to minimize the devastating impact of extreme weather through the Disaster Emergency Warning Network (DEWN) mobile application, which proactively provides alerts to the public of the likelihood of extreme weather. With more than 1.6 Mn Sri Lankans facing some form of physical challenge, Dialog's unwavering commitment to its altruistic motives of aiding marginalized communities facilitated the launch of the unprecedented and globally renowned Petrallex mobile app in Sri Lanka to support individuals with hearing disabilities. For the past 12 years, Dialog Axiata, with an investment of over Rs 70 Mn to date, has been instrumental in setting up and supporting the Ratmalana Audiology Centre as well as the Jaffna Speech Therapy Centre with an investment of Rs 6 Mn for its construction, and is indeed heartened that hundreds of thousands of Sri Lankans have benefited over the years through these establishments.

We are especially proud of our initiative in Jaffna, where we are positioned to bring state of the art technologies to benefit over 200 students of the Nuffield school, filling a gap in the Northern region. Dialog continues to promote digital

inclusion for traditionally marginalized groups on a range of issues. I refer readers to our 2019 Sustainability Report for a more detailed description of our work in this area.

SUPPORTING NATIONAL SPORTS

Dialog Axiata continues to be Sri Lanka's prolific promoter of sports through our unyielding support of Sri Lanka National Cricket, Rugby, Volleyball and Netball teams. The Company also has a close association with the President's Gold Cup Volleyball, National Junior and Senior Netball tournaments, Club Rugby League and Clifford Cup knock out tournaments, Premier Football, Schools' Cricket, Junior Volleyball and Paralympic sports - by powering the Army Para Games, National Para Games and the Sri Lankan contingent to the Olympic and World Paralympic Games. We continue to be the main enabler of eSports in the country with 'GameHero', which awarded the largest prize pool for gamers in 2019.

OUTLOOK FOR THE FUTURE COVID-19

pandemic led to a market downturn in Sri Lanka, which is expected to have an adverse impact. As Sri Lanka's telecommunications industry continues to rapidly transform, with a greater focus on emerging digital services and digitization, our market focus is predominantly on providing the best experience supported via aggressive 4G and 5G expansion strategies. Dialog's strategy will focus on building value at the core, synergies in convergence, common market operations and technology, focusing on mobile data leadership, capturing greater market share and monetization of Home broadband offerings, driving Enterprise growth via connectivity and ICT platforms, Digital Transformation and Analytics at Scale. Dialog will leverage on its transformational progress in 2019, to further improve performance in 2020 and organizational transformation efforts will be further augmented, towards developing and driving Dialog's digital culture. Furthermore, Dialog will continue to focus on Lean implementation and agile at scale, and maintain people investments in building digital skills towards achieving the New Generation Digital Champion ambition.

APPRECIATIONS

2019 was a tumultuous year marked by both highs and lows. Nevertheless, despite the challenges, the perseverance of the team at Dialog and our loyal customers have enabled us to maintain our stellar performance. I am grateful to

the senior leadership and each and every employee at Dialog Axiata and our extended family of service providers/partners for their heartfelt commitment and passion towards the Company and community. I also extend my thanks to the support lent by the Government of Sri Lanka and its agencies, the Telecommunications Regulatory Commission of Sri Lanka (TRCSL), the Central Bank of Sri Lanka and the Ministry of Telecommunications and Digital Infrastructure, the Information Communication Technology and the Ministry of Mass media and Information. I would also like to extend my gratitude to my fellow board members for their unstinted support and strategic guidance made available to me at all times amidst a challenging and uncertain environment. In closing, on behalf of the entire Dialog team and the Board, I would like to convey our sincere gratitude to our Chairman Datuk Azzat Kamaludin, who will be retiring at the conclusion of the AGM, for his steadfast leadership, dedicated service and invaluable counsel extended to us over the past 11 years to ensure Dialog Axiata's sustained success

6. Ceylinco Insurance



Ajith Gunawardena, Executive Chairman's/CEO's message
From Annual Report 2019 - Financial Year ending December 31, 2019



Board of Directors

Ajith Gunawardena

(Executive Chairman/CEO)

1 R Renganathan

2 H D K P Alwis

3 E T L Ranasinghe

4 N D Nugawela

5 W C J Alwis

6 U Witharana

7 T N M Peiris

8 Yu Kitai

9 K I Dharmawardena

10 D H J Gunawardena

11 S R Abeynayake

12 P D M Cooray

13 P A Jayawardena

14 N Vasantha Kumar

15 S H J Weerasuriya

Dear Shareholders,

Creating an organization that practices innovation can elevate the entity to become a power house of creativity - where pioneering ideas are born and given expression to become fully-fledged products and services that enhance lives of people. Very few organizations have built this empowering culture and we are proud to be one such entity that has repeatedly set benchmarks and set trends for the rest of the industry to follow. Customer-centricity has been the secret to our success. Organizations with a customer-centric culture and an organizational structure that aligns each business unit with a distinct customer group demonstrates superior performance capabilities and sustainability in the longer run compared to firms that are inertly structured. In an overcrowded insurance market, this strong customer focus is what helps distinguish our products and services, thereby making it worth the extra mile we go to, to truly listen and engage with our customers. The company has created history in all the sectors in which we operate by benchmarking new and innovative standards of excellence, which reflect dazzlingly on the company and its diverse customer segments. The strong brand equity enjoyed by our group companies in their respective sectors has taken them to the forefront of each of these industries, which are simultaneously thrust areas for economic growth as articulated by the new government in its bid to boost the economy. Therefore, Ceylinco Insurance PLC is well-poised to expand its presence in existing sectors of operations while tapping new opportunities

Overview

The challenges that abounded in the year 2019 were unimaginable for which no amount of preparation would be enough. While Sri Lanka went into the year with expectations of improved economic growth and greater tourism numbers following Lonely Planet listing Sri Lanka as the No 1 destination, the Easter Sunday attacks drastically changed the status quo. An otherwise peaceful country was soon reeling from death and destruction caused by the senseless attacks as the economy ground to a halt. In addition, September to December 2019 saw the country experiencing torrential rains resulting in floods while droughts prevailed in other parts. The presidential election took center stage towards the latter part of the year and all this contributed towards a sluggish economy with the real GDP growth revised to 2.7% in 2019. Although the economy showed signs of a gradual recovery from the severe impact of these catastrophic events and is forecast to grow by 3.2% during 2020, the recovery process will be a slow one.

Exponential Group Performance

Though macro conditions were not very favorable, your company still managed to record excellent results during the year under review in all sectors, which proves our strategic moves at a time of adversity were well thought through coupled with the solid footing and prudent management, which yielded the desired results. Ceylinco Insurance PLC recorded an enormous consolidated Profit After Tax of Rs 8.78 billion for the year ended 31st December 2019 while the Profit Before Tax stood at Rs 11 billion. In the backdrop of a challenging external environment, recording a profit of this scale is commendable.

Sector Performance Insurance

For yet another year, both the General and Life Insurance companies retained the market leadership in the respective industries. In an environment where competition is fierce and premium discounting is the norm amongst many competitors, remaining at top is an uphill task by any standard. Therefore, I take this opportunity to congratulate and commend the leadership of Mr R Renganathan, Executive Chairman of Ceylinco Life Insurance, and Mr Patrick Alwis, Managing Director/CEO of Ceylinco General Insurance for steering the two companies to such great heights under the extremely difficult conditions we experienced during the year. I also wish to applaud the staff of both organizations for adhering to our principles of ethical practices and showing customers true value we add to their lives. The insurance industry in the year under review, both

Life and General, recorded a Gross Written Premium of Rs 189.2 billion in 2019, which resulted in a year-on-year growth of 7.3% over 2018. This is an increase of Rs 12.9 billion when compared to 2018. Value of growth written premiums earned by the General Insurance industry for the year under review was Rs 100.9 billion, which reflects a growth of 7.3%, whilst the GWP of Life Insurance reached Rs 88.3 billion, which marks a growth of 9.4% over 2018. Ceylinco General Insurance recorded a premium income of Rs 19.8 billion (Rs 19,803 million), marking a growth of 3.21%, which amounted to a significant increase of Rs 616 million over 2018. Profit After Tax of Ceylinco General Insurance stood at Rs 1.38 billion, whilst Profit Before Tax was Rs 1.7 billion. Ceylinco Life Insurance recorded a Premium Income of Rs. 18.7 Billion (Rs 18,719 Million) with a growth of 5.08% year on year. Once again, Ceylinco General Insurance lived up to its promises and settled claims that resulted from the September floods and that too, within 7 days. Another claim that stood tall amongst others was the claim paid to Shangri-La Hotel. An advance of US\$ 1 Million was paid within 72 hours of the bomb blast. Our gross claims paid during the year under review amounted to Rs 10.7 Billion, an increase of 13% against the previous year. Most of these claims were paid within no time at all and our ability to pay claims within the shortest possible time has brought us an image of goodwill amongst not only our policy holders but amongst the entire populace of the country. Ceylinco General Insurance successfully operates one of the largest networks in the country with over 530 outlets, covering even remote towns with growth potential with the ability to reach remotest areas of the country. It is this relationship we build with our valuable stakeholders that strengthen us with a loyal customer base. New developments and trends in selling and sales management are creating demands and opportunities that require adaptation of a new approach on the part of both sales structures and strategies. During the year under review, Ceylinco General Insurance embarked on a new approach to recruit and strengthen their salesforce by building a team of 'Retired Professionals.' These individuals have excelled in their respective careers during the height of their career and their experience and expertise in the field of Sales and Marketing gives them an edge to reach the large corporates. Reinsurance is another area, where we have an eagle's eye approach as we always maintain adequate cover limiting our exposure in accordance with our risk appetite. Our Reinsurance arrangements are with the world's best reinsurers and where necessary we have partnered with specialized reinsurers with expertise in such segments.

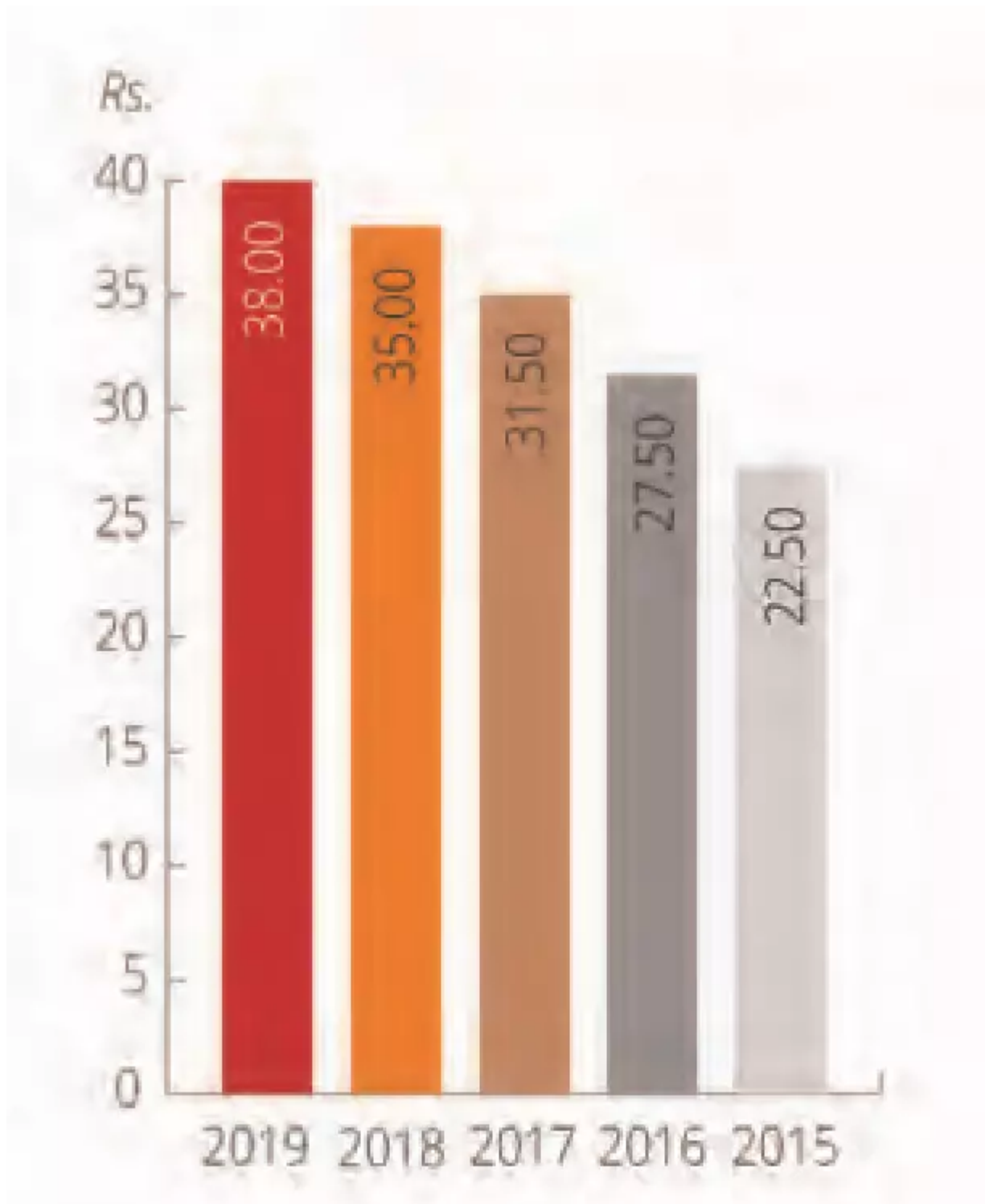
Global Footprint

The company has grown through strategic partnerships and collaborations to widen its geographical footprint to global markets such as United Arab Emirates, Bahrain, Oman, Qatar, and Kuwait. The company's subsidiary in the Maldives, its associate company in Nepal, and the strategic alliance in Mauritius are showing steady growth underscored by strong financial results. More significantly, Ceylinco General Insurance has sustained its identity by leveraging its technical expertise in product innovation and adapting it to local conditions in the overseas markets. It is with a great sense of appreciation that I commend our partnership with Mitsui Sumitomo Insurance Company of Japan, which gives us a competitive edge in providing reinsurance support to Japanese clients in Sri Lanka. The expertise that emanates from this partnership will further strengthen the relationship with Japanese interests in Sri Lanka.

Education Sector

A nation's education sector plays a critical role in the prosperity of its people. Although Sri Lanka can claim a well-distributed education sector, many challenges still remain and the Group's Education Arm has taken rapid strides to fill gaps to provide quality, reliable education for the nation's youth, thereby extending a safety-net as they strive to achieve their academic and career goals. In this backdrop, Dr Jagath Alwis, Chairman of the Education sector companies, has built two icons in Sri Lanka's higher education sector – ICBT and ANC, making them the market leaders. I thank him for his continuous determination and efforts that have helped us take these giant strides in the education sector. It is against this backdrop that Ceylinco Insurance PLC took significant steps through its Education Subsidiary, CEG Education Holdings (Pvt) Ltd., to offer a wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicines, and Business. It is an investment for the future of our country to provide the proper foundation for graduate and postgraduate courses. The Ceylinco Education Sector also owns and manages international recognized pre-schools and primary and secondary schools. The Group has 12,500 students reading for Bachelors and Masters Degree in the fields of Business Management, ICT, Engineering, Psychology and Law amongst other subjects who will complete their entire degree in Sri Lanka and more than 500 students will transfer to foreign universities. Another 2,500 students are studying at Montessori, Primary and Secondary levels. The Group

has little more than 55,000 alumni working in Sri Lanka and overseas. The total revenue of the Education sector companies stands at Rs 3.1 Billion while Profit After Tax of Rs 491 million contributed to overall Group profit.



Future Prospects

The business of selling insurance has a direct impact on the financial wellbeing of policyholders, which is why we have ensured that ethics and transparency are deeply embedded across our operations. By encouraging more people to insure

their lives, health, property and businesses, we are securing their financial security for the future and helping to cushion them against any shocks life might bring while encouraging them to enjoy the present knowing fully well that they are protected under our care. The presence of the Group in the Education sector ensures its longterm success as our courses keep evolving to suit the future needs of students today, thereby remaining relevant and popular. Lastly, our presence in the Power and Energy sector is a demonstration of our sustainable strategy to work for the energy security of the nation. The private sector has long been called the engine of growth and having world-class corporate entities such as Ceylinco Insurance PLC can be considered some of the assets of the nation.

Distributing the Highest Dividend

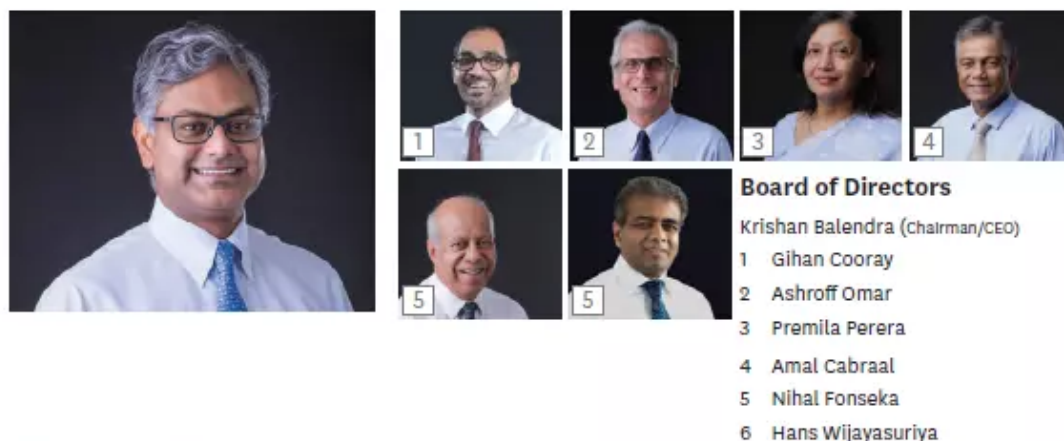
It is my privilege to propose, on behalf of the Board of Directors, a first and final dividend, which is the highest ever paid in the history of the company. The proposed dividend of Rs 38 per share, dear shareholders, was made possible by the outstanding performance of every subsidiary.

Appreciation

It gives me great pleasure to congratulate His Excellency President Gotabaya Rajapaksa for being elected with an overwhelming majority and the newly-elected Prime Minister and the Government. Their vision to steer the Sri Lankan economy to a stable position with a profound leadership is admirable. I would like to thank the newly appointed Chairman, Mr Razik Zarook, the Director General and officials of the Insurance Regulatory Commission Sri Lanka for their unwavering guidance. On an upbeat note, I welcome the new insurance ombudsman, Dr Ranjith Ranarajah, and assure him of our unstinted cooperation at all times. Our success is contingent on the faith of our valued reinsurers and reinsurance brokers who remain our biggest support even in challenging times. Their support is invaluable to us. I would like to express my gratitude to our shareholders for placing their faith in our ability to sustain our performance despite economic headwinds. We truly value our customers and pledge to enhance our customer centricity even further to add value to our service offering. Eventually, our systems and processes would be powerless without the skill, professionalism and hardwork of employees who have understood external challenges and focused on achieving set targets with renewed vigor. We will always continue to raise the bar in every sphere we operate whilst creating new benchmarks thereby improving

our service and our reputation for excellence. By any and every means, we have 'Gone beyond the Measure' in the year under consideration and look ahead with great optimism for enhanced economic and industry conditions in the new financial year. As the top insurance entity in the country, we are well-poised to carve out a greater share of the market, cheered on by our stakeholders and well-wishers.

7. John Keells Holdings



Krishan Balendra, Chairman/CEO's message
From Annual Report 2019/2020 - Financial Year ending December 31, 2019

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 March 2020. While we have been in the midst of unprecedented circumstances due to the ongoing COVID-19 pandemic, we have, parallelly, ensured that our commitment to financial reporting transparency and timely disclosure is maintained despite the restricted operating environment, which prevailed in the country until 11 May 2020.

This Report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council. I trust our Report will provide you with an in-depth understanding of the Group's value creation process and the strategies in place to manage the diverse portfolio of businesses towards driving sustainable growth, particularly in terms of navigating our businesses through the current pandemic.

The year 2020 marks a significant milestone for the John Keells Group as we commemorate 150 years of being in business and contributing towards the development of the country. This financial year has been one of the most challenging ones in the recent past due to the events of Easter Sunday and the outbreak of a global pandemic. Whilst we are confident that our investments,

particularly in the recent past, has positioned us well for the next phase of growth, and, as a Group, our future, looks exciting, we remain confident that, as always, we have the strength and resolve to keep moving forward through this period of unprecedented challenges, as we have done, 'enduring the times', over the past 150 years.

From a macroeconomic perspective, heightened domestic vulnerabilities, such as lower earnings from tourism on the back of the Easter Sunday terror attacks and moderation of worker remittances exerted pressure on the economy. As a result, consumer discretionary spending remained subdued in the first three quarters of the financial year due to the lackluster performance of the economy and dampened consumer and investor confidence. However, discretionary spending witnessed a rebound from the fourth quarter of the year under review, where the performance of our consumer businesses showed strong momentum while bookings in the Leisure business had recovered close to the levels seen prior to the Easter Sunday attacks. Unfortunately, this recovery was hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the curfew imposed across the country, including the closure of the international airport for arrivals, from March 2020 onwards. However, with the resumption of activity across the country post the easing of curfew restrictions, we are seeing early signs of an encouraging recovery of consumer activity, which should be positive for our consumer-focused businesses such as Consumer Foods, Retail, Logistics and Insurance. A more detailed discussion on the impacts of the COVID-19 pandemic is found later in this Message.

For the financial year 2019/20, Group revenue increased by 3 percent to Rs 140.04 billion while recurring Group EBITDA decreased by 14 percent to Rs 22.06 billion. As elaborated in the quarterly earnings releases in 2019/20, effective April 1, 2019, the Group adopted SLFRS 16 - the accounting standard on Leases - which primarily impacts the accounting treatment of the Group's operating leases and lease commitments, particularly in the Supermarket business and the Maldivian Resorts segment. To depict the underlying performance of the Group, the ensuing discussion is based on an adjusted EBITDA, where the lease expense in EBITDA in 2018/19 is comparatively adjusted on a like-withlike basis against the EBITDA in 2019/20. The decline in the recurring EBITDA was mainly on account of the downturn in the Group's Sri Lankan Leisure business due to the Easter Sunday terror attacks, decrease in interest income on account of lower

cash and cash equivalents at the Holding Company due to the planned equity infusions to fund the 'Cinnamon Life' project, and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year. The recurring Group Profit Before Tax (PBT) decreased by 28 percent to Rs 12.28 billion while the recurring profit attributable to equity holders of the parent decreased by 26 percent to Rs 9.33 billion for the financial year ended 31 March 2020 due to the same reasons as explained above.

| Summarized below are the key operational and financial highlights of our performance during the year under review. | | |
|---|-------------------|-----------|
| <ul style="list-style-type: none"> The Consumer Foods, Retail and Property industry groups recorded a growth in profits. The Group's year-on-year performance was impacted by the downturn in the Group's Sri Lankan Leisure business due to the Easter Sunday terror attacks, lower finance income as a result of the deployment of cash in new investments and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year. The Group's Bunkering business recorded a strong growth in profits driven by improved margins. South Asia Gateway Terminal (SAGT), the Group's Ports and Shipping business, became liable for corporate income tax during the year under review, impacting profitability. Consumer Foods witnessed growth on account of an improved performance in the Beverages and Frozen Confectionery businesses driven by growth in volumes and expansion of margins due to a better sales mix. The Supermarket business witnessed a strong rebound in profits as it continued to gain market share, supported by a notable contribution from new outlets and strong growth in customer footfall. In the aftermath of the Easter Sunday terror attacks, both the City Hotels sector and the Sri Lankan Resorts segment recorded a decline in occupancy and average room rates. However, occupancy at our hotels recovered faster than expected with forward bookings maintaining an upward trend, where occupancy in the peak season was in line with the previous year, albeit at a moderately lower room rate. Whilst the tourist arrivals to the country had recovered close to pre-incident levels, developments surrounding the global spread of COVID-19 derailed this momentum. The foundation work of the 'Tri-Zen' residential development project was completed ahead of schedule. The super structure work is currently in progress. 'Tri-Zen' recorded encouraging sales with 262 apartments sold as at 31 March 2020, outperforming the market. The finishing works of the 'Cinnamon Life' Residential and Office Towers are nearing completion whilst the interior works of the Hotel and Retail space are on-going | | |
| (Rs.'000) | Recurring EBITDA* | |
| | 2019/20 | 2018/19** |
| Transportation | 4,417,493 | 4,563,146 |
| Consumer Foods | 3,369,880 | 2,894,586 |
| Retail | 5,109,601 | 2,890,342 |
| Leisure | 2,341,398 | 5,301,807 |
| Property | 567,886 | 322,774 |
| Financial Services | 2,988,190 | 3,358,809 |
| *EBITDA includes interest income and the share of results of equity accounted investees, which is based on the share of profit after tax. | | |
| ** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purpose | | |

IMPACTS OF THE COVID-19 PANDEMIC

Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of 'work from home' for the general public, post which an islandwide curfew was imposed on March 20, 2020, with restrictions waived only for services classified as 'essential'. After a stringent lockdown period of over a month, curfew has been gradually eased off in many parts of the country, with the imposition remaining only for two high risk districts,

including the Colombo district, although business activity has resumed across the country. I wish to recognize and commend the relevant authorities for the aggressive and proactive efforts undertaken to contain the spread of the virus, and it is encouraging that there is no indication of community spread in the country. Given the stringent lockdown measures, the different businesses of the Group actioned their respective business continuity plans to ensure that activities were maintained, to the extent possible. The Group has evaluated all guidelines issued by the Government as well as international best practice and each of the Group businesses have developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders. At the onset of the crisis, in order to evaluate the financial position of each business, particularly over the next 12 months, each of the businesses were stress-tested under multiple operating scenarios, and, subsequently at a Group consolidated level, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place. Whilst the assumptions vary across the businesses, the Group is satisfied of the ability of the businesses to manage its operations even under an extreme stress-tested scenario. In addition, the Group has initiated and implemented a series of measures with a view to focusing on cash management and liquidity, which include the adoption of weekly dashboards, which cover financial and non-financial KPIs and revised targets, monitoring of weekly cash targets and spend control initiatives including a freeze on all nonessential capital expenditure and stringent expense control measures, including a reduction in executive staff remuneration ranging from 5 to 60 percent across the Group until June 2020, subject to further review depending on the macro and operating environment. The Government of Sri Lanka has also announced certain relief measures including a moratorium on repayment of loans and concessionary working capital facilities for eligible industries. Where relevant, Group companies have applied for such relief measures, which will help ease the financial position further. While the forecasted liquidity position of the Group is comfortable, we are of the view that undertaking proactive steps ahead of further stresses will enable maintaining of a stronger balance sheet and facilitate a smoother and faster recovery trajectory. The most recent release by the Government states that curfew restrictions in the two districts will remain, with restrictions being eased off during the day for the gradual commencement of economic activity by the public and private sectors. Although it is too soon to make an assessment, we have seen a smooth transition with the resumption of business activity where we are already

seeing a positive momentum. Given the volatile and evolving landscape, the Group will continue to monitor the impacts to its operations and proactively take measures to ensure business continues as seamlessly as possible. At this moment, the focus is on transitioning to back-to-work arrangements ensuring all health and safety protocols are in place. The Annual Report contains discussions on the macroeconomic factors and its impact on our businesses as well as a detailed discussion and analysis of each of the industry groups. As such, I will focus on a high-level summation of the performance of each industry group during the financial year 2019/20, including the impacts of COVID-19 on the businesses.

TRANSPORTATION

The Transportation industry group recurring EBITDA of Rs 4.42 billion in 2019/20 is a marginal decrease of 3 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 4.56 billion]. The Group's Bunkering business, Lanka Marine Services (LMS), recorded a strong growth in profits driven by improved margins. However, profitability was impacted by the Group's Ports and Shipping business, South Asia Gateway Terminals (SAGT), which became liable for corporate income tax during the year under review. The performance of SAGT was further impacted by flat volumes compared to the previous year due to the disruptions in port operations as a result of the COVID-19 pandemic and due to the industrial labor dispute in September 2019.

The income tax exemptions granted by the Board of Investment for SAGT expired in September 2019. Whilst the initial impact on volumes in the Colombo port was from the lockdown in China and subsequently from India, given the higher reliance on transshipment volumes, the degree of impact to overall port operations will largely depend on how regional trade will evolve post recovery. However, the recovery of trade in China has been encouraging, where we are seeing a pick-up in vessel movement, although volumes in Colombo will also depend on trade in India and the South Asian region, given that a majority of transshipment volume for the Colombo port emanates from this region. The reduction in global trade activity and vessel movements is expected to impact volumes in the Bunkering business in the short-term while the volatility in bunker fuel prices will also need to be monitored given the sharp fall in prices witnessed in March 2020. The business will assess the outlook for oil prices when placing new orders given the lead time of 2-3 weeks for delivery of cargo. During the year under review, the Logistics business recorded an increase in throughput in its

warehouse facilities.

CONSUMER FOODS

The Consumer Foods industry group recurring EBITDA of Rs 3.37 billion in 2019/20 is an increase of 16 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 2.89 billion]. The increase in profitability is mainly on account of the performance of the Beverage business and the Impulse segment of the Frozen Confectionery business. The year under review represents a full year of operations at the new ice cream plant in Seethawaka, enabling the business to scale its product range and volumes at higher operational efficiencies. During the year, six new impulse ice cream varieties were launched, gaining high acceptance in the market and enabling higher penetration into the category. The profitability of the Beverages business recorded an increase driven by growth in volumes and margin expansion in certain SKUs. However, volume growth momentum in both businesses were impacted by disruptions to distribution due to adverse weather conditions in many parts of the country during the second and third quarter of the financial year and curfew imposed in light of the COVID-19 pandemic from March 2020, where momentum in the final few weeks of the month, which witnesses a seasonal peak in sales, was disrupted. During the year under review, keeping in line with evolving consumer trends, lifestyles and the emphasis on nutrition and convenience, Keells Food Products (KFP) commenced production of a pioneering Instant Rice, branded 'Ezy rice', an affordable, easy-to-prepare and ready-to eat single serve product. Whilst KFP maintained its volumes and market leadership position in processed meats against last year, profitability was impacted by an increase in advertising and promotional expenses, on account of the launch of 'Ezy rice' and escalations in other raw material prices. Whilst volumes across the beverage, frozen confectionery and convenience foods markets has declined sharply due to the imposition of curfew and restrictions in movement, manufacturing activities at our factories have commenced gradually with priority being the health and safety measures of our staff. As we have seen in areas where curfew has been eased previously, we expect volumes to improve with the resumption of activity in Colombo and other districts, while the outlook beyond that will depend on the impact on the overall economy and resultant impacts on consumer spend.

RETAIL

The Retail industry group recurring EBITDA of Rs 5.11 billion in 2019/20 is an increase of 77 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 2.89 billion]. The Supermarket business recorded a recurring EBITDA of Rs 4.27 billion in 2019/20, an increase of 80 percent against the previous financial year [2018/19: Rs 2.37 billion]. The business recorded a strong growth in profitability driven by a notable contribution from new outlets and a robust growth in customer footfall, which contributed towards an increase in same store sales. Average basket values (ABV) increased during the year, reversing the trend of a period of prolonged stagnation, on the back of a recovery in discretionary spending towards the beginning of the fourth quarter. It should be noted that the profits of the Supermarket business recorded an increase despite the negative impacts arising from the adoption of SLFRS 16 – Leases. As discussed in the quarterly earnings releases in 2019/20, the charge to the Income Statement pertaining to the leases of the business will be higher during the beginning of the recognition period and will gradually taper off as the total value of the asset is reached. There are currently over 120 operational leases under the business. During the year under review, the Supermarket business outperformed the market, increasing its market share in terms of revenue, primarily driven by the aforementioned footfall growth following the re-branding in 2018/19, significant outlet expansion and various product and process improvements implemented by the business during the year. Whilst 2019/20 marks the first full year of operations post the rebranding for the business, ‘Keells’ was placed amongst Sri Lanka’s top ten most valuable brands for the first time and was awarded the most ‘Valuable Supermarket Brand’ for the second consecutive year by Brand Finance in 2020. During the year under review, fifteen new outlets were opened, increasing the total store count to 109 as at 31 March 2020. Considering the significant disruption to operations in the current operating environment, the planned outlet roll-out has been temporarily suspended and will be re-evaluated once operations settle. As part of the Group’s advanced analytics transformation journey, the business rolled-out its advanced analytics transformation program, where several well-defined advanced analytics use cases focused on the Supermarket business were piloted and implemented. Preliminary results of these pilot projects, aimed at areas such as promotion effectiveness, personalization, productivity improvements, rostering, are promising and augur well for the business in the medium-term given that the financial impact of the pilot use cases are in excess of planned baseline estimates. Although supermarket services are classified as an essential service by the Government, operations of our outlets

during the curfew period have been largely limited to delivery only. Revenue in the immediate-term was negatively impacted as most of our outlets are located in high-risk districts and were closed to the public up until the most recent announcement of the Government's easing of restrictions in movement in the high-risk districts. However, with the level of activity gradually increasing, it is encouraging to witness a significant rebound in our sales. We will continue to ramp up our capability in serving our customers through online delivery platforms and upgrading our infrastructure and user experience through an omnichannel approach while ensuring we expand our capability for order fulfilment and delivery. We also remain focused on ensuring the continued health and safety of our customers and staff and have taken steps to adhere to the new safety guideline issued by Government and health authorities.

LEISURE

The Leisure industry group recurring EBITDA of Rs 2.34 billion in 2019/20 is a decrease of 56 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 5.30 billion]. The decline in profitability is on account of the negative impacts to the Sri Lankan Leisure business as a result of the Easter Sunday terror attacks in April 2019 and the resultant adverse travel advisories from key source markets in the immediate aftermath of the incident, in addition to the partial closure of 'Cinnamon Dhonveli Maldives' for refurbishment and start-up costs related to 'Cinnamon Hakuraa Huraa Maldives' and our new resort, 'Cinnamon Velifushi Maldives'. The decision by the Government of Maldives to suspend entry to tourists from certain key source markets in the fourth quarter of the year under review, in the wake of the COVID-19 pandemic, also impacted revenue generation. In the aftermath of the terror attacks in April 2019, both the City Hotels sector and the Sri Lankan Resorts segment recorded a decline in occupancy and average room rates. It was encouraging that the occupancy at our hotels recovered faster than expected with forward bookings maintaining an upward trend where occupancy in the peak season was in line with the previous year, albeit at a moderately lower room rate. Whilst the tourist arrivals to the country had recovered close to preincident levels, the developments with the global spread of COVID-19 derailed this momentum. In January 2020, the newly reconstructed 159-room 'Cinnamon Bentota Beach' commenced operations. The unique location and architecture of this heritage 5-star property, coupled with an unparalleled food and beverage offering, is expected to further strengthen and

enhance the 'Cinnamon' brand offering.

The adjusted EBITDA of the Maldives resorts segment recorded a strong growth driven by higher average room rates, particularly from the newly refurbished water bungalows and over water suites at 'Ellaidhoo Maldives by Cinnamon' and 'Cinnamon Dhonveli Maldives'. During the year under review, we added our fourth resort property to our Maldivian hotel portfolio, 'Cinnamon Velifushi Maldives'. The hotel was handed over to 'Cinnamon' on an operating lease, in line with our assetlight investment strategy, and commenced operations in October 2019. 'Cinnamon Velifushi Maldives', consisting of 90 rooms, is positioned as a 5-star deluxe resort. With the completion of the partial refurbishment of 'Cinnamon Dhonveli Maldives' and the reconstruction of 'Cinnamon Hakuraa Huraa Maldives' in December 2019, the full complement of all four of our Maldivian hotels is now available for operation. At the inception of the outbreak of COVID-19 in Sri Lanka, we extended our fullest support to the Government at the time of national need and offered 'Trinco Blu by Cinnamon' as a quarantine centre to the Government, if the need arises. Subsequent to the breakout of the pandemic, both Sri Lanka and the Maldives have undertaken stringent measures to control the transmission of COVID-19, and, as a result, have closed its airports for arrivals. Due to the resultant impact on tourist arrivals, the Group decided to suspend operations of its hotel properties in Sri Lanka and the Maldives, where the hotels continue to remain closed as at the date of this Report. The closure of the hotels has a significant financial impact on the business considering the high fixed costs associated with its operations. While the liquidity and cash flows of the business can be managed in this stress-tested scenario, we continue to prepare ourselves for the resumption in activity no sooner than when domestic travel resumes and the airport is opened, as permitted under the relevant Government directives, while operating under different protocols. Ensuring the health and safety of our employees and guests will be our immediate priority. We will ensure that all required social distancing protocols and health checks are in place as advocated by international and local regulatory bodies. We will support and work closely with the Sri Lanka Tourism Development Authority (SLTDA) and other stakeholders to develop a plan to attract guests back to Sri Lanka, responsibly, once restrictions are eased. The SLTDA has initiated a two-phased post COVID-19 action plan to revive the tourism sector. The timely re-launch of Sri Lanka's first focused global tourism promotion campaign will also be critical for the revival of the industry. Whilst there certainly will be short-term challenges given the

current situation, we remain confident that the prospects for tourism in the country in the medium to longterm remain extremely positive considering the tourism offering in the country and the potential for regional tourism to expand. Given that the virus is well contained locally, we expect domestic tourism, in particular, to perform similarly to other countries.

PROPERTY

The Property industry group recurring EBITDA of Rs 568 million in 2019/20 is an increase of 76 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 323 million]. The increase in profitability is on account of the commencement of revenue recognition of the 'Tri-Zen' residential development project. During the year under review, piling works of the 891-apartment project, 'Tri-Zen', in Union Place, Colombo, was completed ahead of schedule. The year under review marked the first tranche of revenue recognition for the project and this is expected to ramp up over the next few quarters as the project progresses. Despite the challenging market conditions, 'Tri-Zen' recorded encouraging sales with 262 apartments sold as at 31 March 2020, outperforming the market. It is encouraging that a significant portion of current buyers are first-time customers to John Keells Properties as well as first-time home buyers, which is a realization of the industry group's strategy of reaching new market segments with the launch of the 'Metropolitan Spaces'. During the year under review, the construction progress of the 'Cinnamon Life' project was encouraging, with the topping off of construction in all six buildings of the project and the structural work completed by May 2019. Finishing work including the installation of the mechanical and electrical services and the external façades are currently underway. The residential and office towers are nearing completion, although affected by the closure of the construction site for close to 2 months due to the imposition of curfew. The pre-sales of the Residential Towers; 'The Suites of Cinnamon Life' and 'The Residencies at Cinnamon Life' is currently at 65 percent of total area available for sale. While the sales momentum was expected to improve as completion draws nearer, the current crisis may impact the pace of pick up due to subdued consumer sentiment. The total revenue from the sale of the residential apartments and 10 floors of the commercial office space of the 'Cinnamon Life' project is estimated to be USD 250 million, which will be recognized post the hand-over of the sold units on commencement of operations. The profitability impact of the COVID-19 pandemic to the Property industry group earnings is

relatively less in the immediate short-term as revenue recognition was mainly from the Tri-Zen residential development project, which is still at early stages of construction. The timing of the one-off recognition of the sale of residential apartments and the commercial space at 'Cinnamon Life' would depend on handover dates of the project. 'Cinnamon Life' witnessed delays in shipments since February mainly due to the shutdown of factories in China. However, we now note a gradual recovery in the arrival of materials with manufacturing in China resuming. Whilst the construction sites of both Tri-Zen and Cinnamon Life were closed from the time of curfew imposition in March 2020, both sites are now gradually commencing work as permitted under the relevant Government directives. The business is working closely with the contractor to understand the impact on the overall project to manage resources and deliverables. The funding of 'Cinnamon Life' is in place with the unutilized component of the committed syndicated loan facility and availability of funds earmarked for the project at the parent company level.

FINANCIAL SERVICES

The Financial Services industry group recurring EBITDA of Rs 2.99 billion in 2019/20 is a decrease of 11 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 3.36 billion]. Nations Trust Bank PLC (NTB) recorded an improvement in profitability as a result of an increase in net interest income and better management of operational expenses. NTB recorded a growth in net interest income-driven by loan growth, where conscious efforts were undertaken to consolidate the Bank's portfolio in view of the industrywide deterioration in credit quality. However, higher impairment charges on the back of an increase in non-performing loans (NPL) due to the heightened credit risk from subdued macroeconomic conditions exerted pressure on performance. The Bank continued its drive towards becoming a technologically-driven, customer-centric institution by investing over Rs 500 million in upgrading its digital infrastructure during the year. Digital channels accounted for over 70 percent of total transactions performed in CY2019, which is among the highest in the industry. 'FriMi', the Bank's digital banking platform, recorded encouraging performance during the year with its customer base doubling with average monthly transaction values at Rs 4.00 billion. Several investments were made aimed at enhancing the user interface, functionality and user experience, in furtherance of the Bank's efforts to maintain FriMi's position as the market leader in the digital banking space.

Whilst Union Assurance PLC (UA) recorded an increase in gross written premiums, performance was impacted by a lackluster growth in new business premiums. During the year under review, UA recorded an annual life insurance surplus of Rs 1.00 billion in 2019/20, a marginal decline against the life insurance surplus of Rs 1.10 billion recorded in the previous year. The agency channel continued to be a main driver of growth, accounting for over 86 percent of total GWP. Given the significant contribution of the agency channel, the business invested in expanding and improving the quality of the agency channel through initiatives such as branch infrastructure upgrades and the revamping of the reward and recognition scheme, amongst others. The bancassurance channel also recorded strong growth. During the imposition of the curfew, both the banking and insurance businesses continued limited operations given their classification as essential services. A key focus of the Banking sector will be to manage liquidity, particularly given the debt moratorium announced by the Central Bank. While there can be further stresses on future impairment considering the far-reaching impacts of the current crisis, NTB is well geared to manage its liquidity and will continue supporting its customers in resuming their business activity while focusing on collections and recoveries. The Central Bank of Sri Lanka has taken steps to support the banks through various measures to improve liquidity. The Insurance business has witnessed disruptions to underwriting of new business and collections as the Insurance regulator announced an extension for payment of renewal premiums, which has impacted collections in the shortterm. It is expected that business volumes will improve with the easing of the curfew, while there will be a renewed focus on the transformation to digital platforms and other online methods of carrying out the business, particularly with regard to improving renewals and pursuing new policies through a multichannel approach including ramping up digital marketing efforts.

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

The Information Technology sector recurring EBITDA of Rs 349 million in 2019/20 is an increase of 81 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 192 million]. The improved performance is on account of onboarding new clients and completion of a few key projects. The prospects for the IT business are quite promising given the increased propensity for digital adoption in the current environment. The Plantation Services sector recurring

EBITDA of Rs 20 million in 2019/20 is a decrease of 95 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 365 million]. The performance of the Plantation Services sector was impacted by adverse weather conditions and a one-off impairment of debtors at John Keells PLC considering the stresses faced by tea producers due to lower tea prices last year. Other, comprising of the Holding Company and other investments, the Information Technology and Plantation Services sectors, together, recorded a recurring EBITDA of Rs 3.26 billion in 2019/20, a decrease of 48 percent over the recurring EBITDA of the previous financial year [2018/19: Rs 6.25 billion]. The decrease in profitability is mainly attributable to the decrease in interest income on account of lower cash and cash equivalents at the Holding Company due to the planned equity infusions to fund the 'Cinnamon Life' project, and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year.

ADVANCED ANALYTICS

During the year under review, the Group's Data and Advanced Analytics Centre of Excellence was formally initiated as a division under the Holding Company, towards driving an advanced analytics transformation journey that would result in a greater degree of datadriven decision-making across the Group. JKH, in collaboration with a global consulting firm, commenced a three-year engagement that would execute the deployment of well-defined advanced analytics use cases that seek to solve key business challenges across value chains in several of key industry verticals and institutionalize the capabilities in our Centre of Excellence. During the period under review, the division commenced work on a series of use cases in the Retail and Financial Services industry groups where initial pilots indicated strong signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. The Group is of the view that the advanced analytics transformation program, leveraging on the large volume and rich variety of data across the Group would be a significant source of competitive advantage going forward, notwithstanding even the current crisis where data-driven decision-making will become more relevant.

EMPLOYEES

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

unprecedented challenges. The year under review commenced with the tragic loss of a few members of our staff at 'Cinnamon Grand Colombo' and one in the Logistics business from the Easter Sunday terror attacks. They were valued members of our team and are greatly missed. I wish to sincerely thank the many who are serving in our front lines and are playing a pivotal role in serving our stakeholders and the people of our country in its time of need. It is truly heartening to see the positive attitude and spirit of our people during this crisis, where numerous teams have ensured that operations continue seamlessly with transition to remote working arrangements being smooth due to the dedication and commitment of our people at all levels. I am proud to lead such a team. Our people have been the hallmark of success of the John Keells Group over its 150 years of existence, and, I believe, will continue to be a key differentiator going forward as well. Over the years, we have attracted the best and the brightest talent towards building a strong team that reflects the diversity of the customers we serve. We continue to engage and encourage our employees to perform to the best of their ability through a performance-oriented culture founded on ethical and transparent behavior which, in turn, promotes sustainable and profitable growth. The Corporate Governance Commentary and the Capital Management Review sections of this Report explain in further detail the best practice, policies and procedures that are in place to ensure that John Keells is 'More Than Just a Work Place'. During the year, the Group carried out the Great Place to Work (GPTW) survey to obtain necessary insights through employee feedback and identify key areas of concern, and to further build on the Group's HR strategies and processes. The state-of-the-art cloud based Human Resource Information System (HRIS), which was implemented in March 2019, ran a full cycle of operations during the year under review, bringing into effect one of the largest, fastest and most comprehensive HRIS implementations in the country. The system manages the entire life cycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

CORPORATE GOVERNANCE

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations. During the year under review, several initiatives were undertaken to further strengthen the Group's governance framework and controls. These include implementing a comprehensive data classification and rights managements system, roll-out of the anti-money laundering and anti-corruption policies across the Group and strengthening and streamlining the Group's cybersecurity resilience through device management, user access and data protection to cater to the evolving hybrid cloud environment and digitization requirements of the Group. While the Group has a strong information technology (IT) governance framework, given the higher incidence of remote working arrangements in the wake of the COVID-19 pandemic, measures have been taken to further strengthen the IT governance and cybersecurity framework. Further details on compliance can be found in the Corporate Governance Commentary of this Report. It is also noted that in light of the Easter Sunday terrorist attacks and COVID-19 pandemic, the Group conducted a comprehensive review of the Group risk management register, where 'terrorism' and 'pandemic' risks were reviewed and appropriate impact mitigation measures relating to 'pandemic' risks in particular were included, to the extent known and possible, given the volatile and evolving circumstances.

SUSTAINABILITY

This Report details the Group's sustainability strategy, its management framework and key policies and discloses its sustainability performance in accordance with the GRI Standards: Core option. The Group takes a holistic view with respect to its non-financial performance, focusing on the sustainability performance of its own operations as well as seeking to positively impact its value chain, entrenching a sustainability mindset that extends beyond its own boundary. Through its robust sustainability management framework, the Group strives to minimize impacts on the environment, ensure a healthy and safe working environment for its workforce, constantly develop and enhance employee skill levels, and provide its customers with the highest levels of product stewardship, whilst conducting all operations with the highest levels of ethical standards. The Group also continually aims to engage its suppliers and inculcate and encourage sustainability best practice through supplier assessments, forums and through its

supplier code of conduct. During the 2016/17 financial year, the Group established sustainability goals for 2020, with energy and water targets set against a baseline of 2015/16 figures. Group companies have strived to achieve these goals in the intervening years, with the implementation of energy and water conservation initiatives across key industry groups in an effort to reach the goals of a 12 percent reduction in energy usage and a 6 percent reduction in water usage. However, internal factors such as changes in operating models of key businesses, and external factors such as the Easter Sunday terror attacks and the COVID-19 pandemic have impacted our performance against these goals. Against this backdrop, the Group recorded a 4 percent increase in energy usage against the 2015/16 baseline and a 4 percent reduction of water usage. Nevertheless, the Group's sustainability philosophy is one of continuous learning and striving for improvement and we believe that the investments made during the past four years as a part of this exercise, will continue to yield benefits over a long-term basis. Group companies continue to work towards reducing their environmental impact and the Retail and Leisure industry groups are increasingly moving to greater utilization of renewable sources of energy, amongst other initiatives, as part of this strategy. Progress was made in key sustainability focus areas, with the Group's carbon footprint reducing by 2 percent to 96,683 MT in absolute terms and a 5 percent reduction in carbon footprint per million rupees of revenue. Although the Group's absolute water withdrawal figure recorded a 5 percent increase at 1,896,084 cubic meters and water withdrawn per million rupees of revenue increased by 3 percent, waste generation reduced by 6 percent to 7,849 MT. The Group closely monitors its health and safety indicators and over the year, recorded 118 incidences of occupational injuries. In addition, Group employees were provided with an average of 44 hours of training per person during the year, with extensive use of the online Learning Management System which facilitates the identification and management of learning needs.

Plasticcyle

The Group's social entrepreneurship initiative 'Plasticcyle', achieved a milestone of collecting over 50 MT of plastic waste, for responsible recycling during the year under review. With a key focus on its three pillars, of encouraging reduction in the use of single-use plastics, supporting responsible disposal and promoting recycling initiatives, the project has expanded to reducing the plastic pollution build-up on the coastlines of Sri Lanka with the launch of the beach caretaker

project for a 1 km stretch of beach adjacent to the resort 'Hikka Tranz by Cinnamon' and promoted the use of the 4R's (Refuse, Reduce, Reuse and Recycle) through awareness programs among schools.

CORPORATE SOCIAL RESPONSIBILITY

The John Keells Group is fully committed to our responsibility to make a positive difference in the communities that we operate in. JKH is a participant of the United Nations Global Compact (UNGC) and ensures that the Group's activities are aligned to the Sustainable Development Goals (SDGs) and national priorities. This ensures a collective and targeted focus towards addressing key universal needs for the development of people, focusing on the three dimensions of sustainable development - economic growth, social inclusion and environmental protection. Corporate Social Responsibility (CSR) is an integral part of our business ethos that permeates naturally throughout the organization while staff volunteerism is a key component enabling our staff to enrich their personal experiences through community engagement and service. Our CSR activities continue to be on six focus areas, namely, Education, Health, Environment, Livelihood Development, Arts & Culture and Disaster Relief. All projects undertaken are inspired and sustained by our CSR vision of 'Empowering the Nation for Tomorrow'. The CSR initiatives of the Group are undertaken with strategic direction of the Group Executive Committee, with strategic and synergistic support of the Group businesses and are centrally planned and implemented by John Keells Foundation (JKF) - a company limited by guarantee, which is also registered as a 'Voluntary Social Service Organization' with the Ministry of Social Welfare. During the year under review, JKF marked the 15th year of reaching out to underserved communities in various parts of Sri Lanka. Whilst further details are available under the Capital Management Review and Industry Group Review sections of this Report, some of the highlights of JKF's work during the year are listed below.

Disaster Relief

To support ongoing efforts to combat the COVID-19 pandemic, JKF in collaboration with SAGT, Deutsche Bank and Melstacorp, contributed to the establishment of a Molecular Diagnostic Laboratory at the National Institute of Infectious Diseases (IDH), to increase Sri Lanka's testing capacity. JKF also donated personal protective equipment (PPE) to five hospitals. Moreover, JKF

together with other Group companies distributed 12,500 packs of essential provisions free of charge to affected families in the Colombo district as identified by the Government Agent.

English Language Scholarship Programme

A total of 845 schoolchildren completed the tier 1 and tier 2 'English for Teens' courses. Customized programs were conducted at the School for the Blind, Ratmalana and the University of Moratuwa for undergraduates following the Transport and Logistics degree program.

Career Skills for University Undergraduates and School Leavers

JKF launched 'STEP UP to Careers' initiative - a one-day career skills workshop inclusive of a career fair to enhance employability, benefiting 110 undergraduates from both state and private universities. JKF also organized two career guidance programs in Colombo 2 and Hikkaduwa benefiting a total of 73 school leavers.

Project WAVE (Working Against Violence through Education)

The following key initiatives were conducted to address gender-based violence and child abuse:

- General staff awareness sessions for Group staff.
- A public awareness campaign against sexual harassment coinciding with the International Day for the Elimination of Violence Against Women conducted for the fourth successive year. The campaign under the theme 'Report for Support' with the objective of raising awareness on police helplines and promoting effective reporting of incidents of violence - targeting the areas of Colombo 2, Ranala, Hikkaduwa, Kalutara and Ja-Ela - was conducted in collaboration with the Sri Lanka Police and Group businesses, resulting in the distribution of 10,000 information cards and display of 200 posters.
- Awareness sessions on child protection for staff members and their families, sensitizing over 200 children and parents.
- A poster campaign and external awareness sessions for schoolchildren on child protection in commemoration of National Children's Day in October benefiting 479 students.
- Piloting of 'Training of Trainers' programs for Group staff creating a pool

of 68 staff trainers.

The John Keells Vision Project

A total of 5 eye camps were conducted resulting in the identification of 892 cataract patients and completion of 233 cataract surgeries. Under the School Screening Program in the Colombo District, a collaboration with the Ministry of Health, vision screening was conducted in 107 schools where over 35,700 schoolchildren were tested, and 1,822 spectacles donated.

Village Adoption

The following activities took place in the three villages:

- In Puthumathalan (Mullaitivu district), the school well rainwater harvesting system at Mathalan primary school was renovated.
- In Iranaipalai (Mullaitivu district) work was undertaken to construct an anicut to support farmer livelihoods.
- In Nithulemada (Kandy district) a rapid assessment on water security was conducted while a deep level assessment and stakeholder discussions were undertaken to identify a sustainable solution for pre-school development.

John Keells Praja Shakthi

This community empowerment initiative seeks to catalyze active and sustained business engagement within the Group's business locations. During the year under review, following activities took place:

- JKF in collaboration with Colombo Municipal Council and John Keells Properties funded and constructed the De Mel Park Multi-Disciplinary Community Centre in Colombo 2.
- Supported the establishment of a women's society in the Hunupitiya GN division of Colombo 2.
- Initiated a pilot program to support sustainable production and market linkages for women engaged in batik production in Hikkaduwa in collaboration with the Academy of Design.
- Initiated preliminary discussions with self-employed vendors of Colombo 2 towards supporting the development of skills, standards and markets.

- Conducted financial literacy awareness among community members in Colombo 2 and Hikkaduwa in collaboration with the Sanasa Development Bank (SDB) benefiting a total of 87 persons.

Kala Pola

Sri Lanka's popular annual openair art fair conceptualized by The George Keyt Foundation – funded and organized by the John Keells Group for 26 successive years – was successfully held with the participation of 361 artists and sculptors from various parts of Sri Lanka, attracting over 30,000 visitors.

Primary Sponsorships

In furtherance of its focus on promoting Arts & Culture, JKF initiated sustained sponsorship support for the Gratiaen Trust (GT) as well as The Museum of Modern and Contemporary Art Sri Lanka (MMCA). MMCA launched its debut exhibition in December 2019 receiving over 3,300 visitors while GT conducted a Master Class for playwrights and an outreach program at the University of Jaffna benefiting over 130 persons.

Our Volunteers

During the year in review, JKF recorded a total of 4,937 hours of CSR volunteerism by 778 staff volunteers across the John Keells Group in respect of activities conducted by JKF. This number excludes the substantial volunteer activities at the business or sector level.

DIVIDENDS

Given the downturn of profits in the Group's Leisure businesses due to the Easter Sunday terror attacks, which occurred in April 2019, a first interim dividend of Rs 1.00 per share was paid in November 2019. However, given the gradual recovery witnessed in the Leisure businesses towards the latter half of the year, the second interim dividend paid in February 2020 was increased to Rs 1.50 per share reflecting the positive momentum and outlook for the performance of the Group's businesses, at that point of time, prior to the impact of the COVID-19 pandemic. However, given the volatility and uncertainty at this juncture of time, and the significant impact, yet again, on the performance of the Group's Leisure business, your Board decided it would be prudent to defer the payment of a final dividend

and assess its dividend payment once there is greater clarity and visibility on the impact to the performance of the Group's businesses. The Group will follow its dividend policy, which corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to ensure business continuity given the unprecedented circumstances, support its investment pipeline in the medium to longterm and optimize its capital structure.

RETIREMENTS

Dr Radhika Coomaraswamy resigned from the Board with effect from 31 December 2019. I wish to place on record our deep appreciation for the invaluable contribution made by her during her tenure on the Board.

CONCLUSION

Whilst the impact on the financial year 2020/21 cannot be ascertained at this point of time given the uncertain and evolving situation, the Group expects the impact on performance in the first and second quarter to be material, particularly for the tourism focused businesses. However, with the resumption of activity across the country, we are seeing early signs of an encouraging recovery of consumer activity, which should be positive for our consumerfocused businesses such as Consumer Foods, Retail, Logistics and Insurance. The priority will be to ensure a smooth transition while maintaining our agility considering the uncertainty of the environment post the easing of restrictions. In conclusion, on behalf of the Board of Directors and all employees of the John Keells Group, I thank all our stakeholders for the support extended to the Group during the year. I also wish to thank all staff of the John Keells Group for their unstinted commitment and cooperation throughout the year, and, in particular, during this unprecedented challenging period. Finally, I thank my colleagues on the Board and the Group Executive Committee for their guidance and support extended to me during the year.

8. Sri Lanka Telecom



Rohan Fernando, Group Chairman's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Rohan Fernando (Group Chairman)

1 Lalith Seneviratne (Group CEO)

2 Lawrence Paratz

3 Chan Chee Beng

4 Lai Choon Foong

5 Mohan Weerakoon

6 A K Seneviratne

7 Ranjith Rubasinghe

It is with great pleasure, I am issuing this message in conjunction with the 2019 business review of the SLT Group of Companies. I would like to thank the Board of Directors for the trust placed in appointing me as the Chairman of the Board which I consider an honour as well as an exciting challenge.

It will be my resolve to lead the SLT Group to reach greater heights by harnessing its full potential in telecommunication solutions and mobilize the staff for efficiency through task based assignments. Our immediate task is to implement a strong operational platform incorporating transparency, responsibility and accountability for every member of the organization. The newly appointed Board of Directors are determined to transform the SLT Group to take its rightful place in the corporate ladder as one of the largest and strongest companies in Sri Lanka.

There are positive aspects in our performance during the year under reference. We recorded impressive top and bottom line improvements as well as completing most of our major infrastructure investments. These investments will create the platform that will elevate SLT to the next level for business expansion. In the period under review, the Group posted a top line turnover of LKR 86 Bn but we believe that there is potential to further improve our performance with the expansion of the Fibre to the home (FTTH) program that is currently in place and the 5G rollout by our subsidiary, Mobitel. We would also ramp up our research and development efforts to understand what processes can be implemented to increase efficiency, determine what new technologies can be brought in, and develop new applications that would lead to reduced operational costs and maintain capital expenditure within budget.

Our human capital is one of our greatest strengths. Although interacting with several unions and nearly 10,000 directly and indirectly employed staff is a challenge, they are undoubtedly an asset with most of the staff being highly-qualified engineers and skilled technicians with long service in the Company. They possess a vast amount of experience and expertise and above all a tradition of utmost loyalty towards the establishment which will help to unleash their full potential for the development of SLT.

In the fast changing modern world, the field of telecommunication is also changing rapidly. SLT being the pioneer National telecommunication network has gone through several changes since its inception. In the recent past the organization transformed from a state owned entity to a public-private company listed on the Colombo Stock Exchange. With the change came in modern management techniques and exposure to the world outside in acquiring technology. The company being fully aware of the potential in the field of communication is transforming further from a telecom company to a digital service provider building digital platforms connected through the fibre optic network for all essential services covering, Agriculture, Health, Trade & Commerce, Education, Judicial etc.

Service to our customers is paramount for development and expansion of our market share. With this in mind the Company has initiated the Zero Faults concept, which helps customer complaints attended to within 24 hours during working days and an app for customers to track the progress of the rectification of their complaints. FTTH will bring about many opportunities for home-based

entertainment. It will empower Micro, Small & Medium Enterprises, and will also enable high quality communication in challenging times such as what we are experiencing right now, where commuting is restricted. We are also planning to unify our Teleshops under the SLT and Mobitel brands on a singular brand identity to create a sophisticated high-end franchise network for our products and services.

Fortunately, there aren't too many challenges that we face within the Sri Lankan telecommunications industry; whereas most other countries have already reached their saturation levels, the industry in Sri Lanka is still growing and there remains plenty of potential to tap into. A majority of our rural population is still using the older 2G technology and approximately 40% of our population is using the Internet and 4G technology. The potential for growth amongst the rural communities exists, especially at a time when access to communication technologies is more affordable and essential than they have ever been. We are making inroads into these communities through our extensive fibre optic backbone infrastructure.

The rollout of 5G by our mobile arm will provide the customers a brand new experience in telecommunication despite the challenge, due to different types of equipment from 4G technology and the vast investment required for transmission.

The Board of Directors has identified the vast asset base of SLT spread across the island and a program will be developed under a special team to deploy these assets to raise revenue for the Company.

In terms of regulatory challenges, we are pushing for a policy change in number portability. This has been a restrictive policy for the longest time, not only for mobile operators but for the consumers as well. The implementation of such a policy would truly level the playing field for mobile operators and bring greater choice to consumers. The implementation of privacy laws on recording of telephone conversations, which is a criminal offense in most other countries, is something that should be looked into as well. We hope to see substantial development and improvement of SLT in 2020. The complete focus of the Board of Directors, Senior Management, and our staff will be to work towards the singular goal of making SLT and Mobitel one of the most powerful brands in Sri Lanka. We anticipate that the future of the telecom industry in the digital era will be very much a positive one and we are hopeful for continuous future growth, despite the

economic challenges and recession being seen around the globe. We will be pushing for greater social and environmental responsibility; SLT is the first Telecom service provider to receive ISO14064- 1:2018 for assessment of GreenHouse Gas (GHG) emission and we hope to push the Company further in environmental protection and green growth concepts, such as looking towards solar energy for tower-based operations and further minimizing our carbon footprint.

I look forward to working closely with our Board of Directors, CEO, and staff to continue SLT's journey of transformation in 2020 and beyond. I ask our stakeholders for their continued trust, support, and patronage of our Company and to join us in looking forward to great things in the year ahead of us.

9. National Development Bank



Dimantha Seneviratne, Director/Group CEO's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Dimantha Seneviratne (Group Chief Executive Officer)

1 Kavan Ratnayake (Chairman)

2 Ashok Pathirage

3 Dinal Phillips

4 Sriyan Cooray

5 Bernard Sinniah

6 Dinusha Panditaratne

Dear Stakeholder

In a year of subdued economic growth, the NDB Group directed focus on optimizing its' operating models with decisive management interventions aimed at strengthening the Group's foundation to drive future growth aspirations. I am pleased to report that in 2019, the Group successfully navigated economic and industry uncertainties to consistently deliver value in financial, operational, commercial and sustainable areas, attesting to the inherent soundness and effective implementation of the Group's strategy in recent years. Such progress was externally endorsed as the Group continues to receive widespread local and international recognition for its recent successes; in 2019 the Bank was awarded the World's Best consumer Digital Banks - Sri Lanka award 2019, by Global Finance and was also ranked as the Best Domestic Bank - Sri Lanka at the Asia-Money Magazine - Country Best Bank Awards. After over a decade, NDB was also ranked among Sri Lanka's top 10 corporates by Business Today, notching up 9 ranks in comparison to 2018. As a leading financial institution in the country, we are cognisant of the role we can play in propagating sustainable practices through our banking activities. Gender equality and female empowerment are top in our sustainability agenda and we made significant progress on the Banking on Women initiative during the year.

PERFORMANCE OVERVIEW

The Group's performance should be set out in the context of the operating landscape, and I am pleased to report that we outperformed the industry in terms of growth and profitability while preserving portfolio quality. The Bank recorded portfolio growth of 16% during the year, as we continued to pursue selective growth opportunities across key segments, which resulted in Net Interest Income (NII) expanding by 20% to LKR 17.7 Bn. Caps on deposit and lending rates adversely affected Net Interest Margins (NIM), although effective asset and liability management and increased penetration in the Retail segment enabled the Bank to widen its NIM to 3.53% in 2019, compared to 3.46% in 2018. Meanwhile fee and commission income increased by 25% to LKR 3.9 Bn reflecting continued growth of non-fund-based activities including guarantee and trade income, fee income via card base and increased customer migration to digital platforms. Moderating economic conditions and liquidity stresses across key sectors led to

an industry-wide deterioration in portfolio quality. Conscious efforts to revisit underwriting standards in lending to selected segments, together with proactive measures to strengthen the collection and monitoring mechanisms enabled the Bank to preserve its portfolio quality to a certain extent. Accordingly, the gross NPL ratio increased to 4.77% (2018: 2.85%) in 2019, in line with industry average. Total operating expenses increased by 11% to LKR 9.4 Bn during the year, primarily due to an increase in headcount to drive business growth and recoveries and investments in digital channels. The Bank's cost to income ratio of 39.90% continues to be among the best in the industry and attests to our ongoing focus on driving process improvements and enhancing efficiency through automation and business process re-engineering. At operating level, the Bank delivered a profit growth of 6% to LKR 10.1 Bn, however, a significant increase in tax on financial services (mainly due to the DRL) resulted in Profit After Tax declining by 8% to LKR 5.1 Bn. Additional tax incurred on DRL (Debt Repayment Levy) alone was LKR 1.0 Bn. Meanwhile at consolidated level, Group profit after tax also recorded a decline of 7% to LKR 4.8 Bn reflecting subdued conditions in the debt and equity markets. The Bank continued to drive balance sheet growth with assets expanding by 12% to cross the LKR 500.0 Bn mark as at end-December 2019. This was supported by deposit growth of 17% as the Bank also surpassed the LKR 400.0 Bn milestone in customer deposits. We continue to make inroads in strengthening our deposit franchise through customer engagement and convenience offered through a multi-channel strategy. Meanwhile, the expansion of the CRM network and branchless banking proposition dubbed as Bank2U proposition allowed the Bank to increase its CASA base by 6% (or LKR 4.9 Bn) during the year, translating to a CASA ratio of 19.9%. The Bank strengthened its capital base with the issue of LKR 5.6 Bn of BASEL III compliant subordinated, redeemable debentures, resulting in its Total Capital Ratio increasing to 13.43%.

DELIVERING ON OUR STRATEGY

The effective implementation of the Transformation 2020 (T20) strategy resulted in an acceleration of business performance in recent years, with significant improvements in growth and profitability. Stemming from this success, in 2019 we sought to formulate the Group's strategic plan beyond 2020 adopting a bottoms-up approach in engaging multi-functional teams across the organization. While the broader ambitions of T20 remain intact the new strategic plan is focused on further driving digital transformation while ensuring that quality of

service and human touch will be a key differentiator in our value proposition. ~ Digital as an enabler: The Bank continued to strengthen its digital infrastructure during the year. A key area of focus was laying the foundation for the Core Banking System upgrade, which will provide a robust platform to support the Bank's growth aspirations in the next decade. A key achievement during the year was the launch of NDB NEOS - the Bank's new mobile banking app offering advanced features such as facial recognition and wealth/investment management tools. We also expanded the Bank2U proposition to 82 branches, supporting the Bank's CASA drive and leading to a 4-fold increase in deposits garnered through this unique platform.

In addition to the launch of 2 NDB NEOS phygital branches, we added 25 CRMs to the Bank's network, bringing the total to 52 as at end December 2019. The Bank's digital penetration has continued to increase, with 71% of total transactions in 2019 performed through digital channels. ~ Operational excellence: We are committed to building a lean and agile operating model and in line with our focus on the Retail segment invested in new leasing, pawning and card management systems during the year. The Bank also automated 5 processes through Robotic Process Automation technology including monitoring loan covenants and cheque clearing. Following the launch of six sigma lean management in 2018, a dedicated team has been deployed to re-engineer key processes through Business Process Re-engineering. ~ An Inspired Team: On the people front, key areas of focus included identifying the Bank's talent pool through a comprehensive talent review, succession planning and building the next generation of leaders. Considerable investments were also made in strengthening our development proposition, particularly in the areas of leadership development, creative thinking, digital capabilities and customer service. ~ Customer Experience: At NDB we strongly believe that successful corporates are those that can consistently deliver superior client experiences by leveraging on digital capabilities alongside human interactions. To this end, the Bank progressed further on its Service Leap journey through training over 600 service leaders, empowering front line staff, launch of a new service credo "We go beyond" and introduction of Standard Operating Procedures (SOPs) to ensure a consistent customer experience across all touch- points and delivery channels. ~ Business focus: The subdued market conditions during the year compelled the Bank to pursue selective lending to the SME Sector, although this segment remains a priority for NDB over the long-term. We pursued selective growth opportunities in

the Retail sector, achieving significant expansion in credit cards, privileged banking and personal loans. ~ Group synergies: We continued to leverage on our position as the only financial services group offering the full spectrum of banking and capital management solutions. During the year, the Group launched the One NDB Account combining customers' banking and wealth management accounts and also the accounts with our stock broking arm to offer a seamless experience. We also pursued cross sell opportunities by leveraging on synergies between NDB Investment Bank, the Corporate and Project Financing unit.

BALANCING RISK

Strategic emphasis was placed on managing credit risks during the year given the rise in NPLs and other credit concerns witnessed across the industry. Measures put in place during 2018 to strengthen underwriting standards, collection and monitoring mechanisms served the Bank well in this challenging period. In 2019 we set up an independent financial analysis unit and a remedial management unit, deploying specialized, skilled resources to manage stressed facilities. The Bank also strengthened monitoring mechanisms by streamlining processes and proactively monitoring early warning signals. Despite NDB's increasing tilt towards the Retail and SME segments we are confident that the measures put in place to optimize risk-return dynamics will continue to support the maintenance of a fundamentally strong credit portfolio.

INTEGRATING BUSINESS AND SUSTAINABILITY

As a leading financial institution in the country, we are cognisant of the role we can play in propagating sustainable practices through our banking activities. Gender equality and female empowerment are top in our sustainability agenda and we made significant progress on the Banking on Women initiative during the year. In addition to tailor-made products for women, the Bank conducted several knowledge sharing forums for women, providing guidance on practical issues faced by women entrepreneurs, salaried women and housewives. We continued to invest in nurturing a women-friendly work environment and the Bank's female representation at senior management level amounted to 35% in 2019, one of the highest in the industry. Meanwhile, through the Bank2U proposition, NDB has tapped a hitherto unbanked segment of the economy, inculcating savings habits and contributing to the long-term socio-economic progress of the country's grassroot communities. Community engagement projects continued with vigor

during the year, with the Bank conducting numerous strategic CSR projects under the pillars of Education, Environment, Entrepreneurship and Employee Volunteerism.

WAY FORWARD

We are seeing early signs of economic momentum building up and are confident that the anticipated policy stability, tax concessions and stimulus packages offered by the Government will augur well for most industries. The Group is encouraged by the tax relief offered to the Banking industry and we are keen to support the Government's agenda in reviving the SME sector through complying with the requirements of the SME moratoriums. While this is a novel and unique way of reviving the sector, we hope SMEs would make the best of this opportunity by judiciously directing funds towards value creating activities. For NDB, 2020 presents exciting opportunities for growth. Digitization will continue to be central to our strategy and we hope to complete the upgrade of the core banking system in 2020, which will position the Bank on a strong launching pad to effectively capture emerging opportunities. Overseas expansion is also on the cards as we seek new customer acquisition whilst deepening relationships with existing customers. The channel strategy will focus primarily on digital and virtual platforms as we will seek to consolidate our brick and mortar network. We are also excited by the opportunities presented by the National Digital Road Map and look forward to progressing further on digital on boarding, QR based payment systems for low value transactions and electronic KYC. As monetary policy will be directed towards stimulating economic activity, we expect a low interest rate regime to prevail for most part of the year, thereby underscoring the importance of further refining our processes and driving cost effective distribution models.

ACKNOWLEDGEMENTS

I would like to extend my appreciation to the Chairman and Board of Directors for their vision and the continued confidence placed in me. Team NDB continues to inspire me every day, and I take this opportunity to thank the Leadership Team and all employees for their commitment and dedication in delivering the results set out in this Report. My appreciation also goes out to the Governor and officials of the Central Bank of Sri Lanka and other regulatory bodies for their continued support. In conclusion, I would like to place on record my appreciation to our valued customers, shareholders, business partners and other stakeholders for

inspiring us and placing their confidence in us.

Performance of our Business Verticals

Retail Banking

- ⊕ **+27%** growth in Loans and Receivables
- ⊕ **+22%** Deposit Growth

The Unit placed strategic focus on customer acquisition in selected segments such as personal loans and credit cards. Proactive efforts were made in preserving portfolio quality while ongoing investments were made in strengthening our IT infrastructure to drive internal efficiencies. We added 4 conventional branches, 10 leasing centres and 2 phygital branches to our network.

Corporate Banking

- ⊕ **+14%** growth in Loans and Receivables
- ⊕ **+7%** Deposit Growth

As external pressures intensified, the Unit adopted a strategy of consolidation, engaging proactively with customers to strengthen relationships and curtail the rise in impairments. New customer acquisition was on an extremely selective basis and expansion was pursued through deepening relationships and increasing share of wallet with existing customers. Project and Infrastructure Financing Division delivered another year of strong performance, delivering portfolio and profit growth while preserving portfolio quality.

SME Banking

- ⊕ **+10%** growth in Loans and Receivables
- ⊕ **+15%** Deposit Growth

Conscious efforts were made to strengthen underwriting standards in lending while utilising the opportunity to strengthen internal processes and drive increased digitisation through the introduction of several workflows.

Segmentation of the business line into the 'middle market' and 'small' sectors, allowed for more effective management of portfolio quality and efficient deployment of resources.

Capital market cluster

The cluster maintained its position as the leading investment bank in the country, although performance was directly impacted by the subdued equity and debt market conditions which prevailed for most part of the year.

10. Melstacorp



Harry Jayawardena, Chairman's message
From Annual Report 2019/2020 - Financial Year ending December 31, 2019

Board of Directors

Harry Jayawardena (Chairman)

1 Amitha Gooneratne (Managing Director)

2 C R Jansz

3 Dr A N Balasuriya

4 Hasitha Jayawardena

5 N de S Deva Aditya

6 Capt K J Kahanda

7 R Seevaratnam

8 V J Senaratne

Dear Shareholder,

I am pleased to share with you, the Company's annual report and audited financial statements for the year ended 31st March 2020. Melstacorp PLC functions as the holding company of the Group and has ventured into many industries such as beverages, tea and rubber plantations, telecommunication, insurance, power generation, logistics, textiles, hospitality, healthcare, and many other businesses.

Group's Performance

Group turnover reached Rs 155 billion, while the profit after tax for the year was Rs 4.4 billion. The Group contributed Rs 63 billion as taxes during this financial year. We are pleased to announce that Fitch Rating has affirmed the National Long-Term Ratings of 'AAA (lka)' with a stable outlook for Melstacorp PLC.

Beverage Sector

The beverage sector is the highest contributor to both the top and the bottom lines of the Group. Our main subsidiary DCSL recorded a profit after tax of Rs 5.8 billion. The beverage sector managed to sustain its performance despite the challenges faced due to the Easter attacks, natural disasters, political uncertainty and various unfair, unethical practices prevailing in the industry. The Covid-19

pandemic emerged at the last stage of the financial year and will have an impact on next year's results. At the same time we have observed that the legal alcohol industry has been shrinking during the last few years due to the increase in the illegal production of liquor and an unprecedented increase in prices, which has led to a reduction in consumption. We guarantee that we give the Sri Lankan consumer only the very best products. We have always observed every Government regulation, paid every tax, excise duty and all other levies imposed judiciously, without exception. Unfortunately, the same cannot be said for all our competitors and the illegal and illicit liquor industry – for this is now an industry by itself. This uneven playing field mainly affects lower-end consumers who, due to economic reasons and high taxes, are forced to purchase illegal or illicit products on which such levies have not been paid. If the authorities control this situation, large revenues could be derived from the industry. For the year under review the beverage sector revenue reached Rs 87 billion and the net profit after tax for the year was Rs 5.8 billion.

Plantation Sector

The year under review presented multiple challenges for the Sri Lanka tea industry, which was fundamentally impacted by fluctuations in supply and demand, currencies, political upheavals in importing countries, and policy inconsistency. The Industry has increasingly felt the implications of climate change with erratic rainfall, natural disasters and rising temperatures impacting volumes and yields in recent years. The tea sector continued to grapple with the financial ill effects of the t r a d i n g l o s s e s e x p e r i e n c e d by most regional plantation companies with the rising cost of production and the increase in the basic wage rate for estate workers. The rubber sector continued to incur losses due to subdued demand conditions arising from slower global growth and oil price movements. Although the net sale average reflects a marginal increase compared to the previous year, the sector continues to incur losses amidst subdued demand conditions and the escalating cost of production. Despite adverse external conditions and increased production costs within the tea and rubber sectors we have invested on capital expenditure for field development, upgrading the factories and machinery, buildings, agricultural vehicles, replanting and crop diversification, during the year under review. Although the plantation sector has been reporting losses, we continue to support and finance operations with the expectation of a turnaround of the plantation in the interest of

the industry and the Nation. The plantation industry is faced with continuous challenges such as steadily rising cost of production due to high wages and input costs, inconsistent prices, diminishing labour force and the rapidly changing weather patterns in order to be profitable in the future.

Telecommunication Sector

The telecommunication sector continues to go through challenging times. Lanka Bell recorded a positive EBITDA during the year despite the continuous decline in revenues from the CDMA fixed-line business, which can purely be attributed to the trends in consumer behavior with regard to voicerelated communication. However, revenue from the LTE technology that is used to provide internet connectivity is showing a positive trend yet business continues to record losses. On the other hand, the telecommunication industry is grappling with declining bottom lines due to low pricing, high taxes and everincreasing operational and capital expenditure. We continue to look at the most desirable options to exit this industry.

Financial Services Sector

Continental Insurance has established itself as one of the most innovative and dynamic insurance companies in Sri Lanka. Fitch Ratings has affirmed the rating of Continental Insurance to 'A (lka)', which is a clear reflection of the financial stability of the Company. The top of the line quality management system now conforms to ISO standards. The Company is gradually gaining market share and exceeding the industry growth rate, with a 12% yearon- year increase in gross written premium. The Company recorded a gross written premium of Rs 5.4 billion during the year.

Diversified Sector

The current year's performance of Aitken Spence PLC was somewhat subdued due to the severe setbacks arising from the April terror attacks and the COVID-19 pandemic. For Aitken Spence, the tourism sector was the hardest hit by the COVID-19 pandemic as nearly all properties were compelled to close, except a few, which remained open throughout with limited operations. Maritime, ports, logistics, power, plantations, printing and money transfer operations continued throughout the lockdown, reflecting their resilience and relevance to sustaining vital supply chains. Aitken Spence's waste to energy plant under construction is a

clear example of a strategic investment made with a view to become a key partner in the sustainable economic progress of our country. This investment has been designed to provide twin solutions to the country's problems of energy demand and waste disposal. The plant, the first and only waste to energy project in Sri Lanka to date, will become operational towards the end of the year 2020. Melstacorp continues to expand its footprint in the healthcare industry in line with its long-term vision of being a major healthcare player in the country. The Group acquired Browns Hospitals Ragama, now rebranded as 'Melsta Hospitals Ragama', a multi-specialty general hospital. Investments were made in the medical diagnostic business 'Melsta Labs' to provide gold-standard lab solutions to the Nation. Melsta Labs utilize the latest technologies and IT infrastructure seamlessly integrated with a customer-friendly smartphone app for the first time in Sri Lanka to view, store and download medical lab reports. With the reference laboratory established in Colombo, Melsta Labs can cater to more than 750 tests in house at present, and with three regional laboratories established in Galle, Kurunegala and Kandy and hospital-based laboratories at Melsta Hospitals Ragama and Joseph Fraser Memorial Hospital, Colombo. We also committed in managing Joseph Fraser memorial hospital as an exclusive hospital for women and children in Colombo. Melstacorp made further investment in Melsta Gama, a joint venture with Pyramid Gama, which will shortly enter the cement bagging industry in the country.

Compliance

I am pleased to report that the Company has complied with all relevant provisions of the Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. We are committed to the furtherance of the best Corporate Governance principles and practices. The measures taken in this regard are set out in the Corporate Governance Report.

Appreciation

I take this opportunity to thank the Boards of Directors for their unstinted support. My appreciation is also due to the CEOs, management and the staff of Melstacorp PLC and member companies for their continued commitment and hardwork. I also like to thank our valued shareholders for placing their confidence in the Group. Our strength lies in the loyalty shown by our customer

base and other stakeholders, who continue to support us to retain our position as one of the most valuable and respected corporate entities in the country.

11. Vallibel One

11. Vallibel One



Dhammika Perera, Chairman's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

1 Yogadhinusha Bhaskaran (CEO)

Board of Directors

Dhammika Perera (Chairman/Managing Director)

2 Harsha Amarasekara

3 Rajan Asirwatham

4 Sumith Adhihetty

5 Shirani Jayasekera

Dear Shareholders, I am delighted to share with you the celebration of a decade long journey that has amplified and epitomized the spirit of our success. It is my pleasure to present the Annual Report for Vallibel One

PLC for the year ended 31st March 2020 and I wish to warmly welcome you to the 10th Annual General Meeting. Within ten years of commercial operations, we have forged ahead whilst leveraging on our capabilities, to become one of the most agile, dynamic and diversified conglomerates in Sri Lanka. Looking back on our victorious journey, since the inception, Vallibel One has contributed to the

country's growth themes and thrust sectors with strategic investments in key business areas in the country. Our strategic priorities together with the guiding principles we uphold within our business model, sets the tone for all Group companies to formulate their individual strategies that will best suit their business and competitive identity to navigate through potentially turbulent waters whilst excelling in the respective sectors they operate in.

Business resilience

We have faced unprecedented events during the year under review, which has presented many challenges in our operating landscape. Despite these roadblocks, we have remained resilient, on all fronts, posting a commendable LKR 6,296 Mn in earnings for the year. The Group delivered a marginal 3% increase in revenue amidst several challenging backdrops in the form of the Easter Attacks in 2019 and the more recent COVID-19 pandemic. Our continuous investments in capacity expansion in the key sectors resulted in the Group recording total assets of LKR 242 Bn at the end of the financial year. The diversity and depth of our operations due to the offering of a myriad of products and services under Vallibel One has enabled the Group to stand firm even in the toughest of market condition.

Value focused

Reinforcing our customer centric approach, we remained committed to serve our customers responsibly. Our lifestyle sector showrooms including the premium concept showrooms and third-party channels were geared to not only meet but surpass customer expectations in service and product quality. We invested in innovation to add value to the product offer; follow best practices in business to ensure quality and standards; and promote brands through focused marketing initiatives. During the year the Group invested LKR 3,425 Mn in capital expenditure to ensure business wide capacity enhancements, primarily in lifestyle and finance sectors, which collectively accounts for 63% of the Group CAPEX. Strengthening our presence across the island, we continued to invest in consolidating the extensive multi-channel distribution network with strategic expansions, improved warehousing facilities and automation of systems and processes. Assuming greater significance in today's world, we sought to invest and leverage on IT, seeking to bring in process improvements and add value to the product—enabling greater flexibility and responsiveness to meet market demands. LB Finance launched its mobile wallet, LB Cash-In-Mobile (CIM) during

the financial period with the aim of revolutionizing the traditional cash payment habit among Sri Lankans. Further, exploring new business avenues, we expect to strengthen our leisure arm with the Greener Water Hotel Project, a plush five-star integrated resort complex, which is currently under construction. Focusing on the operational efficiencies, we initiated several total productive maintenance (TPM) initiatives at factories to increase productivity.

Future acceptance

Whilst we can boldly state that we are the market leader in several segments, we continue to explore and secure export opportunities. We continue to make changes to ensure that productivity and efficiency is maintained while utilizing resources through innovative and streamlined workflows. Given the agile, dynamic and adaptive DNA that runs through our corporate chromosomes, we are optimistic for the medium to longterm, with significant growth prospects identified and envisaged in the Group's post COVID-19 strategic plan.

Appreciation

I wish to extend my sincere appreciation to the Board of Directors for their far-sighted guidance in leading the company and also the Boards of Directors of the Group companies for their leadership in aligning with our vision. I take this opportunity to thank all our shareholders and other stakeholders for the trust placed in the company as we continue to deliver on our mandate.

12. Overseas Realty



Shing Pee Tao, Chairman's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Shing Pee Tao (Chairman)

1 Pravir Samarasinghe (CEO)

2 Hussein Zubire Cassim

3 Dr Mildred Tao Ong

4 Yap Boh Pin

5 Ajit Mahendra De Silva Jayaratne

6 En Ping Ong

7 Leslie Ralph De Lanerolle

8 Tissa Kumara Bandaranayake

9 Dr Ranee Jayamaha

10 Rohini Lettitia Nanayakkara

I welcome you to the 38th Annual General Meeting of Overseas Realty (Ceylon) PLC. I am pleased to present the Annual Report and Financial Statements of the Company for the Year ended 31st December 2019. It is with great pleasure that I report that your Group recorded a Revenue of Rs 8.9 Bn and an Operating Profit excluding Fair Value Gain of Rs 3.7 Bn during 2019. The Revenue and the Operating Profit excluding Fair Value Gain have increased by 31% and 14% respectively during the year under review.

Economic Outlook

The Sri Lankan economy slowed down and grew by only 2.3% in 2019 compared to 3.3% in 2018. Interest rates continued to decrease during the year while inflation showed an increasing trend. The Sri Lanka Rupee was stable against the US Dollar during the year. The multiple terror attacks across the Country on Easter Sunday, 21 April 2019, and the unstable political and economic conditions experienced during the year resulted in further challenges to the real estate sector. The performance of the Company within this challenging external environment was noteworthy.

Financial Performance

The Company and its fully owned subsidiaries, Mireka Homes (Pvt) Ltd and Realty Management Services (Pvt) Ltd achieved acceptable operational and financial results during the year 2019.

The Company Revenue of Rs 2.33 Bn, was 2% higher than last year due mainly to higher rental rates maintained during the year. Further Mireka Group recorded a Revenue of Rs 6.1 Bn compared to Rs 4.3 Bn in 2018 due mainly to increased revenue recognized from Havelock City Phase 3 on completion and Phase 4 apartment sales. The Trading and Facility Management businesses contributed Rs 456 Mn and Rs 46 Mn to the Revenue and Operating Profit respectively. Consequently, the Group Revenue and Operating Profit excluding Fair Value Gain grew by 31% and 14% respectively.

World Trade Centre, Colombo

With its prime location in the heart of the Central Business District, the WTC Colombo enjoys the premier position as the best Business Address in the Country, with unmatched design, built quality, facilities and services. Although the Building occupancy reduced during the year due to the prevailing business climate, the World Trade Centre continued to perform satisfactorily and achieved a 5% increase in Rental rates. The comprehensive refurbishment program of the building with the intention of continuing to provide a superior service to owners, occupants and visitors, which commenced in 2018 is progressing successfully. It is a strong testament to the Company's dedication and commitment to excellence in providing quality office space.

Havelock City

Havelock City, the premier integrated mixed-use real estate development project in Sri Lanka comprises both Residential and Commercial components. Residential Component The Havelock City Residential development is built in four Phases. Phase 1 and 2 comprising 445 luxury apartments have been successfully built and sold out. Construction of Phases 3 comprising another 304 was completed end 2019 and 66% of the units have been sold and handover has commenced. Phase 4 consisting of 340 units with 76% construction completed by end 2019, is 22% pre-sold and the construction is expected to be finished by October 2020.

Commercial Component

The Havelock City Commercial Development comprises a 50 storeyed Office Tower and a Shopping Mall built to International Standards, which will be an iconic landmark in the vicinity. The Construction of the buildings are progressing satisfactorily and 40% of the works have been completed by end 2019. The construction is expected to be completed in April 2021. Pre-leasing of retail space has already begun and over 40% already contracted and reserved.

Future Outlook

Despite another challenging year ahead, I am confident Sri Lanka will evolve as a prominent destination in the region for tourism, logistics and service sectors over the next decade. Political stability, economic growth and business confidence are key elements for the property sector to flourish in any country. I believe your Company will be a direct beneficiary of the long-term prospects for Sri Lanka. Whilst we have recorded steady growth up to 2019, the Company will endeavor to explore other property related opportunities to capitalize on potential upside in the market in the years ahead.

Dividends

Your Board recommend a first and final dividend of Rs 1.25 per Share amounting to Rs 1,554 Million (2018- Rs 1,554 Mn)

Post Balance Sheet Events

It is important to note that there has been a fundamental change in circumstances since the Reporting date due to the turmoil caused by the Covid 19 Virus. Its impact on the business is disclosed under the Events Occurring after the Reporting Date note, on Page 116 of the Financial Statements.

Acknowledgement

In Conclusion, on behalf of the Board of Directors, of the Company, I wish to take this opportunity to convey my appreciation to all our Stakeholders for their continuous confidence and support during the year. I must also acknowledge the commitment and hard work of the entire Management and Staff. Finally, I extend my appreciation to my Directors for their expert guidance and professional advice offered during the year.

13. Nestlé Lanka



Fabrice Cavallin, Managing Director's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Fabrice Cavallin (Managing Director)

1 Suresh Narayanan (Chairman)

2 Gurcharan Grover

3 Shobinder Duggal

4 David McDaniel

5 Mahen Dayananda

6 Ranjan Seevaratnam

7 Dian Gomes

Dear Shareholders, 2019 was marked by continued soft consumer demand and increased input costs, driven by increased commodity prices and a strong depreciation of the rupee at the end of 2018. In anticipation of this, we set out on a project early in the year to reverse negative sales trends and use strong employee engagement to implement a number of improvement initiatives. I am very pleased to note that, despite difficult market conditions, we were able to get back to positive growth in the second half of the year and regain market share across most of our portfolio. We have strengthened our brands by making them more meaningful to today's consumer. This was done via compelling

communication of our product superiority, renovations to our recipes where relevant, and the right pricing and product format strategies. We are seeing these positive trends continue into 2020. For Nestomalt, we successfully grew the category to spur growth. We revamped our communications for the brand, focusing on the product's value proposition of energy and micronutrient fortification, and adjusted our product format to drive penetration. We renovated Maggi's recipe to achieve a winning taste preference, using eight popular local spices including coriander, cardamom, turmeric, cumin, and black pepper. We also focused on strongly communicating that Maggi is manufactured in Sri Lanka, contains the goodness of eight spices with no added flavor enhancers or artificial colors, is SLS certified and enriched with calcium. To strengthen momentum, we also consistently communicated Milo's strong proposition of 'Nourish to go further', and leveraged a strong tie-up with FCB, one of the world's most popular football clubs, to enhance the brand's efforts to encourage children to get more active and live a healthier lifestyle. To reinforce our localness and strong contribution to Sri Lankan society, we launched 'My Nestlé, My Sri Lanka'. It demonstrates how our people, brands and actions as a company is helping to make a difference to individuals and families, communities, and the planet. Here's a snapshot of our work in each area in 2019:

Individuals and families

Nutrition and health continued to remain at the core of our business. We provided consumers 915 million micronutrient- enriched servings in 2019 and reduced sugar, salt and saturated fat by 23%, 13% and 7% respectively over the last two years. We continued to educate people about balanced diets and the importance of physical activity. Last year, we taught more than 220,000 children about nutrition, health and the importance of physical activity through our Nestlé Healthy Kids and Kids Athletics programs. We also provided close to 70,000 people free health checks and nutritional counselling through our Choose Wellness, Choose Nestlé programs.

Communities

In 2019, we maintained our support of the rural farming community by sourcing Rs 5 billion worth of fresh milk and coconut in 2019 and providing them training and development. We also helped more than 2,600 young Sri Lankans become more employable over the year, by teaching them essential work-place skills via

our Nestlé Needs YOUth program.

The Planet

We have significantly accelerated our efforts to reduce, reuse and recycle. Our factory has done good work in reducing greenhouse gas emissions, energy use and water use by 12%, 29% and 15% respectively over the last ten years. In 2019, we continued to work towards our target of making our packaging 100% recyclable or reusable by 2025. We have also set the groundwork to open Sri Lanka's first UHT milk carton recycling facility together with other industry stakeholders, and have begun waste management programs in schools, in collaboration with the authorities. It is gratifying to note that our efforts to deliver results whilst making a positive impact in these three areas continues to be recognized and appreciated. We won Best Exporter in the Coconut Kernel Product category at the Presidential Export Awards, and were the highest-ranking F&B company in Business Today's list of Sri Lanka's top thirty leading companies. I would like to thank you, our Shareholders, for your continuing support and ongoing trust in our company and our people. I would also thank all our employees and business partners for their passion, commitment and dedication to ensure our long-term success. I am confident that the efforts made and actions taken in 2019 have set a solid base for 2020.

14. Central Finance Company



Eranjith Wijenaike, Managing Director's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

Board of Directors

Eranjith Wijenaike (Managing Director)

1 Asite Talwatte (Chairman)

2 Gerard Peiris

3 Arjuna Gunaratne

4 Dhammika De Silva

5 Dr Damitha De Zoysa

6 Arjun Fernando

7 Chandika Hettiarachchi

8 Kuda Banda Herath

9 Manjula De Silva

I am pleased to present to you the annual report and financial statements of Central Finance Company PLC for the year ended 31st March 2020. The economic conditions were very challenging throughout the current financial year, and in that context I believe the Company's financial performance for 2019/20 can be regarded as stable.

INDUSTRY OVERVIEW

The year 2019 was undoubtedly a challenging one for the Non-Bank Financial Institutions (NBFI) sector. The appetite for credit remained sluggish for much of the year on the back of the economic downturn triggered by the Easter Sunday terror attacks as well as the political uncertainty surrounding the elections. Amidst this backdrop, credit provided by the NBFI sector declined by 3% in 2019 compared to the robust growth of 7.6% reported at the end of 2018. The decline was reflected in several lending categories including; finance leases and secured loans and advances, all of which have reported a significant contraction over the previous year. The sector came under further stress primarily due to elevated credit risk levels resulting from the economic downturn, which affected most key sectors of the economy. Consequently, asset quality deteriorated as sector-wide gross non-performing advances (NPA) ratio rose from 7.7% in the previous year to 10.6% by end-December 2019. Encouragingly though, the sector stability improved, thanks to additional capital infusion by many industry participants to

meet the regulatory minimum capital requirements by January 2020. Meanwhile in contrast to the trend seen in 2018, it is apparent that customer deposits were the key source of funding for the NBFIs sector as deposit growth accelerated to 5.6%, while borrowings declined by 12.6% in 2019. Sector profitability however suffered in 2019. Despite a slight increase in Net Interest Margins, the sector bottom line remained under pressure largely due to higher loan impairment provisions resulting from the subdued economic climate prevailing during the year. Consequently, the NBFIs sector profit after tax dropped to Rs 14.5 Billion, a decrease of 31.9% from the figure reported in 2018. Leaving behind the troubles of 2019, it was clear that the NBFIs sector was on the rebound as a definite uptick in credit demand began to emerge in the 14. Central Finance Company early part of 2020. This momentum was, however, short-lived and came to an abrupt end in the face of the lockdown measures declared by the government in a bid to contain the spread of COVID-19.

FINANCIAL HIGHLIGHTS

Amidst the challenging market conditions, the performance of the Company was lower than expected levels. Despite the slight portfolio contraction, the group recorded an income of Rs 25.76 Billion as at 31st March 2020, up 9.3% from the Rs 23.57 Billion recorded in the previous year. Underpinned by a clear strategic focus, effective spread management helped boost the interest margins, with net interest income growing by 5.98% year on year, from Rs 12.59 Billion in the preceding year to Rs 13.35 Billion for the current year. CF's operating expenses were well managed in the year under review and increased only marginally by 6.19%. However, the sluggish economic condition that prevailed during the year, proved to be a severe drawback in managing the bottom line, resulting in an increased impairment charge of Rs 4.78 Billion for the year, as compared to Rs 2.21 Billion in the previous year. Having notable implications for the group's bottom line, these factors led to a decline in the group's profit after tax from Rs 5.13 Billion in the previous year, to Rs 4.11 Billion for the year under review. Shareholders' funds stood at Rs 44.32 Billion, compared to Rs 40.74 Billion in the previous year, a year on year increase of 8.8%.

REVIEW OF OPERATIONS

Credit and Lending

With depressed market conditions affecting the demand for several of CF's core lending products, especially the unregistered vehicle category, the company expanded its opportunities in the registered vehicle market, which has been showing steady growth since the Loan-to-value (LTV) regulations were first imposed in 2015. Throughout the year focused efforts were made to grow CF's market share in this category and this was further complemented by, the launch of the first phase of the new CRM system in the latter part of 2019. Furthermore, the "careka.lk" e-commerce platform has also worked in our favour especially to increase our market reach in this segment. However, lower lending volumes in other categories meant CF's overall loan book contracted marginally year-on-year.

Asset Quality

As the economic woes of 2019 pushed industry-wide NPAs to unprecedented levels across the NBFIs sector, we at CF took strict action to safeguard our loan book and minimize the deterioration in asset quality. Following a risk horizon scan, we started by limiting the exposure to selected high-risk sectors alongside ongoing efforts to tighten screening protocols and strengthen overall credit risk management processes in order to reduce default risk. Thanks to these measures, CF was able to contain its NPL ratio to 9.28% as at 31st March 2020, which is below the industry average of 10.6% as at the end of December 2019.

Deposits

Notwithstanding the low-interest rate environment, deposits continued to flow throughout much of the current financial year, which I believe, is a testament to CF's iconic reputation and long-standing credibility in the NBFIs sector. Given the steady stream of deposits coming in, we did not see the need for any general deposit mobilization campaigns and instead capitalized on the opportunity to attract mainly longer tenure deposits, to help increase the synergy between our funding and lending models. In the current financial year, we also made significant progress in the customer servicing model with some notable improvements to give deposit customers greater flexibility and easier access to their funds. Backed by these efforts CF's deposit portfolio grew from Rs 45.15 Billion as at 31st March 2019 to Rs 52.91 Billion as at 31st March 2020, denoting an increase of 17.19%. Furthermore, the customer base too grew year-on-year, while our deposit renewal ratio remained above 90%.

Liquidity and Capital Adequacy

CF remained well capitalized throughout the year, supported by strong liquidity buffers. Liquid Assets at the year-end comfortably surpassed the regulatory minimum requirements and the Company also maintained shortterm financial assets as complementary liquid assets. As at 31st March 2020 our Core and Total Capital Adequacy Ratios were 27.73% and 27.68% significantly higher than the required statutory minimum of 7% and 11%. Credit Rating Strong performances across all fronts, despite challenges, prompted Fitch Ratings Lanka Limited to reaffirm CF's National Long Term Rating at A+ (lka) for the 14th consecutive year. As in the past, the senior debts of the Company were also rated at one notch below the Company's rating, at A (lka).

Dividend

CF declared an interim dividend of Rs 1.20 per share, which was paid in December 2019. The Board further recommended a final dividend of Rs 1.20 per share by way of a scrip dividend, subject to all regulatory approvals and shareholders' approval at the Annual General Meeting to be held on the 28th August 2020. The total annual dividend per share paid and proposed for 2019/20 therefore, amounts to Rs 529.62 Million representing a payout ratio of 18.31% on profit after tax.

PERFORMANCE OF THE GROUP COMPANIES

Central Industries Central Industries PLC demonstrated its best ever revenue and profitability since its inception. Despite many challenges, the Company saw notable gains in both the retail market and the construction contractor sectors. During the year under review, the Company widened its customer base and improved brand visibility. Thanks to these efforts, the Company was able to achieve a revenue of Rs 3.6 Billion, a growth of 12% over the previous year, while profits before tax amounted to Rs 262.9 Million for the financial year compared to Rs 177 Million reported in the previous year. The profit after tax increased to Rs 193.9 Million compared to Rs 129.4 Million in the previous year. The company has proposed a Rs 4 as a first and final dividend partly in scrip. CF Insurance Brokers (CFIB) Our insurance broking arm, CFIB also produced its best ever results in 2019. CFIB recorded a gross premium turnover of Rs 3.38 Billion as compared to Rs 3.11 Billion in the previous year, an increase of 8.72%, whilst commission

income increased by 7.99% from Rs 346.94 Million in 2018 to Rs 374.67 Million in 2019. Consequently, the pretax profit increased by 16.85% over the previous year to Rs 341.34 Million. Profit after tax was Rs 253.29 Million in 2019 in comparison to Rs 222.11 Million reported in the previous year, a growth of 14.04%. Other income, which mainly consists of dividends and interest income from investment in corporate debt securities and fixed income securities increased to Rs 119.75 Million in 2019, an increase of 36.91% over Rs 87.47 Million recorded in 2018.

Nations Trust Bank (NTB) Nations Trust Bank PLC group reported a profit after tax of Rs 3.7 Billion during the financial year ended 31st December 2019, compared to Rs 3.7 Billion reported during the year ended 31st December 2018. The performance was mainly driven by the selective growth opportunities particularly in the corporate and consumer segments and continued focus on increasing non-fund based income and strategic emphasis on driving cost efficiencies by leveraging on the agility of the bank's digital infrastructure. Despite a muted growth in loans and advances, the group net interest income increased by 6.5% to Rs 16.1 Billion during the year. Nonfund based income, comprising of net fees and commissions as well as net trading and other income, grew by 4.4%. Consequently total operating income increased by 5.8% to Rs 22.5 Billion compared to Rs 21.3 Billion over the previous year. Operating expenses increased marginally by 4.8% to Rs 10.8 Billion reflecting the efforts and investments over the last few years to bring productivity and efficiency to the bank's operations, through technology and lean practices. The cost-to-income ratio improved slightly from 48.4% in 2018 to 47.9% in 2019. Impairment charges remained at the last year's figure of Rs 3.3 Billion, thanks to the added emphasis placed on underwriting and recoveries during 2019. Both the SME and Consumer segments saw a decline in impairment charges for the year compared to 2018, while the increase resulted predominantly from the Leasing portfolio. Accordingly, the Group's gross NPA ratio increased from 4.58% in 2018 to 6.17% in 2019. Total asset base of the group remains relatively unchanged at Rs 325.4 Billion at year end. Loan growth was curtailed at 2.4%, as the Group pursued only selective lending opportunities primarily in the Corporate and Consumer segments while the Leasing and SME portfolios recorded contraction during the year. The capital position strengthened following a scrip dividend and Basel III compliant debenture issue during the year, resulting in the Group's core capital and total capital ratios improving to 13.30% and 17.96% from 12.15% and 15.59% in the previous year. The bank paid a first and final cash dividend of Rs 2.30 per share compared to the scrip dividend of Rs. 2.10 per share in 2018. Tea

Smallholders Factories (TSFL) The Sri Lankan tea industry continued to be challenged during the year under review, particularly as unprecedented weather patterns negatively impacted production and quality of the tea leaf. This situation was exacerbated by inadequate fertilizer supply. These conditions impacted all elevations of tea, particularly the lowgrown, which recorded a decline in production for the third consecutive year. Lowgrown tea production contracted by 1.1% to 189.9 Million Kilograms in 2019 compared to the 191.9 Million Kilograms of production in 2018. Adverse weather patterns, with excessive rainfall followed by drought conditions, impacted the quality and quantity of tea leaf production thus negatively impacting the company's production levels. Amidst these challenging conditions the Company's total tea production declined by 8.3% to 3.4 Million Kilograms in the financial year under review compared to 3.7 Million Kilograms in the previous financial year. A significant increase in infilling of tea was achieved, recording an increase of 50,030 plants in comparison to the previous year. Revenue of the Company declined to Rs 2.1 Billion from Rs 2.2 Billion recorded in the previous year. The profit before tax also declined to Rs 30.9 Million from Rs 37.8 Million. Profit after tax was Rs 104.1 Million, mainly due to the reversal of deferred tax expenses by Rs 83.58 Million. The profit before tax for the year under review includes an increase in the fair value of investment property of Rs 39.3 Million compared to Rs 38.7 Million recorded in the previous year.

BOARD CHANGES

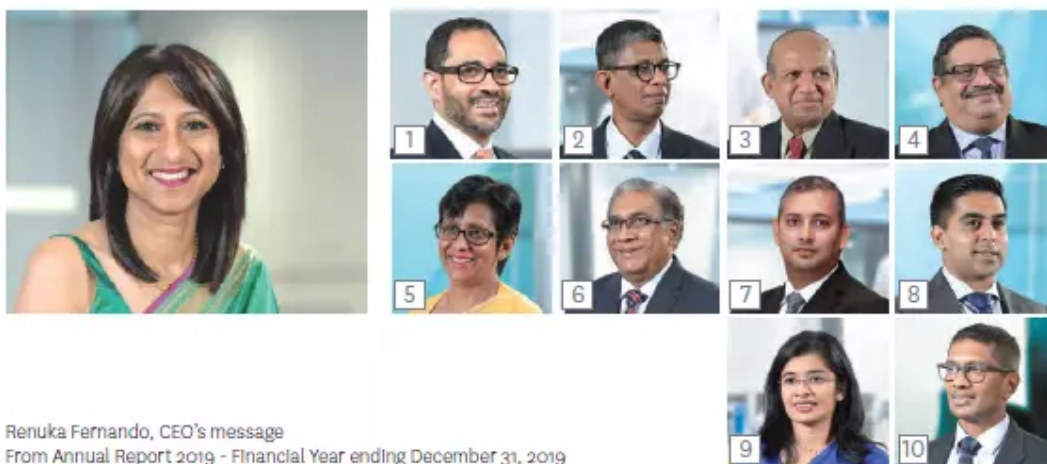
In compliance with the Corporate Governance Directions of CBSL, Mr C L K P Jayasuriya retired from the Board, upon completion of nine years of service, three of which he served as the Chairman. On behalf of the management and staff I wish record our gratitude to Mr Jayasuriya for his leadership through what has been an exciting and challenging three years for the Company and the many contributions over the nine-year period of his directorship. Personally, I have greatly valued his advice and wise counsel and we will all miss these qualities, as well as his sound business sense and acumen. We are pleased to welcome Mr A D B Talwatte whose appointment as Chairman ensures a seamless transition at the Head of our Board. Mr Talwatte's experience and senior leadership positions as the former Precedent Partner and Country Head of Ernst and Young, along with numerous Board and consultancy positions on behalf of local and international organizations bring stature to our Board. We also welcome Mr M H de Silva who

joined the Board as an Independent Non-Executive Director in July 2020. Mr de Silva's broad business experience with his financial services background will lend further strength to our Board. As a further step in the process of leadership growth and succession that has been underway for a number of years, Mr A K Gunaratne was appointed the Deputy Managing Director and Mr D P de Silva as the Chief Operating Officer of the Company in July 2020. They are both well experienced leaders who work tirelessly and with great focus not only in the organization, but also as Directors in our associate companies.

APPRECIATIONS

I would like to take the opportunity to acknowledge and thank all the members of the Board who collectively make a significant contribution to our Board debates, while also serving on the Board's vitally important committees. I must acknowledge the continuing commitment of the entire Central Finance team and commend them for their ready support, perseverance and hard work in these exceptional times. I also take this opportunity to thank the Director and Officials at the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka and to Ms SJMS Associates, our External Auditor for their support during the year. In conclusion, I wish to thank our shareholders, depositors, customers and other stakeholders for their continuing support, confidence and above all, for their trust.

15. Nations Trust Bank



Board of Directors

Renuka Fernando (CEO)

1 Gihan Cooray (Chairman)

2 Prassana De Silva

3 Suran Wijesinghe

4 Conrad D'Souza

5 Rachini Rajapaksa

6 Russell De Mel

7 Sumith Maheshwari

8 Savanth Sebastian

9 Sherin Cader

10 Chanaka Wickramasuriya

11 Arjun Fernando

Nations Trust Bank demonstrated strong resilience in a year rife with external challenges to record a profit of LKR 3.71 billion, a marginal increase over 2018, attesting to the timeliness of our strategy in navigating economic headwinds. Despite moderating economic growth and subdued investor sentiments we maintained strategic focus on building a competitive, futurefit Bank, making solid progress in our digital transformation journey. We also focused on refining our credit risk management operating model and capabilities, which enabled the Bank to preserve portfolio quality in an environment of credit stress and rising impairments.

A resilient performance

The Group delivered a top line growth of 7% and profit after tax of LKR 3.71 billion. A conscious effort to curtail our risk appetite, due to the economic downturn, resulted in a 2% growth in loans and advances while total assets increased marginally to LKR 325.4 billion by end-December 2019. The capital position strengthened following a scrip dividend and Basel III compliant debenture issue during the year, resulting in the Group's core 15. Nations Trust Bank capital and total capital ratios improving to 13.30% and 17.96% from

12.15% and 15.59% the previous year. Performance was upheld by Corporate Banking, which deepened relationships with existing customers and pursued offshore opportunities in structured finance while maintaining impressive portfolio quality. The Credit Cards vertical also performed well during the year maintaining its position as the largest issuer and recording the highest customer spend. Consumer assets, Leasing and SME recorded subdued growth reflecting the Bank's efforts towards consolidating portfolios and preserving quality while focusing on recoveries and working proactively with customers in managing their stressed conditions. Group net interest income increased by 6% to LKR 16.1 billion during the year, despite a minimal growth in loans and advances, primarily led by smart cost of funds and margin management. Non-fund based income, comprising net fees and commissions as well as net trading and other income, grew by 4% reflecting foreign exchange revaluation gains and an increase in fee-based activity. The increase in impairment charge for the year was curtailed to 0.8% over 2018, attesting to the huge emphasis on underwriting and recoveries. Both the SME and Consumer segments saw a decline in impairment charges for the year compared to 2018 while the increase stemmed predominantly from the Leasing portfolio. Cost efficiency continued to improve reflecting our efforts and investments over the last few years to bring productivity and efficiency to our operations, through technology and lean practices. The cost-to-income ratio maintained at 48% while the increase in operating expenses was limited to 5%.

Transforming the bank

Reimagining banking through technology has been a priority for the Bank in the past few years and today we are seen as a leader in digital transformation in the industry, having introduced several game changing solutions aimed at revolutionizing the customer experience, enhancing delivery and distribution models and strengthening internal processes. Digital channels accounted for 72% of total transactions performed in 2019, among the highest in the industry. In 2019, we strengthened our mobile banking proposition with the introduction of several value-added features and enhanced the corporate banking proposition by adding cash management capabilities. FriMi, our digital banking platform, continues to lead this industry space, growing with a 93% increase in customer base during the year and generating monthly transaction values averaging LKR 4.0 billion. FriMi was also awarded the 'Best New Fin-Tech Bank in Sri Lanka' by the Global Banking and Finance Awards. We continued to enhance the user

experience through redesigning the customer interface and adding new features such as bill split. Moderating economic growth following the Easter Sunday attacks led to an industry-wide deterioration in portfolio quality, compelling banks to curtail lending and strengthen recovery mechanisms. From the Bank's perspective, timely decisions made in 2018 to exit certain customer segments paid dividends in 2019, while conscious efforts made in consolidating our portfolio, particularly in the SME sector allowed the Bank to preserve portfolio quality to a certain extent. Meanwhile adoption of the RAROC model in customer selection has led to increased focus on portfolio profitability, rather than volume growth, thereby enabling the Bank to optimize risk-return dynamics. Customer focus is a key pivot of our strategy and we continued to leverage on our digital capabilities in gaining deeper insights into customer behavior and offering simple, intelligent and inclusive solutions across customer journeys. Customer satisfaction levels improved to 92% in 2019 from 84% in 2018, while net promoter scores also increased across business verticals. Developing employee competencies in customer service continues to be a key focus with numerous training interventions targeted towards supporting our aspiration in redefining the customer experience. During the year the bank implemented an Activity Based Costing Framework across our products and value chains mapped to our customer journeys, which captures the entire operating cost of the bank. This has given us invaluable insights that will now help us to manage and improve our resources, capacities and associated cost efficiencies. We also continued to leverage on our digital capabilities to optimize our operating model and simplify processes. We launched a number of work flow systems with straight through processing capability and continued our drive for automation of manual processes thereby moving towards our mantra of operational excellence.

Risk return dynamics

Given rising impairments during the year, credit risk management was a key area of focus. We further strengthened our pre-credit sanctioning, post-credit monitoring and collection activities based on the business impacts faced by our customers and leveraging on our capabilities on data and analytics to strengthen the traditional processes. This enabled us to better understand early warning signals and take risk based proactive measures within these functions to not only manage our risks but also to assist our customers to withstand a downward cycle. We also deployed increased resources to these functions and built new collection

models that would bring more effective results in times of economic stress, especially on our consumer businesses.

Operational risk management was also strengthened during the year by further enhancing the Risk and Control Self-Assessment (RCSA) and Key Risk Indicator Framework. With the increasing pursuit of digitization and in response to emerging vulnerabilities of the industry as a whole to cyber risks, we established a dedicated Information Security Committee and conducted independent risks assessments focusing specifically on cyber, network and infrastructure risks.

People proposition

Our young and agile workforce are ambassadors of the Nations Trust brand and are critical in driving our digitization agenda. The Bank's People Strategy is aligned to its overall digital transformation strategy, which has led to a change in our required skill composition, necessitating refinements to the Bank's recruitment, engagement and training agenda. In 2019, we launched a new competency model centred on developing skills in data analytics, digital, entrepreneurial leadership and customer experience among others. We also launched our new employer brand, 'Create Tomorrow', focusing on unique attributes of our organisational culture such as digitally savvy, agile and empowered with the aim of attracting and retaining millennials. Meanwhile we continued to focus on digital engagement to stimulate ideas and build camaraderie, through platforms suited to the thinking and attitudes of our relatively young workforce.

Way forward

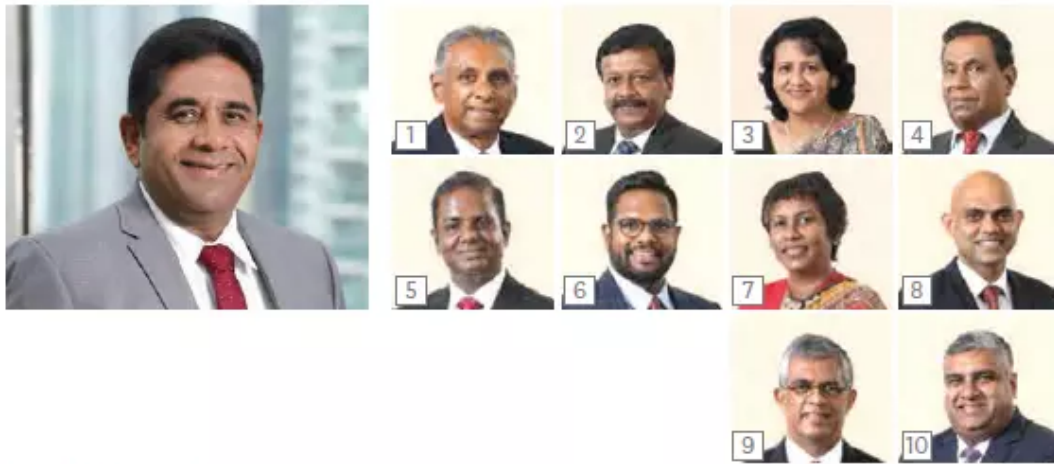
The Bank is aptly positioned to capitalize on the opportunities presented by the anticipated revival in the broader economy, as it leverages on its core strengths and capabilities to drive revenue and earnings growth. Our domain specialization in several products and customer segments, strong customer relationships, commitment to operational excellence and significant investments and progress in digitization, augurs well for the Bank, as we seek to sharpen our competitive edge. While pursuing our commitment to a strong sales culture and new acquisition strategy, we will look to expanding the wallet share of our extensive customer relationships and pursue our objective of becoming the primary bank for all our customers through delivery excellence. We will leverage our data and

digital capability to provide our customers with value additions and information, which will enable our customers to progress through their life cycle. Businesses will focus on driving strong growth with Returns on Capital as a key priority and deploy human capital, funding and strategic business initiatives based on such priorities. Granular understanding and efficient management of credit cost arising out of the implementation of SLFRS 9 models and aligning our businesses to enhance real returns will continue to play an important part in implementing our lending strategy. Driving cost and process efficiencies will also be an area of focus. We will seek to leverage on the significant amount of investments made over the last few years in automation, lean process re-engineering and the Activity Based Costing Measurement framework, which has enabled a robust management of our resources and the delivery of operational excellence across the enterprise. The Bank's recent investments and thrust towards strengthening its digital infrastructure has placed it in a unique position to capture the opportunities presented by the industry's ongoing digital transformation. In addition to transforming the customer experience through simple and intelligent solutions, we will seek to further optimize the digital infrastructure to drive internal efficiencies and automation. On the people front, we will continue to invest in developing and transforming our young and agile team and equipping them with the skills required to thrive in a digital world.

Appreciations

As announced in the Bank's succession plan, Mr Priyantha Talwatte will assume office as the Chief Executive Officer with effect from 2nd April 2020. I take this opportunity to congratulate him and wish him much success in his new role. I also wish to extend my deep appreciation to the Chairman and the Board of Directors for their unwavering support, guidance and confidence placed in me over the years. I express my heartfelt gratitude to the Nations Team for their passion and commitment in propelling our Bank to many achievements with a 'Make it Happen' attitude. I wish them continued success in the future. In conclusion I would also like to place on record my appreciation to the Governor of the Central Bank of Sri Lanka and his team, our external Auditors Messrs Ernst & Young, our loyal customers, shareholders and all other stakeholders for their continued support over the years.

16. Seylan Bank



Kapila Ariyaratne, CEO's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Kapila Ariyaratne (CEO)

1 Ravi Dias (Chairman)

2 Kapila Jayawardena

3 Coralle Pietersz

4 Kumar Perera

5 Viran Corea

6 Anushka S Wijesinha

7 Sandya K Salgoda

8 Krishan Thilakaratne

9 D R Abeysuriya

10 R D Tissera

The economic and banking environment

During 2019, the Bank operated in a challenging economic and political environment. The fall-out from the political upheavals in the latter quarter of 2018 owed through to the beginning of 2019 affecting business activity and consequently portfolio quality. The Easter Sunday attacks in the second quarter of

2019 and the events and uncertainty that followed in its aftermath was a huge setback to all activity in the country. The recovery has been slow and the presidential elections towards the end of the year in its run up created yet another diversion from the much needed focus on reviving the economy. Low GDP growth, reduced investments and low to non-existent new projects combined with slow settlement of dues owed by the Government to contractors and service providers led to weak levels of commercial activity throughout the country resulting in severe stress on businesses and the portfolio quality of the Banks. These factors are now behind us and we look forward to a more stable environment, which will see economic activity regain momentum and more confidence in the market place. Despite these drawbacks, I am grateful for efforts of the Seylan Team in achieving the results we did both in terms of our own financials but also in assisting our wide network of We were very encouraged by the outstanding support from our shareholders, which enabled us to attract a capital infusion of LKR 4.3 Bn via a rights issue that was oversubscribed on day one. customers to overcome extremely difficult economic conditions.

The journey

In 2017, the Bank embarked on a journey to lend greater agility as well as sustainability to its operations and propel it to the modern era, making it more relevant in the current and future market place. The Seylan 2020 Strategic Plan plotted the path the Bank was to take over the ensuing three years. At the beginning of this period, we predominantly focused on improving a sales culture to supplement our service culture, accelerate growth in CASA and retail lending, becoming closer and more relevant to our SME customers through our relationship officers and SME credit hubs while growing our digital channels to enhance convenience and constant availability of our services. At the same time we pursued aggressive growth of our corporate book while improving processes and IT infrastructure to ensure constant value addition through process and efficiency improvements. The unanticipated economic conditions that prevailed in 2018 and the year under review meant that we had to constantly review our plans and initiatives and put in place new plans to manage emerging adverse conditions. Portfolio quality and ensuring the sustainability of our clientele, majority of whose businesses were facing severe difficulties on many fronts, took up most of our time. However, I am pleased to report that through this all we were able to significantly and positively alter our operating rhythm in key areas

such as sales and credit processing in every segment of our business thus ensuring that we minimized the impact of adverse economic conditions while putting in place a solid foundation to build on as conditions improve.

The achievements

The Bank recorded a profit after tax of LKR 3.7 Bn, which was an increase of LKR 0.5 Bn or 15% over the previous year. Our Total Assets grew by almost LKR 50 Bn to LKR 516 Bn. The Deposits increased by 12% and Advances rose by 16%. The CASA Ratio stood at 28%, which we were able to maintain despite difficult conditions and increased competition. The increased focus on attracting new clients and upselling to the existing base through our enthusiastic and energetic relationship officers and sales teams were key factors in this success. Another noteworthy achievement was the reduction that we were able to achieve in our NPA ratio under trying conditions, which saw an overall increase in the industry NPA. We hope to work diligently on this front to continue this trend and are confident that our efforts will bear even greater rewards with improvement in economic conditions and with the initiatives launched by the Government. The Bank has also introduced Regional Risk Officers to maintain high credit quality. Improvements made to the current risk rating model provide added comfort to the Bank in operating within its risk appetite. We were very encouraged by the outstanding support from our shareholders, which enabled us to attract a capital infusion of LKR 4.3 Bn via a rights issue that was oversubscribed on day one. Capital was further boosted by a similarly successful debenture issue of LKR 5 Bn. We are thankful to our shareholders and investors for this show of faith, which motivated the team to even greater effort. The upgrade of the digital channels infrastructure was a key initiative to provide better value and convenience to our customers through a more user-friendly digital banking environment for our customers. The Bank has invested effort and money on this aspect and management expects significant improvements in customer adoption. While the Digital Banking Unit was established to align ourselves with the digital banking era, we expanded the ATM and CDM network, extended Internet Banking to both corporate and retail and focused on digital payroll solutions, as key initiatives.

Initiatives and improvements

The Bank has always wanted to be the growth partner of choice for our SME

customers. Our SME Banking Unit, works closely with SME clients to assist with improvements in their businesses.

We have already conducted island-wide programs relating to “better management of finance”, “how to market products” and “managerial skills development” as value added services. We have also established 13 regional credit hubs to improve the interaction with and speed of delivery to our SME clientele. The Bank is fully committed to engage with this important segment of our economy and nurture their growth. During the year, we launched “Seylan myplan”, the “Seylan Senior Citizens Personal Loan Scheme”, and the “Seylan Housing Loan Specialist” designed to focus on retail business while enhancing our existing products with additional features. We also designed a High Net Worth proposition to focus on serving the high networth segment of our customers, both existing and new, through a team of highly skilled relationship managers with an array of distinctive products and services designed to provide total convenience and improve returns on their portfolio of deposits and investments. This proposition has since been launched as “Seylan Red” and has achieved impressive milestones in this short period.

Our footprint

Our geographical presence is evidenced by the location of our branches, the availability of ATMs and CDMs and the mobility of the relationship officers. Increased digitalization of our operations provides access to those who may not be able to, or are unwilling to attend the branch network and prefer to transact electronically.

Corporate social responsibility and commitment to sustainability

The Bank’s main CSR program “Seylan Pahasara” has contributed 200 libraries to the Sri Lankan education sector. The program will continue to develop libraries, especially for under privileged schools in the country. The Bank also developed and implemented an environmental and social management policy to ensure sustainability through reduction of the environmental and social impact from commercial activity. We have conducted a number of training programs across the Bank to embed the policy guidelines. The activities are structured to create economic prosperity while protecting the environment. We continue our initiatives to reduce paper usage, manage waste water and save power.

The future

The foundations of the Bank have been strengthened by our performance this year in a difficult economic environment. This gives us a strong launching pad to increase our support to our customers in all spheres and especially to the SME sector, which we believe holds the key to the prosperity of the Sri Lankan economy. We have and will continue to invest in developing and upskilling our staff, our biggest asset, so that they enjoy a fulfilling career with a great worklife balance.

Appreciation

What we have achieved this year is the result of the collective efforts of every member of the organization. My sincere thanks go to the Chairman and the Board of Directors, Corporate and Executive Management and all the members of our staff for their wholehearted commitment to work towards the success of the organization in a manner that also wins the hearts of our customers. The shareholders and customers have contributed immensely to our achievements and without their participation and support in the activities of the Bank, we would not have been able to forge ahead despite difficult conditions. This engagement with every one of our stakeholders is a source of inspiration that keeps us on the firm path to provide the most value adding products and services and sustainable returns to all our stakeholders.

17. C T Holdings



Louis Page, Chairman's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

1 Anthony Page (Chairman Emeritus)

Board of Directors

Louis Page (Chairman)

2 Ranjit Page (Managing Director)

3 J B L De Silva

4 Priya Edirisinghe

5 Sunil Mendis

6 Cecilia Page Muttukumaru

7 Dr A Aravinda Page

8 Joseph Page

9 R Selvaskandan

10 A D B Talwatte

11 Imtiaz Abdul Wahid

12 Sanjay Niles

We are pleased to present herewith the Annual Report of C T Holdings PLC for the year ended 31st March 2020. This report sets out the details of the financial performance of C T Holdings PLC (the Company), the company and subsidiaries (the Group) as well as statutory and other information and disclosures. As you are aware, the performance of the company for the current year (year ended 31st March 2020) was adversely affected by the sad events of April 2019 as well as the COVID pandemic at the tail end of the reporting year. Despite these adversities, the performance of the Group has been satisfactory, overall. I must also mention the rapid initiatives taken by the different sectors of the Group to mitigate the adverse impacts of the COVID-19 pandemic. The efforts of the Retail and FMCG sectors especially require special mention for their hard work under trying circumstances. These sectors were at the forefront of food production and distribution during the lockdown. Many difficulties had to be overcome such as transport disruption, staffing arrangements, and supply chain constraints. However, the teams rallied to put their best efforts to ensure continuous operations. Their endeavors ensured that delivery of essential goods and food items continued throughout the lockdown period without any significant

disruptions.

Performance

The performance of the Group (against the prevailing economic backdrop) has been highly satisfactory. The Group achieved Revenues of Rs 107.82 billion against Rs 95.55 billion in the previous financial year, an increase of 12.8%. The retail and wholesale distribution sector, which is the largest sector of the group accounted for Rs 86.3 billion, which is an increase of 11.6% over the previous year. The FMCG sector recorded a growth in revenue of Rs 1.5 billion while the restaurant sector and real estate sectors recorded an increase of Rs 279 million and a decrease of Rs 68 million respectively. The entertainment sector, which was the most affected by the Easter bomb explosions and the COVID-19 pandemic suffered a de-growth of Rs 87 million. The Group's operating profit for the year amounted to rupees to Rs 7.3 billion compared to Rs 5.29 billion in the previous year, an increase of 38% over the previous year. The Retail and Wholesale Distribution, FMCC, and Restaurant sectors recorded growth over the previous year. While the Real Estate and Entertainment sectors recorded lower operating profits or a higher loss than in the previous year. The banking and financial services sector also showed lower performance than in the previous year with the bottom line being adversely impacted from the bank's credit operations. The bank was formed with the focus on the rural economy using advanced technology as a key driver of its business. This model is continuously refined so that the vision of the bank could be realized speedily.

Fixed assets and investments

The investments by the Group in Property, Plant and Equipment during the year amounted to Rs 5.85 billion compared to Rs 5.3 billion in the previous financial year. The investments have been funded through internally generated funds and borrowings. At the company level there were minimal investments in Property, Plant and Equipment in the current and the previous year.

New accounting standard

During the year the company adopted the new accounting standard (SLFRS 16), which had a significant impact on the results for the year and on the statement of financial position of the Group. This standard requires that all operational leases be capitalized and the corresponding liabilities be recorded in the financial

statements. Since the bulk of the Retail and Restaurant locations are leased on long-term leases ranging from 15 to 25 years, capitalizing such leases brought about significant change to the financial statements of the Group. Borrowings of the Group increased to Rs 30 billion at the reporting date, including Rs 11.8 billion of lease liabilities. The finance charges and depreciation also increased for the year while operating locations' rental costs (booked under cost of sale) reduced during the year.

Directorate

All Directors of the company were directors throughout the reporting year. All retiring Directors will be seeking re-election at the Company's Annual General meeting.

Stated Capital

The Stated Capital of the company is represented by 201,406,978 Ordinary shares (same as in the previous year). There were no new issues of shares during the reporting year.

Appropriations

The company declared an interim dividend of Rs 1.80 Per share on 13 of December 2019. The Directors are pleased to recommend the final dividend of Rs 2.80 to be paid out of the profits for the year ended 31 March 2020.

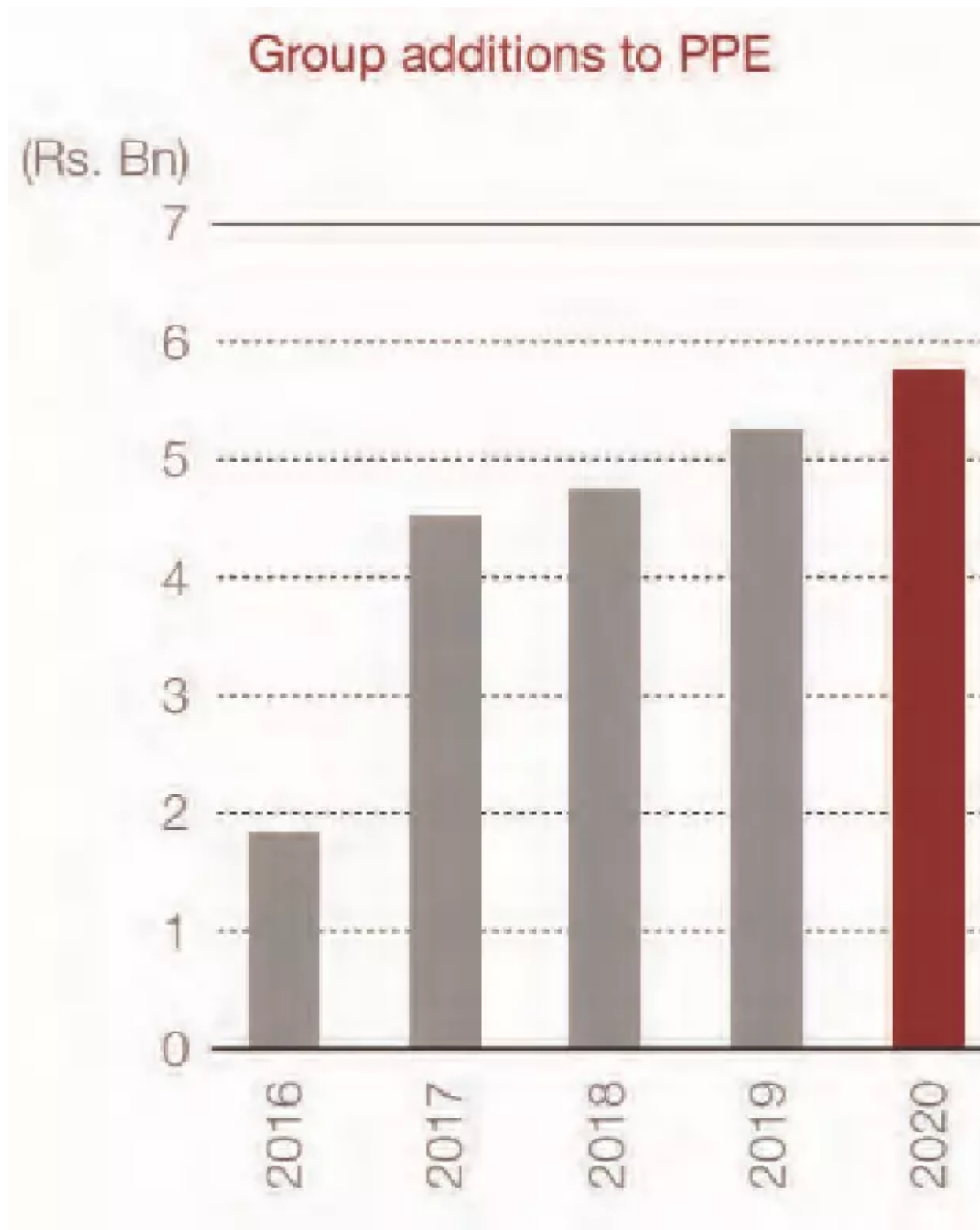
Conclusion

We note with appreciation the steps taken by the Government of Sri Lanka to control the COVID-19 pandemic in Sri Lanka. The gradual return to normalcy and increasing economic activity gives us the confidence of better times ahead. Certain sectors of the Group such as Real Estate and Entertainment will take a longer time, perhaps 12 to 18 month, to recover. The Board and Management continue to monitor the situation on a day by day basis to evolve strategies needed to ride through the current pandemic and also maintain the Group on a strong footing for the future.

Acknowledgments

On behalf of the Board of Directors I wish to place and record my sincere

appreciation to our customers, bankers, suppliers and principles. We appreciate very much your support during the year. I also wish to thank the shareholders of C T Holdings for the confidence placed in the Company. Finally I wish to extend my sincere thanks to my fellow directors and the staff for their cooperation and hard work during a difficult year.



18. People's Leasing and Finance



Sujeewa Rajapakse, Chairman's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

1 A S Ibrahim (CEO)

Board of Directors

Sujeewa Rajapakse (Chairman)

2 Rohan Pathirage

3 Azzam A Ahamat

4 Sudarshan Ahangama

5 Clive Fonseka

6 Chanura Wijetillake

7 Asoka Bandara

8 Coralie Pietersz

World is experiencing a global pandemic. Stock markets are down and unemployment is rising. Leading economies are suffering. Proactive, decisive responses to such crises mark true leadership. People's Leasing has long enjoyed a leadership position in the NBFIs sector, therefore it was our responsibility to lead by example. I am proud to report that even though we collectively experienced unprecedented challenges during the financial year, we harnessed all our resources and our key strengths to confront these obstacles prudently.

Operating in turbulent times marked by challenges from the local and external contexts, we experienced a difficult financial year. The first half of the year was marred by the Easter attacks and its recovery leading up to the Presidential

Election in November. The economic impact of the Easter attacks led to a slowdown of the economy that caused a reduction in disposable income of customers and business volumes. Consequently, there was a rise in nonperforming loans in the sector. However, in the aftermath of the Presidential Elections, the political uncertainty that prevailed before waned and business and operations showed favourable signs. Yet, with the outbreak of the COVID-19 pandemic in 2020 had far-reaching socioeconomic impacts. The pandemic and the ensuing lockdown of Sri Lanka impacted our operations and our overall financial performance for the year. Our day-to-day operations were affected since the beginning of the lockdown in mid-March. Due to the difficulties in recovery arising from events related to COVID-19, we experienced a pressure on our credit quality resulting high impairment charges in the month of March. Nevertheless, our resilience and our positive attitude coupled with our agility to adapt to the “next normal” helped us to consolidate our operations amidst these challenges. Our first priority was to ensure the health and safety of our committed workforce and our loyal customer-base that come from all segments of society. We implemented health and safety guidelines recommended by the relevant authorities and formulated a COVID-19 response guide outlining directives to follow when resuming operations in the lockdown period. Our branches and customer support services operated following all the regulations to ensure that our customers were not abandoned in their time of need. We also took timely measures to assist those who were severely affected by the pandemic and supported them to restore their livelihoods, especially our SME clients. Following the CBSL regulations, we have completed the evaluation of applications we received and are currently in the process of granting moratorium for those who are eligible.

We were able to be resilient during this crisis particularly owing to the strong foundations that were in place. Our business model and strategy are structured in such a way that enables absorbing external shocks. Our agility to adapt to the external environment was exemplified during and in the aftermath of the Easter attacks. Past investments in IT and state-of-the-art technology helped us to manage the situation, which followed the attacks. The same systems and processes are utilized during the COVID-19 pandemic to continue our operations while complying with all the necessary safety regulations. Our call center operated during the lockdown period to provide the necessary service to our customers.

True to our strategy, the customercentric approach of People's Leasing adapted an empathetic approach towards recovery, which will continue where we will support our customers to rebuild with necessary financial assistance while providing them all concessions prescribed by regulators based on their eligibility. We also invested Rs 58.85 million on empowering local community and conserving environment. Further, the consolidation of our operations focused on controlling costs during the crisis where operational expenses were maintained below the budgeted levels. However, in the wake of the pandemic and the uncertainty that exists even at the time of this Report, we have revisited business targets and strategies set for 2020/21. Operational changes, envisaged results, and specific measures that were taken during the year are discussed further in the Chief Executive Officer's review.

People's Leasing recorded a profit after tax of Rs 2,942.51 million for the year, a decrease of 33.37% compared to Rs 4,416.12 million reported the year before. At the Group level, the drop in profit after tax was 28.33% only when the profit after tax was Rs 3,591.72 million compared to Rs 5,011.27 million in 2018/19. This is a trend that is prevalent across the industry due to aforementioned factors in the operating environment. An increase in total operating income contributed to by higher net interest income and fee and commission income was more than off-set by the impairment provision, which increased by 192.89% due to the challenging operating context. Deposits crossed the Rs 100 billion mark to close the year at Rs 106.70 billion, a remarkable 20.75% growth. We own the largest deposit base and the largest loans and receivables portfolio in the sector. This significant growth in the deposit base, operating in a difficult context is a testimony to the trust and confidence Sri Lankans have placed in the Company. Total assets of the Company recorded a marginal drop from Rs 172.54 billion as at 31 March 2019 to Rs 171.66 billion as at 31 March 2020 while the total assets of the Group remained unchanged. Following the trend in profit after taxation, profitability in terms of ROA and ROE too decreased to 2.64% and 10.00% respectively compared to 3.95% and 15.88% previous year. The immediate future of the Company will be impacted by the disruptions caused by the COVID-19 pandemic and the socio-economic impact it will have on Sri Lanka and the world. Especially, since the pandemic is ongoing, there is lot of uncertainty clouding the socioeconomic environment. Come what may, we are ready to embrace the next normal and we have already implemented measures for business continuation in the coming years. Our short-term goals are to focus on preserving liquidity,

minimizing credit losses, reducing operating costs, and ensuring the safety of our staff and customers. Our continued investments on digitalization will also be a vital asset to confront the next normal.

In conclusion, I would like to thank the Board of Directors for their commitment and steering the Company through this difficult time. My thanks also go to the Director and officials of the Department of Supervision of Non- Bank Financial Institutions for their cooperation, guidance, and support.

I also extend my appreciation to the CEO Mr A S Ibrahim, along with the Management team, for effectively managing the impact of the crises. Recognition is also due to our committed and highly- skilled employees, who rallied around the Company and the Management during this difficult time and maintaining service standards. Lastly, I would like to extend my gratitude to our customers for their trust in our Company, shareholders for their confidence, partners and all other stakeholders for their continued support.

19. Hayleys



Mohan Pandithage, Chairman/CEO's message
From Annual Report 2019 - Financial Year ending March 31, 2020



1 A S Ibrahim (CEO)

Board of Directors

Sujeewa Rajapakse (Chairman)

2 Rohan Pathirage

3 Azzam A Ahamat

4 Sudarshan Ahangama

5 Clive Fonseka

6 Chanura Wijetillake

7 Asoka Bandara

8 Coralie Pietersz

Dear Shareholder, Hayleys PLC has delivered a resilient performance in arguably the most challenging year in its 142-year history. The year commenced with the horrific terror attacks in April 2019 with a direct impact on The Kingsbury, the Group's iconic hotel. Amidst the tragedy, the spirit of Hayleys strengthened as we came together to rebuild and renew, with pledges across sectors of the Group to stretch themselves to the limit to deliver their contributions in the shortest

possible time, to the highest quality. Our strengths were in the diversity of the Group and a team that was able to implement solutions. While many things have changed over the years, it is the Hayleys spirit, which has endured, nurtured through Hayleys' lore, a mentoring culture, the Hayleys' Way and the portraits of our captains that serve as a constant reminder of the standards we uphold. This legacy strengthened during the year and has been evident during and after the pandemic as we brace ourselves for turbulence in the year ahead. Therefore, I would like to commence my message by thanking each and everyone of the Hayleys family who stepped up and played their part in the results set out 19. Hayleys before you in our Annual Report for the financial year ending 31st March 2020.

A Volatile Landscape

It is rare to have single black swan impact operations in one year but in Sri Lanka we experienced two major black swan events marking the beginning and end of the year. Consequently, days of lost productivity and sales were among the highest recorded in over a decade exacerbated by weak economic conditions and limited policy options to manage a growing balance of payments and trade deficit. On the positive side, interest rates declined during the year as monetary policy focused on stimulating economic growth. Reduced productivity and geopolitical tensions continued to weaken global trade and economic growth in 2019 resulting in a moderation of the outlook for 2020, which declined even before the COVID-19 pandemic. Crude oil prices fell to record lows although this has now settled at a relatively low price due to commencement of economic activities. The last 10+ days of the financial year being in lockdown during what is typically a peak month for most sectors was a severe blow for all at country corporate and personal levels. The sudden output halt is likely to dwarf the losses triggered by risk events in recent memory exacerbated by uncertainty of the duration and intensity of the pandemic. While economic activity has recommenced in domestic economies around the world and sluggish international trade, international borders remain closed for travel and tourism, which contributed to around 10% of global GDP in 2019. Widening inequalities and pandemic dynamics necessitate recalibration of economic, health and humanitarian priorities by governments, which is likely to exacerbate impacts on some sectors. Consequently, the financial year that has commenced with nearly 6 weeks in lockdown is likely to be even more challenging than the reporting year. Hayleys Group has increased the rigor of its monitoring

and review processes to facilitate early identification of challenges and opportunities together with an organization-wide initiative to rationalise costs. We are eager to get over the worst and move beyond restoring normalcy to a new growth paradigm, seizing opportunities and adapting to thrive in a world that has reset after the pandemic.

A Resilient Performance

Hayleys PLC delivered a resilient performance recording Rs 2.89 bn as Profit after Tax reflecting an increase of 5% in an extremely challenging year. Revenue declined marginally by 4% largely due to the adverse impacts of the terror attacks and the pandemic and weak global trade. We continued our strategy of improving margins through increasing value addition in the manufacturing facilities of the Group, which enabled an increase in Gross Profit by 2.4% to Rs 50.15 bn despite the lower revenue. Other income declined by 33% due to one-off items in the previous year. Lower Administration costs and improved Gross Profits cushioned the increase in Selling & Distribution Expenses and decline in Other Income. Accordingly, Operating profit improved by a moderate 3% to Rs 16.47 bn reflecting focused efforts to manage costs and improve margins. Encouragingly, EBITDA increased by 11% to Rs 23.38 bn due to the same initiatives. Finance costs were maintained in line with the previous years as we were able to reduce the overall cost of borrowings during the year aided by downward movements in interest rates. Additional charges on finance leases related to Right of Use assets recognition on the Statement of Financial Position as per SLFRS 16 were offset by the lower foreign exchange costs, stabilizing Profit Before Tax (PBT) at Rs 5.5 bn slightly above the previous year. A lower effective tax rate of 50% was supported by deferred tax reversals and reduced Income tax on dividends, which resulted in a reduced tax charge of Rs 2.61 bn. Accordingly, we recorded Rs 2.89 bn as Profit After Tax (PAT) reflecting a 5% increase over the previous year despite closing the year under lockdown. Conscious efforts were made to rein in borrowings and strengthen the balance sheet in view of weakening macroeconomic conditions. However, implementation of SLFRS 16 Leases resulted in the addition of a further Rs 7.7 bn into interest bearing borrowings. Additionally, Short-term debt was converted to Long-term debt, stabilising the funding structure to face challenging times. The Group also availed itself of loan moratoria under schemes introduced to provide relief for the Leisure sector in May 2019 and again in April 2020. We also repaid Rs 3.5 bn in debentures during the year and issued a new debenture

for Rs 3 bn, which was oversubscribed on the opening day. Gearing stands at 66% at the close of the year compared to 65% in the previous year. We will continue with our initiatives to achieve optimum gearing levels during the year that has commenced already.

Review of Business Verticals

Hayleys Group derives 53% of its revenue from the domestic market while balance is derived from exports. Exports revenue was maintained at previous years' level despite weaker merchandise trade globally in 2019. Revenue from the domestic market was impacted by multiple factors, which are discussed within each sector in addition to business closures at the beginning and end of the year, which affected every business. Transportation & Logistics, Purification, Hand Protection and Agriculture sectors contribute over Rs 1 bn each to the Profit Before Tax in the reporting year.

Transportation & Logistics

The Advantis Group delivered a solid performance during the year recording Rs 2.5 bn as PBT despite an overall moderation of economic growth in the Indian subcontinent, which impacted both transshipment and import volumes. Operations of the Advantis Group were expanded to include the Aviation sector and this subsector was expanded with the addition of 3 new General Sales Agencies during the year. Marine operations capabilities were enhanced by the addition of an Anchor Handling tug for salvage operations, which is one of the largest in the Indian sub-continent to elevate this key area of activity. Advantis recorded a full year's operations with capacity utilization reaching 76% supported by aggressive customer acquisition and was replicated in Myanmar, Bangladesh, Indonesia and India as well. Operations in Hambantota port were stepped up and Advantis became the largest user of the Hambantota port in terms of handling vehicles. The Terminals & Engineering operation ventured into supporting infrastructure projects tying up with a Vietnamese brand for pre-engineered buildings to secure a contract to build the largest pre-engineered building in Sri Lanka. The International Freight Management was strengthened with the addition of a new logistics partner, enhancing capacity. Advantis Ultra, the Group's construction platform launched and operationalized fully, gaining market acceptance within a short time. Importantly we transformed our inland courier service Citypak to handle e-commerce, repositioning it for growth.

Purification

Purification turned in a resilient performance while responding to changing demand dynamics of diverse applications. Improved EBITDA and PBT margins affirm the success of these strategies coupled with innovation and excellence in manufacturing, which are key factors for success in intensely competitive global markets. COVID-19 impacted all our factories including those in Thailand and Indonesia but all facilities are now operating at satisfactory levels with increased precautionary measures in place. The demand for health related applications has increased exponentially since the onset of COVID and managing demand will be a priority as order books are now full. New opportunities have opened in the domestic market as well and we are collaborating with Apparel sector players to utilise their excess capacity for production of masks for both export and domestic markets. Growth opportunities for this sector are attractive and we will need to carefully allocate resources to seize the right opportunities that offer sustainable growth in the long-term while meeting urgent healthcare requirements for curtailing the pandemic.

Agriculture

Hayleys Agriculture supply chains link rural communities to global opportunities supporting livelihoods of thousands with purchases, a technical know-how, tools and seeds. It also performs vital role in the country's food security through its partnership with the Ministry of Agriculture promulgating Good Agricultural Practices and facilitating capacity building through an islandwide network. Sector achievements during the year were impressive including the supply of over 1,000 drip irrigation systems to farmers in water stressed districts under a World Bank funded programme, launch of Tetris, which is a low toxic weedicide for paddy farmers on completion of 4 years of trials and launch of new equipment to address labor shortages and productivity in agriculture. This sector is also engaged in revising the Advanced Level agriculture syllabi with the Department of Education and conducting teacher training to grow a new generation of agricultural entrepreneurs in the country, supporting development of agriculture at a national level. It is also the only producer of hybrid flower seeds in Sri Lanka solely for the export market. The Bangladesh operations now in its 21st year expanded with the purchase of our own premises for growth of seed paddy and contributes positively to profitability. Climate change impacts continue to be a challenge, which was exacerbated by the two weeks closure at the close of the year resulting in a

decline in profitability although it remains one of the 5 sectors to deliver over Rs 1 bn in PBT. The outlook for this sector remains positive as food security continues to rise in agendas of policymakers.

Hand Protection

Hand Protection continued to maintain the growth momentum achieved in the previous year, shifting focus from household to industrial gloves in both Sri Lanka and Thailand facilities, pursuing a strategy of margin growth. Accordingly, the sector invested Rs 445 mn in capex to improve capabilities for manufacturing supported gloves. We continued to explore new export opportunities in the US, EU, Russia and South America. Profitability was driven through growth in nitrile glove segment and conversion of production facilities were handled by the in-house team of engineers, which affirms the capacity for innovation and technical capabilities within the team. Operations in Thailand faced challenges due to low margins but this was addressed with the acquisition of a large new customer, which has increased capacity utilisation and margins with full order books. This sector continues its lean and six sigma initiatives driving continuous improvement in its operations. The hardwork had brought back the Sector to the Rs 1 bn PBT tier after a period of five years despite lost sales in the last two weeks of March 2020. This sector is also witnessing excess demand due to relevance to healthcare and every effort is being made to meet the demand.

Eco Solutions

Eco Solutions sustained the higher levels of performance throughout the year despite weaker global demand but was impacted by the lockdown in March 2020. The mattress plant was expanded to cater to the needs of the domestic market with encouraging results. Growing media is also on a favourable trend and opportunities for higher levels of value addition for both the domestic and export markets. The sector also consolidated its operations in India and expanded production of mats. Our continued investment in backward integration operations in the North and East were also expanded by increasing warehousing and purchase of land for drying yards. Future focus areas include expansion of exports to US and Russia and strengthening backward integration.

Plantations

The Plantation sector delivered a resilient performance as tea prices declined

during the year and the prolonged effects of the glyphosate ban on the Japanese market. Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC continue to maintain their No.1 and No.2 positions in GSA rankings for Tea while Kelani Valley also maintains its No.1 position for gross profitability in the rubber sector reflecting our commitment to Good Agricultural Practices and responsible manufacturing processes. RPC's are suggesting a productivity based revenue sharing model to the current wage negotiations as the way forward to this struggling industry. Mabroc Teas (Pvt) Ltd recorded PBT growth of 25%. We also like to commend the authorities for the introduction of online tea auctions to quickly bounce back the trading.

Consumer & Retail

Singer recorded growth in profitability despite a difficult year as consumer confidence was at a low end in the months after the terror attacks and the lockdown. The slowdown of mobile phone sales had a significant impact on the performance of the retail business. Singer's customer value proposition continues to expand with an unparalleled portfolio of brands and products in the country. The sector continued to strengthen local manufacture and introduced several models of refrigerators and washing machines to the market during the year. Profitability was improved by the rationalization of channels and the solid performance of Singer Finance (Lanka) PLC. Despite significant uncertainties due to COVID- 19 impacts, the performance since opening has been encouraging with movement in kitchen appliances and TVs as families spent more time at home due to social distancing measures in place.

Construction Materials

The Construction Materials sector continued to face intense competition due to excess capacity in the domestic market exacerbated by the two-week lockdown in March. While the construction sector in the country recorded growth, this was mainly due to large projects, which imported aluminium for their requirements, which compounded the woes of this sector. Additionally, Aluminium fabrication business experienced difficulties collecting receivables in line with other players in the construction sector due to delays in completing projects. We expect this industry to develop the extrusion and fabrication of aluminium as Government's intention is to restrict importation.

Industrial Inputs, Power & Energy

Industrial Inputs, Power & Energy sector improved profitability through refocusing effort into growth areas. This sector represents over 67 principals, supporting growth of the country's industrial sector through industrial inputs, the health sector through its Lifesciences operations and Energy sector through investments in renewable energy and energy solutions while also exporting industrial inputs into Bangladesh. The Engineering division became profitable with efficient project management in the installation of energy efficient lifts and generators and centralising procurement. Lifesciences refocused its business to introduce next generation personalized target therapy treatments for medical professionals enabling better health management and research for patients with higher successful outcomes. Future plans include expansion of wind and solar energy investments, innovative solutions for smarter cities supporting the construction industry, more technology innovation for health sector and specialised solution for greener and smarter manufacturing.

Textiles

Hayleys Fabric continued its growth momentum for most of the year but was adversely impacted by the sudden closure due to the pandemic. Profit levels, which tripled last year has been maintained with an additional 28% growth in a year of weakening global demand, reflecting the successful innovation and differentiation strategy pursued over the recent past. It also innovated a mobile application to support its ecofriendly range of fabrics made with ocean waste yarn to connect consumers to the locations of ocean waste recovery, taking the athleisure value proposition to a new level of consumer consciousness. The sector has quickly adapted strategy post COVID pandemic to focus on Personal Protective Equipment, which has supported a strong order pipeline. Its main focus category, athleisure, is likely to have demand due to work from home practices adopted across global markets.

Leisure

The Leisure sector had the most difficult year in its history commencing with the bomb blast at Kingsbury and its aftermath, which affected tourist arrivals for most of 2019. By November 2019, the sector showed signs of a strong recovery and had strong bookings for 2020, which were unfortunately impacted by

COVID-19 with a complete closure of all properties in the last two weeks of March 2020. While moratoria on loans support with cash flow, the loss of revenue during the year was a body blow coming hard on the heels of the first black swan. We invested in refurbishing the damaged areas of the hotel, augmenting proceeds of insurance claims with our funds to create contemporary spaces. All hotels are now open with safety measures in place, catering to the domestic market and I am pleased to report that our resorts are proving popular with discounted rates and our exclusive “buy now, go whenever” offer in collaboration with credit card issuers, which is supporting cash flows. Tour operations handled more passengers than the previous year but earned less due to the discounted rates that prevailed during the year. However, significant concerns remain on the outlook for the sector in the year that has commenced until the value chain becomes fully operational and tourist confidence is restored in the safety of travel.

Others

“Others” sector was restructured with the transfer of Aviation, Projects and S&T Interiors to Advantis Group in the reporting year leaving BPO operations, Unisyst Engineering PLC, and Fentons, which had a year of mixed fortunes. Fentons recorded a strong recovery from a loss situation to reach breakeven during the year. Unisyst Engineering PLC also had a difficult year with debt collection on major projects proving difficult to collect. Other business segments delivered a resilient performance amidst challenges. Finance costs of this sector remain high due to borrowings, which funded investments in the past. The sector restructuring continued this year with the transfer of Unisyst Engineering PLC to the Advantis Group, enabling greater focus on refining profitability of remaining segments.

Committed to Sustainability

Sustainability is living our values with concern for people, planet and profits and making the hard decisions in hard times to maintain the balance between these three priorities. Hayleys has lived its values both after the terror attacks and the COVID-19 pandemic by maintaining the salaries of our employees at the same levels despite moves by many corporates to reduce salaries of their employees in swift response to lockdown measures implemented in March 2020. The Hayleys Group Executive Directors and Group Management Committee have taken a voluntary pay cut but left the salaries of employees intact recognising the

additional stress they are likely to endure if we adopted similar practices. Choices made in times like this define the culture and reflect the true sustainability mindset of the organisation. We believe that this is the right thing to do at a time of stress at every level, driving sustainable profitability rather than short-term gains, which have been derived through pay cuts implemented at a time when employees were powerless to make a choice. I believe we have upheld the trust of our employees and look to their cooperation to take Hayleys PLC to a new level of performance despite the odds and uncertainties. I am encouraged by the results over the past two months as many returned to work voluntarily to care for plants and ensure that logistics were supported reflecting their personal commitment and recognition of the importance of their work. The ideas for saving costs have also been owing fast as people committed to improving processes within their spheres of activity. High levels of environment consciousness inculcated over the year is evident in the solutions provided for cost savings, which are rooted in sustainability, proving that continued commitment to sustainability principles is the way forward to a “smarter, greener and fairer world” as propounded by the IMF. Our philanthropic initiatives continued with as we extended the ‘Going Beyond Puritas Sathdiyawara’ campaign supporting the communities, which received the water purification plants with donations for schools and other capacity building initiatives. The Plantation sector continued its Home for Every Plantation Worker project supporting over 300,000 beneficiaries with their own homes during the year. We also matched staff’s own initiative of one day’s pay donation to the government with the onset of the pandemic to support national efforts to assist the needy. Readers will note the condensed nature of this year’s annual report as we made choices to spend the money where it mattered. We have pared down the report to its bare elements of Financial and ESG reporting (Environment, Social & Governance), seeking to provide relevant information in the most concise manner without the fuller reporting in compliance with the GRI Standards and the Integrated Reporting Framework. We have drawn on the principles of these standards and frameworks to design this concise report but omitted some aspects that were necessary to ensure full compliance. This is a good example of a trade off of human capital versus intellectual and financial capital under extraordinary circumstances. I trust readers will find the same commitment to evidencing performance through quantitative measures within these pages and the most material matters included to provide sufficient information on our operations. I also wish to assure our shareholders that the policies, systems and processes that produce both financial and non-financial

information are maintained with the same rigour as in the past as the information is integrated into the management information systems of the Group. We maintain our commitment to the UN Global Compact Principles as well and will submit the annual returns demonstrating compliance. Hayleys PLC remains committed to holistic reporting and will resume our fuller report format, which has earned coveted awards in the past on resumption of normalised activity.

Increased Oversight

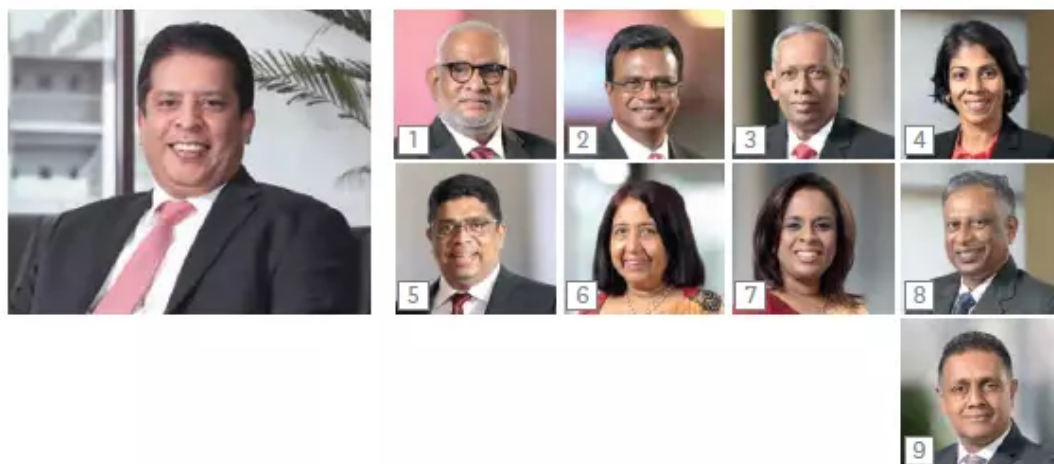
I welcome Mr Rohan Karr and Mr Gamini Gunaratne to the Hayleys PLC Board and Ms Kawshi Amarasinghe as an Alternate Director to Mr Dhammika Perera, enhancing the collective skills and experience on the Board. The Board joins me in thanking Mr Noel Joseph who resigned during the year and thank him for his valuable contributions to the Group. Extraordinary times require extraordinary measures and Hayleys PLC has strengthened oversight over its business sectors with weekly meetings of the Group Management Committee. Additionally, the rigor of reviews have been strengthened to drive top-line growth, derive group synergies and refocus attention on growth areas while simultaneously focusing on potential cost rationalization. These meetings have proved to be fertile ground for new ideas and we see the evolution of Hayleys taking shape at an accelerated pace as we seek to allocate limited resources to the most productive areas. I pause a moment to reflect on the legacy that is Hayleys PLC. A 142 years takes us back to a time of steam powered engines and a newly invented telephone that enabled international trade across oceans. The Group has kept pace with innovations each era presented, working its way through challenges as it adapted and evolved to its present shape and form. We are indeed indebted to visionaries of the past who have shaped the vast business interests of the Hayleys Group. The Board of Directors is extremely conscious that our decisions impact the fortunes of the Group in future generations and are committed to steering the Group through the stresses and volatility of the present and to ensuring that its geared to perform in a world that has reset.

Appreciations

Difficult times have the potential to bring people together in unexpected ways to accomplish great things. As we look ahead to a year of uncertainty in many sectors, I am reminded of the spirit of Hayleys that has endured over the years, passed down through our employees who have shared their wisdom and

experiences over innumerable cups of tea at meetings and informal gathering, which are part of our rich traditions. I commend our team and the able leadership of the Group Management Committee once again for their contributions to our performance and keeping alive the spirit of Hayleys, specially during the recommencement of business after the pandemic. Our business partners have been a strength throughout the year and I thank them for their cooperation. I wish to thank the Co-Chairman Mr Dhammika Perera for the guidance and constructive challenge of ideas as we steered the Group through a difficult year. I also express my sincere appreciation of the deliberations and counsel of my fellow Directors who contributed their expertise to shaping key decisions. In conclusion, I thank the shareholders for their continued confidence in Hayleys PLC to deliver sustainable growth with due care for people, planet and profits.

20. DFCC Bank



Lakshman Silva, CEO's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Lakshman Silva (CEO)

1 J Durairatnam (Chairman)

2 P M B Fernando

3 T Dharmarajah

4 S R Thambiayah

5 K P Cooray

6 V J Senaratne

7 L K A H Fernando

8 N K G K Nemmawatta

9 N H T I Perera

Staying connected to our core ethos and making connections were vital for the success we have enjoyed in the past 65 years. With our legacy as the pioneer development bank in the country and our transition to a fullyfledged, dynamic commercial bank, we possess a unique proposition unmatched by other banks in the sector. DFCC Bank has evolved with time to meet the changing needs of its customers and has leveraged the latest technology in the industry to enhance its offering, to be better connected, and to serve all stakeholders. 20. DFCC Bank During the year, we made significant strides in improving the internal processes and the value proposition guided by our farsighted business plan. Substantial steps were taken towards digitalization of operations, products and services, and delivery channels. During the year, we were able to reap the rewards of these initiatives. Another primary focus in 2019 was strengthening the DFCC brand through a number of initiatives and campaigns carried out throughout the year.

Financial performance

Each year, we strive to be better connected with our shareholders and work towards fulfilling their requirements to preserve the value of their investment. Operating in a challenging socio-economic context, the Bank recorded a total income of LKR 43.3 Bn, a growth of 10.5% in 2019 underpinned by a growth in interest income. Proportionate to the growth in loans and advances, the Bank's net interest income grew by 10.2%. However, interest expenses grew at a faster rate of 14.2%. Consequently, net interest income only grew marginally by 2% during the year.

Due to socio-political factors and a challenging business environment, an industry-wide trend of asset quality deterioration was observed. While the Bank experienced a 58% increase in impairment provisions for the year, our NPL ratios continued to remain lower than the industry averages.

Creating better connections with stakeholders

By identifying, monitoring, and addressing stakeholder needs, we strive to be better connected with them. The new strategy in place along with our corporate governance practices facilitates maintaining longstanding relationships and creating sustainable value for all our stakeholders.

Customer-centricity

Vision 2025 outlines enhancing customer-centricity as a top priority in order to achieve our long-term goal of reaching two million customers. Through multiple approaches such as innovative products, widened footprint, and internal improvements, we significantly enhanced customer experience. Improvements were made to our card operations where innovative, technically-advanced cards were introduced to customers. Further, our Retail Banking underwent a restructuring process during the year. Consequently, sales teams were divided according to client segments and region, allowing them to provide personalized, superior customer service. Customer Service Week was celebrated in October with a range of activities organized for customers to inspire, appreciate, and further reinforce our commitment towards them. Further, the Contact Centre adopted several measures to improve its operations with the assistance of the Customer Experience Unit and the Lean Management Unit. Moreover, we enhanced our product portfolio with virtual products, card propositions, and loan products. We also reduced the turnaround time in leasing and loans processing contributing to overall customer convenience and satisfaction.

Employee engagement

Our employees are our greatest asset and we prioritize building a skilled and motivated talent pool focused on driving the strategies of the Bank. A training needs analysis is carried out every year to identify gaps in knowledge and to better align our training programs to overall strategic goals. We invested LKR 34.6 Mn in training and development with over 103,000 training hours, a significant increase of 41% from 2018. Besides, we increased the financial benefits in 2019 to incentivize our employees further to achieve our collective goals. For the first time in the history of the Bank, a series of “Townhall” meetings were held with employees to increase interaction. This enabled our employees to present their ideas to the top management and a task committee was appointed to address the ideas and process improvements presented at these meetings.

#TogetherWeGrow (#TWG)

This initiative was launched in 2019 with the intention of building a more cohesive, team-oriented work environment and to motivate employees. During the year, a number of programs were launched under #TWG including a sporting event with three other industry giants, “Bee Awards” a monthly staff recognition program, and a closed facebook group dedicated for employees to post team events, birthday celebrations, and branch events. We hope to continue this initiative in the coming years.

A significant brand

We have completed our transition from a development bank into a fullyfledged commercial bank and have set a long-term strategic objective of being among the top five LCBs in the country by 2025. Thus, one of the primary focus areas of 2019 was to improve brand visibility. A number of initiatives together with a fully-integrated corporate brand campaign “Bank for Everyone” was launched during the year to strengthen and position DFCC Bank as a leading retail bank in the market.

Connected to the digital space

In this fast changing financial landscape digitalisation and new technologies are adopted to enhance customer experience. Our strategy was formulated to proactively identify and address the needs of the modern customer. Our digital product offering was further improved during the year with the introduction of interactive e-statements and upgrades to our Virtual Wallet and iConnect solutions. Moreover, we procured a new, state-of-the-art Core Banking system to handle all our operations and to increase internal efficiencies. The preliminary steps have been taken to adopt the system, which will come into full effect in 2020. Equipped with the latest technologies and a varied digital product offering, we are geared to face the digitalized future and to be on par with industry leaders.

Outlook

Operating in a turbulent socioeconomic setting in 2019, our focus was directed at our internal operations. Taking into account our employee feedback and in consultation with the Board, corporate management, and industry experts, a new

strategy was formulated that charts our course for the future. In 2019, we strengthened all our core business lines, introduced improvements to our systems and processes, enlarged our digital offering, and leveraged the latest technology. In 2020, we will build on these foundations to work towards achieving our short to medium term objectives as well as our long-term objectives.

Acknowledgements

Firstly, I would like to thank the outgoing Chairman Mr C R Jansz for his untiring efforts and drive during his tenure to make DFCC Bank a leading corporate entity in Sri Lanka. While welcoming the new Chairman of DFCC, Mr J Durairatnam to the helm, I would also like to extend my appreciation to the Board of Directors for their guidance and counsel. Furthermore, I would like to thank the Governor and the staff of the Central Bank of Sri Lanka, the Treasury and its officials, and officials in other government institutions for facilitating our needs and for their continuous support. I extend my thanks to our shareholders, business partners, our affiliated international financial institutions, and other bodies for the trust placed in DFCC Bank and for maintaining mutually-beneficial relationships. In conclusion, I would like to thank our customers for their loyalty and our employees and their families for the sacrifices made an

21. Teejay Lanka



Pubudu De Silva, Group CEO's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

Board of Directors

Pubudu De Silva (Group CEO) Ashroff Omar

1 Wing Tak Bill Lam (Chairman)

2 Hasitha Premaratne

3 Prof Malik Ranasinghe

4 Amitha Gooneratne

5 Kit Vai Tou

6 Wai Loi Wan

Dear stakeholder,

I am pleased to engage with you at such a momentous point in time where the world as we knew it stands changed in so many ways as a result of the COVID-19 pandemic. I am sure you will agree that this crisis will be the defining event for years to come. Notwithstanding the global pandemic and its adverse impact, closer to home, Teejay Lanka PLC succeeded in posting laudable financial results for the year ended 31 March 2020.

Financial performance

The Teejay Group recorded its highest revenue, Gross Profit and Net Profit in the year under review, achieving Revenue growth of 4.8% to reach Rs 33.3 Bn in comparison to Rs 31.7 Bn in the preceding year. Net Profit improved by 28.2% to reach Rs 2.4 Bn in comparison to Rs 1.8 Bn achieved in 2018/19. The Teejay Group would have achieved Revenues of Rs 35 Bn and a Net Profit of Rs 2.7 Bn in the year under review to surpass all previous results if not for COVID-19. The pace of revenue growth was originally 9.6% and Net Profit was expected to grow by 39% before the outbreak.

One of the contributory factors to this exceptional financial performance 21. Teejay Lanka was the fact that overall market conditions remained favourable for the business during 2019/20. As one of the model businesses in the industry, Teejay continues to explore and adopt new methodologies to become an even leaner operation. The implementation of its Operational Excellence journey from the preceding year yielded significant benefits with the implementation of the Sales and Operations (S&OP) tools such as waste reduction and streamlining of the supply chain process to enable an end-to-end visibility of inventory. Other ongoing initiatives such as capacity optimization and curtailment of nonstrategic costs further helped the Group achieve its notable performance in 2019/20.

In essence, Teejay retained its calm amidst the storm caused by the pandemic because of its strong balance sheet, inclusive of Rs 6.2 Bn cash, which helped fuel the Group's new endeavors. A sum of Rs 1.5 Bn was spent on new capital expenditure projects along with the highest dividend pay-out in the history of the Company of Rs 1.7 Bn. These were the only out flows from the robust cash reserves during the year under consideration.

Eventful year

We are especially buoyed by our performance this year because 12 July 2020 marks the 20th anniversary of our operations. For the Teejay team, celebrations had already begun in the previous year when it won the 'Best Textile Exporter in Sri Lanka' at the 2019 Presidential Export Awards presented by the Export Development Board (EDB). The timely award was a fitting testimonial to two decades of excellence that has defined our journey thus far.

Further, Teejay Lanka was ranked at number 25 in the Business Today Top 30, 2018-2019.

One of the hallmarks of our success is our ability to forge alliances with highly reputed partners in our business who add a competitive edge to our offering. During 2019/20, the Teejay Group forged a strategic collaboration with Luen Fung Textiles (LFT) of China, thereby venturing into the manufacture of lace and significantly expanding its product portfolio. A historical Memorandum of Understanding (MOU) was signed between the LFT and Teejay Group on 18th July 2019, propelling the Company forward on a new journey.

Crisis management strategy

Adapting to an era of a 'new normal' brought about by COVID-19, Teejay forayed into a new market segment during the year under review, as it embarked on the production of Personal Protective Equipment (PPE), manufacturing fabric for masks and fine-tuning fabric for water repellent medical gowns. During the lockdown period, the Company supplied fabrics for medical applications with water repellent and antimicrobial properties to cater to the urgent needs of the medical workers in the country.

While the move to manufacture PPE marks our response to the global threat of the pandemic, it is also a strategic sustainability initiative, which also ensures our

operations retain a fair momentum despite tough industry conditions globally. Now that health experts are predicting that COVID-19 will continue to be a threat till a vaccination is discovered, it will pose an ongoing challenge to the business for the rest of the year and manufacturing PPE is one way of keeping our production lines well-oiled and our staff gainfully employed.

Sustaining customer relationships

Trouble in global economies has impacted our business. Leading brands to whom Teejay supplies fabric have had to shut down their retail stores in the US and the EU through the initial period of lockdown, but are now slowly opening up. The drop in consumer demand and shutdown of stores was already impacting our order book. Despite the challenging circumstances, Teejay Group continued strengthening customer relationships with its eight strategic customers - Lbrands, M&S, PVH, Intimissimi, Decathlon, Nike, Uniqlo and Lidl - in a narrow and deep strategy, where it aligns its goals, values and actions with theirs to create sustainable partnerships. PVH remained the top customer for the year while Nike and Uniqlo exceeded expectations and cemented their footing in our order book during the financial year under review.

Innovation and technology

Teejay is committed to making investments in technology and in the modernisation of plants to create a sustainable business model. During the year under review, emphasis was placed on driving new products to customer by establishing a new sales, development and innovation team while ensuring new engagement with innovation hubs to create innovative products and designs. This innovation focused strategy helps the Group develop a better product mix. Significant investments have been made in the print plant while increasing capacity in the knitting area. A majority of the products are converting to recycled versions and the Company is also doing bulks with natural finishes. Teejay has also undertaken thermo regulating, super stretch and high power fabric ranges in the performance category. During the year under review, multiple value-added products with wellness attributes were manufactured while reactive print fabric was also added to the product portfolio.

Our people

Perhaps the aspect of our performance that has given us the greatest joy in

2019/20 has been the compassion, caring and loyalty shown by our people towards each other, to customers and others stakeholders during the crisis, and towards safeguarding the business against the negative impact of COVID-19. The commitment and dedication of Teejay's associates was tested during this difficult time and I am proud to state that they rose to the occasion, going far beyond the call of duty. The year 2019/20 was focused on employee training and development from the start of the year, with special emphasis on succession planning to identify talent for critical roles and to develop a suitable pipeline of talent. Structured in-house training programs such as the Sri Lanka Institute of Textile & Apparel (SLITA)'s Fabric Technocrat programme specially designed for Teejay employees; the Next Step program (NSP) and the Management Development program (MDP) are now available for employees. In a proud achievement, Teejay was awarded at the Social Dialog & Workplace Cooperation Awards (SD Excellence Awards) 2019 from among many organizations for promoting social dialogue and strengthening workplace cooperation, being placed third in the Large category. Winners were selected on the basis of their progressive human capital policies. This is reflected in higher levels of employee satisfaction at Teejay, which reported employee turnover of 1% in 2019/20 in contrast to the industry average of 5% in the garment trade. Our prized values of Integrity, Innovate to lead, Collaboration and Togetherness continue to shape the culture of the Teejay Group. Moreover, Teejay's leadership demonstrates its commitment to the concept and principles of anti-corruption and ensures zero tolerance for corruption across the enterprise.

Environmental and social stewardship

Our CSR footprint is focused on sanitation and hygiene and we were able to make significant contributions in this area among schools in our vicinity. In response to COVID-19, Teejay donated 60,000 meters of fabric worth LKR 27.6 Mn to manufacture two million masks in Sri Lanka in partnership with Sri Lanka Apparel Association in collaboration with State Pharmaceuticals Corporation of Sri Lanka (SPC) to support the medical personal and armed forces.

The Group has spent LKR 1.46 Bn last year as capital expenditure to modernize the plant with state-of-the-art machinery, which will lead to increase yields and reduction of our carbon footprint by way of reducing the use of power and water.

Teejay retains close ties with the local community in the vicinity of its factories

and undertakes various Corporate Social Responsibilities (CSR) activities that have a positive impact on the surrounding environment and communities. To herald the start of the new year, Teejay embarked on a beach clean-up of Crow Island headed by the Teejay Nature Club with the enthusiastic participation of its employees. The Company has always promoted a green culture by gifting tree saplings as gifts to all employees to celebrate any special occasion.

Challenges ahead

The impact of COVID-19 is expected to be felt long after 2020/21. Sri Lanka's apparel industry is projected to lose a significant proportion of its annual revenue between March to June 2020 due to the lockdown and curfew. Cognizant of all the challenges, Teejay is targeting a Net Profit reduction of 20% in the Top-Line and Bottom-Line. The Group remains optimistic about the future while aiming to 'shock-proof' the business by preparing a contingency plan. Its new business development efforts and switchover to manufacturing PPE related products reflect its ability to evolve fast.

Although the industry as a whole will be affected, the impact on Teejay will be moderate, since it will continue to manufacture masks as long as COVID-19 persists. In addition, it has developed a post-COVID fabric collection, which focuses on Defensive fabrics such as Antiviral/Antimicrobial Defences, Textiles with Carbon Compounds and a sustainable fabric collection.

Further opportunities are expected to arise for the print plant in the future. Moreover, on account of the US-China trade war, companies are looking at countries such as Sri Lanka, India, Bangladesh, Africa and Dominican Republic as alternate manufacturing centers. Even though the US economy is still experiencing a slowdown, the EU is on the recovery mode, which bodes well for Teejay as many of its customers are EU-based. The growth of new business from Uniqlo was a special development during the year under review since Teejay made it a strategic customer only last year, and bodes well for Teejay's future. The Uniqlo business has been performing very well and the partnership Teejay has with Uniqlo is continuing to strengthen.

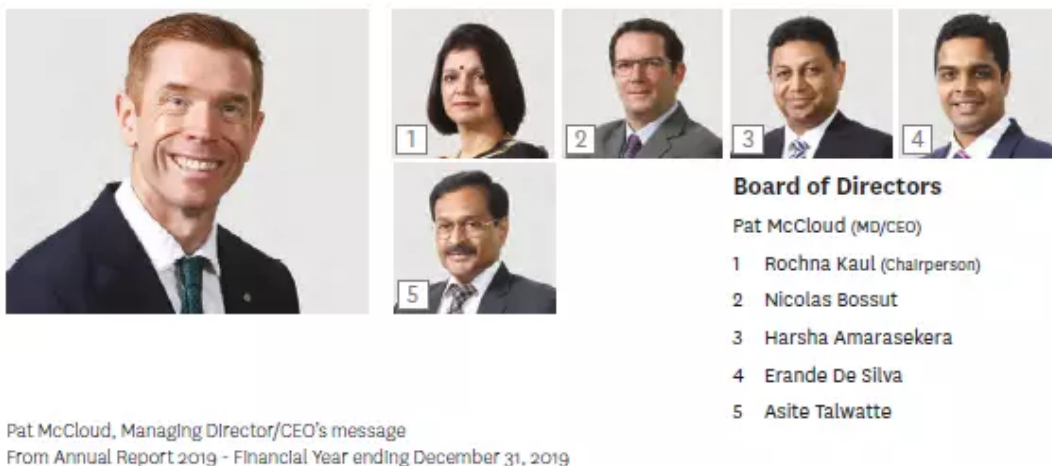
Overall, the Teejay Group remains strongly positioned and poised to respond speedily to resurgence in demand and to meet the USD 300 Mn mark as per the long range plan (LRP) aspiration. I am confident that as a resilient nation we will

rebuild from here – bigger and better!

Appreciation

The Chairman and Board of Directors, the senior management and the staff have been pillars of our success this year, making us one of the few companies in the industry to achieve many historic firsts in our financial performance this year. The outgoing CEO, Shrihan Perera, was instrumental in building an agile and adaptable team that swung into action under many challenging situations with ease to deliver a resounding financial and operational performance. Apart from his dynamic people management prowess, Shrihan has also put in place a strong compliance culture all of which together has made my task a much easier one. The confidence placed in us by our existing customers, business partners and suppliers gives us the motivation and strength to pursue our journey of operational excellence. I would like to commend the dedication of the entire Teejay team and thank them for the support they have extended during COVID-19 and during lockdown. Their sacrifices and willingness to reach beyond expectations is the reason we were able to complete last year so successfully!

22. Chevron Lubricants Lanka



Board of Directors

Pat McCloud (MD/CEO)

1 Rochna Kaul (Chairperson)

2 Nicolas Bossut

3 Harsha Amarasekera

4 Erande De Silva

5 Asite Talwatte

The Company's resilient performance amidst trying conditions in the lubricants industry and the wider national economy is a testament to its ability to win in the market despite the numerous obstacles encountered in 2019. Management entered 2019 with the renewed strategies to guide the company after 2018, a year marked by pressure from rupee depreciation, rising base oil prices and reduced demand for lubricants. The Company showed improved performance in the first quarter. The unfortunate and devastating 21st April terrorist attack brought overall economic growth to a slow crawl and presented new challenges for the 22. Chevron Lubricants Lanka economy. However, the impressive resilience of the Chevron team, our distributors, Caltex Authorized Dealers and Express Lube operators, C&I customers, our suppliers, and our other channel partners was demonstrated in the months to follow. Amidst all these challenges, the third quarter in the year on review brought a 20% increase in the bottom line versus the same period in the prior year. The Company is proud of the full year results, growing the top line and the bottom line even during weak market conditions. Chevron aspires to win in any environment and every person in the company is focused on making this aspiration a reality.

Lubricants industry

The lubricants industry experienced degrowth in the first three quarters of the year in review versus the same period in the prior year. The industry was challenged by the low growth in the overall economy, a downturn in vehicle ownership/registrations (per department of motor traffic of Sri Lanka), limited new construction activity. These factors, along with the extreme weather patterns and heavy rains in the second half of the year lowered demand for lubricants. Sri Lanka's lubricants market reflected a de-growth of 9% during the first half of the year under review (per the PUCSL), but the industry grew in the third quarter by 4% over the same period prior year. However, optimism dampened in the fourth quarter as the market slowed in advance of the Presidential Election, and reduced purchasing by the trade in anticipation of tax reductions by the new Government. The latter months of the fourth quarter were characterized by increased political stability and an uptick in business sentiment across many industries.

Company performance

Overall, the Net Profit after Tax increased by 5% during the same period to Rs 2,099 Mn. Rs 107 Mn higher than Rs 1,992 Mn achieved in 2018. We are pleased with the company performance in the face of the challenges in FY2019. Our commitment to contributing to the economic health of Sri Lanka remains steadfast. When the newly elected Government lowered Value Added Tax (VAT) and did away with the Nation Building Tax (NBT), the Company was quick to pass on the benefits to the trade and to consumers while many of the competitors kept the savings for their own coffers. An increase in distribution expenses was seen by as much as 24% during the year under review primarily due to additional expenditure on advertising, sales and promotional activities during the year under review.

Amidst the shrinking marketplace, our products, people and strategies enabled growth across most of our business segments. The resilient performance can be observed in market share results as reported by the PUCSL's provisional 3Q Lubricant Market Report, Chevron's market share on a relative basis rose from 39 percent to 43 percent (Source: PUCSL) for the first nine months of the year.

Retail

After two consecutive years of degrowth, the Retail channel demonstrated a growth of 4% over prior year. This result helped the company to post a healthier top-line over the preceding year, though the bottom-line grew less than plan. The competition in the Retail channel remained fierce in 2019 and the company entered the year prepared to battle the competition for sales.

The Company approached 2019 confidently with a new go-to-market strategy, placing greater emphasis on alignment of Company strategies with the performance of our distributors and partners in the trade. The 'Star Power' incentive program launched in January with various schemes that enabled our partners to achieve financial rewards for growing Caltex branded sales. The multi-tier incentive structure provided opportunities for distributors and traders and eventually cascaded benefits to consumers through promotional pricing and give-away schemes. Ultimately, these initiatives served to enhance engagement and connection with distributors and channel partners.

During 1Q, the 'Caltex Havoline Thegi Engima' sales promotion rewarded

consumers who purchased selected motorcycle, scooter and passenger car oils. In purchasing the oils, consumers not only protected their engines – the most valued asset in the vehicle – but were also guaranteed prize winners. With the momentum of this successful promotion, the Company rolled out a new image program for Caltex Authorized Dealers, Havoline Express Lube service stations, and the independent retail lubricant marts. We invested in the capabilities of our Authorized Dealers through an industry leading training program offered exclusively to our valued Authorized Dealer network. We launched new products this year including Sri Lanka's first ultra-low viscosity synthetic engine oil.

Commercial & Industrial (C&I) CHANNEL

The C&I channel's performance improved by over 20% versus prior year. The Company was awarded multiple tenders from the government sector, which included the Ceylon Electricity Board (CEB) and the Ceylon Transport Board. The Company is proud to supply lubricants to these government entities that provide energy and transportation services to the public every day. The C&I team put forth tremendous effort to support our existing customers with their lubrication needs. At the same time, they pursued and won new accounts in the rubber, power generation, and construction sectors.

Exports

It is noteworthy to mention that the Company's export channel sales volume improved 13% over the previous year. Management appointed a new Manager to look after the export channel and he invested a significant amount of time and energy into the Bangladesh market. The Company was rewarded with sales volume increasing 18%. Performance in Maldives was unsatisfactory for the year in review, an opportunity that will be addressed in the year 2020. A stable foreign exchange rate regime contributed to the financial performance of the channel as well.

Toll blending and Original Equipment Manufacturer (OEM)

As for the Toll Blending and Original Equipment Manufacturer (OEM) segment, the Tolling segment grew by over 60%, albeit it on a small base. The OEM segment had a degrowth due to the intense competition in the heavy-duty market. Put together, the two segments combined to grow 1% over the prior year. The Company has strategies in place to improve the OEM segment and we expect a

return to growth in 2020.

Empowering employees

Chevron's emphasis on people, partners and the planet has ensured that we have built a team of like-minded professionals who strive to achieve its vision as the premiere marketer of lubricants in Sri Lanka. We also practice a mindset of continuous improvement in all aspects of our business.

In the recent years, our Supply Chain function utilized Lean Six Sigma methodologies to become more efficient, and this past year we began doing the same in the Sales, Marketing, and Finance functions. The Company is implementing digital solutions across all parts of the operation. The Supply Chain is on the leading edge of this initiative with the introduction of a state-of-the-art quality management system. This world-class system connects the entire plant from the raw material tanks to blending to filling to the laboratory such that our customers can be certain that CALTEX products produced at Sapugaskanda area of the highest quality. The Company has a relentless approach to improving how we operate and run the business. We believe this attribute positions the company to be one of the best in Sri Lanka today and in the years to come.

During the year under review, we said farewell to two key members of our Management Team, our CFO, Anura Perera, and our Logistics Manager, Upali Wijesinghe. These gentlemen not only proudly served the Company for over 20 and 30 years respectively, they were leaders who enabled the transformation of the Company from the early days to the modern organization we are today. Mr Perera served as a personal mentor to me during my first year in Sri Lanka, and I am forever grateful to have worked closely with him before his retirement. I personally want to thank them for their valuable contributions to the Company through the years.

Every year, the parent group conducts an annual employee survey globally. Chevron Lanka's results this time round were one of the best in the region, a fact the management team takes great pride in. The score on the survey has improved year on year. This reflects the people centric nature of the Company's culture, and Management will continue to empower the work force in the future. Despite the high level of employee satisfaction reported in the study, we have initiatives in place to address opportunities that our employees identified. In 2020,

Management is offering more development and training opportunities to the team and applying the lean mindset to simplify the business and improve the speed of decision making.

Outlook

The resilience shown by the company gives our stakeholders ample confidence that, notwithstanding the odds, the Company forges ahead undeterred. Despite the economic headwinds in 2019 in the wider economy and industry, the Company withstood the challenges. We achieved growth in sales across most of our segments. We delivered better results than the preceding year in relation to the bottom-line while showing marked growth in the top-line. Overall, the Company closes the year on a positive note while looking ahead towards overcoming the macro-economic challenges in the country as 2020 unfolds. We look ahead with optimism to strengthen our domestic position and grow exports aggressively in Bangladesh and the Maldives.

Appreciation

I would like to thank the Chairperson and Board for their guidance through a challenging year. Our shareholders, distributors, suppliers, channel and business partners also need to be commended for placing their trust in our ability to navigate a difficult year in a spirited and resilient manner

23. Tokyo Cement



S R Gnanam, Managing Director's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

Board of Directors

S R Gnanam (Managing Director)

1 Dr Harsha Cabral (Chairman)

2 A S G Gnanam

3 E J Gnanam

4 R Seevaratnam

5 A D B Talwatte

6 Ravi Dias

7 W C Fernando

8 Susumu Ando

9 Dr I Indrajit Coomaraswamy

Despite the 2019/20 financial year being somewhat inauspicious, our shareholders would have notes that Tokyo Cement Group's bottom-line has recovered from the negative position of the previous year, as assured in last year's report. Not only has Tokyo Cement Group recorded a profitable year, we have consolidated our position as the largest cement manufacturer in Sri Lanka, both in capacity and market share.

Impacts of the external environment

Overall, national cement consumption continued on its downward trend totalling to 5.9 Mn MTs for the financial year, which is a decline of 10% year-on-year. While Tokyo Cement Group could not increase sales in this environment, the increased profitability could be attributed in part to years of investment into process engineering at our factories, and continued integration with our Enterprise Resource Planning (ERP) system. Marketing and sales activities are now integrated with the ERP, which allows for optimized coordination and planning, with increased cost efficiencies. We also introduced new international standards for Portland Cement that were well received by the local construction industry. In fact, the growth in contribution of Blended Hydraulic Cement to our sales mix had a considerable positive margin impact. This approach helped maintain the growth momentum in a contracting market. The construction industry experienced increased costs, reduced liquidity and continuous disruptions to seasonal

consumption behavior. The financial year was marked with several market disruptions; commencing with the Easter Sunday Attacks, followed by extended monsoons, presidential elections, volatile policy environment, and ending unceremoniously with the onset of the pandemic. Please refer to our Economic Review for a more in-depth analysis on the macro environment and its impact on the industry. Payment delays by the Government to contractors continued, sometimes as much as for 18 months, which caused major cash constraints within the industry. The cash squeeze extended into the wider economy, as the construction sector is one of the largest employers in the country, with a significant informal workforce and an island-wide network of smaller suppliers, dealers, and agents. The rupee depreciation during the financial year further ran up our costs, as we are entirely import dependent for clinker. Even freight costs increased, due to shortages of new low sulfur fuels, which were made mandatory by the International Maritime Organization. In December 2019, the new government removed NBT (2%) and reduced VAT (to 8%) and then in a separate ruling revised the MRP for cement, thereby passing the tax benefit to consumers. The financial year ended with the arrival of COVID-19, effectively derailing all production, marketing and sales activities.

Financial Performance

The Easter Sunday Attacks, set the catalyst for our behaviour for the rest of the year; forcing us to be more cautious and adaptive to continuously shifting environments. This led us to enact stringent policies of cost reduction, increased efficiencies, coupled with strategic sourcing, production and distribution operations, employed throughout the year. The current year's financial performance reflects this preemptive and prudent approach.

Revenue

Due to reduced cement consumption, revenue at Company level declined by 27% year-on-year, from 29.7 Bn in FY2018/19, to Rs 21.5 Bn in FY2019/2020. The Tokyo Cement Group revenue also declined by 7% year-on-year, from Rs 38.5 Bn, to Rs 35.8 Bn.

Costs

Costs of sales of the Company declined by 32% from 23.7 Bn, to Rs 16.2 Bn due to lower demand and also due to many cost saving measures. The Company's

Distribution, Administrative and Other expenses decrease by 19% from Rs 4.9 Bn to Rs 4.0 Bn while at Group level, the same decreased by 5% from Rs 6.1 Bn to Rs 5.8 Bn.

Cashflow and Capital Expenditure

While Tokyo Cement companies experienced some pressure on cash flows due to the overall industry, cash crunch, our financial strength and stringent financial oversight made it possible to withstand this situation. We closed the year with a net positive cash flow of Rs 290 Mn, a 137% growth on the previous financial year, in which we experienced a net negative cash flow. We maintained a conservative net operating cash flow of Rs 2.9 Bn. While we put some of our projects on hold, our total capital expenditure for the year came to Rs 1.8 Bn, compared to Rs 3.1 Bn in the previous year. Much of this cost can be attributed to ongoing projects.

Profitability

At Company level, we achieved an operating profit growth of 115% for the year, reaching Rs 2.2 Bn profit from operations. This improvement is directly due to the many operational improvements effected during the year. The Company achieved a before tax profit of Rs 789 Mn against the Rs 399 Mn loss of the previous year and an after tax profit of Rs 817 Mn against the net loss of Rs 332 Mn reported last year. The Tokyo Cement Group returned to profitability with a before tax profit of Rs 2.6 Bn from the loss of Rs 1.5 Mn last year and an after tax profit of Rs 2.3 Bn from the loss of Rs 476 Mn. I urge our shareholders to please read the Management Discussion and Analysis of this annual report for details on these improvements.

Tokyo cement subsidiaries

The Group's profitability has been supported by our subsidiaries. Tokyo Eastern Cement Company, our cement subsidiary and Tokyo Cement Power Lanka, our dendro power company contributed positively to Before Tax Profit. Tokyo Supermix, our ready mix concrete company made a marginal loss and our sand manufacturer, Tokyo Super Aggregate also made a marginal loss in the low demand environment during the current year.

Dividend

Based on the current year's performance the Board has decided to authorize a final dividend of Rs 1.50 per ordinary share. This is a total payment of Rs 601,425, 000/- to our shareholders for the year.

Strategic progress

Overall, we have maintained our strategic direction, and the market share growth of TOKYO SUPER Blended Hydraulic Cement has reinforced our position as the largest cement producer in Sri Lanka. However, in response to the dramatic shift in the external risk environment, we have had to cut back on some of our plans, such as temporarily pausing the capacity expansion at the Colombo Port. However, our factory modernization plans are on track and the Central Control Room in Trincomalee was brought online, which has automated most of the production process. Our Construction Research Centre is also making a name for itself as an industry specialist in concrete designs. During the current year, we worked with Japanese contractors and consultant to develop custom concrete designs that a few years back would not have been possible in Sri Lanka. Technology transfer and training programs were continued and we hosted another Japanese Engineer specializing in concrete, at our research centre to share expertise in developing new designs. Our staff from TOKYO SUPERMIX and the factory, were also sent to Japan for training.

Sustainable Business

Despite the extreme uncertainty and cost increases we experienced during the year, Tokyo Cement has maintained its many environmental and social commitments. We added 600 Kw of solar power to the rooftop of our dendro power plant in Mahiyangana, giving us another alternative energy source. We utilize waste paddy husk and target to grow 1,000,000 Gliricidia sticks with farmers per year for power generation, thereby significantly reducing harmful environment impacts. We also use Fly Ash, a waste by product from the Norochcholai coal power plant in our Blended Hydraulic Cement. We've continued planting over 10,000 mangrove saplings per year to protect our coasts. I am proud to report that our entire manufacturing process over now operate fully on biomass energy, minimizing our carbon footprint from energy consumption. As a heavy industry, this is truly an achievement. Please refer our Sustainability Report for progress regarding these and other Tokyo Cement environmental and social activities.

Outlook and Plans

I would like to congratulate the Government on its decisive policy direction to support domestic industries, in the months following the COVID-19 lockdowns. Access was imposed on imports of bag and bulk cement. At the time of this report, the import cess results in a Rs 54 increase in the cost of a 50 Kg of imported bulk cement. The 'Made in Sri Lanka' policy drive will have many positive outcomes, both in terms of economic returns for the country and also towards generating much needed employment opportunities. Enhancing domestic manufacturing will also generate significant foreign exchange savings for the country, while encouraging local entrepreneurs to expand their operations and increase investments in local industries. Therefore, we hope the Government will introduce further progressive measures towards import substitution, greater domestic value addition and protection against unfair trading practices. As for the construction industry, realistically, I do not see an immediate revival of demand for cement in the post-COVID recovery environment. With COVID-19, all tourism related construction projects have come to a halt and I do not expect a revival in the short-term. The real-estate sector, which was driven by the apartment boom was also I am proud to report that our entire manufacturing process now operate fully on biomass energy, minimizing our carbon footprint from energy consumption. As a heavy industry this is truly an achievement. slowed down as there is currently a surplus. However, the Port City constructions might resume relatively fast, as it is funded by Chinese investors, in addition to opportunities in national concrete road development projects. However, Government payment delays to contractors may slow down these projects and as a result the construction sector recovery. We also hope freight costs will reduce as the supply of low sulfur fuel production has increased. The Tokyo Cement Group will strive to reduce raw material costs and improve production efficiency, through new standards, that have a lower carbon footprint. Our Colombo Port capacity expansion project was restarted, and we are on track to complete this before the end of the 2020 calendar year. This capacity enhancement will support cost reductions through distribution efficiencies. We will also continue to educate the industry about emerging international cement standards as this is not part of the civil engineering curricula in local universities. As there is a demand for our innovation products, we will look into increasing the production of these items. We have worked as a team and overcome many challenges in the current year and I appreciate the contributions of the Board of Directors, the Senior Management

and all our staff. I am also grateful to our shareholders, business partners and our customers for their support and loyalty. I am confident we can overcome any challenges of the future, if we continue to stand together.

24. Citizens Development Business Finance



Mahesh Nanayakkara, MD/CEO's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020



Board of Directors

Mahesh Nanayakkara (MD/CEO)

1 Ranga Abeynayake (Chairman)

2 Prof Ajantha Dharmasiri

3 Razik Mohamed

4 Prof Sampath Amaratunge

5 Alastair Corera

6 Joe Jayawardena

7 Jagath Abhayaratne

8 Damith Tennakoon

9 Roshan Abeygoonewardena

10 Dave De Silva

11 Sasindra Munasinghe

12 Elangovan Karthik

In the highly challenging environment of the financial year of 2019-20, I am pleased to report that CDB has remained true to its strategic vision, while sustaining a commendable financial performance. The current year also coincides with a historic milestone in our journey with our 25th anniversary falling on 7 September 2020.

External environment and the COVID challenge

This financial year will go down in history as one of the most challenging years for the entire world and Sri Lanka is no exception. The Sri Lankan economy in particular was exceptionally handicapped by disruptions starting with the Easter attacks at the commencement of the financial year, and ending with the COVID-19 pandemic. While COVID-19 gave rise to widespread negative impacts globally, Sri Lanka was fortunate that immediate action to contain the spread of COVID-19 was taken by its leadership. The selfless commitment to duty by our frontliners – doctors, medical staff, health authorities, tri-forces and the police ensured safety and adherence to stringent guidelines. Citizens Development Business Finance 24.

CDB's COVID response

CDB as a team responded to the COVID-19 challenge by prioritizing the health and safety of our team members and clients, and ensuring uninterrupted service

during curfew and lockdown. Our Business Continuity Plan (BCP) guided the entire organization's response. We continued with our digital and e-commerce initiatives during the year under review, which became the key strength during the pandemic in ensuring seamless service at all times. I am pleased to report that business activities have resumed ahead of our expectations. We recommenced our lending business in June and will be working on a budget with specific targets and goals from July 2020.

Performance

I would like to clarify at the outset that Unisons Capital Leasing Ltd (UCL), our specialized leasing subsidiary, was amalgamated with CDB on 18 May 2020, under the Central Bank's Financial Sector Consolidation Program. Therefore, all figures discussed in my review are consolidated Group figures. After the setback in April following the Easter attacks, our recovery has been faster and stronger than expected, although business volumes were impacted. The Group balance sheet recorded a marginal growth of 1.32%, reaching Rs 93.20 Bn whilst the loan book also recorded a marginal growth of 1.17% for a value of Rs 72.42 Bn. The deposit portfolio declined by 8.29% year-on-year, recording a year end figure of Rs 43.31 Bn, mainly driven by the conscious decision to redeem some institutional deposits. This was offset by increased debt funding and equity. The rights issue targeted at strengthening the capital base was fully subscribed in June 2019, generating Rs 1,019 Mn. The Profit or Loss Account also echoed the balance sheet, recording a revenue growth of 2.61% for a revenue of Rs 17.36 Bn, a net interest income growth of 20.75% at Rs 6.64 Bn, and the profit after tax reached Rs 1.84 Bn with a growth of 1.60%. The Net Interest Margin (NIM) improved to 7.17%, from 6.52% in the corresponding previous period, which resulted in the growth of the net interest income, despite the loan book recording only a marginal growth. The impact on the NIM was mainly due to the conscious efforts made towards rebalancing the composition of the loan book, coupled with cost of funds declining at a faster pace. The Cost to Income Ratio further improved to 48.79% in the year under review. Loan disbursements during the year reached Rs 28.91 Bn reflecting a lower figure than the previous year's Rs 34.16 Bn. We continued to maintain a healthy balance sheet composition, where 90% of assets are in regular cash flow and income generating assets, including the asset backed loan book. In the liability side, the deposits to debt ratio stood at 57% to 43%. Tier I and II Capital adequacy ratios stood at 10.25% and 13.29% respectively, above

the regulatory levels of 6.5% and 10.5% with year-end capital funds standing at Rs 11.45 Bn. The yearend liquidity ratio stood at 15.28%, also well above the regulatory requirement of 10%. The Non-Performing Loan (NPL) ratio on a gross basis, including the revolving yard stock, increased to 7.57%, from 6.59% one year ago. The NPL on a net basis, excluding the revolving yard stock, reflected a figure of 2.55%. The Return on Equity (ROE) was 17.99%, whilst the Return on Assets (ROA) was 1.98%. Earnings per Share (EPS) was Rs 26.15 and the Net Book Value per share (NBV) was Rs 164.76.

Outlook for the future

Reopening of economies, including the Sri Lankan economy, have commenced with social distancing and other behavioral hygiene aspects emphasized by local health authorities and the World Health Organization (WHO). The world continues to await the good news of a vaccine, which is currently in the R & D stage and will take some time to enter mainstream markets. Meanwhile, recovery from the economic fallout of COVID-19 will also take some time, with the most hard hit sectors being tourism and leisure, apparel and worker remittances. The Central Bank and the World Bank have both projected an economic contraction in 2020. However, we are confident of a faster recovery as many parts of world, including Sri Lanka, have already embarked on a reopening phase. CDB will have an advantage in the post COVID business environment with our emerging strategy, which is based on digital and e-commerce platforms, coupled with our unique brand positioning strategy and green sustainability focus. Although Sri Lanka is faced with daunting challenges, where the key concern is debt repayment, and the country's three main foreign income earning sectors of tourism, apparel and worker remittances have been impacted significantly by the pandemic, we are confident the gradual recovery, which commenced this quarter will lead to a stronger recovery by the last quarter of the current financial year. We do not foresee any space for non-essential imports within the next 6 to 12 months, where vehicles will be at the bottom of the priority list. This will have a significant impact on our business. However, the silver lining will be sustainable practices and the expansion of the digital economy, which will create new opportunities. We will identify and respond to such opportunities to maintain our growth trajectory.

Appreciations

As we successfully conclude a year filled with challenges, I look forward to a year that will bring new opportunities. I extend my sincere appreciations to the Chairman and Board of Directors for their invaluable guidance in navigating the sudden turbulences of the year, and I must also thank the management and my entire team for their unwavering dedication and commitment and for rallying around the CDB brand in the face of unprecedented challenges. I also thank our customers and all our business partners for their loyalty and support. I take this opportunity to thank our former Chairman Hershel Gunewardena, who retired from the Board of CDB on 9 September 2019 upon reaching the age of 70. We are most grateful for his leadership as the Chairman from 1 January 2012 to 9 September 2019. I also welcome our new Chairman Ranga Abeynayeke who is no stranger to us, and has been a Non-Executive Director of our Board since 1 January 2012. My appreciation to Non-Executive Independent Director Razik Mohamed who will be stepping down from the Board with effect from 16 August 2020 upon reaching 70 years of age. We express our gratitude to doctors, all healthcare staff, the tri forces and police for their selfless and heroic service, which has enabled us to return to work within a short period of time. I am confident we can, together, strengthen each other in the new financial year.

25. Commercial Credit and Finance



R.S. Egodage, CEO'S message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020



Board of Directors

R S Egodage (CEO)

1 E D P Soosaipillai (Chairman)

2 M S D Pinto

3 G R Egodage

4 K D Vander Weele

5 R C Chitty

6 A J P Dufes

7 B B Zschorsch

8 Lasantha Wickremasinghe

9 P T Fisher

10 T M L Paktsun

11 K J C Perera

As the financial year 2019/20 draws to a close, it gives me immense pleasure to

present the performance review of Commercial Credit and Finance PLC for the period ending 31st March 2020. This gives me the opportunity to share some of the main highlights and key achievements of the Company during the period of review. A detailed analysis and information of all relevant areas are presented under the Management Discussion & Analysis and other sections of this Annual Report.

Importance of Shared Values

As a new decade dawns upon us with challenging business conditions underfoot, our focus remains fixated upon the purpose of the organization. We envisage that our purpose and shared values will provide us with guidance and direction to navigate through these headwinds. The long and eventful journey, which lays claim to the resounding success of the Company can be primarily attributed to the passion, dedication and the drive of all members of the Commercial Credit team. Nevertheless, a key element, which has attributed towards our continuous success through the years 25. Commercial Credit and Finance is our Shared Values and the unique principle-based culture. These trail blazing standards, which are nurtured within the organization has set us apart from our competitors and ensured an ever-growing customer base. It is these Shared Values that has transformed Commercial Credit and Finance PLC into an innovative and formidable corporate entity within the Sri Lankan financial services sector. In addition to this unique culture that exists within the Company, we have also instilled a sense of self confidence in all our employees - encouraging them to serve our customers with empathy and understanding while retaining their loyalty. Thus, their goal is to enrich and uplift the lives of all our customers by supporting them to attain their dreams and aspirations. We constantly emphasize the importance of these Shared Values and Principles to all our employees at every level through a comprehensive set of initiatives. These are a prerequisite in convincing all members of the Commercial Credit family that meaningful progression towards the Company's purpose "to build leaders who uplift the lives of people by simple acts of love" is only possible through the promotion of our unique corporate culture within the organization. Subsequently, we have instigated activities towards this effort; such as conducting continuous training sessions, singing of the Theme Song prior to the commencement of each working day at all locations and at corporate events of the Company, wearing Value Badges and holding events such as Value Day. This is also to inculcate a

sense of camaraderie and bonhomie among our employees as they face each day with positivity and reflect this attitude in every sphere of their lives. Additionally, the value badge earned by the employee based on their practice of Shared Values within the interior and exterior of the Company plays a pivotal role in employee's remunerations and promotions. Therefore, employee performance is monitored and measured by a 360 Degree Evaluation conducted quarterly by the Company's Enterprise Resource Planning system. Furthermore, the Company finds inspiration through "The 7 Habits of Highly Effective People" authored by the late Dr Stephen Covey, the Founder of the World-renowned personal development organization - Franklin Covey. Thereby, the Company has initiated effective measures in communicating these '7 habits' to the employees through comprehensive residential workshops and training programs, which are conducted across the Company at all locations with the participation of a significant number of employees at each level. This has enabled our employees, who participate with unbridled enthusiasm and zeal to experience a holistic and integrated approach to achieving success in their professional and personal lives, which in turn has a positive impact on all our internal and external stakeholders as its influence is reflected in every aspect of our business operations.

Performance

The Company was faced with yet another year of macro-economic adversity, which took a toll on the financial system domestically as well as globally. With continued volatility in the micro finance industry the Company continued to rely on high yielding asset backed products. The year ended on a sour note with the island wide lock down imposed towards the end of the financial year due to the COVID 19 pandemic. The Company's asset base increased marginally by 0.3%, finishing the financial year at Rs 80.4 Bn. This is in correspondence to the 1.3% increase in the loan portfolio, which accounted for 76.7% of the total asset base. In line with the Company's overall strategy to promote asset backed products, the leasing & hire purchase portfolio and the gold loan portfolio grew by 18.5% & 10.2% gross of impairment allowance respectively. The lending activities were mainly funded through the mobilization of public deposits with a composition of 74.7% against the total funding base. However, the deposit base declined by 8.7% during the year owing to adversity created in the market following the cancellation of several NBFIs licenses during the year. In response the Company increased its borrowing base by 37.0%, which is in line with the Company's

overall funding strategy. With major events of disruption scattered throughout the financial year, the Company's Gross Non Performing Accommodation (NPA) worsened to 9.9% from 6.5%. The sector gross NPA also deteriorated sharply demonstrating a 290 basis point increase, finishing the year at 10.6%. The Company's Net NPA was at 2.7% compared to -1.1% last year. The Company NIM dropped to 11.7% from 13.4% the previous year, owing to the 8.5% reduction in the interest income. This was caused by the Company's decisions to further downsize the nonasset backed products, which yield more. The profit after tax for the year was at Rs 1.66 Bn, a 20.0% decline against last year. Further to the reduction in the NIM, the cost to income ratio, which increased to 55.3% from 54.3% also contributed to the contraction in profitability. Despite operating in a challenging environment for business, Commercial Credit and Finance PLC was ranked No 21 in the Business Today Top 30 Awards for 2018/19. This is the third consecutive year the group was recognized among the elite group of corporates, speaking volumes about our service delivery and accountability. The inclusion of sports benefits every aspect of our lives and that has been recognized by the Company, which has resulted in the constant encouragement given to the employees who are keen to pursue their affinity towards a sport, be it an individual or team oriented. The extensive support network set in motion for our sportsmen/sportswomen include the granting of freedom and resources to achieve their goals by participating in both local and international events. These supportive measures have paved the way for remarkable sports achievements by our employees over the past years.

Corporate Governance, Compliance and Risk Management

At Commercial Credit, we strongly believe that the path to excellence is embedded within the Shared Values of the Company. Therefore, we steadfastly go beyond the standard rules and regulations and predominantly invest in inculcating the concept of Shared Values in our employees. It is these Shared Values that has laid a strong foundation within the structure of the Company and is effectively intertwined with our processes, instilling passion and determination amongst all our team members in adhering to high ethical standards. Our Risk Management Committee conducts meetings both at Board level as well as at an Operational level on a regular basis throughout the year, thereby ensuring that the Company is well informed of both internal and external factors that may impact the business operations.

Future Focus

The COVID 19 outbreak has changed the outlook of corporates globally in an unprecedented manner, forcing them to re-strategize and restructure its business operation. The impact of the pandemic is felt across the key export and foreign exchange earning industries, such as export of agriculture, garments & textile and tourism. The lock down imposed to curtail the spread has led to a widespread impact in the domestic economy resulting in a marked slowdown. As a customer centric organization our recurring focus will be aimed at assessing the damage the pandemic has caused to our customer base and collectively finding avenues to overcome this predicament together. We are sincerely grateful to the Central Bank of Sri Lanka who have introduced a debt moratorium scheme for COVID 19 affected businesses and individuals and pledge to extend our fullest support. We strongly believe that our people of Commercial Credit will realize the Company's future potential towards progression amid the inevitable challenges that we are bound to encounter in the years to come. Therefore, we have taken necessary steps to invest in the personal and professional development of all our employees in preparation to face the perplexities of life and achieve success. Further, the Company will continue to invest in providing an effective learning infrastructure for all our employees island-wide in obtaining further knowledge on the '7 habits' teachings, Company's Shared Values and job-related technical trainings.

Appreciation

I am honored to acknowledge the fact that Commercial Credit has endured immense success during the past several years, becoming one of the leading companies in the Non-Bank Financial Institutions (NBFI) sector of the country. In this regard, I wish to express my heartfelt gratitude towards our valued customers and shareholders for the trust placed in us. You have given us the strength to make our goals a reality and strive towards achieving unprecedented heights. I take this opportunity to warmly welcome our newly appointed Chairman Mr D Soosaipillai. His wealth of knowledge and expertise will surely provide guidance and leadership in navigating through these times. I would also extend my sincere gratitude to the outgoing Chairman, Mr Cecil Perera for his tremendous contribution during his tenure. I'm also pleased to welcome Mrs Tamara Paktsun who will be replacing Mr M S D Pinto as an independent Non-Executive Director. Finally and most importantly, I would like to pay tribute to the incredible team at Commercial Credit. They continuously amaze me with their

exemplary work ethics, professionalism and innovation and it is understood that their determination and hard work have made Commercial Credit illuminate brightly since its inception. With such amazing individuals at the helm driving us forward, Commercial Credit will continue to attain remarkable achievements in the financial services sector of Sri Lanka, while setting the benchmark for many other entities who extend a helping hand in terms of financial support to those who wish to make their dreams a reality.

26. Dilmah Ceylon Tea Company

26. Dilmah Ceylon Tea Company



Merrill J Fernando, Chairman's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

Board of Directors

Merrill J Fernando (Chairman)

1 Dilhan Fernando (CEO)

2 Himendra Ranaweera

3 Malik Fernando

4 Roshan Tissaarachy

5 Minette Perera

6 Rajan Asirwatham

7 Gritakumar Chitty

8 Darshana Gunasekera

I am pleased to present the Annual Report and Audited Financial Statements of Dilmah Ceylon Tea Company PLC for the year ended 31st March 2020.

Tea Crop and Tea Prices

Tea production reached a record high of 340 Million Kgs in 2013 however, it declined, quite significantly, to around 300 Million Kgs since. It is likely to decline further to 200 Million Kgs in 2020 this year. Tea production in Kenya has increased dramatically and its relatively much younger tea industry will continue to grow so with the benefit of virgin soils and low labor cost. The production was 432 Million Kgs in 2013 and increased to 459 Million Kgs in 2019 and it is expected to reach 500 Million Kgs in 2020. Kenya manufactured CTC tea exclusively for many years and did not compete with Sri Lanka in any way. It is pertinent to remind our tea traders that, some years ago, multinational companies and their local representatives convinced our government to switch our production also to CTC manufacture. When I became aware of this move, I pointed out to the government that our export markets are supplied with our traditional, orthodox tea at premium prices hence, we should not 26. Dilmah Ceylon Tea Company even consider CTC manufacture. Fortunately, this potential calamity was prevented. Multinational traders endeavored to create a glut of CTC tea in the market and enhance profits. Another fatal blow to the tea industry was averted when traders prevailed on the government to allow import of tea for blending and re-export. Fortunately, the sane counsel prevailed in dislodging a Finance Minister's budget proposal. Traders' sole objective is profit. Where and how it comes from is not their concern. They compete with each other to secure business using price as their only tool. If imports were permitted within six months our auction prices would have dropped below cost of production making the industry unviable. A close examination of FOB/export prices would reveal that they range from Rs 600 to over Rs 2,000 per Kilo. If the tea industry is strategically managed in the hands of capable people with proven expertise, export earnings could well reach US\$5 billion within the next five years. Bulk tea exports should be discouraged and value added exports should be generously incentivized for the social and economic benefit they bring. Part of the additional income from value added export must be used to advertise and promote quality

brands. This is likely to encourage bulk tea exporters to change course. The tea industry, which is being written off by many, offers enormous potential in the hands of investors who believe in it. The government authorities responsible for tea can turn it around if they have a realistic vision for the industry. Recent interest and initiatives by government in finding solutions to long-standing issues in tea plantations and exports are welcome, and will deliver benefit to our economy and to Ceylon Tea. At the initial public offering of Dilmah Ceylon Tea Company PLC, an investment of Rs 10,000 on 1,000 shares, has yielded Rs 8,600,250 by way of dividends. The same 1,000 shares has been increased to 20,000 via bonuses of 1:1, 2:3, 2:5, 1:1 on four different occasions. The Rs 10 per share has now become .50 cents via script shares, is Rs 531 in the CSE, reflecting a value of 531,000, such is the power of Ceylon tea in the hands of committed investors in the industry.

Performance

The company continues to grow, enhancing profits regularly. Revenue grew by 8% and Gross profit by 14% over the previous year. Impact of exchange rates showed a remarkable decline of -46% over the previous year. Net profit before tax increased by 17% and, after tax profit declined by 2%.

Corporate Social Responsibility and Alleviation of Poverty

Your company is founded on integrity and quality. The outcome of this is our commitment to addressing inequality, and wider social and environmental concerns as a part of our core business philosophy. At the beginning of this year, I proposed and with your concurrence, resolved to increase the company's contribution to the fulfillment of that philosophy by 50%. The MJF Charitable Foundation now receives 15% of the company's pre-tax profits, fueling a significant increase in its humanitarian operations. That resolution has proved to be prescient as the social and environmental challenges we collectively face, have expanded. The MJF Foundation's humanitarian programs continue to focus on empowerment with dignity, amongst marginalized youth, women and men. The Foundation's scholarship programs have produced doctors, magistrates, chefs, harnessing the potential in young men and women from the tea plantation sector, while our efforts at caring for differently-able children and youth have shown humbling results. Dilmah Conservation extends the company's purpose beyond profit, to the environment. While designing and managing ground-breaking

initiatives benefiting terrestrial and marine ecosystems, Dilmah Conservation actively engages youth through its environmental educational programs, and seeks to build collaboration for the greater good through Biodiversity Sri Lanka. Our Climate Reality and allied programs continue, with broader involvement now including mangrove restoration and research amongst other initiatives.

Innovations

The Dilmah brand is built on tradition in tea, as many of those traditions are what make Ceylon Tea unique. While honoring that tradition, the brand's tea gastronomy, mixology, and other innovations are engaging a new generation of tea drinkers. As consumers in retail and hospitality sectors evolve, initiatives like Tea Inspiration for the 21st Century, and related innovations are driving the brand's growth into new markets and segments. The t-Lounge by Dilmah is joined by Brew 1867, a more casual format, in expanding the brand's presence.

Dividends

The company declared an interim dividend Rs 20/- per share during the year. Considering present circumstances caused by COVID-19, I am inclined to skip a final dividend however, I am declaring a token dividend of Rs 5/- per share for 2019/20.

Outlook for the Current Year

The outlook for the general economy appears bleak throughout the world – some worse than others. Already there are bankruptcies, severe unemployment and hardships. It is likely that conditions may not improve short-term. How long the coronavirus will last only God knows. We can only pray for it to disappear soon and bring hope and comfort back to our homes and our lives. COVID-19 brought fresh appreciation of the health benefits in tea, and its immune boosting benefits have brought new users to tea. I am confident of quoting good results for the current financial year. I thank the good Lord for showering His blessings on our businesses and shareholders. The world is in uncharted territory and we are experiencing hitherto unknown turmoil, pain and fear. COVID- 19 has brought the high and mighty, rich and poor down to a common level, with no respect for master and servant. Amidst the terrible loss of life, this enforced retreat is a time for mankind to review the past, forgive and repent for wrong doings perhaps, through greed, envy, jealousy and selfishness, in preparation for a more tolerant

and happier life in a better world. I thank my colleagues on the Board for their advice and guidance; our staff for their commitment and loyalty, our global distributors, their families and staff for their untiring efforts and cooperation; our customers for becoming Dilmah tea lovers.

27. Hemas Holdings



Husein Esufally, Chairman's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

Board of Directors

Husein Esufally (Chairman)

1 Steven Enderby (CEO)

2 Abbas Esufally

3 Kasturi Chellaraja Wilson

4 Murtaza Esufally

5 Imtiaz Esufally

6 Saktha Amaratunga

7 Rambadran Gopalakrishnan

8 Jyotindra Trivedi

9 Dr Anura Ekanayake

10 Prof Nilanthi Renuka De Silva

Dear Shareholders The year under review was one of unprecedented challenge, marked by two black swan events at the beginning and the end of the year. Impacts of the Easter Sunday terror attacks in April 2019 and its aftermath were keenly felt by Hemas, whilst the COVID-19 pandemic in March 2020 will also have a material impact in the year that has commenced.

PERFORMANCE CONTEXT - ECONOMY

The year got off to a disastrous start with the Easter Sunday attack and its aftermath having a significant impact, especially for Tourism. The business landscape became even more challenging due to policy uncertainty amidst a highly charged political environment, which culminated in the election of President Gotabaya Rajapaksa in November 2019. The rupee appreciated marginally by 0.6% in 2019 only to depreciate by 4.5% by March 2020. The benchmark AWPLR declined nearly 300 bps during the financial year reaching high single digits for the first time in many years as a result of monetary policy measures 27. Hemas Holdings implemented during the year to support private sector credit growth. The country's economic growth declined to 2.3% in 2019. Per capita income of Sri Lankans declined from USD 4,079 in 2018 to USD 3,852 in 2019. Household consumption grew by 2.9% whilst inflation increased from 2.8% to 4.8% in 2019 due to food supply issues. Following the appointment of the new Prime Minister and Cabinet in November 2019, several tax benefits and incentives were offered to stimulate growth. This resulted in a boost to business confidence, although the sustainability of this tax regime may be short-lived given the present fiscal conditions.

OUR PERFORMANCE

The Group's performance reflects the challenges of the business environment, which was further intensified by the misleading ethnically divisive attacks on our business and brands. Consumer and Healthcare sectors felt the brunt of these attacks, whilst the Leisure sector was directly impacted by the decline in Tourism. The Group recorded a consolidated revenue of Rs 61.6 billion during the year, a decline of 3.8% over the previous year. Revenues recovered by the third quarter reaching parity with the previous year. However, this trend reversed in the fourth quarter largely on account of the lockdown measures instituted by mid-March 2020. Operating profits registered Rs 3.6 billion against Rs 5.7 billion during the previous year, primarily due to lower revenues along with higher costs associated

with business recovery efforts. Group profit after tax of Rs 1.4 billion for the year compared with a fourth quarter profit of Rs 527.1 million tells the story of our collective efforts to drive the resurgence of our business during the year. The Home and Personal Care (HPC) business made significant progress after a troubled start, demonstrating the resilience and strength of our brands. The HPC industry showed signs of improvement after two years of volume declines, growing by 0.5% in 2019 compared to a decline of 2% the previous year. Atlas did well to surpass previous year's volumes with strong back to school sales despite initial setbacks. The Pharmaceutical Distribution business had a strong year boosted by innovative new products in Diabetes and Cardiovascular care, together with the addition of the Mead Johnson agency, which gives us a presence in the Nutritional space. Morison, our Pharmaceutical Manufacturing arm had a strong year and is now nearing completion of its new research and manufacturing facility. Hemas Hospitals was adversely impacted at the start of the year, but, made good recovery thereafter. During the year under review, we exited N-able and a portion of our Travel and Aviation sector. However, we retained the Emirates agency and our Hotel portfolio. Performance of the Mobility sector was dampened by decreased trade volumes. Spectra, our joint venture in the integrated logistics space, commenced operations in its purpose-built facility in September 2018.

INTEGRATING SUSTAINABILITY

A dedicated team continues to integrate sustainability into our business processes, steering the Group towards our sustainability goals. We are delighted that our carbon footprint and water footprint declined during the year in line with our 2025 goals and we hope to maintain this trend. Our work through the Hemas Outreach Foundation and the Ayati Trust marked another major milestone with the opening of Ayati, the National Center of Excellence for Children with Disabilities, providing multidisciplinary care for children with mental and physical disabilities to enable their integration into society. The Piyawara program launched with the Ministry of Women and Child Affairs in 2002 now has 56 pre-schools and expanded its activities to assist the Katuwapitiya community that was affected by the April terror attacks with psychological assistance. As a strong value-driven company, Hemas has always strived to serve a higher purpose, believing that every family deserves a life filled with daily joy, robust health and hope for the future. Over the past year we have solidified this proposition into a

North Star for the Group. Moving forward, 'making healthful living happen' will enlighten and inform our decisions, resource allocation and investment strategy, heralding a new era of purposeful growth for Hemas.

OUR PEOPLE

The toughest of years brought out the best in our people as we worked together to rise above the challenges during the year under review. People responded in the most amazing ways to go beyond the call of duty in the aftermath of the April attacks. I particularly commend the courage and commitment of our frontline staff who managed to counter first-hand the false narrative aimed at tarnishing our reputation, and converting it into a real understanding of what Hemas stands for, and thereby regaining the trust and support of multiple stakeholders. In the midst of COVID-19, the entire organization has been called upon to navigate uncharted territory yet again and are responding with the dedication and commitment that we have come to rely on. Their collective efforts during this crisis, as we rise up to provide the nation with essential services, are continuing to exceed expectations.

GOVERNANCE

The Board devoted more time on performance oversight and risk management functions given the increased volatility of the business landscape and the need to focus on business recovery. With the onset of the COVID-19 pandemic, the Board has redefined its role to support Management through this crisis and has increased the frequency of meetings, which are now held virtually. During the year, the Board strengthened its own evaluation processes and extended same to subsidiaries. Dinesh Weerakkody and Malinga Arsakularatne resigned from the Board during the year and we thank them for their valuable contributions.

LEADERSHIP CHANGE

Steven Enderby will step down as Group CEO at the end of his tenure on 30th September 2020 after six years at the helm. Following a robust selection process, the Nomination Committee recommended that Kasturi Chellaraja Wilson be appointed as Group CEO, which was duly approved by the Board. I am personally delighted that a longstanding colleague has risen to the highest Executive position. A special word of thanks to Steven Enderby for his leadership over the years.

FUTURE OUTLOOK

The immediate task will be to lead our business through the COVID-19 crisis and to get our operations back on track. Employee safety has been accorded the highest priority and all necessary safeguards are in place. Our balance sheet remains strong with prudent levels of debt and there is further capacity to borrow at need. Despite this, we will focus on preserving liquidity and cash, curtailing all discretionary expenditure and freezing expansion plans except for those that are already in progress. Looking ahead, we will have to learn to live with COVID-19 pandemic until a vaccine becomes available, and we are focused on adapting to the 'new normal' with speed and efficiency. For most of our businesses, their products and services become even more relevant, and the focus over the medium-term will be to innovate to fulfill emerging customer needs.

APPRECIATIONS

Over the year, we have benefited from the goodwill of many people who came forward to support Hemas in our hour of need, and to them I offer my sincere gratitude. Special thanks to our Customers for your franchise, and to our Principals, Business Partners and indeed all Stakeholders for your support. Our nation's response to the COVID-19 pandemic has been led by healthcare workers, the armed forces including the police, and many other frontline staff who make it possible for us to continue our daily personal and business activities, and I take this opportunity to express my sincere appreciation of their services. We know this will be a long and arduous journey and Hemas will continue to aid the national effort wherever possible. My sincere thanks to my colleagues on the Board for your wisdom and guidance, which we have used in full measure, and will continue to rely on in steering us forward through this storm. My most sincere appreciation to the CEO, Leadership Team and the entire Hemas family who have worked tirelessly over the past year, and we rely on your efforts to steer us through yet another crisis, and come out as a stronger company ready to face the future with renewed confidence. Finally, my thanks to our loyal shareholders for reposing your faith in us throughout these difficult times. You can be assured that no effort will be spared in ensuring Hemas will have a bright future in the years to come.

28. Richard Pieris and Company



Dr Sena Yaddhige, Chairman/MD/CEO's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

Board of Directors

Dr Sena Yaddhige (Chairman/MD/CEO)

1 Viville Perera

2 Sunil Liyanage

3 Shaminda Yaddhige

4 Dr Jayatissa De Costa

5 Prasanna Fernando

6 Felix Fernandopulle

7 Shiron Gooneratne

Despite 2019 / 20 being a tough year for some of the industries in the country, our prudent business strategy kept us resilient and our diversified business model ensured that we are well positioned to capitalize on any opportunities. As one of the leading diversified conglomerates with 28,000 employees, Richard Pieris Group has always strived towards excellence. We serve customers from more than 35 countries.

Given the current volatile market outlook, we will focus more on operating synergies and efficiencies to face the challenges and uncertainties that 2021 has to offer. Despite the global outlook in an air of uncertainty, we will continue to be resilient. 28. Richard Pieris and Company

All of our sectors are adapting their business and operational strategies towards

ensuring an effective response to the dynamic and uncertain market conditions, which are expected to continue. We believe that times of crises of this nature provide opportunities as well for our sectors to re-engineer and remodel our business and overall market strategy. These are times to further embrace change such as tapping on technology advancement and digitization.

Despite the overall negative sentiment, Richard Pieris Group believes that opportunities will continue to present themselves going forward. As a forward looking company, we have been investing billions of rupees every year in multiple sectors in respect of modernization and expansions. As a step forward in gaining more market share in the global natural rubber segment, the export sector has recently commenced a major capacity expansion project at a cost of Rs 1.4 Billion.

We have strengthened our position as a key stakeholder in fuelling the economy of the country as an economic powerhouse, by operating more than 50 factories across the country.

As a trendsetter in the country, our flagship sector retail, continued to have the financial supremacy in 2019/20 as well, by recording the highest profits among retail operators in the country. As a strong customer-focused retail business, we take pride in offering an unmatched range of goods under one roof.

As the largest Tea and Rubber producer in the country, it's an encouragement to observe an increased focus on the agricultural sector by the Government to enhance value addition to broaden markets for commodities.

Innovation and Continuous improvement are an integral part of our culture, which can be in the form of a new product, feature, operational process or a business model, which have been the key drivers in becoming the market leaders in multiple segments within an entrepreneurial, but well managed risk management framework. In our journey towards renewable energy for sustainable development, we have further invested in a range of energyefficiency measures. Almost 50% of Arpico Super Centers/Stores are fitted with Solar panels, which is the only retail chain to have solar panels to this extent. Arpico Super Center Kegalle is the only platinum class green retail building in Sri Lanka. As one of Sri Lanka's leading conglomerates, our commitment remains unchanged to play a meaningful role in contributing to a turnaround in prospects for the country in financial year 2021 and thereafter. We will be assessing the situation closely and

review our plans as they unfold, but I believe the strong foundation that we have laid over the past few decades, the capable leadership of our management as well as the embracement of technological innovation, will help Richard Pieris Group to navigate the challenges.

On behalf of the Board, I wish to record my sincerest appreciation to our customers, shareholders, business partners and suppliers for your continued support. Last but definitely not least, my deepest thanks to all Richard Pieris Group employees. Your contributions have been invaluable to the company.

29. Pan Asia Banking Corporation



Nimal Tillekeratne, Director/CEO's message
From Annual Report 2019 - Financial Year ending December 31, 2019

Board of Directors

Nimal Tillekeratne (CEO)

1 Dimuth Prasanna (Chairman)

2 Sarath Rangamuwa

3 Mohan Abeynaike

4 Takashi Igarashi

5 Toyohiko Murakami

6 Nihal Kekulawala

7 Aravinda Perera

Dear Stakeholders, As the CEO, it is my aspiration to deliver positive news about

the economy, the performance of the banking industry and of Pan Asia Bank in particular, which was well-geared to seize opportunities, during the year under consideration. However, the Easter Sunday attacks of April 2019 deferred the hopes of economic recovery or even favourable operating conditions in the banking industry for that matter. I would first like to take a moment to express condolences on behalf of the entire Pan Asia Bank team to the victims of the senseless attack. The unprecedented event proved detrimental to an already weak economy, which was poised at 3.7% GDP by end 2018, eventually ending at a 10-year low growth rate of 2.7% by end 2019. If you recall my message in the last Annual Report, Pan Asia Bank had already buckled down to weather a volatile 2018 and successfully countered negative impact due to the speedy adoption of counter measures and prudent lending strategies. Those measures shored up our confidence and resolve and had prepared us to bounce off the springboard of strong economic recovery in the year under review. While that never came to pass, our preparedness proved beneficial for the 29. Pan Asia Banking Corporation Bank as we were able to record modest growth and, most importantly, able to control the growth of Non Performing Advances, unlike the industry. The slowdown in economic activities, especially tourism, trade, transport, construction and other SME businesses, however, majorly impacted many of our customers engaged in these sectors. Before I embark on evaluating our performance in financial year 2019, what pleases me most about the year under review is the responsible growth achieved by the Bank. I am especially glad that as a responsible corporate citizen, we eschewed narrow short-term gain in the interests of sustainable longterm growth that effectively safeguarded our customers and other stakeholders.

Resilient Performance

Through sheer grit, the Bank remained resilient despite the challenges abounding during the year under review. The main challenge faced by Pan Asia Bank and, indeed, the entire banking industry was rising NPLs, which reportedly rose by as much as 300% in industry benchmarked banks due to their aggressive lending tactics in the past. Although the fundamentals of the industry were stable, the market faced an acute liquidity crisis. The regulator stepped in and declared a ceiling for interest rates, which meant Pan Asia Bank, which usually offers a relatively higher interest rate on deposits, had to compete with other banks, thereby prompting us to reduce risky assets to strengthen our portfolio quality.

All unsecured lending such as consumer credit as well as lending to SMEs was carefully monitored to avoid accumulating bad debts. Indeed, banks, which had embarked on uncontrolled consumer and SME lending, were faced with dire consequences during the year under review. The conservative approach to growth and risk adopted in the previous year served us well, as we grew our credit book by further by as much as Rs 4 billion in the year under review. By the end of the financial year, the Bank ended up with a much healthier portfolio quality. On the other hand, Pan Asia Bank strengthened its push for its secured products such as the pension-backed Sammana product and Government salary assigned Swabhimana loans to make up for lowered unsecured lending. The Sammana product posted a growth of over Rs 5 billion during the year under review and I am pleased to note that our State pensioner base has grown to almost 45,000 of a base of over 630,000 State pensioner community in the country. Sammana loan scheme for pensioners to divert his/her pension to the Bank and obtain a loan of up to Rs 4 million without need for guarantors, empowers this valuable segment with new hope and dignity. This scheme has empowered the entire pensioner community and given them newfound respect by considering them as assets to society who have their own unique needs, which are now being met by Pan Asia Bank. The Sammana loan scheme is Pan Asia Bank's way to offer innovative financial products and also to cater to social segments that could contribute positively towards the country's economic development. Led by its pioneering spirit, the Bank now holds the distinction of being the first to hold a special event such as 'Garu Saru' to pay tribute to pensioners who have made a valuable contribution to society. Our pawning and gold loans products too was regulated closely during the year and actually recorded a positive trend during the period under consideration. Overall, Pan Asia Bank made the best of a bad situation by recording positive factors from investors' point of view, such as the highest net asset value and robust increase in provisioning cover as we had already provided for bad loans early in the year, having forecasted the economy taking a turn for the worse. Therefore, the future impact on the Bank will be much less. One of the main pillars for our reasonable performance against the dismal economic backdrop was the fact that we wasted no time in appointing a Board Committee with oversight on the recovery process to avoid credit exposure. This proved to be an excellent tactic, as we were eventually able to maintain the Gross NPL ratio at 6.31%. Needless to say, the weak economy, drop in demand, tight credit and new taxes and levies broke the back of the SME sector, in turn driving loan defaults rates through the roof. We too had to provide for a moratorium on loans given to

tourism sector. However, it is difficult to say – given the slow tourism recovery – whether these customers will be able to meet interest payments in the following year as well, which is of concern to medium-sized banks like Pan Asia Bank. The Bank delivered a strong performance in core banking operations in 2019, recording a mammoth growth in operating profit of 30.84% to Rs 3.40 billion despite huge pressure on the industry due to economic downturn. Nevertheless Pan Asia Bank recorded a commendable Profit before Tax (PBT) growth of 21.18% to Rs 2.31 billion, which would have been higher if not for the interest rate ceilings introduced by the Central Bank of Sri Lanka, which hampered deposit growth. Also, the introduction of New Debt Repayment levy cost the Bank Rs 376.40 million in 2019. The Bank recorded a strong post tax profit growth of 13.55% to Rs 1.75 billion in 2019 amidst less supportive macro economic conditions and high taxes. During 2019, leasing activity was slow, since the vehicle market was impacted due to government discouraging imports and introducing levies to stabilise the balance of payments position. But, Pan Asia Bank maintained a strong leasing portfolio of Rs 8.63 billion as recovery times in the area of leasing is faster than loans to SMEs, which could take up to four years despite valuable collateral in hand. The legal process in re-possession and disposal of collateral of SME credit facilities is cumbersome and this aspect should be addressed by the legal system in order to make home loans less costlier to banks thus affordable to wider customer base. Over the past two years, a slew of measures were set in motion to restructure human resources to build a dynamic team of professionals, each playing to their strength in strategic roles. The introduction of the new scorecard system, which is linked to remuneration has infused a culture of achievement and productivity, whilst simultaneously giving employees the opportunity to identify and alleviate weaknesses amongst people and processes.

Social and Environmental Stewardship

Maintain a well-balanced risk management function with required independence and effective support is critical for decision making. We now have a strong team in place to monitor risk controls to ensure strong compliance. The indigenous risk model we have developed in-house for lending is constantly being evaluated and calibrated for more accurate evaluation of customers. Effective corporate governance is a tenet for sustaining responsible growth. Throughout the year, the Board meets with management to oversee risk management and governance, and

carry out other important duties directly and through Board committees that have strong, experienced chairs and members.

Information security and privacy of data remains our foremost concern and this was evidenced in the Bank being certified ISO 27001 by Bureau Veritas. This certification highlights the Bank's efforts to comply with local and international regulations regarding data protection, privacy and IT governance, which are key concerns for us. Our customers can undertake financial transactions with Pan Asia Bank secure in the knowledge that their private data will remain safe and secure. Looking at our business results, it is clear as to how we remained true to our responsible growth strategy by focusing on serving our customers and clients and managing risk well. We also are focused on achieving growth that is sustainable. Recognising the power of our financial capital to make a positive environmental impact, we have accelerated renewable energy financing to encourage a low-carbon, sustainable economy. Prospective clients interested in availing funding for renewable and energy efficiency projects can visit any of our branches to learn more about how the Bank can partner their sustainable goals. Our social and environmental impact, which does not feature on a balance sheet, proves the true measure of our Bank. Our prosperity is linked inextricably to the communities we serve and the challenges they face. The value we create must also be shared to be sustainable. Pan Asia Bank's contribution in this area was acknowledged at the 'Presidential Environment Awards 2019' on which occasion the former President of Sri Lanka, His Excellency Maithripala Sirisena, bestowed the prestigious Global Climate Partnership Award trophy won by the Bank earlier this year for its green lending efforts. It gave me immense pride to accept the coveted international award amidst a gathering of corporate luminaries and Government officials in special recognition for a Sri Lankan organization having won an international award in a field related to environment conservation. Pan Asia Bank is the first Bank in Sri Lanka to be bestowed with the Global Climate Partnership Award.

Future Outlook

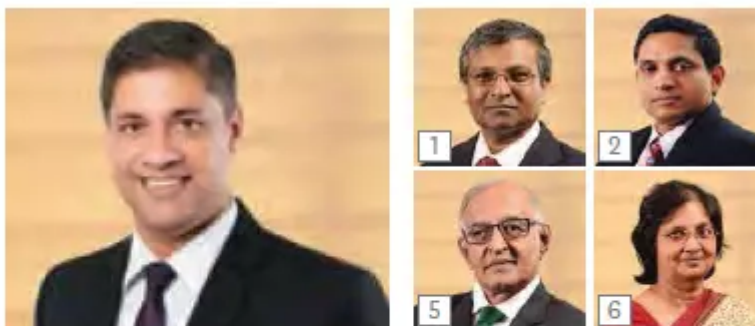
Pan Asia Bank continues to be agile and sensitive to evolving realities in the industry and wider economy. While the Bank is in full compliance with Basel III guidelines, we remain aware of the need to enhance capitalisation to Rs 20 billion by end of 2020. We are considering raising fresh equity through issuing of new shares and will reveal more details in the months ahead. I have the fullest

confidence in the ability of Pan Asia Bank to achieve new heights, strongly supported by a dynamic team. Our focus going ahead will be to fine tune our recoveries process and integrate it further so that it is rendered more efficient. We envision a recovery relationship manager for each customer going ahead. We have earmarked an aggressive approach in 2020 when it comes to improving credit by targeting high networth customers for short-term credit. Greater flexibility in branch expansion will be optimised while we will seek to improve ratings of the Bank, which should happen automatically after capital raising. The new leadership at the helm of the country gives us new hope for an improved performance by the national economy as wait to more fully understand the policy direction the new Government will be taking.

Acknowledgements

I would like to extend my appreciation and gratitude to the Chairman and the Board of Directors for their guidance and astute advice through a difficult year. The Chairman Mr Dimuth Prasanna has provided exceptional leadership to the Board especially during a challenging year. My appreciation also goes out to the officials of the Central Bank of Sri Lanka and other regulatory bodies for their continued support. Backed by a committed and dedicated team, loyal customers, valued shareholders and other stakeholders, I remain highly confident of the Bank's future prospects.

30. First Capital Holdings



Dilshan Wirasekera, CEO's message
From Annual Report 2019/2020 - Financial Year ending March 31, 2020

Board of Directors

Dilshan Wirasekera (CEO)

- 1 Nishan Fernando (Chairman)
- 2 Dinesh Schafer (Managing Director)
- 3 Prakash Schafer
- 4 Ramesh Schafer
- 5 Eardley Perera
- 6 Minette Perera
- 7 Chandana De Silva
- 8 Nishan De Mel

From an economic perspective, 2019 was a tough year for Sri Lanka. GDP growth declined to 2.3% on the back of weak economic activity in the aftermath of the Easter Sunday terrorist attacks and lack of business confidence in the lead up to the elections in November 2019. The COVID-19 outbreak in February/ March 2020 further exacerbated the situation. The mandatory lockdown order issued by the Government in a bid to curb the spread of the virus, left the economy in severe distress, forcing businesses already under pressure by the events of 2019, to reorient their business models and rescale operations in order to survive.

While the last 12 months have been challenging for many local businesses, several aspects of our immediate operating environment worked in our favor. The domestic money market remained relatively stable with the liquidity crunch gradually easing out from about end April 2019 and except for a brief period in August/September 2019, a liquidity surplus was recorded for most of 2019, thanks to ongoing efforts by the CBSL to strengthen its liquidity management program, which most notably included the expansion of their open market operations. The CBSL's efforts to provide liquidity assistance to Primary Dealers, to ensure smooth functioning of the domestic money market was commendable.

Financial Highlights

Net Trading Income grew to Rs 2 Bn in 2019/20 from Rs 578 Mn a year ago. Consolidated Net Profit after Tax also increased to Rs 1.07 Bn in 2019/20 compared to Rs 8 Mn in the previous financial year.

Performance Of Core Businesses Fixed income

First Capital Treasuries PLC (FCT), continued to demonstrate its leadership across all fronts in the primary auctions in 2019. Active participation in the primary auctions throughout the year enabled FCT to claim a substantial volume based market share in this domain, as well as in the secondary market during the financial year.

Net Trading income for 2019/20 reached an all-time high of Rs 1.65 Bn, while Profit after Tax rose to Rs 1.2 Bn in 2019/20, from Rs 96 Mn in the previous financial year. With our fixed income business on an accelerated growth trajectory, we felt it prudent to strengthen FCT's capital structure, which led us to undertake a planned capital injection to raise Rs 750 Mn by way of a debenture issue in January 2020. We were able to increase FCT's capital base to Rs 3.5 Bn (Tier I), well above the regulatory requirement of Rs 1 Bn. Might I add, that with this capital enhancement, FCT is already well within the CBSL's proposed new capital plan, which requires primary dealers to target a baseline capital base of Rs 3 Bn by 2022. The Company's capital adequacy ratio too received a boost from 15.69% in the previous year to 27.20% as at 31 March 2020.

It is also gratifying to note that FCT's [SL] A-(Stable) credit rating was reaffirmed for the 5th consecutive year, by ICRA Lanka Limited.

Corporate Advisory

In contrast to the tough times encountered in the previous financial year, the Corporate Advisory unit, which comes under First Capital Limited, made some remarkable strides this year.

Aggressive strategies to capitalize on the potential in the listed and unlisted debt market enabled the unit to grow transaction volumes from Rs 28.5 Bn in 2018/19 to Rs 42 Bn in the year under review, an impressive 47% increase. However, what I see as the most commendable achievement by far is the Fee income generated, which in 2019/20 increased to Rs 175 Mn. Not only is this a solid two-fold increase from the previous year, but it is also the best-ever result recorded by the unit to date.

Wealth Management

It was a good year for the Wealth Management business under First Capital Asset Management Limited as well. Assets Under Management (AUM) increased to Rs 26.4 Bn as at 31 March 2020, compared to Rs 5.9 Bn in the previous year. Furthermore, the Company's benchmark unit trust, the First Capital Money Market Fund was the best-performing unit trust in the Country in 2019/20.

Equities

The stock brokering business under First Capital Equities (Private) Limited showed a reasonable performance in 2019/20, which is commendable given the lack of any real potential in the local equity market.

KEY OPERATIONAL HIGHLIGHTS

From an operational perspective our focus for 2019/20 was centred on improving efficiency across all businesses. The main undertaking for the year was the launch of the First Capital Online Portal, a robust frontend platform that gives our customers 24/7, 365-day access to their portfolios as well as priority access to the Group's services. We also continued with efforts to systematically digitize back end processes that will deliver greater cost efficiencies.

I am also particularly pleased to note the progress that our Research unit continues to make. The First Capital Research unit continues to be recognized by the industry and the media as the benchmark in fixed income research. Taking steps to further elevate its profile as the country's leading fixed income research specialist, we hosted two research forums in 2019/20, the first being the mid-year economic strategy discussion held in October 2019, under the theme "Fundamentals Strong; But Decisive Political Juncture" followed by the investment forum in February 2020 conducted under the theme "Fiscal loosening weakens 2nd half of 2020 Outlook."

INVESTING IN PEOPLE

We continued with efforts to strengthen and empower our people to ensure they stay motivated and connected to the Group's strategy and vision. For much of the year we remained focused on building their skills and capacity through a combination of on-the-job and classroom training methods

Prompted by the COVID-19 outbreak in March 2020, we renewed our safety

commitments to our people. In keeping with our business continuity plans, front line employees were rostered with only 20% of staff being requested to report to work during curfew hours. Without exception, all staff reporting to work were asked to conform to strict hygiene and necessary social distancing protocols mandated by the public health authorities. It was not too difficult for our staff to adjust to working from home, as many of them were already accustomed to the flexi hours work arrangement, which has been in place for some time now.

LOOKING AHEAD

Given that COVID-19 is still an evolving situation, I expect the government would continue with its current monetary policy stance at least for the forthcoming financial year, a scenario that will benefit the First Capital Group as a whole.

For FCT, the low interest rate environment will offer strong growth potential in both the primary and secondary fixed income securities markets. I also foresee a definite opportunity to expand our corporate advisory services as businesses begin the process of restructuring in the post COVID era. Also, as the equity market bottoms out, there is likely to be a renewed interest in investing, especially from foreign investors over the coming months, which will no doubt help boost the prospects of our stock brokering arm.

APPRECIATIONS

I wish to express my gratitude to the Chairman and the Board for their guidance during the 2019/20 financial year. Special thanks also to all employees of First Capital Holdings PLC for the collective effort that has led to the exceptional performance for the year.

I take this opportunity to thank the officials of the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange for their support.

In conclusion, to the shareholders, clients, bankers and other stakeholders of the Group, thank you for the trust and confidence you have placed in the FCH Group.