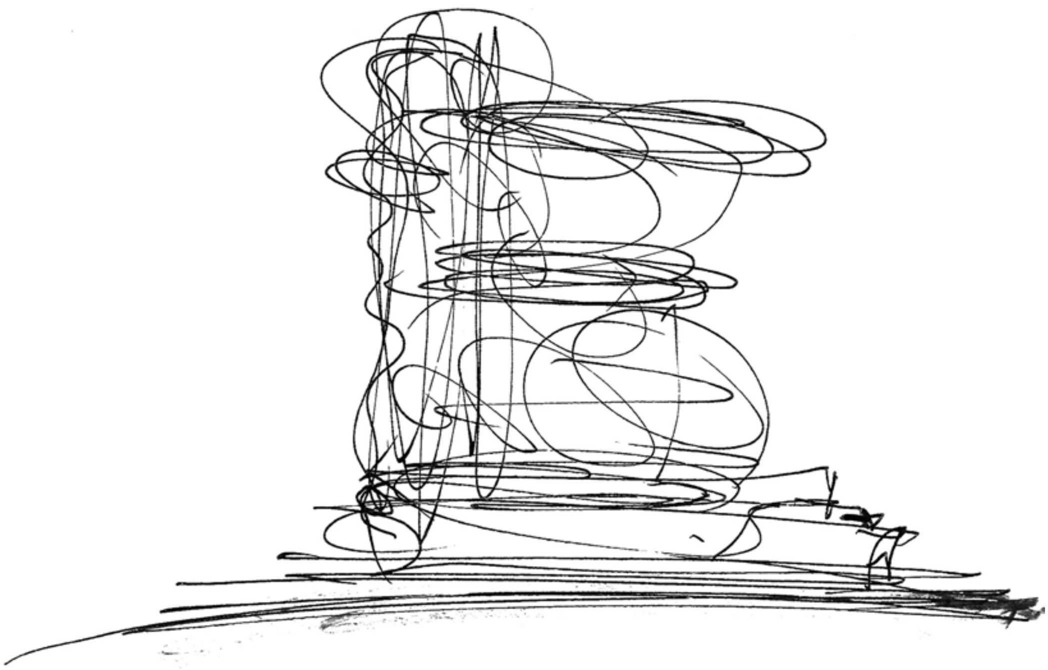
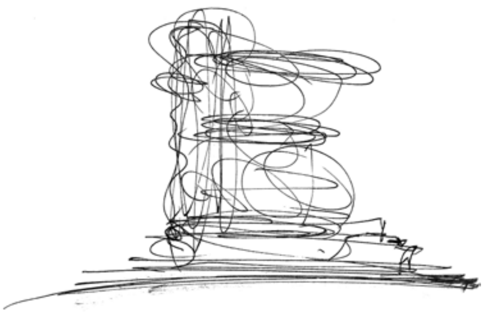


Integrated

"For a growing major city and its main building project, an icon has to stamp a contemporary mark that projects to the future. The strong backdrop and cantilever forms of the Waterfront Integrated Resort provide that dynamic and powerful ambition, that JKH and Sri Lanka subscribe to."

- ***Cecil Balmond***



"When the architect of the Waterfront Integrated Resort Cecil Balmond first visited the site, he visualised a property that represented the vigour of John Keells Holdings and the spirit of a new Sri Lanka. His first impression, on the left, transformed over the next few months into an iconic structure that stands majestic against the Colombo skyline, as shown in the artist's impressions above."

At John Keells, we value the smart synergies and sense of belonging which we engender by engaging with our stakeholders in managing a conglomerate as massively diversified as ours. Although we operate 85 companies in major industry sectors across the region and account for more than 14 % of Sri Lanka's stock market, a host of common threads and shared beliefs are firmly entrenched in our DNA, enabling us to function as a single streamlined business enterprise working as a whole.

In this report we are pleased to discuss matters ranging from the simple, yet important, corporate governance structures to the environment friendly multi-million dollar luxury mixed development that is now under construction – one that we believe will be a transformational event in our Group's history. It depicts, once again, the commitment of many people working together with a single minded vision in pursuing a common goal. It is such intelligent integration, both corporate and individual, that lies at the heart of our success.

Even as reporting becomes more complex against a background of evolving social and economic demands and increased stakeholder activism, it is increasingly evident that our integrated approach contributes towards a report which effectively articulates a complex business model in a simple, clear and concise manner, illustrating the company's growth over the years into a smoothly functioning corporate engine, the diverse elements of which are held firmly together by a single vision of creating value.

John Keells Holdings
Integrated

Introduction to the Report

The John Keells Annual Report 2013/14 is a reflection of the Group's "Integrated" approach of management, reflecting its focus on a Triple Bottom Line performance under a stakeholder governance model for the period 1st April 2013 to 31st March 2014.

In our desire to make this Report relevant and concise, whilst being comprehensive, we have ensured that the commentary in certain sections is limited to a review of events and progress within the year, whilst the Group's standard policies, operating guidelines and management approach are available on the corporate website. As such, the Corporate Governance Commentary of this Report only comprises of highlights, events, progress reports and updates for the reporting period and a more detailed discussion on the Group's Corporate Governance System is available on the corporate website at www.keells.com/governance-structure. Similarly, the Sustainability Integration section of this Report comprises of the Group's management approach towards meeting its sustainability impacts while a more detailed discussion on the Group's disclosures of our Management Approach is available on the corporate website at www.keells.com/sustainability. It is planned that any changes to such information available on the corporate website will be updated, as and when such changes occur and where such changes are relevant.

The financial statements in this Report are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by ICASL (CA Sri Lanka) and have been prepared on an accruals basis and under the historical cost convention, unless otherwise specifically stated. The sustainability information contained in this Report is prepared "In Accordance-Core" of Global Reporting Initiative (GRI) G4 Guidelines.

The Group has considered all its subsidiary and associate companies in capturing its financial performance. For the purpose of reporting its sustainability performance, the Group has considered the companies in its sphere of influence, which are the legal entities for which the Group remains accountable and has direct control. The companies not included for reporting on sustainability performance are companies in which the Group does not exercise significant management control, non-operational companies, investment companies and companies owning only land. Such companies have been clearly identified in the reporting boundary specified in the Group Directory.

The statutory/obligatory information contained in this Report is in compliance with the laws and regulations of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date. The commentaries, and discussions, have considered the recommendations of the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the UK Corporate Governance Code (formerly known as Combined Code of 2010) to the extent they are relevant and practicable, in the context of the nature of our diverse businesses and their risk profiles.

Outlook statements, management discussions and analyses may contain insights which are based on management's interpretation of current and future events and the reader is advised to seek expert professional advice in such respects.

MATERIALITY MATTERS

Global Reporting Initiative™

AT THE TIME OF PUBLICATION THE G4-17 TO G4-27 DISCLOSURES WERE CORRECTLY LOCATED IN THIS G4 CONTENT INDEX AND FINAL REPORT.

2014

About Us

John Keells Holdings PLC (JKH) is the largest listed company on the Colombo Stock Exchange, with business interests primarily in Transportation, Leisure, Property, Consumer Foods & Retail, Financial Services and Information Technology, among others. Started in the early 1870s as a produce and exchange broking business by two Englishmen, Edwin and George John, the Group has been known to constantly re-align, re-position and re-invent itself in pursuing growth sectors of the time.

JKH was incorporated as a public limited liability company in 1979 and obtained a listing on the Colombo Stock Exchange in 1985. Having issued Global Depository Receipts (GDRs) which were listed on the Luxembourg Stock Exchange, JKH became the first Sri Lankan company to be listed overseas.

The Group's investment philosophy is based on a positive outlook, bold approach, commitment to delivery and flexibility to change. JKH is also committed to maintaining integrity, ethical dealings, sustainable development and greater social responsibility in a multi-stakeholder context. JKH is a full member of the World Economic Forum and a member of the UN Global Compact.

The holding company of the Group - John Keells Holdings PLC is based at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 and has offices and businesses located across Sri Lanka, India and the Maldives.

Our Corporate Vision

Building businesses that are leaders in the region

Our Values

- **Innovation** - Changing constantly, re-inventing and evolving
- **Integrity** - Doing the right things always
- **Excellence** - Constantly raising the bar
- **Caring** - Fostering a great place to work
- **Trust** - Building strong relationships based on openness and trust

Organisational Structure

INDUSTRY GROUPS, SECTORS AND PRIMARY BRANDS

TRANSPORTATION
- Ports & Shipping
- Transportation

LEISURE
- City Hotels
- Sri Lankan Resorts
- Maldivian Resorts
- Destination Management
- Hotel Management

PROPERTY
- Property Development
- Real Estate

CONSUMER FOODS & RETAIL
- Consumer Foods
- Retail

Fountain Cafe

FINANCIAL SERVICES
- Insurance
- Banking & Leasing
- Stock Broking

INFORMATION TECHNOLOGY
- Information Technology
- Office Automation
- IT Enabled Services

OTHER, INCLUDING PLANTATION SERVICES
- Plantation Services
- Other

CENTRE FUNCTIONS

Corporate Communications	*Corporate Finance & Strategy*	*Group Business Process Review*	*Group Finance*	*Group Human Resources*	*Group Tax*
Group Treasury	*John Keells Research*	*Legal & Secretarial*	*New Business Development & Group Initiatives*	*Strategic Group Information Technology*	*Sustainability & Enterprise Risk Management*

JOHN KEELLS FOUNDATION

Performance Highlights

Financial highlights – three year performance

Year ended 31st March		2013/14	2012/13	Change %	2011/12
EARNINGS HIGHLIGHTS AND RATIOS					
Group revenue - consolidated	Rs. million	89,256	85,408	5	77,690
Group revenue - including associates	Rs. million	98,040	94,451	4	86,107
Group profit before interest and tax (EBIT)	Rs. million	16,623	16,747	(1)	14,236
Group profit before tax	Rs. million	15,399	15,665	(2)	12,820
Group profit after tax	Rs. million	13,011	13,481	(3)	10,978
Group profit attributable to shareholders	Rs. million	11,719	12,113	(3)	9,687
Dividends *	Rs. million	3,267	2,982	10	2,314
Diluted earnings per share	Rs.	12.33	13.65	(10)	11.44
Cash earnings per share	Rs.	15.22	14.34	6	13.95
Interest cover	No. of times	13.6	15.5	(12)	10.1
Return on equity (ROE)	%	11.0	15.0	(27)	14.7
Pre-tax return on capital employed (ROCE)	%	11.8	15.1	(22)	15.6
BALANCE SHEET HIGHLIGHTS AND RATIOS					
Total assets	Rs. million	202,474	159,118	27	134,458
Total debt	Rs. million	26,256	20,117	31	20,054
Net debt (cash) **	Rs. million	(31,414)	(8,223)	282	(7,348)
Total shareholders' funds	Rs. million	122,894	89,819	37	71,338
Number of shares in issue	millions	990	857	16	844
Net assets per share ***	Rs.	124.10	90.70	37	83.22
Debt/equity	%	19.5	19.9	(2)	25.0
Net debt (cash)/equity **	%	(23.4)	(8.1)	(189)	(9.2)
Debt/total assets	%	13.0	12.6	3	14.9
MARKET/SHAREHOLDER INFORMATION					
Market price of share as at 31st March (actual)	Rs.	227.00	247.00	(8)	206.00
Market price of share as at 31st March (diluted)	Rs.	227.00	238.95	(5)	199.29
Market capitalisation	Rs. million	224,796	211,739	6	173,889
Enterprise value **	Rs. million	193,382	203,516	(5)	166,143
Total shareholder return	%	(0.4)	21.7	(102)	(2.5)
Price earnings ratio (PER) (diluted)	No. of times	18.4	17.5	5	18.0
Dividend payout	%	44.1	41.0	8	49.0
Dividend per share	Rs.	3.50	3.50	-	3.00
Dividend yield	%	1.54	1.46	5	1.33

* *Cash dividends paid during the year*

** *Customer advances in the Property Development sector and cash and cash equivalent relating to the Union Assurance life fund have been excluded*

*** *Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 31st March 2014*

Non-financial highlights – three year performance

Indicator		2013/14	2012/13	2011/12
	ECONOMIC PERFORMANCE			
EC1	Economic value added (Rs. million)	12,270	12,392	10,008
EC3	Employee benefit liability as of 31st March (Rs. thousand)	1,325,835	1,385,072	1,372,161
EC7	Community services and infrastructure projects (Rs. million)	59.1	24.18	29.92
EC9	Proportion of purchases from suppliers within Sri Lanka	77%	69%	69%
	ENVIRONMENTAL IMPACT			
EN3	Direct energy consumption (GJ)	383,236	377,858	373,502
	Direct energy (GJ) per Rs. million of revenue	4.28	4.42	4.81
	Indirect energy consumption (GJ)	296,705	274,767	276,194
	Indirect energy (GJ) per Rs. million of revenue	3.32	3.22	3.56
EN15	Direct greenhouse gas emissions - Scope 1 (MT)	17,829	17,231	16,988
EN16	Energy indirect greenhouse gas emissions – Scope 2 (MT)	56,176	52,023	52,292
	Total carbon footprint (MT)	74,005	69,253	69,280
	Total carbon footprint (MT) per Rs. million of revenue	0.83	0.81	0.89
EN8	Water withdrawal (m3)	1,734,403	1,660,870	1,830,547
	Water withdrawal (m3) per Rs. million of revenue	19.43	19.45	23.56
EN22	Water discharge (m3)	1,336,363	1,340,190	1,531,327
EN23	Waste generated (MT)	7,971	7,904	8,356
	Waste recycled/re-used by Group companies and through third party contractors	42%	42%	37%
EN29	Significant environmental fines*	Nil	Nil	Nil
	MORE THAN JUST A WORKPLACE, HEALTH & SAFETY			
	Total workforce (employees + contractors' staff)	19,771	19,296	18,060
LA1	Attrition of new hires (as % of total new hires)	18%	20%	24%
LA6	Number of injuries and diseases**	231	196	230
	Injury rate (number of injuries per 100 employees)	1.85	1.53	1.95
	Lost day rate (lost days as % of total person days)	0.038%	0.031%	0.045%
	Number of people educated on serious diseases	30,027	17,670	20,279
LA9	Average hours of training per employee	47	46	40
LA11	Number of employees receiving performance reviews	100%	100%	100%
	ETHICAL BUSINESS			
HR5	Incidences of child labour (below age 16)	0	0	0
	Incidences of young workers (aged 16-18)***	0	0	3
HR6	Incidents of forced labour during the year	0	0	0
	SOCIAL RESPONSIBILITY			
SO1	Community engagement (number of persons impacted)****	35,856	28,402	28,025
SO2	Proportion of businesses analysed for risk of corruption	100%	100%	100%
SO8	Significant fines for violation of laws/regulations*	Nil	Nil	Nil
	PRODUCT RESPONSIBILITY			
PR3	Proportion of labels carrying ingredients used	81%	95%	95%
	Proportion of labels carrying information on disposal	61%	37%	10%
	Proportion of labels carrying sourcing of components	1%	1%	0%
PR6	Voluntary standards relating to advertising	Group policy based on ICC Code		
PR9	Significant fines for product/service issues *	Nil	Nil	Nil
	VALUE CHAIN ASSESSMENT			
Sustainability integration awareness (number of business partners)		70	0	0
Business partners screened for labour, environment and human rights		64	22	0

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

** The 2013/14 figure includes the sales agents of Union Assurance PLC

*** Young workers are employed under the guidelines of the Employers' Federation of Ceylon

**** Excludes people impacted indirectly

Year at a Glance - 2013/14

April 2013
The Hingalagoda and Halwitigala tea factories, which are owned and managed by Tea Smallholder Factories PLC were awarded the OHSAS 18001:2007 certification.

May 2013
The market capitalisation of JKH PLC exceeded USD 2 billion for the first time in its history.

143 Read more...

JKH was recognised as one of the 15 great places to work in Sri Lanka through a survey conducted by the Great Place to Work Institute in partnership with the LMD Magazine and the Ceylon Chamber of Commerce.

June 2013
Cinnamon Air commenced commercial operations of its scheduled and charter services.

Keells Super launched Sri Lanka's first ever mobile commerce enabled online store.

July 2013
JKH announced the proposed development of a luxury multi/mixed use integrated resort project, "Waterfront".

Union Assurance launched Sri Lanka's first ever fully fledged customer portal in the local insurance industry for life policy holders.

August 2013
Fitch Ratings reaffirmed John Keells Holdings PLC's National Long-Term rating at "AAA(lka)" with a "Stable" outlook.

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JKH was ranked first in the LMD Magazine's "Most Respected Entities in Sri Lanka" survey for the eighth time since the inception of the survey in 2005.

September 2013
Cinnamon Grand's Village in the City, Nuga Gama, was certified as Asia's first "Carbon Neutral" venue by the internationally acclaimed Carbon Consultancy Company.

October 2013
JKH successfully concluded a 2 for 13 Rights Issue with attached warrants, raising Rs. 23.10 billion at Rs. 175 per share.

The Cinnamon Air domestic terminal, the first private sector domestic air terminal and lounge, was opened to the public.

Lanka Marine Services took delivery of a 2,200MT tanker, "LMS Nilwala".

November 2013
JKH topped the list of Business Today Magazine's list of Sri Lanka's Top 25 Companies for 2012/2013.

December 2013
JKH topped the list of LMD 100, the nation's premier ranking of listed companies.

Susantha Ratnayake, Chairman-CEO of JKH was recognised as LMD's Sri Lankan of the Year 2013.

John Keells Holdings PLC was adjudged the winner of the Silver Award in the "Overall Excellence in Financial Reporting" category at the 49th Annual Report Awards competition organised by the Institute of Chartered Accountants of Sri Lanka.

February 2014
Divested the 24.6 per cent stake in Central Hospital (Private) Limited.

Divested the 49 per cent stake in associate company Information Systems Associates (ISA).

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JKH won the "Overall Sustainability Reporting Award" at the 10th Annual ACCA Sri Lanka Sustainability Reporting Awards 2014.

March 2014
Sri Lanka's first ever soft drink vending machine was installed and commissioned by Ceylon Cold Stores PLC.

Opened the fourth Keells Super outlet for the financial year in Pitakotte.

OPEN

Financial goals and achievements

Indicator (%)	Goal	Achievement 2013/14	2012/13	2011/12
EBIT growth	>20	(0.7)	17.6	24.6
EPS growth (fully diluted)	>20	(9.7)	19.4	17.1
Cash EPS growth (fully diluted)	>20	6.1	9.6	16.0
Long term return on capital employed (ROCE)	15	11.8	15.1	15.6
Long term return on equity (ROE)	18	11.0	15.0	14.7
Long term net debt (cash) to equity	50	(23.4)	(8.1)	(9.2)

Chairman's Message

I am pleased to present the Integrated Annual Report and the Statement of Accounts for the financial year ended 31st March 2014

+9%

Rs.14.93 bn

Recurring PBT

Recurring PBT for 2012/13 was Rs.13.65 bn

I believe that this Report will leave with you a sense of the Group's stakeholder centric strategies and actions which enabled the outcomes of 2013/14 and the measures and approaches the Group will adopt in 2014/15, and in the years to come, in ensuring that the John Keells Group delivers without compromising the principles of sustainability, compliance, conformance and ethical conduct. We are confident that this "Integrated" approach will be pivotal in enabling our diverse businesses to consistently deliver value to all our stakeholders through a shared vision.

The Group recurring profit before tax (PBT) for the financial year ended 31st March 2014, excluding the fair value gains on investment property was Rs.14.93 billion, an increase of 9 per cent over the recurring PBT of Rs.13.65 billion recorded in the previous year. The recurring profit attributable to equity holders of the parent was Rs.11.34 billion, representing an increase of 9 per cent over the Rs.10.45 billion recorded in the previous year. The Group profit before tax (PBT) at Rs.15.40 billion was a 2 per cent decrease over the PBT of Rs.15.67 billion recorded in the previous year.

Summarised below are the key financial highlights of our operating performance during the year under review.

- Group revenue increased by 5 per cent to Rs.89.26 billion
- Recurring profit before tax increased by 9 per cent to Rs.14.93 billion
- Recurring profits attributable to equity holders increased by 9 per cent to Rs.11.34 billion
- Net cash flow from operating activities decreased by 43 per cent to Rs.8.36 billion
- Return on capital employed (ROCE) was 11.8 per cent compared to 15.1 per cent in the previous year
- Return on equity (ROE) was 11.0 per cent compared to 15.0 per cent in the previous year
- Debt to equity ratio was 19.5 per cent compared to 19.9 per cent in the previous year
- Diluted earnings per share decreased by 10 per cent to Rs.12.33
- Cash earnings per share increased by 6 per cent to Rs.15.22
- The total shareholder return (TSR) was a negative 0.4 per cent
- Carbon footprint per one million Rupees of revenue increased by 2 per cent to 0.83 metric tons.

Overall, the year under review, though challenging at times in terms of the operating environment, was rewarding in that we were able to conclude the formalities associated with, and commence the construction of, the Waterfront Project, a landmark development which will be transformational for your Company, your Group and the country as a whole. Consequent to the approval of the Project by the Cabinet of Ministers as a Strategic Development Project a Gazette notification under the Strategic Development Projects Act was published, and the said Gazette was approved by the Parliament of Sri Lanka on the 25th of April 2014 and construction has commenced.

You will appreciate that the investments we are making today in ensuring a sustainable long term future, and the revaluation of our land, buildings and other assets in keeping with the accounting standards, will have short to medium term implications on some of our ratios. As is evident, the ROCE and ROE, given above, have been impacted by the equity expansion via the Rights Issue at the Company level for, and the debt drawn down by, the Waterfront Project in the year under review. The Waterfront Project has a 4 year gestation. If the net impacts of the equity expansion and debt draw down are excluded, the revised ROCE and ROE would be 12.7 per cent (2012/13: 15.1 per cent) and 11.9 per cent (2012/13: 15.0 per cent) respectively. Additionally, the revaluation of property in the last 2 financial years, in accordance with accounting standards, too had an impact on the ROCE and ROE. Property values have increased sharply in the post-conflict environment. Such regular re-rating is now a reality and not just an aberration and it is not possible to immediately react to such spikes. If the impacts of these recent revaluations are also excluded, in addition to the Right Issue expansion and debt draw down, the adjusted ROCE will be 13.7 per cent (2012/13: 14.1 per cent) and the adjusted ROE will be 12.9 per cent (2012/13: 13.8 per cent).

We are, however, very confident that, based on our expectations of our current portfolio and the Waterfront Project, we will achieve higher returns on our capital employed in the medium to long term on the back of the investments we are making today.

As the Annual Report contains detailed discussions and analysis on each of the Group's businesses and the related macro-economic factors, I will focus on a high level summation of the performance of our businesses in the financial year 2013/14.

Transportation Industry Group

The Transportation industry group reported revenues, including the share of revenues from the associate companies, of Rs.21.80 billion and a profit after tax (PAT) of Rs.2.51 billion, contributing 22 per cent and 19 per cent to Group revenue and PAT respectively. Total container volumes over the entire Port of Colombo witnessed a year on year growth of approximately 5 per cent in spite of a marginal slide in total container throughput at Indian ports, where the majority of Sri Lanka's transhipment volumes originate from, or are destined to. South Asia Gateway Terminals (SAGT) recorded a year on year reduction in container volumes handled, mainly on account of the realignment of services by one of the shipping consortiums away from the terminal. During the year under review, the new deep-water terminal in the Colombo south harbour commenced commercial operations. It is the only terminal in the Indian subcontinent to offer the combined infrastructure of a deep draft and longer outreach cranes with the ability to handle the newest generation of container ships which hitherto could not be catered to by the Port of Colombo. I am confident that this addition of much needed capacity to the Port of Colombo will augur well for the Group's ports business in the next 3 to 4 years.

The bunkering business gained market share despite the entry of two new players to the market. Although overall Bunkering volumes remained in line with the previous year, the increased fragmentation of the industry resulted in price competition, negatively impacting margins. The Bunkering business improved its delivery capability by investing in a new tanker.

Leisure Industry Group

The Leisure industry group reported revenues of Rs.22.55 billion and a PAT of Rs.4.82 billion, contributing 23 per cent and 37 per cent to Group revenue and PAT respectively. The Leisure industry group maintained its position as the largest contributor to Group PAT. City Hotels continued to be the largest contributor to the Leisure industry group PAT, whilst the Sri Lankan Resorts sector demonstrated significant growth in PAT. Arrivals to Sri Lanka grew 27 per cent to reach 1.27 million tourists for the calendar year 2013 with Western Europe and South Asia continuing to be the dominant generating markets. While all key markets demonstrated appreciable growth, Eastern Europe, South Asia and East Asia, in particular, grew at a rapid pace.

+9%

Rs.22.55 bn

Leisure industry group revenue

Revenue for 2012/13 was Rs.20.59 bn

The Sri Lankan Resorts sector achieved higher occupancies across all its hotels compared to the previous year on the back of the growth in overall tourism. This is demonstrated by the sharp increase in overall occupancies within the sector from 61 per cent in the previous year to 75 per cent in the current year. The trend of improving occupancies will enable further focus on yield management, which is expected to have a positive impact on the overall revenue of the sector. The

City Hotels sector increased market share and further consolidated its leadership position, despite additional competing inventory coming on stream during the year. The construction of the 240 room select service business hotel, "Cinnamon Red", which will be managed by the Group's Hotel Management sector, is expected to commence operations during the second quarter of the financial year 2014/15. The Maldivian Resorts sector experienced growth, achieving higher average room rates and occupancies in the backdrop of a 17 per cent growth in tourist arrivals to the country. During the ensuing year, the Leisure industry group will consolidate its overall branding strategy where all resorts will be brought under the "Cinnamon" brand resulting in Cinnamon Hotels and Resorts having 14 hotel properties and over 2,400 rooms under its umbrella. The Group is also conscious of the need to further inculcate the desired "lifestyle" service culture within our staff through the re-invention of our standard operating procedures and processes. This will be augmented with the implementation of a new property management system across all hotels, improving the availability of guest information and enhancing our ability to improve satisfaction.

During the year, the Group carried out a group wide employment satisfaction survey and it is pleasing to note the improvements in the scores of each successive survey

Property Industry Group

The Property industry group reported revenues of Rs.4.14 billion and a PAT of Rs.1.29 billion, contributing 4 per cent and 10 per cent to Group revenue and PAT respectively. Overall revenue increased with the launch of the high end residential property development "7th Sense" on Gregory's Road, which witnessed encouraging demand with over 70 per cent of the units being sold as of 31st March 2014. The 475 unit "OnThree20" residential development, which was the largest contributor to PAT is progressing on schedule and expected to be completed, as planned, in December 2014. The occupancy at the 140,000 square foot K-Zone mall Ja-ela, which was opened in March 2013, grew encouragingly to record 85 per cent by the end of the financial year whilst the Crescat and K-Zone, Moratuwa malls recorded close to full occupancies throughout the year. The demand for the residential and office space in the newly commenced Waterfront Project development project is most encouraging.

+31%

Rs.4.14 bn

Property industry group revenue

Revenue for 2012/13 was Rs.3.17 bn

Consumer Foods and Retail Industry Group

The Consumer Foods and Retail industry group recorded revenues of Rs.25.41 billion and a PAT of Rs.1.01 billion, contributing 26 per cent and 8 per cent to Group revenue and PAT respectively. The recurring PAT in 2013/14 excluding the fair value gains on investment property increased to Rs.933 million in comparison to the Rs.712 million recorded in the previous financial year. Although the Consumer Foods sector encountered challenging market conditions on the back of lower discretionary spending in the first half of the financial year, overall market volumes improved in the second half of the year. I am pleased to note that the Beverages and Ice Creams businesses recorded growth in volumes and market share during the fourth quarter of the financial year.

The Retail sector recorded an encouraging performance driven by an over 10 per cent growth in same store sales and incremental contribution from new outlets that were opened during the year. The remerchandising and refurbishing which were undertaken in the previous year yielded positive outcomes with same store footfalls showing significant growth. However, the new VAT regulations which were applied to the retail industry in the form of an imposition of a maximum limit of 25 per cent of the total turnover for VAT exempt items with effect from January 2014 posed significant challenges in pricing at levels acceptable to consumers.

Financial Services Industry Group

The Financial Services industry group recorded revenues, including the share of revenues from associate companies, of

The Retail sector recorded an encouraging performance driven by an over 10 per cent growth in same store sales

Rs.12.57 billion and a PAT of Rs.1.64 billion, contributing 13 per cent to Group revenue and PAT. Union Assurance (UA) reported growth in both the life and non-life segments on the back of expanded distribution capabilities and growth in conventional and single premium products. During the year under review, as stipulated under the Regulation of Insurance Act No. 3 of 2011, UA submitted its proposal on the segregation of its two business segments to the Insurance Board of Sri Lanka (IBSL) for approval.

Despite market conditions of modest private sector credit growth and excess liquidity, Nations Trust Bank (NTB) maintained its growth trend and increased its market share. Furthermore, with the low interest rate environment expected to prevail, loan growth is likely to gain momentum and have a positive impact on the performance of NTB. During the year, the bank embarked on a 5 year mapping strategy to improve its operational efficiency and align its products and services with the evolving needs of customers. It should be noted that the one-off costs associated with the development strategy were incurred in the year under review and there will be no further expenses in the ensuing year. The stock broking business improved its market share particularly in the foreign segment. Profitability was impacted by the lower activity levels recorded at the Colombo Stock Exchange.

Information Technology Industry Group

The Information Technology industry group recorded revenues of Rs.7.50 billion and a PAT of Rs.245 million, contributing 8 per cent and 2 per cent to Group revenue and PAT respectively. The Office Automation sector maintained its dominant market share in the copier business while the introduction of new Samsung mobile phone models drove volumes in retaining leadership in the smart phone segment. The Business Process Outsourcing (BPO) unit in India recorded an improved performance and strengthened its sales pipeline through the acquisition of new clients as the BPO industry in India benefitted from the depreciation of the Indian Rupee. In spite of securing new Global Aviation Product business, the performance of the software services business was negatively impacted due to the underperformance of key accounts in the Middle East.

Other, Including Plantation Services

The Plantation Services sector recorded revenues of Rs.3.33 billion and a PAT of Rs.247 million, contributing 3 per cent and 2 per cent to Group revenue and PAT respectively. Despite the increase in tea prices, the Plantation Services sector was negatively impacted by the decrease in demand from a few key tea consuming countries. Others, comprising the holding company and other investments, and the Plantation Services, together, recorded revenues of Rs.4.04 billion and a PAT of Rs.1.50 billion with finance income arising from the investment of the funds raised through the Rights Issue contributing significantly. During the year under review, the Group sold its 24.6 per cent stake in Central Hospital (Private) Limited for a consideration of Rs.1.59 billion, realising a capital gain of Rs.655 million and also divested its 49 per cent stake in associate Information Systems Associates (ISA) realising a capital gain of Rs.158 million.

Employees

As we mark the conclusion of a reasonably successful year, I wish to pay tribute to our employees for their contribution and commitment during a challenging, but yet exciting, year. Our employees are an integral part of our success and a key component of our Corporate Governance System. We will continue to implement processes by which we attract, and retain talent, as an employer of choice. During the year, the Group carried out a group wide employment satisfaction survey and it is pleasing to note the improvements in the scores of each successive survey. The Corporate Governance Commentary and the Group Financial and Sustainability Review sections of this Report explain in further detail the best practices, policies

+12%

Rs.1.93 bn

Financial Services industry group PBT

PBT for 2012/13 was Rs.1.78 bn

and procedures that are in place to ensure that John Keells is "more than just a work place".

Sustainability

This Integrated Annual Report has been prepared "In Accordance-Core" of the GRI (G4) Guidelines and has obtained the GRI Materiality Matters check. The Report has also been independently assured by DNV GL represented in Sri Lanka by DNV Business Assurance Lanka (Private) Limited.

During the year, all companies within the Group were encouraged to assess their individual material impacts, identify their key stakeholders, value chain risks and establish sustainability strategies specific to their operations.

The Group also took the first steps in incorporating the principles of sustainable development in its value chain by reviewing, and streamlining, its practices through the implementation of a Supplier Management Framework, the introduction of a Supplier Code of Conduct, engagement with suppliers through supplier forums and on-site assessments of significant suppliers.

I am pleased to announce that this year too we have been able to make significant progress on the agenda items reported in last year's Integrated Annual Report. This year, our carbon footprint was 74,005 metric tons, which is a 7 per cent increase from the previous year due to an increase in operational activity and commencement of full year operations at Cinnamon Bey, Cinnamon Citadel and Keells Foods Products, Pannala. The carbon footprint per Rupee of revenue also saw an increase from 0.81 metric tons to 0.83 metric tons per million Rupees of revenue mainly due to an increase in the fixed component of its energy usage in the common areas of these facilities. The Group's water footprint this year amounted to 1.7 million cubic meters, while the total waste generated amounted to 7,971 metric tons, increasing by 4.4 per cent and 1.3 per cent respectively. The water withdrawal corresponds to a 19.4 cubic meters per million Rupees of revenue, being about the same as the previous year. From a labour perspective, the Group provided 47 hours of training per employee which is a 3 per cent increase compared to last year. Training, and awareness, on staff health and safety was carried out during the year. 231 cases of injuries and diseases were reported during the year, this being an increase on last year due to the expansion of the reporting scope.

During the year in review, John Keells Foundation recorded a total of 858 engagements by 554 volunteers ”

Corporate Social Responsibility

The John Keells Group continues to be a participant of the United Nations Global Compact Initiative and supports the country's commitment to achieving the Millennium Development Goals. Corporate Social Responsibility (CSR) is an integral part of our business and it permeates throughout the organisation.

Considering the diversity and geographical breadth of the businesses within the Group, we recognise our responsibility to make a positive difference in the communities that we operate in.

At JKH, our CSR focus continues to be on 6 key areas, namely, Education, Health, Environment, Community and Livelihood Development, Arts and Culture, and Disaster Relief.

The CSR initiatives of the Group are administered by the John Keells Foundation, a company which is also registered as a "Voluntary Social Service Organisation" with the Ministry of Social Welfare.

Whilst further details are available in the Corporate Social Responsibility section of this Report, some of the highlights of the Foundation's work during the year are:

The John Keells Vision Project

Under this initiative, a total of 12 eye camps were conducted during the year under review including areas such as Delft Island and Kilinochchi in the Northern Province of the country, resulting in the completion of 1,144 cataract surgeries and donation of 278 spectacles.

The Final Step

A total of 914 undergraduates from multiple faculties benefited from the workshops conducted under this soft skills initiative at the South Eastern and Eastern Universities in the Ampara and

Batticaloa districts respectively. A total of 756 were eligible to receive certificates based on attendance criteria. This initiative has given rise to internship and recruitment opportunities in the Group for the participants.

English Language Scholarship Programme

During the year, a total of 1,219 school children in 18 districts completed the foundation level course with 1,155 children becoming eligible to sit for the final examination. Another 166 children in 12 districts completed the pre-intermediate course of which 157 sat for the final examination, while a total of 77 students in 6 districts completed the newly-introduced intermediate-level course.

Village Adoption

Livelihood development was the focus during the year in our village adoption initiatives covering villages in the Northern, Eastern, and North Central Provinces. Fishing boats and related equipment were supplied to selected villages in the Northern and Eastern districts of the country, together with the introduction of water and sanitation initiatives. Other villages benefitted from women's capacity building programmes.

Forestry Project

The project in collaboration with The Carbon Consulting Company (Private) Limited and Tea Smallholder Factories PLC is initiated towards undertaking systematic tree planting with a view to increasing the coverage of vegetation of selected environs.

Our Volunteers

During the year in review, John Keells Foundation recorded a total of 858 engagements by 554 volunteers across the John Keells Group.

Outlook

Economic growth in the year under review recovered to encouraging levels reflecting the strengthening domestic demand, improving external environment and a buoyant tourism industry amidst stable inflation, a conducive monetary policy and continued infrastructure development. The recent relaxation in monetary policy will further facilitate lending to, and borrowing by, the private sector and incentivise expansion. A low inflationary environment is likely to prevail aided by stable international food and commodity prices and a falling fiscal deficit. Exports are expected to increase with the improving prospects in the US and EU, these being Sri Lanka's main export destinations.

Dividends

Your Board declared a final dividend of Rs.1.50 per share to be paid on 17th June 2014 on the increased capital base similar to the case with the first and second interim dividends of Rs.1.00 per share each. The total pay-out in the year under review was Rs.3.27 billion compared to Rs.2.99 billion in the previous financial year.

Conclusion

I wish to place on record my appreciation of the contribution made by the late Ms. Sithie Tiruchelvam.

I welcome Messrs. Amal Cabraal and Nihal Fonseka who joined the Board in November 2013.

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 during the year.

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

Susantha Ratnayake
Chairman
27 May 2014

Pioneering

GOVERNANCE

Setting the benchmark in stewardship

Board of Directors

Susantha Ratnayake
Chairman

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 and has served on the JKH Board since 1992/1993 and has 36 years of management experience, all of which is within the John Keells Group. He is the Chairman of Ceylon Tobacco Company PLC, Vice Chairman of the Employers Federation of Ceylon and serves as a member of several clusters of the National Council of Economic Development. A past Chairman of the Sri Lanka Tea Board, immediate past Chairman of the Ceylon Chamber of Commerce, he serves on the Board of the national carrier Sri Lankan Airlines.

Ajit Gunewardene
Deputy Chairman

Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of the Board for over 20 years. He is the Chairman of Union Assurance PLC. He is a member of the Board of SLINTEC, a company established for the development of nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology. He is also an Advisory Committee Member of COSTI, the Coordinating Secretariat for Science Technology and Innovation under the purview of the Minister (Senior) of Scientific Affairs. He has also served as the Chairman of the Colombo Stock Exchange. Ajit has a Degree in Economics and brings over 31 years of management experience.

Ronnie Peiris
Group Finance Director

Appointed to the John Keells Holdings PLC Board during 2002/2003 as Group Finance Director, he has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance, Treasury, Group Initiatives and the Information Technology functions. He was previously the Managing Director of Anglo American Corporation (Central Africa) Limited in Zambia.

He has over 40 years finance and general management experience in Sri Lanka and abroad. He is a Fellow of the Chartered Institute of Management Accountants, UK, Association of Chartered Certified Accountants, UK, and the Society of Certified Management Accountants, Sri Lanka and holds an MBA from the University of Cape Town, South Africa. He is a member of the Committee of the Ceylon Chamber of Commerce, and serves on its Economic, Fiscal and Policy Planning Sub Committee.

Franklyn Amerasinghe
* Director

Appointed to the Board during 1999/2000, Franklyn Amerasinghe is the former CEO and Director General of the Employers' Federation of Ceylon. He was thereafter attached to the International Labour Organisation as a senior specialist in the social dialogue sector in charge of Employers' Organisations in East Asia up to October 2002. A Bachelor of Law and a lawyer by profession, he is currently a consultant and trainer in social dialogue, human resource management, corporate social responsibility and industrial relations, both in Sri Lanka and abroad. He has also authored books on a wide range of subjects and published papers in some international and local journals. He is a Founder Trustee of the Association for Dialogue & Conflict Resolution. He was also one of the Founder Directors of the Skills Development Fund.

Dr. Indrajit Coomaraswamy
** Director

Dr. Indrajit Coomaraswamy was appointed to the John Keells Holdings PLC Board in February 2011. He was an official in the Central Bank of Sri Lanka from 1974-1989. He worked in the Economic Research, Statistics and Bank Supervision Divisions. During this time he was also seconded to the Ministry of Finance and Planning (1981-1989). He was employed by the Commonwealth Secretariat from 1990-2008. During that time he held the positions, inter alia, of Director, Economic Affairs Division and Deputy-Director, Secretary-General's Office. He was subsequently Interim Director, Social Transformation Programme Division, Commonwealth Secretariat (Jan-July 2010). He completed his undergraduate degree at Cambridge University and obtained his Doctorate at the University of Sussex.

Ranjit Gunasekara

** Director

Ranjit Gunasekara was appointed to the Board in July 2011. A chartered accountant by profession, his career includes a spell of seventeen years overseas where he worked for seven years with Coopers & Lybrand in Zambia and Botswana before leaving as an Audit Senior Manager. He then joined the Lloyd's Insurance Broking Group, Minet, as Financial Controller of its Botswana operations before transferring to Minet's head office in London where he served as Financial Controller/Executive Director of Minet International Holdings. On returning to Sri Lanka in 1994, he joined NDB, and retired as its Chief Financial Officer in 2004. He has served on the boards of NDB and several of its group companies and on the city hotel subsidiaries of the John Keells Group.

Ashroff Omar

** Director

Ashroff Omar is a Director of Phoenix Ventures Limited, Chief Executive Officer of Brandix Lanka Ltd and serves as Director on many of its subsidiary companies. He was the Founder Chairman of The Joint Apparel Association Forum (JAAF) and former Chairman of the Sri Lanka Apparel Exporters Association. He serves as a Director of the Sri Lanka institute of Nanotechnology (SLINTEC), Board of Directors of the United States-Sri Lanka Fulbright Commission and Chairman of the Advisory Committee on Garments - Export Development Board (EDB). He is the Hon. Consul General of the Republic of Finland, a Chartered Member of The Textile Institute International, United Kingdom and a Senior Member of the Society of Plastics Engineers, Connecticut, USA.

Amal Cabraal

** Director

Amal Cabraal is the former Chairman and Chief Executive Officer of Unilever Sri Lanka. He has over 3 decades of business experience in general management, marketing and sales and apart from Sri Lanka, he has served with Unilever in the United Kingdom, India and Bangladesh. He is an alumnus of INSEAD-France and holds a MBA from the University of Colombo, a Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing – UK. He serves on the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and is a member of the Management Committee of the Mercantile Services Provident Society. He is an external independent Director of Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, Hatton National Bank PLC, and also serves on the Supervisory Board of Associated Motorways Ltd.

Tarun Das

** Director

Tarun Das has spent his professional career in the development and promotion of Indian Industry. Starting in November 1963 with the predecessor body of Confederation of Indian Industry (CII) he was the Director General and Chief Executive of CII from April 1967 to May 2004 and Chief Mentor from June 2004 to October 2009. His leadership of the organisation over three decades has lead to strengthening business and strategic ties between India and the world. He is Member, Kerala State Planning Board, Kerala Government (since 2011); Member, Indo-UK Round Table, Ministry of External Affairs; Member, Advisory Group, Expert Committee on Prasar Bharati; Member, Bharat Rural Livelihoods Foundation (BRLF), Ministry of Rural Development. He is the Founding Trustee, Council on Energy Environment and Water (CEEW); Member, Board of Trustees, Public Interest Foundation (PIF); Member, Board of Governors, Rajiv Gandhi Indian Institute of Management, Shillong; Trustee, Sasakawa India Leprosy Foundation (SILF); Member, Board of Governors, Indian Council for Research on International Economic Relations (ICRIER); Member, Executive Committee of the Board, ICRIER; Member, Apex Council on India@75, Confederation of Indian Industry (CII); Trustee, India@75 Foundation; Trustee, Singapore India Partnership Foundation (SIPF); Founding Trustee, Ananta Aspen Centre; Founding Trustee, Ananta Centre.

** Senior Independent Non Executive*

*** Independent Non Executive*

Lifetime Trustee, The Aspen Institute, USA. He is Co-Chair of US-India Strategic Dialogue; Indo-US-Japan Strategic Dialogue; India-Israel Forum and Member of India-Singapore Strategic Dialogue; India-China Strategic Dialogue; Indo-Turkey Forum.

He is Member, International Advisory Board of ACE Insurance (USA); Member, India Advisory Board of VOITH (Germany); Member, India Advisory Board, JCB (UK).

Nihal Fonseka

** Director

Mr. Nihal Fonseka is a career banker and was appointed the Chief Executive Officer and a Director of DFCC Bank in January 2000 and served in these roles until his retirement at the end of September 2013. He is a Member of the National Payments Council and the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka. He is the President of the National Advisory Council of the Chartered Institute for Securities & Investment, UK.

Mr. Fonseka is a past Chairman of the Colombo Stock Exchange (2006-11) and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) (2010-12). He served as a member of the Presidential Commission on Taxation (2009) and the Inter Regulatory Institutions Council.

In the past he has served as Deputy Chief Executive of HSBC in Sri Lanka and as a member of the Strategic Enterprise Management Agency (SEMA), the Post Tsunami Presidential Task Force for Rebuilding the Nation (TAFREN) and the Ministerial Task Force on Small and Medium Enterprises.

He is a graduate of the University of Ceylon, Colombo and is a Fellow of the Institute of Financial Studies (Chartered Institute of Bankers), UK.

** Senior Independent Non Executive*
*** Independent Non Executive*
Note: Refer Group Directory for directorships held by Executive Directors in other Group Companies

Group Executive Committee

Dilani Alagaratnam
President

Dilani Alagaratnam is a member of the Group Executive Committee of John Keells Holdings PLC and is the President with overall responsibility for the Group Human Resources, Legal & Secretarial, Corporate Communications, Sustainability & Enterprise Risk Management of the Group.

A Lawyer by profession, she has been with John Keells Holdings PLC since 1992 and is a law graduate and a holder of a Masters' Degree in Law. Currently, she is the Co-Chairperson of the Steering Committee on Human Resources and Education of the Ceylon Chamber of Commerce, member of the National Labour Advisory Committee and a Council member of the Sri Lanka Institute of Directors.

Krishan Balendra
President

Krishan Balendra has responsibility for the Retail sector and John Keells Stock Brokers. He also serves as the Chairman of Nations Trust Bank and is the outgoing Chairman of the Colombo Stock Exchange. He started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence & Co. PLC, Sri Lanka prior to joining JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

Romesh David
President

Romesh David leads the Transportation Group of JKH (comprising of Airlines and Aviation Services, Logistics, Ports and Shipping) and is also the Accountable Manager for Sri Lanka's newest and premier domestic airline, Cinnamon Air, a JV between MMBL Leisure Holdings, Phoenix Ventures and JKH. He has been with the JKH Group for 34 years during which he has served in the Leisure, Domestic & International Trade and IT sectors of the Group in addition to Transportation. He also is a member of the Infrastructure Steering Committee of the Ceylon Chamber of Commerce.

Sanjeeva Fernando
President

Sanjeeva Fernando is responsible for the IT industry group and Plantation Services sector. He possesses over 27 years of senior managerial experience in diverse businesses and capacities. He joined the John Keells Group in 1993 and has headed the Group's printing and packaging businesses, Bunkering businesses and has served as head of the Transportation and Logistics sector overseeing the Group's airline, travel, freight forwarding, shipping and Bunkering businesses in Sri Lanka, India and the Maldives. Sanjeeva was also given the responsibility of setting up and developing the Group's IT Enabled Services business (BPO) in Gurgaon, India and resided in India from 2007 until 2012 whilst overlooking the rest of the IT businesses in the Group. A printer by profession, Sanjeeva qualified from the London School of Printing and is a member of the London Institute of Printing.

Jitendra Gunaratne
President

Jitendra Gunaratne is responsible for the Consumer Foods sector. Prior to his appointment as President, he overlooked the Plantations and Retail sectors. His 33 years of management experience in the Group also cover Leisure and Property. Jitendra holds a Diploma in Marketing. He is the President of the Beverage Association of Sri Lanka.

Suresh Rajendra
President

Suresh Rajendra is responsible for the Property Group of John Keells Holdings PLC. He has over 21 years of experience in the fields of finance, property and real estate, travel and tourism, and business development acquired both in Sri Lanka and overseas. Prior to joining the Group, he was the head of commercial and business development for NRMA Motoring & Services in Sydney, Australia, Director/General Manager of Aitken Spence Hotel Managements (Pvt) Ltd., and also served on the Boards of the hotel companies of the Aitken Spence Group. Suresh is a Fellow of the Chartered Institute of Management Accountants, UK.

Note: Refer Group Directory for directorships held by Group Executive Committee members in other Group Companies

Group Operating Committee

Gihan Cooray
Executive Vice President

Gihan Cooray, Head of Corporate Finance & Strategy, also heads the Group Treasury function and John Keells Capital - the investment banking arm of the Group. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK.

Sujiva Dewaraja
Executive Vice President

Sujiva Dewaraja heads the Information Technology sector. Since qualifying professionally at the London School of Accountancy in 1980, the next 10 years took him from the UK to the Middle East, USA and back home to Sri Lanka. Over the past 23 years, he has held board level positions within listed and unlisted subsidiaries of two of Sri Lanka's largest conglomerates, spanning multiple industries. He served in several Trade Chambers and Industry Bodies including SLASSCOM, of which he is Chairman, Emeritus. He is a Fellow of the Chartered Institute of Management Accountants, UK and an Associate of the Chartered Institute of Bankers, London (ACIB). He completed his MBA in Pittsburgh, Pennsylvania at the Katz School of Business.

Roshanie Jayasundera-Moraes
Executive Vice President

Roshanie Jayasundera-Moraes, Chief Marketing Officer of the Property sector, has been with the Group since 1991. She was with the Airlines sector of the Transportation industry group, before being appointed as head of the Group's retail business in November 2003; which sector she headed till 2012. She holds a Diploma in Marketing from the Chartered Institute of Marketing (CIM), UK, and an MBA from the Post-Graduate Institute of Management of the University of Sri Jayawardenepura, Sri Lanka.

Sanjeewa Jayaweera
Executive Vice President

Sanjeewa Jayaweera, Chief Financial Officer for the Consumer Foods & Retail industry group, has been with the Group for 21 years, during which he served in the Resort Hotels sector of the Leisure industry group and was the Sector Financial Controller for Resort Hotels from 1998 to 2005. Prior to joining the Group, Sanjeewa was based in the United Kingdom and worked for several years as an Audit Manager.

Jayanatissa Kehelpannala
Executive Vice President

Jayantissa Kehelpannala, Head of Maldivian Resorts, has over 30 years of experience in the leisure industry, both in hoteliering and inbound tourism. He is currently the Chairman of the Hotels & Tourism Employers Group of the Employers' Federation of Ceylon and represents them at the EFC Council Meetings and is a member of the Wages Board for the Hotel and Catering Trade. In addition, he is also the President of the Tourist Hotels Association of Sri Lanka (THASL) and represents the Association at the Committee of the Ceylon Chamber of Commerce. He is a member of the Tourism Cluster of NCED (National Council for Economic Development) under the purview of the Ministry of Finance & Planning.

Vasantha Leelananda
Executive Vice President

Vasantha Leelananda is Head of the Destination Management sector and counts over 35 years in the leisure industry with the John Keells Group. He served as the Managing Director of Walkers Tours from 1997 to 2005 and heads the inbound travel operations in Sri Lanka. Vasantha holds an MBA from the University of Leicester. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO), a Board member of the Sri Lanka Convention Bureau from 2003 to 2007 and served as a Board member of the Sri Lanka Institute of Tourism and Hotel

Management from 2007 to 2010. He is a Board member of the Responsible Tourism Partnership which is affiliated to the Travel Foundation UK and a Board member of the American Chamber of Commerce (AMCHAM).

Chandrika Perera
Executive Vice President

Chandrika Perera was appointed as the Chief Financial Officer of the Leisure industry group in March 2005. She has been with the Group for 31 years. She held the position of Group Financial Controller from 1999 to 2005. A Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Society of Certified Management Accountants, Sri Lanka, she holds an MBA (finance) from the University of Southern Queensland. Chandrika serves as a committee member of the Accounting Standards Committee and the Business School of CA Sri Lanka and is also a member of the Steering Committee on Income Taxes.

Mano Rajakariar
Executive Vice President

Mano Rajakariar, has been the Group Financial Controller since April 2005. He has been with the Group for over 18 years in many capacities including serving as the Sector Financial Controller of the Plantations Services Sector and heading the Shared Services implementation within the Group. He has over 26 years of experience in audit, finance and general management acquired both in Sri Lanka and overseas. Mano is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants, UK. He currently serves as a member of the Statutory Accounting Standards Committee, the Financial Reporting Standards Implementation and Interpretation Committee, the Examinations Committee, the National Conference Technical Committee and the Business School of the Institute of Chartered Accountants of Sri Lanka. Mano is also a member of the Taxation sub-committee of the Ceylon Chamber of Commerce.

Waruna Rajapaksa
Executive Vice President

Waruna Rajapaksa, Head of New Business Development and Group Initiatives, has over 27 years of experience in Sri Lanka and in the UK, primarily in management consultancy, project finance and audit. Prior to joining the Group in 2002, he worked for the Government at the Bureau of Infrastructure Investment, Informatics International Ltd (UK) and at Ernst & Young. Waruna is a Fellow member of the Chartered Institute of Management Accountants, UK, and an Associate member of the Institute of Chartered Accountants of Sri Lanka. He also holds an MBA from City University Cass Business School, London, UK. He is also a member of the Energy Committee of the Ceylon Chamber of Commerce.

Sunimal Senanayaka
Executive Vice President

Sunimal Senanayake, Sector Head of the Leisure Resorts (Sri Lanka and Maldives) has over 30 years of experience in the leisure industry, both in hotels and inbound tourism. He served as the Managing Director of Walkers Tours Limited from 1991 - 1997. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and has held many positions in various travel trade related associations and committees.

He has also been a member of the Hotels Classification Committee and a member of the Advisory Board of the Sri Lanka Institute of Tourism and Hotel Management.

Ramesh Shanmuganathan
Executive Vice President

Ramesh Shanmuganathan is the Group's Chief Information Officer and a member of the Group Management Committee for Information Technology industry group and has over 20 years of experience in the ICT industry, both in Sri Lanka and the USA, with the last 14 years in C-level management. Prior to this, he has served in the Group's IT sector as the CEO of Keells Business Systems Limited since 2001 and Head of Strategy/New Business Initiatives of John Keells Computer Services Ltd since 2004 until he assumed duties as the Group's CIO in January 2006. Ramesh is a Hayes-Fulbright Scholar and holds to his credit a MSc (Information Technology and Computer Science) with Phi Kappa Phi Honours from Rochester Institute of Technology (New York, USA), Master of Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Bachelor of Science in Electronics and Telecommunications Engineering with First Class Honours from University of Moratuwa. He is reading for his Doctor of Business Administration (DBA) at International School of Management, Paris at present. He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society. He has active memberships in several other professional institutions and is a visiting faculty member for several post-graduate programs. He is also the Chair of the SLASSCOM CIO Council and is actively involved with the ICTA and the Presidential Task Force on IT in steering IT to greater heights within the country. He is also a member of the Gartner Research Circle.

Nadija Tambiah

Executive Vice President

Nadija Tambiah, Head of Legal and Secretarial, is a law graduate from the University of Manchester, United Kingdom, a Barrister at Law (Middle Temple), UK and is also qualified as an Attorney at Law in Sri Lanka. She also heads the Corporate Social Responsibility arm of John Keells Group. She serves as a member of the Steering Committee on Arbitration and Mediation at the Ceylon Chamber of Commerce.

Devika Weerasinghe

Executive Vice President

Devika Weerasinghe, Chief Financial Officer of the Transportation industry group previously held the position of Sector Financial Controller of the Transportation sector. She also served as the Sector Financial Controller of the Airlines SBU of the Transportation sector during the period 1998-2004. An Associate member of the Chartered Institute of Management Accountants-UK, Devika also holds a bachelor's degree in Business Administration, from the University of Sri Jayawardenepura.

Suran Wijesinghe

Executive Vice President

Suran Wijesinghe, joined the Group in January 2004 as the Sector Financial Controller of the Financial Services industry group and was appointed as the Chief Financial Officer of the same industry group in July 2010. He has over 30 years of experience in the fields of auditing and financial and general management which has been acquired while serving in organisations both locally and overseas. Suran is a Fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK.

Note: Refer Group Directory for directorships held by Group Operating Committee members in other Group Companies

Corporate Governance Commentary

It is essential that this Corporate Governance Commentary, which covers the highlights only, is read in conjunction with the John Keells Group Corporate Governance System document found on our corporate website at www.keells.com/governance-structure

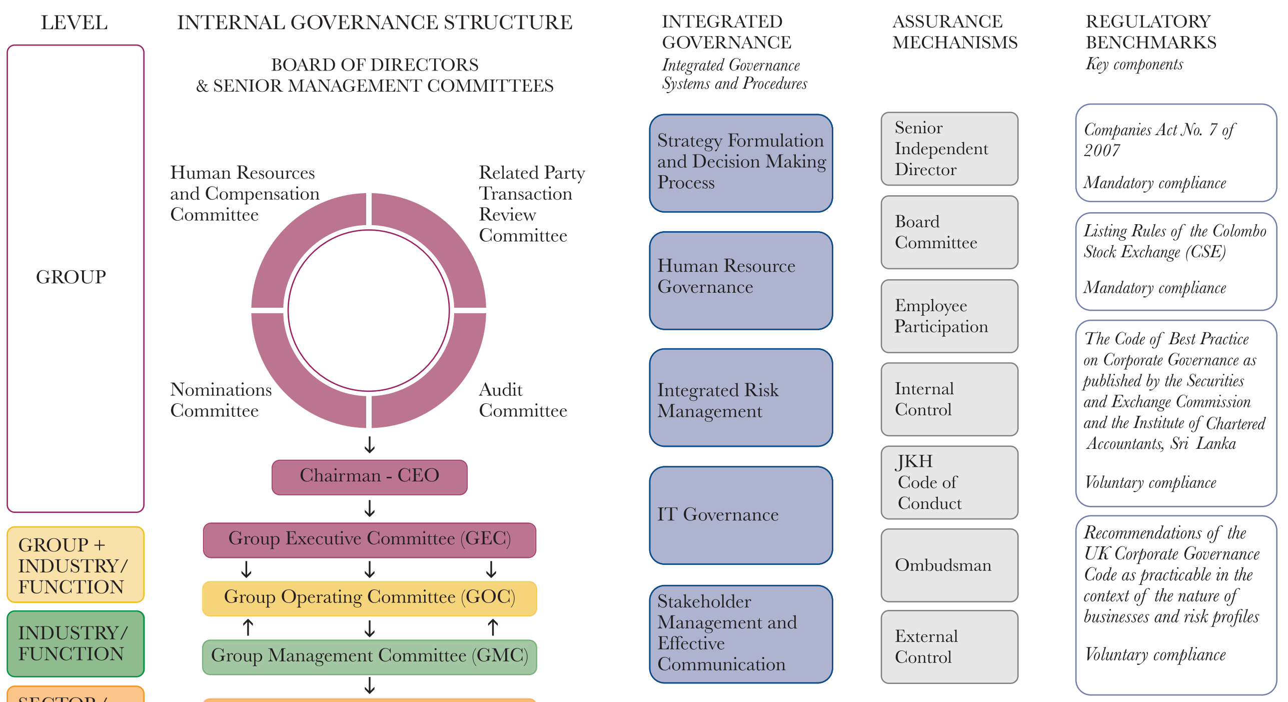
1. Introduction

A culture of performance, entrenched within a framework of compliance, conformance and sustainable development, dominates the Group's corporate governance philosophy which has been institutionalised at all levels through a strong set of corporate values, a written Code of Conduct and proven performance management, and Values monitoring systems. The mandatory requirement of at least a "met expectation" of the Group's Values in gaining eligibility to participate in the Group's recognition schemes further emphasises the importance the Group attaches to individual behaviour.

The Board of Directors, senior management and all employees of the John Keells Group are required to embrace and, through their behaviour, augment this culture in the performance of their official duties, and in other situations, to uphold the Group's image and reputation.

It is against this backdrop that John Keells Holdings PLC is pleased to state that it is fully compliant with all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and Rules of the Securities and Exchange Commission of Sri Lanka (SEC) and our practices are in line with the Code of Best Practice on Corporate Governance jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

JKH Corporate Governance System within a Sustainability Development Framework



- *All 4 Board sub committees are chaired by Independent Directors appointed by the Board.*
- *Human Resources and Compensation Committee is attended by Chairman-CEO of JKH.*
- *Audit Committee is attended by Chairman-CEO of JKH, Group Finance Director, Group Financial Controller, Head of Group Business Process Review and External Auditors.*
- *The Related Party Transactions Review Committee is effective from 1st April 2014.*
- *GOC acts as the glue binding the various businesses within the Group towards identifying and extracting Group synergies and driving Group initiatives.*
- *Only the key components are depicted in the diagram due to space constraints.*

> *The components of the internal governance structure are designed in such a way that the executive authority is well devolved and delegated through a committee structure*

2. The Group Corporate Governance System

The Group Corporate Governance System diagram depicts the key components as at current, and their inter-linkages.

This commentary is broadly sequenced in keeping with this diagram.

2.1. Internal Governance Structure

This comprises of the committees which formulate, execute and monitor Group related strategies and initiatives and the processes and procedures which support, and are weaved into the fabric of, these committees in enabling them to perform their roles effectively.

2.2. Assurance mechanisms

This comprises of the "bodies and mechanisms" which are employed in enabling regular review of progress against objectives with a view to highlighting deviations and quick redress and in providing assurance that actual outcomes are in line with expectations.

2.3. Regulatory benchmarks

This comprises of the regulations which govern, in the main, all our corporate activities from the Companies Act to Listing Rules of the CSE, Rules of the SEC and the benchmarks we have set for ourselves in working towards local and global best practices.

What follows is a description in greater detail, where relevant and applicable, of the components of the JKH Corporate Governance System.

3. Internal Governance Structure

The Internal Governance Structure encompasses;

- The Board of Directors,
- Board Sub-Committees, and
- Senior Management Committees,

The above structure is strengthened, and complemented, by internal policies, processes and procedures – the key components being:

- Strategy formulation and decision making,
- Human resource governance,
- Integrated risk management,
- IT governance and
- Stakeholder management and effective communication.

The components of the internal governance structure are designed in such a way that the executive authority is well devolved and delegated through a committee structure ensuring that the Chairman-CEO, Presidents, Sector/Functional Heads and Profit Centre/Function Managers are accountable for the total Group, industry groups/functions, the sectors/functions and the business units/sub-functions respectively. Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

3.1. General

During the last year, the JKH Corporate Governance System was benchmarked against best practices and changes were made to the System where such changes were deemed to add value.

Accordingly, the JKH PLC Board approved, among many others, the establishment, with effect from 1st April 2014, of a Related Party Transactions Review Committee to review all related party transactions of the listed companies in the Group, through an early adoption of the Code of Best Practice on Related Party Transactions as issued by the SEC. The SEC has permitted the Related Party Transactions Review Committee at JKH PLC, the parent, to represent the listed companies in the Group, given that JKH PLC is, itself, a listed company.

3.2. Board matters

3.2.1. Board responsibilities

In carrying out all its responsibilities as described in the company website, (see www.keells.com/governance-structure) the Board promoted a culture of openness, constructive dissent and productive dialogue within an environment which facilitated employee empowerment and engagement.

Some of the key decisions made by the Board during the year include:

- Approval of the Waterfront Project as a Major Transaction (under Section 185 of the Companies Act 2007) and recommendation to the shareholders to approve the funding of JKH's equity contribution to the Project.
- Recommend to the shareholders a capital infusion into Waterfront Properties (Private) Limited, through a Rights Issue in the value of approximately Rs.23.10

billion, Warrants 2015 in a value of approximately Rs.8.14 billion at Rs.185 per Warrant and Warrants 2016 in the value of approximately Rs.8.58 billion at Rs.195 per Warrant.

- Review of the Decision Rights of the Group Executive Committee.

In addition to quarterly Board Meetings and regular discussion via telephonic and e-platforms, each Board member devotes 4 hours on the day prior to every formal Board Meeting to discuss medium to long-term strategies and other topical matters.

As at 27th May 2014, the Board comprised of 3 Executive Directors and 7 Non-Executive Directors all of whom were deemed independent.

3.2.2. Board skills

The existing Board's skills were augmented by the addition of two new Non-Executive Independent Directors namely Messrs. Amal Cabraal and Nihal Fonseka who brought in experience, and exposure, in marketing gained in a world renowned multinational organisation and in commercial and development banking respectively (see Board Profiles section of the Annual Report for more details).

3.2.3. Managing conflicts and ensuring independence

The Board reviewed the interests of its Non-Executive Directors and their ability to bring a strong independent oversight to the Board and established that all of the Non-Executive Directors continue to demonstrate their independence.

The independence of all its Non-Executive Directors was reviewed on the basis of criteria summarised below.

Summary of Non-Executive/Independent Directors' interests

	Shareholding (1)	Management Director (2)	Material business relationship (3)	Employed by the company (4)	Family member a Director or CEO (5)	Continuously served for more than nine years (6)
F Amerasinghe	●	●	●	●	●	● (orange)
A Cabraal	●	●	●	●	●	●
I Coomaraswamy	●	●	●	●	●	●
T Das	●	●	●	●	●	● (orange)
N Fonseka	●	●	●	●	●	●
R Gunasekara	●	●	●	●	●	●
A Omar	●	●	●	●	●	●

● Compliant
● (orange) Compliant by assessment and resolution

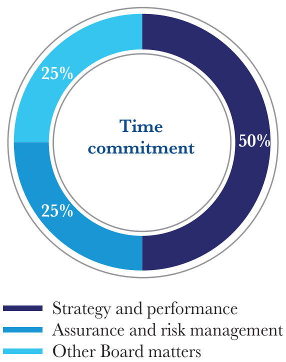
Definitions	Explanation
1. Shareholding carrying not less than 10 per cent of voting rights	None of the individual EDs or NED/IDs shareholding exceeds 1 per cent
2. Director of another company*	None of the NED/IDs are directors of another related party company as defined
3. Income/non cash benefit equivalent to 20 per cent of the director's income	NED/ID income/cash benefits are less than 20 per cent of individual director income
4. Two years immediately preceding appointment as director	None of the NED/IDs are employed or have been employed at JKH PLC
5. Close family member who is a director or CEO	No family member of the EDs or NED/IDs is a director or CEO of a related party company
6. Has served on the board continuously for a period exceeding nine years	See note below

Note: All directors make a formal declaration of all their interests on an annual basis. Based on such declarations and notwithstanding that Franklyn Amerasinghe and Tarun Das have completed more than 9 consecutive years, the Board considers them 'Independent' given their objective and unbiased approach to matters of the Board.

* *Other companies in which a majority of the other directors of the listed company are employed, or are directors, or have a significant shareholding or have a material business relationship.*

3.2.4. Time spent by Non-Executive Directors and support given

Allowing for Non-Executive Director involvement in various Board Committees and time spent by them in considering various matters that require discussion and decision in between the formal Board meetings, the Company estimated that Non-Executive Directors devote a minimum of 30 full time equivalent days each, to the Group during the year, with approximately 50 per cent being spent on strategy and performance, 25 per cent on assurance and risk management and 25 per cent on other Board related matters.



Board Meeting attendance for the financial year 2013/14	Attendance of Board Meetings					
	28.05.2013	25.07.2013	07.11.2013	29.01.2014	Eligible to attend	Attended
Executive						
S Ratnayake - Chairman-CEO	√	√	√	√	4	4
A Gunewardena - Deputy Chairman	√	√	√	√	4	4
R Peiris - Group Finance Director	√	√	√	√	4	4
Senior Independent Non-Executive						
F Amerasinghe	√	√	√	√	4	4
Independent Non-Executive						
A Cabraal *	-	-	√	√	2	2
I Coomaraswamy	√	√	√	√	4	4
T Das	√	√	√	√	4	4
N Fonseka *			√	√	2	2
R Gunasekara	√	√	√	√	4	4
A Omar	√	√	√	√	4	4
S Tiruchelvam **	√	X	-	-	2	1

* *Appointed with effect from 01/11/2013*

** *Resigned with effect from 09/09/2013*

During the year the following information was supplied to the Directors to enable their effective involvement at a Board level:

- Information updates from management on topical matters, new regulations and best practices as relevant to the Group's businesses
- External and Internal Auditor opinions
- Views, and advice, of experts and other external professionals, where required
- Submissions of the Company Secretary
- Periodic Performance Reports (monthly, quarterly and Annual Reports)
- Other information as is necessary to carry out their duties and responsibilities effectively and efficiently

3.2.5. Board meetings

3.2.5.1. Regularity of meetings and Pre-Board meetings

During the financial year under review there were 4 pre-scheduled Board Meetings and each of these meetings were preceded by Pre-Board Meetings. In addition to these Pre-Board Meetings, the Board of Directors had regular communications with each other on various topical matters.

3.2.5.2. Board agenda

The typical Board agenda in 2013/2014 was:

- Confirmation of previous minutes
- Circular resolutions
- Board Sub-Committee Reports and other matters exclusive to the Board
- Matters arising from the previous minutes
- Status updates of major projects
- Review of performance – in summary and in detail, including high level commentary on actuals and outlook
- Summation of strategic issues and business plans discussed at Pre-Board Meetings
- Approval of strategies, annual plans, policies and procedures
- Approval of quarterly and annual financial statements
- Ratification of capital expenditure and donations
- Ratification of the use of the company seal and share certificates issued
- New resolutions
- Report on corporate social responsibility
- Review of Group risks, sustainability, HR practices/updates
- Any other business

3.2.5.3. Timely supply of information

The Board of Directors was provided with the necessary information well in advance (at least 2 weeks prior to the meeting) for all 4 Board meetings held during the year.

3.2.6. Board evaluation

The Board conducted its annual Board performance appraisal for the financial year 2013/14. This formalised process of individual appraisal enabled each member to self-appraise on an anonymous basis, the performance of the Board under the areas of:

- Role clarity and effective discharge of responsibilities
- People mix and structures
- Systems and procedures
- Quality of participation
- Board image

The scoring and open comments were collated by the Senior Independent Director, and the results were analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/or strengthening.

3.3. Board Sub-Committees

The Board Sub-Committees comprised, predominantly, of Independent Non-Executive Directors and the memberships of the 4 Board Sub-Committees are as depicted on the right;

Board Sub-Committee membership	Year of appointment to the Board	Chairmanship				Membership			
		Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transaction Review Committee	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transaction Review Committee
Executive									
S Ratnayake - Chairman-CEO	1992/93							•	•
A Gunewardene - Deputy Chairman	1992/93								
R Peiris - Group Finance Director	2003/04								•
Senior Independent Non-Executive									
F Amerasinghe	1999/00		•					•	•
Independent Non-Executive									
A Cabraal	2013/14					•		•	•
I Coomaraswamy	2010/11					•	•		
T Das	2000/01			•					
N Fonseka	2013/14				•	•	•		
R Gunasekara	2011/12	•					•		
A Omar	2012/13						•	•	

3.3.1. Audit Committee

Report of the Audit Committee

Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group, the internal control and risk management systems of the Group and its compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function, which at John Keells Holdings PLC is termed Group Business Process Review Division (Group BPR). This is detailed in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The Committee's responsibilities pertain to the Group as a whole. However, in discharging its responsibilities the Committee places reliance on the work of other Audit Committees in the Group, to the extent and in the manner it considers appropriate, without prejudicing the independence of those Committees.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

Composition of the Committee and meetings

The Audit Committee comprised of three to four Independent Non-Executive Directors during the year. In January 2014, Mr. Franklyn Amerasinghe stepped down from the Committee and

Mr. Amal Cabraal and Mr. Nihal Fonseka were appointed to the Committee. The Head of the Group BPR Division served as the Secretary to the Audit Committee.

The Audit Committee held five meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below. The Chairman-CEO, the Group Finance Director, the Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The outsourced Internal Auditors and other officials of the Company attended these meetings on a needs basis.

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

Financial reporting

The Audit Committee has reviewed and discussed the Group's quarterly and annual financial statements prior to publication with management and the External Auditors, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgmental matters. The Committee also discussed with the External Auditors and management the matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The External Auditors were also engaged to conduct a review of the Group's interim financial statements for the six months ended 30th September 2013. The results of this review were discussed with the External Auditors and management.

Internal Audit, risks and controls

The Committee reviewed the adequacy of the internal audit coverage for the Group and the internal audit plans for the Group with the Head of the Group BPR division and management. The internal audit function of most Group companies is outsourced to leading professional firms under the overarching control of the Group BPR division.

The Group BPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from the outsourced Internal Auditors on the operations of the Company and some of the unquoted direct subsidiaries of the Company were also reviewed by the Committee.

The Sustainability and Enterprise Risk Management Division (SRM) reported to the Committee on the process for the identification, evaluation and management of all significant risks faced by the Group. The Report covered the overall risk profile of the Group for the year under review in comparison with that for the previous year, and the most significant risks from a Group perspective together with the remedial measures taken to manage such risks.

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

The Committee reviewed the whistleblowing arrangements for the Group and had direct access to the Ombudsman for the Group.

The effectiveness and resource requirements of the Group BPR division was reviewed and discussed with management.

External Audit

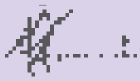
The External Auditors' letter of engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an on-going basis regarding any unresolved matters of significance. Before the conclusion of the audit, the Committee met with the External Auditors to discuss all audit issues and to agree on their treatment. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors without management being present, prior to the finalisation of the financial statements.

The External Auditors' final Management Reports on the audit of the Company and Group financial statements for the year 2012/13, together with management's responses, were discussed with management and the Auditors.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the John Keells Group. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company and the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation auditors of the Group for the financial year ending 31st March 2015, subject to approval by the shareholders at the Annual General Meeting.



R Gunasekara
Chairman of the Audit Committee
27 May 2014

Audit Committee meeting attendance

	21-May-13	27-May-13	25-Jul-13	5-Nov-13	28-Jan-14	Eligible to attend	Attended
R Gunasekara	√	√	√	√	√	5	5
F Amarasinghe*	√	√	√	√	-	4	4
A Cabraal**	-	-	-	-	√	1	1
I Coomaraswamy	√	√	√	√	√	5	5
N Fonseka**	-	-	-	-	√	1	1

* *Resigned with effect from 01/01/2014*

** *Appointed with effect from 01/01/2014*

3.3.2. Human Resources and Compensation Committee

Report of the Human Resources and Compensation Committee

The Committee comprised the undersigned and the following Independent Directors:

Dr. I. Coomaraswamy
Mr. R. Gunasekara
Mr. A. Omar

The invitees for meetings included the Chairman-CEO Mr. Susantha Ratnayake, Group Finance Director, Mr. Ronnie Pieris and the President, Group HR, Legal and Secretarial Ms. Dilani Alagaratnam. Ms. Linda Starling acted as the Secretary to the Committee.

Three meetings were held during the year. The Committee interacted regularly with the Chairman-CEO and President, Group HR, Legal and Secretarial when information or consultation was necessary. All decisions were taken after serious deliberation and healthy debate.

The work of the Committee was also helped by information provided by the Group Finance Director especially in relation to accounting issues arising from ESOP grants.

During the year under review there was also a special presentation made by the President, Group HR, Legal and Secretarial of the HR strategies adopted, and the processes in place, in ensuring the proper learning and development of the employees, the comparisons of terms and conditions with the prevailing market for comparable jobs, and the succession planning for key positions.

The Committee also ensures that there have been no disputes with employees regarding their treatment especially in relation to monetary benefits and grievance handling.

A report from the Human Resources and Compensation Committee and a Report from the President, Group HR, Legal and Secretarial are standing agenda items at the quarterly Board Meetings.

The Chairman of the Committee reports any matters pertaining to the Committee at each Board Meeting drawing attention to matters where the Board has to be updated. The Committee is conscious of the fact that it can only make recommendations and that the Board must make the decisions finally.

The Committee ensured that there was compliance with the requirements of the Companies Act in relation to Director Compensation especially the requirements of Section 216.

The "pay for performance" scheme is carefully monitored and the Chairman-CEO briefs the Committee of the employee variable compensation and how the total compensation compares with the market. The compensation scheme continues to be a key to employee satisfaction. The turnover of staff is minimal and is tracked by the Committee. The Company has enhanced its reputation as being a preferred employer.

The Committee met, as is the practice, to examine the performance of the Chairman-CEO and considered his evaluation of the Executive Directors and members of the Group Executive Committee (GEC). They were all evaluated on fixed and measurable criteria which had been pre-agreed with them individually. The GEC is also evaluated mid-yearly to enable feed-back to the relevant Presidents/Executive Directors in drawing their attention to a snap shot of where they are at that point of time, significant deviations from the planned course and corrections necessary in achieving the pre-agreed KPIs. The JKH Group has performed well and the results have been exceptional.

The Committee also approved a new Employee Share Option Plan (Plan 8), and this was approved by the shareholders at an Extraordinary General Meeting of the Company and thereafter implemented. The Committee wishes to compliment the Chairman-CEO for his commitment in ensuring that the people who work for the Company are empowered and delighted. The Committee also places on record its appreciation of the valuable contribution which continues to be made by the President, Human Resources and Legal.

In conclusion, I wish to thank my Committee for their dedication and valuable contribution. Our Secretary, Linda Starling continues to provide excellent support.

F Amerasinghe
Chairman of the Human Resource & Compensation Committee
27 May 2014

Human Resources and Compensation Committee meeting attendance

	26.06.2013	24.03.2014	Eligible to attend	Attended
F Amerasinghe	√	√	2	2
I Coomaraswamy	√	X	2	1
N Fonseka *	-	√	1	1
R Gunasekara	√	√	2	2
A Omar **	√	√	2	2
S Tiruchelvam ***	X	-	1	0

* *Appointed with effect from 07/11/2013*
** *Appointed with effect from 28/05/2013*
*** *Resigned with effect from 09/09/2013*

3.3.3. Nominations Committee

Nominations Committee Report

The Nominations Committee, as of 31st March 2014, consisted of four Independent Directors and the Chairman-CEO of John Keells Holdings PLC (JKH).

The mandate of the committee remains as:

- To recommend to the board the process of selecting the Chairman and Deputy Chairman
- To identify suitable persons who could be considered for appointment to the Board as Non-Executive Directors
- Make recommendation on matters referred to it by the Board.

During the period under review the committee had one formal meeting with all members, at that time, in attendance and several informal discussions.

The Committee continues to work closely with the Board on reviewing, regularly, its skills based on the immediate and emerging needs. The skills sets required by the company are also discussed by the Board during the Annual JKH Board Evaluation.

During the year, the Committee recommended to the Board that Mr. A N Fonseka and Mr. D A Cabraal be appointed to the Board as Non-Executive Directors. The recommendation was accepted by the Board.

The Committee also recommended to the Board that Dr. Indrajit Coomaraswamy be re-appointed as a Non-Executive Director for a further term of three years effctive from 7th February 2014.

T Das
Chairman of the Nominations Committee
27 May 2014

Nominations Committee meeting attendance

	14.10.2013	Eligible to attend	Attended
T Das	√	1	1
F Amerasinghe*	√	1	1
A Cabraal*	√	1	1
A Omar*	√	1	1
S Ratnayake	√	1	1
S Tiruchelvam**	-	0	0

* *Appointed with effect from 07/11/2013*

** *Resigned with effect from 09/09/2013*

3.3.4. Related Party Transaction Review Committee

The Related Party Transaction Review Committee was formed with effect from the 01st April 2014 with the intention of ensuring, on behalf of the Board, that all Related Party Transactions of JKH PLC and its listed subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC.

In very broad terms, the scope of this sub-committee is:

(i) Developing, and recommending for adoption by the Board of Directors of JKH PLC and its listed subsidiaries, a Related Party Transaction Policy consistent with that proposed by the SEC and is in synchronisation with the Operating Model and the delegated Decision Rights of the Group.

(ii) Updating the Board of Directors on the related party transaction of each of the listed companies of the Group on a quarterly basis.

3.4. Combined Chairman-CEO role

The Group's Chairman continued to play the role of the CEO as well, and the appropriateness of combining the two roles is discussed in detail in the ensuing section.

The Chairman-CEO had direct discussions with the Non-Executive Directors during the year subsequent to meetings convened by the Senior Independent Director in ensuring that appropriate firewalls exist between role of the Chairman of the Board and the role of CEO of the Company and accountabilities, and that decision making has the right balance between Board needs and executive objectives.

3.4.1. Appropriateness of combining the roles of Chairman and CEO

The appropriateness of combining the roles of Chairman CEO was evaluated during the year under review and the Board reaffirmed that a combined role is more appropriate for the Group at present, in meeting stakeholder objectives, under a large conglomerate setting in a dynamic business environment.

3.4.2. Chairman – CEO appraisal

The Human Resources and Compensation Committee, chaired by the Senior Independent Director, appraised the performance of the Chairman-CEO on the basis of pre-agreed goals for the Group, set in consultation with the Board, covering the following broad aspects:

	Group's Performance	
	Against goal	Against peers
Creating and adding shareholder value	❍	❍
Success in identifying and implementing projects	❍	
Sustaining a first class image	❍	❍
Developing human capital	❍	
Promoting collaboration and team spirit	❍	
Building sustainable external relations	❍	❍
Leveraging board members and other stakeholders	❍	
Ensuring good governance and integrity in the Group	❍	❍

3.5. Senior Independent Director

Given the combined role of the Chairman-CEO, the Senior Independent Director played the role in ensuring the adherence to corporate governance principles, and acted as the independent party to whom concerns could be voiced on a confidential basis.

During the year the Senior Independent Director met with other Non-Executive Directors, without the presence of the Chairman-CEO and evaluated the effectiveness of the Chairman-CEO and the executive support of the Board.

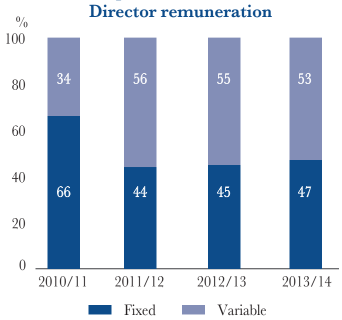
3.6. Director remuneration

3.6.1. Executive Director remuneration

During the financial year, the Human Resources and Compensation Committee conducted a market survey of Executive Director remuneration with a view to assessing the appropriateness of compensation with market benchmarks. Having taken into account the complexities associated with the Group, it was established that the current compensation of the Chairman-CEO and the other Executive Directors is in line with the market.

The variable component of the Executive Director remuneration continued to be a significant portion of the total Executive Director remuneration as illustrated below:

Composition of Executive Director remuneration



During the year, a performance based Employee Share Options were granted to the Executive Directors under a methodology which is similar to all the other eligible employees and further details are found in the Notes to the Financial Statements section of this Annual Report.

Total aggregate Executive Director Remuneration for the year was Rs.156 million of which Rs.83 million was a variable component based on performance.

3.6.2. Non-Executive Director remuneration

The compensation of NEDs was determined in reference to fees paid to other NEDs of comparable companies and this was adjusted where necessary in keeping with the Group complexity.

NEDs were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments or share option plans.

Total aggregate of Non-Executive Director Remuneration for the year was Rs.15 million.

4. Group Executive Committee and other Management Committees

The Group Executive Committee and the other Management Committees met regularly as per a time table communicated to the participants 6 months in advance. In the absence of a compelling reason, attendance at these Committee Meetings is mandatory for the Committee members. The scopes of these Committees are detailed in the Corporate Governance System document found on the corporate website at www.keells.com/governance-structure. All the committees carried out their specific tasks as expected.

4.1. Group Executive Committee (GEC)

As at 31st March 2014, the 9 member GEC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director and the Presidents of each business/function. This Committee, under the leadership of the Chairman-CEO, was primarily responsible for ensuring that the strategies and policies adopted by the Board are converted into immediate, short-term, medium term and long-term action plans and that there exist mechanisms for tracking actual progress against plans, goals and targets. (See GEC Profiles section of the Annual Report for more details).

4.2. Group Operating Committee (GOC)

As at 31st March 2014, the 23 member GOC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director, the Presidents and the Executive Vice Presidents. The GOC provided a forum to share learnings, and identify synergies, across the Group, industry groups, sectors, business units and functions. The GOC generally met once a month during the year and was instrumental in preserving a common group identity across diverse business units. (See GOC Profiles section of the Annual Report for more details).

The GOC provided a forum to share learnings, and identify synergies

4.3. Other Management Committees

These committees met regularly and carried out their tasks in-keeping with their scope. The management committees proved to be key contributor in enhancing employee engagement and empowerment.

5. Employee empowerment – intrinsic elements in the Governance System

The empowered and engaged employees have contributed significantly towards a constantly evolving, and effective, Corporate Governance System. In-keeping with our belief that our employees are our greatest asset, the Group continued with, and further strengthened, the following practices.

- Top management and other senior staff were mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights were defined for each level of employees in order to instill a sense of ownership, reduce bureaucracy and speed-up the decision making process.
- A bottom-up approach was taken in the preparation of annual and long-term plans and the Group also ensured employee involvement in strategy, and thereby empowerment, in the process.
- Organisational and committee structures are designed to enable, and facilitate, high accessibility of all employees to every level of management.
- Open honest, frank and constructive communication was encouraged at all levels. The Group strongly believes that constructive disagreement is essential to development.

6. Integrated governance systems and procedures

All the Governance Systems and Procedures, as described in the JKH Corporate Governance System document can be found on our corporate website at www.keells.com/governance-structure.

Enumerated below are the main governance systems and procedures of the Group. These underwent regular reviews during the year against benchmark best practices.

- Strategy formulation and decision making
- Human resource governance
- Integrated risk management
- IT governance
- Stakeholder management and effective communications

In keeping with the emerging governance challenges (see Outlook and Emerging Challenges section for more details), IT Governance and Performance Management are worthy of special mention.

6.1. IT Governance

The IT governance system, in particular, was closely reviewed during the year towards ensuring the following:

- Leverage IT as a strategic asset
- Ensure agility, in view of the fast changing technology
- Establish the right balance between business needs and IT enablement
- Ensure that all IT investments have a quantifiable (or visible) business return
- Ensure a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best practices in line with world class organisations, but always keeping in mind business returns.

- Ensure that e-enabled platforms are regularly reviewed for "internal control effectiveness" through SOX methodology of process flow analysis.

6.2. Human Resource Governance (Performance management)

The Performance Management System (PMS) continued to evolve positively in catering to, and fashioning, employee empowerment in meeting current and emerging needs.

Following linkages of PMS were further strengthened:

- Learning and development
- Career development
- Succession planning
- Talent management
- Reward and recognition and
- Compensation and benefits

7. Assurance mechanisms

7.1. Senior Independent Director

Report of the Senior Independent Director

Independent Directors

F Amerasinghe, T Das, S Tiruchelvam (retired during the year), R Gunasekera, I Coomarasamy, A Omar, A Cabraal, N Fonseka

During the year there were changes in the composition of the Board. Ms. Tiruchelvam resigned due to reasons of ill health. The Board welcomed two new Independent Directors namely, Messrs. Cabraal and Fonseka, both well known in the business community and regarded as astute leaders. The current Board has seven Independent Directors with a wide spectrum of skills and experience.

The Independent Directors with the exception of Messrs. Amerasinghe and Das were under nine years in serving as Board members. In keeping with the requirements of the Listing Rules, CSE, the Board, after due consideration, recommended that the said two Directors be still considered independent and capable of acting independently and without bias, as members of the Board.

The Independent Directors also decided that the position of Senior Independent Director continue to be held by the present incumbent of the office.

The Independent Directors, in order to ensure that they could have preliminary discussion apart from the main Board meetings, continued to meet before Board Meetings more or less on a quarterly basis. This enabled more focus on matters to be taken up at Board Meetings and created the environment for discussions uninhibited by management influence. These meetings usually preceded the quarterly Board Meetings and helped to create a more integrated approach by independent Directors at Board Meetings. However, the Independent Directors did not feel constrained by the Group to maintain views which did not reflect their individual thoughts. After each meeting, the Independent Directors had a wrap up meeting with the Chairman-CEO to obtain clarification in relation to any issues, and apprised him of any concerns or suggestions. The Independent Directors showed that they were actively following the work of internal management committees whose minutes are circulated to the whole Board. The system ensures that there is great transparency and interaction between the Executives and the Non-Executive members of the Board. On several occasions Independent Directors did request clarification or made comments which were useful.

The Independent Directors wish to thank the Management personnel who made presentations to them and interacted with them to facilitate greater awareness of operations.

The Ombudsperson has reported to me, and there have been no issues which showed any mismanagement, unfair treatment or justified discontent on the part of any employee or ex-employee. The Chairman-CEO, the Ombudsperson and I had a special meeting to discuss the year under review.

The Independent Directors would like to thank members of the Management Committees for their co-operation and particularly the members of the GEC and Executive Directors for their contribution to ensure the best standards of governance, which we always strive for.

F Amerasinghe
Senior Independent Director
27 May 2014

7.2. Board Sub-Committees

See section 3.3 for Board Sub-Committee Reports.

7.3. Employee participation in assurance

The following meetings, interviews, evaluations and surveys were conducted during the year.

- Skip level meetings
- Exit interviews
- Young Forum meetings
- 360 degree evaluation
- Great Place to Work survey
- Voice of Employee survey

Additionally, the Group continued with its:
- Whistle-blower policy, and
- Securities trading policy.

Please refer the JKH Corporate Governance System document on our corporate website at www.keells.com/governance-structure to learn more about the above mechanisms.

7.4. Internal controls

During the financial year under review the following tasks were performed by the Group Business Process Review Department and outsourced Internal Auditors in ensuring the existence of effective internal controls;

- Group wide initiative to strengthen the existing Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP). All Heads of Department were encouraged to re-visit their BCPs in confirming that such plans were up-to-date and relevant to the current working environment. In some time-critical businesses, the BCPs were tested in actual and simulated environments.
- New methods of data analytics were carried out using sophisticated tools where the entire data population was analysed (as opposed to analysing a sample) in identifying exceptions and irregularities.
- Process improvements stemming from the findings of internal audits were implemented, across the Group.
- The existing SAP SOX processes were reviewed and updated to ensure compliance with the Sarbanes Oxley Act of 2002 – Sec 404.
- Strengthened the management reporting on internal controls to facilitate better decision making.
- Carried out frequent surprise cash counts across the Group.

7.5. The Code of Conduct

This is arguably the most important of all the Assurance Mechanisms in the Group.

The objectives of the Code of Conduct were further affirmed by a strong set of corporate values which were well institutionalised at all levels within the Group through structured communication. The degree of employee conformance with corporate Values and their degree of adherence to the JKH Code of Conduct were the key elements of reward and recognition schemes.

The Group Values are found in the About Us section of the Annual Report and are/have been consistently referred to by the Chairman-CEO, Presidents, Sector Heads and Business Unit Heads during employee, agent and other key stakeholder engagements, in order to ensure the values are deeply rooted in the employee DNA.

JKH Code of Conduct

- Allegiance to the Company and the Group
- Compliance with rules and regulations applying in the territories that the Group operates in
- Conduct of business in an ethical manner at all times and in keeping with acceptable business practices
- Exercise of professionalism and integrity in all business and "public" personal transactions

7.6. Ombudsperson

Report of the Ombudsperson

No requests for assistance

During the period under review, I did not receive any complaints / requests for assistance.

Mandate and role

1. For purposes of easy reference, I set out below, the Ombudsperson's mandate and role:

   (a) Legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted in resolution or where the matter has been inadequately dealt with;

   (b) Violations referred to above by individuals at the Executive Vice President, President and Executive levels, including that of the Chairman-CEO, in which case the complaint has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;

(c) Sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

2. The mandate excludes disciplinary issues from the Ombudsperson's responsibilities. The right to take disciplinary action is vested exclusively in the Chairman-CEO and those to whom this authority has been delegated.

Ombudsperson
27 May 2014

7.7. External audit

Ernst & Young were the External Auditors of JKH PLC as well as many of the Group companies. They were also responsible for auditing the consolidated financial statements. The individual Group companies also employed KPMG Ford, Rhodes, Thornton & Co, Price Waterhouse Coopers, Deloitte and Touche, India and Luthra and Luthra, India as External Auditors. The appointment/re-appointment of these auditors were recommended by the individual Audit Committees to their respective Boards of Directors.

8. Regulatory and accounting benchmarks

The Board, through the Group Legal division, the Group Finance division and its other operating structures, strived to ensure that the Company and all of its subsidiaries and associates complied with the laws and regulations of the countries they operated in.

The Board of Directors also took all reasonable steps in ensuring that all financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants (CA) Sri Lanka and the requirements of the CSE and other applicable authorities.

The Board was aware of the growing importance of the disclosure of critical accounting policies as a part of good governance and opined that there were no instances where the use of such concepts would have had a material impact on the Company's and the Group's financial performance.

Information in the financial statements of the Annual Report are supplemented by a detailed Management Discussion and Analysis which explains to shareholders the strategic, operational, investment, sustainability and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

JKH PLC and its subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE (revised in 2014) and also by the Companies Act No. 07 of 2007. The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by the CA Sri Lanka and the SEC and have in all instances, barring a few, embraced such practices, voluntarily, particularly if such practices have been identified as relevant and value adding. In the very few instances where the Group has not adopted such best practice, the rationale for such non adoption is articulated.

9. Outlook and emerging challenges

At JKH PLC, the primary objective of good governance is to establish a strong, viable and competitive organisation within a framework of sustainable development.

As is evident from our commentary, we will continue to regularly review, and update, our practices, particularly, in meeting the challenges of the future.

Summarised below are the more significant of the challenges which JKH PLC is addressing.

9.1. Emphasis on long-term value creation

We expect investors to seek a greater transparency on how non-financial metrics such as innovation, culture, sustainable development and other societal obligations are woven into the financial objectives.

9.2. Greater employee involvement in governance

JKH PLC acknowledges, and recognises, the role played by all its employees in establishing an effective governance system.

Going forward, JKH PLC will enhance employee "buy-in" through:

- A further strengthened performance management process
- Engagement, and empowerment, via greater authority
- Enhanced training and development
- Increased communication and collaboration.

9.3. Codes of Conduct, anti-corruption and whistle blowing

Boards will be expected to go beyond the norm in regularly scrutinising the compensation of "decision makers" and "risk takers" in the organisation. There will be a demand for Assurance Reports on all material risks and controls.

9.4. Increased shareholder activism

Shareholders will be demanding a more attentive "management ear" to their concerns. Management will have to increasingly adopt a "listening" stance.

9.5. Limitations on Director and Auditor tenure

There will be increasing pressure for more frequent Board renewal and External Auditor rotation. This will be in the forms of tenure limits, limit on the number of directorships, mandatory audit tender and Director and Auditor evaluation.

9.6. Increased regulation

There will be increasing regulations with a concomitant increase in cost of transactions. Regulators will be more active in promulgating reforms on disclosure, Director remuneration, proxy access etc. The recent SEC guidelines on related party transactions and minimum public floats are examples of the aforesaid.

As stated at the outset, JKH PLC's corporate governance pursuits are founded on a culture of performance entrenched within a framework of compliance, conformance and sustainable development. JKH PLC is confident of its ability to adapt, and cater, to the emerging needs of the corporate world.

9.7 Statement of Compliance under Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance

(**Mandatory provisions - fully complied**)

CSE Rule		Compliance Status	JKH Action
7.10	Compliance		
a./b./c.	Compliance with Corporate Governance Rules	√	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable
7.10.1	Non-Executive Directors (NED)		
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	√	7 out of the 10 Board members are NEDs. The JKH Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time, in line with needs
7.10.2	Independent Directors		
a.	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	√	All Non-Executive Directors are Independent
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	√	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 7 Independent Non-Executive members have submitted signed confirmation of their independence
7.10.3	Disclosures relating to Directors		
a./b.	Board shall annually determine the independence or otherwise of NEDs	√	All Independent Non-Executive Directors have submitted declarations as to their independence.
c.	A brief resume of each Director should be included in the annual report including the directors' experience	√	Refer Board of Directors section of the Annual Report
d.	Provide a resume of new Directors appointed to the Board along with details	√	Detailed resumes of the new Independent Non-Executive Directors appointed during the financial year were submitted to the Colombo Stock Exchange
7.10.4	Criteria for defining independence		
a. to h.	Requirements for meeting the criteria to be an Independent Director	√	Refer Summary of Non-executive Independent Directors interests section of the Annual Report

CSE Rule		Compliance Status	JKH Action
7.10.5	Remuneration Committee		
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	√	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent Non-Executive Directors
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the board of directors	√	The Senior Independent Non-Executive Director is the Chairman of the Committee
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	√	The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee
c.1	Names of Remuneration Committee members	√	Refer Board Committees section of the Annual Report
c.2	Statement of Remuneration policy	√	Refer Director Remuneration section of the Annual Report
c.3	Aggregate remuneration paid to EDs and NEDs	√	Refer Director Remuneration section of the Annual Report
7.10.6	Audit Committee		
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	√	The Audit Committee comprises only of Independent Non-Executive Directors
a.2	A NED shall be the Chairman of the committee	√	Chairman of the Audit Committee is an Independent Non-Executive Director
a.3	CEO and CFO should attend AC meetings	√	The Chairman-Chief Executive Officer, the Group Finance Director, the Group Financial Controller and the External Auditors attended most parts of the Audit Committee meetings by invitation
a.4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body	√	The Chairman of the Audit Committee is a member of a professional accounting body
b.	Functions of the Audit Committee	√	The Audit committee carries out all the functions prescribed in this section
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	√	The Audit Committee assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations	√	The Audit Committee has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies
b.3	Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLFRS/LKAS	√	The Audit Committee assesses the role and the effectiveness of the Group Business Process Review Division which is largely responsible for internal control and risk management
b.4	Assessment of the independence and performance of the Entity's external auditors	√	The Audit Committee assesses the external auditor's performance, qualifications and independence
b.5	Make recommendations to the board pertaining to external auditors	√	The Committee is responsible for appointment, re-appointment, removal of external auditors and also the approval of the remuneration and terms of Engagement

	CSE Rule	Compliance Status	JKH Action
c.1	Names of the Audit Committee members shall be disclosed	√	Refer Board Committees section of the Annual Report
c.2	Audit Committee shall make a determination of the independence of the external auditors	√	Refer Report of the Audit Committee in the Annual Report
c.3	Report on the manner in which Audit Committee carried out its functions	√	Refer Report of the Audit Committee in the Annual Report

9.8 Code of Best practice of Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA – Sri Lanka)

Voluntary provisions – fully complied

John Keells Group Corporate Governance System document is found on our corporate website at www.keells.com/governance-structure

A. Directors

	CSE Rule	Compliance Status	Reference
A.1	The Board		
A.1	Company to be headed by an effective Board to direct and control the company	√	JKH Corporate Governance System – Section 3.1
A.1.1	Regular Board meetings and supply of information	√	JKH Corporate Governance System – Section 3.1.10.1 and 3.1.10.3
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions	√	JKH Corporate Governance System – Section 3.1.1
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	√	JKH Corporate Governance System – Section 3.9.3 and 3.1.7
A.1.4	Access to advice and services of the Company Secretary	√	JKH Corporate Governance System – Section 3.1.10.4
A.1.5	Bring Independent judgment on various business issues and standards of business conduct	√	JKH Corporate Governance System – Section 3.1.6
A.1.6	Dedication of adequate time and effort	√	JKH Corporate Governance System – Section 3.1.10.1
A.1.7	Board induction & training	√	JKH Corporate Governance System – Section 3.1.5

	CSE Rule	Compliance Status	Reference
A. 2	Chairman and Chief Executive Officer		
A.2.1	Justification for combining the roles of the Chairman and the CEO	√	JKH Corporate Governance System – Section 3.2.1
A.3	Chairman's role		
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner	√	JKH Corporate Governance System – Section 3.2
A.4	Financial acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	√	JKH Corporate Governance System – Section 3.1.3
A.5	Board balance		
A.5.1	In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board	√	JKH Corporate Governance System – Section 3.1.2
A.5.2	Where the constitution of the Board of Directors includes only two nonexecutive directors, both such Non-Executive Directors should be 'independent'	N / A	N/A
A.5.3	Definition of Independent Directors	√	Corporate Governance Commentary - Section 3.2.3
A.5.4	Declaration of Independent Directors	√	JKH Corporate Governance System – Section 3.1.6
A.5.5	Board determinations on independence or non-independence of Non-Executive Directors	√	Corporate Governance Commentary - Section 3.2.3
A.5.6	If an Alternate Director is appointed by a Non-Executive Director such alternate director should not be an executive of the company	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the "Senior Independent Director" (SID)	√	JKH Corporate Governance System – Section 3.2.3
A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns	√	JKH Corporate Governance System – Section 4.1
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present	√	JKH Corporate Governance System – Section 4.1
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes	√	JKH Corporate Governance System – Section 3.1.10.4
A.6	Supply of information		
A.6.1	Board should be provided with timely information to enable it to discharge its duties	√	JKH Corporate Governance System – Section 3.1.10.3
A.6.2	Timely submission of the minutes, agenda and papers required for the Board Meeting	√	JKH Corporate Governance System – Section 3.1.10.1

	CSE Rule	Compliance Status	Reference
A.7	Appointments to the Board		
A.7	Formal and transparent procedure for Board appointments	√	JKH Corporate Governance System – Section 3.1.4
A.7.1	Nomination Committee to make recommendations on new Board appointments	√	JKH Corporate Governance System – Section 3.1.3
A.7.2	Assessment of the capability of Board to meet strategic demands of the company	√	JKH Corporate Governance System – Section 3.1.8.3
A.7.3	Disclosure of New Board member profile and Interests	√	JKH Annual Report 2013/14 – Board Profiles
A.8	Re election		
A . 8 / A.8.1/ A.8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders	√	Corporate Governance Commentary - Section 3.2.3
A.9	Appraisal of Board performance		
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities	√	JKH Corporate Governance System – Section 3.1.11
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees	√	JKH Corporate Governance System – Section 3.1.11
A.9.3	The Board should state how such performance evaluations have been conducted	√	JKH Corporate Governance System – Section 3.1.11
A.10	Disclosure of information in respect of Directors		
A.10.1	Profiles of the Board of Directors and Board meeting attendance	√	JKH Annual Report 2013/14 - Board Profiles Corporate Governance Commentary - Section 3.2.5
A. 11	Appraisal of the Chief Executive Officer		
A.11.1 A.11.2	Appraisal of the CEO against the set strategic targets	√	JKH Corporate Governance System – Section 3.2.2

B. Directors Remuneration

B.1	Remuneration procedure		
B.1.1	the Board of Directors should set up a Remuneration Committee	√	JKH Corporate Governance System – Section 3.1.8.2
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors	√	JKH Corporate Governance System – Section 3.1.8.2
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	√	Corporate Governance Commentary - Section 3.3
B.1.4	Determination of the remuneration of non-executive directors	√	JKH Corporate Governance System – Section 3.1.9.2
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors	√	JKH Corporate Governance System – Section 3.1.9.1

	CSE Rule	Compliance Status	Reference
B.2	The level and makeup of remuneration		
B.2.1 to B.2.4	Performance related elements in pay structure and alignment to industry practices	√	JKH Corporate Governance System – Section 3.1.9
B.2.5	Executive share options should not be offered at a discount	√	JKH Corporate Governance System – Section 3.1.9
B.2.6	Designing schemes of performance-related remuneration	√	JKH Corporate Governance System – Section 3.1.9
B.2.7 / B.2.8	Compensation commitments in the event of early termination of the Directors	√	JKH Corporate Governance System – Section 3.1.9.3
B.2.9	Level of remuneration of Non-Executive Directors	√	JKH Corporate Governance System – Section 3.1.9.2
B.3	Disclosure of remuneration		
B.3/ B.3.1	Disclosure of remuneration policy and aggregate remuneration	√	Corporate Governance Commentary - Section 3.6

C. Relations with shareholders

C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings		
C.1.1	Counting of proxy votes	√	Complied at AGM / EGM
C.1.2	Separate resolution to be proposed for each item	√	Complied at AGM / EGM
C.1.3	Heads of Board Sub-Committees to be available to answer queries	√	Complied at AGM / EGM
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	√	JKH Corporate Governance System – Section 3.9.1.3
C.1.5	Summary of procedures governing voting at General meetings to be informed	√	JKH Corporate Governance System – Section 3.9.1.3
C.2	Communication with shareholders		
C.2.1	Channel to reach all shareholders to disseminate timely information	√	JKH Corporate Governance System – Section 3.9.1.1
C.2.2 / C.2.7	Policy and methodology of communication with shareholders and implementation	√	JKH Corporate Governance System – Section 3.9.1.1
C.3	Major and material transactions including major related party transactions		
C.3.1	Disclosure of all material facts involving all material transactions including related party transactions	√	JKH Annual Report – Notes to Financial Statements

D. Accountability and Audit

D.1	Financial Reporting		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	√	JKH Corporate Governance System – Section 3.9.3
D.1.2	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	√	JKH Annual Report - Annual Report of the Board of Directors

	CSE Rule	Compliance Status	Reference
D.1.3	Statement of Directors' responsibility	√	JKH Annual Report 2013/14 - Statement of Directors' Responsibility
D.1.4	Management Discussion and Analysis	√	JKH Annual Report 2013/14 - Management Discussion and Analysis
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	√	JKH Annual Report 2013/14 - Annual Report of the Board of Directors
D.1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds	√	JKH Corporate Governance System – Section 3.9.1.4
D.1.7	Disclosure of Related Party Transactions	√	JKH Annual Report 2013/14 – Notes to the financial statements
D.2	Internal control		
D.2.1	Annual review of effectiveness of system of Internal Control and report to shareholders as required	√	JKH Corporate Governance System – Section 4.4
D.2.2	Internal Audit Function	√	JKH Corporate Governance System – Section 4.4
D.2.3/ D.2.4	Maintaining a sound system of internal control	√	JKH Corporate Governance System – Section 4.4
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of two independent non-executive directors or exclusively by non-executive directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-executive Director, appointed by the Board	√	JKH Corporate Governance System – Section 3.1.8.1
D.3.2	Terms of reference, duties and responsibilities	√	JKH Corporate Governance System – Section 3.1.8.1 Corporate Governance Commentary - Section 3.3.1
D.3.3	The Audit Committee to have written Terms of reference coving the salient aspects as stipulated in the section	√	JKH Corporate Governance System – Section 3.1.8.1 Corporate Governance Commentary - Section 3.3.1
D.3.4	Disclosure of Audit Committee membership	√	Corporate Governance Commentary - Section 3.3
D. 4	Code of Business Conduct and Ethics		
D.4.1	Availability of a Code of Business Conduct & Ethics and an affirmative declaration that the board of directors abide by such Code	√	JKH Corporate Governance System – Section 4.5
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	√	JKH Corporate Governance System – Section 4.5
D.5	Corporate Governance disclosures		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report	√	JKH Corporate Governance System (www.keells.com/governance-structure) JKH Annual Report – Corporate Governance Progress Report

E. Institutional Investors

	CSE Rule	Compliance Status	Reference
E.1	Shareholder voting		
E.1.1	A Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives	√	JKH Corporate Governance System – Section 3.9.1
E.2	Evaluation of Governance Disclosures		
E.2.	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	√	JKH Corporate Governance System – Section 3.9.1

F. Other Investors

F.1	Investing/divesting decision		
F.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	√	JKH Corporate Governance System – Section 3.9.1
F.2	Shareholder voting		
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	√	Complied at AGM / EGM

G. Sustainability Reporting

G	Sustainability reporting		
G . 1 / G.1.7	Disclosure on adherence to sustainability principles	√	JKH Annual Report – GRI Index

Groundbreaking

SUSTAINABILITY INTEGRATION & RISK MANAGEMENT

Keeping a long term perspective on all we do

G4-22
G4-23
G4-17

Sustainability Integration

This segment sets out the policies and methodologies in defining report content in order to establish the key aspects reported by the John Keells Group. While the Group initially published stand-alone reports, this is the Group's 3rd integrated annual report covering its financial, environmental and social performance for the period 1st April 2013 to 31st March 2014.

The Report has evolved from a group-centric approach, to a sectorial analysis and presentation of relevant material impacts detailing the financial, economic, environmental and societal performance of each industry group, along with the Group's overall corporate governance framework, risk management process and overview of its strategic direction. The Report has been prepared "In Accordance-Core" of the Global Reporting Initiative (GRI) G4 Guidelines.

The Group has sought external independent assurance for all sustainability related aspects of this Report with its sustainability performance being verified and assured by DNV GL represented in Sri Lanka by DNV Business Assurance Lanka (Pvt) Ltd.

The data measurement techniques and the basis of calculation including assumptions and estimations applied in the compilation of the reported sustainability performance indicators are in accordance with standard industry practices and the indicator protocols provided under the GRI G4 Guidelines included in the Reporting Principles and Standard Disclosures and the Implementation Manual. The specific data measurement techniques and assumptions used are detailed in the relevant Disclosures of Management Approach sections found online at www.keells.com /sustainability and justification for any deviation in any particular case is clearly stated.

A comprehensive segment which provides information to all stakeholders with regards to the most material areas that are identified through stakeholder engagements "

This is a comprehensive section which provides information to all stakeholders with regards to the most material areas that are identified through the stakeholder engagements. Prioritisation of the topics in this report was based on the most recently carried out stakeholder engagement findings. The findings of the engagement is specified in the section Key Sustainability Concerns.

The sections titled Significant Stakeholders and Engagement of Significant Stakeholders explain the process for determining materiality. This report is our primary method of disclosure to our investors, employees, customers, governments, legal and regulatory bodies and society.

85 legal entities of the John Keells Group create the financial reporting boundary of this report out of which, 75 companies are directly controlled by the Group. The remaining 10 have not been included for sustainability reporting, as they do not fall within direct control of the Group. Of the 75 companies, 27 have been excluded for reporting purposes as they do not carry out any operations that significantly interact with the environment or society at large. Such companies are either non-operational entities, investment entities, land-only holding companies, managing companies or companies that rent out office spaces. The other 48 companies have been listed in the Group Directory and any other exclusions made have been clearly explained under the respective sustainability aspects. A year on year comparison is possible subject to the explanations provided in respect of the divestments mentioned previously and changers in operational activity as mentioned in the Industry Group Analysis sections in the Report. In terms of re-statements in comparison to the previous year 2012/13, the numbers and statements have been re-arranged wherever necessary to conform to the present year's presentation.

The GRI content index would be utilised to refer to specific information and disclosures required by the GRI framework. The John Keells Group has been a part of the United Nations Global Compact (UNGC) since 2002 and this report serves as a communication on progress. It also reinforces the commitment to implement the 10 principles of the UNGC initiative. Further, the group also maps its sustainability performance to the IFC Sustainability Performance Framework which would help manage risks from a sustainability point of view.

Sustainability strategy

The John Keells Group, operating in seven industry groups places great importance on sustainable development. The Group believes that its financial performance and brand image are closely linked with sound corporate governance, product and service excellence and environmental stewardship. Being predominantly in service-based industries, it also lays focus on ensuring a highly motivated and productive workforce and being a socially responsible corporate citizen who contributes effectively to the country's economy.

Sustainability Management Framework

The Group's Sustainability Management Framework includes strategies for entrenchment of sustainability, the sustainability organisational structure, reporting and benchmarking, awareness creation and sustainability assurance. It is also synchronised with the various management systems covering areas such as environment management, human resources, health and safety and product quality. Stakeholder value is enhanced even further through business processes such as risk management, internal audit, legal and statutory compliance and corporate responsibility initiatives.

The Group has a robust sustainability structure with oversight from the Group Executive Committee and the Group Sustainability Committee, while task groups for each sustainability aspect are headed by a member of the Group Operating Committee. Additionally, each business unit has a dedicated sustainability champion responsible for sustainability initiatives and the overall sustainability performance, under the overall supervision of their respective sector heads and heads of business units. This structure is being used in integrating sustainability within the business operations as well as

The Group believes that its financial performance and brand image are closely linked with sound corporate governance, product and service excellence and environmental stewardship.

assessing and developing the value chain in sustainable practices.

The Sustainability and Enterprise Risk Management division, along with the Group Executive Committee and the Group Sustainability Committee formulates the Group sustainability strategy. The division is also responsible for the process in which the Group identifies its significant stakeholders, the identification of materiality issues and sharing of best practices, carrying out risk reviews and the overall review and monitoring of the sustainability drive. Awareness campaigns are carried out on a regular basis, with one annual Group-wide awareness campaign being carried out to broaden base knowledge and inculcate a culture of sustainability.

Group Sustainability Policy

- The Group will strive to conduct its activities in accordance with the highest standards of corporate best practice and in compliance with all applicable local and international regulatory requirements and conventions.
- The Group monitors and assesses the quality and environmental impact of its operations, services and products whilst striving to include its supply chain partners and customers, where relevant and to the extent possible.
- The Group is committed to transparency and open communication about its environmental and social practices in addition to its economic performance. It seeks dialogue with its stakeholders in order to contribute to the development of global best practice, while promoting the same commitment to transparency and open communication from its partners and customers.
- The Group strives to be an employer of choice by providing a safe, secure and non-discriminatory working environment for its employees whose rights are fully safeguarded and who can have equal opportunity to realise their full potential. All Group companies will abide by national laws and wherever possible will strive to emulate global best practice governing the respective industry groups, seeking continuous improvement of health and safety in the workplace.
- The Group will promote good relationships with all communities of which we are a part and enhance their quality of life and opportunities while respecting people's culture, ways of life and heritage.

G4-18

During the year, the Group sought to formalise the sustainability integration process further by requiring all its business units to document their material impacts and commit to a medium term strategy to minimise such impacts through their strategy presentations and annual planning process. This has enabled Group companies to further integrate their sustainability strategies with their business strategies to achieve triple bottom line performance goals. As a result, sustainability initiatives and other green projects have now become an aspect in the annual objectives of business units. It is expected that over the year, these objectives will cascade down to individual employee objectives, which would enable the implementation of sustainability at grass-root levels of the organisation.

The Group follows internally developed sustainability standard operating procedures and uses an enterprise-wide system to capture and consolidate sustainability related information for internal and external reporting purposes.

The Group in order to compare its sustainability performance with global standards, continues to benchmark itself using international assessment bodies"

The Group also verifies the integrity of its data through both internal and external assurance processes. The Group in order to compare its sustainability performance with global standards continues to benchmark itself using international assessment bodies.

Material aspects and boundary

One of the Group's primary methods of communicating its response to stakeholder concerns is through its annual report. The process for defining this report content is through the identification of key sustainability related risks, significant stakeholders, assessment of the material aspects based on relative importance to both the Group and stakeholders, and formulate policies and management approaches to manage and mitigate these aspects. The Group's sustainability performance is then tracked, compared against benchmarks and reported internally and externally, proactively contributing to ongoing business unit strategy. The Group's performance is then reviewed to ascertain whether the identified stakeholder concerns have been met through constant engagement of stakeholders and monitoring of print and electronic media.

Sustainability champions - John Keells Group

Analysis of risks, impacts and opportunities

Risk management is an integral part of the organisational process of the John Keells Group and a key factor in ensuring the Group's success. The structured process for risk management seeks to create and protect value for all stakeholders by ensuring that Group companies effectively identify and mitigate the range of structural, operational, financial and strategic risks that may prevent the organisation from meeting its objectives and arising from this identification also captures opportunities that can be garnered for business success.

G4-25

The risk management process of the Group identifies the risks and their impact from a triple bottom line perspective, and covers risks/impacts to the Group arising from the socio-economic environment it operates in as well as the risks/impacts emanating from its operations.

From an economic perspective, the Group identified the weakened global economy, volatility in interest and foreign exchange rates and ambiguous and outdated laws as key areas of risk impacting the business operations of the Group. The Group also identified areas such as the identification of emerging Asian markets in the Leisure industry group, increasing local purchases through sustainable sourcing in the Consumer Foods & Retail industry group, and enhancing local community infrastructure through various community based initiatives, as opportunities in enhancing the Group's brand image and social license to operate.

From a social perspective the Group identified likely impacts to its internal stakeholders – its workforce, and to its external stakeholders – customers, suppliers and the community. While risks and impacts vary for each stakeholder group, the Group identified areas such as attracting and retaining necessary skills, cultivating good labour relations, ensuring product responsibility, health and safety of customers as key focus areas, in order to mitigate the impact of these risks.

The Group's Environmental Policy and operational decisions are influenced by the "Precautionary Principle" and accordingly from an environmental perspective, the Group considers the prevention of environmental pollution, environmental degradation and global warming and its impacts on the local community as areas of priority. The Group identified risks such as climate change, natural disasters and process violations leading to environmental pollution as key risks in this area. With one of the Leisure industry group's unique selling propositions being the natural environment and biodiversity, the Group relies on the non-depletion of the country's natural resources. In addition, both the Leisure industry group and the Consumer Foods sector rely heavily on water resources and hence conservation and protection of the environment are seen as an opportunity for sustainable growth.

In order to deliver its environmental and social programmes, the Group engages its employees and stakeholders - the objective being to equip all employees to build sustainability thinking and practices into their everyday work ”

Significant stakeholders

The Group conducts its business operations in several industry sectors of the economy as well as in different geographical markets. This diversity necessitates developing and sustaining relationships with various stakeholder groups.

Considering the large number of stakeholders that the Group engages with, their expectations of the Group would be diverse and numerous. The Group has therefore considered only the stakeholders that have a significant influence over the Group, or who would be significantly impacted by the Group's

Primate in the surrounds of Cinnamon Lodge, Habarana operations and these groups are identified in the diagrams below.

Our engagement with stakeholders encompasses a range of activities and interactions that include communication, consultations and information disclosures.

During the year the Group carried out an employee satisfaction survey (GPTW survey) measuring employee engagement under the dimensions of pride, credibility, respect, fairness and camaraderie. With a participation rate of 92 per cent 'pride' in the organisation has moved closer to the selected benchmark whilst 'fairness' showed the most improvement since the last survey. Employee motivation and discretionary effort have also seen a significant increase, with fair pay and profit sharing being the furthest from the benchmark. While the pattern of employee perceptions on each dimension match the benchmark, action plans are being devised to address the areas of concern whilst building on areas of strength.

Engagement of significant stakeholders

The Group is committed to meeting the fundamental expectations of all significant stakeholder groups and the Group carries this out through formal and informal consultations, participation, negotiations, communication, mandatory and voluntary disclosures, certification, and accreditation. The mode and frequency used for each significant stakeholder group is as follows:

Customers – individual, corporate B2B

Expectations – Meeting customer expectations on product and service features, ensuring high quality and safe products and services, delivered in an environmentally and socially responsible manner

Frequency of engagement		Method of engagement
←	Annually	Road shows, trade fairs, field visits
←	Bi-Annually	One-on-one meetings, discussion forums, progress reviews
←	Quarterly	Customer satisfaction surveys
	Monthly	
	Regularly	
←	Ongoing	Information dissemination via printed reports, telephone, SMS, e-mail, corporate websites, workshops, business development activities

Employees – directors, executives, non-executives

Expectations – Providing a safe and enabling environment, equal opportunity and a culture of meritocracy, enhancement of skills and knowledge, continuous engagement, providing feedback and encouraging work-life balance

Frequency of engagement		Method of engagement
←	Annually	Employee satisfaction surveys and dip stick surveys such as Great Place To Work (GPTW), VOE (Voice Of Employee), Group-wide year end get-together
←	Bi-Annually	Performance reviews, skip level meetings
	Quarterly	
	Monthly	
←	Regularly	Intranet communications through JK Connect and My Portal
←	Ongoing	Professional training, development activities and team building through internal and external programmes, joint consultative committees, open door policy at all management levels, sports events, Corporate Social Responsibility programmes

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Community - neighbours, community, community leaders, society

Expectations – Stimulating local economy through procurement and providing direct and indirect employment whilst carrying out operations with minimal impact on shared natural resources

Frequency of engagement		Method of engagement
←	One-off	Engagement with the community is carried out prior to entry into the community area and on exit via one-on-one meetings, workshops, forums
	Bi-Annually	
	Quarterly	
←	Monthly	Engagement is then carried out on a monthly basis while operating via one-on-one meetings, workshops, forums
	Regularly	
←	Ongoing	Corporate Social Responsibility programmes, creating awareness and education

Institutional investors, fund managers, analysts, leaders, multilateral lenders

Expectations – Consistent economic performance leading to greater economic value generation

Frequency of engagement		Method of engagement
←	Annually	Annual reports, disclosures and reviews
	Bi-Annually	
←	Quarterly	Quarterly reports
	Monthly	
←	Regularly	Investor road shows
←	Ongoing	Phone calls, e-mail, written communication, websites, one-on-one meetings

Government, government institutions and departments

Expectations – Contribution to the country's economy through strategic investments, creating direct and indirect employment, timely payment of taxes and levies and stimulating local economies

Frequency of engagement		Method of engagement
	Annually	
	Bi-Annually	
←	Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
	Monthly	
	Regularly	
←	Ongoing	Engagement with the government is carried out on an on-going basis through meetings, business forums, newsletters, circulars, presentations and briefings, advisory meetings of industry associates

Legal and regulatory bodies

Expectations – Carrying out operations in compliance to all relevant laws and regulations and operating as a responsible corporate citizen adhering to sound corporate governance practices

Frequency of engagement		Method of engagement
	Annually	
	Bi-Annually	
←	Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
	Monthly	
	Regularly	
←	Ongoing	Engagement with the legal and regulatory bodies are carried out on an on-going basis through meetings, periodic disclosures, correspondence with bodies such as local authorities, municipal councils and other institutions such as Consumer Affairs Authority, Department of Inland Revenue, Customs Department, Securities & Exchange Commission, Colombo Stock Exchange and Tourist Board of Sri Lanka

Business partners, principals, suppliers

Expectations – Fostering long terms business relations and benefitting from the growth of the Group, adherence to contractual obligations, knowledge sharing and active representation in business councils and committees in the relevant industry sectors

Frequency of engagement		Method of engagement
←	Annually	Distributor conferences, contract renegotiations and reviews, road shows
	Bi-Annually	
←	Quarterly	Supplier review meetings, one-on-one meetings
	Monthly	
←	Regularly	Market reports
←	Ongoing	Conference calls, e-mails, circulars, corporate website

G4-24
G4-26

Society, media, pressure groups, NGOs, environmental groups			
Expectations – Carrying out operations in accordance to social norms, prevailing culture, with minimal impact on society and environment, whilst adhering to all relevant laws and regulations and operating as a responsible corporate citizen adopting sound corporate governance practices			
Frequency of engagement			**Method of engagement**
		Annually	
		Bi-Annually	
		Quarterly	
		Monthly	
		Regularly	
	←	Ongoing	Website, press releases, media briefings, correspondence, disclosures, media coverage, participation in NGO forums, certification and accreditation

Industry peers and competition			
Expectations – Carrying out operations in a fair and ethical manner, active participation in business councils and committees and discouraging anti-competitive behaviour			
Frequency of engagement			**Method of engagement**
		Annually	
		Bi-Annually	
	←	Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
		Monthly	
	←	Regularly	Communication through membership of trade associations, conferences, discussion forums
		Ongoing	

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Key sustainability concerns

The primary concern of shareholders is to ensure they obtain a return on their investment and for such returns to be continued in the long run. As such in addition to the overall economic performance of the Group, such investors would also consider the sustainability of the organisation with regards to its environmental performance, social performance and corporate governance as important aspects.

Stakeholders such as society, pressure groups and regulatory authorities constantly assess the operations of corporates with regard to the responsible utilisation of resources, conservation of bio diversity and environmental protection, as these will continue to be high priority areas for the Group.

The John Keells Group has, over the last 130 years, been a responsible corporate citizen, and staying in line with the Group's corporate philosophy, has always placed great importance in developing the communities within which it operates.

The Group carried out an employee survey based on the Great Place to Work model which revealed areas which may need further strengthening such as compensation, communication and recognition.

Overall the Group's stakeholders seem confident of the Group's corporate and sustainability strategies and performance, based on the fact that no adverse reports relating to environmental and social concerns pertaining to the operations of the Group or its companies have been highlighted during the reporting year.

Materiality impact assessments carried out on a sectorial basis, were used to ascertain these material issues to both the Group and its significant stakeholders. Taking the Group's sustainability focus to its value chain partners as well, the supplier assessments carried out during this year too, helped us assess any environmental and social concerns emanating from the Group's value chain partners.

As in the past, one of the Group's primary responses to the concerns raised by stakeholders has been through its Annual Report and the Group continuously monitors print and electronic media and constantly engages with its employees as part of its management approach.

Identification of sustainability aspects

During the year the Group re-assessed its material aspects through interactions with internal and external stakeholders identifying the perceived issues material to both its significant stakeholders, as well as to the Group and its operating companies.

In defining report content, the Group sought to prioritise the material impacts based on their relative importance to internal and external stakeholders. This prioritisation and identification of material aspects for reporting as well as the material aspect boundary considered by each of the Group's internal and external stakeholder groups are shown in the facing page.

Any clarifications regarding this report may be obtained from the:

Sustainability & Enterprise Risk Management division,
John Keells Holdings PLC
186, Vauxhall Street, Colombo 02, Sri Lanka
Email : sustainability@keells.com
Website : www.keells.com/sustainability

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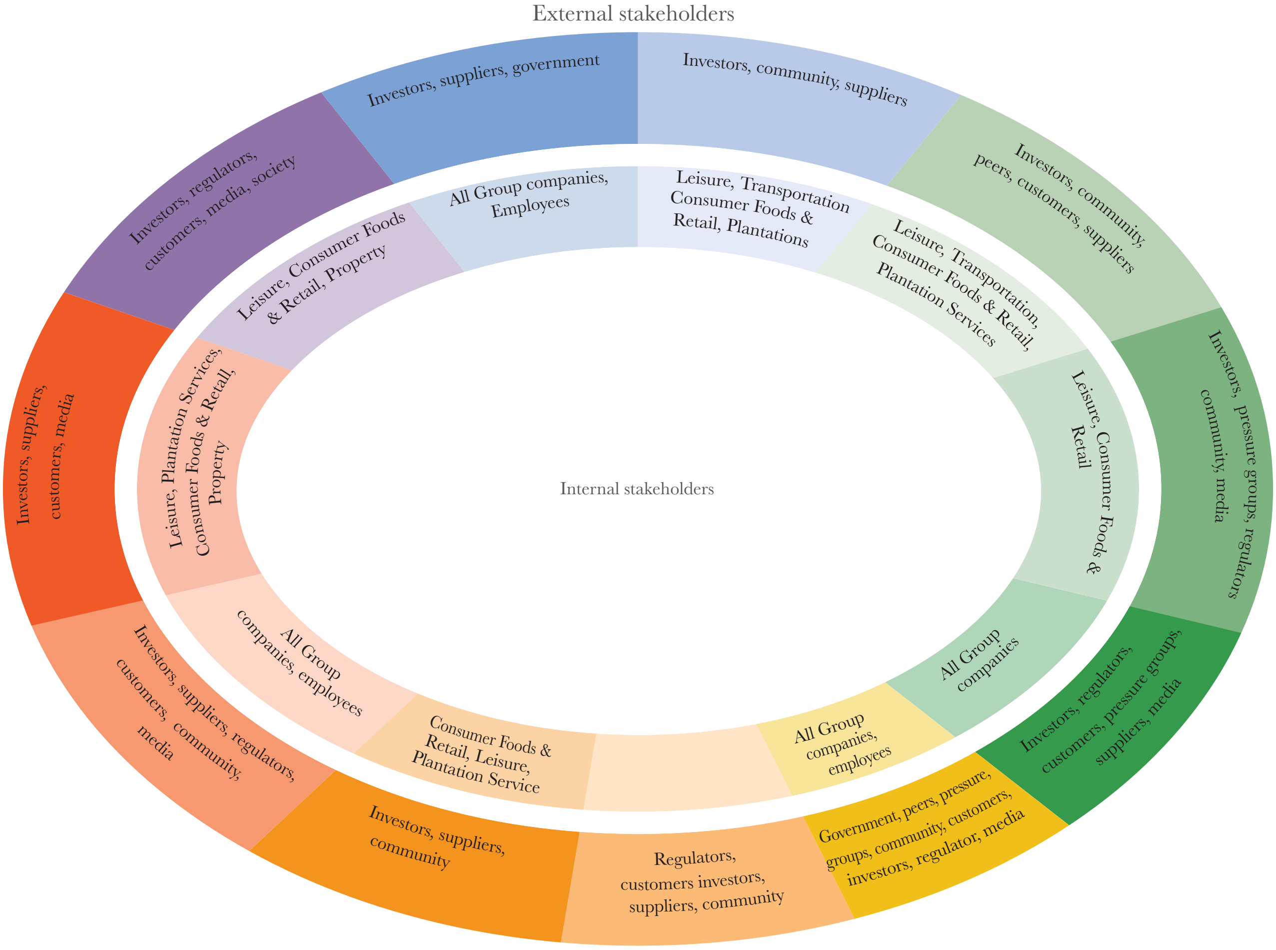

Aspect grouping
Economic performance and indirect economic impact
Procurement practices
Energy and emissions
Water, effluents and waste
Biodiversity and environmental compliance
Employment, diversity and equal opportunity, labour relations, freedom of association, training, occupational health and safety
Non-discrimination, prevention of child labour, prevention of forced and compulsory labour
Local communities
Anti-corruption and regulatory compliance
Supplier assessment (environmental and labour)
Product quality and compliance, labelling, marketing communications

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Material apsects

Colour code	Category	Material aspects	Management approach
	Economic	Economic performance, procurement practices, indirect economic impacts	Our Investors
	Environment	Energy, water, biodiversity, emissions, effluents, waste, compliance	Our Environment
	Employees	Employment, training & development, diversity & equal opportunity, occupational health & safety	Our People
	Ethical business & human rights	Anti-corruption, compliance, prevention of child labour, prevention of forced and compulsory labour, freedom of association	Our Ethics
	Product responsibility	Product labelling, responsible advertising, product compliance, customer health & safety	Our Products
	Supplier assessment	Assessment of suppliers for environment stewardship, labour practices and human rights	Our Supply Chain
	Social responsibility	Local community	Our Community

Management of material aspects

A detailed description of the strategies and approach adopted by the Group in managing its material aspects are contained in the Disclosure of Management Approach section hosted on the Group website www.keells.com sustainability. A summary of this management approach of the Group's economic performance, ethics and human capital, environmental responsibility, product stewardship, supply chain management and social responsibility are contained below.

Our People

Human resources are an appreciating asset bringing continuing returns and constitute the catalyst for world class performance. Being in predominantly service based industries, productivity, efficiency, customer focus, and skills are of vital importance in obtaining a competitive advantage.

The Group is committed to being "More than just a Workplace" while the foundation of its HR philosophy is to be an equal opportunity employer.

- The Group has in place policies with regard to human resources covering all aspects of employment.
- All Group companies adhere to all relevant local labour laws and regulations.
- The Group does not discriminate its employees on the basis of gender, race, nationality, age, social origin, disability, religion, or any other basis.
- The Group recognises the rights of employees and provides forums, support groups and policies to address their concerns and resolve issues and conflicts in a fair and transparent manner.

Details of the Group's human capital can be found in the Group Financial and Sustainability Review section.

Our Investors

The Group's continued success is dependent on its triple bottom line performance, by providing economic value addition, financial value through to its shareholders, payback on investment to its investors, payment of debt financing to its financiers and benefits to its employees, whilst also maintaining its social license to operate.

The John Keells Group is committed to delivering sustainable economic performance and growth to all its diverse stakeholders.

- The Group's sound financial management is based on a diversified approach aiming to increase economic value whilst ensuring stringent internal controls and robust Enterprise Risk Management processes.
- Employees are targeted through a performance centric compensation culture which results in high levels of efficiency and productivity.
- The Group seeks to stimulate the economies through its commitment to developing and working with local suppliers.

The Group's economic performance can be found in the Group Financial and Sustainability Review section.

Our Environment

The Group has significant operations in various sectors which have high environmental impacts such as energy, water consumption, emissions, waste and effluents and bio diversity. The Group is aware that it is a custodian of the environment for future generations and as such take best efforts to minimise negative environmental impacts and comply with all applicable laws and regulations. The Group is also aware of the importance of preserving the country's natural resources which in turn would enhance the unique value proposition of the Group's products and services.

The John Keells Group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner.

- The John Keells Group places great importance on the management and reduction of energy, water consumption, carbon emissions, waste generation and effluent discharge in the areas of operations.
- Complementing the overall Environment Policy, the Group has in place several other policies such as its Energy Management Policy, Water Management Policy as well as policies such as the Hazardous Waste Management Policy covering waste management.

The Group's environmental performance can be found in the Group Financial and Sustainability Review section.

Our Ethics

The Group is committed to upholding the universal human rights of all its stakeholders whilst maintaining the highest ethical standards in all its business operations.

The John Keells Group places the highest value on ethical practices and has promulgated a zero tolerance policy towards corruption and bribery in all its transactions.

- All business units and functions of the Group are required to include and analyse the risk of corruption as a part of their risk management process.
- The Group employs stringent checks during its recruitment process to ensure the minimum age requirements are met.
- The Group ensures that all companies are educated on the possible sources of forced and compulsory labour.
- The Group has zero tolerance for physical or verbal harassment based on gender, race, religion, nationality, age, social origin, disability, political affiliations or opinion.

The Group's governance mechanism and internal control procedures can be found in the Governance section.

Our Products

The delivering of optimal levels of quality and ensuring maximum satisfaction to all its customers and clients has always been imperative and material to the Group.

The John Keells Group strives to maintain products and services at the highest standards with all relevant local and international statutory and regulatory requirements in the markets we serve.

- The Group develops and markets products and services that meet customer requirements and meet the highest product quality standards which ensures customer health and safety.
- The Group follows the ICC Code of Advertising and Marketing Communication for all its products and services
- The Group adheres to all product labelling requirements specified in all relevant laws and regulations in the countries it operates.

The Group's product related information is found in the relevant industry group section.

Our Supply Chain

Engaging with a vast number of business partners across its various industry groups, the Group recognises the importance of entrenching sustainability across its value chain towards promoting responsible businesses whilst reducing risk.

The Group engages with its significant suppliers in ensuring that their working conditions are safe, workers are treated with respect and dignity, and that operations are carried out in an environmentally responsible manner.

- The Group has introduced a comprehensive Supplier Management Framework including a Supplier Code of Conduct.
- Awareness creation and engagement of suppliers are carried out through supplier fora.
- Significant suppliers are assessed annually on labour practices, human rights and environmental impacts through an internally developed supplier checklist

Details of the Group's supplier engagements can be found in the Group Financial and Sustainability Review and the Disclosures of Management Approach found on the corporate website at www.keells.com/sustainability.

Our Community

The Group aims to be good neighbours and proactively contributes to the development of the nation through aligning its focus areas to the Millennium Development Goals adopted by Sri Lanka.

The Group abides by the values of caring, trust and integrity through demonstrating our commitment to the community and environment we operate in staying in line with our CSR Vision "empowering the nation for tomorrow".

- The Group focuses on education, health, environment, community & livelihood development, arts & culture and disaster relief
- The Group has contributed towards the development of society through infrastructure, public services and local community engagement initiatives

The Group's social responsibility initiatives can be found in the Corporate Social Responsibility section.

Risk Management

Enterprise Risk Management process

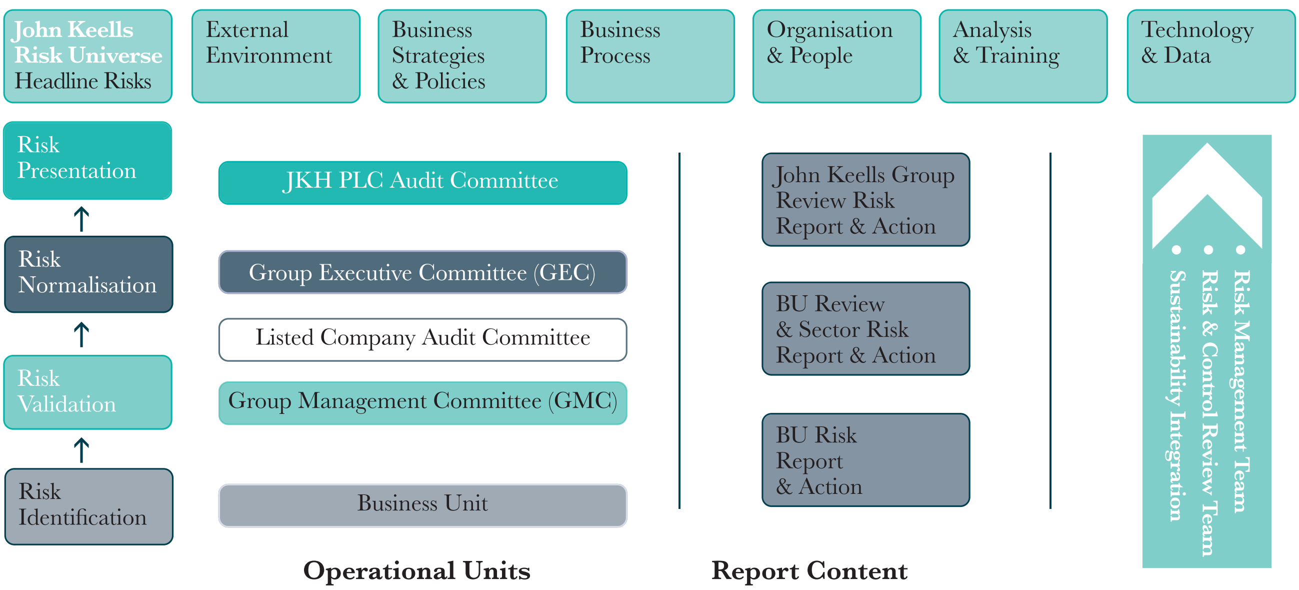
Overview

The robust corporate governance structure, risk management process, sustainability, corporate social responsibility and internal audit functions, which are intrinsically intertwined, ensure that the impacts of all risks identified for the Group are proactively managed. Continuous horizon scanning too helps the Group identify both risks and opportunities with regards to global and regional trends. The Enterprise Risk Management division at the centre serves as a repository of best practices and knowledge, in facilitating timely and accurate risk identification, risk mitigation and monitoring which are important components of the Group's Corporate Governance System.

All business unit risks are identified and validated at the Group Management Committees at industry group level and presented to the audit committees of all listed companies together with risk mitigation plans. The significant risks of the operating non-listed companies are also brought to the attention of the John Keells Holdings PLC Audit Committee. In addition, each Group company identifies its core sustainability risks, which are defined as risks that have relatively very low probability of occurrence but could have a significant impact on the sustainability of that particular business operation. Business units are the ultimate owners/managers of the risks of their businesses and are responsible for reviewing and monitoring the agreed risk control measures on an ongoing basis. These risk control measures are subject to audit by the Group Business Process and Review (internal audit) division which reports to the respective audit committees of the listed companies and to the Audit Committee of John Keells Holdings PLC with respect to all Group companies.

Risks pertaining to the Group are validated and monitored at the Group Executive Committee level. The risk management cycle is concluded with an annual Group risk report containing a Group-wide risk profiling and analysis which is presented to the John Keells Holdings PLC audit committee and any policy level decision stemming from this review is incorporated in the next risk review cycle.

The risk management process and information flow is depicted below.



Risk management and sustainability are firmly intertwined within the Group. The Group believes that sustainability is a form of overall risk management which not only considers the specific operational and financial risks faced by the individual organisation, but also considers macro and other overarching risks faced by the organisation which include possible impacts on the environment, employees and community due to its operations.

The Group follows a risk treatment process of mitigation, minimisation, acceptance and/or transfer of risk, and accordingly, each business unit implements operational and management controls and establishes mitigation plans which are regularly verified through independent internal audit. Specific mitigation mechanisms such as business continuity plans, disaster recovery plans, and insurance to cover residual non-systemic risks, are also employed.

Key impacts, risks and opportunities

As mentioned previously, the Group takes a holistic approach to risk management, going beyond the traditional operational risks which are only relevant to, and monitored at, a business unit level, using an overarching, macro approach to identify the key impacts, risks and opportunities at a Group level, the highlights of which are outlined below.

Macro-economic and political environment

Financial year	2013/14	2012/13	2011/12
Risk rating	Low	Moderate	Low

Despite global economic conditions, the Sri Lankan economy has seen, and is seeing, a positive growth trajectory. The government continues to make investments in infrastructure development and some of the policy measures taken are expected to improve the long term sustainability and growth path of the economy. Accordingly, the Group believes that a lower risk rating is warranted.

The Group remains positive about the resilience of the economy and members of its senior management actively participate in business associations, think-tanks and other key policy making bodies in supporting the government in its efforts towards creating sustainable and equitable economic growth.

It is within this environment, that the Group has identified opportunities to support local organisations/entrepreneurs operating in the geographical areas of its operations. With its sustainable sourcing initiatives where almost all major raw materials for the Group's Consumer Foods sector are procured locally, the Group strives to uplift and promote industry in its areas of operations and, through such efforts, mitigate risks of continued supply, impacts of volatile exchange rates on imports and other supply chain risks, deriving the benefits of a stakeholder governance model. As a part of this model, the Group through its corporate social responsibility activities, spear headed by the John Keells Foundation, strives to create livelihoods, improve education, health and invests in local community based infrastructure projects.

Regulatory environment

Financial year	2013/14	2012/13	2011/12
Risk rating	Ultra high	Ultra high	High

The regulatory environment continues to pose a degree of uncertainty resulting in the Group being challenged in its efforts to define medium and long-term strategies. As a mitigatory measure, the Group has resorted to structures which while being robust and effective are also flexible and adaptable to changes in the legal framework and business needs. As stated earlier, the Group also participates in various industry associations and industry chambers as a means of creating greater awareness and enlisting the support of the decision makers in obtaining greater clarity and achieving greater consistency of government policies and initiatives.

Financial exposure

Financial year	2013/14	2012/13	2011/12
Risk rating	Moderate	Moderate	Low

The responsibility of the management of financial risks through continuous monitoring and hedging mechanisms, along with liquidity and financing requirements, are, in the main, the responsibility of the central Treasury division supported by the executive and finance functions of the business units in the Group. The Treasury division also ensures that approved strategies for interest rate, currency and liquidity management are followed Group-wide. The financial indicators, and the Treasury report, are regular items on the Board agenda and emerging trends, both local and global, are discussed. In light of planned investments, the need to closely monitor and manage this exposure leads the Group to believe that the risk should be maintained at moderate level.

Information technology security

Financial year	2013/14	2012/13	2011/12
Risk rating	Low	Low	Insignificant

While the Group acknowledges the importance of information technology as a strategic tool in maintaining competitive advantage, it also recognises the intrinsic nature of the controls in ERP systems and has therefore reviewed some of its key IT processes and systems in order to gain assurance that such intrinsic internal control mechanisms are functioning as expected. With more of its IT systems migrating to cloud based computing during the year, the IT Policy, which covers all aspects ranging from employee rights/ compliance and "bring your own device" (BYOD) guidelines, to IT governance structures, was fully reviewed and communicated to all employees. During this process, the Group made every effort to minimise any risks stemming from the migration of systems with increased attention on this area by the Group Business Process Review division and through the risk management reviews.

IT systems are centralised in the Group as a means of ensuring uniformity and standardisation of IT security measures. In addition, contingency measures are detailed through business continuity plans and disaster recovery sites and processes. Given the above measures, IT security risk continues to be rated a low risk.

Global competition

Financial year	2013/14	2012/13	2011/12
Risk rating	Low	Low	Moderate

Recognising the global nature of trade and business, and in the face of potential foreign investment in Sri Lanka by global players, the Group continues with its efforts to remain competitive, ensuring its preparedness by adopting and implementing practices and processes which are on par with international levels. In this light, the Group has sought to match global standards through benchmarking its businesses to global best practices and maintaining the highest quality levels of its products and services. Further, the need for innovation, training and capacity development is entrenched within the Group through capability building, training, and research and development. The Group believes that while currently rated low, continuous improvement of quality standards is necessary to ensure that the global competition does not become a moderate to high level risk in the future.

Human resources and talent management

Financial year	2013/14	2012/13	2011/12
Risk rating	Low	Low	High

The Group places strong emphasis on retaining key talent through its employee engagement and talent management strategies including performance recognition and reward, leadership programmes and career development programmes. Through these programmes, its brand image and track record of good corporate governance, the Group believes it has been able to retain high quality employees despite the highly competitive labour environment. Exit interviews are conducted for executives and above and attrition levels are benchmarked against similar industries and against the country as a whole.

The Group consistently builds on feedback received from its employees. It conducted an employees' survey capturing all its direct employees with the findings being used to further enhance the Group's ability to attract and retain high calibre employees. It also maintains good working relations with unions and has in place an effective grievance handling mechanism and ensures a culture of continuous engagement and dialogue with employees.

The Group is aware that the lack of skills and competence in staff could result in the inability of the Group to grow and sustain its performance in the face of global competition and may also lead to lower productivity and increased costs. This risk is proactively mitigated through structured and relevant training and development programmes covering all levels of employees across the Group. The programmes are designed to build leadership skills, managerial skills, disseminate best practices through both class room training programs and the Group's E-learning platform. The Group also sees this as an opportunity to further consolidate its position as a preferred employer.

The Group has continued its past efforts to enhance skill levels and manage its attrition of talent, which the Group believes yielded positive results and hence believes a continued low rating is warranted.

Environment and health and safety

Financial year	2013/14	2012/13	2011/12
Risk rating	Low	Low	Low

The Group has in place a comprehensive environmental management system, within a clearly articulated overarching Environmental Policy along with several other policies with regard to energy, emissions, water, discharge and waste. At a minimum, all companies follow processes that ensure zero violations of the country's environmental laws and regulations. The Group strives to reduce its energy consumption, carbon footprint, water consumption and waste sent to landfill through training and awareness programmes, increasing usage of renewable energy sources, utilising energy efficient and environmentally friendly equipment, and employing improved techniques in reducing waste, and reclaiming/reusing/recycling waste. In addition, environmental concerns and mitigation of such impacts feature prominently in the evaluation of all new projects.

The Group also places great importance on health and safety of the workforce, consumers/customers and third parties. With a task force responsible for overseeing the health and safety of its workforce, the Group identified several operational locations for OHSAS certification and approximately 90 per cent of such Group companies have now obtained the certificate. The Group believes that the organisational processes stemming from an OHSAS certified environment would result in a pre-emption of safety related incidents and will in turn result in a reduction in lost days due to injuries, whilst improving worker morale.

Reputation and brand image

Financial year	2013/14	2012/13	2011/12
Risk rating	Low	Low	Low

The Group's employee Code of Conduct is the backbone of its reputation and brand image, driving uncompromised conformance to ethical, transparent and open conduct, with an adoption of a "zero tolerance" attitude. An independent Ombudsman augments the processes supporting the monitoring of the conduct and the safeguards built around it.

With its emphasis on the triple bottom line approach, the Group contributes extensively to society through the John Keells Foundation which undertakes wide-ranging programmes of social infrastructure and community development projects. In addition, the Enterprise Risk Management and Sustainability division of the Group assists in the identification and protection from risks to brand image and reputation. Further, the Group seeks to ensure the highest level of product stewardship with regard to its brands, abiding by the underlying principles of the International Chamber of Commerce's Code of Advertising in all external marketing and communication campaigns and tracking product quality through the relevant indicators of the Global Reporting Initiative and a rigorous quality assurance process. In light of the above, the Group believes the above risk will remain a "low."

Supply chain (new risk)

Financial year	2013/14	2012/13	2011/12
Risk rating	Low	-	-

During the year in review, supply chain risks were also assessed and included as part of the risk management process, with the Group commencing the entrenchment of sustainable development among significant external players within its value chain. The Group initiated the process with a review of supplier performance with regard to compliance with environmental and labour laws in the country of operations.

Accordingly, supplier fora were held in Sri Lanka and in the Maldives for the major suppliers of the Group Sourcing initiative and the significant suppliers to the three Maldivian resorts, to appraise such suppliers of the need for environmental conservation and social responsibility. The Group believes that its internal sustainability drive is dependent on the sustainability practices of significant members of its value chain, and strives to reduce the risk of negative impacts to the Group's image and brand reputation

Other risks and summation

While the above section gives an overview of the Group's key risk areas, financial risks such as credit risk, liquidity risk, interest rate risk, currency risk, commodity price risk, equity price risk and capital management are discussed in detail in the Notes to the financial statements. In addition, given the interrelationship between risk management and sustainability, the Group Financial and Sustainability Review section details the Group's performance with regard to all pillars of the triple bottom line and further analyses and quantifies the impacts of risk and opportunities.

Innovative

MANAGEMENT DISCUSSION AND ANALYSIS

Setting the standards that become the norm

Group Financial and Sustainability Review

This year's Annual Report is centered on the theme "Integrated", which is a reflection of the Group's commitment to place equal prominence to all aspects of the Triple Bottom Line and the related interdependencies in meeting stakeholder expectations

With the continuous expansion of business activity and the increased complexity of the macro environment, the Group has recognised the need to augment its responsibility towards interlinking Profits, Planet and People. As such, this year's Management Discussion and Analysis (MD&A) is structured under a Triple Bottom Line reporting framework demonstrating how the financial, environmental and social aspects are intertwined in advancing a sustainable operating model for the Group.

The ensuing sections of the Group Financial and Sustainability Review are structured with a detailed discussion on the following aspects.

- The economy
- Group financial performance
- Group environmental performance
- Group social performance
- Outlook

The Financial Performance Review section of the MD&A outlines the consolidated financial performance of the Group whilst the Group Environmental Performance Review section outlines the efficiency of the utilisation of natural resources and the strategies adopted in preserving such resources to ensure the sustainability of business performance. The Group Social Performance Review section of the MD&A outlines the performance and management of the human resources, the product responsibility and supply chain dynamics within the wider society in which the Group operates.

A detailed discussion of the aforementioned factors relating to each industry group can be found in the Industry Group Analysis section of this Report.

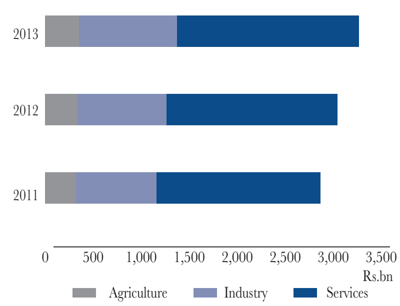
The economy

The Sri Lankan economy rebounded in the calendar year 2013 with an annual gross domestic product (GDP) growth of 7.3 per cent compared to the growth of 6.3 per cent recorded in the previous year. Continuation of single digit inflation enabled the Central Bank of Sri Lanka (CBSL) to ease the monetary policy during the year to stimulate economic activity. Despite witnessing some volatility, the Rupee remained steady towards the second half of the financial year, backed by an improvement in the balance of payments lead by a gradual recovery in major exports and low import growth.

The following is a discussion on the movement of primary macro-economic variables during the year under review and the resultant impacts on the performance of the Group's businesses. More comprehensive discussions of the strategies and risks pertaining to the industry groups are covered in the Chairman's Message, Industry Group Analysis and Risk Management sections of this Report.

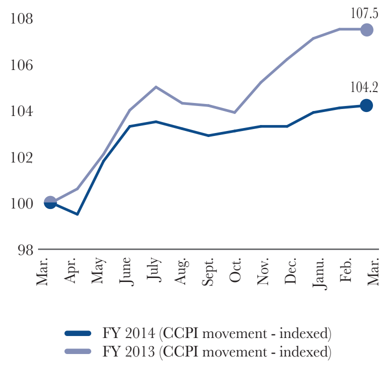
With the continuous expansion of business activity and the increased complexity of the macro environment, the Group has recognised the need to augment its responsibility towards interlinking Profits, Planet and People ”

GDP



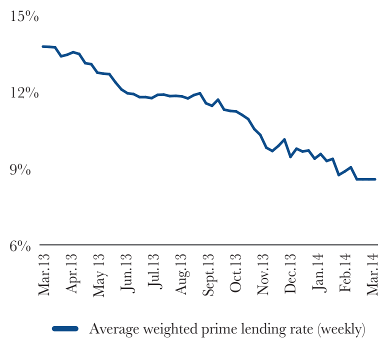
Movement	Cause	Impact to JKH
GDP growth increased to 7.3 per cent in 2013 compared to 6.3 per cent in 2012	Improved macro-economic conditions, including low inflation, declining interest rates and the relatively stable exchange rate contributed to the acceleration of economic growth. All three key sectors contributed positively to overall economic growth	Although the GDP growth was robust, it was primarily driven by exports and domestic capital formation. Therefore, this did not necessarily translate into enhanced performance in all businesses

Inflation



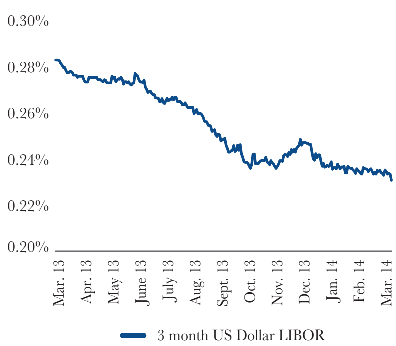
Movement	Cause	Impact to JKH
CCPI was 4.2 per cent year on year at the end of March 2014, compared to 7.5 per cent at the end of March 2013	Despite the significant upward adjustment to electricity tariffs, the rate of inflation declined primarily as a result of improved domestic food supply together with the soft global commodity prices	The supply side cost escalations were largely absorbed by the businesses during the financial year resulting in some businesses witnessing a reduction in margins. Despite lower interest rates, consumer sentiment and discretionary spending were relatively subdued, particularly during the first half of the year

Domestic interest rates (%)



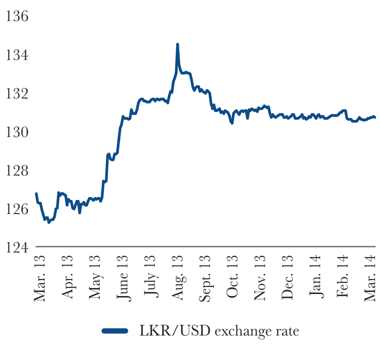
Movement	Cause	Impact to JKH
AWPLR decreased to 8.6 per cent in March 2014 compared to 13.8 per cent in the previous year. The three month Government T-bill rate was 6.7 per cent in March 2014 compared to 9.7 per cent in March 2013	The downward adjustment in policy rates, moderating inflation expectations and excess liquidity on account of low credit growth resulted in the decrease in yields of Government securities. The downward revision of the statutory reserve ratio by 200 basis points to 6 per cent increased liquidity, enhancing the lending capacity of banks	The Group benefitted from the reduction in rates on its short and long term borrowings portfolio. The reduction of AWPLR had a positive impact on term loans priced using AWPLR as a benchmark. Considering the sharp reduction in rates and the increased liquidity in the market, the Group re-financed or re-negotiated loans, where possible. The reduction in the interest rates had a negative impact on the Group's finance income, although this was significantly mitigated as a result of the strategy to lock in investments prior to the reduction in interest rates

Global interest rates (%)



Movement	Cause	Impact to JKH
3 month US Dollar LIBOR decreased marginally to 0.23 per cent in March 2014 from 0.28 per cent in March 2013. The Swap cost for a five year interest rate swap increased to 1.82 per cent from 0.95 per cent	The 3 Month US Dollar LIBOR declined marginally as a result of stable US policy rates and liquid money markets driven by the continued injection of liquidity into the market, albeit at a reduced rate with the US Fed commencing tapering of the quantitative easing programme. However, the 5 year interest swap increased due to the improvement in the growth outlook in the US and expectations of an increase in interest rates	The marginal decrease in the US Dollar LIBOR resulted in slightly lower finance cost on the IFC loan at the holding company and other Dollar denominated debt across the Group, including that of the Sri Lankan Resorts sector which now carries a relatively higher proportion of US Dollar debt. Taking into account the maturity profile of a majority of the Group's debt, the Group did not enter into arrangements to fix interest rates, considering the significant negative carry in the short term

Exchange rate



Movement	Cause	Impact to JKH
The Rupee depreciated to Rs.130.73 as at 31st March 2014 against the US Dollar compared to Rs.126.75 seen last year	As with most other emerging market currencies, the Rupee witnessed pressure in the second quarter of the financial year due to the withdrawal of funds from emerging market equities and debt as a result of the uncertainty on account of tapering of the US quantitative easing programme. The Sri Lankan Rupee was less volatile compared to most other emerging market currencies. However, the Rupee began to appreciate against the US Dollar during the third quarter of the financial year supported by an increase in inflows into Government securities and equity markets	The depreciation of the Rupee had a positive financial impact on businesses having Dollar denominated income streams, particularly in the Leisure industry group. Given their higher reliance on imported inputs, the Consumer Foods and Office Automation businesses took proactive steps to mitigate exchange rate risks. In addition to implementing foreign exchange exposure management strategies, the Group continued to maintain, or, where relevant, create a "natural hedge" to manage the volatility of the foreign exchange markets

Note: AWPLR: average weighted prime lending rate; CCPI – Colombo consumer price index; GDP – gross domestic product; LIBOR – London inter-bank offer rate; IFC – International Finance Corporation

Group financial review

Summary of key Income Statement items

Rs. millions	2013/14	2012/13	Change	%	Explanatory highlights
Revenue	89,256	85,408	3,848	5	• Revenue increase on account of increased operational activity in Sri Lankan resorts, Retail sector and UA • Partially off-set by decrease in sales volume at LMS and lower oil prices • Commencement of revenue recognitions at BOCPL, increase in sales at JKOA
Share of associate company profits	2,964	3,369	(405)	(12)	• Increased contribution by NTB • Lower contribution from SAGT due to reasons explained in the Industry Group Analysis section • Central Hospitals, ISA and JKLI were divested during the year
Administrative expenses	10,436	9,656	781	8	• Increase in operational activity at Leisure and at UA • Inclusion of non-cash charge for Employee Share Option Plans • Includes VRS charge of Rs.139 million at KFP • Impairment of PPE amounting to Rs.130 million at JKL
Earnings before interest and tax (EBIT)	16,623	16,747	(123)	(1)	• Decrease in EBIT of CF&R due to lower recognition of fair value gain on investment property compared to the previous year • Decrease in EBIT of Transportation industry group due to lower share of profits from SAGT and decrease in margins at LMS due to increased competition • Above negative impacts were offset to some extent with the increase in EBIT of Other, including Plantation Services and due to capital gains from the disposal of Central Hospital and ISA stakes.
Finance expenses	1,224	1,081	143	13	• As a result of increase in overall Group debt, particularly from Waterfront Properties and John Keells Hotels • Interest expense at JKP-Ja-ela which was capitalised in the previous year, was expensed during the current year amounting to Rs.78 million
Finance income	5,783	4,770	1,014	21	• Increase mainly on account of the interest income from the 2013 Rights Issue funds • Increase in interest income from corporate debt at UA and increase in realised gains
Tax expense	2,388	2,185	203	9	• Increase of taxable profits in Leisure • Tax expense at JKH includes tax under provisions for the previous year amounting to Rs.145 million. In addition the increase in interest income has increased the tax figure as well • Tax charge at JMSL compared to a tax credit in the previous year

Note: BOCPL - British Overseas Colombo Private Limited; CF&R-Consumer Foods and Retail; ISA- Information Systems Associates; JKL - John Keells PLC; JKLI- John Keells Logistic India; JKOA - John Keells Office Automation; JMSL - JayKay Marketing Services; JKP: John Keells Properties; KFP - Keells Food Products PLC; LMS- Lanka Marine Services; NTB- Nations Trust Bank; SAGT- South Asia Gateway Terminal; UA – Union Assurance PLC; VRS - Voluntary retirement scheme.

Revenue

In the year under review, Group revenue increased by 5 per cent to Rs.89.26 billion [2012/13: Rs.85.41 billion] with primary contributions from Consumer Foods and Retail (CF&R), Leisure and Transportation industry groups. Revenue emanating from domestic sources was Rs.76.24 billion [2012/13: Rs.73.00 billion]. Group revenue, inclusive of associate company revenue, increased by 4 per cent to Rs.98.00 billion [2012/13: Rs.94.45 billion]. Revenue from associate companies decreased by 3 per cent to Rs.8.75 billion compared to Rs.9.04 billion the previous year mainly due to the reduction in revenue contribution from South Asia Gateway Terminals (SAGT). However, this was off-set to an extent by the increase in total revenue of Nations Trust Bank (NTB) amounting to Rs.3.09 billion. During the year under review, the Group divested its stakes in associate companies Central Hospitals (Private) Limited (CHL), Information Systems Associates (ISA) and a 20 per cent stake in John Keells Logistic India (JKLI).

Gross profit margin

The gross profit margin of the Group improved to 27.6 per cent as against 26.8 per cent in the previous year, reflecting the effectiveness of various cost saving initiatives carried out by businesses despite pressures on input costs.

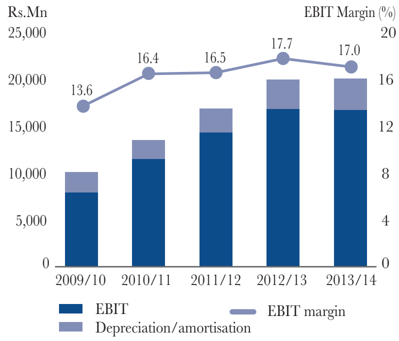
Earnings before interest and tax

During the year under review, the earnings before interest and tax (EBIT) marginally decreased to Rs.16.62 billion [2012/13: Rs.16.75 billion]. The decrease was primarily due to a lower fair value gain on investment properties of Rs.470 million recorded during the year under review compared to the Rs.2.01 billion in the previous year. Accordingly, the recurring EBIT for the year under review was Rs.16.15 billion compared to Rs.14.73 billion in the previous year, which is an increase of 10 per cent.

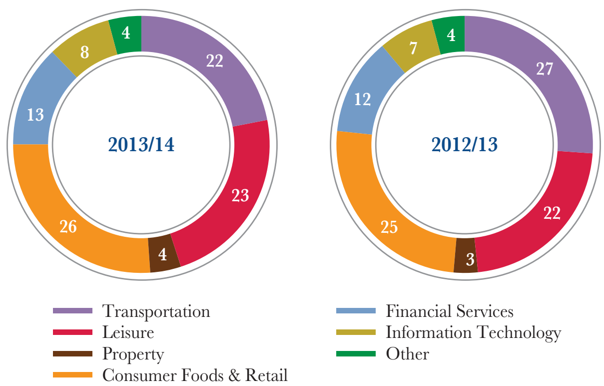
In terms of composition of EBIT, Leisure was the primary contributor with a 36 per cent contribution, followed by Transportation and Other, including Plantation Services with contributions of 17 per cent and 16 per cent respectively.

With the exception of Transportation and CF&R, all other industry groups achieved growth in EBIT. However, the reduction in the EBIT of CF&R was solely on account of the fair value gain on investment property, whereas on a recurring basis EBIT increased. For detailed discussions on the industry group EBIT growth refer the Industry Group Analysis section of this Report.

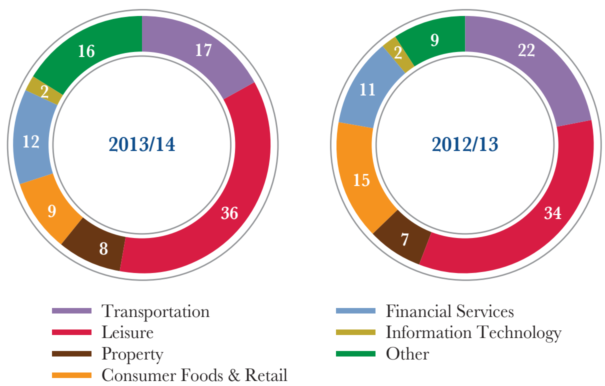
Group EBIT, EBITDA and EBIT margins



Revenue composition (%)



Group EBIT composition (%)



EBIT margins (%)	Unadjusted		Recurring	
	2013/14	2012/13	2013/14	2012/13
Transportation	12.6	14.7	12.6	14.7
Leisure	26.2	27.7	26.2	26.3
Property	33.0	39.9	23.5	26.0
Consumer Foods & Retail	5.8	10.3	5.5	5.0
Financial Services	15.9	16.0	15.9	16.0
Information Technology	5.3	5.6	5.3	5.6
Other, including Plantation Services	67.7	40.3	51.8	40.1
Overall Group	17.0	17.7	15.8	15.6

The above table illustrates the EBIT margins for each industry group, including a comparison of the recurring EBIT margins which excludes the impact of investment property gains. The recurring Group EBIT margin increased from 15.6 per cent in 2012/13 to 15.8 per cent in 2013/14. The increase in EBIT margins in the Other, including Plantation Services industry group is driven by the finance income earned through the funds raised from the 2013 Rights Issue.

During the year under review, the combined administrative, distribution and other expenses were Rs.16.65 billion as against Rs.15.17 billion in the previous year, this being an increase of 10 per cent. The increase in the combined expenses was mainly on account of increased administrative expenses of the Group as a result of increased operational activity in the Sri Lankan Resorts sector, the Retail sector and network expansion at Union Assurance. Further, a non-cash charge of Rs.216 million under the SLAS/SLFRS 2 on Share Based Payments in relation to the Employee Share Option Plan (ESOP) was included under administrative expenses where there was no corresponding charge in the previous year.

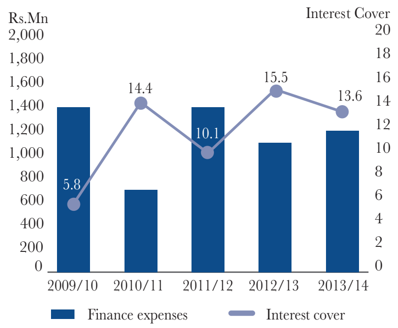
Finance income

During the period under review, finance income of the Group increased to Rs.5.78 billion [2012/13: Rs.4.77 billion]. The finance income includes interest income of Rs.2.79 billion relating to the operation of Union Assurance PLC's life and general funds and finance income of Rs.2.00 billion relating to the holding company, which comprised of interest income from the 2013 Rights Issue funds which are earmarked to fund the Company's equity contribution in the Waterfront Project. The finance income related to Union Assurance, net of related costs, is classified under operating segment results on the basis that interest income from the insurance funds are considered as operational income. Further details on finance income can be found in Notes to the Financial Statements section of the Annual Report.

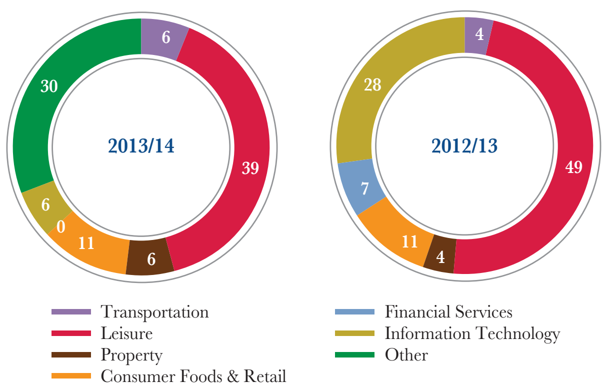
Finance expenses

The finance expense of the Group increased to Rs.1.22 billion [2012/13: Rs.1.08 billion] on account of an increase in total debt to Rs.26.26 billion from Rs.20.12 billion in the previous year. Leisure accounted for approximately 39 per cent of the total finance expense, followed by Other, including Plantation Services with 30 per cent and CF&R with 13 per cent. Property was the highest contributor to the increase in Group debt, primarily on account of the bridge loan funding of the Waterfront Project, followed by Transportation. The interest cover of the Group, while being at very comfortable levels, decreased to 13.6 times from 15.5 times in the previous year due to the increase in finance expenses.

Finance expenses and interest coverage



Finance expense (%)



Taxation

During the year under review, Group tax expense increased by 9 per cent to Rs.2.39 billion [2012/13: Rs.2.18 billion]. The increase in tax expense was on account of higher tax rates in the Retail sector and higher taxable profits due to lower fair value gains compared to the previous year. Leisure, Financial Services and CF&R were the largest contributors to Group tax expense with Rs.610 million, Rs.356 million and Rs.323 million respectively.

The effective tax rate on Group profits increased to 15.5 per cent as against 13.9 per cent in the previous year. The effective tax rate of the CF&R industry group was negatively impacted due to the deferred tax liability arising in the Retail sector on account of temporary property, plant and equipment balances. The credit on dividend tax at Maldivian Resorts in the previous year resulted in a lower tax base compared to the current year, thus contributing to the overall increase in taxes. In addition, the withholding tax charged on the finance income on short term investments made by the holding company increased the overall tax expense of the Group. Further, under provisions of taxes in the Other, including Plantation Services industry group during the previous year resulted in accounting for a higher tax charge for the current financial year. For further details on tax impacts of the Group refer to the Notes to the Financial Statements section of the Annual Report.

Profit after tax

Group profit after taxation (PAT) decreased by 3 per cent to Rs.13.01 billion [2012/13 Rs.13.48 billion]. Excluding the aforementioned fair value gain on investment property, the recurring Group PAT increased by 9 per cent to Rs.12.54 billion from Rs.11.47 billion the previous year. Of the industry groups, Leisure, Transportation and Financial Services were the highest contributors to PAT with contributions of Rs.4.82 billion [2012/13: Rs.4.75 billion], Rs.2.51 billion [2012/13: Rs.3.39 billion] and Rs.1.64 billion [2012/13: Rs.1.40 billion] respectively.

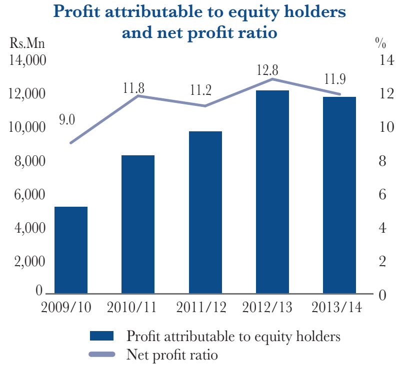
During the financial year, fair value gains on investment property at Property, CF&R and Other, including Plantation Services were Rs.391 million, Rs.72 million and Rs.7.9 million respectively. The Group also recorded capital gains of Rs.655 million from the divestment of its stake in CHL and Rs.158 million from the disposal of ISA, while recording a loss of Rs.12 million from the disposal of JKLI.

Non-controlling interest

Non-controlling interest (NI) decreased to Rs.1.29 billion [2012/13: Rs.1.37 billion] mainly due to the decrease in profits at Ceylon Cold Stores PLC as a result of lower investment property gains where there is a relatively higher non-controlling interest. The NI share of PAT for 2013/14 is 9.9 per cent as against 10.1 per cent in the previous year.

Profit attributable to equity holders of the parent

The profit attributable to equity holders of the parent decreased by 3 per cent to Rs.11.72 billion [2012/13: Rs.12.11 billion]. The net profit margin of the Group decreased to 14.5 per cent as against 15.8 per cent the previous year. Excluding the impact of fair value gain, recurring net profit attributable to equity holders increased by 9 per cent to Rs.11.34 billion from Rs.10.45 billion in the previous year. The recurring net profit margin of the Group increased to 12.5 per cent as against 11.5 per cent in the previous year.



Quarterly performance at a glance

Rs.Mn	FY 2013/14 Q1	Q2	Q3	Q4	Total
Net revenue	20,012	21,080	23,888	24,275	89,256
PBT	2,200	2,647	4,269	6,284	15,399
Transportation	748	745	538	641	2,671
Leisure	461	1,137	1,539	2,297	5,434
Property	142	(45)	347	848	1,293
CF&R	249	253	228	598	1,328
Financial Services	259	305	1,013	415	1,993
IT	65	43	87	122	316
Other, including Plantation Services	275	209	517	1,364	2,365
Profit attributable to equity holders	1,586	2,059	3,395	4,678	11,719
Total assets	163,130	163,765	189,802	202,474	202,474
Total equity	101,760	104,229	129,970	134,510	134,510
Total debt	23,074	21,067	19,386	26,256	26,256

Contribution to the Sri Lankan economy

Economic value statement for 2013/14

	2013/14 Rs.Mn	2012/13 Rs.Mn
Direct economic value generated		
Revenue	89,256	85,408
Finance income	5,783	4,770
Share of results of associates	2,964	3,369
Profit on sale of assets and other income	2,486	1,502
Valuation gain on IP	470	2,012
	100,959	97,060
Economic value distributed		
Operating costs	68,534	65,746
Employee wages and benefits	10,561	9,507
Payments to providers of funds	5,499	5,452
Payments to government	4,001	3,910
Community investments	95	53
	88,690	84,669
Economic value retained		
Depreciation	2,605	2,250
Amortisation	928	923
Profit after dividends	8,736	9,219
	12,270	12,392

The economic value statement depicts the generation of wealth and its distribution among the stakeholders in all business/social activities throughout the entire value chain. It also indicates the amounts reinvested for the replacement of assets and retained for the growth and development of operations. An overview of the total Group's purchases of goods and raw materials from its local community is found in the Group Social Performance Review section of the MD&A.

The economic value statement depicts the generation of wealth and its distribution among the stakeholders in all business/social activities throughout the entire value chain

Return on capital employed

During the year under review, the Group return on capital employed (ROCE) decreased to 11.8 per cent from 15.1 per cent recorded in the previous year. The decrease is primarily attributable to two reasons, these being:

i. Equity and debt funding of the Waterfront Project which has a four year gestation period:

- Rs.23.10 billion raised via the 2013 Rights Issue at JKH PLC.
- Bridge loan amounting to Rs.6.79 billion drawn directly by Waterfront.

ii. Revaluation of investment property and other property, plant and equipment (PPE) in keeping with fair value accounting under the accounting standards. Land and buildings, in particular, have been regularly re-rated in a post-conflict era. These re-ratings have been significant and it is impossible to react to them in the short term.

- Increase in revaluation of investment property is Rs.470 million in the current year compared to the Rs.2.01 billion in the previous year.
- Loss arising from the revaluation of PPE is Rs.7 million in the current year compared to a gain of Rs.10.33 billion in the previous year.

	Unadjusted ROCE	=	EBIT margin	x	Asset turnover	x	CSL*
2013/14	11.8%	=	17.0%	x	0.54	x	1.28
2012/13	15.1%	=	17.7%	x	0.64	x	1.33

** Capital structure leverage*

The adjusted industry group and overall Group ROCEs for the afore-mentioned impacts are as follows.

Industry group	Unadjusted ROCE		ROCE adjusted for Rights Issue funds and Waterfront debt		ROCE adjusted for Rights Issue funds, Waterfront debt, investment property and revaluations	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Transportation	16.1	21.8	16.1	21.8	16.1	21.8
Leisure	12.7	14.0	12.7	14.0	15.6	14.8
Property	6.4	11.2	8.9	11.2	7.1	7.8
Consumer Foods & Retail	14.7	23.0	14.7	23.0	16.9	12.1
Financial Services	22.5	22.9	22.5	22.9	22.6	22.9
Information Technology	15.2	15.0	15.2	15.0	15.2	15.0
Other, including Plantation Services	7.9	7.1	8.3	7.1	8.5	7.1
Group	11.8	15.1	12.7	15.1	13.7	14.1

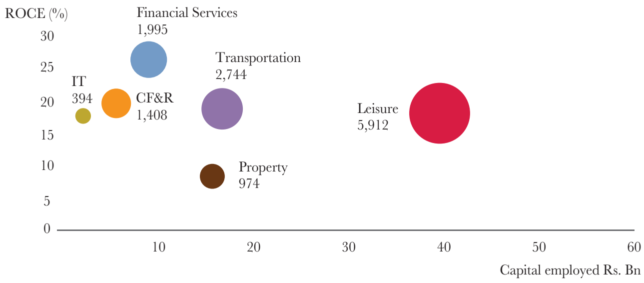
The Group ROCE adjusted for funding of the Waterfront Project and the revaluation of investment property and PPE is further explained as;

	Adjusted ROCE	=	EBIT margin	x	Asset turnover	x	CSL*
2013/14	13.7%	=	15.8%	x	0.64	x	1.35
2012/13	14.1%	=	15.6%	x	0.67	x	1.34

** Capital structure leverage*

The following graph illustrates the adjusted ROCE and capital employed adjusted for funding of Waterfront and revaluation of investment property and PPE.

Adjusted ROCE, capital employed and EBIT
size of bubble represents the relative contribution to EBIT in Rs. Mn



Return on equity

For the year under review, Group return on equity (ROE) decreased to 11.0 per cent as against 15.0 per cent in the previous year. The decrease in ROE is primarily due to the impacts discussed under Group ROCE. When adjusted for the impacts, the adjusted ROE for the Group is as follows.

	ROE	=	ROA	x	CEL*	x	CSL**
2013/14	11.0%	=	7.2%	x	0.90	x	1.70
2012/13	15.0%	=	9.2%	x	0.90	x	1.82

** Common earnings leverage*

*** Capital structure leverage*

	Unadjusted ROE		ROE adjusted for Rights Issue funds and Waterfront debt		ROE adjusted for Rights Issue funds, Waterfront debt, investment property and revaluations	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Group	11.0	15.0	11.9	15.0	12.9	13.8

The ROE adjusted for the impacts of the Rights Issue funds for the Waterfront Project and the revaluation of investment property and PPE is further explained as;

	ROE	=	ROA	x	CEL*	x	CSL**
2013/14	12.9%	=	7.8%	x	0.91	x	1.81
2012/13	13.8%	=	8.2%	x	0.91	x	1.86

* *Common earnings leverage*
** *Capital structure leverage*

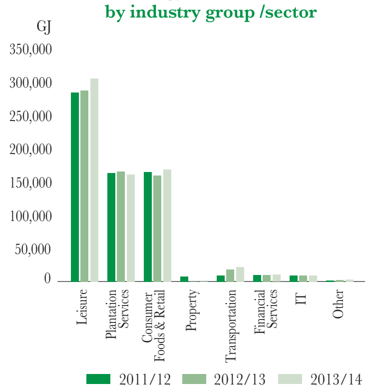
The section which follows discusses the second aspect on the Triple Bottom Line framework, this being the Environment.

Group environmental performance review

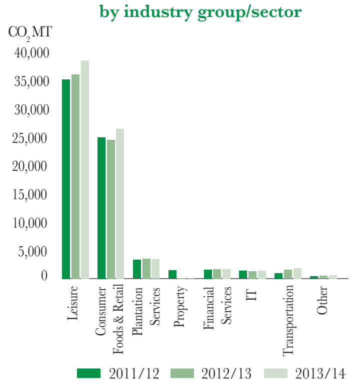
The Group strongly believes that the sustainability of the natural resources utilised is integral to its long term financial performance. As such, the Group is committed to establishing policies and procedures that enable sustainable and efficient business operations whilst also resulting in growth in the bottom line.

During the year under review, the Group applied a comprehensive environmental management system through which it focused on energy conservation, reduction of carbon footprint, conservation and optimisation of the water usage and waste management.

Energy consumption by industry group /sector



Carbon footprint by industry group/sector



Energy and carbon footprint

Total power consumed in GJ	2013/14	2012/13	2011/12
Direct energy	383,236	377,858	373,502
Fossil fuel	242,504	234,343	231,453
Diesel	143,890	142,692	139,471
Petrol	19,149	16,720	17,580
Furnace oil	55,380	51,696	49,657
LPG	24,086	23,236	24,745
Renewable energy	140,732	143,516	142,049
Solar power	1,316	969	498
Biomass	139,417	142,547	141,551
Indirect energy - national grid	296,705	274,767	276,194
Hydro and renewable	86,045	112,654	147,432
Thermal	210,661	162,112	128,762
Total energy consumption	**679,942**	**652,625**	**649,697**

During the year under review, the Group's total energy consumption of 649,697 Gigajoules [2012/13: 652,625 Gigajoules] was derived from fossil fuel, renewable energy and the national grid.

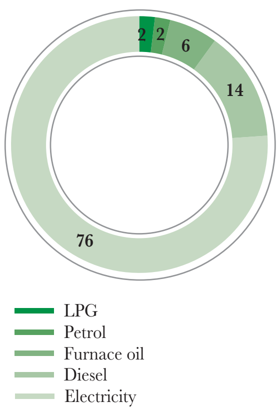
The Group achieved 9.4 million kWh of power through renewable energy sources constituting 9 per cent of its total power requirement and a further 766,154 kWh through energy conservation initiatives by Group companies.

The Leisure and CF&R industry groups were among the largest consumers of energy contributing to over 70 per cent of the energy consumed and over 88 per cent of the carbon footprint of the Group.

The Plantation Service sector consumed 24 per cent of the Group's energy consumed, however, only contributing to 5 per cent of the Group's carbon footprint, primarily due to 66 per cent of its power being generated through bio-mass.

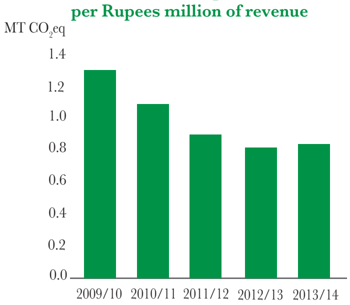
The main contributor to the Group's carbon footprint was electricity from the national grid followed by diesel and furnace oil.

Carbon footprint by energy type (%)



Demonstrating the continuous improvement in efficiency of generating revenue, the carbon footprint of the Group per million Rupees of revenue has seen an overall downward trend over the last few years despite recording a marginal increase in the year under review. During the year under review, the total carbon footprint increased by 7 per cent to 74,005 metric tons (MT) [2012/13: 69,253 MT] largely due to increased operational activity in the Leisure and CF&R industry groups. This comprises of Scope 1 direct energy carbon footprint of 17,829 MT and a Scope 2 indirect energy carbon footprint of 56,176 MT. The movement over the past five years' carbon footprint (MT) per million Rupees of revenue is illustrated on this page.

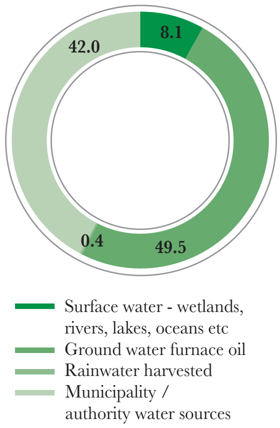
Carbon footprint per Rupees million of revenue



Water management

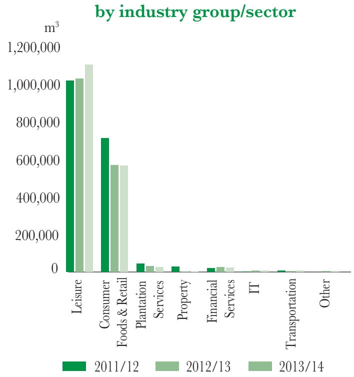
The Group's blue water sources include surface water, ground water and water obtained from city lines.

Water withdrawal by source (%)

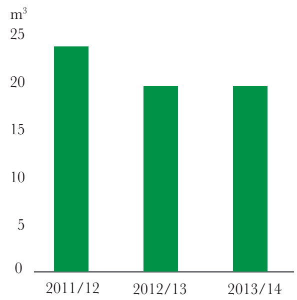


Water withdrawal of the Group increased by 4 per cent to 1,734,403 cubic metres of water compared to 1,660,870 cubic metres in the previous year. This was mainly due to increased operational activity in the Sri Lankan Resorts sector and higher production volumes at Keells Foods PLC.

Water withdrawn by industry group/sector

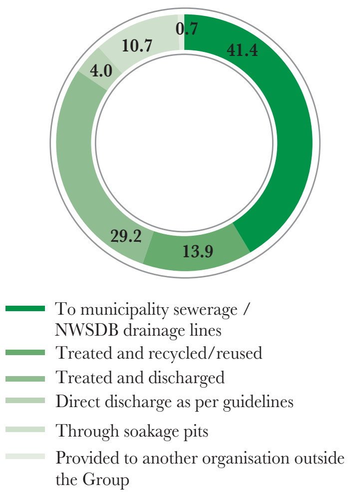


Water usage per Rupees million of revenue



During the year, the total effluent discharge of the Group stood at 1,336,363 cubic metres [2012/13: 1,340,190 cubic metres] of which 14 per cent [2012/13: 11 per cent] of the effluents discharged were recycled completely. The percentages of the various water discharge methods are shown below.

Water discharge by method (%)

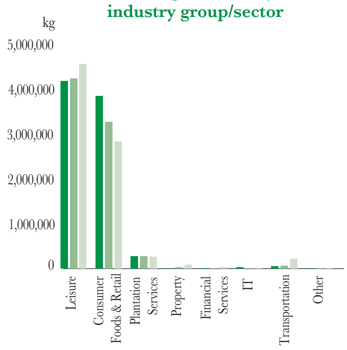


Of the Group's total water discharge, 43 per cent is treated at a minimum to the required levels as per local regulations through effluent treatment and sewerage treatment plants located at the various operational locations. In a bid to minimise ground water extraction, one third of this volume is completely recycled and used for purposes such as gardening and general cleaning.

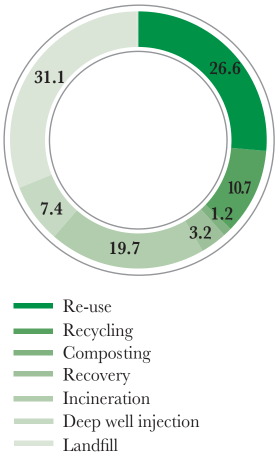
Waste management

During the year under review, waste generated increased marginally to 7,971 MT from 7,904 MT in the previous year. Of this, 69 MT was classified as hazardous waste and disposed through specialised third party contractors. Of the waste produced, 42 per cent [2012/13: 42 per cent] was recycled or re-used by the Group's business units or through third party businesses. The Leisure and CF&R industry groups contributed to over 90 per cent of the waste generated by the Group.

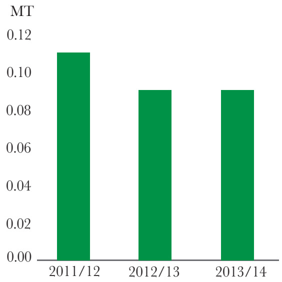
Waste generated by industry group/sector



Waste disposal by method (%)



Waste generated per Rupees million of revenue



Group social performance review

Following the financial and environmental review of the Group operations, this section will review the third aspect of the Triple Bottom Line framework: the Society. In this regard, the following discussion will review aspects of the Group's human capital, product stewardship, supply chain management and community development.

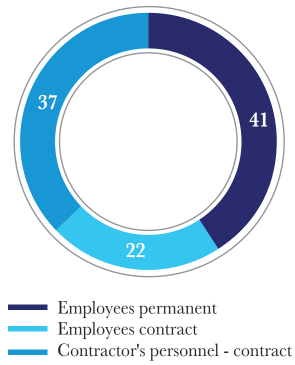
Human capital

The Group continuously strives to improve on the fundamentals that make the Group stand out as one of the most preferred employers. The ensuing section will outline the composition of the Group workforce and trends, training and development programmes, health and safety measures and the Group contribution to employee benefit plans. Further details are available in the Corporate Governance commentary of the Report.

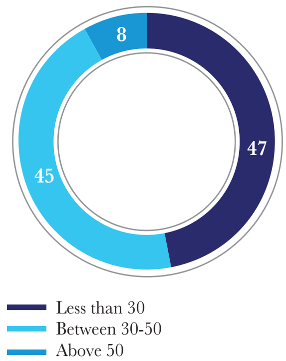
Employee diversity and retention of talent

As an equal opportunity employer, the Group encourages workplace diversity bringing about innovative thinking whilst creating an enabling environment which promotes a productive workforce. The workforce as at 31st March 2014 was 19,771, of which 12,501 are employees and 7,270 are outsourced personnel (5,713 are the sales agents of Union Assurance). The Group recorded no significant variations in the employment numbers of seasonal workers. While 11,220 of the Group's total employees are positioned in Sri Lanka, 572 are placed in Maldives and 689 in India.

Workforce by type of employment (%)

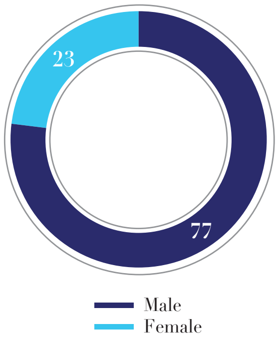


Total employees - age analysis (%)

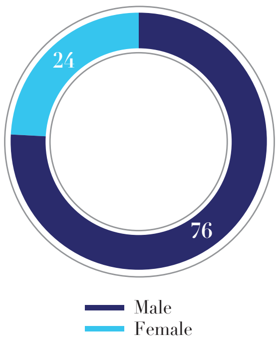


The Group monitors the diversity of its workforce based on age and gender as shown on the following page.

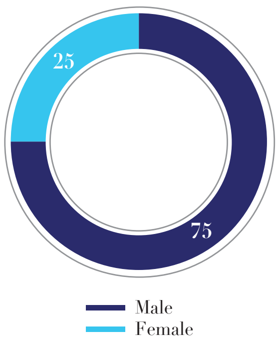
Employees by gender (%)



Workforce by gender (%)



Contractors' personnel by gender (%)

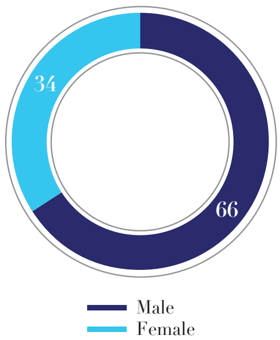


All JKH board directors are above the age of 50 and male. Of the nine Group Executive Committee (GEC) members, two are between the ages of 30-50 years and seven are over the age of 50 years, with one female GEC member. Excluding the GEC members, of the 14 Group Operating Committee (GOC) members, five are between the ages of 30-50 years, while nine are over the age of 50, with four female GOC members.

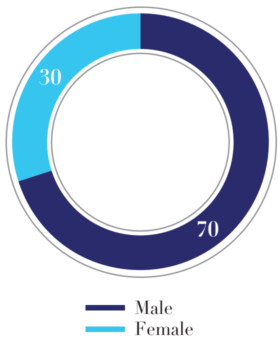
In the employee category, new hires and attrition are two vital labour aspects that are continuously tracked and monitored, reflecting one of the core values of the Group, "Caring".

The Group's total attrition (executive and non-executive), which excludes the attrition of the Retail sector, software services business and BPO operations, was 21 per cent while the new hire attrition rate is 8.7 per cent.

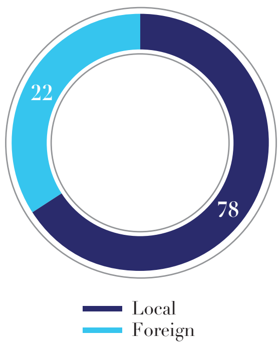
New hire attrition by gender (%)



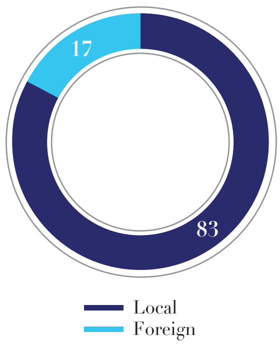
Attrition by gender (%)



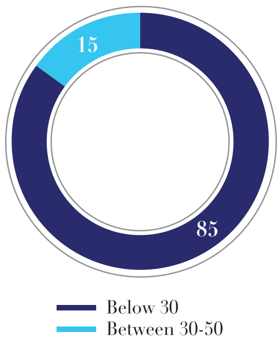
New hire attrition by region (%)



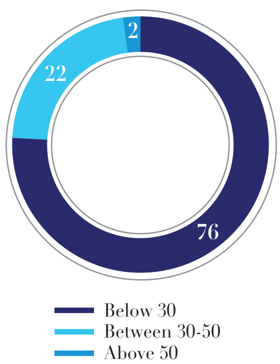
Attrition by region (%)



New hire attrition by age group (%)



Attrition by age breakdown (%)



Proactive initiatives have been taken to address attrition in industries with high staff turnover. Continuous engagement with the employees saw positive results in the BPO business with attrition coming down significantly over last year. One-on-one interactions between personnel identified as "Talent" and the Group's senior management are also carried out once a year.

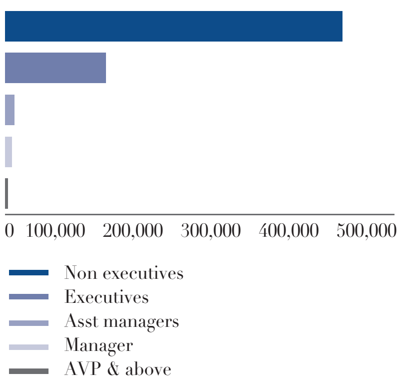
Performance appraisals

All employees of the Group undergo regular appraisals to receive feedback resulting in continuous improvement of staff performance. The consistent dialogue further contributes to organisation citizenship and commitment. The Group performance management policy requires bi-annual formal feedback to be provided to the executive cadre and to all others at least once a year.

Training and development

The Group believes in business focused training to enhance competencies and expertise in an attempt to build a highly skilled workforce. The Group provided 46.9 hours of training on average to its employees. The gender breakdown of the average training hours per annum amounted to 48 hours for males and 45 hours for females.

Total training hours



Collective bargaining

As a responsible employer, the freedom of association is respected and formal agreements are found in the CF&R industry group covering over 688 employees. Tea Small Holder Factories PLC in the Plantation Services sector follows the same wage structures of the plantation industry of the country. Additionally, the Resort Hotels have entered into Memoranda of Understanding with staff representatives covering over 518 employees.

Health and safety

The Group is committed to creating a safe and enabling working environment with occupational health and safety given paramount importance across all its industry groups, also contributing to employee well-being and heightened productivity. Minor occupational injuries or diseases that occur causing an employee to be unable to report to work for less than one day have been excluded although records are maintained for such injuries.

	2013/14	2012/13
Number of staff affected by occupational injuries and diseases	231	196
Gender-wise occupational injuries and diseases (male: female)	191:40	176:20
Region-wise of occupational injuries and diseases (in Sri Lanka: outside Sri Lanka)	228:3	194:2
Occupational injuries per 100 workforce	1.17	1.01
Total man days lost per 100 workforce days	0.038%	0.031%
Total absentee days per 100 workforce days	0.017%	0.039%

Employee benefit plans

The total contribution made to the trust funds for the reporting year was Rs.116 million and the total contribution made to the provident funds was Rs.545 million. In Sri Lanka and India, employees are also entitled to retirement gratuity and the employee benefit liability as at 31st March 2014 was Rs.1.32 billion.

Concluding on the Group human capital discussion under the Group Social Performance Review section of the MD&A, the following section will continue on to review the dimensions of product responsibility, supply chain sustainability and social responsibility of the Group during the year under review.

Product responsibility

The Group strives to maintain its products and services at the highest standards through industry and corporate best practices and compliance with all relevant statutory and regulatory requirements (local and international). As such, Group companies ensure process excellence and quality, responsible marketing and communication and consumer health and safety through its robust manufacturing, quality assurance and overall management processes.

Supply chain sustainability

The Group's suppliers form a vital element in achieving sustained success in the business environment. The Group promotes long term relationships with its suppliers and seeks alignment with them on sustainability-related issues such as labour practices, human rights and environmental impacts. During the year under review, supplier fora were carried out for all Group sourced suppliers for its Sri Lankan operations and significant suppliers in the Maldives, covering approximately 70 suppliers across the Group. The Group carried out assessments of 64 significant suppliers during the reporting year, which is a steady increase from the 22 suppliers assessed last year.

Social responsibility

Being a responsible corporate citizen, Group companies aim to be good neighbors, proactively contributing to social development and aligning its focus areas of community development to the Millennium Development Goals (MDG) adopted by Sri Lanka. During the year under review, the Group spent 77 per cent of its economic value distributed for purchasing of goods, services and utilities. In addition, a total value of Rs.1.27 billion was recorded through sustainable sourcing by the CF&R industry group and the Sri Lankan Resorts sector, details of which can be found in the Corporate Social Responsibility section of the Annual Report.

In ensuring sustained business in the locations of operations, the Group has carried out several strategic corporate social responsibility initiatives directly impacting over 35,800 people and indirectly impacting over 576,600 people. The expenditure of carrying out community services and infrastructure projects on a pro-bono basis amounted to Rs.59 million, details of which can be found in the Corporate Social Responsibility section of this Report. In addition, the Group also educated and trained 30,027 persons on serious diseases. Displaying its commitment to responsible business, the Group has had no environmental, product related or any other significant fines during the reporting year and has not had any non-compliance with regard to marketing communications.

Progress review on sustainability commitments

The following table is a progress review of the sustainability commitments of the previous reporting period 2012/13

Focus area	Targets for 12/13	Comment on progress	Status/way forward
Entrenchment of sustainability	Training and awareness with regard to sustainability	Training on G4 Reporting Guidelines and Integrated Reporting was carried out for the core sustainability team. The learnings were disseminated amongst Group companies. Bi-annual Sustainability Champion Forums were organised	Group-wide sustainability campaigns will be carried out annually
	Establishment of global performance benchmarks through an independent party to compare the sustainability performance of significant operational locations	Carried out for all significant operational locations of the Group with the exception of Keells Food Products, due to the inability of the independent party to obtain benchmarks for a company in this industry	Achieved. The Group will continue to track performance against benchmarks
Environmental impact	Identify and evaluate initiatives towards partially offsetting the carbon footprint	Three of the most energy consuming industry groups continue to carry out energy conservation initiatives such as efficient lighting, replacement of high energy consuming equipment and process improvements Companies in the Consumer Foods sector also embarked on several greening initiatives such as obtaining CO_2 for its manufacturing process through renewable energy sources as opposed to burning of fossil fuel	Further energy conservation initiatives to be carried out in relevant industry groups. Green Globe Certification to be obtained for all Resorts

Focus area	Targets for 12/13	Comment on progress	Status/way forward
Environmental impact	Reduce its carbon footprint per Rupee of revenue by approximately 10 per cent	The Group was unable to meet this target this year due to increased operational activities and facilities being commissioned during the reporting year	Given the stabilisation of the Group's carbon footprint over the last few years, establish CO_2 targets in line with its business operations
	Assess the Scope 3 carbon footprint of operational activity	Commenced tracking of Scope 3 carbon footprint caused due to outsourced distribution and redistribution activity, outsourced trucks used in logistics operations, outsourced vehicles used in passenger transport, business travel and employee commute	Achieved. The Group will continue to track and improve on its performance
	Aim to increase its overall energy efficiency by embracing greener technologies and improved energy management practices	Companies in the CF&R industry group installed new equipment to minimise heat loss and optimise natural lighting	Group companies will continue to replace conventional air conditioning systems with inverter type air conditioning systems The Group will continue to identify areas for installing equipment enabling energy conservation
	Implement processes for the identification and segregation of hazardous waste across the Group	The Group has established a hazardous waste policy and process which sets out the identification of such waste	Achieved. Continuous streamlining and waste segregation training to be carried out
Ethical business	Seek to minimise the risk of adverse labour practices in the value chain by extending its assessments to cover 30 of its significant suppliers and creating awareness with such suppliers	Reviews of 64 significant value chain partners was carried out during the year based on an internally developed checklist obtaining a self-declaration covering aspects of environment, labour and human rights, The results of the review have been analysed and supplier forums have been carried out for the Group and for selected sectors	Assessments for all significant suppliers carried out and supplier forums and awareness to be carried out on an annual basis
Our contribution	Aim to improve the process to collect feedback and analyse impact on community for the various ongoing projects by the business units	The Group carries out impact assessments at entry, exit and during the implementation of projects	This would continue to be practiced for all significant community engagement activities

Outlook

Following is a discussion of the economic outlook of Sri Lanka for the forthcoming financial year and the high level impacts to our businesses. For detailed discussions on the outlook for each industry group refer the Industry Group Analysis section of this Report.

We expect the Sri Lankan economy to continue its growth momentum in the immediate to medium term driven by the improved domestic physical infrastructure, increased investment by both public and private sectors to support expanding business activities, higher influx of tourists, growth in foreign remittances and the continued recovery in global economic conditions. The recovery of the developed economies, particularly the US, could give rise to exchange and interest rate volatilies based on the interest rate outlook in the US.

The positive macro-economic outlook coupled with the expected increase in discretionary consumer spending is expected to augur well for the CF&R industry group. The Leisure industry group is also positioned to capitalise on the growth momentum of the tourist arrivals to the country. Leisure is in the process of finalising its brand strategy where all resorts will be brought under the "Cinnamon" brand, whilst concurrently enhancing guest satisfaction criteria through re-inventing its standard operating procedures and introducing a multi-functional property management system which, among others, will cover customer relations and loyalty programs. The Property industry group is also expected to benefit from the improvement in macro-economic conditions, particularly if interest rates remain low for a sustained period of time. Whilst the overall growth outlook is positive, this may not immediately translate to significantly increased import volumes amidst low credit growth. Resultantly, volumes in the Ports business are unlikely to rebound significantly in the immediate term although the overall expansion of the capacity in the Port of Colombo will have a positive impact on container and Bunkering volumes.

Inflation is expected to be maintained at mid-single digit levels in the medium term, supported by a relatively soft global commodities outlook and increased supply of locally produced food. However, input costs may still escalate depending on policy decisions on import duties and taxes.

The sharp downward adjustment in policy rates from the end of the calendar year 2013 has resulted in a significant reduction in secondary market interest rates. Whilst credit growth continues to be subdued, the significant excess liquidity and attractive rates are likely to result in a gradual pick-up in credit growth. The Central Bank has already taken steps to ease monetary policy with a view to increasing domestic investment and consumption activity. The Group will continue to evaluate and re-finance its borrowings portfolio where applicable and relevant to take advantage of the attractive rate environment. The downward trend in interest rates is expected to increase activity in the Banking sector. The exchange rate is expected to remain stable on the back of a strengthened external sector, continuing growth in remittances and low import growth. However, the commencement of several large developments and the volatility which could arise from US Fed policy decisions could place pressure on the Rupee in the latter half of the financial year. The Group's strategy of maintaining "natural hedges", where relevant and feasible, is expected to mitigate to an extent the volatility arising from possible fluctuations in the exchange rate.

In terms of our sustainability outlook for the forthcoming year, the Group will continue to engrain sustainability further into the DNA of our businesses through various employee targeted initiatives, better and relevant management reporting for decision making and internal sustainability assurance. In addition, the Group intends to partner selected members of its value chain towards entrenching sustainability within their business processes. In the short to medium term, the Group will strive to reduce its carbon foot print by approximately 5 per cent per million rupees of revenue and also seek to estimate the carbon footprint from third party operations.

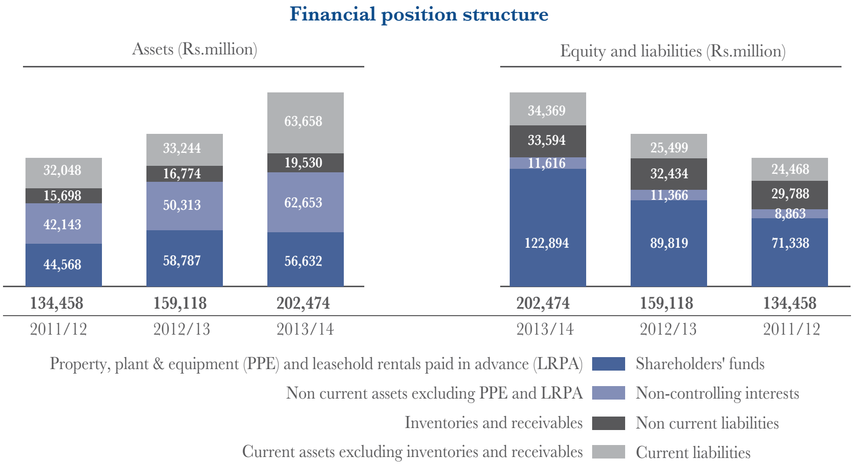
Capital Resources and Liquidity

Summary of key financial position items

Item	2014 Rs. Mn	2013 Rs. Mn	Change Rs. Mn	Change %	Explanatory highlights for YoY changes
Property plant & equipment	47,536	49,273	(1,737)	(4)	• Addition of Rs.496 million for the supermarket outlet expansion at JMSL and investment of Rs.373 million in a delivery tanker and a dry dock by LMS
					• Addition of Rs.158 million and Rs.372 million due to soft refurbishment at Cinnamon Citadel and Cinnamon Lakeside respectively
					• Addition of Rs.519 million and Rs.345 million due to capacity enhancements at CCS and KFP Pannala factory respectively
					• Transfer of Rs.1.92 billion at JK PLC and Rs.599 million at JKP due to the transfer of the respective lands to WPPL for the Waterfront Project which are now reflected as work in progress
					• Offset by depreciation charge of Rs.2.61 billion
Investment property	4,440	9,295	(4,855)	(52)	• Fair value gain on IP of Rs.269 million at AHP, Rs.107 million at WPPL and Rs.72 million at CCS
					• Offset by the transfer of IP of Rs.5.03 billion at CCS, Rs.414 million at WPPL and Rs.28 million at JKP to work in progress classified under non-current assets as a result of the commencement of construction work at WPPL
Investments in associates	14,794	15,724	(930)	(6)	• Share of associate profits of Rs.2.96 billion offset by dividend of Rs.2.75 billion
					• Divestments of CHL and JKLI amounting to Rs.1.03 billion and Rs.11 million respectively
Other non-current financial assets	21,088	18,817	2,271	12	• Increase in AFS non-current assets by Rs.551 million
					• UAL - increase in loans given to policy holders by Rs.253 million
					• Addition of Rs.1.34 billion at UA on account of long term financial instruments
Other non-current assets	19,712	3,576	16,136	451	• WPPL - land transfers and other non-current advances in relation to the Project
Inventories	6,966	3,999	2,967	74	• Transfer of Rs.1.94 billion at JKRP and Rs.778 million at BOCPL from work in progress due to the recognition of costs during the year
					• JMSL - increase in inventory due to the opening of new outlets
Trade and other receivables	12,564	12,775	(211)	(2)	• JK PLC - increase in tea seller advances
					• LMS - decrease in outstanding debtor balance
					• JMSL - Reclassification of pre-paid rent and rent advances to other non-current assets
					• Decrease in share trading activities in JKSB and lower GWP achievement at UA
Short term investments and cash in hand	60,508	30,141	30,367	101	• Increase on account of JKH Rights Issue of Rs.23.10 billion
Shareholders' equity	122,894	89,819	33,075	37	• Increase in stated capital of Rs.23.10 billion as a result of the JKH Rights Issue
					• Net profit for the year of Rs.13.01 billion, offset by dividends of Rs.3.27 billion
Insurance contract liabilities	20,273	17,388	2,885	17	• Net increase in UA funds under the life insurance segment
Non-current borrowings	9,969	11,857	(1,889)	(16)	• Increases of Rs.500 million, Rs.372 million and Rs.145 million on account of soft refurbishments done at Chaaya Tranz, Cinnamon Lodge and Chaaya Blu respectively
					• The increases were offset by the repayment of the IFC loan at JKH, other term loans at BHR, JKP-Ja-Ela, Sri Lankan and Maldivian Resorts
Trade and other payables	14,737	14,608	129	1	• Increase in value of advances received at JKL and increase in reinsurance payables at UA
					• Offset by decrease in share trading activities at JKSB and settlement of vendor dues at KFP
Short term borrowings	9,752	1,854	7,898	426	• WPPL - bridge loan amounting to Rs.6.79 billion
					• LMS - short term financing obtained to fund working capital
Current portion of interest bearing borrowings	3,664	3,049	615	20	• Increase in the current portion of loans at Sri Lankan and Maldivian Resorts
Bank overdraft	2,871	3,356	(485)	(14)	• JKH - lower utilisation of bank overdraft due to excess cash
					• JK PLC - lower utilisation of bank overdraft due to monies received from buyers in advance settlements of tea

Note: AFS – Available for sale; AHP – Asian Hotel Properties; BHR – Beruwala Holiday Resorts; BOCPL - British Overseas Colombo Private Limited; CCS – Ceylon Cold Stores; CHL - Central Hospitals Limited; GWP-Gross Written Premiums; IP – Investment Property; JKH – John Keells Holdings; JKLI – John Keells Logistics India; JKP – John Keells Properties; JK PLC – John Keells PLC; JKRP – John Keells Residential Properties; JKSB – John Keells Stock Brokers; JMSL- JayKay Marketing Services; KFP – Keells Food Products; LMS – Lanka Marine Services; SAGT – South Asia Gateway Terminals; UA- Union Assurance PLC; WPPL – Waterfront Properties Private Limited

Financial position structure



For the period under review, total assets increased by Rs.43.36 billion to Rs.202.47 billion [2012/13: Rs.159.12 billion] primarily on account of short term investments arising from the 2013 Rights Issue cash proceeds, profits during the year and the assets currently reflected in the Waterfront Project. The key movements of the Group financial position are highlighted in the table before.

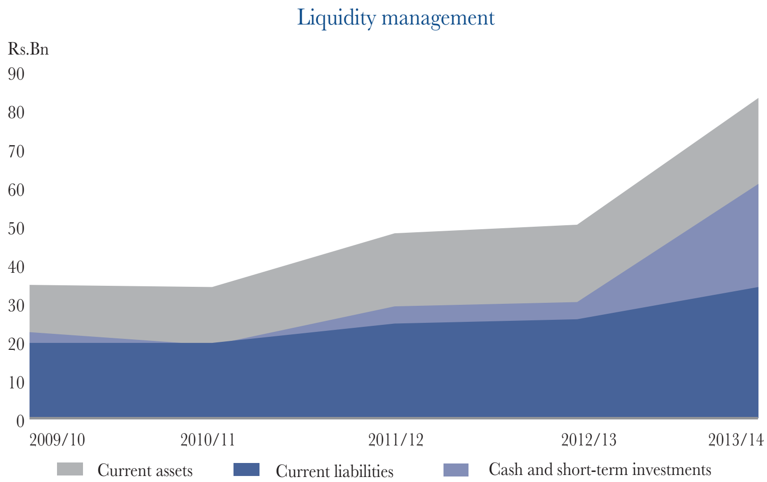
Working capital/liquidity

Net working capital of the Group increased to Rs.48.82 billion [2012/13:Rs.24.52 billion] mainly due to increases in current assets, which have been primarily driven by increases in short term investments and cash and cash equivalents arising from the JKH Rights Issue. Current liabilities increased by Rs.8.87 billion to Rs.34.37 billion primarily due to an increase in short term borrowings, including the debt drawn down by Waterfront Properties.

The Group is confident that it will be able to meet its short and medium term funding and debt repayment obligations, pursue organic and acquisitive growth opportunities and to meet other obligations. The funding strategy of the Group has considered the funding requirements of the Waterfront Project. A sizeable portion of the equity required for the Project has already been raised through the Rights Issue with the balance to be raised through the 2015 and 2016 Warrants. The Project Company has already raised USD 100 million through a Bridge Loan to fund its short term funding requirements. The remaining debt will be raised through a long term syndicate loan facility which is expected to be finalised during 2014/15.

Cash flow

Cash and cash equivalents increased by Rs.13.78 billion to Rs.30.64 billion by the end of the year [2012/13: Rs.16.86 billion]. Net cash from operating activities decreased to Rs.8.36 billion from Rs.14.57 billion in the previous year primarily due to increases in other non-current assets and inventories. Net cash used in investing activities increased to Rs.19.97 billion [2012/13: Rs.16.20 billion] mainly due to the increase in short term investments. Net cash from financing activities was Rs.25.38 billion compared to the net cash used of Rs.1.32 billion in the previous year. The increase in cash inflows in financing activities was mainly on account of the proceeds of the 2013 Rights Issue.



Leverage and capital structure

Capital structure

Total assets of Rs.202.47 billion were funded by shareholders' funds (61 per cent), non-controlling interests (6 per cent), long term creditors (16 per cent) and short term creditors (17 per cent). The long term funding of assets at Rs.168.10 billion was 83 per cent of total assets.

Rs.202.47 bn
Total assets

Total assets for 2012/13
Rs.159.12 bn

Debt

The overall debt of the Group increased to Rs.26.36 billion from Rs.20.12 billion in the previous year. The Property and Leisure industry groups account for most of the overall debt with Rs.10.77 billion and Rs.6.80 billion respectively. The main addition to overall debt was from Property on account of the bridge loan funding for the Waterfront Project amounting to Rs.6.79 billion. Where possible, the Group continues to maintain a majority of its borrowings in foreign currency, taking advantage of lower cost foreign currency debt where there are matching foreign currency revenue streams and foreign exchange denominated debtors. This has been followed in the Leisure industry group in particular where the balance between foreign currency receivable/cash streams is regularly reviewed and proactively managed.

In terms of the changes in debt composition during the year, Property was the highest contributor to the increase in Group debt. With the exception of Property, the debt in all other industry groups recorded a decline on account of routine repayments. The loan balance of the IFC facility as of 31st March 2014 reduced to USD 30 million from USD 40 million recorded in the previous year.

The debt to equity ratio of the Group was 19.5 per cent as against 19.9 per cent in the previous year. The net debt (cash) to equity ratio was negative 23.4 per cent as against negative 8.1 per cent in the previous year. The Group's medium term target, particularly during the Waterfront construction, is a net debt to equity ratio of 50 per cent. Notwithstanding the increase in the debt to EBITDA cover to 1.3 times compared to the 1.0 times in the last year, the Group has substantial leeway in leveraging further as and when required. Long term debt to total debt decreased to 38.0 per cent from the 58.9 per cent in the previous year with the repayment of long term borrowings and the increase in short term debt on account of the Waterfront bridge loan.

Statement of changes in equity

Total equity increased by Rs.33.32 billion to Rs.134.51 billion [2012/13: Rs.101.19 billion]. The increase was primarily due to the 2013 Rights Issue proceeds of Rs.23.10 billion and a profit contribution of Rs.13.01 billion, offset by dividends paid of Rs.3.27 billion.

The Group continues to maintain a majority of its borrowings in foreign currency where possible taking advantage of lower cost foreign currency debt where there are matching foreign currency revenue streams and foreign exchange denominated debtors

	2013/14	2012/13
Current ratio (times)	2.4	2.0
Quick ratio (times)	2.2	1.8
Net working capital (Rs. million)	48,819	24,519
Asset turnover (times)	0.5	0.6
Capital employed (Rs. million)	160,766	121,302
Total debt (Rs. million)	26,256	20,117
Net debt (cash) (Rs. million)	(31,414)	(8,223)
Debt/equity ratio (%)	19.5	19.9
Net debt (cash)/equity ratio (%)	(23.4)	(8.1)
Long-term debt to total debt (%)	38.0	58.9
Debt/total assets (%)	13.0	12.6
Liabilities to tangible net worth	0.5	0.6
Debt/EBITDA (times)	1.3	1.0
Net debt/EBITDA (times)	(1.6)	(0.4)

Treasury management

Despite some volatility in the first half of the financial year, the USD/LKR exchange rate was relatively stable during the latter part of the year. The Group continued to adopt proactive measures to manage the impacts arising from currency fluctuations. Businesses funded with US Dollar loans mitigated the impact through creation of a "natural hedge" – where Dollar denominated revenues were offset by creating Dollar denominated liabilities, particularly in the Leisure industry group. Approximately 60 per cent of the total debt across the Group is foreign currency denominated. The Group has always been conscious of the need to match such liabilities with corresponding inflows in order to manage exposures, and hence will continue to evaluate such alternatives prudently.

In addition to a deeper analysis involving the impact to profit before tax of the Group as a result of interest rate changes of local and foreign borrowings, details on the risks arising from the various financial instruments of the Group can be found in the Notes to the Financial Statements section of the Report.

Credit rating and facilities

JKH retained its AAA(lka) ratings with a Stable outlook from Fitch Ratings Lanka Limited based on key ratings drivers of robust diversified dividend income, steady and liquid financial position and strong Dollar and Rupee liquidity. In addition to its sizeable cash reserves, the Group continues to have significant facilities available with banks in Sri Lanka. The Group will continue to proactively manage potential funding requirements and has in place stand-by loan facilities where deemed necessary. The current cash position of the Group and the leverage ratios demonstrate its ability to leverage its financial position further when required.

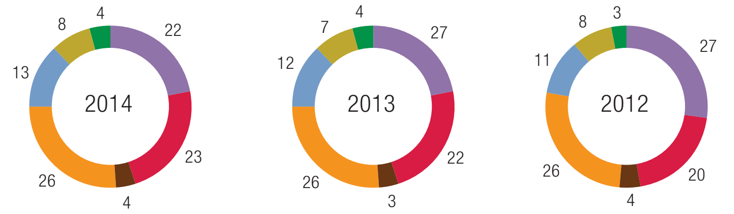
JKH retained its AAA(lka) ratings with a Stable outlook from Fitch Ratings Lanka Limited based on key ratings drivers of robust diversified dividend income, steady and liquid financial position and strong Dollar and Rupee liquidity ”

Industry Group Analysis

Industry group financial and non financial highlights

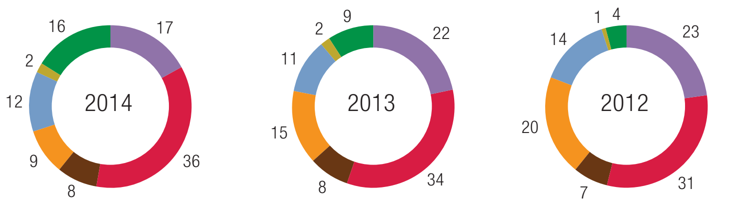
REVENUE* (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	21.80	22.55	4.14	25.41	12.57	7.50	4.04
2012/13	25.11	20.59	3.17	24.27	11.11	6.80	3.63
2011/12	23.65	17.42	3.79	21.97	9.87	6.72	2.68



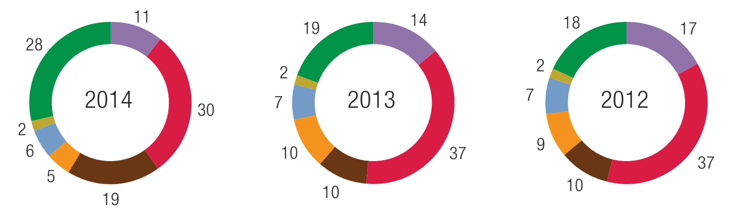
EBIT (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	2.74	5.91	1.36	1.48	2.00	0.39	2.73
2012/13	3.68	5.71	1.26	2.48	1.78	0.38	1.46
2011/12	3.33	4.44	1.02	2.82	1.93	0.18	0.51



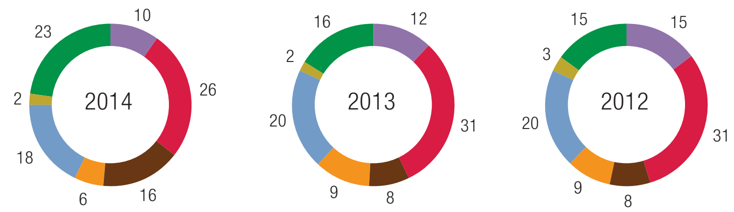
CAPITAL EMPLOYED** (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	16.92	48.27	30.19	7.68	9.42	2.57	45.72
2012/13	17.09	45.04	12.61	12.51	8.30	2.60	23.14
2011/12	16.64	36.72	9.95	9.04	7.19	2.46	18.26



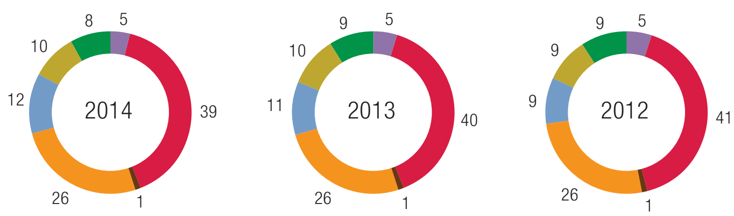
TOTAL ASSETS (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	19.37	52.66	32.46	12.19	35.59	3.44	46.78
2012/13	19.23	49.80	12.69	17.30	31.51	3.72	24.87
2011/12	20.18	41.28	10.35	12.67	26.92	3.37	19.69



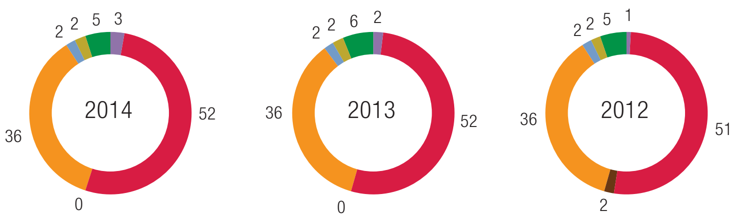
EMPLOYEES (Number)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	599	5,188	106	3,304	1,526	1,376	1,047
2012/13	636	5,272	103	3,415	1,401	1,267	1,130
2011/12	594	4,843	99	3,147	1,047	1,114	1,112



CARBON FOOTPRINT (MT)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	1,855	38,496	52	26,428	1,687	1,428	4,059
2012/13	1,566	36,035	96	24,504	1,676	1,343	4,033
2011/12	975	35,165	1,449	24,936	1,610	1,406	3,743



* Revenue is inclusive of the Group's share of associate company revenue

** For associate companies, the capital employed is representative of the Group's equity investment in these companies

TRP	Transportation
LEISURE	Leisure
PROP	Property
CF&R	Consumer Foods & Retail
FIN SER	Financial Services
IT	Information Technology
OTHER	Other, including Plantation Services

Transportation

Ports & Shipping

Transportation

LMS invested in a new 2,200 MT tanker, "LMS Nilwala"

Vision and scope

The vision of the Transportation industry group is to be recognised as a leading provider of transportation solutions and related services through a diversified portfolio of businesses in selected markets.

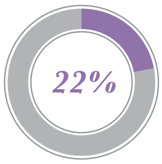
These operations comprise of South Asia Gateway Terminals (SAGT) in the Port of Colombo, a marine Bunkering business, joint venture/associations with leading shipping and air transportation multinationals, logistics, travel and airline services in Sri Lanka, India and the Maldives.

Key indicators

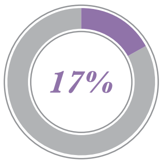
(Rs. million)	2013/14	2012/13	Chg %	2011/12
Revenue[1]	21,796	25,113	(13)	23,651
EBIT	2,744	3,680	(25)	3,329
PBT	2,671	3,634	(26)	3,315
PAT	2,510	3,388	(26)	3,120
Total assets	19,367	19,233	1	20,179
Total equity	14,669	15,139	(3)	15,149
Total debt	2,250	1,953	15	1,491
Capital employed[2]	16,919	17,092	(1)	16,641
Carbon footprint (MT)[3]	1,855	1,566	18	975
Employees (Number)[4]	307	302	2	341
EBIT per employee [5]	4.6	5.8	(21)	5.6

1 *Revenue is inclusive of the Group's share of associate company revenue*
2 *For associate companies the capital employed is representative of the Group's equity investment in these companies*
3 *Excludes SAGT, DHL and Cinnamon Air*
4 *As per the sustainability reporting boundary*
5 *EBIT per employee is calculated excluding the employees of associate companies*

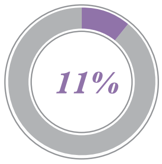
Contribution to JKH Group



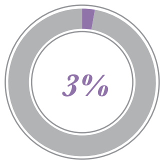
Revenue



EBIT



Capital employed



Carbon footprint

85 MT
per Rs. Mn revenue

	Ports and Shipping	Transportation
The businesses within the sector	Operation of a private container terminal in the Port of Colombo on a BOT basis under South Asia Gateway Terminals (SAGT)	Logistics services which include operations of DHL Express in Sri Lanka, a joint venture with Deutsche Post, third party logistics and freight forwarding solutions under the John Keells Logistics brand and in JV with Norbert Dentressangle Overseas (NDO) of France and Bunkering services under Lanka Marine Services (LMS)
	Associate stake in Maersk Lanka	Representation of airlines as general sales agents through Mack Air in Sri Lanka and through its subsidiary in Maldives. On-line operations by Jet Airways and off-line representation of a number of other airlines. Travel agency business through Mackinnons American Express Travels. A domestic air taxi service, Cinnamon Air, through Saffron Aviation
Revenue and growth	Rs.5.04 billion, decrease of 11%	Rs.16.75 billion, decrease of 14%
EBIT and growth	Rs.2.07 billion, decrease of 17%	Rs.671 million, decrease of 43%
Carbon footprint	Not within the boundary of sustainability reporting	1,855 MT
Key external/internal variables impacting the business	• The Colombo International Container Terminal (CICT) commenced operations in July 2013 and was fully operational by April 2014 • Total volume over the Port of Colombo during the financial year grew by around 5 per cent with transhipment growing at close to 9 per cent whilst domestic volume expanded at just under 4 per cent mainly on the back of modest export growth	• Withdrawal of daily operations to Chennai by Jet Airways thereby reducing frequency to one flight per day • Relatively stable global oil prices which negatively impacted Bunkering margins • Increasing disposable income levels had a positive impact on outbound leisure travel

Operational review

During the year under review, SAGT handled 1.68 million twenty foot equivalent units (TEUs) with transhipment volumes contributing 80.1 per cent to total volume. The year on year reduction in TEUs handled was primarily on account of a drop in transhipment volumes as a result of a consortium of shipping lines realigning its services away from the terminal, which combined with the resultant reduction in domestic volumes lead to a decline of around 10 per cent compared to the previous year. This compared with a year on year growth of around 5 per cent in total volumes over the entire Port of Colombo. SAGT implemented a number of initiatives which focused on improving the productivity of its equipment as well as various cost management measures which partially mitigated the negative impact arising from lower volumes. The South Container Terminal of the Colombo Port Expansion project (South Harbour), commenced partial operations in July 2013 and was fully operational in April 2014.

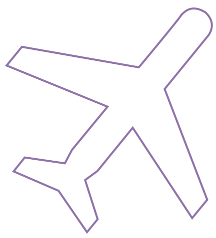
The Bunkering business gained market share despite the entry of two new players to the local market

The Bunkering business gained market share despite the entry of two new players to the local market, which increased the number of suppliers within Sri Lanka to a total of five. Increased fragmentation within the industry intensified competition and lead to soft market rates and price competition, which in turn eroded margins. Bunkering volumes remained in line with the previous financial year despite facing stiff competition from Indian ports and the continued practice of many shipping lines which have adopted "slow steaming" to save on bunker consumption, which also limited the growth in volumes to an extent. During the year, Lanka Marine Services (LMS) further enhanced its delivery capacity through an investment in a large delivery tanker resulting in improved productivity and operational efficiency. Moreover, LMS also became the first company in Sri Lanka to station a tanker at the Port of Galle, thereby enabling the delivery of bunker fuel much closer to the main sea route and reducing the diversion time for vessels.

During the year, John Keells Logistics Limited (JKLL) focused on improving productivity across its facilities and expanded capacity by introducing additional warehousing space. JKLL commenced commercial operations at a new facility located in Seeduwa, thereby increasing the total area managed by the business to 151,000 square feet, a year on year increase of 36 per cent. The fleet management unit increased the number of vehicles under management by 70 per cent to a total of 17, running 150,000 kilometres, a year on year increase of 263 per cent.

The freight forwarding business, managed by its joint venture partner Norbert Dentressangle of France, continued to expand on leveraging its growing overseas network and operational strengths to gain access to relevant trade lanes for Sri Lanka, whilst aiming to secure long term pricing contracts from core carriers. However, a decline in the contribution from perishable exporters as a result of diversifying the customer mix had a negative impact on the business.

LMS became the first company in Sri Lanka to station a tanker at the Port of Galle ”



Cinnamon Air commenced operations during the year

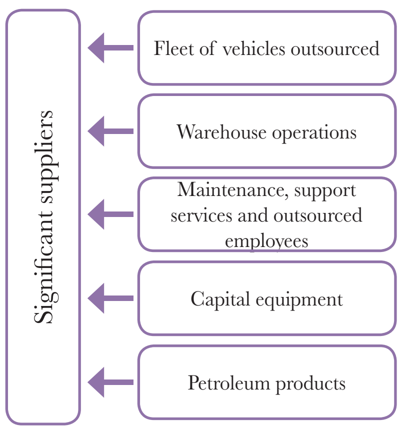
The performance of the airline segment was below expectations as a result of a decrease in frequencies of Jet Airways flights to Colombo which also reduced connectivity to long haul destinations in North America and Europe. The segment secured the general sales agencies for Air France, KLM and Kenya Airways during the year further expanding the breadth of its off-line representation. The travel agency business is seeking to capitalise on the growing per capita income in Sri Lanka which has resulted in an increase in overseas travel for leisure. As part of its retail channel strategy, the business is devoting significant resources to enhance its digital commerce offering.

Cinnamon Air, the domestic air taxi business operating with a fleet of three aircraft (two amphibious Cessna 208 Caravans and one Cessna 208B Grand Caravan all with eight seats each), commenced commercial operations during the year under review. Cinnamon Air operates daily scheduled flights to a number of popular destinations across Sri Lanka including Colombo, Sigiriya, Kandy, Batticaloa, Dickwella, Koggala and Trincomalee and serves all domestic airports and a multitude of water aerodromes across the country through charter operations. It is the only domestic airline operating from the Bandaranaike International Airport at which it also runs a purpose built dedicated domestic terminal within the precincts of the international airport. The airline operates all flights in code share with the national carrier, SriLankan Airlines and inventory is available for sale through global distribution systems used by travel agents around the world, all SriLankan Airlines offices and on the Cinnamon Air website.

Sustainability review

Material impacts: energy, emissions, occupational health and safety

- The importance of these impacts to the Transportation industry group stem from financial, environmental and social concerns. While energy accounts for a sizeable proportion of the operational costs, the environmental concerns correspond to the emissions emanating from such energy usage and waste generation through Bunkering activities.
- Given the Group's emphasis on providing a safe working environment for its employees and stakeholders and ensuring high productivity, health and safety in the workplace is considered important from an employee and social perspective.
- The significant suppliers within the industry group are:



- Suppliers providing services such as security, janitorial and outsourced personnel have been assessed for any significant negative impacts on environmental, labour and human rights.

Group strategy

- The increasing focus on infrastructure development in the country, particularly on the improvement of the road network, has signalled the need for a sustainable and green transportation industry and has also resulted in the emergence of road safety as a national issue.
- The Transportation industry group's strategy towards minimising its material impacts is based on the Group's overall environmental and energy management policy, and also by addressing safety concerns through adherence to the Group's health and safety policy.

Goals, targets and initiatives

The Transportation industry group's energy and emissions strategy is based on internal targets and initiatives towards improving efficiency and reducing energy consumption. The third-party logistics business has established goals to reduce energy consumption and improve the average fuel efficiency of JKLL's vehicle fleet through the daily monitoring and analysis of fuel efficiency by route and by vehicle. Remapping of the sales routes to maximise efficiency and the installation of partitions in selected vans of JKLL to minimise air-conditioning usage are some of the key initiatives to improve fuel efficiency and reduce consumption.

Both JKLL and LMS have obtained OHSAS 18001 certification for occupational health and safety

Highlighting the emphasis placed on the health and safety of its employees and outsourced workforce, both JKLL and LMS have obtained OHSAS 18001 certification for occupational health and safety. The certification requires ongoing health and safety inspections to maintain the required standards with the businesses having implemented continuous monitoring of health and safety key performance indicators at operational locations to ensure their goals and targets are met. As part of its health and safety strategy, the Transportation industry group has established a target of ensuring a reduction in the number of road accidents to less than five per month and a goal of no more than one injury per year at its warehousing locations. Cinnamon Air maintains a zero tolerance policy with respect to the entirety of its operational safety encompassing all stakeholders and third parties through stringent adherence to international aviation safety standards and norms set by the International Civil Aviation Organisation and regularly reviewed by the Civil Aviation Authority.

LMS, being the largest contributor to waste in the industry group, manages its hazardous oil sludge from its Bunkering operations through a certified third party waste disposal contractor under the Marine Environmental Pollution Authority (MEPA). All disposals follow the MEPA process, obtaining relevant certifications confirming responsible disposal.

In addition, periodic health and safety training programmes for company/ outsourced drivers and warehouse staff are conducted to create awareness on road safety, ensuring minimal occupational health and safety incidences at its warehouses. "Taking the Wheel" was a road safety awareness programme

Fire drill on a LMS barge, Port of Colombo and health camp organised by JKLL as a corporate social responsibility initiative during 2013. In addition, LMS also provided regular safety drills on fire handling, training on best practices in equipment handling and minimising the environmental effects of oil spills for its third party contractors and outsourced employees.

The Transportation industry group continues to sponsor the scholarship programme for undergraduates reading for an Honours degree of Bachelor of Science in Transport and Logistics Management at the University of Moratuwa. Part of the programme also involves an internship in the Transportation industry group. Further details of this initiative can be found in the Corporate Social Responsibility section of this Report.

Sustainability and financial performance

Sustainability performance

The Transportation industry group's carbon footprint, excluding SAGT, DHL and Cinnamon Air, increased by 18 per cent from 1,566 MT in the year 2012/13 to 1,855 MT in the year 2013/14, mainly attributable to the operation of a new logistics warehouse facility and the purchase of a larger tanker for its Bunkering operations. No significant spillages or occupational injuries were reported by the relevant companies during the reporting year. The industry group provided 4,160 hours of training to its staff during 2013/14. The average number of training hours per employee for the industry group was 14 hours (2012/13: 24 hours).

Sustainability performance			
	2013/2014	2012/2013	Chg %
Carbon footprint (MT)	1,855	1,566	18
Waste disposed (kg)**	219,538	65,925	233
Injuries and diseases (Number)	3	-	-
Total hours of training	4,160	7,094	(41)

* Water usage is not shown above as it is not material to the industry group

The performance of the industry group's material impacts based on its relevant operational intensity factors are given below. For LMS and JKLL, performance below is based on the number of bunkers sold and square footage of warehouse area managed.

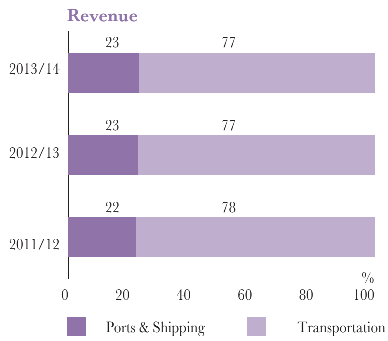
Carbon footprint Scope 1 and 2 per operational intensity factor		
	2013/2014	2012/2013
LMS CO_2 kg per MT of bunkers sold	7.19	5.43
JKLL CO_2 kg per m^2 of warehouse area managed	4.06	4.87

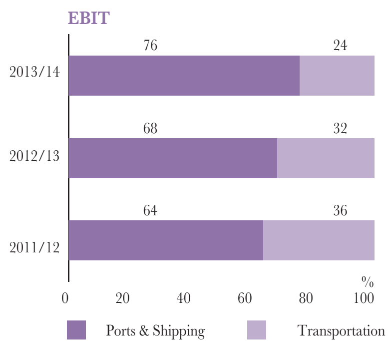
Waste generated per operational intensity factor		
	2013/2014	2012/2013
LMS waste generated kg per MT of bunkers sold **	1.4	0.4
JKLL waste generated kg per m^2 of warehouse area managed	0.1	0.1

** The higher volume of waste generated at LMS in 2013/14 is due to the purchase of a new vessel requiring dry docking as well as dry docking of existing barges

Financial performance

The revenue from the Transportation industry group witnessed an overall decline of 14 per cent during the financial year to Rs.16.70 billion [2012/13: Rs.19.44 billion], mainly attributed to the increasingly competitive pricing environment faced by the Bunkering business. Revenue, including associate company revenue, declined by 13 per cent to Rs.21.80 billion [2012/13: Rs.25.11 billion] on account of the lower volumes recorded in the Group's ports business and the aforementioned decline in revenue in the Bunkering business. Resultantly, the EBIT for the industry group declined by 25 per cent to Rs.2.74 billion [2012/13: Rs.3.68 billion].





Occupational health and safety practices, John Keells Logistics

Return on capital employed

ROCE
FY 13/14 : 16.1%
FY 12/13 : 21.8%

Assets/(debt+equity)	Asset turnover	EBIT margin
1.13	1.13	12.6%

- ROCE declined to 16.1 per cent compared to 21.8 per cent recorded in the previous financial year due to the decline in revenue as mentioned above, exacerbated to an extent by the increased asset base following capacity enhancements in the Bunkering business.
- Despite the successful implementation of various cost management initiatives, EBIT margins declined to 12.6 per cent compared to 14.7 per cent recorded in the previous financial year mainly on account of the reduction in Bunkering margins.
- Asset turnover declined to 1.13 times in comparison with 1.27 times recorded in the previous year mainly on account of the lower revenue, and, to a lesser extent, the growth in the asset base following the investment of Rs.373 million in the new tanker and dry dock.

Outlook

The south terminal of the Colombo South Harbour project is the first deep water container handling facility that can cater to new generation container vessels, in the whole of South Asia, increasing the capacity of the Port of Colombo by approximately 3 million TEUs, bringing the total capacity to above 8 million TEUs. While this may intensify competition in the short term, the expansion of the Port of Colombo and its further consolidation as the primary regional maritime hub is expected to augur well for Sri Lanka. SAGT is well placed to benefit from the overall volume growth as a result of its expertise and productivity of operations.

The Bunkering business will continue to invest in strengthening its delivery infrastructure and leverage on its strong brand name and existing relationships with both customers and suppliers alike to maintain its position as the market leader in the face of increasing competition.

The Government of Sri Lanka enacted the Hub Act with the intention of creating a free port concept, enabling goods to enter and exit the country without being subject to customs duties. This would pave the way for large scale logistics services as a support function for such operations. The Group is currently exploring potential opportunities in this area.

With Sri Lanka becoming increasingly attractive as a destination for leisure and business activity, the tourism industry is currently on an encouraging growth trajectory. Cinnamon Air is well placed to cater to, and benefit from, this growth by providing a unique value addition to the tourism infrastructure in the country. The airline business will drive revenue growth through its existing principals, thereby providing them with a platform from which to increase current frequencies or add capacity by on-line operations.

Leisure

City Hotels
Sri Lankan Resorts
Maldivian Resorts
Destination Management
Hotel Management

The Maldivian Resorts recorded encouraging occupancies

Vision and scope

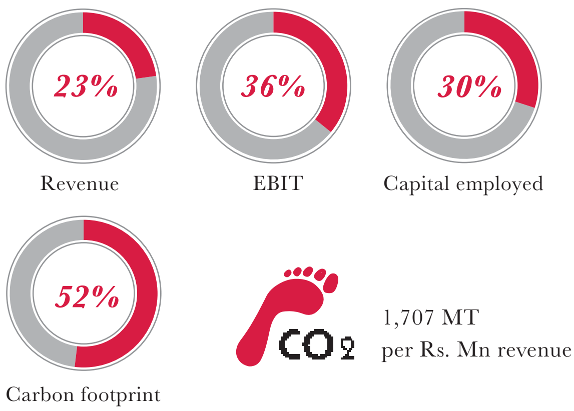
Representing JKH's single largest asset exposure, the Leisure industry group encompasses two city hotels that offer approximately 35 per cent of the current five star room capacity in Colombo, eight resort hotels spread in prime tourist locations across Sri Lanka and three resorts in the Maldives, offering beaches, mountains and cultural splendor under the brand "Cinnamon Hotels and Resorts". The Leisure industry group also has a Destination Management business in Sri Lanka.

Key indicators

(Rs. million)	2013/14	2012/13	Chg %	2011/12
Revenue	22,548	20,593	9	17,415
EBIT	5,912	5,706	4	4,442
PBT	5,434	5,178	5	4,171
PAT	4,824	4,746	2	3,707
Total assets	52,662	49,795	6	41,275
Total equity	41,570	37,606	11	28,642
Total debt	6,697	7,435	(10)	8,077
Capital employed[1]	48,267	45,041	7	36,718
Carbon footprint (MT)	38,496	36,035	7	35,165
Employees (Number)[2]	5,054	5,176	(2)	4,704
EBIT per employee[3]	1.1	1.1	5	0.9

1 *For associate companies the capital employed is representative of the Group's equity investment in these companies*
2 *As per the sustainability reporting boundary*
3 *EBIT per employee is calculated excluding the employees of associate companies.*

Contribution to JKH Group



	City Hotels	Sri Lankan Resorts	Maldivian Resorts	Destination Management
The businesses within the sector	Cinnamon Grand (CG) – 501 rooms	8 resort hotels in Sri Lanka – 1,000 rooms	3 resort hotels in the Maldives – 340 rooms	Walkers Tours and Whittal Boustead destinationm anagement operations in Sri Lanka
	Cinnamon Lakeside (CLS) – 340 rooms			
Revenue and growth	Rs.7.72 billion, increase of 8%	Rs.4.34 billion, increase of 31%	Rs.6.14 billion, increase of 11%	Rs.4.33 billion, decrease of 6%
EBIT and growth	Rs.2.60 billion, decrease of 11%	Rs.905 million, increase of 55%	Rs.1.45 billion, increase of 19%	Rs.297 billion, decrease of 15%
Carbon footprint	17,624 MT	12,869 MT	7,173 MT	830 MT
Key external/internal variables impacting the business	• Depreciation of the Sri Lankan Rupee had a positive impact on the room rates which are quoted in US Dollar • Electricity rate hikes increased heat, lighting and power costs • Lower interest rates resulted in reduced interest income • The newly opened airport highway improved access to the city	• Depreciation of the Rupee resulted in translation impact on foreign currency loans while enhancing revenue on account of US Dollar pricing • Reduction in interest rates reduced financing expense	• Improved political stability • Expansion of the small and medium hotel segment • New regulation to prevent resorts from having exclusive control on surfing and diving within a 100m radius • A new 600 room resort targeting the Middle Eastern market is currently being developed by a third party	• Depreciation of the Rupee • Increased fragmentation of the industry

Hotel Management sector

In addition to the sectors referred to in the above table, the Hotel Management sector, which includes Keells Hotel Management Services Limited (KHMS), functions as the hotel management arm of the Leisure industry group. The sector achieved an EBIT of Rs.658 million, which is a growth of 5 per cent over the previous year.

Operational review

During the calendar year 2013, the Sri Lankan tourism industry recorded earnings of USD 1.72 billion following a record 1,274,593 [2012: 1,005,605] foreign arrivals, which represented a growth of 27 percent compared to the previous year. As in the past, Western Europe was the largest contributor to tourist arrivals, reporting a growth of 13 per cent. South Asia, the second largest contributor to arrivals grew by 32 per cent to 326,556 arrivals, predominantly driven by the Indian market. East Asia (183,097), Eastern Europe (125,695) and the Middle East (80,509) also demonstrated promising growth momentum. The Chinese market demonstrated strong growth with arrivals increasing more than two-fold to 54,288, albeit off a relatively small base. However, the continuous growth of the Chinese market, which has immense potential, augurs well for the tourism industry in Sri Lanka.

Despite the influx of arrivals associated with Commonwealth Heads of Government Meeting (CHOGM), there were no significant MICE events during the year as opposed to what was witnessed in the preceding years. Both Cinnamon Grand and Cinnamon Lakeside sought to mitigate the impact of a lesser number of MICE events by enhancing room revenue through promotions to new business segments and higher food and beverage revenue. Both hotels also benefitted from the partial closure of two competing five star hotels for refurbishment during the year.

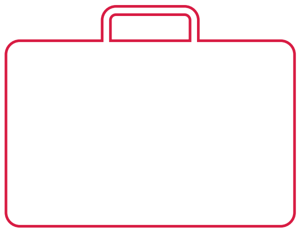
The Sri Lankan tourism industry recorded earnings of USD 1.72 billion following a record 1,274,593 foreign arrivals

Cinnamon Grand maintained its leadership position amongst the city hotels, gaining market share following an increase in occupancy. The hotel's performance is an indication of the brand recognition, value proposition and leadership position it enjoys.

Cinnamon Lakeside increased its market share driven by a strategy of targeting smaller groups of tourists. This enabled the hotel to overcome the aggressive promotional offers carried out by newly refurbished competitors and several other smaller and lower graded hotels that have commenced operations in the city in a bid to attract the price conscious leisure market segment.

During the financial year, Cinnamon Grand was awarded the "Best City Hotel Team" and Second Runner up in the "Best Hotel Team" at the 15th Culinary Art Competition 2013 organised by the Chefs Guild of Colombo. The hotel bagged a total of 41 medals including 12 gold, 13 silver and 6 bronze medals. Cinnamon Lakeside was the Merit award winner at the EU Switch Asia Greening Sri Lankan Hotels Awards 2013.

Construction of the 240 room select service business hotel "Cinnamon Red", in partnership with Sanken Lanka (Private) Limited is on schedule. The hotel, which will be managed by the Group's hotel management arm, is expected to commence operations on the 1st of September 2014. As at the end of the financial year, John Keells Holdings PLC had invested a total of Rs.325 million for a 27.8 per cent stake in the hotel. The hotel is expected to cater to the existing gap in the city of Colombo for



The construction of the select service business hotel "Cinnamon Red" is on schedule

good quality accommodation for the mid-market business traveler.

The Sri Lankan Resorts sector recorded an improvement in performance with the adoption of a volume driven strategy together with an increased emphasis on local travel agents. The volume based strategy was implemented through a marginal reduction in average room rates which was more than offset by higher occupancies across all eight resorts. The increase in electricity tariffs and increased competition during the year under review resulted in pressure on margins. However, efficient management of operational overheads and the introduction of various cost saving initiatives more than offset the aforesaid negative impacts. As a result of a change in legislation permitting hotels to operate foreign currency accounts and obtain foreign currency borrowings, Sri Lankan Resorts converted a majority of its Rupee denominated loans to US Dollar denominated loans in order to intentionally create a natural hedge for its cash flows, whilst concurrently benefitting from the lower funding cost of such loans. The sector is continuing with its efforts to attract the target market segments using various sales channels including direct sales through digital commerce platforms.

During the calendar year 2013, 1,125,079 tourists visited the Maldives, representing a growth of 17 per cent in comparison to the previous year [2012: 958,027]. The growth in arrivals was mainly driven by the Chinese market, which recorded 331,719 arrivals, representing a year on year growth of 45 per cent. The stable political environment which prevailed following the election of an Executive President, together with large scale investments in infrastructure, helped restore the image of Maldives as a safe and "tourist friendly" destination.

During the year, Maldivian Resorts recorded encouraging occupancies driven by aligning and successfully executing its marketing plan with the changing mix of arrivals into the country. Furthermore, savings in finance costs together with active cost management efforts helped improve the performance in comparison to the previous year.

The Sri Lankan Resorts sector recorded an improvement in its performance with the adoption of a volume driven strategy

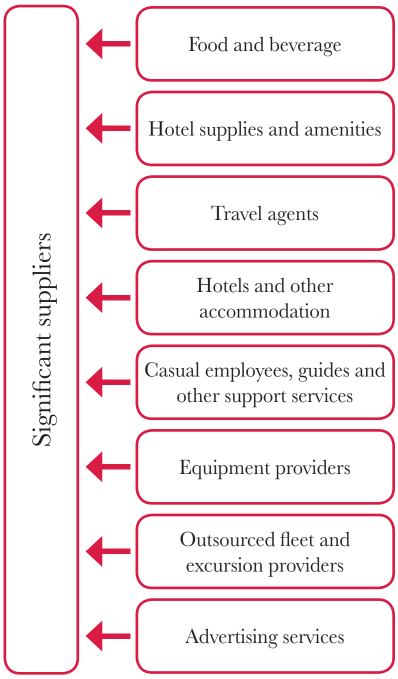
Reinforcing the product and service quality offering of the Maldivian Resort sector, Chaaya Island Dhonveli was adjudged the "Leading Surf Resort in Maldives" at the MATATO Maldives Travel Awards 2013, while Chaaya Reef Ellaidhoo was selected as the "Trip Advisor's Travelers Choice" for 2013. All three hotels were also well received at the Hotel Asia Exhibition and Culinary Challenge 2013, being awarded 13 bronze medals and 8 merit awards.

Despite the encouraging prospects for tourism within Sri Lanka, the performance of the Destination Management sector was not in line with expectations, primarily as a result of the challenging competitive environment where the proliferation of the informal sector had a negative impact. The number of competing destination management companies and online travel agencies increased significantly during the year, creating intense competitive pressure and further fragmentation within the industry. However, the aggressive marketing strategies focused on countries such as China, Russia and France drove volumes during the year while the depreciation of the Rupee coupled with foreign exchange movement strategy enabled the sector to record exchange gains.

Sustainability review

Material impacts: energy, emissions, effluents, waste, biodiversity, human rights, training, occupational health and safety, high quality service levels, customer satisfaction and social responsibility.

- Considering that the environmental impacts of the industry group's operations have a direct bearing on its financial performance, the management of energy consumption, emissions, effluents and waste are of vital importance to Leisure.
- Being a service based industry, sound labour practices, human rights, training and occupational health and safety have an impact on meeting customer requirements and providing a high quality level of service.
- From a social perspective, working closely and in harmony with surrounding communities whilst protecting the environment and its biodiversity are considered important aspects which directly relate to the reputation and brand image of Leisure.
- The significant suppliers within the industry group are:



Group strategy

- As the largest hotelier in the country, the Leisure industry group considers the country's natural environment and biodiversity as a unique selling point.
- Based on the John Keells Group's environmental policy, the Leisure industry group has established sound environmental practices within its business units to conserve and protect the environment it operates in. Whilst adhering to local regulatory requirements is required at the very minimum, the Leisure industry group strives to conform to local and international best practices where applicable and is mindful of the impact its operations have on local biodiversity and the environment.
- The industry group continues to monitor energy, water and waste while encouraging each business unit to implement ways to reduce, re-use and recycle whenever possible.
- Leisure focuses on training and development of its human resources in order to improve productivity and enhance service delivery. In addition, the industry group places importance on increasing community involvement, stimulating local businesses through its procurement practices and engaging in corporate social responsibility projects.

Goals, targets and responsibilities

The Leisure industry group has established strategies and goals to address the material issues identified. Each of the entities in the Leisure industry group have established targets for the usage of energy, water and other energy sources, such as reduction in energy consumption as against the previous year and reduction in electricity usage per month. Similarly, Leisure has established targets for water usage for its hotels. To reduce emissions, the industry group closely monitors its carbon footprint and uses innovative mechanisms to reduce its emissions from ozone depleting substances. In order to reduce the waste generated and sent to landfill, the Leisure industry group focuses on waste classification, inventorisation and segregation. The industry group recycles and re-uses waste through various initiatives such as waste-to-biogas and composting. In the majority of resorts, waste water quality is improved, at minimum, to regulatory levels through effluent treatment plants prior to being discharged to the environment. Prior to commencement of any new project, the Group requires its business units to obtain relevant licenses issued by the Central Environment Authority and successfully assesses such projects against the requirements of ISO 9001 Quality Management Systems and ISO 14001 Environment Management Systems. Several of the hotels in the Leisure industry group have also carried out environmental benchmarking through Earthcheck Global Australia. These global best practice levels are used to set goals and targets for the hotels and identify any areas for improvement.

In line with the Group's labour and human rights policies, the Leisure industry group reported zero instances of forced and compulsory labour and child labour during the year. Leisure is an equal opportunity employer and has no restriction on the freedom of association. All business units of the Group consider occupational health and safety to be of vital importance and as a result the Group is committed to obtaining OHSAS 18000 certification for all hotels on an annual basis. Leisure has also set a target number of hours of training to be provided to each employee by business unit and also ensures that employees are given training on first aid, fire and other occupational safety and health aspects within one month of employment.

Initiatives

Sri Lankan Resorts procured Rs.247 million of fresh produce, including fresh vegetables, fruits and fish while Walkers Tours, the destination management arm, provided assistance and livelihoods to over 565 drivers through its outsourced vehicle model and therefore, helped stimulate the local economy.

Several of the hotels in the Leisure industry group have also carried out environmental benchmarking through Earthcheck Global Australia ”

Employees across all business units are continuously appraised through awareness programmes on the conservation of energy, while various energy saving initiatives such as replacing high energy consuming lighting systems with LED lighting systems have been installed along with the use of energy efficient appliances. The three Maldivian Resorts undertook similar initiatives, replacing split air-conditioning systems with inverter air-conditioning systems in all guest rooms and installing LED lighting systems. These initiatives are expected to result in an estimated saving of 200,000 kWh of energy annually. Cinnamon Grand Colombo installed motion sensor lighting in the car park and variable speed drives for ground water pumps and cold water chillers, resulting in an annual estimated savings of 4,415 kWh and 39,420 kWh of energy respectively.

In order to manage its carbon footprint, Leisure has sought renewable energy sources, where possible, including the installation of solar thermal units at Cinnamon Bey Beruwala, Chaaya Tranz Hikkaduwa, Cinnamon Lodge Habarana, Chaaya Blu Trincomalee and Bentota Beach Hotel and the introduction of solar photovoltaic panels at Cinnamon Lakeside Colombo. The installation of these units is expected to offset approximately 70,000 kWh of electricity per annum. Chaaya Reef Ellaidhoo and Cinnamon Lodge Habarana have taken steps to manage waste energy through co-generation while at the latter, the exhaust of air-conditioners is used to pre-heat water in the geysers. In the Destination Management sector, Walkers Tours operates a carbon neutral fleet by completely offsetting its carbon footprint.

To reduce the consumption of energy and water, a number of hotels have installed sensor taps while sensor lights have been installed in public and common areas at Cinnamon Grand and Cinnamon Lodge Habarana. Rainwater harvesting has also been implemented at Cinnamon Grand, Bentota Beach Hotel, Cinnamon Bey Beruwala, Cinnamon Citadel Kandy, Cinnamon Lodge Habarana and in all of the Maldivian Resorts. This water is used for gardening, cooling towers and for general cleaning.

During the year, Cinnamon Wild Yala installed a reverse osmosis plant to obtain water on site, discontinuing the supply of water through bowsers at a frequency of eight times a day. The commissioning of this plant also enabled the hotel to reduce its operational and maintenance costs, carbon foot print and risks to wildlife, while ensuring a continuous supply of water. At Cinnamon Bey Beruwala effluent discharge is completely recycled and used in the flushing mechanisms in toilets while all Sri Lankan and Maldivian resorts treat their effluent discharge for gardening. Chaaya Island Dhonveli is currently in the process of commissioning an effluent treatment plant similar to that of Cinnamon Bey Beruwala which will enable the recycling of water in its flushing mechanisms. All properties that are unable to discharge effluent into common sewerage lines have dedicated effluent treatment plants on site. The quality of the effluent released from these plants is checked by independent assessors on a quarterly basis for compliance with local regulations.

Waste reduction is a key strategy for cost control in the Leisure industry group and awareness campaigns on waste reduction are carried out targeting employees. To enable responsible disposal of waste, waste sorting facilities have been improved while waste is closely recorded and monitored daily to enhance the waste mapping process. Two bio-gas digesters which use food waste to produce bio-gas have been installed at Cinnamon Citadel Kandy and Chaaya Village Habarana, with each digester producing up to 4,500 kilograms of liquid petroleum gas. A paper recycling plant was commissioned at Cinnamon Lodge Habarana, utilising waste paper from the hotel and elephant dung to produce recycled paper which can be used in paper products for the entire Cinnamon Hotels and Resorts chain. Other waste initiatives this year included the "Delicious Waste Chefs Competition 2013", a pioneering competition at Cinnamon Grand Colombo, where chefs were required to prepare and present dishes using off-cuts from the hotel's kitchens which could be added to their menus within the next financial year. In addition, Chaaya Lagoon Hakuraa Huraa piloted an innovative project utilising paper waste to produce bricks which were used in the construction of a beverage storage hut.

Preparation of a dish using off-cuts at Nuga Gama, Cinnamon Grand, Colombo

In line with the Group's precautionary approach with regards to the environment, Leisure focuses on minimising impacts on the biological diversity in the areas it operates in. The table overleaf highlights the industry group's locations in proximity to biologically diverse areas. The industry group in collaboration with the John Keells Foundation carries out various initiatives with regard to protection and creating awareness through projects such as "Project Leopard", the "Leopard Research Project" and conservation workshops, details of which can be found in the Corporate Social Responsibility section of this Report.

The industry group conducts employee training, awareness programmes and staff surveys in a bid to improve productivity, service levels and to assess employee satisfaction. The Leisure industry group carried out approximately 50 hours of training per employee covering areas of company values, policies and remedial mechanisms available as well as standard programmes targeted at improving employee skills. "Unlock Your Potential" by Walkers Tours, a home grown motivational and soft skills development programme which was customised to cater to the requirements of employees in the Destination Management sector was conducted during the year. Leisure also initiated a poster campaign in order to increase occupational health and safety standards and required all employees to participate in health and safety trainings.

From a supply chain perspective, a suppliers forum was organised by the Maldivian Resorts sector to educate its suppliers on the Group's expectations on waste management practices, health and safety practices, labour practices, quality and packaging requirements at their locations, while a sustainable supply chain management programme was also introduced. In addition, Walkers Tours conducted awareness programmes with its jeep and boat suppliers to educate them on the importance of conducting

Industry group locations in proximity to biologically diverse areas

Name of resort hotel, geographic location	Feature of biological diversity in proximity to site	Distance from site	Subsurface land at site(m^2)	Size of site (Km^2)
Bentota Beach Hotel, Bentota	Marine ecosystems	Adjacent	Nil	0.0446
Cinnamon Bey, Beruwala	Marine ecosystems	Adjacent	Nil	0.045
Chaaya Blu, Trincomalee	Marine ecosystems	Adjacent	Nil	0.1143
Cinnamon Citadel, Kandy	Mahaweli river freshwater ecosystems	Adjacent	Nil	0.0234
Chaaya Tranz, Hikkaduwa	Marine ecosystems	Adjacent	3,600	0.0176
Chaaya Village, Habarana	Minneriya tank sanctuary	15Km	Nil	0.0378
Cinnamon Wild, Yala	Yala national park	Adjacent	Nil	0.0405
Cinnamon Lodge, Habarana	Minneriya tank sanctuary	15Km	Nil	0.1031
Chaaya Island Dhonveli, North Male Atoll Maldives	Marine ecosystems	Adjacent	Nil	0.1496
Chaaya Reef Ellaidhoo, North Ari Atoll Maldives	Marine ecosystems	Adjacent	Nil	0.0556
Chaaya Lagoon Hakuraa Huraa, Meemu Atoll Maldives	Marine ecosystems	Adjacent	Nil	0.0543

their tours in an environmentally and socially responsible manner.

In addition to contributing and assisting with the efforts carried out by the John Keells Foundation, Leisure also initiated its own community engagement, mainly through its local purchasing practices. In addition, donation of stationery items and shoes for school children in rural areas, montessori development projects, e-waste campaigns for neighbouring schools and other medical campaigns such as eye camps and HIV awareness campaigns were a few of the community projects that were carried out by the industry group. Whittal Boustead, in partnership with IUCN and Kuoni, organised a workshop "Integrating Business Skills into Ecotourism Operations" targeting local communities to provide them with the necessary business skills in running a successful ecotourism venture.

Hiriwaduna Trek conducted by Destination Management sector

Sustainability and financial performance

Sustainability performance

The carbon footprint for the Leisure industry group was 38,496 MT in the year under review, a 7 per cent increase against the previous year, largely due to the full functioning of all hotel and resort properties during the year. Further, the Destination Management sector expanded its scope of reporting to include leased vehicles which added to the Group's overall carbon footprint. The increased operational activity also lead to a 7 per cent increase in both water consumed and waste generated. Despite these increases, the total injuries recorded by the industry group fell from 135 incidents to 100 due to improved focus on occupational health and safety, with many of the hotels having obtained ISO 18000 OHSAS certification.

Following the boom in tourism throughout the region and the need to consistently maintain high levels of service quality, the industry group has increased its focus on training, resulting in a 27 per cent increase in training hours compared to that of the previous year. The average number of training hours per employee for the industry group was 50 hours (2012/13: 38 hours).

Sustainability performance			
	2013/2014	2012/2013	Chg %
Carbon footprint (MT)	38,496	36,035	7
Water withdrawn (l)	1,102,058	1,027,339	7
Waste disposed (kg)	4,553,277	4,232,670	7
Injuries and diseases (Number)	100	135	(26)
Total hours of training	250,818	197,623	27

The performance of the industry group's material impacts based on its relevant operational intensity factors are given below. For all the hotel properties, the performance below is based on the number of overnight guests, while for the Destination Management sector, performance is based on the number of clients serviced.

Carbon footprint Scope 1 and 2 per operational intensity factor		
	2013/2014	2012/2013
Sri Lankan Resorts sector CO_2 kg per guest night	23	26
Maldivian Resorts sector CO_2 kg per guest night	31	32
City Hotels sector CO_2 kg per guest night	59	61
Destination Management sector CO_2 kg per client serviced	12	8

Water withdrawal per operational intensity factor		
	2013/2014	2012/2013
Sri Lankan Resorts sector - water withdrawn litres per guest night	980	1,186
Maldivian Resorts sector - water withdrawn litres per guest night	618	589
City Hotels sector - water withdrawn litres per guest night	1,354	1,394

Waste generated per operational intensity factor		
	2013/2014	2012/2013
Sri Lankan Resorts sector - waste generated kg per guest night	3.2	3.3
Maldivian Resorts sector - waste generated kg per guest night	6.2	5.8
City Hotels sector - waste generated kg per guest night	5.6	4.5

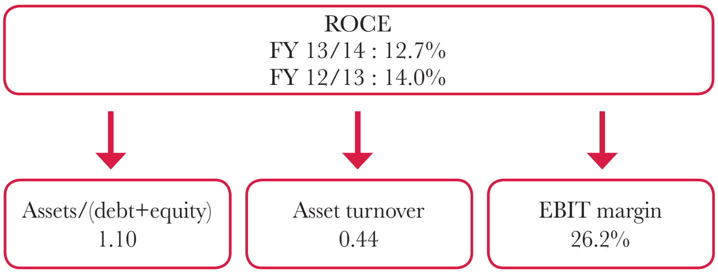
Financial performance

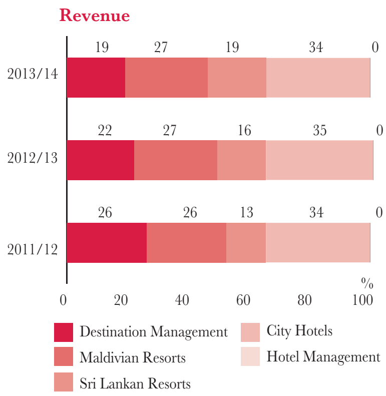
The revenue of the Leisure industry group increased by 9 per cent to Rs.22.55 billion [2012/13: Rs.20.59 billion], primarily on account of the 31 per cent growth in revenue recorded by the Sri Lankan Resorts sector driven by the increase in occupancy across all its hotels. The City Hotels and Maldivian Resorts sectors also positively contributed to the increase in revenue with growth rates of 8 per cent and 11 per cent respectively. However, the revenue of the Destination Management sector decreased by 6 per cent.

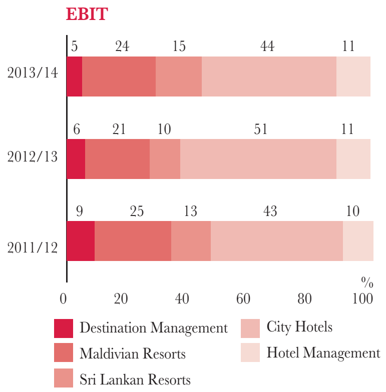
The EBIT increased by 4 per cent to Rs.5.91 billion [2012/13: Rs.5.71 billion]. The increase in EBIT was not commensurate with the growth in revenue due to the previous year's EBIT including a fair value gain of Rs.289 million on investment property owned by Trans Asia Hotels (TAH). The recurring EBIT of Rs.5.91 billion for 2013/14 represents a 9 per cent growth in comparison to the Rs.5.42 billion recorded in 2012/13. With a 55 per cent growth in EBIT, the Sri Lankan Resorts sector was the biggest contributor to EBIT growth.

The conversion of Rupee denominated debt into foreign currency resulted in lower finance costs whilst maintaining a "natural hedge" against foreign currency revenue streams. The depreciation of the Rupee during the year resulted in translation losses on the foreign currency denominated debt, although off-set to an extent by an exchange gains arising from foreign currency denominated revenue coupled with the lower finance cost. The PBT increased by 5 per cent to Rs.5.43 billion [2012/13: Rs.5.18 billion] whilst the recurring PBT increased by 11 per cent to Rs.5.43 billion.

Return on capital employed







15.6%

Adjusted ROCE

Adjusted ROCE for 2012/13 was 14.8%

- ROCE declined to 12.7 per cent from 14.0 per cent recorded in the previous financial year. However, the adjusted ROCE for 2013/14 improved to 15.6 per cent whilst the adjusted ROCE for 2012/13 was 14.8 per cent. The main adjustments to the ROCE was the elimination of the impact of the revaluation of assets particularly in the post-conflict environment as discussed in the Group Financial and Sustainability Review section of the Report. In addition, the adjusted ROCE also eliminated the impact of gains on the fair valuation of investment property from both EBIT and capital employed.

- The EBIT margin declined to 26.2 per cent compared with 27.7 per cent in the previous financial year. The decline is mainly on account of the fair value gain on investment property in the previous financial year as mentioned above. The adjusted EBIT margin was maintained at 26.2 per cent in comparison to the previous year. Both the Sri Lankan and Maldivian Resorts sectors witnessed an improvement in margins, whilst the City Hotels sector reported lower margins.

- The asset turnover ratio declined marginally to 0.44 times from 0.45 times recorded in the previous financial year.

Outlook

With the tourism authorities in Sri Lanka undertaking additional initiatives to create awareness of the destination and promote tourism in to the country, tourist arrivals are expected to continue with the growth momentum witnessed in 2013. Furthermore, the trend in arrivals is gradually shifting from the primarily beach-oriented European tourists to those from the Asia-Pacific region, mainly India and China, who are more interested in activity oriented holidays. As a result, there is a growing need across the leisure industry to re-align the product offerings and services together with staff training to cater to the evolving needs of a fast growing segment. The Leisure industry group is well placed in this respect, having already addressed these requirements as a result of identifying these growth segments a few years ago to be incorporated in to its core strategy and focus area.

From a macro-economic perspective, market expectations indicate late 2015 as a likely point in the future for an increase in LIBOR, which will have a negative impact on the industry group's USD borrowings. The Rupee exchange rate is expected to remain stable as recent improvements seen in the external sector are likely to lend support to the currency and prevent any major valuation losses associated with the US Dollar denominated debt from materialising.

In the ensuing year, all hotels and resorts will fall under the Cinnamon umbrella making it a 14 property hotel chain with 2,400 rooms spread across Sri Lanka and the Maldives. While this branding initiative is being rolled out, the lifestyle service culture will be re-invented and all processes, policies and standards will be revamped. Furthermore, a brand new property management system will be integrated to link all properties on to one platform to enhance guest satisfaction.

The City Hotels sector expects growth to be primarily driven by the leisure tourist segment. The competitive landscape is expected to evolve with the introduction of a few three star hotel properties which are expected to commence operations within the next financial year which may limit pricing flexibility within the corporate segment. Both Cinnamon Grand and Cinnamon Lakeside will leverage on their strong brand and service offering to ensure respective market shares are maintained in the ensuing year. Furthermore, the two city hotels are expected benefit from the new Cinnamon website that is due to be launched in July 2014, thereby, increasing volumes of direct bookings.

During the ensuing year, Sri Lankan Resorts will continue to focus on driving occupancies while strategically managing yields to optimise revenue. To this end, Sri Lankan Resorts will continue to strengthen their ties with foreign tour operators, expand the local travel agent and corporate sector, whilst focusing further on its digital strategy.

The Maldives will benefit as a result of the prevailing political stability with approximately 1.4 million tourists expected to visit the country in 2014, highlighting the encouraging prospects that lie ahead. The Maldivian Resorts sector will focus on growing the Russian tourist segment whilst continuing with its successful marketing strategy to attract the Chinese market. As in the other sectors across the industry group, web based bookings will remain an important area of focus.

In the ensuing year, all hotels and resorts will fall under the Cinnamon umbrella making it a 14 property hotel chain with 2,400 rooms ”

The Destination Management sector will launch Sri Lanka's first online reservation portal for all travel requirements. It will act as a single point through which any traveler to the country will be able to plan their visit and itinerary, enabling the business to be the most efficient and best equipped destination management company.

Throughout the industry group, various initiatives such as combined heat and power systems, solar thermal units, structured equipment scheduling processes and large scale in-house recycling facilities will be implemented to increase the use of alternative energy sources, empahsise energy conserving practices and improve waste management processes. Such actions will not only help strengthen sustainability practices but also improve operational margins and efficiency throughout the industry group.

Property

Property Development

Real Estate

The premium residential development "7th Sense" on Gregory's Road is progressing as planned

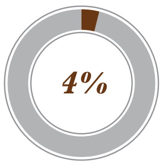
Vision and scope

The Property Development and Real Estate sectors concentrate primarily on the development and sale of residential apartments such as the on-going "OnThree20" and "7th Sense" projects. This industry group includes Asian Hotels and Properties PLC – the developers of "The Crescat Residencies", "The Monarch", "The Emperor", the up-market shopping mall "The Crescat Boulevard" and the "K-Zone" malls in Moratuwa and Ja-Ela.

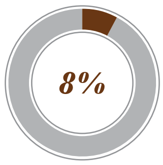
Key indicators

(Rs. million)	2013/14	2012/13	Chg %	2011/12
Revenue	4,138	3,170	31	3,790
EBIT	1,364	1,264	8	1,016
PBT	1,293	1,252	3	977
PAT	1,291	1,190	8	932
Total assets	32,460	12,690	156	10,354
Total equity	19,423	10,472	85	8,961
Total debt	10,767	2,142	403	990
Capital employed	30,190	12,614	139	9,951
Carbon footprint (MT)	52	96	(46)	1,449
Employees (Number)	101	103	(1.94)	99
EBIT per employee	12.9	12.3	5	10.3

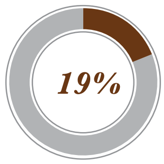
Contribution to JKH Group



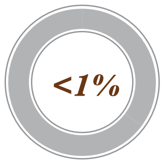
Revenue



EBIT



Capital employed



Carbon footprint

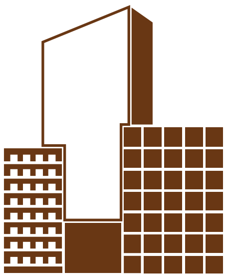
13 MT
per Rs. Mn revenue

	Property Development	Real Estate
The businesses within the sector	Development and sale of residential and commercial properties	Renting of commercial office spaces and the management of the Group's real estate within the city
	Owning and operating the Crescat Boulevard mall and K-Zone malls in Moratuwa and Kapuwatta, Ja-ela	
Revenue and growth	Rs.3.98 billion, increase of 26%	Rs.155 million, increase of 781%
EBIT and growth	Rs.1.42 billion, increase of 47%	Negative Rs.58 million, decrease of 120%
Carbon footprint	41 MT	11 MT
Key developments during the year	• Commenced work of the premium residential development project, "7th Sense" at Gregory's Road • The superstructure of the "OnThree20" residential project was completed	• Maintained over 90 per cent occupancy across the sites
Key external/internal variables impacting the business	• Applicability of land tax when leasing to foreigners remains unclear • Increase in number of residential apartment projects • Increase in demand for properties on the back of lower finance costs • Rental rates in premium development projects have increased	• Applicability of land tax when leasing to foreigners remains unclear • Land prices continue to remain buoyant • The new highway systems, especially the outer circular highway has significantly improved the connectivity and the accessibility of the suburbs

Operational review

During the year under review, the overall property market benefitted from the sharp reduction in interest rates on the back of several rate cuts undertaken by the Central Bank of Sri Lanka, which resulted in policy rates reaching the lowest levels in more than fifteen years. The residential market experienced somewhat of a glut as supply has increased significantly, while demand remains primarily for housing in the suburbs, particularly due to cost considerations. However, the premium and luxury range was relatively immune to the pressures of increased supply as the demand for such properties is also driven mainly by high net-worth individuals and non-resident Sri Lankans. Furthermore, apartment living has become more accepted socially, adding upward pressure on rental yields, particularly in premium developments. In the commercial property sector, most of the available office space in Colombo remained occupied mainly on account of the delay in the proposed shifting of Government office space to the suburbs.

The construction of the 475 unit "OnThree20" residential apartment project is on schedule and the superstructure work on all three towers was completed in the year under review. The project is slated for completion in December 2014 with the hand-over of apartments planned from the fourth quarter of 2014/15 onwards. The development has witnessed encouraging levels of demand with 90 per cent of the apartments being sold as of 31st March 2014.



"OnThree20" recorded encouraging demand

The premium residential development, "7th Sense" at Gregory's Road, comprising of 65 apartment units is progressing as planned. Excavation work commenced in the year under review with work on the foundation nearing completion. Approximately 70 per cent of units have been sold as of 31st March 2014.

The 140,000 square foot K-Zone mall in Ja-ela recorded an occupancy rate of 92 per cent as at the end of the financial year due to an increasing number of retailers realising the benefit of moving into malls, especially in the suburban neighbourhoods, which are becoming more affluent and thus driving demand.

The Crescat mall in Colombo and the K-Zone mall in Moratuwa had near full occupancy throughout the year

Whilst the concept of suburban malls is well accepted in such areas, the mall has been focusing on creating awareness and driving footfall by carrying out activities catering to its target market and also by launching tactical promotions.

The Crescat mall in Colombo and the K-Zone mall in Moratuwa had near full occupancy throughout the year. This reinforced the success of our operating model which works towards ensuring a mutually beneficial outcome for both the lessor and lessee as the industry group continued to work towards increasing footfall in the shopping malls.

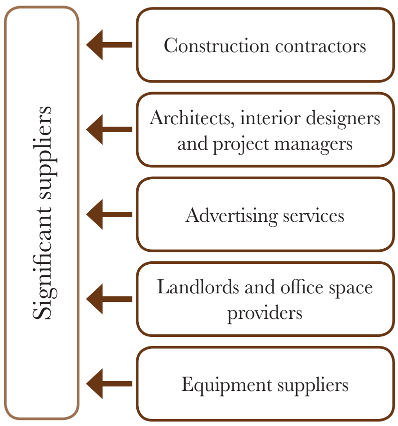
The "Waterfront" is an integrated multi-use luxury resort in Colombo which will be developed at an estimated cost of USD 820 million on the lands previously occupied by the John Keells Group on Glennie Street and Justice Akbar Mawatha in Colombo 2. The Project has been approved as a Strategic Development Project under the Strategic Development Projects Act No. 14 of 2008. The Project commenced construction in the year under review and the construction contract was awarded to a consortium of three contractors with globally renowned Engineering, Procurement and Construction (EPC) contractor, Hyundai Engineering and Construction Company Limited of South Korea functioning as the lead contractor. The integrated resort would consist of a luxury 800 room hotel, two residential towers with over 400 apartments, a modern office complex with over 250,000 square feet of office space and a 400,000 square feet retail mall with high end shopping, entertainment and amusement facilities. The development is expected to be completed in 2018.

Announced the development of the Waterfront Integrated Resort project

Sustainability review

Material impacts: community impact, effluent discharge, waste generation, incidents caused due to occupational health and safety practices in its supply chain, and the need to continuously assess risks faced by the industry group as a result of hiring third party construction contractors.

- Notwithstanding the Group's own governance and compliance requirements, the importance of these impacts stem from the need to maintain compliance with industry and Government regulations and the requirements of lending agencies, whilst maintaining the Group's brand image and reputation and safeguarding the well-being of the various stakeholder groups.
- The significant suppliers within the industry group are:



Supplier engagement at "OnThree20"

- All significant suppliers have been assessed for negative impacts on environmental, labour and human rights aspects.

Group strategy

- Keeping in line with the Group's governance model and stringent requirements of product quality, the Property industry group sets itself apart by maintaining the highest levels of product quality and is reputed for being a responsible corporate citizen, which has ensured its position as one of the foremost companies in the property market.
- The Property industry group's operations are therefore based on the John Keells Group's overarching sustainability policies including those of environmental and social impact assessment prior to commencement of new projects, effluent and waste management, occupational health and safety, the requirement to engrain sustainability in its supply chain through supplier engagement and assessment towards reducing operational and reputation risks to business.

Goals, targets and initiatives

The Property industry group has implemented numerous strategies/ actions to mitigate its identified material issues, some of which are highlighted below:

- Continuously assessing and monitoring of supplier practices with regard to occupational health and safety practices at its sites
- Continuous audits and compliance checks to meet with all regulatory requirements
- Implementation of a quarterly tracking and monitoring system of solid waste segregation and waste measurements
- Wherever possible carryout treatment and recycling of waste water

During the year, the K-Zone shopping mall in Ja-Ela commissioned an effluent treatment plant which has enabled the recycling and re-use of waste water discharged in gardening and general cleaning purposes at the premises.

The Property industry group is currently working on obtaining the OHSAS 18001 operational health and safety certification for the K-Zone shopping mall in Ja-Ela, having already obtained such certification for K-Zone Moratuwa and Crescat Boulevard. The industry group also ensures that all its construction contractors have monthly site safety meetings and has employed third party consultants as site safety officers to monitor compliance on a bi-weekly basis and recommend changes where necessary. Site safety and labour practices are also incorporated into contracts with significant suppliers. During the year under review, a training session on food hygiene was held for all the food court staff, while first aid training was provided to all maintenance, housekeeping and security staff of the shopping malls within the industry group.

A key community initiative carried out by the Property industry group was the rehabilitation and repair of public rainwater drainage in the vicinity of K-Zone Ja-Ela, which assisted in the prevention of floods, benefitting not only the customers of the mall but the local community as well.

Sustainability and financial performance

Sustainability performance

The Property industry group was able to reduce its carbon footprint to 52 MT in 2013/14 from 96 MT in the previous year. This 46 per cent fall is due to the various carbon reduction initiatives implemented by the Property industry group and the re-allocation of office space to Group companies. As air-conditioning continues to be the main source of energy consumption in the industry group, one such key initiative was the installation of energy efficient air-conditioning systems and monitoring of its efficiency. During the year under review, Property did not have any occupational health and safety incidents involving its own employees. However, there were incidents reported by its construction contractors due to accidents and the industry group continues to engage with its contractors to minimise such instances. During the year, a total of 2,065 hours of training was provided to staff within the industry group.

While the total carbon footprint and waste disposed is shown in the table below, the carbon footprint per square foot managed witnessed an appreciable reduction to 6 kg (2012/13: 11 kg).

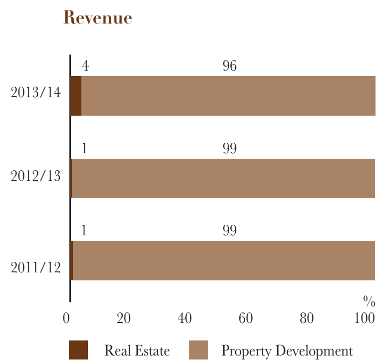
Sustainability performance			
	2013/2014	2012/2013	Chg %
Carbon footprint (MT)	52	96	(46)
Waste disposed (kg)	77,913	32,360	141

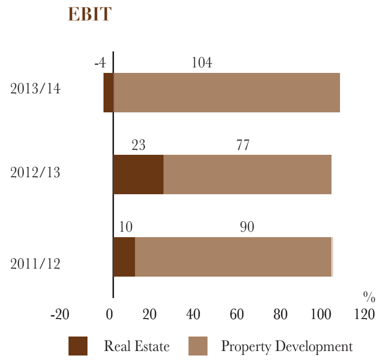
* Water usage and training hours are not shown above as they are not material for the industry group. The basis for waste estimation was restructured with the Property industry group considering waste generated at all shared office locations of the Group.

Financial performance

Revenue increased by 31 per cent to Rs.4.14 billion [2012/13: Rs.3.17 billion], mainly on account of the commencement of revenue recognition associated with the residential development "7th Sense" on Gregory's Road and commencement of operations in the K-Zone mall in Ja-ela. Revenue recognition at "OnThree20" continued at an encouraging pace as it continued to be the largest contributor to industry group revenue.

The EBIT increased by 8 per cent to Rs.1.36 billion [2012/13: Rs.1.26 billion], mainly on account of the aforementioned increase in revenue. The growth in EBIT was relatively low since the previous year's EBIT included a gain of Rs.440 million on the revaluation of land at Crescat Boulevard, Glennie Street and Ja-ela. The revaluation gain on investment property for 2013/14 is Rs.391 million arising from the land at Crescat Boulevard and the land owned by Waterfront Properties (Private) Limited. The recurring EBIT, increased by 18 per cent to Rs.974 million [2012/13: Rs.824 million]. Property recorded an increase in finance expenses in the year under review, mainly on account of the borrowings relating to the funding of the K-Zone mall in Ja-ela. The recurring PBT increased by 11 per cent to Rs.902 million.





Return on capital employed

- ROCE declined to 6.4 per cent from 11.2 per cent recorded in the previous financial year. The increase in the asset base on account of the initial investments on the Waterfront Project, which included the transfer of land owned by Ceylon Cold Stores (CCS) and John Keells Limited (JKL) to Waterfront Properties (Private) Limited and the infusion of cash equity to meet immediate project expenses, coupled with drawdown of debt. These reasons, combined with the lower gain on fair value on investment property in the current year had a negative impact on the current year ROCE. Considering the long gestation period of four years on the Waterfront Project, we have eliminated these impacts, including adjustments on investment properties, to compute an adjusted ROCE which reflects the return on the current portfolio of the Property industry group. The adjusted ROCE on this basis was 7.1 per cent in the current year compared to 7.8 per cent in the previous financial year. Further details on the rationale for these adjustments are available in the Group Financial and Sustainability Review section of the Report.

ROCE
FY 13/14 : 6.4%
FY 12/13 : 11.2%

Assets/(debt+equity)	Asset turnover	EBIT margin
1.05	0.18	33.0%

Rs.1.36 bn

Earnings before interest and tax (EBIT)

EBIT for 2012/13 was Rs.1.26 bn

- The EBIT margin declined to 33.0 per cent from 39.9 per cent recorded in the previous financial year. The higher gain on investment property recorded in the previous financial year had a negative impact on the EBIT margin. The recurring EBIT margin of 23.5 per cent was a decrease compared to the 26.0 per cent in 2012/13. The lower adjusted EBIT margin is reflective of the evolving revenue mix of the projects within the industry group.
- The asset turnover decreased to 0.18 times from 0.28 times due to a sizeable increase in the asset base following the transfer of lands from CCS and JKL and the infusion of cash equity to Waterfront Properties (Private) Limited to meet immediate project expenses. The adjusted asset turnover was 0.28 times compared to 0.29 times in 2012/13.

Outlook

The property market is expected to witness an increase in the supply of apartments with a number of new competitors, both local and international, entering the market. This is likely to drive construction costs higher as construction capacity is further absorbed, while labour will continue to be a constraint within the industry. Whilst there could be an over-supply of apartments in the event all projects in the pipeline of the industry materialise, the Property industry group is well positioned as its two existing developments have already established their market positioning and value proposition. With both developments nearing completion, the already demonstrated active secondary market and momentum are expected to contribute towards selling the remaining units. The residential apartments at Waterfront are unique and one of a kind considering the integrated nature of the overall development with the creation of an iconic destination with numerous facilities. Initial interest has been very strong and this momentum is expected to continue notwithstanding the launch of other developments by competitors. Overall demand in the industry is also likely to be strongly supported with the prevailing low interest rates expected to continue at close to current rates in the medium term.

The Property industry group will focus on ensuring the timely completion and successful selling of the remainder of the units at the ongoing residential development projects "OnThree20" and "7th Sense". To this end, focus will also be on the affluent outstation clientele as well as the growing interest from areas with Sri Lankan expatriates.

The industry group will also continue to build its sizeable land bank and identify lands situated in strategic locations with considerable potential for development such as growing residential areas and commercial hubs.

The Property industry group is well positioned as its two existing developments have already established their market positioning and value proposition ”

Consumer Foods & Retail

Consumer food

Retails

Ceylon Cold Stores continued to focus on developing new products to match the evolving needs of consumers

Vision and scope

The Consumer Foods sector is home to a portfolio of leading consumer brands including "Elephant House" carbonated soft drinks and ice creams as well as the "Keells" and "Krest" range of processed meats; all leaders in their respective categories and supported by a well-established island-wide distribution channel.

The Consumer Foods Sector competes in three major categories, namely, beverages, frozen confectionary and convenience foods.

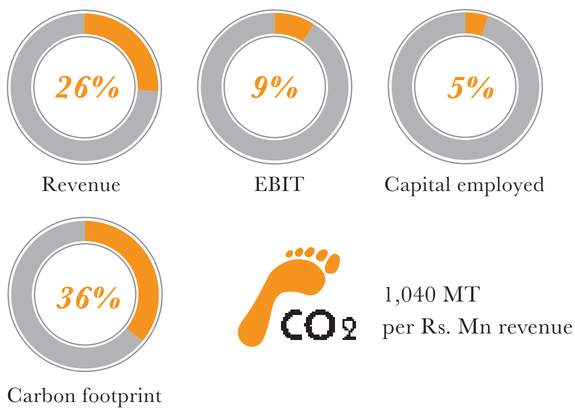
The Retail sector focuses on modern organised retailing through the "Keells Super" chain of supermarkets and also operates "Nexus", the most successful coalition loyalty card in the country.

Key indicators

(Rs. million)	2013/14	2012/13	Chg %	2011/12
Revenue	25,414	24,042	6	21,969
EBIT	1,480	2,479	(40)	2,822
PBT	1,328	2,363	(44)	2,731
PAT	1,005	1,987	(49)	2,370
Total assets	12,171	17,305	(30)	12,670
Total equity	5,977	10,804	(45)	7,868
Total debt	1,699	1,704	(0.3)	1,167
Capital employed	7,676	12,508	(39)	9,035
Carbon footprint (MT)	26,428	24,504	8	24,936
Employees (Number)[1]	3,263	3,415	(4)	3,112
EBIT per employee	0.4	0.7	(38)	0.9

1 *As per the sustainability reporting boundary*

Contribution to JKH Group



	Consumer Foods	Retail
The businesses within the sector	Ceylon Cold Stores (CCS) produces and markets a portfolio of carbonated soft drinks, ice creams and related confectionary products under the "Elephant House" brand and an energy drink under the "Wild Elephant" brand	JayKay Marketing Services (JMSL) operates the "Keells Super" chain of modern retail outlets
	Keells Food Products (KFP) produces and markets a range of processed meat products under the "Keells", "Krest" and "Elephant House" brand names	The Nexus network operates the Nexus loyalty programme in collaboration with Nations Trust Bank
Revenue and growth	Rs.10.31 billion, increase of 1%	Rs.15.10 billion, increase of 9%
EBIT and growth	Rs.1.21 billion, decrease of 54%	Rs. 266 million, increases of 250%
Carbon footprint	14,689 MT	11,739 MT
Key external/internal variables impacting the business	• Low consumer spending in the first half of the year, followed by a reversal of the trend in the second half • Low inflationary environment • Increase in raw material prices due to import duties • Growing competitive pressure in the carbonated soft drinks industry • Emergence of a more health conscious consumer base • Outbreak of the foot and mouth disease in certain parts of the country	• Low consumer spending in the first half of the year followed by a reversal of the trend in the second half • Low inflationary environment • Upward revision in electricity tariffs

Operational review

The first half of the year for the Consumer Foods sector was defined by low levels of consumer confidence and discretionary spending coupled with pressure on costs arising from the increase in electricity tariffs and material prices. However, the sector witnessed a reversal of this trend in the second half of the year with all segments in the sector reporting a growth in volumes.

Despite a decline in overall volumes in the market, the Frozen confectionary segment recorded encouraging results, increasing its market share in comparison with the previous financial year. The improved performance was mainly attributed to the growing penetration levels of the novelty and impulse ranges. The business also expanded its product portfolio by introducing new flavours to the novelty range while successfully managing its tactical consumer promotion campaigns which resulted in higher sales volumes.

The carbonated soft drinks industry continued to be somewhat hampered by disruptive market practices that were adopted by some competitors. However, the beverages segment continued to invest in its brands and competed with five different pack sizes to meet different consumption occasions and changing consumer needs. Furthermore, its extensive distribution network, including its presence in rural areas, and wide product portfolio helped the business expand market share. Cream Soda, Necto and Soda remained the most popular brands in terms of the litres consumed while KIK Cola maintained its popularity among the 16–24 year age group.

the beverages segment continued to invest in its brands and competed with five different pack sizes

The increase in import duty and levies on key raw materials used in the manufacture of ice creams and carbonated soft drinks, together with the depreciation of the Rupee, the upward revision in electricity tariffs and the increased price of fresh milk following the shortage of milk powder more than offset the positive impact from lower sugar prices. However, Ceylon Cold Stores (CCS) ensured that overall performance was not impacted negatively by implementing various cost saving initiatives, while selective price increases were undertaken during the second half of the financial year, taking into account the price elasticity of demand.

Highlighting the strength of the brand, "Elephant House" Cream Soda won the "FMCG Beverage Brand of the Year" award for the 8th consecutive year and the "Youth Beverage Brand of the Year" award for the second consecutive year at the People's Awards, jointly organised by the Sri Lanka Institute of Marketing (SLIM) and The Nielson Company. "Elephant House" was awarded the "Local Brand of the Year" award in the Ice Cream category at the SLIM Brand Excellence Awards.

The convenience foods segment, comprising of Keells Food Products (KFP), reported growth in both sausage and meatball volumes. KFP increased its market share across both segments, aided by the expansion of its product portfolio, increased promotional and advertising campaigns and expansion of outlets. However, volumes in the lower margin raw meat segment declined following the outbreak of the foot and mouth disease in certain parts of the country during the last quarter of the financial year. Production was consolidated at the recently acquired meat processing plant located at the industrial zone in Pannala during the year under review, which enabled KFP to increase production efficiency. KFP also focused on automating more processes at the factory, which further enhanced efficiency and productivity, paving the way for the company to reduce its labour expenses. The company offered a voluntary retirement scheme to 132 of its employees.

The Retail sector placed greater emphasis on service quality

The Retail sector recorded a significant improvement in its performance, backed by increased revenue and efficient management of its cost structure. Greater emphasis on the quality of service delivery as well as the quality of products on offer resulted in an increase in customer footfall and a year-on-year growth in same store sales. Keeping in line with Retail's new strategy of focusing on larger format outlets, which encourage full basket shopping, four new outlets were opened in the suburbs of the city of Colombo in Talahena, Panadura, Rattanapitiya and Pitakotte while four other outlets were discontinued during the year under review.

As reported in the previous Annual Report, a value added tax (VAT) of 12 per cent was enforced on the retail industry in the last quarter of the 2012/13 financial year. The Budget proposals

KFP also focused on automating more processes at the factory, which further enhanced efficiency and productivity

for 2014 introduced an amendment to this regulation on wholesale and retail businesses, where a fixed limit of 25 per cent of the total turnover be considered as exempt from VAT. The Retail sector has taken necessary measures to ensure that the negative financial impact of this amendment is mitigated as far as possible.

During the year, Retail appointed world-renowned cricketer Kumar Sangakkara as a brand ambassador for Keells Super supermarkets and initiated a new marketing campaign, also promoting the Nexus loyalty programme. This campaign resulted in a noteworthy increase in the number of Nexus card memberships and improved communication with customers on the available products and offers. The Retail business improved its reach and convenience offered to its customers by becoming the first and only mobile commerce enabled supermarket chain in Sri Lanka.

Sustainability review

Material impacts: product and service quality, sustainability of the supply chain, environmental impacts such as energy, emissions, water and waste.

- Given the labour intensive nature of businesses in the industry group, labour impacts such as occupational health and safety, training and development, and talent retention are of vital importance.
- Responsible labelling and marketing communications are considered material aspects due to the importance of maintaining the strong brand value of various products within the industry group.
- Similarly, sustainable sourcing, working with its supply chain and the local communities within which the group's businesses operate, is considered to be essential for creating and maintaining a continuous source of raw materials, reducing risk and enhancing the industry group's social license to operate.
- The significant suppliers within the industry group are:

Significant suppliers
- Glass bottles and plastic packaging
- Dry food, sugar and other raw material
- Meat, poultry and dairy suppliers
- Fresh produce, frozen and chilled products
- Industrial items
- Landlords and tenants
- Advertising services

Production line at Keells Food Products, Pannala

Group strategy

- The Consumer Foods & Retail industry group's operational strategies are centered on ensuring safe and high quality products in its consumer foods businesses and differentiating its retail operations through a superior experience and heightened service levels.
- Many of the industry group's businesses are ISO Certified and are assured annually through third-party verifications while, CCS and KFP adhere to the standards stipulated by the Sri Lanka Standards Institute.
- Local purchasing of raw materials is seen as a key strategy for the industry group due to the ability to optimise cost of sourcing, stimulate local economies and maintain its social license to operate.
- The industry group engages proactively with its diverse farmer community to adhere to agricultural practices that are environmentally sound whilst resulting in higher yields as it is aware of the impact that may be caused to its operations due to changes in weather patterns impacting crop yields.
- Given its significant distribution network, varied manufacturing plants and 45 supermarket outlets, the industry group considers the management of energy, emissions, effluent and waste as important factors in controlling operational costs, improving efficiency and reducing the Group's overall carbon footprint to ensure that the environmental impact of its operations are minimised.
- With over 3,200 employees, the industry group places a high level of importance on the health and safety of its workforce in its manufacturing and retail operations, providing continuous training to uplift skills and productivity whilst respecting employee rights and maintaining good working conditions.
- The industry group continued to monitor employee, environmental and social activities, while marketing

Natural lighting at K-Zone, Ja-ela

its products responsibly in order to be consistent with and adhere to the John Keells Group's environmental, labour and product policies.

Goals, targets and responsibilities

Given the industry group's focus on ensuring high quality products and services, environmentally sound practices and maintaining a safe work environment, the business units have established targets to continuously monitor its processes in line with international standards. CCS and KFP strive for the highest levels of product quality by ensuring high quality of its raw materials through its quality assurance process and continuous quality assurance of its suppliers. Keeping in line with responsible product marketing all business units adhere to local packaging and labelling requirements, while all marketing communications are as per the marketing communication guidelines of the John Keells Group which are based on the Code of Advertising and Marketing Communications by the International Chamber of Commerce.

During the year under review, CCS and JMSL carried out an environmental benchmarking assessment of its ice cream, carbonated soft drinks and supermarket outlets through EarthCheck Global of Australia. The global benchmarks established through this assessment are currently being utilised to identify areas for improvement and take necessary action towards meeting international best practices. The industry group as a whole aims to reduce energy consumption and thereby reduce its carbon footprint. In this regard, CCS has set goals to introduce and utilise renewable energy sources to reduce its furnace oil and diesel consumption while the Retail sector, as one of the Group's largest consumers of electricity, has set a target to reduce its electricity consumption by an average of 2 per cent overall. CCS and KFP have also targeted the reduction of water consumption through a strategy of effluent treatment and the recycling of waste water for purposes such as gardening and general cleaning where possible.

The CF&R industry group seeks to continuously increase locally sourced ingredients and produce, and encourages its constituent businesses to work closely with local suppliers

The Consumer Foods & Retail industry group seeks to continuously increase locally sourced ingredients and produce, and encourages its constituent businesses to work closely with local suppliers. Business units of the industry group engage with and provide technical support to farmers and local communities to improve quality standards and yields while uplifting living standards through the corporate social responsibility programmes of the John Keells Foundation. All suppliers are assessed for environmental, social and labour risks with continuous supplier engagements being carried out to improve their operations. The industry group also aims to minimise occupational health and safety incidents, identify and meet training needs and reduce employee attrition, whilst engaging positively with the industry's organised labour organisation. The industry group adheres to all Group labour policies and Group policies on child and forced labour with zero level occurrences of such instances.

Initiatives

The industry group works towards meeting consumer demands and provides products of the highest quality. Over the reporting year, some of the new products introduced included the "Chilis Miris" spicy chicken sausage by KFP, aimed at satisfying the taste palate of local consumers, and additions to the premium range of frozen confectionary segment by CCS. In addition, "Mango Lite" ice cream and light ranges of carbonated soft drinks were introduced, catering to the health conscious consumer. Product labelling, marketing and quality standards are monitored on a continuous basis with in-house controls and adherence to Group policy. CCS and KFP strive to meet internationally recognised quality standards, with both obtaining ISO 9001 and ISO 22000 certifications, while quality assurance programmes are in place to ensure that quality is not compromised with staff being continuously trained on quality and food safety standards. The committee which oversees advertising campaigns for the Group continue to ensure responsible marketing communications.

Of the 443 stock keeping units which are either manufactured by the Consumer Foods sector or obtained via private labelling arrangements by the Retail sector, 81 per cent carry information with regards to the ingredients used, while 1 per cent carry the sourcing of components of the product. Information with regards to the safe use and responsible disposal is carried in 29 per cent and 61 per cent of the products respectively. A selected range of products contain ingredients that may have a health impact on certain consumers, and all such products carry information with regards to this on their labels.

The industry group purchases a sizeable proportion of its raw materials from local producers. CCS purchases ginger, cashew, treacle, vanilla and kithul jaggery from local suppliers, KFP purchases vegetable and spices, while the Retail sector engages

CCS plans to import CO_2 manufactured as a by-product replacing the need for obtaining CO_2 from burning fossil fuel"

with farmers from across the country to obtain fresh fruits, vegetables and fish. In total, the Consumer Food & Retail industry group spent over Rs.1.02 billion through its sustainable sourcing drive to local farmer communities during the year under review. Further details of these sustainable sourcing programmes can be found in the Corporate Social Responsibility section of this Report. The industry group has taken steps to ensure that suppliers are in line with the Group's environmental, labour and social standards, with management spending over an estimated 100 hours in supplier engagement and assessments during the year.

Various energy saving initiatives were implemented during the reporting year. In the Retail sector, where electricity costs amount to nearly 16 per cent of total overheads, the outlet at Nugegoda was used as a model to assess the electricity saving by replacing existing bulbs with LEDs. All outlets were required to adhere to equipment operating times as per the energy saving action plan distributed to the outlets while internal meters were installed at all outlets to monitor the consumption of electricity. At CCS, two capacitor banks were installed in the ice cream factory to reduce power losses in the power distribution lines, saving 24,000 kVA annually. In addition, variable speed drives were installed for

Responsible labelling - K Choice

the 160 kW chilling plant and the 250 kW air compressor unit of the PET bottle blow moulding machine saving 124,000 kWh of energy per annum. Other energy saving initiatives included modifications to machinery and introducing practices such as equipment scheduling and replacing the existing artificial lighting with 221 energy saving LED bulbs.

During the reporting year, CCS installed a 5 ton per hour bio mass boiler, replacing two furnace oil fired boilers in the ice cream and carbonated soft drink factories, as an initiative to reduce its carbon footprint through the use of a renewable energy source, displacing the need for 732,334 litres of furnace oil per annum. In addition, CCS successfully concluded a trial to import carbon dioxide from India to manufacture carbonated soft drinks. The imported carbon dioxide is a by-product of chemical processing factories in India and would replace the carbon dioxide requirement otherwise obtained through the combustion of diesel which resulted in a large carbon footprint attributed to CCS. Nearly 40,000 kg of carbon dioxide was imported during the year, saving 22,000 litres of diesel. The initiative will be fully implemented within the ensuing financial year.

In an effort to reduce the total volume of water withdrawn for operations, CCS, KFP and selected supermarket outlets have installed effluent treatment plants to treat and re-use waste water for gardening and general cleaning. Awareness programmes are also carried out for staff as a part of the industry group's strategy towards water reduction. As part of the company's community engagement initiative, CCS distributes water free of charge for families residing in the vicinity of the factory premises while also accommodating site visits for the neighbouring schools.

To ensure a positive relationship with its employees, constant feedback and performance reviews are carried out while the necessary training and development is provided. The companies within the industry group maintain a healthy working relationship with employee unions through constant dialogue and joint consultative committees. As part of its drive to improve quality of service levels, JMSL provides a comprehensive initial training programme upon recruitment, along with continuous ongoing training. Retention incentives such as retention bonus schemes are also provided to new recruits.

Given the nature of operations, the industry group continues to place high importance on occupational health and safety, with CCS and KFP both obtaining ISO 18001 occupational health and safety accreditation for each of their manufacturing sites.

Sustainability and financial performance

Sustainability performance

The carbon footprint of the Consumer Foods & Retail industry group increased by 8 per cent to 26,428 MT from 24,504 MT in the previous year, largely due to the increase in operational activity with the functioning of KFP's new manufacturing plant in Pannala and commencement of cold room activities at CCS. However, production efficiencies, especially from the KFP plant in Pannala, have lead to a decrease in water consumption and waste generation by 0.2 per cent and 13 per cent respectively. From a labour perspective, the continued focus on occupational health and safety policy is reflected in a 2 per cent reduction in the total number of injuries recorded during the reporting year. A total of 218,514 hours of training was provided to employees, while the average number of training hours per employee was 67 hours (2012/13: 69 hours).

Sustainability performance			
	2013/2014	2012/2013	Chg %
Carbon footprint (MT)	26,428	24,504	8
Water withdrawn (l)	566,039	567,009	(0.2)
Waste disposed (kg)	2,828,863	3,257,224	(13)
Injuries and diseases (Number)	52	53	(2)
Total hours of training	218,514	238,070	(8)

The performance of the industry group's material impacts based on its relevant operational intensity factors are given below. The performance below, measured in terms of carbon footprint per relevant unit, is based on the number of litres produced for CCS, the kilograms of processed meat produced for KFP and per square foot of outlet area for JMSL.

Carbon footprint Scope 1 and 2 per operational intensity factor		
	2013/2014	2012/2013
CCS CO_2 kg per litre produced	0.14	0.13
KFP CO_2 kg per kg of processed meat produced	0.86	0.75
JMSL CO_2 kg per square foot of outlet area	32.36	31.46

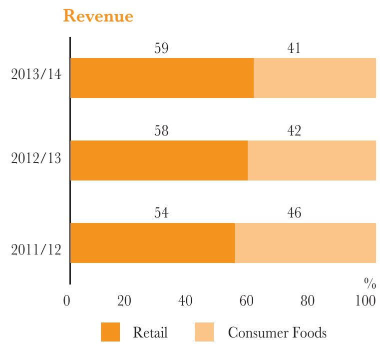
Water withdrawal per operational intensity factor		
	2013/2014	2012/2013
CCS water withdrawn - litres per litre produced	4.81	4.62
KFP water withdrawn - litres per kg of processed meat produced	13.50	18.26
JMSL water withdrawn - litres per square foot of outlet area	310.28	320.47

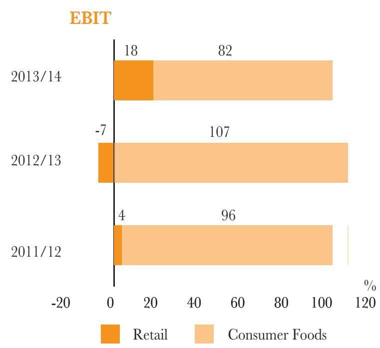
Waste generated per operational intensity factor		
	2013/2014	2012/2013
CCS waste generated - kg per litres produced	0.02	0.02
KFP waste generated - kg per kg of processed meat produced	0.21	0.45
JMSL waste generated - kg per square foot of outlet area	1.77	1.29

Financial performance

Revenue increased by 6 per cent to Rs.25.41 billion [2012/13: Rs.24.04 billion], primarily on account of the performance of the Retail sector which recorded a growth in revenue of 9 per cent. Revenue in the Consumer Foods sector remained flat due to reduced discretionary spending which prevailed in the first half of the financial year.

The EBIT for the industry group decreased by 40 per cent to Rs.1.48 billion [2012/13: Rs.2.48 billion] on account of a higher fair value gain on investment property of Rs.1.28 billion recorded in the financial year 2012/13 against a corresponding figure of Rs.72 million in the current financial year. The investment property in discussion is the land owned by Ceylon Cold Stores (CCS) in Colombo 2, which was subsequently transferred to Waterfront Properties (Private) Limited for the Waterfront Project, where CCS received shares in the Project Company as consideration. The recurring EBIT for 2013/14, excluding the fair value gain on investment property increased by 17 per cent to Rs.1.41 billion [2012/13: Rs.1.20 billion], primarily driven by the improved performance of the Retail sector. Despite increased finance costs, mainly in Retail on account of the funding of its expanding outlet base, the recurring PBT for the industry group increased by 15 per cent to Rs.1.26 billion [2012/13: Rs.1.09 billion].





Return on capital employed

- ROCE declined to 14.7 per cent in comparison to 23.0 per cent recorded in the previous financial year. However, the previous year's ROCE included the impact of the higher fair value gain on investment property as discussed previously. Eliminating this impact, the adjusted ROCE for the previous year is 12.2 per cent. This compares with an adjusted ROCE of 16.9 per cent in the current year. The primary reason for the increase in the adjusted ROCE for the current year is the transfer of land owned by CCS to Waterfront Properties resulting in a decrease in the overall asset base of the industry group. The Retail sector ROCE of 14.6% [2012/13: (11.3%)] also contributed to the improvement in adjusted ROCE.

16.9%

Adjusted ROCE

Adjusted ROCE for 2012/13 was 12.2%

- The EBIT margin was 5.8 per cent compared to 10.3 per cent recorded in the previous year. The recurring EBIT margin, after adjusting for the impact of fair value gains on investment property, improved to 5.5 per cent as against the 5.0 per cent recorded in 2012/13. The improved margin is a result of the significantly improved performance recorded by the Retail sector, whilst the Consumer Foods sector witnessed a marginal decrease in its adjusted EBIT margins as dilution of increased fixed costs were not compensated for fully as volumes were subdued in the first half of the financial year.
- Asset turnover improved to 1.72 times compared to 1.60 times in 2012/13. The increase was primarily driven by the decrease in the asset base following the transfer of land as stated above.

ROCE
FY 13/14 : 14.7%
FY 12/13 : 23.0%

Assets/(debt+equity)	Asset turnover	EBIT margin
1.46	1.72	5.8%

Outlook

The long term prospects for the beverages and frozen confectionary segments are promising as the per capita consumption in each of these markets in Sri Lanka is well below its regional peers. In the short to medium term, it is expected that the improved consumer sentiment witnessed in the latter half of the concluded financial year will continue, driven by the continuing low interest rate environment and benign inflation outlook. The factory capacity utilisation is expected to be sufficient to cater to the volume growth anticipated over the next few years.

The beverages segment will expand its portfolio offering based on changing consumer lifestyles to better align its products with consumer needs. During the ensuing year, there will be increased focus on expanding distribution capabilities to obtain a wider reach and presence across the country, whilst having strategies in place to ensure there are no breakdowns in distribution. The frozen confectionary segment will focus on promoting ice cream products as a desert accompaniment as well as on growing its health conscious product range to meet the evolving needs of consumers. Towards this end, CCS together with the Colombo University commenced working on three new flavours of ice cream for which the colour is extracted from natural fruits and vegetables.

The convenience foods segment is likely to face competitive pressures from regional players with premium quality substitutes and as a result there is a growing need to ensure the quality standards of these products in Sri Lanka to promote a level playing field. KFP will expand its volumes by establishing its products as an economical, yet convenient, daily meal solution while also focusing on introducing new products, including vegetarian food items.

The Retail sector will continue to build on its successful performance by prioritising the quality of products sold and ensuring enhanced customer satisfaction. In line with its expansion strategy, the Retail sector has identified a number of strategic locations to roll out new outlets in the ensuing financial year. These outlets will conform to the newly implemented large store format. The anticipated same store sales and incremental sales from new stores are expected to further dilute the fixed cost base in Retail, which should have a positive impact on margins. The competitive environment is expected to be somewhat stable as rapid expansion by competitors is considered unlikely given the impact of recent legislation changes on VAT, which is applicable to the retail and wholesale industries.

The Consumer Food and Retail sector will continue to focus on implementing sustainability practices in its daily operations through initiatives such as the installation of a capacitor bank to reduce energy consumption, identification and analysis of waste segregation systems and processes to manage waste generation and the introduction of Oxonia, a substitute for chlorine to use in post CIP cleaning to reduce water consumption and extraction.

Financial Services

Insurance
Stock Broking
Banking and Leasing

Union Assurance implemented new technology towards enhancing customer satisfaction

Vision and scope

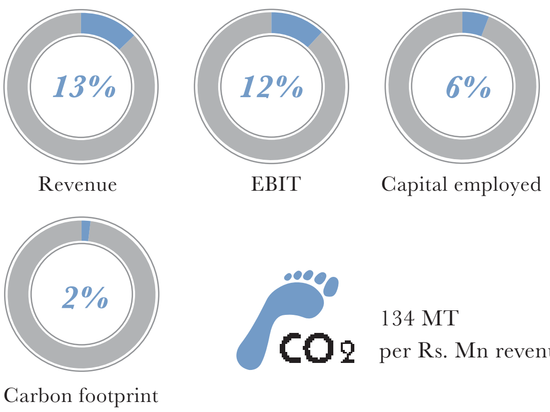
The cluster of financial services companies offer a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing with the vision of becoming leading players in their chosen segments within the financial services industry, offering a total solution to its customers.

Key indicators

(Rs. million)	2013/14	2012/13	Chg %	2011/12
Revenue[1]	12,568	11,108	13	9,874
EBIT	1,995	1,776	12	1,934
PBT	1,993	1,776	12	1,492
PAT	1,636	1,399	17	1,171
Total assets	35,586	31,507	13	26,921
Total equity	9,248	8,157	13	6,857
Total debt	175	147	19	328
Capital employed[2]	9,425	8,304	13	7,185
Carbon footprint (MT)	1,687	1,676	1	1,610
Employees (Number)[3]	1,527	1,401	9	1,047
EBIT per employee[4]	1.3	1.3	3	1.8

1 Revenue is inclusive of the Group's share of associate company revenue
2 For associate companies the capital employed is representative of the Group's equity investment in these companies
3 As per the sustainability reporting boundary
4 EBIT per employee is calculated excluding the employees of associate companies

Contribution to JKH Group



134 MT
per Rs. Mn revenue

	Insurance	Banking and Leasing	Stock Brokering
The businesses within the sector	Union Assurance (UA) offers comprehensive insurance solutions in the life and non-life insurance segments	Nations Trust Bank (NTB) offers complete banking solutions through its network of branches for corporate, retail and SME clients and is the franchise holder for American Express credit cards in Sri Lanka. Nations Leasing is the leasing arm of NTB	John Keells Stock Brokers (JKSB) is one of the leading stock broking companies in Sri Lanka and has a number of trading tie ups with leading foreign securities houses
Revenue and growth	Rs.9.27 billion, increase of 10%	Rs.3.09 billion, increase of 23%	Rs.202 million, increase of 2%
EBIT and growth	Rs.998 million, increase of 17%	Rs.958 million, increase of 11%	Rs.39 million, decrease of 37%
Carbon footprint	1,649 MT	Not within the boundary of sustainability reporting	38 MT
Key external/internal variables impacting the business	• Price competition continued to prevail in the non-life segment • As per the Regulation of Insurance Industry Act No. 3 of 2011, composite insurance companies are expected to segregate their composite businesses into life and non-life business entities • All insurance companies are required to be publicly listed prior to February 2016 • The risk based capital framework (RBC), proposed by the Insurance Board of Sri Lanka will come into effect by 2016	• Lower credit growth was visible throughout the industry • Falling gold prices had a negative impact on the overall pawning sector • The Central Bank of Sri Lanka eased monetary policy on two separate occasions	• Low discretionary incomes together with rising energy prices kept corporate earnings below expectations • The low interest rate environment encouraged greater trading activity by domestic investors • Foreign institutional funds reduced exposure to emerging and frontier markets following the tapering of quantitative easing by the US Federal Reserve

Integrated operational review and discussion

The Insurance sector remained on a positive growth trajectory with the combined life and non-life gross written premium reported by Union Assurance (UA) for the calendar year 2013 growing by 12 per cent to Rs.10.91 billion compared to Rs.9.73 billion in the previous year.

The increase in new vehicle registrations and the commencement of a few large scale infrastructure projects, together with UA's expanded distribution capability and improved service standards ensured a 17 per cent growth in the non-life segment. Motor insurance continued to be the dominant class of business in the non-life segment with both the corporate and retail sales channels contributing towards this growth. Driven by the improved performance of conventional and single premium products, where average premiums recorded an increase, the life segment grew by 8 per cent. As per the actuarial valuation carried out during the year, the life business generated a surplus of Rs.612 million, which was a 17 per cent increase over the Rs.525 million that was transferred as a surplus in 2012.

With the introduction of recent amendments to the Regulation of Insurance Industry Act No 3 of 2011 it is mandatory for composite insurers to segregate their life and non-life businesses into two separate legal entities prior to February 2015. Towards this end, UA has submitted its proposal on the segregation of its two business segments

UA's expanded distribution capability and improved service standards ensured a 17 per cent growth in the non-life segment to the Insurance Board of Sri Lanka (IBSL) for approval. UA has mapped out a detailed implementation plan based on this proposal and is well on target to complete the process within the stipulated timelines.

During the year, UA was adjudged the overall winner for "Excellence in Performance Management" and the winner of the Gold award for "Business Excellence" in the insurance sector at the National Business Excellence Awards organised by the National Chamber of Commerce. UA was also awarded Silver in the "Service Brand of the Year" category at the Brand Excellence Awards hosted by the Sri Lanka Institute of Marketing in recognition of the initiatives taken to enhance its brand image.

The performance of the banking industry was negatively affected by the slowdown in private sector credit growth and the availability of excess liquidity in the market, notwithstanding the efforts to stimulate credit growth via the policy rate cuts announced by the Central Bank of Sri Lanka. Despite these challenges, the Banking and Leasing sector ended the year on a positive note as Nations Trust Bank (NTB) outperformed the industry and grew its loan portfolio by 12 per cent while its deposit base grew by 11 per cent for the calendar year 2013. The Bank initiated a five year strategic mapping exercise in 2013, with the intention of strengthening its core competencies, enhancing service levels and processing speeds, improving operator efficiency and growing its island wide presence with the addition of 15 new branches. To this end a wide scale branch transformation strategy with new service tools and service processes to ensure greater focus on customer needs was introduced during the year. Furthermore, greater emphasis was placed on implementing lean management concepts and new technology such as the mobile banking application to ensure faster customer turnaround times and greater productivity of resources. NTB witnessed an improvement in its net interest margin as a result of mobilising low cost deposits coupled with favorable spreads on fixed deposit instruments. Volatile gold prices had a limited impact on the Bank's pawning business, which accounts for a relatively small proportion of its loan book in comparison to industry peers. The credit card business leveraged on its strong international brand reputation and focused on a volume driven strategy. The SME business launched the "SME Academy" to provide its staff with the necessary training to up-skill and enhance their knowledge and understanding of the industry, which is a critical success factor in attracting and retaining customers.

JKSB strengthened its presence among foreign investors via its global tie-ups

The CSE witnessed an increase in the participation of domestic investors following the loosening of monetary policy by the CBSL, whilst the foreign institutional investors remained "net buyers". Despite the tapering of quantitative easing by the US Federal Reserve announced in May 2013 which prompted several institutional funds to reduce exposure to emerging and frontier markets, foreign interest remained buoyant. John Keells Stock Brokers (JKSB) increased its market share during the year on account of continuing to strengthen its presence among the foreign investor segment via its global tie-ups whilst also capturing a significant portion of the domestic high net-worth individual segment. However, low market turnover levels had a negative impact on the overall profitability of the stock broking business as compared to the previous year.

NTB initiated a five year strategic mapping exercise in 2013, with the intention of strengthening its core competencies

Sustainability review

Material impacts: customer satisfaction, community engagement, ethics and fraud prevention, occupational health and safety in relation to UA mobile sales agents and energy consumption at office locations.

- These impacts are considered significant as these could lead to implications on brand reputation, key customer accounts, investor and client confidence and also could lead to risks of regulatory non-compliance.

- The significant suppliers within the industry group are:

Significant suppliers

- Support services
- Sales agents
- Advertising services
- Capital equipment suppliers
- Landlords and office space providers

Group strategy

- Notwithstanding the JKH Group Values, Code of Conduct and governance practices, the regulatory framework governing the fiancial services industry necessitates that business is carried out in accordance with the highest ethical standards and in compliance with the respective governing Acts that are applicable.
- As such, the Financial Services industry group strives to ensure that its operations are undertaken in a responsible manner and compliant with the applicable governance frameworks as prescribed by the respective regulators and is focused on strengthening its brand presence among customers through a commitment to high quality products and services, community engagement, employee development and creating a minimal environmental footprint.

Goals, targets and initiatives

Financial Services adheres to the Group's policies on ethics and anti-corruption, with a zero tolerance approach. All employees are expected to abide by the Group's Code of Conduct and new employees are trained on the expectations of ethical behaviour at induction. Internal reviews and audits are also carried out on a continuous basis.

Financial Services aims to positively engage with society, while simultaneously increasing its brand presence and image.

Union Assurance crime prevention hoarding

Health and safety was targeted as a corporate social responsibility initiative, with UA undertaking public awareness programmes such as erecting crime prevention hoardings island-wide, conducting traffic awareness programmes for school children, expressway safety awareness and the introduction of a reflector light installation programme for cyclists. In addition, as a response to the island-wide issue of dengue, UA worked in conjunction with the Divisional Ministry of Health (MOH) and the Public Health Department (PHD) of the Colombo Municipal Council to conduct dengue awareness programmes and provide additional support in the form of manpower and awareness material in carrying out house to house visits. UA held its annual blood donation campaign for the 15th consecutive year while a poster campaign was carried out to create awareness among the sales staff across the life and non-life distribution network. The industry group introduced specialised training programmes to improve skill sets, retain employees and increase both customer and employee satisfaction.

Financial Services adheres to the Group's environmental policies, seeking to minimise costs and improve efficiency in energy and water usage. UA carried out a number of different initiatives to conserve energy and reduce costs, such as timing the usage of the central air-conditioning system, replacing existing lighting with LED lighting systems and conducting energy audits at branches that reported high consumption of electricity. In addition, water stabilisers were installed at all water outlets at the head office, which is expected to result in an estimated annual saving of 240,000 litres. UA also continued to re-use water discharged by the cooling units of the air conditioning plant at the head office to wash all company vehicles, saving approximately 500 litres of water per day. An agreement was also signed with the Paper Corporation to recycle waste paper while steps were taken to recycle printer cartridges and dispose 980 kilograms of other electronic waste through partnership with third-party disposal companies. A "Go Green" strategy has also been adopted when planning layouts for new branches, with UA selecting materials in line with the company's green strategy and re-using items of furniture wherever possible.

Sustainability and financial performance

Sustainability performance

The industry group's carbon footprint excluding Nations Trust Bank was 1,687 MT in the year 2013/14, a marginal increase from the previous year. However, the inclusion of sales staff in the reporting scope as of this reporting year has contributed to the number of injuries increasing to 66 incidents. The majority of these incidents were roadside accidents given the nature of the role of sales agents. The industry group also provided a total of 27,194 hours of training to its employees. The average number of training hours per employee for the industry group was 18 hours (2012/13: 24 hours).

At UA, the carbon footprint was 5.7 kilograms per square foot of branch office space (2012/13: 5.5 kg), while the waste generated per square foot of branch office space was 0.09 kg (2012/13: 0.01 kg).

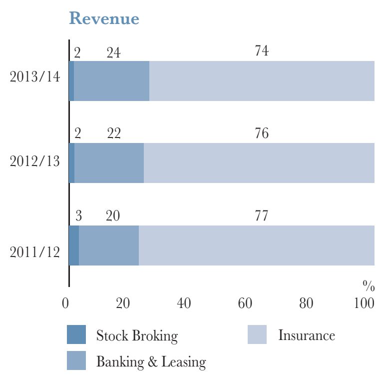
Sustainability performance			
	2013/2014	2012/2013	Chg %
Carbon footprint (MT)	1,687	1,676	1
Injuries and diseases (Number)	66	-	-
Total hours of training	27,194	32,997	(18)

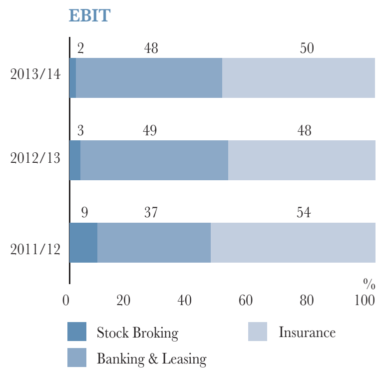
* Water usage and waste disposed is not shown above as it is not material for the industry group

Financial performance

The revenue of the Financial Services industry group, increased by 10 per cent to Rs.9.47 billion [2012/13: Rs.8.60 billion]. The increase was driven by Union Assurance which recorded a growth in revenue of 10 per cent. Revenue, inclusive of associate company revenue, increased by 13 per cent to Rs.12.57 billion [2012/13: Rs.11.11 billion], aided by a 23 per cent growth in revenue reported by Nations Trust Bank.

The industry group EBIT increased by 12 per cent to Rs.2.00 billion [2012/13: Rs.1.78 billion] driven by the increases in revenue growth witnessed at Union Assurance and Nations Trust Bank.





Return on capital employed

- ROCE declined to 22.5 per cent against the 22.9 per cent recorded in the previous year.
- EBIT margins declined marginally to 15.9 per cent from 16.0 per cent recorded in the previous financial year. The lower margin is a result of the reduced margins in the Banking sector amidst continuous tightening of interest rate spreads across the industry and the performance of the Stock Broking business due to low market activity.
- Asset turnover declined marginally to 0.37 times from 0.38 times seen last year.

ROCE
FY 13/14 : 22.5%
FY 12/13 : 22.9%

Assets/(debt+equity)	Asset turnover	EBIT margin
3.78	0.37	15.9%

Outlook

Sri Lanka has potential to be one of the fastest growing insurance markets in the region, driven by rapid economic development, increasing disposable incomes and a large segment of uninsured and underinsured population within the country. This potential for progress together with continued focus on distribution, new product development and investments to create product awareness is expected to drive the performance of the life business in the future. The proposed segregation of composite insurers is likely to promote companies to pursue better aligned strategies with greater transparency and sharpened management focus. However, competition is also expected to increase, mainly in the non-life segment, as firms look to scale up their operations prior to the split.

The CBSL in its road map for 2014 and beyond, highlighted the importance of financial stability in economic development and encouraged consolidation within the financial sector. The possible amalgamation of key players in the market, while expected to improve the efficiency and profitability of the financial sector, may result in a more challenging competitive landscape. However, as rapid economic growth is creating new opportunities, NTB is well placed to benefit from the evolving industry given its aggressive expansion strategy and focus on enhancing customer service levels.

Despite the moderate performance of the CSE in the concluded financial year, JKSB remains optimistic about the future as the relatively low interest rate environment is likely to be maintained, which should enable a revival in local investor interest in the market. Expectations of reasonable growth in corporate earnings are also likely to keep the market buoyant. However, there is a likelihood of volatility in the ensuing year, mainly on account of fund flows in and out of emerging markets driven by the US Federal Reserve policy and related market expectations. The stock broking business will continue to focus on the foreign investor segment, but also take necessary steps to capture the local high net worth individuals and corporate segments.

Expectations of reasonable growth in corporate earnings are also likely to keep the market buoyant ”

Information Technology

IT Services

IT Enabled Services

Office Automation

John Keells BPO, India, strengthened its sales pipeline during the year

Vision and scope

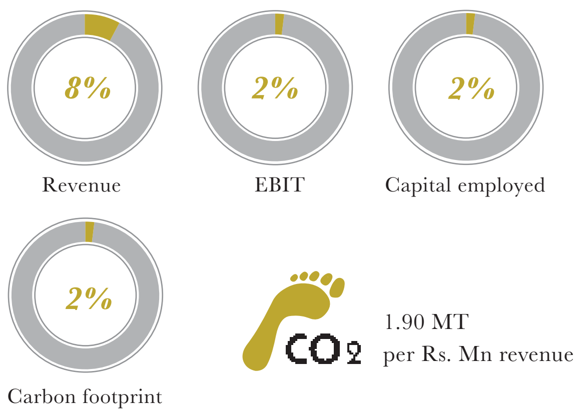
The Information Technology industry group has a vision of providing quality, world class information communication technology services ranging from BPO, software services and information integration to office automation by offering end-to-end ICT services and solutions. Having established a strong customer base in Sri Lanka, South Asia, as well as the UK, Middle East, North America, Scandinavia and the Far East, the IT group is at the forefront of making Sri Lanka an ICT hub in South Asia.

Key indicators

(Rs. million)	2013/14	2012/13	Chg %	2011/12
Revenue[1]	7,502	6,797	10	6,723
EBIT	394	380	4	183
PBT	316	307	3	136
PAT	245	231	6	66
Total assets	3,445	3,717	(7)	3,368
Total equity	2,104	2,166	(3)	1,901
Total debt	468	434	8	560
Capital employed[2]	2,572	2,599	(1)	2,462
Carbon footprint (MT)	1,428	1,343	6	1,406
Employees (Number)[3]	1,206	1,267	(5)	1,107
EBIT per employee[4]	0.3	0.3	(4)	0.2

1 *Revenue is inclusive of the Group's share of associate company revenue*
2 *For associate companies the capital employed is representative of the Group's equity investment in these companies*
3 *As per the sustainability reporting boundary*
4 *EBIT per employee is calculated excluding the employees of associate companies*

Contribution to JKH Group



	IT Services	Office Automation	IT Enabled Services
The businesses within the sector	John Keells Computer Services (JKCS) offer software products and services to a wide range of clients in Sri Lanka and overseas	John Keells Office Automation (JKOA) are authorised distributors for some of the leading office automation brands in the world	Business Process Outsourcing (BPO) operations, primarily in the voice vertical through JK BPO, operating approximately 1,000 seats with operations in India, US and Canada
	Core focus areas are in software engineering services and products for the aviation and hospitality industries	Sole distributor for Toshiba copiers. National distributor for Samsung mobile phones, Asus, and Toshiba notebooks and other office automation products such as Samsung printers, RISO duplication solutions and Posiflex and FEC POS systems	Provider of shared service solutions in the finance, accounting and payroll verticals to the Group and external clients under InfoMate
Revenue and growth	Rs.607 million, decrease of 0.4%	Rs.5.56 billion, increase of 23%	Rs.1.33 billion, decrease of 19%
EBIT and growth	Rs.47 million, decrease of 52%	Rs.304 million, decrease of 0.5%	Rs.43 million, increase of 282%
Carbon footprint	285 MT	291 MT	851 MT
Key external/internal variables impacting the business	• The tourism industry in Sri Lanka continued to witness encouraging growth, enabling the Zhara Hospitality Suite to gain wider acceptance and add more rooms to its portfolio	• Increasing competition from parallel imports, the second hand and compatible spares market • Changing consumer patterns together with the popularity of social media platforms have reinforced demand for smart phones	• The depreciation of the Indian Rupee contributed towards enhancing margins • Improved economic growth and sentiment throughout the US and Europe strengthened the demand for outsourcing services

Integrated operational review and discussion

During the financial year under review, the Toshiba copier business overcame the rapid growth in parallel imports and the prevalence of a growing second hand copier market to successfully maintain its dominant market position of over 50 per cent of market share and further strengthened its product portfolio through the introduction of a new copier range. The Office Automation sector also improved its market position in the smart phone segment with Samsung mobile phones recording rapid growth in sales volumes supported by the launch of its new mobile phone range. The demand for mobile phones continued to shift from feature phones to smart phones as a result of higher internet penetration coupled with the growing popularity of social media networks. However, the performance of the laptop business had a negative impact on the overall performance of the company due to increased price competition from leading global brands and a limited product range which constrained its growth potential during the year under review.

The software services business successfully secured new clients in a bid to further broaden its customer base

John Keells Office Automation (JKOA) was the recipient of many awards during the year, including the Silver award at the recently concluded Quality Service Campaign conducted by Toshiba Singapore.

The software services business successfully secured new clients in a bid to further broaden its customer base and reduce concentration risk. The aviation vertical saw an improvement in both transaction volumes and margins with the extension of its coverage to more than thirty

InfoMate successfully secured 11 new accounts, both locally and overseas

airports in six continents across the world. However, the software engineering services business failed to record a growth in volumes for provision of its outsourced resources on account of slow growth of a few key accounts in the Middle East. This was due to increased competition from emerging software services markets such as Eastern Europe and the shortage of specialised technical resources in Sri Lanka.

"Zhara HS", the flagship product under the hospitality vertical of the software services business witnessed encouraging growth with the acquisition of 12 new clients. This was mainly driven by product enhancements, including the introduction of a common payment gateway, which was well received by the fast-growing small and medium scale enterprises within the tourism industry.

During the year, the Group divested its 49 per cent stake in the associate company Information Systems Associates (ISA) which was operated in partnership with Air Arabia to develop a range of technology solutions for the global budget airline industry, yielding an annualised return of 30 per cent on its investment.

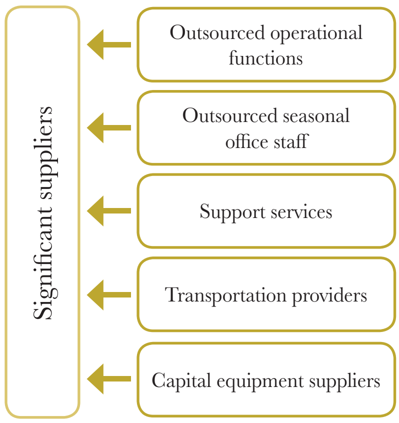
The business process outsourcing (BPO) industry continued its positive growth trajectory driven by the increased demand from emerging regions in Asia and Europe, whilst the gradual revival in consumer confidence lead to increased demand from both the US and Canada, which maintained their position as the largest markets served. During the year, the BPO operations in India conducted under John Keells BPO Solutions (JK BPO) acquired 4 new clients and also focused on strengthening its operational capabilities through the introduction of sales personnel with dedicated focus on increasing market opportunities in the US.

InfoMate, the Sri Lankan based BPO unit, continued to focus on strengthening its external customer portfolio and successfully secured 11 new accounts, both locally and overseas. Following the successful implementation of the rural BPO concept in Mahavillachchiya and Seenigama, the newly introduced BPO unit in Jaffna commenced operations during the year under review. The expansion of the rural BPO model has enabled the Sri Lankan BPO operations to maintain competitive pricing as a result of cost advantages. InfoMate recruited the third batch for its three year financial apprentice programme, where young professionals are given exposure to a wide spectrum of financial functions and corporate accounting, including dedicated class room sessions.

Sustainability review

Material impacts: energy consumption, waste generation, electronic waste, employee health and safety, information security and employee attrition

- The relevance and materiality of these impacts is based on financial implications, environmental and social responsibility, coupled with a business need to attract and retain skilled employees, whilst maintaining brand promise.
- The significant suppliers within the industry group are:



- Significant suppliers have been assessed through a defined process for negative impacts on environmental, labour and human rights aspects.

Group strategy

- Considering the materiality of energy to the IT industry and the resultant significance of energy costs on profitability, and the increasing onus on companies to dispose of electronic waste in a responsible manner, the IT industry group adheres to the Group's environmental policy to promote sound environmental practices within its businesses.
- The IT industry group monitors and manages its energy usage, carbon footprint and waste management whilst encouraging the engagement of third parties to dispose of its electronic waste through means of re-use and recycling where possible.

- The Sri Lanka based BPO vertical's sustainability strategy is heavily vested on engagement with key stakeholders and local communities enhancing the ICT knowledge in the rural sector and equipping youth with required skill sets. This has enabled the Group to broad base recruitment, retain talent and outsource tasks to rural areas, thereby optimising its operational costs whilst positively contributing to social development.

Goals, targets and initiatives

The IT industry group has initiated a strategy and implementation plan to address its key impact areas and energy targets to regulate and minimise the usage of electricity. Consequently, awareness campaigns and energy reducing practices, such as the replacement of higher energy consuming lighting with LED bulbs and the effective management of air-conditioning, have been implemented. In addition, the IT industry group also focuses on recycling the bulk of its e-waste, including recycling the e-waste of its staff with e-waste material generated at the IT companies being sent to parties specialising in e-waste disposal.

The IT industry group also utilises virtual machines (VM) to replace physical servers where each virtual server uses approximately 14 watts compared to 200-300 watts consumed by physical servers, resulting in a reduction of approximately 95 per cent of energy used per server. Every server virtualised with VMware is equivalent to removing 4 tons of carbon dioxide (CO_2) from the environment. This facility is also transferred to customers who are able to benefit from cost and carbon footprint savings through the reduced usage of electricity.

The IT industry group engaged with local universities to provide internships and training programmes for students

The industry group focuses on striving to reduce the quantum of printing undertaken by its businesses. Initiatives to achieve this goal and reduce printing costs include the use of high- yield toner, redesign and use of pre-printed forms and policies with regard to unnecessary waste of printing paper.

The IT industry group augments its internal sustainability measures by striving to provide its customers with sustainable products and solutions. JKOA has introduced a Toshiba photocopier to the market which enables the reduction of paper usage by allowing for erasing and reprinting on the same paper up to five times. In addition, a number of JKCS's software products are on a cloud-based platform resulting in reduced energy consumption, thereby leading to a lower carbon footprint for its customers.

As a response to the industry specific labour related challenges, the IT industry group also focuses on a strategy of continuous engagement with universities providing internships and training programmes for students. As part of its long term recruitment policy, JKCS initiated self/personality/soft skills development programmes for students in a number of Sri Lankan universities and higher education institutes to provide career guidance and enhance their employability while concurrently increasing the company's brand presence. A selected number of these graduates are provided

Toshiba Eco-Printer marketed by John Keells Office Automation internships by JKCS, trained, and based on performance, absorbed into the employee cadre.

The IT group also adheres to the Group Health & Safety policy, striving to ensure all staff are provided a safe and healthy working environment. Given the 24 hour nature of BPO operations, JK BPO in India frequently ensures the safety of its staff during their commute by providing transport, while carrying out ongoing health and safety awareness campaigns, training and medical check-ups for staff.

The Group also has a target to train and empower rural youth through its rural BPOs, providing employment to young people in villages, many of whom are women. Further details of the recently launched Jaffna BPO project in collaboration with the Foundation for Advancing Rural Opportunity (FARO), Spectra Skills (Pvt) Limited and the relevant Government offices, are found in the Corporate Social Responsibility section of this Report.

Sustainability and financial performance

Sustainability performance

The carbon footprint of the IT group was 1,428 MT, as compared to 1,343 MT in the previous year, while 71,679 hours of training were provided to staff of the industry group. The average number of training hours per employee for the industry group was 59 hours [2012/13: 66 hours].

The carbon footprint for the industry group was 17 kilograms per square footage office space utilised [2012/13: 16 kg].

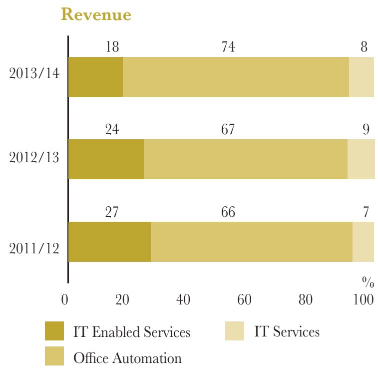
Sustainability performance			
	2013/2014	2012/2013	Chg %
Carbon footprint (MT)	1,428	1,343	6
Injuries and diseases (Number)	5	1	400
Total hours of training	71,679	84,280	(15)

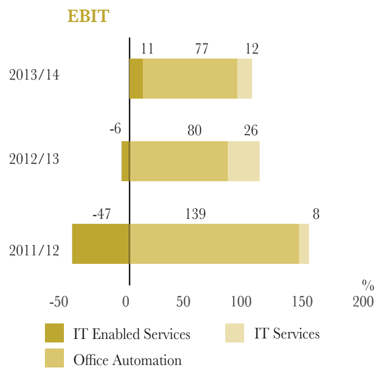
* Water usage and waste disposed is not shown above as it is not material for the industry group

Financial performance

Revenue increased by 10 per cent to Rs.7.50 billion [2012/13: Rs.6.80 billion], mainly on account of the Office Automation sector which recorded a growth in revenue of 23 per cent. InfoMate also contributed to growth with a 55 per cent increase in third party revenue, albeit off a smaller base. The software services business recorded a marginal decrease in revenue.

The industry group EBIT increased by 4 per cent to Rs.394 million [2012/13: Rs.380 million]. The Group divested its 49 per cent stake in the associate company ISA, resulting in a capital gain at a company level at John Keells Computer Services (JKCS). However, the gain from disposal did not impact the industry group EBIT, although having a positive impact on the consolidated Group financials. The Office Automation sector remained the largest contributor to EBIT, although EBIT was flat compared to the previous year. The Indian BPO operation was the primary contributor to the growth in EBIT as the business benefitted from the acquisition of new clients and the exchange gains arising from the depreciation of the Indian Rupee. The loss in EBIT as a result of the divestment of ISA during the year under review as well as the below par performance of the software services business constrained the growth in EBIT.





Return on capital employed

- ROCE increased to 15.2 per cent in comparison to 15.0 per cent recorded in the previous financial year. The increase is mainly on account of the lower asset base following the divestment of the Group's stake in ISA.
- The EBIT margin decreased to 5.3 per cent from 5.6 per cent in the previous financial year. Despite

the improved performance of the Indian BPO operations, the Office Automation sector and the software services business witnessed a decline in EBIT margins due to an increase in distribution and staff related costs.

- The asset turnover increased to 2.10 times compared to 1.92 times in the previous year, driven by the growth in revenue and the decrease in the asset base following the disposal of the investment in ISA as mentioned above.

ROCE
FY 13/14 : 15.2%
FY 12/13 : 15.0%

Assets/(debt+equity)
1.38

Asset turnover
2.10

EBIT margin
5.3%

Outlook

The Office Automation sector is expected to adopt a multi-brand strategy for the mobile phones vertical towards expanding its product portfolio and enabling the business to penetrate into less-served market segments. Volumes in the laptop business are likely to be driven by the recently introduced ASUS notebook range for which an identified gap exists in the market. As in the past, competition from grey channel importers and the second hand, reconditioned market will continue to pose a significant challenge to the overall business.

The software services business will work on strengthening its geographical presence in key markets to facilitate better service delivery. In the mobile applications arena, focus will mainly be on the development of new applications, whilst "Zhara HS" is likely to continue to expand its success beyond domestic boundaries and capture more clients globally.

The global BPO industry is expected to grow significantly in the backdrop of the economic recovery in the west and the rapid pace of technological evolution world over. India is predicted to maintain its position as the global leader in outsourcing despite emerging competition from markets such as the Philippines, Malaysia and Brazil. JK BPO with its strengthened management team in place, its strong understanding of the Indian business environment and its growing focus on brand building and marketing is well positioned to take advantage of the improving prospects within the industry.

Other Including Plantation Services

Plantation Services

Other

The warehousing business recorded an increase in market share

Vision and scope

The Plantation Services sector includes the operations of tea factories, tea and rubber broking and pre-auction produce warehousing. Tea Smallholder Factories PLC (TSF PLC) is among the top manufacturers of orthodox low grown teas and is also recognised as a top quality producer of CTC teas in Sri Lanka. With over 140 years of experience in the tea trade, John Keells PLC is one of the leading tea brokers in the country and its warehousing facility is the largest and one of the best state-of-the-art complexes in the country for pre-auction produce.

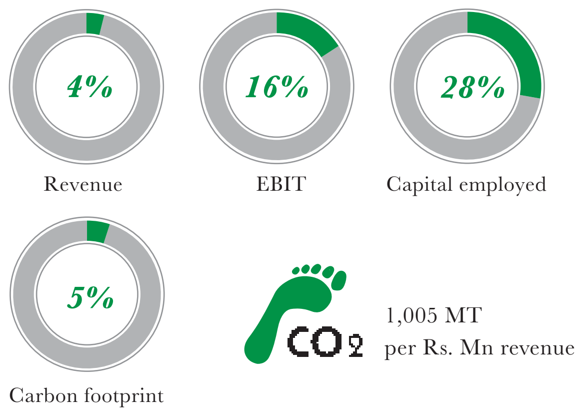
The industry group also consists of John Keells Holdings PLC including its divisions/centre functions such as John Keells Capital and Strategic Group Information Technology (SGIT), as well as several auxiliary companies. John Keells Capital is the private equity arm of the Group and also provides financial advisory, structuring and capital raising solutions to external clients. The SGIT division which supports the Group's information technology requirements also provides consulting services and SAP implementation services to external clients.

Key indicators

(Rs. million)	2013/14	2012/13	Chg %	2011/12
Revenue[1]	4,037	3,629	11	2,684
EBIT	2,734	1,463	87	509
PBT	2,365	1,156	105	(2)
PAT	1,500	540	178	(388)
Total assets	46,783	24,870	88	19,691
Total equity	41,519	16,842	147	10,823
Total debt	4,199	6,302	(33)	7,440
Capital employed[2]	45,718	23,144	98	18,263
Carbon footprint (MT)	4,060	4,034	1	3,743
Employees (Number)[3]	1,043	1,127	(7)	1,110
EBIT per employee[4]	2.6	1.3	102	0.5

1 *Revenue is inclusive of the Group's share of associate company revenue*
2 *For associate companies the capital employed is representative of the Group's equity investment in these companies*
3 *As per the sustainability reporting boundary*
4 *EBIT per employee is calculated excluding the employees of associate companies*

Contribution to JKH Group



Other including Plantation Services

	Plantation Services	Other
The businesses within the sector	John Keells PLC (JK PLC) – leading tea and rubber broker	JKH and other businesses
	John Keells Warehousing – operating a state-of-the-art warehouse for pre-auction produce	John Keells Capital, a division of JKH, is the private equity arm of the Group
	Tea Smallholder Factories PLC (TSF PLC) – operates 8 tea factories and is a leading manufacturer of low grown teas in the country, specially the CTC variety	The Strategic Group Information Technology (SGIT) supports the Group's IT requirements and also provides consulting services and SAP implementation services to external companies
Revenue and growth	Rs.3.33 billion, increase of 12%	Rs.704 million, increase of 7%
EBIT and growth	Rs.478 million, increase of 16%	Rs.2.26 billion, increase of 115%
Carbon footprint	3,425 MT	635 MT
Key external/internal variables impacting the business	• Unpredictable weather conditions had a negative impact on production • Shortage in the availability of fertiliser, negatively impacting overall yields • Economic and political instability in some key tea consuming countries	• SGIT faced increased competition from the entry of SAP partners in India • Lack of SAP skills in the market limited SGIT's expansion capabilities • Attractive returns on corporate debt instruments lured investors away from equity markets

Integrated operational review and discussion

During the year under review, the global production of tea increased significantly driven by increased output from the major producing countries such as Kenya and India, while Sri Lanka also recorded a positive trend in production. The average sales price for low grown teas increased by 15 per cent, mainly due to strong buying interest from the Middle East and Russia. However, the economic sanctions imposed on Iran, Sri Lanka's second largest market for Ceylon Tea, together with the civil unrest in Ukraine, negatively impacted the overall demand in comparison with the previous financial year.

TSF PLC recorded an improved performance as the company benefitted from increased capacity utilisation and a substantial premium on its low grown tea prices as a result of its focus on producing high quality tea. Towards this end, TSF PLC continued to consolidate the resources at the various factories and also invested in two colour separator machines which improved the quality of black tea produced. The pioneering initiative under TSF PLC to help tea smallholders replant their lands continued for the fourth consecutive year. A total extent of 61 acres of land has already been replanted and harvesting will commence in the coming financial year. A further extent of 35.25 acres is being covered, where new plants have been transferred to the tea fields. The two projects will result in transferring the required knowledge and financial assistance to 140 tea smallholders to increase the productivity of their lands.

During the year under review, the Group sold its 24.6 per cent stake in Central Hospital (Private) Limited ”

John Keells PLC (JK PLC) obtained the highest number of top prices at the Colombo tea and rubber auctions. The warehousing business recorded an increase in market share and benefitted from the growth in Sri Lanka's black tea production as the warehouse utilisation levels improved compared with the previous financial year.

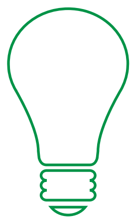
John Keells Capital, the investment banking arm of the Group, completed a private placement of shares in a leading manufacturing company during the year, whilst providing advisory services to a number of companies. Despite the relatively subdued private equity markets in Sri Lanka, John Keells Capital has a strong pipeline of mandates. Strategic Group Information Technology (SGIT) was successful in securing and delivering three major contracts to implement SAP Enterprise Resource Systems (ERP), in addition to sustaining numerous clients on long term support contracts. SGIT entered into a contract with SAP Services India to facilitate advanced support to its clientele and to provide the latest solutions, products and technologies within SAP's portfolio.

John Keells Research (JKR), the research and development arm of the Group which was established recently, has progressed well and developed a pipeline of research projects within the 18 months it has been in operation. JKR has entered into partnerships with a few local and international research institutions in relation to its research projects.

During the year, JKR carried out its research work covering the fields such as nanotechnology, energy storage, reinforced materials and renewable energy generation.

During the year under review, the Group sold its 24.6 per cent stake in Central Hospital (Private) Limited (owning company of The Central hospital in Colombo), an associate company of the Group, for a total consideration of Rs.1.59 billion, recording a capital gain of Rs.688 million.

The Group successfully raised Rs.23.10 billion in a Rights Issue of 2 shares for every 13 shares held with 2 warrants attached to finance the equity contribution of the holding company in Waterfront Properties (Private) Limited, the project company for the Waterfront Project. Further details on the Rights Issue and the warrants can be found in the Investor Information section of the Report while information on the Waterfront Project is available in the Industry Group Review section of the Report under the Property industry group.

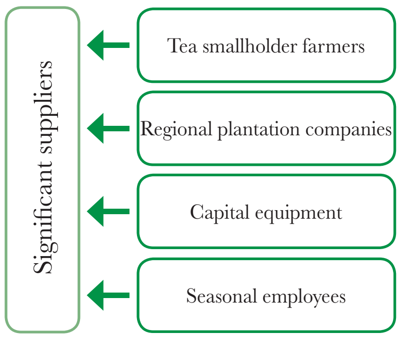


TSF PLC achieved an annual energy saving of 38,302 kWh

Sustainability review

Material impacts: environmental concerns such as energy usage, emissions and waste, the health and safety of factory workers in the Plantation Services sector and labour and employment practices of its main supply chain partners, the tea smallholders.

- Being in a manufacturing environment, occupational health and safety at its tea factories is considered important whilst the sharing of knowledge and best practices with regard to cultivation with its tea smallholders ensures higher yields and quality green leaf, benefitting both the tea factories and the smallholder community.
- Ensuring functionally skilled and motivated staff at the Centre functions is considered important in facilitating Group-wide synergies.
- The significant suppliers within the industry group are:



Group strategy

- The local plantation sector, especially the tea industry, has seen a concerted drive in recent years towards sustainable practices in the areas of cultivation, manufacture, transportation and distribution of produce. Government proposals for incentives and concessions for plantation companies which invest in replanting, value addition, soil and water conservation and labour welfare further lends itself to a greater focus of sustainability practices within the sector.
- Many estates and smallholder cooperatives have entered into partnerships with international conservation bodies that set standards and promote best practices within the industry. Further, international buyer trends have witnessed an increased demand for produce that is certified as eco-friendly. It is against this backdrop that the Plantation Services sector group operates and formulates its sustainability strategy.

- All Group policies are adopted by the Plantation Services sector, such as its Energy Management policy and Environmental policy, to address efficient energy usage and minimise emissions. As a part of the Group's waste management plan, Plantation Services has implemented waste reduction and waste treatment processes.
- As part of its supply chain management strategy, the sector has sought to create awareness on human rights especially on aspects such as forced and compulsory labour and child labour. There is a great focus on enhancing the livelihood of the tea smallholders, who are not only suppliers, but form part of the local community, through focused corporate social responsibility initiatives carried out by the sector as well as centrally through the John Keells Foundation.
- JK PLC is also an active participant in the John Keells Foundation HIV and AIDS Programme, undertaking training on this topic at factories and plantations.
- The Centre functions of the Group are primarily office based operations with energy consumption being managed and monitored through the real estate division of the Group, while continuous training for Centre staff are carried out on a needs basis throughout the year.

Goals and targets

The Plantation Services sector has established goals and targets towards implementing aspects of its sustainability strategy. Alternative energy sources are being explored, along with targeting the maximisation of labour utilisation in order to minimise overall energy consumption. The sector has set benchmarks for its tea factories such as targets for electricity generation, firewood output, firewood cost and labour output. In order to reduce emissions, the sector has taken steps to minimise the fuel consumption of vehicles and generators and optimise the combustion efficiency in the operation of dryers. In order to mitigate effluents and waste, the Plantation Services sector strives to ensure that the waste water discharged does not contaminate the environment and ensures that the Environmental Protection Licence requirements are met at a minimum.

The Plantation Services sector adheres to all labour laws and Group policies in relation to its workforce. The sector endeavors to reduce its attrition rate, ensures worker health and safety, provides workers with a healthy working environment, minimises the rate of injuries and lost days and provides regular in-house employee training for all workers to optimise their productivity.

Extension services are programmed to disseminate knowledge to tea smallholders on protection of the environment, labour and human rights regulation in order to enhance their livelihood and promote the implementation of good agricultural practices. This supports tea smallholders to obtain higher yields and carry out their operations responsibly. These actions enable the Plantation Services sector to create a sustainable local community by providing employment opportunities, while enabling the identification of corporate social responsibility projects to develop the community further.

Initiatives

TSF PLC achieved an estimated annual energy saving of 38,302 kWh as a result of implementing numerous energy saving initiatives in order to increase process efficiency and reduce cost and wastage. Such initiatives included the automation

Extension services being provided to tea smallholder farmers of the manufacturing process, the installation of capacitor banks, screw compressors and variable speed drivers for trough motors, adjustment of blade angles of trough fans, introduction of LED lighting, enhancement of natural lighting, and fixing ultra violet treated covers in firewood sheds.

Approximately 68 per cent of energy at the TSF PLC is generated through renewable energy sources. Biomass not only generates the needed energy for factory operations in an environmentally friendly manner, but also helps stimulate the local economy as the firewood that is required as biomass is purchased from the surrounding localities.

The Plantation Services sector controls and monitors the use of fuel through the stringent review of consumption patterns, regular vehicle servicing and carrying out preventive maintenance on vehicles and major equipment such as generators, dryers and heaters to improve efficiency. Plantation Services has established soakage pits for waste water, while landfills are created for disposal of wood ash from energy generation.

Plantation Services aims to achieve its labour and social goals by encouraging factories to obtain Ethical Tea Partnership Certification, conducting eye camps where lenses and cataract surgeries are provided and conducting health camps and awareness campaigns on serious diseases impacting over 1,000 members of the community. Workers are also provided with continuous in-house motivational training through workshops, seminars, fire training and training on quality management and occupational health and safety. To achieve minimal occupational health and safety risks, OHSAS 18001:2006 certification has been obtained for five factories and measures have also been taken to help more factories obtain this certification. During the year under review, JK PLC and John Keells Warehousing (JKW) were also certified for ISO 22000.

As part of the industry group's supply chain management strategy, tea smallholders are encouraged to participate in the Rain Forest Alliance Certification training programme in order to increase awareness about the interdependencies between a healthy eco system, sustainable agriculture and social responsibility. Training on good agricultural practices was also facilitated during the reporting year. In addition, a tea replanting project covering 97 acres of 140 smallholder lands was undertaken with the intention of improving the quality of both leaf grown and raw materials sourced by TSF PLC.

Sustainability and financial performance

Sustainability performance

The carbon footprint for the Plantations Services sector decreased by 3 per cent in the year under review to 3,425 MT as against 3,547 MT recorded in the previous year. The labour performance indicators saw 9,725 hours of staff training and a reduction in the number of injuries reported in the Plantation Services sector. The average number of training hours per employee for the Plantation Services sector was 11 hours (2012/13: 17 hours).

The performance in relation to the material impacts, based on its relevant operational intensity factors, is given below.

Sustainability performance - Plantation Services

	2013/2014	2012/2013	Chg %
Carbon footprint (MT)	3,425	3,547	(3)
Waste disposed (kg)	266,392	272,451	(2)
Injuries and diseases (Number)	5	7	(29)
Total hours of training	9,725	16,991	(43)
Total employees	887	977	(10)

* Water usage is not shown above as it is not material for the sector

For TSF PLC, the performance above is based on the number of kilograms of tea produced, while for JK PLC and JKW it is based on per square foot of floor area. The waste generated at TSF PLC per kilogram produced remained at 0.05 kg in line with the previous year.

Carbon footprint Scope 1 and 2 per operational intensity factor

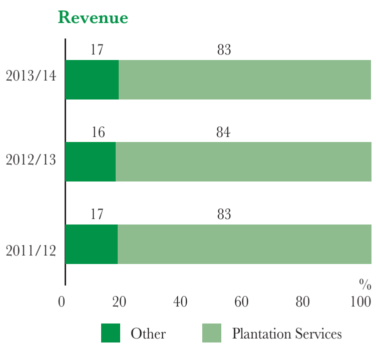
	2013/2014	2012/2013
TSF PLC CO_2 kg per kg of tea produced	0.58	0.57
JK PLC and JKW CO_2 kg per square foot of floor area	1.4	1.8

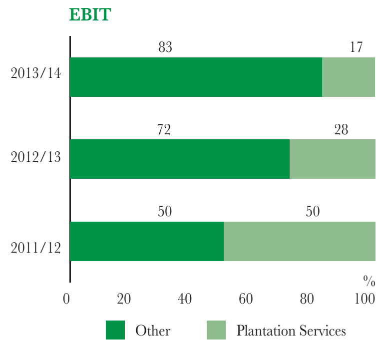
The carbon footprint for the Center functions contributing to less than 1 per cent of the Group's total carbon footprint, increased to 634 MT from 486 MT the previous year, largely a result of re-allocation of office space.

Financial performance

Total revenue of the Other businesses of the JKH Group primarily consists of the Plantation Services sector since there are no other significant operating businesses in this cluster. The Plantations Services sector recorded revenues of Rs.3.33 billion [2012/13: Rs.2.97 billion], an increase of 12 per cent from the previous year due to an increase in both volumes and the average sales price of tea witnessed by TSF PLC.

Total EBIT (including the holding company) increased by 87 per cent to Rs.2.74 billion [2012/13: Rs.1.46 billion]. The growth was mainly on account of a the increase in finance income of Rs.634 million arising from the funds raised through the Rights Issue which is earmarked to fund the Group's equity contribution to the Waterfront Project. The adjusted EBIT for the year increased by 44 per cent to Rs.2.09 billion, mainly on account of the capital gain of Rs.655 million associated with the disposal of the Group's 24.6 per cent stake in The Central Hospital (Private) Limited.





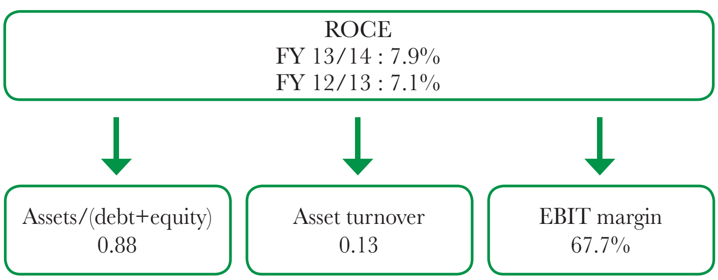
Rs.2.09 bn

Adjusted earnings before interest and tax (EBIT)

Adjusted EBIT for 2012/13 was Rs.1.46 bn

Return on capital employed

- ROCE increased to 7.9 per cent in comparison to 7.1 per cent in the previous financial year, mainly driven by the capital gain as mentioned above. The ROCE adjusted for the funds infused through the 2013 Rights Issue, the associated finance income and Waterfront debt (as explained in the Group Financial and Sustainability Review section) increased to 8.5 per cent due to the significantly lower capital base.
- The EBIT margin increased to 67.7 per cent from 40.3 per cent recorded in the previous financial year due to the aforementioned capital gain and increase in finance income, where there was no corresponding revenue. The recurring EBIT margin increased to 51.8 per cent compared to 40.1 per cent in 2012/13. The EBIT margin for the Plantation Services sector was maintained from the previous financial year, whilst the EBIT margin for the Other businesses within the industry group excluding the Plantation Services sector saw a significant improvement aided by the capital gain mentioned above.
- The asset turnover ratio decreased to 0.13 times from 0.16 times as a result of the increase in equity due to the Rights Issue. The adjusted asset turnover is 0.15 times compared to 0.16 times in the previous financial year.



Outlook

A few countries with high tea consumption such as the Ukraine are likely to remain volatile in the ensuing year. However, the growing demand from the Middle East and North African countries, together with the growing economic strength of Russia and its scheduled reduction in import duty, is likely to offset the negative impact of lower demand from conventional markets. Tea production is likely to be affected in the short to medium term due to unpredictable weather patterns witnessed in the early portion of the financial year, coupled with possible shortages in the supply of fertiliser.

TSF PLC will continue to pursue its strategy of focusing on high quality leaf whilst continuously working on reducing the cost of energy and labour per unit of production. The third phase of the tea smallholder replanting programme will commence during the ensuing financial year.

The investment banking arm of the Group will continue to explore new opportunities whilst leveraging on its existing pipeline. SGIT expects to expand its client base through the acquisition of new clients, both locally and regionally, while consolidating the partnerships with existing clients. The business will also work on strengthening its team in order to meet the growing demand and needs of the market and clients.

A discussion on the Group's capital structure and the impact and exposure arising out of the foreign currency denominated debt can be found in the Capital Resources and Liquidity section and Notes to the Financial Statements of the Report.

Portfolio Movement and Evaluation

Introduction

The Group follows a structured methodology in evaluating its portfolio, including investment and divestment decisions, using a four step filter as described below;.

Financial filter	Growth filter	Strategic fit	Complexity filter
Cornerstone of the decision criteria based on the JKH hurdle rate	Evaluates the industry attractiveness and growth potential based on the industry lifecycle	Evaluates the long term competitive advantage of a business/ industry by closely evaluating the competitive forces, specific industry/ business risks, ability to control value drivers and the competencies and critical success factors inherent to the Group	Considers factors such as senior management time and the risk to brand image and reputation in conjunction with the anticipated returns

JKH's hurdle rate (or required rate of return)

This is a function of the weighted average cost of capital (WACC), derived from the Group's cost of equity, cost of debt, target leverage, tax rates and the value creation premium required over and above the WACC. The present hurdle rate of the Group is 15 per cent.

While this hurdle rate is used for evaluation of all projects of the Group, investments with a high proportion of foreign currency investment costs and operational cash flows are evaluated based on the cost of debt specific to that project and the foreign currency denominated equity return benchmarks commensurate with the investment, using projects with a similar risk profile as benchmarks.

Regular assessment of business units

Business units are regularly assessed in a background which includes components such as customer orientation and power, supplier concentration and power, JV partner dependence, barriers to entry, industry structure, labour dependence, cyclicality, correlation with the performance of the Sri Lankan economy and regulatory structure.

For new projects, the capital structure is stress tested under alternate scenarios. These very often lead to the taking of proactive measures, particularly in managing potential foreign exchange risks during both the project development and operating phases.

Portfolio performance - a new perspective

Adjusted ROCEs - a recap

As discussed in Group Financial and Sustainability Review section of this Report, following is the adjusted ROCE for 2013/14 (adjusted for equity and debt funding of the Waterfront Project and revaluation of investment property and other property, plant and equipment (PPE) for last 2 years).

For new projects, the capital structure is stress tested under alternate scenarios

Industry group / sector	Adjusted ROCE 2013/14 (%)
Transportation	16.1
Hotel Management	107.5
City Hotels	17.2
Sri Lankan Resorts	8.9
Maldivian Resorts	13.2
Destination Management	34.5
Property	7.1
Consumer Foods	17.5
Retail	14.7
Financial Services	22.6
Information Technology	15.2
Plantation Services	19.1

Note: Leisure and Consumer Foods & Retail industry groups are further segmented.

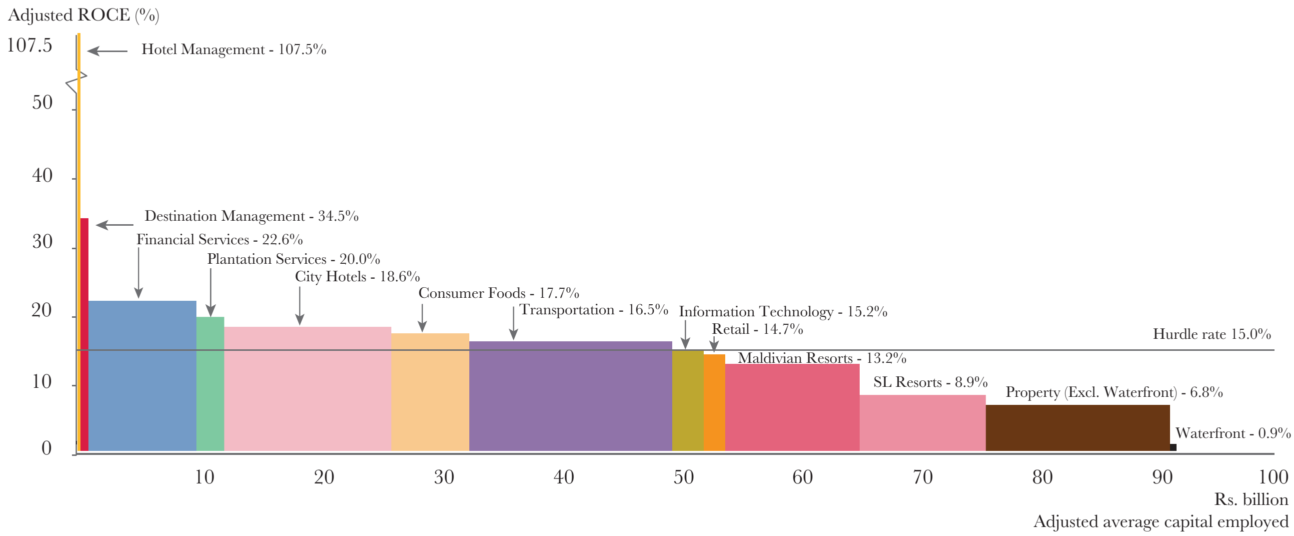
The new perspective - re-allocating non-operational related properties of other industry groups to Property industry group considering them as a "property play"

The properties not directly used for operational activities by non-property related business units, and are excess to their current and foreseeable operational requirement, have been re-allocated to the Property industry group along with the corresponding income generated by such properties. The properties belonging to the Sri Lankan Resorts sector are excluded since such properties constitute the land bank of the sector for future hotel properties. The properties identified as excess to operational requirement will be considered a "property play" and plans for their development will become the responsibility of the Property industry group.

Found below is the impact on ROCEs following the re-allocation of properties

Industry group/sector	Adjusted ROCE 2013/14 (%)	Further adjusted ROCE for land re-allocation 2013/14 (%)
Transportation	16.1	16.5
Hotel Management	107.5	107.5
City Hotels	17.2	18.6
Sri Lankan Resorts	8.9	8.9
Maldivian Resorts	13.2	13.2
Destination Management	34.5	34.5
Property	7.1	6.6
Consumer Foods	17.5	17.7
Retail	14.7	14.7
Financial Services	22.6	22.6
Information Technology	15.2	15.2
Plantation Services	19.1	20.0

The adjusted ROCE following the re-allocation of properties, as described before, is graphically illustrated below;



Note: Waterfront Project is shown separately as the project is in the development phase.

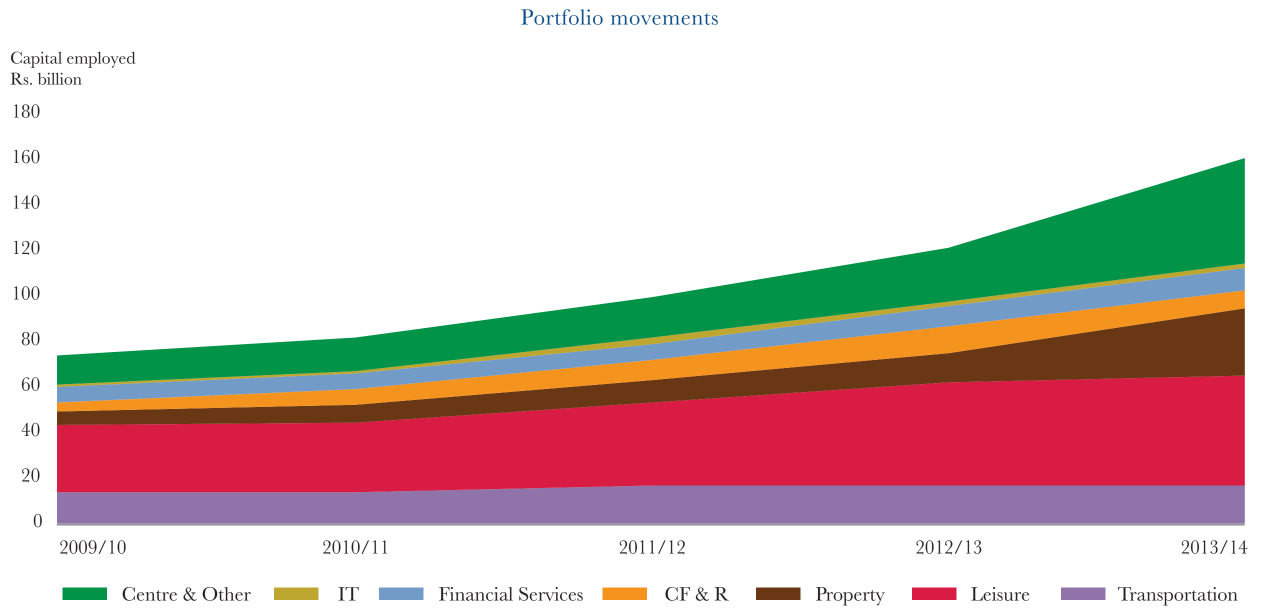
The following are noteworthy;

The ROCE of Maldivian Resorts is below the Rupee hurdle rate of the Group. However, it should be noted that considering the Dollar investments made into the Maldivian Resorts, the return generated should be appraised against a return of a comparable Dollar financed asset.

The ROCE of Sri Lankan Resorts sector is at 8.9 per cent as the sector comprises of a large land bank earmarked for development (refer Group Real Estate Portfolio section for details on the land bank).

The Property industry group which has a ROCE below the hurdle rate comprises of a land bank which has intrinsic value potential.

Portfolio Movement and Evaluation



Significant movements in capital employed

	2010/11	2011/12	2012/13	2013/14
Investments	Acquired 5.6 million shares (14.9 per cent) in Union Assurance PLC for Rs.841 million	Invested Rs.515 million by subscribing to the Ceylon Cold Stores PLC Rights Issue. A portion of the proceeds was infused as equity into JayKay Marketing Services Limited	Invested Rs.1.02 billion in subscribing to the Rights Issue of Keells Foods Products PLC. The proceeds were utilised to fund the acquisition of D & W Foods Limited	JKH raised Rs. 23.10 billion through a Rights issue to fund the equity contribution of the Waterfront Project
	Invested Rs.600 million by subscribing to the Rights Issue of its fully owned subsidiary Beruwala Holiday Resorts (Pvt) Ltd for the purpose of funding the construction of Chaaya Bey	International Tourist and Hoteliers Limited invested Rs.350 million in its fully owned subsidiary Beruwala Holiday Resorts (Pvt) Ltd to fund the construction of Cinnamon Bey Beruwala	Invested Rs.224 million in Saffron Aviation (Pvt) Ltd, the operating company of the domestic aviation operation Cinnamon Air	KHL invested Rs.899 million in the ITHL Rights Issue to infuse equity to Cinnamon Bey
	Purchase of shares in John Keells Residential Properties for Rs.925 million in exchange for the Union Place land	Invested Rs.522 million for the acquisition of a 6 acre land in Ja-Ela	The JKH Group invested Rs.717 million in the Rights Issue of Union Assurance PLC	JKH infused Rs.32 million equity to Saffron Aviation (Private) Limited which operates Cinnamon Air
	Invested Rs.219 million to convert Nations Trust Bank warrants to shares	Invested Rs.228 million in Sancity Hotels, a joint venture project with Sanken Lanka (Private) Limited to construct a business hotel in Colombo	Invested Rs.98 million during the year in Sancity Hotels, a joint venture with Sanken Lanka (Private) Limited to construct a business hotel in Colombo	

Significant movements in capital employed (contd.)

	2010/11	2011/12	2012/13	2013/14
	Additional equity infusion of Rs.65 million to John Keells Logistics Lanka (Pvt) Ltd		The JKH Group invested Rs.119 million in K-Zone Ja-Ela	
	Invested Rs.947 million by participating in a Rights Issue of its subsidiary International Tourists and Hoteliers Ltd		Invested Rs.1.29 billion for the balance construction of Cinnamon Bey	
	Purchased the head lease of Dhonveli Island for a period of 18 years		Invested Rs.467 million during the year for the refurbishment of Cinnamon Citadel	
	Invested Rs.485 million by participating in a Rights Issue of its subsidiary Ceylon Holiday Resorts Ltd which in turn invested Rs.485 million in Hikkaduwa Holiday Resorts			
Divestments	Divested 11.62 million shares (5.25 per cent) of Asian Hotels and Properties PLC for Rs.1.98 billion		Disposed of the 44 per cent holding in Quattro FPO Solutions (Pvt) Ltd for a consideration of USD 4.5 million	JKH disposed its 24.6 per cent stake in Central Hospital (Private) Limited for a consideration of Rs.1.59 billion
	Divested 37.5 million shares (2.58 per cent) of John Keells Hotels PLC for Rs.788 million		Divested a 40 per cent stake in John Keells Logistics Lanka Limited and a 60 per cent stake in John Keells Logistics India	JKH divested its 49 per cent stake in Information Systems Associates (ISA) for a consideration of Rs.384 million
	Divested the head lease of Alidhoo Island in Maldives			
Changes in capital excluding debt repayments	Repayment of Rs.2 billion of JKH debentures			

Share and Warrants Information

Total number of shares in issue as at 31/03/2014	990,289,385
Public shareholding as at 31/03/2014	98.45%
Stock symbol	JKH.N0000
2015 warrant symbol	JKH.W0022
2016 warrant symbol	JKH.W0023
Newswire codes of the JKH Share:	
Bloomberg	JKH.SL
Dow Jones	P.JKH
Reuters	JKH.CM

The All Share Price Index (ASPI) posted an increase of 4 per cent over the previous financial year with the index closing at 5,968.31 on 31st March 2014. The Standard & Poor's Sri Lanka 20 Index (S&P SL20) closed at 3,279.92 on 31st March 2014, a decline of 0.4 per cent compared with the previous financial year. The overall market capitalisation of the Colombo Stock Exchange (CSE) increased to Rs.2,498 billion as of 31st March 2014 from Rs.2,205 billion recorded at the end of the previous financial year. The modest performance of the CSE was a result of multiple domestic and global factors.

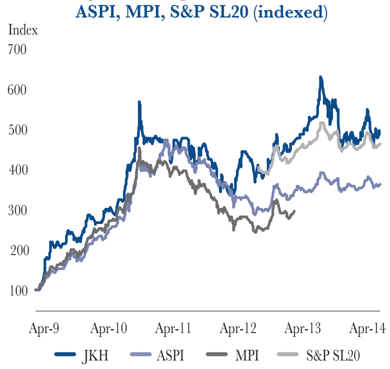
During the first half of the financial year, the relatively high yield on fixed income securities and the tax concessions on the interest on corporate debt securities granted through the 2013 Budget proposals boosted the appetite for fixed income among retail and local institutional investors. It is against this backdrop that the CSE recorded 28 corporate debenture issues during the financial year through which a total of Rs.66.76 billion was raised compared to only 4 equity-related initial public offers which raised a total of Rs.3.08 billion. However, a total of Rs.25.64 billion was raised via 9 Rights Issues, of which the JKH Rights Issue in October 2013 accounted for Rs.23.10 billion being 90 per cent of the total funds raised.

From a global perspective, the announcement made by the United States Federal Reserve Bank (US Fed) on the tapering of the quantitative easing (QE) program impacted most of the emerging capital markets including Sri Lanka. A large cross section of foreign investors rebalanced their portfolios by cutting down on the investments made in emerging market equities and debt on the back of expectations of a reduction in the availability of liquidity and better prospects in the US and Eurozone. Despite the increased volatility and lower participation of foreign investors in regional stock markets, foreign investors remained net buyers in the CSE with net foreign inflows of Rs.10.98 billion during the financial year [2012/13: Rs.23.23 billion]. Banking, finance, insurance, food and beverage and diversified sectors continued to attract much of the foreign interest during the first half of the financial year and moderated thereafter.

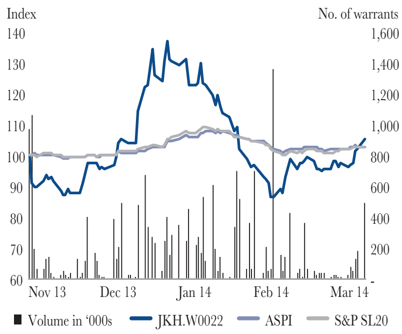
During the second half of the financial year local investor interest improved driven by the gradual decline of policy rates and secondary market interest rates. Average daily turnover levels increased to Rs.805 million from Rs.794 million seen in the previous financial year in spite of the absorption of substantial liquidity from the market following numerous rights and debenture issues.

Globally, US and European stock markets ended on a high on the back of growing investor optimism, conducive monetary policy adopted by the European Central Bank and the easing of the Eurozone debt crisis. Resultantly, the FTSE 100 and the Dow Jones Industrial Average (DJI) recorded gains of 3 per cent and 13 per cent respectively. On the contrary, most Asian stock markets recorded losses primarily

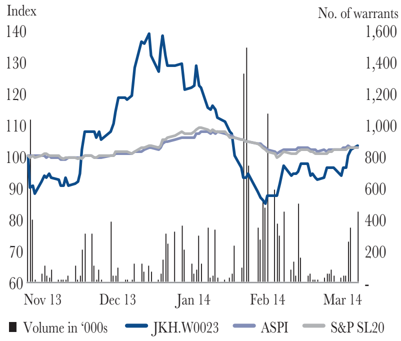
JKH share performance vs ASPI, MPI, S&P SL20 (indexed)



2015 warrant (JKH.W0022) volumes & relative performance vs market (indexed)

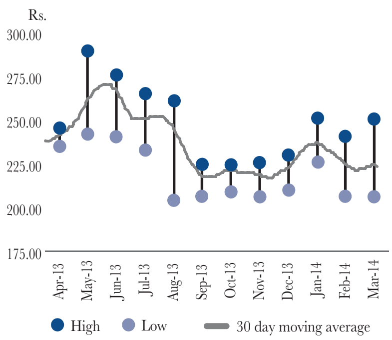


2016 warrant (JKH.W0023) volumes & relative performance vs market (indexed)



due to withdrawal of liquidity from these markets as a result of the tapering of QE. Both Singapore's Straits Times Index (STI) and Jakarta's Composite Index (JCI) saw a decline of 4 per cent during the financial year. However, the S&P Sensex of Mumbai (SENSEX) and FTSE Bursa Malaysia KLCI (KLSE) remained steady. Despite ranking below its regional markets when considering a holding period of one year, the ASPI outpaced regional and Western markets over the last five years with a compound annual growth rate of 30 per cent.

JKH high and low share prices per month



Note
- Share prices on the graph have been adjusted for the 2013 Rights Issue
- 30 day moving average has been calculated by taking the 15 day closing share prices trailing and forward from the mid-point of each month

The JKH share

The JKH share decreased to Rs.227.00 as at 31st March 2014 from Rs.238.95 (adjusted for Rights Issue) recorded at the end of the previous financial year, a decline of 5 per cent. Not considering the dilution impact of the Rights Issue (discussed later in this section) the decrease in the share price is 8 per cent. During the year, on an adjusted basis, the JKH share traded between a range of Rs.204.00 (in August 2013) and Rs.290.03 (in May 2013). In May 2013, the JKH market capitalisation crossed the USD 2 billion mark for the first time in its history, this being also the first time a listed entity on the CSE surpassed this milestone.

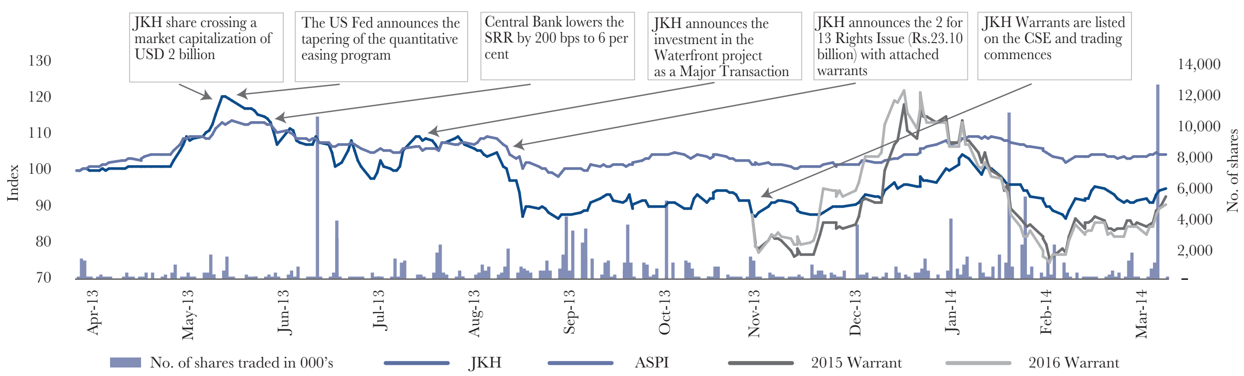
With the announcement of tapering of the economic stimulus package by the US Fed, a few institutional foreign investors reduced their exposure in emerging markets, including Sri Lanka which resultant by downward pressure placed on prices. The JKH share price was also impacted by this to some extent, although offset by domestic demand. The announcement of the Rights Issue and the attached warrants also resulted in some investors opting to liquidate their positions in the JKH share and using the proceeds to purchase renounced Rights shares and to receive the attached warrants. The movement of the JKH share price, ASPI and the share volumes during the financial period is illustrated in the graph titled "JKH performance versus the ASPI (Indexed)".

During the year under review, the JKH share contributed 21.6 per cent in terms of market turnover as against 15.3 per cent recorded in the previous financial year, underlying its significance as a preferred and liquid instrument. The beta of the JKH share in the current financial year was 1.1 (the beta calculated on daily share JKH share and market movements as measured by the ASPI for the 5 year period commencing 1st April 2009 to 31st March 2014). The JKH share posted a compounded annual growth rate (CAGR) of 38 per cent over the five year period ending 31st March 2014, outperforming the market measured by the ASPI which recorded a CAGR of 30 per cent over the same period. The movement of the JKH share and the ASPI over the five year period is illustrated in the graph titled "JKH share performance vs ASPI, MPI, S&P SL 20 (Indexed)".

Rights issue and attached warrants

Consequent to receiving shareholder approval in July 2013 for the investment in Waterfront Properties (Private)

JKH performance versus the ASPI (Index)



SRR: Statutory reserve ratio

Share and Warrants Information

Limited (Project Company) as a Major Transaction under the Companies Act, the Company successfully concluded a 2 for 13 Rights Issue at a price of Rs.175.00 per share, with two warrants attached for each subscribed rights share.

Rights

The Rights Issue was substantially oversubscribed with the Company raising Rs.23.10 billion. This is ear-marked to fund a majority of the Company's equity contribution in the Project Company. The remainder of the equity contribution in the Project Company will be funded via the capital expected to be raised through the two attached Warrants described below. The progress on the Waterfront Project is discussed in the Industry Group Analysis section of the Report under the Property industry group review.

The Rights Issue which was the largest secondary market equity capital raising in the history of the CSE provided for the subscribers of each rights share receiving 2 independent warrants in the manner described below:

2015 warrant –1 for every 3 Rights shares subscribed at an exercise price of Rs.185.00 per share, to be exercised in 24 months from the issue of warrant. (The 2015 warrant expires on 12 November 2015).

2016 warrant –1 for every 3 Rights shares subscribed at an exercise price of Rs.195.00 per share, to be exercised in 36 months from the issue of warrant. (The 2016 warrant expires on 11 November 2016).

During the period of renunciation and trading of the Rights shares, 26.2 million Rights changed hands, posting an average daily turnover of Rs.255 million over the six day period. The price of a Right traded between a high of Rs.72.00 and a low of Rs.40.00 during the same period.

Warrants 2015 and Warrants 2016

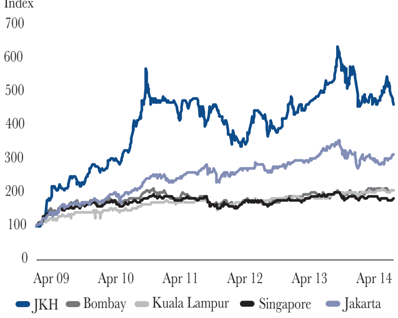
The 2015 and 2016 warrants commenced trading on 12th November 2013 with reference prices of Rs.76.41 and Rs.86.07 respectively, as computed based on CSE guidelines. Both warrants witnessed considerable demand from investors with each warrant recording daily average turnover levels of approximately Rs.14 million during the period under review.

The 2015 warrant traded between a high of Rs.90.50 and a low of Rs.55.10, closing at Rs.68.60 at the end of the financial year. The 2016 warrant traded between a high of Rs.98.20 and a low of Rs.53.00, closing at Rs.71.90 at the end of the financial year. The trading statistics of the warrant can be found in the table titled "Market Information on Warrants of the Company".

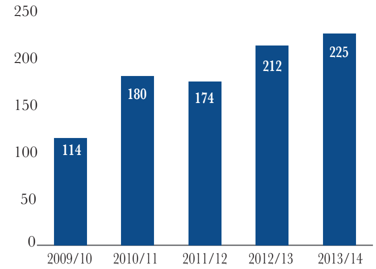
Issued share capital

The number of shares issued by the Company increased from 857.24 million as at 31st March 2013 to 990.29 million at the end of the current financial year. A total of 131.99 million new shares were issued in November 2013 as a result of the Rights Issue as discussed before. In addition, 1.06 million shares were issued through the exercise of employee share options (ESOPs) during the period under review. Furthermore, out of the 26.23 million shares equivalent of unexercised ESOPs as at 31st March 2014, 18.96 million unexercised ESOPs are eligible for immediate exercise, whilst the balance

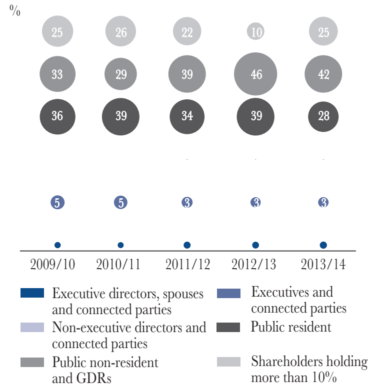
JKH share compared with key regional indices (indexed)



Market capitalisation of JKH share



Trend in composition of shareholders



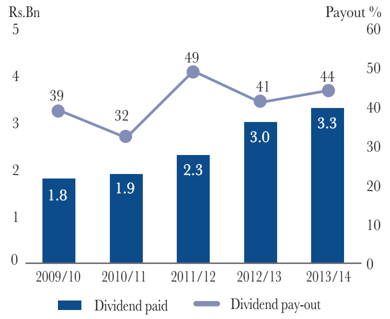
7.27 million unexercised ESOPs are awaiting performance based vesting at the date of this Report. Further details of the Company's ESOP plans are found in the Annual Report of the Board of Directors section of the Annual Report. The number of Global Depositary Receipts (GDRs), in ordinary share equivalents, marginally decreased to 1.13 million as a result of the conversions that took place during the financial year.

Dividend

The Company's dividend policy seeks to ensure a dividend payout that corresponds with the growth in profits, whilst ensuring that the Company retains adequate funds to support investments, thus ensuring the creation of sustainable shareholder wealth in the short, medium and long term.

In spite of the expansion of the issued share capital following the Rights Issue, the Company maintained its dividend payout of Rs.3.50 per share for the current financial year. The total dividend paid for the year increased by 9.5 per cent to Rs.3.27 billion [2012/13: Rs.2.98 billion]. The dividend payout ratio increased to 44.1 per cent [2012/13: 41.0 per cent] in the current year.

Distributions to shareholders and payout ratio



In addition to the two customary interim dividends of Rs.1.00 per share paid during the third and fourth quarters of the financial year, the Company announced a final dividend of Rs.1.50 per share, payable on 17th June 2014. Resultantly, in absolute terms, the dividend paid and payable out of 2013/14 profits will be Rs.3.47 billion [2012/13: Rs.2.99 billion].

Earnings per share

The fully diluted earnings per share (EPS) for the period decreased by 10 per cent to Rs.12.33 [2012/13: Rs.13.65 (adjusted)] as a result of an increased number of shares and a decreased profit attributable to shareholders. The items impacting profits are discussed in depth in the Group Financial and Sustainability Review and Industry Group Analysis sections of the Report.

The weighted average number of shares (diluted) applicable for the previous financial year was retrospectively adjusted for the bonus element of the Rights Issue thus increasing it to 887.20 million shares from 858.31 million. Moreover, the weighted average number of shares (diluted) for the current financial year was 950.77 million and the dilutive nature of the warrants issued during the year has also been considered in this calculation.

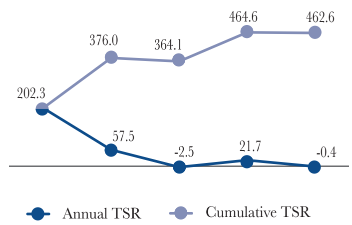
Total shareholder return

The total shareholder return (TSR) of the share was negative 0.4 per cent during the period under review compared to 21.7 per cent recorded in the previous financial year. The main reason for the decrease in the TSR was the fall in the share price of 8.1 per cent (unadjusted).

On a cumulative basis, over a five year holding period, the share posted an annualised total return of 36 per cent.

As at 1st April 2013, the 1-year Treasury bill rate stood at 11.4 per cent.

Five-year total shareholder return (percentage)



Market capitalisation and enterprise value

As at 31st March 2014, the market capitalisation of the Company increased by 6 per cent to Rs.224.80 billion [2012/13: Rs.211.74 billion]. The JKH market capitalisation crossed USD 2 billion for the first time in its history in May 2013. At the close of the financial year, JKH represented 9.0 per cent of the total market capitalisation of the CSE compared to 9.6 per cent in the previous financial year.

The enterprise value of the Group as at 31st March 2014 reduced by 5 per cent to Rs.193.38 billion [2012/13: Rs.203.52 billion]. The decrease was mainly due to the improvement in the net cash position to Rs.31.41 billion as at 31st March 2014 [2012/13: Rs.8.22 billion].

A detailed discussion of the net cash position can be found in the Capital Resources and Liquidity section of the Report.

Price earnings ratio

The JKH share was trading at a price earnings ratio (PER) of 18.4 times as at 31st March 2014 compared to 17.5 times (restated) earnings recorded at the end of the previous financial year. The primary reasons for the increase in the PER was the decline in the share price of 5.0 per cent (adjusted for the Rights Issue) coupled with the decline in EPS as described earlier. The published broad market PER of the CSE was 15.9 times as at the year end, in line with other equity markets in the region which traded at a similar multiple. The PER of the SENSEX Index Mumbai was 17.8, Kuala Lumpur's FTSE Bursa Malaysia was 17.3 and Singapore's STI was at 14.0 as of the financial year end. The PERs of the Dow Jones Industry Average Index and London's FTSE 100 were 15.4 times and 17.2 times respectively as at the financial year end, reflecting improved sentiment compared to the previous years. The JKH share has historically traded at a premium to the market owing to its high free float, liquidity and the consistent returns generated by the Company.

Price to book

As at the financial year end, the price to book value of the Group was 1.8 times [2012/13: 2.7 times]. The fall in the share price supported by the increase in the net asset value per share which increased by 37 per cent to Rs.124.10 [2012/13: Rs.90.70] are the main reasons for the decline in the price to book ratio.

	2013/14	2012/13	2011/12
Market capitalisation (Rs. billion)	224.80	211.74	173.89
Enterprise value (Rs. billion)	193.38	203.52	166.14
Market value added (Rs. billion)	101.90	121.92	102.55
EV/EBITDA (times)	9.6	10.2	9.8
Diluted EPS (Rs.)	12.33	13.65*	11.44*
PER (diluted)	18.4	17.50*	18.00*
Price to book (times)	1.8	2.7	2.9
Price/cash earnings (times)	14.9	16.67*	15.24*
Dividend yield (%)	1.5	1.5*	1.4*
Dividend payout ratio (per cent)	44.1	41.0	49.0
TSR (%)	(0.4)	21.7*	(2.51)*

** Adjusted for 2013 Rights Issue*

Liquidity

During the financial year, 181.0 million shares changed hands from over 29,000 transactions compared to 136.2 million shares transacted from over 19,000 trades recorded during the previous financial year. The average daily turnover of the JKH share was Rs.173.4 million at the end of the current financial year as against Rs.121.3 million recorded in the previous financial year. The average daily market turnover of JKH represented 21.6 per cent of the total market during financial year under review.

In addition to the JKH share, the two warrants were also active at the bourse during the period under review. Since the time of listing in November 2013, 18 million of 2015 warrants and 19 million of 2016 warrants have changed hands respectively.

Distribution and composition of shareholders

The total number of shareholders of JKH as at 31st March 2014 decreased to 8,868 from 9,570 as at the end of the previous financial year. Out of the total number of shares in issue, 98 per cent of the shares were held by the public while 2 per cent of the shares were held by the Executive Directors, Spouses and Connected Parties and the remaining 0.01 per cent by Non-Executive Directors and Connected Parties.

In terms of residency of the shareholders, 47 per cent of the shares in issue as at 31st March 2014 were held by residents whilst the remaining 53 per cent of the shares were held by non-residents.

Composition of shareholders

	31 March 2014			31 March 2013*		
	Number of Shareholders	Number of Shares	Percentage	Number of Shareholders	Number of Shares	Percentage
Executive directors, spouses and connected parties	5	15,201,327	1.5	5	13,152,178	1.5
Non-executive directors and connected parties	3	130,927	0.0	4	128,490	0.0
Executives and connected parties	102	32,419,592	3.3	127	29,563,354	3.4
Public resident						
Institutions :	523	149,507,111	15.1	559	137,249,331	16.0
Individuals :	7,852	127,043,619	12.8	8,459	193,703,511	22.6
Public non-resident						-
Institutions :	146	409,535,500	41.4	147	388,514,965	45.3
Individuals :	234	7,904,823	0.8	267	7,264,866	0.8
Global depositary receipts	1	1,122,069	0.1	1	1,129,677	0.1
Shareholders holding more than 10%	2	247,424,417	25.0	1	86,536,133	10.1
Grand total	**8,868**	**990,289,385**	**100.0**	**9,570**	**857,242,505**	**100.0**

** Restated*

Market information on ordinary shares of the Company

	2013/14	Q4	Q3	Q2	Q1	2012/13
Share information						
High	290.03*	250.40	230.60	264.30*	290.03*	241.56*
Low	204.00	206.00	206.50	204.00	235.57*	166.40*
Close	227.00	227.00	227.30	218.00	243.30*	238.95*
Dividends paid (per share)	3.50	1.00	1.00	0.00	1.50	3.50
High (Unadjusted)	299.80	250.40	230.60	273.20	299.80	249.70
Low (Unadjusted)	204.00	206.00	206.50	204.00	243.50	172.00
Close (Unadjusted)	227.00	227.00	227.30	218.00	251.50	247.00
Trading statistics of the JKH Share						
Number of transactions	29,784	7,110	6,748	9,738	6,188	19,812
Number of shares traded '000	181,022	63,569	35,348	47,061	35,044	136,204
% of total shares in issue	18.3	6.4	3.6	5.5	4.1	15.9
Value of all shares traded (Rs. million)	42,141	14,438	7,669	10,835	9,200	19,812
Average daily turnover (Rs. million)	173	249	124	175	151	121
% of total market turnover	21.6	27.4	17.8	29.2	14.7	15.3
Market capitalisation (Rs. million)	224,796	224,796	225,049	187,272	215,711	211,739
% of total market capitalisation	9.0	9.0	9.1	7.8	9.2	9.6

** Adjusted for the 2013 Rights Issue*

Share and Warrants Information

Market information on warrants of the Company

	2015 Warrant			2016 Warrant		
	2013/14	Q4	Q3	2013/14	Q4	Q3
Warrant information						-
High	90.50	90.50	82.00	98.20	98.20	96.40
Low	55.10	55.20	55.10	53.00	58.80	53.00
Close	68.60	68.60	80.00	71.90	71.90	94.50
Trading statistics						-
Number of transactions	12,615	7,183	5,432	11,011	7,055	3,956
Number of warrants traded '000	18,273	11,803	6,471	18,592	13,979	4,613
Value of all warrants traded (Rs. million)	1,261	840	421	1,296	979	317
Average daily turnover (Rs. million)	14	14	12	14	17	9
Market capitalisation (Rs. million)	3,018	3,018	3,520	3,163	3,163	4,158

Distribution of shareholders

	31 March 2014				31 March 2013			
	Number of Shareholders	%	Number of Shares held	%	Number of Shareholders	%	Number of Shares held	%
Less than or equal to 1,000	5,240	59.1	1,191,383	0.1	5,979	62.5	1,296,813	0.2
1,001 to 10,000	2,448	27.6	8,577,532	0.9	2,414	25.2	8,357,994	1.0
10,001 to 100,000	872	9.8	25,407,128	2.6	872	9.1	24,899,571	2.9
100,001 to 1,000,000	198	2.2	65,814,170	6.6	206	2.2	67,482,993	7.9
Over 1,000,001	110	1.2	889,299,172	89.8	99	1.0	755,205,134	88.1
Grand total	8,868	100.0	990,289,385	100.0	9,570	100.0	857,242,505	100.0

Directors' shareholding

	31 March 2014	31 March 2013
S C Ratnayake	6,139,930	5,299,066
A D Gunawardene	7,479,022	6,481,720
J R F Peiris	1,582,375	1,371,392
E F G Amerasinghe	6,362	5,514
D A Cabraal*	105	105
I Coomaraswamy	Nil	Nil
T Das	Nil	Nil
A N Fonseka*	Nil	Nil
A R Gunasekera	124,460	107,866
M A Omar	Nil	Nil
S S Tiruchelvam**	N/A	1,300
Options available under the employee share option plan of John Keells Holdings PLC:		
S C Ratnayake	2,087,590	1,380,426
A D Gunawardene	1,826,640	1,207,872
J R F Peiris	1,557,073	1,027,850

* *Appointed with effect from 1st November 2013*

** *Resigned with effect from 9th September 2013*

Directors' warrant holding

	2015 Warrants		2016 Warrants	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
S C Ratnayake	280,297	N/A	280,297	N/A
A D Gunawardene	332,410	N/A	332,410	N/A
J R F Peiris	70,329	N/A	70,329	N/A
E F G Amerasinghe	282	N/A	282	N/A
D A Cabraal*	Nil	N/A	Nil	N/A
I Coomaraswamy	Nil	N/A	Nil	N/A
T Das	Nil	N/A	Nil	N/A
A N Fonseka*	Nil	N/A	Nil	N/A
A R Gunasekera	5,531	N/A	5,531	N/A
M A Omar	Nil	N/A	Nil	N/A
S S Tiruchelvam**	N/A	N/A	N/A	N/A

* *Appointed with effect from 1st November 2013*

** *Resigned with effect from 9th September 2013*

Employee share options

Year ended 31 March	Number of Options Exercised (million)
1999	0.27
2000	0.47
2001	0.02
2002	1.78
2003	2.30
2004	4.08
2005	1.53
2006	2.04
2007	3.67
2008	4.06
2009	0.86
2010	8.12
2011	10.23
2012	4.38
2013	13.12
2014	**1.06**

Note: First issued in FY1997

Twenty largest shareholders of the Company

		31 March 2014		31 March 2013	
		Number of Shares	%	Number of Shares	%
1	Mr S E Captain	143,340,253	14.5	82,431,062	9.6
2	Broga Hill Investments Limited	104,084,164	10.5	74,591,759	8.7
3	Janus Overseas Fund	57,182,777	5.8	86,536,133	10.1
4	Paints & General Industries Limited	51,994,412	5.3	49,086,579	5.7
5	Melstacorp (Private) Limited	36,498,341	3.7	31,499,883	3.7
6	Deutsche Bank AG - London	35,407,406	3.6	32,930,641	3.8
7	Aberdeen Global - Asian Smaller Companies Fund	34,453,481	3.5	26,563,207	3.1
8	Aberdeen Global Asia Pacific Equity Fund	21,978,158	2.2	19,047,737	2.2
9	Schroder International Selection Fund	16,832,712	1.7	13,172,166	1.5
10	Aberdeen Global - Emerging Markets Smaller companies fund	16,430,969	1.7	30,850,435	3.6
11	Janus Aspen Series Overseas Portfolio Fund	15,811,236	1.6	18,303,333	2.1
12	Mr K Balendra	15,227,172	1.5	13,141,807	1.5
13	London - Edinburgh Dragon Trust PLC	12,619,227	1.3	10,936,664	1.3
14	J P Morgan Clearing Corporation	12,365,278	1.2	11,518,889	1.3
15	Aberdeen Institutional Commingled Funds, LLC	11,354,620	1.1	7,325,938	0.9
16	BBH - Matthews International Funds	11,026,735	1.1	9,556,504	1.1
17	Mrs. C.S. De Fonseka	10,582,326	1.1	3,008	0.0
18	Mrs. S.A.J. De Fonseka	10,483,019	1.1	239	0.0
19	Aberdeen Asia Pacific Fund	10,470,264	1.1	9,074,229	1.1
20	Rubber Investment Trust Limited A/C no.1	9,312,053	0.9	11,535,763	1.3

Share and Warrants Information

Twenty largest 2015 warrant holders of the Company

		31 March 2014		31 March 2013	
		Number of Warrants	%	Number of Warrants	%
1	Mr S E Captain	4,771,687	10.8	-	-
2	Broga Hill Investments Limited	4,523,355	10.3	-	-
3	Capital Trust Holdings (Pvt) Ltd	3,431,299	7.8	-	-
4	Melstacorp (Private) Limited	1,666,208	3.8	-	-
5	Aberdeen Global-Asian Smaller Companies Fund	1,641,071	3.7	-	-
6	Janus Overseas Fund	1,421,182	3.2	-	-
7	Aberdeen Global - Emerging Markets Smaller companies fund	1,135,979	2.6	-	-
8	Aberdeen Global Asia Pacific Equity Fund	976,840	2.2	-	-
9	Deutsche Bank AG - London	957,006	2.2	-	-
10	Schroder International Selection Fund	745,113	1.7	-	-
11	Mr K Balendra	695,144	1.6	-	-
12	Dee Sanda Holdings (Private) Limited	682,553	1.6	-	-
13	Capital Trust Partners Private Limited	632,571	1.4	-	-
14	J P Morgan Clearing Corporation	570,317	1.3	-	-
15	London - Edinburgh Dragon Trust PLC	560,873	1.3	-	-
16	First Capital Markets Limited / Mr. S.N Kumar	544,200	1.2	-	-
17	Sampath Bank / Capital Trust Holdings (Pvt) Ltd	512,538	1.2	-	-
18	Mrs C.S. De Fonseka	511,770	1.2	-	-
19	Mrs S.A.J. De Fonseka	511,628	1.2	-	-
20	Rubber Investment Trust Limited A/C no.1	503,706	1.1	-	-

Twenty largest 2016 warrant holders of the Company

		31 March 2014		31 March 2013	
		Number of Warrants	%	Number of Warrants	%
1	Broga Hill Investments Limited	4,523,355	10.3	-	-
2	Mr S E Captain	3,585,861	8.2	-	-
3	Capital Trust Holdings (Pvt) Ltd	2,052,358	4.7	-	-
4	Melstacorp (Private) Limited	1,666,208	3.8	-	-
5	Aberdeen Global - Asian Smaller Companies Fund	1,641,071	3.7	-	-
6	Janus Overseas Fund	1,421,182	3.2	-	-
7	Aberdeen Global - Emerging Markets Smaller companies fund	1,135,979	2.6	-	-
8	Aberdeen Global Asia Pacific Equity Fund	976,840	2.2	-	-
9	Deutsche Bank AG - London	957,006	2.2	-	-
10	Ceylon Investment PLC A/C no.01	822,504	1.9	-	-
11	Schroder International Selection Fund	745,113	1.7	-	-
12	Mr K Balendra	695,144	1.6	-	-
13	J.B Cocoshell (Private) Limited	655,509	1.5	-	-
14	Rubber Investment Trust Limited A/C no.1	603,706	1.4	-	-
15	J P Morgan Clearing Corporation	570,317	1.3	-	-
16	London - Edinburgh Dragon Trust PLC	560,873	1.3	-	-
17	Mrs C.S. De Fonseka	511,770	1.2	-	-
18	Mrs S.A.J. De Fonseka	511,628	1.2	-	-
19	BBH - Matthews International Funds	490,094	1.1	-	-
20	First Capital Markets Limited / Mr. S.N Kumar	481,164	1.1	-	-

Employee share option plan as 31st March 2014

	Date of Grant	Employee Category	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares[2] Adjusted	Exercised	Cancelled[3]	Outstanding	End/ Current[2] Price (Rs.)
PLAN 5	17.12.2009		6,126,960	16.12.2014	160.25	8,836,177	2,180,169	55,227	6,600,781	127.50
		GEC[1]	2,445,280			3,761,965	0	0	3,761,965	
		Other Executives	3,681,680			5,074,212	2,180,169	55,227	2,838,816	
PLAN 6	09.12.2010		4,672,823	08.12.2015	292.00	7,070,022	248,860	523,108	6,298,054	213.13
		GEC[1]	1,872,174			2,880,262	0	0	2,880,262	
		Other Executives	2,800,649			4,189,760	248,860	523,108	3,417,792	
PLAN 7	07.12.2011		6,306,182	06.12.2016	172.10	7,137,515	902,950	176,236	6,058,329	172.49
		GEC[1]	2,522,482			2,910,555	0	0	2,910,555	
		Other Executives	3,783,700			4,226,960	902,950	176,236	3,147,774	
PLAN 8[4]	01.07.2013		6,426,719	30.06.2018	265.18	7,415,303	0	141,687	7,273,616	253.16
		GEC[1]	2,572,919			2,968,749	0	0	2,968,749	
		Other Executives	3,853,800			4,446,554	0	141,687	4,304,867	
Total			**23,532,684**			**30,459,017**	**3,331,979**	**896,258**	**26,230,780**	

1 GEC comprises of the Executive Directors and Presidents
2 Adjusted for Bonus Issues/Right Issues/Sub-divisions
3 "Cancelled" represents shares not exercised by resigning Employees
4 Plan 8 - None of the options were vested as at 31st March 2014

Dividend since 1998/99

Year ended 31 March	DPS (Rs.)	Dividends (Rs. '000)
1999	4.00	151,343
2000	3.00	168,150
2001	2.00	353,128
2002	2.00	329,869
2003	2.00	342,203
2004	2.50	725,783
2005	3.00	1,027,497
2006	3.00	1,199,460
2007	3.00	1,412,306
2008	5.00	3,176,302
2009	3.00	1,883,442
2010	3.00	1,843,642
2011	3.00	1,868,707
2012	3.00	2,313,519
2013	3.50	2,982,421
2014	**3.50**	**3,266,718**

Share and Warrants Information

Share capital since 1998/99

Year ended 31 March	Number of Shares in issue (million)
1999	40.47
2000	61.18
2001	183.56
2002	185.35
2003	187.64
2004	300.08
2005	331.63
2006	400.00
2007	552.94
2008	635.99
2009	611.35
2010	619.47
2011	629.69
2012	844.12
2013	857.24
2014	**990.29**

History of scrip issues, rights and repurchases since 1998/99

Year ended 31 March	Issue	Basis	Number of Shares (million)	Ex-date
1998	Bonus	1:4	8.02	9-Jan-98
2000	Bonus	1:5	8.09	15-Jun-99
2000	Bonus	1:4	12.14	5-Jan-00
2001	Bonus	2:1	122.36	27-Jul-00
2004	Bonus	1:4	46.94	10-Jun-03
2004	Private placement	n/a	24.00	21-Oct-03
2004	Rights @ Rs. 75*	1:7	37.42	7-Nov-03
2005	Bonus	1:10	30.02	13-May-04
2006	Bonus	1:5	66.34	11-May-05
2007	Bonus	1:7	57.16	13-Jun-06
2007	Rights @ Rs. 140*	1:5	92.10	23-Jan-07
2007	Bonus	1:7	78.96	13-Mar-07
2009	Repurchase	1:25	25.50	11-Oct-08
2012	Sub division	4:3	210.05	30-Jun-11
2013	Rights @ Rs. 175*	2:13	131.99	3-Oct-13

* *Unadjusted*

GDR history (in terms of ordinary shares, million)

Year ended 31 March	Opening Balance	Issued**	Converted/ Repurchased	Closing Balance
1994	0	4.5	0	4.50
1995	4.50	0	0.21	4.29
1996	4.29	0.59	0.2	4.68
1997	4.68	0.27	2.8	2.15
1998	2.15	0.28	1.06	1.37
1999	1.37	0	0.75	0.62
2000	0.62	0.26	0.52	0.36
2001	0.36	0.72	0.23	0.85
2002	0.85	0	0.17	0.68
2003	0.68	0	0.16	0.52
2004	0.52	0.13	0	0.65
2005	0.65	0.06	0	0.71
2006	0.71	0.14	0	0.85
2007	0.85	0.12	0	0.97
2008	0.97	0.14	0	1.11
2009	1.11	0	0.12	0.99
2010	0.99	0	0.01	0.98
2011	0.98	0	0.03	0.95
2012	0.95	0.32	0.08	1.19
2013	1.19	0.00	0.06	1.13
2014	**1.13**	**0.00**	**0.01**	**1.13**

* 1 GDR equivalent to 2 ordinary shares
** First issued in FY1994 and subsequently increased along with bonus issues and sub-division of ordinary shares

Financial Calendar

	Date
Interim financial statements	
Three months ended 30th June 2013	26th July 2013
Six months ended 30th September 2013	07th November 2013
Nine months ended 31st December 2013	29th January 2013
First interim dividend paid on	27th November 2013
Second interim dividend paid on	26th March 2014
Final dividend proposed to be paid on	17th June 2014
Annual Report 2013/14	30th May 2014
35th Annual General Meeting	27th June 2014
2014/15	
Interim financial statements	
Three months ended 30th June 2014	On or before 25th July 2014
Six months ended 30th September 2014	On or before 6th November 2014
Nine months ended 31st December 2014	On or before 29th January 2015
Annual Report 2014/15	On or before 03rd June 2015
36th Annual General Meeting	26th June 2015

Corporate Social Responsibility

Student planting a sapling at Halmillewa Primary School

The Group aims to be a responsible corporate citizen, proactively contributing to causes affecting the social development of the nation, while working toward maximising the positive aspects of business on society and the environment

The Group's goal is to foster good relationships with the communities within which its businesses operate, and manage responsibly the impact that its operations have on the community and environment. The Group's Corporate Social Responsibility (CSR) drive, represents how its values, corporate culture and operations are intrinsically intertwined and connected to social, economic and environment concerns.

With the Group being a responsible corporate citizen, its chosen focus areas are aligned to the Millennium Development Goals (MDGs) adopted by Sri Lanka, ensuring that the national agenda is championed by initiatives carried out by John Keells Foundation (the Foundation) and individual business units. The Group is also a pioneer participant of the United Nations Global Compact (UNGC), and ensures that all its community engagement activities to our knowledge do not pose any adverse impact on the environment.

During the reporting period, the CSR vision of the John Keells Group was reviewed and revamped as 'empowering the nation for tomorrow' based on the underlying concept that the selection of CSR projects and initiatives will be focused on empowerment of the targeted beneficiaries through proactive partnership (as against mere welfare) in meeting the needs of tomorrow. Accordingly:

- Selection of CSR projects is primarily based on the requirements of the country from a national perspective and/or a particular community as identified through needs assessments with due consideration given to the sustainability of the project as a key factor.
- Consideration of long term initiatives that empower communities whose activities can have strategic linkages to our businesses thus creating situations of mutual benefit.

The Foundation drives the Group's social responsibility initiatives from the centre, while individual companies of the Group also engage in community service activities, sponsorships and donations to complement their respective businesses, as well as the broad focus areas of the Foundation.

Material social impacts

The Group sees great importance in providing educational opportunities to disadvantaged groups of the community, with a strong belief that education is the foundation for an enlightened and civilized society, while it also believes that

The John Keells Group believes in wider societal needs, to meaningfully enrich the lives of the communities of which it is an integral part. The Group abides by the values of caring, trust and integrity by ensuring that through its actions it demonstrate its commitment to and respect for all its stakeholders, including the communities and the environment in which its businesses operate, and seek to empower communities and protect the environment consonant with the CSR Vision of Empowering the Nation for Tomorrow

productivity is best ensured via a healthy society. The Group is also committed to minimising the impact of its operations on the environment, through a conscious and collective effort, whilst promoting environmental conservation and sustainability. The fostering of entrepreneurship and facilitation of infrastructure development, enabling sustainable development in communities surrounding the Group's operations, is yet another focus area for the Group's CSR initiative. In addition, the Group is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of Sri Lanka, as well as boosting the livelihoods of those engaged in arts and culture. The Group also carries out collective relief efforts in times of natural and man-made disasters, through staff volunteerism.

Performance goals and monitoring

The Group's commitment to the above focus areas of education, health, environment, community and livelihood development, arts and culture and disaster relief, translates through a plethora of community investment programmes and staff engagement with the wider community via voluntary service as well as the ongoing dialogue with its stakeholders to better understand their needs.

The activities of the Foundation are funded by companies within the Group out of their profits. The Group does not charge or account for human resources deployed in and overhead costs attributable to any of its CSR projects whether in planning, implementation or administration.

The Group's social performance is tracked every quarter through the tracking of GRI indicators focusing on areas such as the percentage of operations with implemented local community engagement, and development and impact of infrastructure investments, which in turn are a part of the quarterly analytical reports circulated to the Group's highest governance bodies and external stakeholders.

All of the Group's local community engagement projects are initially structured based on a social impact assessment which includes regular, formal and informal engagement with all significant stakeholders, specific selection criteria for identifying beneficiaries, and a periodic evaluation process. This process is formalised via a mandatory questionnaire, which has to be completed and signed off by each business unit head when a business enters, carries out operations and exits a community. This questionnaire is designed to include all elements that result from conducting operations in the community. Each business unit conducts a review annually, to analyse the impact of each operation carried out and where applicable, action plans to mitigate risks will be formulated at Sector Committee or Management Committee meetings. In certain projects, this evaluation process is carried out by independent third parties.

Action plans

The Group has contributed towards the development of society through infrastructure, public services and local community engagement initiatives.

The table below provides a breakdown of the Group's projects, their cost, the number of Group personnel that participated in such projects and the manner in which the projects were carried out. The overall descriptions of the key projects undertaken by the Foundation are contained in the following pages.

Project	Infrastructure investment	Service	Type
Education			
English Language Scholarship Programme	-	12,433,845	P
Neighbourhood schools development	765,000	738,070	P I
The Final Step - University soft skills programme - South Eastern (Ampara) & Eastern (Batticaloa) Universities	-	2,504,934	P
University of Moratuwa Transportation & Logistics Degree Programme	-	1,459,050	P
Health			
John Keells Vision Project	-	4,419,494	P
John Keells HIV and AIDS Awareness Campaign	-	347,037	P
Gender based violence and exploitation of children	-	50,000	P
Plantation Services sector health camps	-	42,000	
Environment			
Nature Field Centre at Rumassala, Galle	650,000		P I
Slave Island rail reservation - maintenance	280,000	10,915	P I
Project Leopard, Yala	646,292		P
Leopard Research Project, Yala	-	580,894	P
Marine Conservation Conference	-	350,000	P
Forestry project		1,542,967	
Community & livelihood development			
Village adoption - Halmillewa (Anuradhapura District)	1,612,918	410,326	P
Village adoption - Mangalagama (Ampara District)	-	252,683	P
Village adoption - Iranaipalai in Puthukkudiyiruppu DS (Mullaitivu District)	11,533,911	370,000	P
Village adoption - Puthumathalan in Maritimepattu DS (Mullaitivu District)	12,029,562	310,000	P
Village adoption - Elangaithurai Mugathuwaram in Verugal DS (Trincomalee District)	585,000	30,100	P
Slave Island railway station - repair and maintenance	972,567	273,913	P
BPO Project - Mahavilachchiya	295,000	11,975	P I
BPO Project - Jaffna	191,552	409,618	P I
Sustainable sourcing initiatives of the Consumer Foods & Retail industry group*		56,818	I
Livelihood initiative relating to paper recycling project in Habarana		240,000	I
Jalavahini a water-based women's empowerment initiative		694,335	P
Arts & Culture			
Kala Pola - annual open air art fair		2,058,409	I
Total**	29,561,802	29,597,383	

P: carried out on a Pro-bono basis, I: carried out on In-kind basis

** Estimated management time spent on educating farmers. Total value of sustainable sourcing initiatives made to local farmers is 1,023 million.*

*** The total amount expended as operating cost of the John Keells Foundation was approximately Rs.7 million.*

Focus areas, projects & initiatives

The Group has contributed towards the development of society through numerous infrastructure, public services and local community engagement initiatives.

The Group's focus continues to be on six key areas – namely, Education, Health, Environment, Community and Livelihood Development, Arts and Culture and Disaster Relief. Each of the focus areas other than Disaster Relief hosts its own portfolio of projects which in turn are mapped out as well-assessed, sustainable initiatives that are aligned to the Millennium Development Goals (MDGs) as well as the United Nations Global Compact (UNGC) of which the Group is a pioneer participant. The goal in each of these areas is as follows:

Education	Health	Environment	Community & livelihood development	Arts & culture	Disaster relief
JKH is committed in providing educational opportunities to disadvantaged groups of the community as it believe that education is the foundation for a civilized and empowered society.	JKH is committed in ensuring productivity via a healthy society.	JKH is committed in minimising the impact of the Group's operations on the environment and carries out a conscious and collective effort in this regard whilst promoting the cause of environmental conservation and sustainability.	JKH is committed in reaching out to communities surrounding its operations through constructive dialogue with stakeholders and staff volunteerism. Fostering the spirit of entrepreneurship as a key to sustainable development is the primary objective of such projects.	JKH is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of Sri Lanka as well as boosting the livelihoods of those engaged in arts and culture.	JKH is committed to carrying out collective relief efforts in times of natural and man-made disasters, through staff volunteerism.

Education

Adequate knowledge of English has become a compelling necessity to access the many opportunities available in today's society, whether local or global

English Language Scholarship Programme

John Keells Foundation's English Language Scholarship Programme aims to provide English as a life skill to children and youth to help enhance their opportunities for higher learning and sustainable employment. It complements the national initiative to improve speaking and communicative skills in English throughout Sri Lanka.

During the year in review, the programme branded 'English for Teens' continued with the foundation-level course targeting school children between the ages of 12 to 14 years. A total of 1,000 scholarships were offered to eligible school children and classes were conducted in 20 locations in 18 Districts of the country.

While 200 scholarships were on offer for the pre-intermediate level programme across 12 districts for students achieving high grades at the foundation level course, 100 scholarships were available across 6 districts to students achieving high grades in the pre-intermediate level course.

Soft skills programme, Eastern University

With the implementation of the above scheme, high-performing students have the opportunity of natural progression in pursuing English language skills under the internationally recognised Edexcel system through a year-long scholarship.

The Final Step - soft skills for university undergraduates

The Final Step is a set of five soft skills workshops developed by the John Keells Foundation aimed at enhancing the employability of local university graduates. The workshops cover a wide range of

Focus area	Project	Overall objective	Focus area in 2013/14	Project scope in 2013/14	Project impact	JKH volunteers
Education	**English Language Scholarship Programme**	Enhancing English language skills of deserving, disadvantaged or needy schoolchildren and youth across the island towards improving their opportunities for higher learning and sustainable employment.	**English for Teens -** A four-month course for school children within the age limits of 12 to 14 years	**English for Teens locations:** Ampara, Mangalagama, Bandarawela, Batticaloa, Chavakachcheri, Colombo 08, Colombo 02 - Neighbourhood Schools, Galle, Jaffna, Kandy, Kurunegala, Matale, Matara, Mullaitivu, Negombo, Nelliady, Panadura, Ratnapura, Trincomalee, Vavuniya	Applications 2,050 Registered 1,227 Course completion 1,219	17 volunteers from across the Group represented the Foundation at inaugural programmes at respective centers. 36 volunteers from across the group participated at the English Day
			Pre-intermediate level A 4-month post-foundation course for English for Teens scholarship students of 2012/13 who obtained an honours pass	**Pre-intermediate level locations:** Ampara, Bandarawela, Chavakachcheri, Colombo, Jaffna, Matara, Nelliady, Kurunegala, Galle, Ratnapura, Kandy, Panadura	Honours students from 2012/13 - 200 Registered 169 Course completion 166	
			Intermediate level A 4 - month post pre-intermediate course for pre intermediate students of 2012/13 who obtained an honours pass	**Intermediate level locations**: Ampara, Bandarawela, Colombo, Jaffna, Matara, Kurunegala	Honours students from 2012/13 - 89 Registered 78 Course completion 77	

Stakeholder engagement

- Nominations and applications of deserving candidates through school principals of State schools

Selection criteria

- Disadvantaged State schools in selected districts
- Preference for financially disadvantaged children
- Marks obtained at placement test set by the Gateway Language Centre

Impact assessment

- Monthly monitoring of attendance
- Staff volunteers' feedback
- Final examination result
- Student feedback
- Annual English Day
- Number of students progressing into next level

aspects such as private sector employer expectations, leadership and team building, writing a CV, facing an interview, developing confidence and personality, working in a corporate environment, corporate hospitality (including social etiquette) and personal grooming.

Sri Lanka has one of the highest enrolment rates in Asia for general education, with the largest number of students leaving the system after the GCE Ordinary level. While nearly 300,000 students move on to sit for the GCE Advanced Level examination, only 22,500 places are available in the state university education system ”

Even among youth who had been fortunate to enter and complete degrees at local universities, many are challenged in finding suitable employment, particularly in the private sector (accounting for over 70% of jobs in Sri Lanka), due to inadequate soft skills such as communication, leadership, team work, planning, problem solving, adaptability and positive attitude.

During the year in review, The Final Step reached the Eastern Province of the country in collaboration with the University Grants Commission. These programmes were conducted successfully at the South Eastern University in Oluvil in October 2013 and the Eastern University in Batticaloa in March 2014, details of which are shown below. Both programmes which included practical exercises in facing interviews, public speaking and the art of developing effective CVs, received positive feedback from the students. Following the soft skills programme at the Eastern University, the Foundation has also provided a three month internship opportunity to a final year marketing undergraduate at the Foundation, whilst facilitating another internship for a final year marketing undergraduate with the Keells Hotels branding team.

Students' feedback – South Eastern University

To take a step forward you gave the hand rail……; The Final Step became the first step of our career" (poem) - W M A Hemamali, Faculty of Management & Commerce, 3rd year

These workshops encouraged me to improve my knowledge of English. I am determined to master the language as well as improve my communication skills. - Ganesha Ranasinghe, Faculty of Management & Commerce, Final Year

Students' feedback – Eastern University

As an undergraduate our next step is seeking a job. The panel discussions helped us improve ourselves as well as our goals and ideas and moulded us to be good leaders. The discussions were very practical and helped us change our attitudes and groom us for a successful future. - S. Puvanitha, Faculty of Agriculture, 3rd year

I got so many insights and I have learned how to improve myself in order to win and keep a job in the private sector. - D. Rishaana, Faculty of Commerce and Management, Final Year

Focus area	Project	Project objective	Focus area in 2013/14	Project scope in 2013/14	Project impact	JKH volunteers
Education	**The Final Step-university soft skills project**	To enhance the employability of local graduates by changing their perspectives of employment in Sri Lanka, particularly in the private sector, and increasing their adaptability to the requirements of the workplace.	**South Eastern University, Sri Lanka**	**Series of five soft skills comprising:** • Employer expectations • Team building and leadership skills; • Personality development and confidence building • Adapting to the corporate environment • Personal grooming; and corporate hospitality	Total participants 350 Certificate recipients 300	18
			Eastern University, Sri Lanka		Total participants 564 Certificate recipients 456 Group internships 2	27

Stakeholder engagement

- Request by the Career Guidance Unit (CGU) of the University via the University Grants Commission
- Curriculum, resource persons, venue and participants planned and implemented with the CGU
- Publicity material - posters, individual pocket schedules etc

Selection criteria

- Preference given to third and final year students of all faculties
- Pre-registeration of candidates via the CGU

Impact assessment

- Attendance at workshops
- Participant interaction
- Participant feedback
- Staff volunteers' feedback
- Informal assessment with CGU and Vice Chancellor
- Official report of the CGU

Industrial tour for the University of Jaffna

The John Keells Group hosted 94 final year undergraduates and 04 faculty members of the University of Jaffna to a tour aimed at providing students reading for a Bachelor of Business Administration (BBA) degree, insights to the Group's key industries, functions and strategies to develop greater awareness of career opportunities in these industries. The six-day industrial tour was organised by the Foundation, and students familiarised themselves with the operations of various business units across its Consumer Foods & Retail, IT, Transportation, Property and Leisure industry groups. The tour gave the students useful knowledge of corporate culture and values and provided insights into various career paths available in the private sector. For some, it was their first visit to Colombo, giving them an opportunity to witness the development activities in progress in the city. For many, it was their first experience of the workings of a supermarket, bottling factory, condominium site or five-star hotel.

- "This tour has helped me improve my life and taught me how to handle myself in the corporate world",
K. Paranavan.

- "I gathered practical knowledge about construction sites and saw the amazing business complexes and was truly inspired. I also absorbed practical knowledge about Elephant House soft drinks productions and quality control through this tour. I felt truly motivated by [General Manager, Cinnamon Grand] Mr. Rohan Karr's speech",
V. Senthuran

Neighbourhood school development project

As part of John Keells' commitment to the progression of education particularly in the less advantaged public schools, the Foundation continues to support the development and maintenance of infrastructure and educational facilities of five disadvantaged Government schools in Colombo 2 - the location of the head office and several businesses of the John Keells Group - in order to create an environment conducive to learning and enhance the quality of education. The project is implemented in collaboration with the CSR teams of Cinnamon Grand, Colombo and Cinnamon Lakeside, Colombo.

Career guidance programme for neighbourhood schools

Career guidance and vocational training for school leavers of neighbourhood schools

An important initiative piloted during the year in review was the launch of a vocational training programme for post-Ordinary Level students of the schools carried out in consultation with school principals and the Director, Zonal Education Office. This was in the context that four out of the five schools do not offer Advanced Level classes as a result of which a large percentage of the students of these schools start seeking employment soon after their Ordinary Level studies. Given that most school leavers do not receive formal vocational or technical training, their employment prospects are largely limited to minor, low-income activities.

While a career guidance workshop was conducted in January 2013 for students of the five schools who had completed their Ordinary Level Examination, Cinnamon Grand, Colombo and Cinnamon Lakeside, Colombo in collaboration with the Foundation offered a six-month vocational training programme to participants of the career guidance workshop who did not qualify for Advanced Level studies. The six-month programme was concluded successfully on 15th January 2014 and the four successful trainees were awarded certificates while two trainees were recruited by Cinnamon Lakeside Colombo. The Foundation intends to continue providing vocational training in collaboration with Group businesses to school leavers of the neighbourhood schools who do not qualify for higher education. Meanwhile, a career guindance programme for the second successive year was conducted on 30th January 2014. A

Stakeholder engagement

- Request by school principals and/ or Zonal Education Director accompanied by independent needs assessment by project team/technical staff of City Hotels or proposed by the Foundation and mutually agreed with school authorities and students and their parents

Selection criteria

- Relevance of the initiative in keeping with project objectives
- Need to prioritise vis-a- vis annual budgetary allocation
- Maintenance/ sustainability of initiative

Impact assessment

- Feedback from students
- Feedback from school authorities
- Project team's/ staff volunteer's feedback

total of 75 students who completed their Ordinary Level examination attended this programme at Cinnamon Lakeside, Colombo which included motivational training and soft skills as well as career guidance relating to the hotel industry, retail industry (supermarkets) and supply chain management.

Feedback:

"I used to wander in the streets with my friends daily. My parents were always worried about me. Now I'm focused and have a dream to fulfill."
- A.R.M Hamdan (18 years) trained as amateur cook at Cinnamon Grand Colombo

During the year in review, the Foundation continued with the following initiatives towards enhancing the opportunities of these disadvantaged students to pursue higher education, thereby directly impacting 1,388 persons during the reporting period.

Overall objective	Focus area	Initiatives in 2013/14	Details	Direct impact	JKH volunteers
Improving the overall educational facilities and employability of students of 5 disadvantaged government schools located in Colombo 2, namely:	**Skills development**	English skills	Offer of scholarships and conduct of classes for eligible students under the John Keells English Language Scholarship Programme	Students 25	0
		Grade 5 scholarship project	A two-day refresher programme conducted by two renowned tutors on 03rd July and 15th August 2013. Separate seminars were conducted in Sinhala and Tamil medium	Students 150	2
		Health	A one day awarness programme on Health, Hygiene and Oral care	Students of 5 schools 66	1
• **Al Iqbal Muslim Balika Vidyalaya** • **Holy Rosary Sinhala Vidyalaya** • **Holy Rosary Tamil Vidyalaya** • **Siri Sariputta Maha Vidyalaya** • **T.B. Jayah Maha Vidyalaya**	**Career guidance & vocational training**	Career guidance and vocational training for school leavers	Briefing for parents to make them aware on the importance of career guidance & vocational training	Parents of 5 schools 40	6
			Vocational training programme for school leavers	Students 8	138
			Career guidance workshop for interested students after O'Level exams including motivational training and overview on career prospects and awareness on the hospitality and retail industry including exposure tour of Cinnamon Grand, Colombo	Students 75 Principals 5	7
			Career guidance workshop for interested students in collaboration with The Faiszer Musthapha Foundation	Students 144	13
	School infrastructure & facility devleopment	Supporting development/ maintenance of school infrastructure and facility enhancement	Al Iqbal MBV - repair of doors and windows, damaged floors	Students 100 Teachers 3	1
			Sri Sariputta MV - renovations of ceiling and drinking water taps and sinks	Students 200 Teachers 10	
			T. B. Jayah MV - repairs of desks, tables, floor area of classrooms	Students 100	
			Holy Rosary Tamil Vidyalaya - renovation of doors, windows, science lab and the water tank	Students 142 Teachers 10	1
			Holy Rosary Sinhala Vidyalaya - renovation of exsisting taps and sinks	Students 185 Teachers 10	
			Donation of 08 computers for 2 schools for the computer lab and IT classes conducted by John Keells Computer Services volunteers	Students of 5 schools 100	1
			Total	**1,388**	**170**

University of Moratuwa Transport & Logistics Degree Programme

The Transportation industry group continued its sponsorship of the scholarship programme for the students reading for an Honours degree of Bachelor of Science in Transport and Logistics Management (BSc (T&LM) Hons.) at the University of Moratuwa. This 4-year programme, which commenced in 2006, is a strategic CSR project designed to develop a much needed resource base of professionals for the country's growing transportation industry. The scholarship programme consists of an aggregate of 26 scholarships awarded on a both need- and merit-based scheme. As all lectures are conducted entirely in English, the first-year students (numbering 59) were also provided English Language training through a 5-day immersion camp at the university premises via a customised programme conducted by the Gateway Institute.

Student's feedback:

"In the first semester I wasn't fluent in English. Many times it affected me. After the immersion camp I feel learning English is very easy."
R.M. Rifkan

Student's feedback:

"This workshop gave us a way to use our day to day activities like watching movies and reading newspapers to enhance our English knowledge."
K. Lahiru Suranga Wijethunga

The TLM degree syllabus also includes a 6-month industrial placement with three students being selected for internship in the Transportation Sector during the year in review, with one attached to Lanka Marine Services (Pvt) Ltd and the other two attached to John Keells Logistics (Pvt) Ltd.

Supporting of Siduhath Vidyalaya by Whittall Boustead

Whittall Boustead (Travel) Limited, a subsidiary of John Keells Holdings and an Inbound Tour Operator company, sponsored the school requirements of the students of Sidhuhath Vidyalaya in Gallala, Ratnapura for the 13th successive year. Each year since 2001, the staff, tour leaders and suppliers of the company and its principals Kuoni and their staff have voluntarily contributed to the purchase of stationery requirements of all the students of this disadvantaged public school. 30 volunteers (staff and tour leaders) participated at the event held on 30th November 2013 at which stationery requirements of all students from Year One to Year 11 (presently numbering 225) for the whole year were distributed.

Health

John Keells HIV and AIDS awareness campaign

According to the UNAIDS classification, Sri Lanka is a country of 'low level HIV epidemic', but there is potential for spread.

It is a known fact that the great majority of persons affected by HIV and AIDS are in their most productive age. Hence the Millennium Development Goals – Country Report 2005 – Sri Lanka, rightly identifies HIV and AIDS prevention measures in the workplace as a key priority for development

HIV and AIDS awareness session

The John Keells HIV and AIDS awareness campaign is a sustained initiative designed to cover awareness for employees of the John Keells Group, various vulnerable communities around the Group's business locations and the general public. Launched in 2005, it was the first such campaign to be undertaken by a local corporate in Sri Lanka. The awareness project aims to inform people about the medical aspects of the disease while at the same time increasing their sensitivity towards the human/social dimension. The project is carried out in collaboration with the National STD/AIDS Control Programme of the Ministry of Health (NSACP), International Labour Organisation (ILO) and the Employers' Federation of Ceylon (EFC).

During the year in review, a total of 6,275 persons benefited from HIV and AIDS awareness sessions conducted by John Keells Foundation including staff of the John Keells Group and external corporates, school children, personnel of Sri Lanka Army and Government agencies. Accordingly, the cumulative number of persons educated since the inception of the campaign in 2005 is 60,375.

World AIDS day at John Keells

The Foundation lead commemoration of World AIDS Day falling on 1st December 2013 with a series of week-long activities which included various Group-wide activities such as awareness sessions, video campaigns, pinning of the `red ribbon' on the management and staff, a digital awareness campaign and infotainment activities including a quiz and "treasure hunt".

The Foundation continued to be supported by the volunteer master trainers of the Group in educating both internal and external communities on HIV and AIDS.

Focus area	Project	Overall objective	Locations in 2013/14	Awareness sessions	Direct impact	JKH volunteers
Health	**John Keells HIV and AIDS awareness campaign**	To prevent the spread of HIV, and discrimination and stigma relating to HIV and AIDS, through education for the Group staff, surrounding communities (including high risk environments) and the general public **2013/14 Target - total of 12,500 persons**	Sri Lanka Army camps; Sri Lanka Air Force bases	6	2,391	9
			Staff of John Keells Group	92	2,386	54
			External corporates coordinated by Lanka Business Coalition on HIV and AIDS (LBCH)	5	225	3
			External corporates (excluding sessions for LBCH)	4	218	6
			Government agencies and schools	3	1,055	5
			Total	**110**	**6,275**	**77**

Feedback:

"The programme was able to successfully educate the trainee soldiers as well as the instructors regarding HIV & AIDS. As the chief instructor of this training center, I would like to thank you on behalf of the Head of the Regiment, the Division Commander and all the soldiers of this camp." Major A.M.M. Gunasekera SLLI, Regiment Training Centre, Sri Lanka Light Infantry Army Camp, Boosa.

Stakeholder engagement

- Organisational (Group or 3rd party) request for awareness session(s)
- Collaboration arrangements for awareness (e.g. Sri Lanka Army, Sri Lanka Air Force, Lanka Business Coalition on HIV and AIDS-LBCH)

Selection criteria

- Number of individuals identified for awareness
- Availability of prerequisites - suitable venue, ground support/focal point for organisation

Impact assessment

- Participant interaction
- Participant feedback (minimum of 10% coverage mandatory)
- Project team's/staff volunteers' feedback
- Feedback/acknowledgement from beneficiary organisation
- Feedback from third party organisations (e.g. ILO, LBCH)

John Keells Vision Project

During the year in review, John Keells Foundation continued with its long-term goal to eradicate avoidable blindness due to cataract in Sri Lanka with the support of its project partners, the Vision 2020 Secretariat of the Ministry of Health, Lions Gift of Sight Hospital and So Others May See (SOMS). Through 11 eye camps conducted in 5 provinces of the country, a total of 1,144 cataract surgeries (well exceeding the year's target of 950 surgeries) and 278 spectacles were donated during the year bringing the cumulative total since the inception of the project in 2004, to 6,517 and 1,665 respectively. The ongoing collaboration with the Vision 2020 Secretariat of the Ministry of Health is noteworthy as it enables the extension of the project to areas previously rendered inaccessible due to the civil conflict. Highlights of this collaboration were successful cataract clinics conducted in the Island of Delft and Kilinochchi of the Northern Province.

Focus area	Project	Overall objective	Project location/s in 2013/14	Focus area in 2013/14	Direct impact	JKH volunteers
Health	John Keells Vision Project	To assist deserving individuals regain their vision and thereby their social and economic independence	**Northern Province** Delft (Vision 2020) Kilinochchi (Vision 2020) **Sabaragamuwa Province** New Panawenna (Lions) **Central Province** Nawalapitiya (Vision 2020)	Cataract surgeries in collaboration with Vision 2020 Secretariat of the Ministry of Health, Government Hospitals and Lions Gift of Sight Hospital.	Completed surgeries 1,144 Pending surgeries 89	55
			Southern Province Elpitiya (Lions) Baddegama (Vision 2020) Imaduwa (Lions) Deniyaya (Vision 2020) **Western Province** Seeduwa (Vision 2020) Gothatuwa (Vision 2020) Matugama (Lions)	Donation of spectacles to children and adults - at John Keells eye camps and SOMS Eye Glass Clinics	Spectacles 278	
			North Western Province Marawila (Vision 2020)			

Stakeholder engagement

- Discussions with 3rd party requesting an eye camp (eg: community based organisations)
- Collaboration with the Ministry of Health, Provincial hospitals, doctors
- Collaboration arrangements with Lions hospitals in Panadura and Ratnapura (bonus in direct presence in the geographical area concerned)
- Publicity before and during the eye camps
- Press releases/advertorials

Selection criteria

- Under-served communities/those with no access to vision care services
- Availability of prerequisites-medical resources, suitable venues, ground support/focal point for organisation and follow up support

Impact assessment

- Attendance at eye camp
- Number of patients screened for cataract/other vision impairment
- Project team's/staff volunteers' feedback
- Feedback/acknowledgement from beneficiary organisation
- Feedback from 3rd party/collaborating organisations
- Number of cataract surgeries completed (as against the number of patients diagnosed with cataract)

The Foundation's recent collaboration via Vision 2020 with the eye surgeon attached to the Vijaya Kumaratunga Memorial Hospital in Seeduwa, which was initiated during the reporting period, has also provided an impetus to the number of cataract operations being completed on a monthly basis.

Violence against women and children

In the reporting period, John Keells Foundation launched a new campaign to combat violence against women and children based on awareness creation. Awareness creation on gender based violence against women and child abuse is a long-term initiative designed to commence with the employees of the John Keells Group and thereafter to encompass various vulnerable communities around the Group's business locations and the general public.

> This initiative is deemed timely, considering the alarming increase of crimes against women and children in the country reported in the recent past: going by police statics alone, there were 408 crimes of rape/incest reported in 2011, while the number was 460 in the first three months of 2012; Sri Lanka is also said to be fifth among countries that have a higher rate of domestic violence.

Meanwhile, according to statistics tabled in Parliament in April 2013, in the year 2012, 1750 cases of child rape, 5475 cases of child molestation and 1194 cases of child abuse cases were reported. These are only reported cases and it is known that a large number of incidents are unreported. As such, violence against women and children is a major health and human rights concern in Sri Lanka. It adversely affects the wellbeing of women, men and children, and hence the entire family.

The greater part of the reporting period was spent in conducting needs assessments and stakeholder engagements towards developing an awareness tool that is primarily aimed at addressing attitudes, behaviours and misconceptions which lead to violence while at the same time increasing participants' sensitivity towards the health/social dimension. The stakeholder engagement involved UN agencies such as ILO, UNICEF, WHO as well as leading NGOs such as CARE and Women in Need.

Having obtained the approval of the John Keells Group's Executive Committee for the initiative in March 2014, it is planned to roll out the awareness campaign among Group employees in 2014/15.

Environment

Whilst efforts of the Group's sustainability initiative aims at minimising the impact of the Group's operations on the environment as reported in the relevant industry group sections, the Foundation spearheads its commitment to sustain and strengthen the communities and environment that have been the backbone of the Group's success.

> *The Foundation does not engage in any activity which to its knowledge has or is likely to have an adverse impact on the environment*

Biodiversity conservation

Rumassala Nature Field Centre

During the year in review, the Foundation continued to consolidate the activities at the Nature Field Centre at Rumassala, in Galle. A collaboration of the Foundation with the Central Environment Authority (CEA) aimed at facilitating experiential learning about the environment and biodiversity, primarily among schoolchildren, the Centre has given impetus to the conservation efforts of John Keells whilst also creating an opportunity for a successful public-private partnership with the CEA. The Centre continued to attract a healthy number of visitors mostly schoolchildren, creating awareness through half-day programmes covering 1,714 people.

Forestry project

A forestry project was launched during the reporting year by John Keells Foundation in collaboration with Tea Smallholder Factories PLC (TSF) and Conservation Carbon Company (Pvt) Ltd. The project is aimed at increasing the forest cover in an endangered area with a long-term view to create a bio link between the Kanneliya and Sinharaja rain forests. The project encompasses the planting of trees in demarcated lands held by TSF and its smallholders bordering the Kanneliya forest region, with the primary objective of enhancing the environment through greater forest cover, increased biodiversity and improving the water table in the area. The project also contributes from a social perspective, providing local farmers with suitable trees bearing cash crops, which help sustain/supplement their livelihood. During the year in review, the parties entered into agreement towards planting a total of approximately 10 acres of land, identified the related parcels of land and obtained the smallholders' written consent for planting which is due to commence in May 2014.

Wildlife conservation

Project Leopard

During the reporting period, the Foundation continued its collaborative initiative with Cinnamon Wild, Yala titled 'Project Leopard' aimed at mitigating the human-leopard conflict in the villages adjacent to Yala National Park. A total of seven pens were sponsored by the Foundation during the reporting period, resulting in a cumulative total of 24 pens being sponsored by the Foundation out of a total of 39 pens contributed or facilitated by the John Keells Group under the project, thereby directly assisting 39 cattle farmers to protect their herds whilst also ensuring the protection of leopards from being hunted down by farmers.

Cinnamon Wild Yala naturalists, who maintain contact with the beneficiaries periodically, have reported that there have been no reported leopard killings following the donations of the pens.

Leopard research project

As a natural extension of Project Leopard, the Foundation continued to support Cinnamon Wild, Yala in its leopard research project in Yala. The project, which is conducted in partnership with renowned Sri Lankan scientists and international experts, is a comprehensive research program aimed at studying the Sri Lankan leopard, its distribution at Yala, dietary habits, territories, adaptability to new land use outside the national park and the impact of leopards on cattle farmers. The project also includes mapping the individual leopards in Yala and its environs. The first phase of the initiative is expected to conclude by September 2014. Thereafter, the research team together with the Cinnamon Wild staff will hold a public workshop sharing the learnings among interested segments of society, while the Cinnamon Nature Trails team is planning to conduct a 3 day public workshop to highlight the work and the learnings.

Project Leopard, Yala

Marine conservation

A new conservation initiative of Cinnamon Nature Trails supported by John Keells Foundation during the year in review is the Marine Conservation Conference - A forum for review of developments and progress in marine conservation - convened by the Indian Ocean Marine Affairs Co-operation (IOMAC) held on 14th December 2013 at BMICH.

Paper conservation

The John Keells Group's paper conservation project, involving the collection of waste paper from the Group's business locations for shredding and recycling, has continued during the year in review. The project's main objectives are the saving of trees and reducing the amount of waste paper otherwise ending up as landfill.

Neptune Recyclers (Pvt) Ltd, the contractor for collection and onward transmission for recycling of the Group's waste paper since 2006, has reported the collection, shredding and recycling of 71,517 kg of paper waste from the Group during the reporting period, resulting in the following indirect impact:

Indirect impact - savings

Number of trees saved	Water (ltrs) savings	Electricity (kWh)	Oil (ltrs)	Landfill (m^3)
1,215	1,834,428	276,668	125,511	215

Polythene reduction

Jaykay Marketing Services continued with its efforts at reducing the use of polythene during the reporting period. The related initiative of providing consumers with alternatives to polythene bags such as a reusable cloth bag known as the 'Red Bag' and corrugated cardboard boxes (offered free of charge to its customers) were maintained during the year.

Red bag and cardboard box usage

Fiscal year	Red bag sale	Red bag re-use	Cardboard box usage	Total re-use	Per customer re-use	Re-use - increase % per customer
Apr 2012 to Mar 2013	73,416	84,140	181,479	339,035	0.028	65.23%
Apr 2013 to Mar 2014	211,214	202,758	36,589	450,561	0.034	20.00%

Polythene bags usage

Fiscal year	Polythene usage in kg	Polythene usage in grams per visit	Per customer reduction
Apr 2012 to Mar 2013	92,739	7.74	28.94%
Apr 2013 to Mar 2014	167,599	12.50	-38.06%

Community/ livelihood development

The John Keells Group reaches out to the communities surrounding its operations through ongoing dialogue with the relevant stakeholders and through staff volunteerism, translating in a range of community service initiatives. The primary objective of the Foundation's community/livelihood projects is fostering the spirit of entrepreneurship as a key to sustainable development.

Village adoption project – Halmillewa (Anuradhapura District)

During the year in review, the Foundation completed its eighth year of involvement in the village, collaborating with the village community in the following respects:

- Dam renovation: At the request of the Halmillewa Farmer Organisation, the Foundation agreed to fund a renovation to the anicut initially funded and implemented under the supervision of the Divisional Engineer. The work is currently in progress under the supervision of the Agrarian Services Centre.
- Women's empowerment: The activities of Diriyen Idiriyata Women's Society continued to be consolidated with the support of the NGO, Wilpotha Women's organisation. A training on cloth rug sewing was conducted during the year in review benefiting 12 women who are since able to meet their domestic requirement and also service orders from the village, thereby deriving a commercial benefit.
- Home garden cultivation competition: Following the success of the pilot initiative in 2013-14, the competition was conducted during the year in review. Subsequent to three rounds of inspections by the judges, the 14 participants were ranked on the aggregate scores and awarded prizes by the Foundation. The participants have since been able to meet their domestic requirement of nutritious vegetables and fruits through their home garden produce.

Service learning initiative of the University of Colombo: During the year in review, the Foundation supported the service learning initiative of the Faculty of Science of the University of Colombo by agreeing to involve a team of eight final year students in the village adoption project at Halmillewa as part of their university curriculum. The students were fully involved in the three areas of work assigned to them, namely: the dam renovation, school development and the women's empowerment/ microfinance. The team completed a 3-month initiative with commendable results and handed over a project report. They also conducted a survey to update village demographics.

Village adoption project – Mangalagama (Ampara District)

During the year in review, the initiative relating to cashew farmers suffered a setback in that Ceylon Cold Stores was not able to source cashew supplies from the village on account of the parties being unable to agree on pricing. However, the Foundation continued its support for the village via women's empowerment initiatives; namely by facilitating the revival of the women's society of the village as well as training in dressmaking at the request of the membership, benefiting 20 women.

Village adoption project – new villages in the North and East

During the year in review, the Foundation continued to service prioritised needs as per assessments conducted in the selected villages, namely:

- Iranaipalai in Puthukkudiyiruppu DS of Mullaitivu District – supply of 20 fishing boats and engines benefiting 40 families, 3 types of fishing nets benefiting 24 families, safety equipment benefiting 100 fisher families; supply of wash basins and water pipelines for the village school
- Puthumathalan in Maritimepattu DS of Mullaitivu District - supply of 20 fishing boats and engines benefiting 40 families, 3 types of fishing nets benefiting 24 families, safety equipment benefiting 100 fisher families; provision of a drinking water well for the village school; repair of an access road benefiting approx 100 paddy farmers
- Ellangaithurai Mugathuvaram GN in Verugal DS of Trincomalee District — supply of 30 fishing nets benefiting 60 families, provision of coconut plant seedlings benefiting 30 farmers

The Foundation continued to collaborate with World Vision Lanka and the John Keells Group companies on location (Union Assurance for Mullativu District and Chaaya Blu, Trincomalee for Trincomalee District) in project implementation.

Under the first phase of the project implemented in the Mullaitivu villages in 2012/13, selected members of fisher societies of the villages were provided with fishing nets and tools while members of women's rural development societies were assisted to start a savings scheme and also provided with bicycles towards enabling their children better access to schools. Moreover, the two schools in the villages were provided with a total of five double units of toilets.

"Iranaipalai was one of the conflict zones that was severely damaged during the last phase of the war. Almost all infrastructure and facilities were badly affected. Given that this is one of the most needy areas where the livelihood of families depend largely on fishing, I am very glad that John Keells has come forward to assist these people to restore their source of income", said Mr. N Vethanayagam, Government Agent of Mullaitivu, speaking at the handover ceremony held on 2nd July 2013.

The Foundation will continue to empower the various communities in the two villages in the Mullaitivu District in the future, particularly in relation to livelihood development including enhancement of women entrepreneurship opportunities, infrastructure and skills development for the benefit of school children and youth, and provision of water and sanitation facilities for schools and communities.

As regards to the Trincomalee District, in consideration of the Government Agent's request to redirect support to more disadvantaged areas of the District, the Foundation plans to discontinue its involvement in the Verugal DS and initiate development activities in the Morawewa DS.

BPO initiative - taking city jobs to the village

OnTime Technologies in Mahavilachchiya in the North Central Province - Sri Lanka's first recorded rural BPO - completed its seventh year of operations during the year in review. The company works as a service provider to InfoMate and carries out transaction processing, as an extension

Handover ceremony at Iranaipalai and Puttumathalam of InfoMate's role of captive finance and accounting service provider for the John Keells Group.

This ground-breaking project in the local BPO industry was initiated by John Keells Holdings PLC, John Keells Foundation together with the Foundation for Advancing Rural Opportunity (FARO) in March 2007.

The immediate objective of the project was to create sustainable employment for talented rural youth, enabling them to work from the familiar environment of their own village. The project has proved to be a sustainable business model, creating economic benefits to the company whilst simultaneously generating sustainable employment opportunities for rural youth. The long-term vision of the initiative is to create BPO capacity for Sri Lanka's future outsourcing growth.

During the reporting period, the number of youth engaged at OnTime was 19 associates of whom three senior associates completed five years of work. OnTime now boasts 5 agents who have completed over 5 years of services – demonstrating the sustainability of this project.

Infrastructure support provided by InfoMate during the year included an upgrade to all their computers in order to improve processing speed and thereby enhance earnings. The Foundation procured a new air conditioner unit and contributed new computers, chairs and also funding towards a new sanitary facility within the OnTime premises.

John Keells and InfoMate staff undertook six field visits for the purpose of providing technical SAP related training and management training as well as equipping the associates with new skills. The Foundation facilitated and funded a development workshop conducted by members of the Group Human Resources division at OnTime. In addition, OnTime associates were trained at InfoMate's premises on 4 occasions during the year to upgrade their skills and train on additional functions.

Seenigama is a tsunami affected village in the Southern Province. The BPO initiative is a tripartite between John Keells, FARO and the Foundation of Goodness (FOG)

Seenigama BPO Technologies, which completed its third year of operations during the reporting period, continued to employ 15 associates. An additional 3 associates have been selected for training in May 2014 and the unit is expected to expand to 20 agents in 2014/2015. During the year, the performance of the Seenigama team was outstanding in terms of productivity and quality. This facilitated the migration of several new processes resulting in the total payout recording an increase of 18% over the previous year.

InfoMate bears the cost of Seenigama's connectivity and also contributes towards the cost of operating a generator. 3 visits were undertaken to Seenigama during the year in review aimed at providing technical training.

The third BPO operation which has been initiated in Jaffna is a unique project public – private initiative which includes rehabilitated ex-combatants.

Jaffna BPO Technologies was incorporated during the year in review and operations commenced with 5 agents. Currently 6 associates are employed of whom three are rehabilitated youth. During the first year of operations, the productivity and earnings were good, auguring well for the future.

During the reporting period InfoMate staff made four visits to Jaffna for training and post go-live support. The Jaffna agents were also trained at InfoMate's premises 3 times during the year.

The Foundation bore the full cost of infrastructure including workstations, chairs, computers and networking. The Foundation also purchased an air conditioner unit and supplemented the trainees' income with a fixed allowance until their processing capability reached maturity.

Jalavahini - water-based women's empowerment initiative

In the village development programmes carried out by the Foundation, the inadequacy of clean and sustainable water resources has been a primary concern. It has also been a priority in the Foundation's village development programmes to engage women in sustainable livelihoods. It is in this context that the Foundation agreed to collaborate with Brandix Lanka Limited and its technical partner NetWwater (Network of Women Water

Professionals) - an organisation of volunteer women water professionals with experience in capacity building - in the Jalavahani ("Water Messenger") initiative aimed at developing women leaders and sustainable water management.

Jalavahini programme targets capacity building of women office bearers of CBOs involved in water management. The first phase is aimed at building basic capacity and creating networking opportunities for the participants. Feedback from Phase 1 is used to identify focused livelihood development programmes for implementation under Phase 2.

During the year in review, two programmes were conducted under Phase 1 – one in Anuradhapura with the participation of 20 women and the other in Puttalam with the participation of 35 women. Meanwhile, following feedback received from the participants of the Anuradhapura workshop, needs assessments have been undertaken jointly by Brandix and the Foundation towards identifying, prioritising and implementing focused livelihood development initiatives.

Paper recyling related livelihood initiative

Another new partnership on livelihood development initiated during the year in review is the Foundation's collaboration with John Keells Group hotel, Cinnamon Lodge Habarana in an environment cum community development initiative.

This project primarily involves the installation and operation of a paper recycling plant in the premises of Cinnamon Lodge in partnership with Maximus, a pioneer company in paper recycling which exports approximately 90% of their products. Whilst the main objective of the initiative is to produce value added products using recycled paper manufactured in the paper recycling plant, it is at the same time designed as a livelihood development initiative seeking to provide direct employment and training to operators selected from in and around Habarana. Moreover, the livelihood component is planned primarily as a women's empowerment initiative which would train and equip women from selected low income families who could be developed in the longer term to potentially work from their homes. The project is also intended to have the added benefit of educating children and the rural community on the paper recycling process as well as environmental friendly practices

Sustainable sourcing

The sustainable sourcing initiative of the Consumer Foods & Retail industry group continues to boost agricultural activity in villages and raise the standard of living in diverse communities. It is one of the Group's largest and most successful sustainable projects with many sub-projects such as the ginger and vanilla out-grower programmes, treacle and jaggery projects, purchase guarantees of pork, chicken and assistance in the expansion of local, mechanised, de-boned meat. The retail chain, Keells Super, sources a variety of low country and up country vegetables from farming families in Thambuttegama (North Central Province), Suriyawewa (Southern Province) and Nuwara Eliya (Central Province) benefiting hundreds of farmer families. In each case, the benefits derived for the farmers include increasing their levels of income, providing an assured market for quality produce, technical assistance and exposure to developed markets, improving their quality of life and the creation of a quality focused family community, resulting in a sustainable business model.

Sustainable sourcing by Jaykay Marketing Services

Sustainable sourcing by Ceylon Cold Stores

The following table demonstrates project performance during a three-year period commencing 1st April 2011 and ending 31st March 2014.

Sustainable sourcing - Ceylon Cold Stores

Product	Location	Primary suppliers/ project partners	Number of farmers			Total annual supply (kg)			Total payment (Rs.)		
			2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
Ginger	Aludeniya, Galabawa, Poojapitiya, Uduwa all of Hataraliyadda in Kandy District	CCS, Ginger Growers and the Kandurata Development Bank supported by the Central Bank of Sri Lanka	253	253	253	46,723	28,195	7337*	28,033,800	16,917,366	4,402,116
Vanilla	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	2,500	2,500	2,500	534*	981	490*	3,672,500	5,762,390	3,572,900
Treacle	Waralla, Deniyaya	Nilwala Food Products	12	14	14	37,569	20,422	35,675	4,884,087	2,654,860	4,510,339
Kithul Jaggary	Agriculture Self Employment Society, Neluwa	Dakshina Kithul Nishpadana	25	50	50	9,871	20,284	19,726	3,701,625	8,132,277	8,616,326
Total											21,101,681

Sustainable sourcing - Keells Food Products

Product	Location	Primary suppliers/ project partners	No. of farmers	Total annual supply(Kgs)	Total payment (Rs.)
Pork	Kaluaggala, Diulapitiya, Bujjampola, Giriulla, Weliweriya Katana, Kosgama, Pamunugama, Dambulla, Kandy	Kaypro Farms, Maxies Livestock SN Brothers Farm, Pussalla Farm, Dilini Farms, CIC Farms, Sanjeewa Farms, St Anthonys Farm DSD Perera, WG Fernando	25	643,095	213,609,228
Chicken	Wennappuwa, Hanwella, Kosgama, Meethirigala Kosgama, Hanwella, Meethirigala	Maxies & Company, Pussalla Farms, New Anthonys Farms, JP Poultry, Five Star, Weehena Farms, Neo	2,200	1,634,205	454,322,049
Spices	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	2,500	35,622	37,352,242
Vegetables	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	2,500	138,923	13,247,324
Total					718,530,843

Sustainable sourcing - Jaykay Marketing Services (Keells Super)

	Community impacted	Purchases made (kg)	Purchase value (Rs)
Thambuttegama Vegetable Collection Centre	150 Farming families in the Mahaweli 'H' region in Thamuttegama	1,370,000	86,200,000
Suriyawewa Collection Centre	200 farming families in the Walawa Mahaweli area	1,400,000	89,000,000
Nuwara Eliya Collection Centre	The Nuwara Eliya Agricultural Cooperative Society (AGCO) with over 1,200 members at Meepilimana, Nuwara Eliya	800,000	107,000,000
Organic vegetable sourcing	Few organic vegetable farmers in the Mirahawatta, Bandarawela	10,800	2,150,000
Total			284,350,000

As part of the sustainable sourcing initiatives, Jaykay Marketing Services distributed crates among farmers free of charge and encouraged usage in order to ensure post-harvest quality of their produce. Two training sessions were conducted in Suriyawewa and Thambuttegama to disseminate knowledge and enhance the scientific approach to the sustainable agriculture in collaboration with the Mahaweli Authority and the Agriculture Department. The company continues to engage with farmers in an attempt to expand the farmer base and thereby volumes and improving productivity and yield by providing them with technical knowledge

During the financial year 2012/2013 JMSL also initiated a project to source vegetables, fish and fruits from Jaffna. The executive stationed in Jaffna has been closely working with the farmers to make this project successful. So far JMSL had procured over 10,500Kgs of vegetables, over 7,250kgs of fish and 3,500Kg of fruits from Jaffna during the period in review. JMSL is looking forward to increasing its sourcing initiatives from Jaffna.

Meanwhile, resorts of the Leisure industry group continued to purchase most of their fresh supplies such as fish, fruits, vegetables, flowers, etc. from surrounding communities amounting to Rs. 247 million, whilst local entrepreneurship is fostered through the patronage of suppliers and entertainers of acceptable quality. The Destination Management sector also fosters entrepreneurship through their community based sourcing mechanisms.

Sustainable sourcing in the Destination Management sector

In its sustained efforts to uplift SME's and improve quality standards, Walkers Tours continued with its ongoing partnership with vehicle drivers. During the year in review, it maintained its ongoing partnership with 565 of its drivers (cars and micro's) in a project that assisted them to purchase modern vehicles on a self-financed model. Having negotiated preferred rates on their behalf with both the vehicle seller and leasing company, Walkers Tours also provided a guaranteed minimum income each month. The initiative has been very successful, with 106 drivers having ongoing partnerships with Walker tours. Walkers Tours has continued and expanded the above partnership with the inclusion of 15 branded large coaches and 4 mini coaches on self-financed models.

Arts & culture

The John Keells Group is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of the community

Kala Pola

During the year in review, Sri Lanka's popular open-air art gallery cum art fair - Kala Pola - celebrated its 21st Anniversary on 26th January 2014 with the South Korean Ambassador to Sri Lanka, H.E. Jong-moon Choi, as Chief Guest.

Conceptualised by The George Keyt Foundation (GKF) and implemented in association with John Keells Holdings over the past 20 years, Kala Pola 2014 enabled 274 painters and sculptors to market their work to an estimated 20,000 visitors, resulting in sales estimated at over Rs. 10 million during the day. Kala Pola 2014 also included a Children's Art Corner attracting 98 children who expressed themselves in art and also saw the participation of a team of students and faculty from the Eastern University, Batticaloa as well as differently-abled children from Hambantota. The event was supported by a record 80 volunteers from the John Keells Group.

The many talented artists and sculptors who venture to present their creations at Kala Pola have the opportunity to launch and sustain their careers, develop a client base and promote art as a lucrative vocation. Many Kala Pola artists have successfully expanded their careers into the international arena.

Kala Pola 2014

"Kala Pola renders a great service in providing an equal opportunity to young talented artists who are not yet known, to display their work and to be noticed by collectors. I appreciate the great contribution made to this event by the John Keells Group, the most respected corporate entity in Sri Lanka".

H.E. Jong-moon Choi, South Korean Ambassador to Sri Lanka

Digital art gallery

During the year in review, John Keells Foundation continued to host Sri Lanka's first corporate digital art gallery enabling Sri Lankan artists to showcase their work throughout the year to local and foreign buyers. The main website, Sri Lankan Art Gallery, continued to also host the "John Keells Art Gallery" which is a platform for a collection of curated art, selected by a panel of curators who are experts in their field. The curated site, thereby also provides an aspirational element to the artists who are registered on the Sri Lankan Art Gallery, enabling them to benchmark their work against the curated selections for their own development and growth.

The Group continues to host at its premises the unique collection of paintings of the internationally-renowned Sri Lankan artist, George Keyt.

Furthermore, the city and resort hotels of the Group support local arts and culture by engaging local artists and craftsmen to provide indigenous crafts and entertainment to guests.

Stakeholder engagement	Selection criteria	Impact assessment
• Newspaper notices (EST) • Individual letters to artists registered with The George Keyt Foundation (GKF) • Pre event media conference • Publicity material-media, display boards in City hotels/retail outlets/lifestyle stores	• Artists and sculptors conforming to the stipulated guidelines of GKF • Only the above persons registering for the event are entitled to a display stall	• Number of participating artists • Number of visitors • Volume of sales • Participant feedback (compulsory) • Staff volunteers ' feedback • Media coverage (pre and post event) • Review by the Foundation and GKF

Staff volunteerism

A vital element in the Group's community engagement strategy is staff volunteerism. This not only knits the John Keells family together and with the community, but also enables employees to develop such skills as team work, confidence, communication and leadership while giving them a sense of pride in the organisation and as well as personal fulfillment

In recognition of the fact that employee volunteerism is a means of attracting and retaining staff, CSR awareness is part of the Centre Induction Programme for new recruits. This is also an opportunity to make the new employees aware of the Group's commitment to the principles of the UN Global Compact (UNGC) and what it entails. The UNGC principles and the Millennium Development Goals are also posted on the Group's intranet for the benefit of staff.

Employees who wish to volunteer in CSR activities are released with minimum restraint. Moreover, each volunteer engaged in its activities is acknowledged by the Foundation, their involvement and contribution are shared via the internal portal as well as Group newsletter, their volunteer contribution rated under the Group's Performance Appraisal System and considered for eligibility under the Group's recognition and rewards system including the Chairman's Award.

As at the end of the year in review, the John Keells Group does not account or charge for time spent by employees on CSR volunteerism.

Mass volunteer initiative at Slave Island rail reservation

John Keells Group volunteers

In addition to the ongoing projects of the Foundation which are executed with the help of staff volunteers, the Foundation planned and implemented a mass-scale shramadana at the Kanneliya Forest, a UNESCO-designated forest reserve rich in bio-diversity located off Udugama, Galle. A total of 48 Group employees from various business units joined together for the annual shramadana for the fourth successive year held on 22nd March 2014 commemorating world forestry day.

Another mass volunteer initiative organised by John Keells Foundation took place on 18th January 2014 to clean up the Slave Island Rail Reservation in Colombo 02. 34 employees from various Business Units of the Group volunteered at the half-day Shramadana. The area has been landscaped and maintained by the Foundation with the support of the Cinnamon Lakeside, Colombo garden team since 2010 as a community service initiative.

The Foundation recorded the engagement of 554 employee volunteers from John Keells Group in 858 volunteer activities relating to various projects implemented or overseen by the Foundation, including several repeat volunteers in different projects. This does not include the number of volunteers engaged in CSR activities at business unit or sector level. The Foundation and the Group Sustainability teams are in the process of developing an online system to capture the engagement of staff volunteers Group-wide.

Volunteers who have already participated in various CSR initiatives have often shared their sense of fulfilment at being part of a community based activity, which has been circulated among others of the team for motivational purposes.

The John Keells Group will persist in examining new opportunities to bring together community ventures and engagement initiatives which are closely associated with the focus areas of the Foundation, with the final goal of strengthening the sustainability of the communities and environment in which our businesses operate.

Original

FINANCIAL INFORMATION

Increasing returns, year on year

Annual Report of the Board of Directors

The Directors have pleasure in presenting the 35th annual report of your Company together with the audited financial statements of John Keells Holdings PLC, and the audited consolidated financial statements of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

John Keells Holdings PLC (JKH), the Group's holding Company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries and associates.

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report.

REVIEW OF BUSINESS SEGMENTS

A review of the financial and operational performance and future business developments of the Group, sectors, and its business units are described in the management discussion and analysis section of the annual report. These reports, together with the audited financial statements, reflect the state of affairs of the Company and the Group.

Segment wise contribution to Group revenue, results, assets and liabilities is provided in note 3 to the financial statements.

JKH had proposed to the Government of Sri Lanka a project, valued in excess of USD 650 million, involving the developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated Resort (the "Project") on the land owned and occupied by its subsidiaries Ceylon Cold Stores PLC (CCS), John Keells PLC (JKL), John Keells Properties (Pvt) Ltd (JKP) and Waterfront Properties (Pvt) Ltd (WPL) in Colombo 2. JKH together with its subsidiaries CCS, JKL and JKP will be the shareholders in the Project Company, WPL. In April 2014, WPL received approval for the Project from the Parliament of Sri Lanka, under the Strategic Development Project Act No. 14 of 2008 as published in the Gazette dated 30th January 2014. The Project site has since been handed over to the contractor and construction has commenced.

In October 2013, the Group acquired an additional 10% of the voting shares of British Overseas (Pvt) Ltd, increasing its ownership to 61%. A cash consideration of Rs.57 million was paid to the non-controlling interest shareholder. The carrying value of the net assets of British Overseas (Pvt) Ltd, at the acquisition date was Rs.40.7 million, and the carrying value of the additional interest acquired was Rs.4 million. The difference between the consideration and the carrying value of the interest acquired of Rs.53 million has been recognised in retained earnings within equity.

In January 2014, the Group disposed of its interest in one of its associates, namely Central Hospitals Ltd. The resultant gain of Rs.655 million has been reflected in the consolidated income statement.

In February 2014, the Group divested voting shares of one of its joint ventures, namely Information Systems Associates. The resultant gain of Rs.158 million has been reflected in the consolidated income statement.

Fitch Ratings Lanka, once again during the year 2013/14, affirmed JKH's National Long-Term rating at 'AAA (lka)' with the outlook remaining 'Stable'. The affirmation reflects the continued strong dividend income from JKH's core investments and its subsequent low financial leverage at the holding Company. The rating also reflects JKH's strong liquidity position, well-spread-out debt maturities, and its exceptionally strong access to local banks and capital markets.

The JKH Group currently holds 29.9% in Nations Trust Bank PLC (NTB). The Monetary Board had previously directed that the Group reduces its share holdings in NTB to 15% or below by April 2012. The founder shareholders including JKH had written to the Central Bank of Sri Lanka (CBSL) requesting an extension of the deadline and a response is awaited. Meanwhile, the CBSL has also informed NTB that the requests made by its shareholders are currently under consideration.

REVENUE

Revenue generated by the Company amounted to Rs.809 million (2013 - Rs.675 million), whilst Group revenue amounted to Rs.89,256 million (2013 - Rs.85,408 million). Contribution to Group revenue, from the different business segments is provided in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit after tax of the holding Company was Rs.7,897 million (2013 - Rs.7,361 million) whilst the Group profit attributable to equity holders of the parent for the year was Rs.11,719 million (2013 - Rs.12,113 million).

Results of the Company and of the Group are given in the income statement.

The final dividend of Rs.1.50 per share for the financial year 2012/13 (2012 - Rs.1.50) was paid on 17 June 2013. First interim dividend of Rs.1.00 per share for the year 2013/14 (2013 - Rs.1.00) was paid on 27 November 2013. A second interim dividend for 2013/14 of Rs.1.00 per share was paid on 26 March 2014 (2013 - Rs.1.00). Both the interim payments were based on an enhanced share capital arising from a Right issue. This resulted in a total dividend pay-out of Rs.3.50 per share (2013 - Rs.3.50) amounting to Rs.3,267 million (2013 - Rs.2,982 million). The Board of Directors has now approved a final dividend of Rs.1.50 per share for 2013/14 to be paid on 17 June 2014 to those shareholders on the register as on 5 June 2014.

Dividend per share has been computed for all periods based on the number of shares in issue at the time of dividend payout. As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained a certificate from the auditors, prior to declaring all dividends.

Detailed description of the results and appropriations are given below.

For the year ended 31 March In Rs.'000s	2014	2013
Results from operating activates	10,438,795	9,203,826
Finance cost	(1,224,126)	(1,081,218)
Finance income	5,783,448	4,769,891
	14,998,117	12,892,499
Change in insurance contract liabilities	(3,033,057)	(2,608,450)
Change in fair value of investment property	470,292	2,012,077
Profit accruing to the company and subsidiaries	12,435,352	12,296,126
Share of results of equity accounted investees	2,963,863	3,369,313
Profit before tax	15,399,215	15,665,439
Provision for taxation including deferred tax	(2,387,769)	(2,184,539)
Profit after tax	13,011,446	13,480,900
Profit attributable to minority shareholders	(1,292,634)	(1,367,600)
Amount available to the group's shareholders	11,718,812	12,113,300
Other adjustments	144,356	571,856
Balance brought forward from the previous year	41,417,743	31,725,491
Amount available for appropriation	53,280,911	44,410,647
1st interim dividend of Rs.1.00 per share (2013 - Rs 1.00) paid out of dividend received.	(989,988)	(851,371)
2nd interim dividend of Rs.1.00 per share (2013 - Rs 1.00) paid out of dividend received.	(990,271)	(855,073)
	51,300,652	42,704,203
Final dividend declared of Rs.1.50 per share (2013 – Rs 1.50) to be paid out of dividend received. *	(1,485,556)	(1,286,460)
Balance to be carried forward next year	49,815,096	41,417,743

* In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements.

ACCOUNTING POLICIES

Details of accounting policies have been discussed in note 1 of the financial statements. There have been some changes in the accounting policies adopted by the Group during the year under review. Those are mentioned in the note 1.3.1. For all periods up to and including the year ended 31 March 2014, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards(SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

DONATIONS

Total donations made by the Company and Group during the year amounted to Rs.7.8 million (2013 - Rs.4.8 million) and Rs.13.3 million (2013 - Rs.18.8 million), respectively. Of these, the donations to approved charities were Rs.nil (2013 - Rs.3.2 million) at Company Rs.nil (2013 - Rs.11.7 million) at Group. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

The John Keells Foundation, which is funded by JKH and its subsidiaries, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development. The CSR initiatives, including completed and on-going projects, are detailed in the Sustainability section in the integrated Annual Report.

In quantifying the Group's contribution to charities, no account has been taken of 'in-house' costs or management time.

PROPERTY, PLANT AND EQUIPMENT

The value of property, plant and equipment as at the reporting date amounted to Rs.123 million (2013 - Rs.75 million) and Rs.47,536 million (2013 - Rs.49,273million) for the Company and Group respectively. Capital expenditure for the Company and Group amounted to Rs.71 million (2013 - Rs.15.3million) and Rs.3,872 million (2013 - Rs.5,170 million) respectively.

Details of property, plant and equipment and their movements are given in note 18 to the financial statements.

MARKET VALUE OF PROPERTY, PLANT AND EQUIPMENT

All land and buildings owned by Group companies were revalued in financial year 2012/13, with the following exceptions.

Land of John Keells PLC and John Keells Properties (Pvt) Ltd were revalued in October 2013.

Land and building of Union Assurance PLC was revalued in December 2013.

Valuations were carried out by P B Kalugalgedera, Chartered Valuation Surveyor, S Fernando, Chartered Valuation Surveyor, K T D Tissera, Chartered Valuation Surveyor and G J Sumanasena, Incorporated Valuer.

INVESTMENT PROPERTY

Investment properties of business units, when significantly occupied by Group companies, are classified as property, plant and equipment in the consolidated financial statements in compliance with LKAS 40.

All properties classified as investment property were valued in accordance with the requirements of LKAS 40. The Group revalued all its investment properties as at 31 March 2014. The carrying value of investment property of the Group is Rs.4,440 million (2013 - Rs.9,295 million).The main reason for the decline was the fair valuation and reclassification of CCS's land (Rs.5,348 million) to the Waterfront project as other non-current assets.

Details of the revaluation of property, plant and equipment and investment property are provided in notes 18.3 and 20.1 to the financial statements.

Details of Group properties as at 31 March 2014 are disclosed in the Group Real Estate Portfolio section of the Annual Report.

OTHER NON-CURRENT ASSETS

The value of other non-current assets as at 31 March 2014 amounted to Rs.19,712 million (2013 - Rs.3,576 million) for the Group largely relating to the costs incurred on the Waterfront project (Refer note 26 of the financials).

INVESTMENTS

Detailed description of the long term investments held as at the reporting date, are given in notes 22, 23 and 24 to the financial statements.

STATED CAPITAL

The total stated capital of the Company as at 31 March 2014 was Rs.49,749 million (2013 - Rs.26,480 million), as given in note 31 to the financial statements.

The shareholders of JKH approved to issue 131,987,983 Ordinary Shares in the proportion of two (2) Ordinary Shares for every thirteen (13) Ordinary Shares in the capital of the Company by way of a Rights Issue, at a price of Rupees One Hundred and Seventy Five (Rs.175/-) per share and two warrants attached thereto; 2015 warrants – 43,995,994 warrants in the ratio of one (1) warrant for every three (3) shares subscribed to in the Rights issue at an exercise price of Rupees One Hundred and Eighty Five (Rs.185/-) per share exercisable 24 months from the issue of the warrant and 2016 warrants – 43,995,994 warrants in the ratio of one (1) warrant for every three (3) shares subscribed to in the Rights issue at an exercise price of Rupees One Hundred and Ninety Five (Rs.195/-) per share exercisable 36 months from the issue of the warrant.

Options in respect of 1,058,897 shares (2013 - 13,122,459 shares) were exercised during the year under the employee share option plan, for a total consideration of Rs.171 million (2012 - Rs.1,370 million).

SHARE INFORMATION

The distribution and composition of shareholders and the information relating to earnings, dividend, net assets, market value per share and share trading is given in the Share Information section of the Annual Report.

Given below, as additional disclosure, are the John Keells Holding's Board of Directors' (including their spouses) shareholdings in Group companies as at 31 March 2014.

John Keells Holdings PLC

	31-3-2014	31-3-2013
S C Ratnayake – Chairman/CEO	6,139,930	5,299,066
A D Gunewardene – Deputy Chairman	7,479,022	6,481,720
J R F Peiris	1,582,375	1,371,392
E F G Amerasinghe	6,362	5,514
D A Cabraal	105	N/A
I Coomaraswamy	Nil	Nil
T Das	Nil	Nil
A N Fonseka	Nil	N/A
A R Gunasekara	124,460	107,866
M A Omar	Nil	13,810

Options available under the employee share option plan of JKH.

	31-3-2014	31-3-2013
S C Ratnayake	1,592,798	1,380,426
A D Gunewardene	1,393,697	1,207,872
J R F Peiris	1,185,979	1,027,850

Asian Hotels and Properties PLC

	31-3-2014	31-3-2013
S C Ratnayake	20,000	10,000

Ceylon Cold Stores PLC

	31-3-2014	31-3-2013
S C Ratnayake	3,344	3,344
A D Gunewardene	30,800	30,800
J R F Peiris	668	668

John Keells Hotels PLC

	31-3-2014	31-3-2013
S C Ratnayake	142,877	550,311
A D Gunewardene	74,806	74,806

Nations Trust Bank PLC

	31-3-2014	31-3-2013
A D Gunewardene	Nil	5,671,164

Trans Asia Hotels PLC

	31-3-2014	31-3-2013
S C Ratnayake	400	400
A D Gunewardene	400	400
J R F Peiris	400	400

Union Assurance PLC

	31-3-2014	31-3-2013
A D Gunewardene	7,492	8,562

MAJOR SHAREHOLDERS

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed in the Share Information section of the Annual Report.

REVENUE RESERVES

Revenue reserves as at 31 March 2014 for the Company and Group amounted to Rs.24,705 million (2013 - Rs.20,222 million) and Rs.51,301 million (2013 - Rs.42,704 million), respectively. The movement and composition of the reserves is disclosed in the statement of changes in equity.

DIRECTORS

The Board of Directors of the Company as at 31 March 2014 and their brief profiles are given in the Board of Directors section of the Annual Report.

In accordance with Article 84 of the Articles of Association of the Company, E F G Amerasinghe and J R F Peiris retire by rotation and being eligible offer themselves for re-election. Brief profiles of E F G Amerasinghe and J R F Peiris are contained in the Board of Directors section of the Annual Report

The Company has recommended the re-election of T Das, who is over 70 years of age, and who retires in terms of section 210 of the Companies Act. The proposed resolution proposes that the age limit stipulated in Section 210 of the Companies Act No 7 of 2007 shall not apply to T Das who is 75 years and that he be re-elected a Director of the Company.

D A Cabraal and A N Fonseka were appointed to the Board as independent, non executive Directors on 1 November 2013. In accordance with Article 91 of the Articles of Association of the Company, D A Cabraal and A N Fonseka being eligible for re-election offer themselves for retirement. Brief profiles of D A Cabraal and A N Fonseka are contained in the Board of Directors section of the Annual Report

BOARD COMMITTEES

The following members serve on the Board, Audit, Human Resources & Compensation, Nominations and Related Party Transactions Review Committees;

Audit Committee	Human Resources & Compensation Committee	Nominations Committee	The Related Party Transactions Review Committee
A R Gunasekara – Chairman	E F G Amerasinghe - Chairman	T Das – Chairman	A N Fonseka - Chairman
E F G Amerasinghe (resigned w.e.f 1 January 2014)	I Coomaraswamy	E F G Amerasinghe (appointed w.e.f. 7 November 2013)	E F G Amerasinghe
D A Cabraal (appointed w.e.f. 1 January 2014)	A N Fonseka (appointed w.e.f. 7 November 2013)	D A Cabraal (appointed w.e.f. 7 November 2013)	D A Cabraal
I Coomaraswamy	A R Gunasekara	M A Omar (appointed w.e.f. 7 November 2013)	J R F Peiris
A N Fonseka (appointed w.e.f. 1 January 2014)	M A Omar (appointed w.e.f. 28 May 2013)	S C Ratnayake	S C Ratnayake
	S S Tiruchelvam (deceased) (resigned w.e.f. 9 September 2013)	S S Tiruchelvam (deceased) (resigned w.e.f. 9 September 2013)	

Audit Committee	Human Resources & Compensation Committee	Nominations Committee	The Related Party Transactions Review Committee
The report of the Audit Committee is given under the Corporate Governance section of the Annual Report.	The report of the Human Resources and Compensation Committee and the remuneration policy is given in the Corporate Governance section of the Annual Report.	The report of the Nominations Committee is given under the Board committee reports section of the Annual Report.	The Related Party Transactions Review Committee was formed with effect from the 01st April 2014 to review all Related Party Transactions of the Listed Companies in the Group, through an early adoption of the Code of Best Practice on Related Party Transactions as issued by the SEC.

In very broad terms, the scope of the related party transactions review committee sub-committee is:

(i) Developing, and recommending for adoption by the Board of Directors of JKH PLC and its listed subsidiaries, a Related Party Transaction Policy consistent with that proposed by the SEC.

(ii) Updating the Board of Directors on the related party transaction of each of the listed subsidiaries of the Group on a quarterly basis.

INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act No 7 of 2007.

In compliance with the requirements of the Companies Act No. 7 of 2007, this Annual Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies and have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

Interests in contracts

The directors of JKH and its subsidiaries have all made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any director.

Given below, the particulars in JKH and its subsidiaries' interest register.

John Keells Holdings PLC. (JKH) Share dealings		**Asian Hotels and Properties PLC. (AHP)** Share dealings	**Trans Asia Hotels PLC. (TAH)** Share dealings		**Ceylon Cold Stores PLC. (CCS)** Share dealings	
Name	Purchase of rights	None	Name	Sale of shares	Name	Inheritance of shares
S C Ratnayake	840,864		N L Gooneratne	47,511	P S Jayawardena	80,000
A D Gunewardene	997,302					
J R F Peiris	210,983					
E F G Amerasinghe	848					
A R Gunasekara	16,594					

Given below, the particulars in JKH and its subsidiaries' interest register.

John Keells Holdings PLC. (JKH) Indemnities and remuneration	**Asian Hotels and Properties PLC. (AHP)** Indemnities and remuneration	**Trans Asia Hotels PLC. (TAH)** Indemnities and remuneration	**Ceylon Cold Stores PLC. (CCS)** Indemnities and remuneration
The Board approved the remuneration of the executive directors of the Company, namely, S C Ratnayake, Chairman/CEO, A D Gunewardene, Deputy Chairman/President, and J R F Peiris, Group Finance Director for the period 1 April 2013 to 31 March 2014 comprising of; • An increment from 1st July 2013 based on the individual performance rating achieved by the executive directors in terms of the performance management system of the John Keells Group; • Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2012/2013 paid in July 2013; and • Long Term Incentive in the nature of ESOPs granted in July 2013 in JKH dependent on the aforesaid performance rating, organisational rating and role responsibility, as recommended by the Human Resources and Compensation Committee having conducted market surveys, spoken to experts and having taken into consideration the specific management complexities associated with the John Keells Group and in keeping with the Group remuneration policy.	The Board approved the remuneration of the executive directors of the company, namely R J Karunarajah and S Rajendra, for the period 1 April 2013 to 31 March 2014 comprising of; • An increment from 1st July 2013 based on the individual performance rating achieved by the executive directors in terms of the performance management system of the John Keells Group.	J C Ponniah was appointed to the Board of Directors of the company on the standard terms and Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the company.	The Board approved the remuneration of the executive director of the company J R Gunaratne, for the period 1 April 2013 to 31 March 2014 comprising of; • An increment from 1st July 2013 based on the individual performance rating achieved by the executive directors in terms of the performance management system of the John Keells Group.

John Keells Holdings PLC. (JKH) Indemnities and remuneration	**Asian Hotels and Properties PLC. (AHP)** Indemnities and remuneration	**Trans Asia Hotels PLC. (TAH)** Indemnities and remuneration	**Ceylon Cold Stores PLC. (CCS)** Indemnities and remuneration
D A Cabraal was appointed to the Board of Directors of JKH on the standard terms and Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company. A N Fonseka was appointed to the Board of Directors of JKH on the standard terms and Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company. I Coomsaraswamy was re-appointed as a Non- Executive Director for a further period of 3 years with effect from 7 February 2014 at the standard Non-Executive fees approved by the Board for Non-Executives Directors which fees are commensurate with the market complexities of the Company.	• Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2012/2013 paid in July 2013; and • Long Term Incentive in the nature of ESOPs granted in July 2013 in JKH dependent on the aforesaid performance rating, organisational rating and role responsibility, as recommended by the Human Resources and Compensation Committee of JKH the holding company of AHP in keeping with the Group remuneration policy.		• Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2012/2013 paid in July 2013; and • Long Term Incentive in the nature of ESOPs granted in July 2013 in JKH dependent on the aforesaid performance rating, organisational rating and role responsibility, as recommended by the Human Resources and Compensation Committee of JKH the holding company of CCS in keeping with the Group remuneration policy.

Given below, the particulars in JKH and its subsidiaries' interest register.

John Keells PLC. (JKL)	**John Keells Hotels PLC. (JK Hotels)**	**Keells Hotel Management Services Ltd. (KHMSL)**	**Walkers Tours Ltd. (WTL)**
Share dealings	Share dealings	Share dealings	Share dealings
None	None	None	None
Indemnities and remuneration	Indemnities and remuneration	Indemnities and remuneration	Indemnities and remuneration
The Board approved the remuneration of the executive director of the company R. S Fernando, for the period 1 April 2013 to 31 March 2014 comprising of; • An increment from 1 July 2013 based on the individual performance rating achieved by the executive directors in terms of the performance management system of the John Keells Group; • Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2012/2013 paid in July 2013; and • Long Term Incentive in the nature of ESOPs granted in July 2013 in JKH dependent on the aforesaid performance rating, organisational rating and role responsibility, as recommended by the Human Resources and Compensation Committee of JKH the holding company of JKL in keeping with the Group remuneration policy. S T Ratwatte's contract as a Non-Executive Director of John Keells PLC was renewed on the standard terms and Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the company.	T L F W Jayasekara was appointed to the Board of Directors of JK Hotels on the standard terms and Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the company. N Weerasekara's contract as a Non-Executive Director of JK Hotels was renewed on the standard terms and Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the company.	The Board approved the remuneration of the executive director of the company J E P Kehelpannala, for the period 1 April 2013 to 31 March 2014 comprising of; • An increment from 1 July 2013 based on the individual performance rating achieved by the executive directors in terms of the performance management system of the John Keells Group; • Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2012/2013 paid in July 2013; and • Long Term Incentive in the nature of ESOPs granted in July 2013 in JKH dependent on the aforesaid performance rating, organisational rating and role responsibility, as recommended by the Human Resources and Compensation Committee of JKH the holding company of KHMSL in keeping with the Group remuneration policy. B J S M Senanayake was appointed to the Board of Directors of KHMSL on the standard terms approved by the Board for Executive Directors, which are commensurate with the market complexities of the Company.	The Board approved the remuneration of the executive director of the company V Leelananda, for the period 1 April 2013 to 31 March 2014 comprising of; • An increment from 1 July 2013 based on the individual performance rating achieved by the executive directors in terms of the performance management system of the John Keells Group; • Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2012/2013 paid in July 2013; and • Long Term Incentive in the nature of ESOPs granted in July 2013 in JKH dependent on the aforesaid performance rating, organisational rating and role responsibility, as recommended by the Human Resources and Compensation Committee of JKH the holding company of WTL in keeping with the Group remuneration policy.

DIRECTORS' REMUNERATION

Details of the remuneration and other benefits received by the Directors are set out in note 12 of the financial statements.

EMPLOYEE SHARE OPTION PLAN (ESOP)

At the beginning of the year, the employee share option plan consisted of the fifth, sixth and seventh plans approved by the shareholders on 2 December 2009, 6 December 2010 and 7 December 2011 respectively.

On 28th June 2013, the shareholders approved the eighth plan, whereby the Company could issue non transferable call share options attached with performance vesting conditions not exceeding 0.75% of the shares in issue of the Company as at that date of granting the awards, which have to be exercised with in five years of such grant.

The options outstanding under the plans 5, 6 and 7 were valid for exercise as at 31 March 2014.

The highest, lowest and the closing prices of the share recorded during the year were Rs 250.40, Rs 206.00 and Rs.227.00 respectively.

The Company has not granted any funding to employees to exercise options.

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at the date of the Directors' report have been tabulated below.

EMPLOYEE SHARE OPTION PLAN AS AT 31ST MARCH 2014

	Date of Grant	Employee Category	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares Adjusted**	Exercised	Cancelled ***	Outstanding	End/Current Price (Rs.) **
PLAN 5	17.12.2009		6,126,960	16.12.2014	160.25	8,836,177	2,180,169	55,227	6,600,781	127.50
		GEC *	2,445,280			3,761,965	-	-	3,761,965	
		Other Executives	3,681,680			5,074,212	2,180,169	55,227	2,838,816	
PLAN 6	09.12.2010		4,672,823	08.12.2015	292.00	7,070,022	248,860	523,108	6,298,054	213.13
		GEC *	1,872,174			2,880,262	-	-	2,880,262	
		Other Executives	2,800,649			4,189,760	248,860	523,108	3,417,792	
PLAN 7	07.12.2011		6,306,182	06.12.2016	172.10	7,137,515	902,950	176,236	6,058,329	172.49
		GEC *	2,522,482			2,910,555	-	-	2,910,555	
		Other Executives	3,783,700			4,226,960	902,950	176,236	3,147,774	
PLAN 8****	01.07.2013		6,426,719	30.06.2018	265.18	7,415,303	-	141,687	7,273,616	253.16
		GEC *	2,572,919			2,968,749	-	-	2,968,749	
		Other Executives	3,853,800			4,446,554	-	141,687	4,304,867	
Total			23,532,684			30,459,017	3,331,979	896,258	26,230,780	

* GEC comprises of the Executive Directors and Presidents

** Adjusted for Bonus Issues/Right Issues/Sub-divisions

*** "Cancelled" represents shares not exercised by resigning Employees

**** Plan 8 - None of the options had vested as at 31 March 2014

CORPORATE GOVERNANCE

Directors' declarations

The Directors declare that;

a) the Company complied with all applicable laws and regulations in conducting its business.

b) the directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

c) the Company has made all endeavours to ensure the equitable treatment of shareholders.

d) the business is a going concern with supporting assumptions or qualifications as necessary, and

e) have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance Report is given under the governance section of the Annual Report.

SUSTAINABILITY

The Group pursues its business goals based on a model of stakeholder governance. Findings of the continuous stakeholder engagements have enabled the Group to focus on material issues such as the conservation of natural resources and the environment and material issues highlighted by other stakeholders such as the employees and community. These steps have been encapsulated in a Group-wide sustainability initiative which has seen continuous evolvement over the last few years. This year, the Group published its third integrated Annual Report, combining financial information with sustainability information in a bid to provide its stakeholders with more holistic information. DNV GL has assured that the report represents the Company's sustainability policies, objectives, management approach and performance, and meets the general content and quality requirements of the Global Reporting Initiative (GRI) G4 Guidelines. The Report has also received a GRI 'Materiality Matters' check.

EMPLOYMENT

The Group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Employee ownership in the Company is facilitated through the employee share option plan.

The number of persons employed by the Company and Group as at 31 March 2014 was 114 (2013 - 123) and 13,146 (2012 - 13,224) respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and Group.

SUPPLIER POLICY

The Group applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers, and endeavors to pay for all items properly charged in accordance with these agreed terms. As at 31 March 2014 the trade and other payables of the Company and Group amounted to Rs.225 million (2013 - Rs.230 million) and Rs.14,737 million (2013 - Rs.14,608 million), respectively.

ENVIRONMENTAL PROTECTION

The Group complies with the relevant environmental laws, regulations and endeavors to comply with best practices applicable in the country of operation. A summary of selected Group activities in the above area is contained in the integrated Annual Report.

RESEARCH AND DEVELOPMENT

The Group has an active approach to research and development and recognises the contribution that it can make to the Group's operations. Significant expenditure has taken place over the years and substantial efforts will continue to be made to introduce new products and processes and develop existing products and processes to improve operational efficiency.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or, where relevant provided for, except as specified in note 44 to the financial statements, covering contingent liabilities.

ENTERPRISE RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Group, where annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by each business unit. The headline risks of each listed Company is presented to its respective Board Audit Committee for review by the Business Unit and in the case of John Keells Holdings, by the Enterprise Risk Management Division to the John Keells Board Audit Committee.

INTERNAL CONTROL

The Board, through the involvement of the Group Business Process Review Division, takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal control in the Group, compliance with laws and regulations and established policies and procedures of the Group. The head of the Group Business Process Review Division has direct access to the chairman of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee on matters pertaining to the Company.

EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting period, which would have any material effect on the Company or on the Group other than those disclosed in note 48 to the financial statements.

GOING CONCERN

The Directors are satisfied that the Company, its subsidiaries and associates, have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

AUDITORS

Messrs Ernst & Young, Chartered Accountants, are willing to continue as Auditors of the Company, and a resolution proposing their reappointment will be tabled at the annual general meeting.

The Auditors Report is found in the Financial Information section of the Annual Report.

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

The Group works with 4 firms of Chartered Accountants across the Group, namely, Ernst & Young, KPMG, PricewaterhouseCoopers, and Deloitte Haskins & Sells. Details of audit fees are set out in note 12 of the financial statements. The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries.

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

ANNUAL REPORT

The Board of Directors approved the consolidated financial statements on 27 May 2014. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 30 May 2014.

ANNUAL GENERAL MEETING

The annual general meeting will be held at the Institute of Chartered Accountants of Sri Lanka, 30, Malalasekera Mawatha, Colombo 7, on Friday, 27 June 2014 at 10.00 a.m. The notice of meeting appears in the Supplementary Information section of the integrated Annual Report.

This annual report is signed for and on behalf of the Board of Directors.

By order of the Board

Director *Director*

Keells Consultants (Pvt) Ltd.

Secretaries

27 May 2014

The Statement of Directors' Responsibility

The responsibility of the directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No 7 of 2007, is set out in the Report of the Auditors.

The financial statements comprise of:

- income statement and statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year.

- a statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year: and

The directors are required to confirm that the financial statements have been prepared:

- using appropriate accounting polices which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

- presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and

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

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

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

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

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

Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring a final dividend of Rs 1.50 per share for this year, to be paid on 27 June 2014.

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

COMPLIANCE REPORT

The directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in note 44 to the financial statements covering contingent liabilities.

By order of the Board

Keells Consultants (Pvt) Ltd.
Secretaries
27 May 2014

Report of the Auditors

Building a better working world

Ernst & Young
Chartered Accountants
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Sri Lanka

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF JOHN KEELLS HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of John Keells Holdings PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statements of financial position as at 31 March 2014, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 Mach 2014 and its financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

27 May 2014
Colombo

Income Statement

For the year ended 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
Continuing Operations					
Sale of goods		47,700,146	46,848,978	-	-
Rendering of services		41,555,554	38,558,872	808,504	674,825
Revenue	5	89,255,700	85,407,850	808,504	674,825
Cost of sales		(64,651,740)	(62,534,550)	(417,240)	(352,983)
Gross profit		24,603,960	22,873,300	391,264	321,842
Dividend income	6	-	-	6,527,675	6,817,632
Other operating income	7	2,485,991	1,501,225	720,161	31,729
Distribution expenses		(3,156,480)	(2,867,494)	-	-
Administrative expenses		(10,436,173)	(9,655,631)	(1,037,794)	(684,880)
Other operating expenses	8	(3,058,503)	(2,647,574)	(34,417)	(62,710)
Results from operating activities		10,438,795	9,203,826	6,566,889	6,423,613
Finance cost	9	(1,224,126)	(1,081,218)	(252,094)	(293,101)
Finance income	10	5,783,448	4,769,891	2,002,105	1,295,593
Net finance income		4,559,322	3,688,673	1,750,011	1,002,492
Change in insurance contract liabilities	11	(3,033,057)	(2,608,450)	-	-
Change in fair value of investment property	20	470,292	2,012,077	-	-
Share of results of equity accounted investees	23.1	2,963,863	3,369,313	-	-
Profit before tax	12	15,399,215	15,665,439	8,316,900	7,426,105
Tax expense	13	(2,387,769)	(2,184,539)	(419,727)	(65,502)
Profit for the year		13,011,446	13,480,900	7,897,173	7,360,603
Attributable to:					
Equity holders of the parent		11,718,812	12,113,300		
Non-controlling interest		1,292,634	1,367,600		
		13,011,446	13,480,900		

		LKR	LKR
Earnings per share			
Basic	14	12.60	13.76
Diluted	14	12.33	13.65
Dividend per share	15	3.50	3.50

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 199 to 287 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
Profit for the year		13,011,446	13,480,900	7,897,173	7,360,603
Other comprehensive income					
Currency translation of foreign operations		272,107	(193,711)	-	-
Revaluation of land and buildings		34,392	10,463,249	-	-
Share of other comprehensive income of equity accounted investments		224,925	(48,392)	-	-
Net gain / (loss) on available-for-sale financial assets		565,612	(181,221)	377,986	(146,138)
Net gain / (loss) on available-for-sale financial assets reclassified to profit and loss		(1,584)	(20,438)	-	-
		564,028	(201,659)	377,986	(146,138)
Transfer to revenue reserves		-	(11,745)	-	-
Re-measurement gain / (loss) on defined benefit plans	36	(51,981)	109,726	1,314	1,607
Tax on other comprehensive income	13.3	2,790	(228,187)	-	-
Other comprehensive income for the year, net of tax		1,046,261	9,889,281	379,300	(144,531)
Total comprehensive income for the year, net of tax		14,057,707	23,370,181	8,276,473	7,216,072
Attributable to :					
Equity holders of the parent		12,709,535	20,032,700		
Non-controlling interest		1,348,172	3,337,481		
		14,057,707	23,370,181		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 199 to 287 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
ASSETS					
Non-current assets					
Property, plant and equipment	18	47,535,667	49,272,979	122,722	75,309
Lease rentals paid in advance	19	9,096,488	9,513,671	-	-
Investment property	20	4,440,227	9,294,936	-	-
Intangible assets	21	2,472,254	2,689,514	68,615	74,004
Investments in subsidiaries and joint ventures	22	-	-	31,961,550	26,641,307
Investments in associates	23	14,794,365	15,724,361	8,953,204	9,821,364
Other non-current financial assets	24	21,087,827	18,816,693	2,126,322	1,710,653
Deferred tax assets	25	146,817	212,227	-	-
Other non-current assets	26	19,711,859	3,575,749	16,108	10,310
		119,285,504	109,100,130	43,248,521	38,332,947
Current assets					
Inventories	27	6,966,020	3,998,900	-	-
Trade and other receivables	28	12,563,790	12,775,046	69,194	994,862
Amounts due from related parties	43	313,468	207,455	695,470	518,084
Other current assets	29	2,836,896	2,895,900	156,296	384,966
Short term investments	30	54,552,687	26,586,054	35,406,695	12,551,540
Cash in hand and at bank		5,955,171	3,554,804	51,627	63,159
		83,188,032	50,018,159	36,379,282	14,512,611
Total assets		202,473,536	159,118,289	79,627,803	52,845,558
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	31	49,748,814	26,480,396	49,748,814	26,480,396
Revenue reserves		51,300,652	42,704,203	24,705,039	20,221,756
Other components of equity	32	21,844,690	20,634,571	677,069	83,457
		122,894,156	89,819,170	75,130,922	46,785,609
Non-controlling interest		11,615,980	11,366,240	-	-
Total equity		134,510,136	101,185,410	75,130,922	46,785,609
Non-current liabilities					
Insurance contract liabilities	34	20,273,009	17,388,494	-	-
Borrowings	35	9,968,646	11,857,764	2,591,379	3,752,621
Deferred tax liabilities	25	1,328,479	1,222,210	-	-
Employee benefit liabilities	36	1,541,784	1,385,072	146,862	134,075
Other deferred liabilities	37	89,540	50,228	-	-
Other non-current liabilities	38	392,519	530,075	-	-
		33,593,977	32,433,843	2,738,241	3,886,696
Current liabilities					
Trade and other payables	39	14,737,136	14,608,263	225,449	229,990
Amounts due to related parties	43	46,055	15,280	4,939	13,156
Income tax liabilities	40	923,848	981,013	-	-
Short term borrowings	41	9,751,976	1,853,767	-	-
Current portion of borrowings	35	3,664,399	3,048,936	1,329,103	1,314,424
Other current liabilities	42	2,375,259	1,635,534	8,816	105,478
Bank overdrafts		2,870,750	3,356,243	190,333	510,205
		34,369,423	25,499,036	1,758,640	2,173,253
Total equity and liabilities		202,473,536	159,118,289	79,627,803	52,845,558

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

M J S Rajakariar
Group Financial Controller

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

S C Ratnayake
Chairman

J R F Peiris
Group Finance Director

The accounting policies and notes as set out in pages 199 to 287 form an integral part of these financial statements.

27 May 2014

Statement of Cash Flows

For the year ended 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	10,869,361	9,846,382	(290,238)	(304,073)
(Increase) / Decrease in inventories		(240,350)	372,595	-	-
(Increase) / Decrease in trade and other receivables		101,645	(1,742,603)	1,411,770	(716,506)
(Increase) / Decrease in other current assets		342,741	32,307	(27,956)	(42,040)
(Increase) / Decrease in other non-current assets		(10,905,945)	(1,191,682)	(5,799)	(2,407)
Increase / (Decrease) in trade and other payables		62,227	(748,809)	(12,759)	(9,833)
Increase / (Decrease) in other current liabilities		687,613	767,041	(96,662)	87,890
Increase / (Decrease) in other current financial liabilities		-	(74,593)	-	-
Increase / (Decrease) in insurance contract liabilities		2,884,515	2,677,967	-	-
Cash generated from operations		3,801,807	9,938,605	978,356	(986,969)
Finance income received		5,176,369	4,511,679	1,435,581	1,140,555
Finance cost paid		(1,210,497)	(1,067,590)	(263,286)	(300,434)
Dividend received		2,748,453	2,816,971	6,010,515	7,263,400
Tax paid		(1,989,738)	(1,514,495)	(149,472)	27,130
Gratuity paid		(163,362)	(117,217)	(9,081)	(11,664)
Net cash flow from operating activities		8,363,032	14,567,953	8,002,613	7,132,018
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		(3,871,879)	(5,169,745)	(70,988)	(15,291)
Purchase of intangible assets		(49,441)	(67,517)	(19,661)	(42,383)
Addition to investment property		(22,604)	(1,102,168)	-	-
Acquisition of business, net of cash acquired	4.3	-	(350,000)	-	-
Acquisition of associates		-	(238,312)	-	-
Increase in interest in subsidiaries		-	-	(5,391,697)	(2,055,277)
Increase in interest in associates		(31,840)	(97,522)	(31,840)	(335,834)
Proceeds from sale of property, plant and equipment and intangible assets		229,126	145,084	104	6,747
Proceeds from demolition on property, plant & equipment		37,613	-	-	-
Proceeds from sale of non-current investments	4.2, 4.4	217,751	137,808	-	54,563
Proceeds from sale of interest in associates		1,688,235	585,675	1,588,235	-
Proceeds from sale of financial instruments - fair value through profit or loss		302,978	859,778	-	-
Purchase of financial instruments - fair value through profit or loss		(958,758)	(1,243,528)	-	-
(Purchase) / disposal of other non current financial assets (net)		(1,693,028)	(4,481,155)	(37,683)	165,892
(Purchase) / disposal of short term investments (net)		(15,810,326)	(5,177,004)	(13,273,680)	(5,555,011)
Net cash flow from/(used in) investing activities		(19,962,173)	(16,198,606)	(17,237,210)	(7,776,594)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		23,268,418	1,369,868	23,268,418	1,369,868
Proceeds from shareholders with non-controlling interest, on issue of rights in subsidiaries		425	82,499	-	-
Direct cost on issue of shares		(227,885)	(7,609)	(148,486)	-
Acquisition of non-controlling interest		(57,000)	(8,516)	-	-
Dividend paid to equity holders of parent		(3,266,718)	(2,982,422)	(3,266,718)	(2,982,422)
Dividend paid to shareholders with non-controlling interest		(665,847)	(839,437)	-	-
Proceeds from long term borrowings		3,067,078	3,169,386	-	-
Repayment of long term borrowings		(4,638,230)	(2,948,314)	(1,295,326)	(1,307,727)
Proceeds from (repayment of) other financial liabilities (net)		7,898,209	844,710	-	-
Net cash flow from /(used in) financing activities		25,378,450	(1,319,835)	18,557,888	(2,920,281)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		13,779,309	(2,950,488)	9,323,291	(3,564,857)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		16,860,241	19,810,729	5,433,343	8,998,200
CASH AND CASH EQUIVALENTS AT THE END		30,639,550	16,860,241	14,756,634	5,433,343
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favorable balances					
Short term investments	30	27,555,129	16,661,680	14,895,340	5,880,389
Cash in hand and at bank		5,955,171	3,554,804	51,627	63,159
Unfavorable balances					
Bank overdrafts		(2,870,750)	(3,356,243)	(190,333)	(510,205)
Total cash and cash equivalents		30,639,550	16,860,241	14,756,634	5,433,343

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 199 to 287 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
A Profit before working capital changes				
Profit before tax	15,399,215	15,665,439	8,316,900	7,426,105
Adjustments for:				
Finance income	(5,783,448)	(4,769,891)	(2,002,105)	(1,295,593)
Dividend income	-	-	(6,527,675)	(6,817,632)
Finance costs	1,224,126	1,081,218	252,094	293,101
Share based payment expense	215,626	-	66,555	-
Change in fair value of investment property	(470,292)	(2,012,077)	-	-
Share of results of equity accounted investees	(2,963,863)	(3,369,313)	-	-
(Profit) / loss on sale of non-current investments	(820,926)	(222,843)	(688,235)	30,152
Depreciation of property, plant and equipment	2,605,109	2,249,694	23,477	25,489
Provision for impairment losses	195,471	17,562	220,525	-
(Profit) / loss on sale of property, plant and equipment and intangible assets	40,957	59,836	(6)	(2,697)
Amortisation of lease rental paid in advance	679,809	682,599	-	-
Amortisation of intangible assets	248,226	244,924	25,050	16,520
Amortisation of other deferred liabilities	(512)	(512)	-	-
Gratuity provision and related costs	273,496	247,312	23,182	20,482
Unrealised (gain) / loss on foreign exchange (net)	26,381	(27,624)	-	-
Unrealised (profit) / loss on sale of goods to associates	(14)	58	-	-
	10,869,361	9,846,382	(290,238)	(304,073)

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 199 to 287 form an integral part of these financial statements.

Statement of Changes in Equity

GROUP

In LKR'000s	Attributable to equity holders of parent								
	Stated capital	**Revaluation reserve**	**Foreign currency translation reserve**	**Other capital reserves**	**Available for sale reserve**	**Revenue reserve**	**Total**	**Non controlling interest**	**Total Equity**
As at 1 April 2012	25,110,528	9,487,794	2,987,476	428,365	321,879	33,001,468	71,337,510	8,863,336	80,200,846
Profit for the year	-	-	-	-	-	12,113,300	12,113,300	1,367,600	13,480,900
Other comprehensive income	-	8,292,638	(257,619)	(428,365)	(197,597)	510,343	7,919,400	1,969,881	9,889,281
Total comprehensive income	-	8,292,638	(257,619)	(428,365)	(197,597)	12,623,643	20,032,700	3,337,481	23,370,181
Exercise of share options	1,369,868	-	-	-	-	-	1,369,868	-	1,369,868
Direct cost of issue of shares	-	-	-	-	-	(6,883)	(6,883)	(726)	(7,609)
Final dividend paid - 2011/12	-	-	-	-	-	(1,275,977)	(1,275,977)	-	(1,275,977)
Interim dividends paid - 2012/13	-	-	-	-	-	(1,706,445)	(1,706,445)	-	(1,706,445)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	74,409	74,409	(913,846)	(839,437)
Acquisition, disposal and changes in non controlling interest	-	-	-	-	-	(6,012)	(6,012)	79,995	73,983
As at 31 March 2013	26,480,396	17,780,432	2,729,857	-	124,282	42,704,203	89,819,170	11,366,240	101,185,410
Profit for the year	-	-	-	-	-	11,718,812	11,718,812	1,292,634	13,011,446
Other comprehensive income	-	(9,927)	449,214	-	555,206	(3,770)	990,723	55,538	1,046,261
Total comprehensive income	-	(9,927)	449,214	-	555,206	11,715,042	12,709,535	1,348,172	14,057,707
Issue of rights	23,097,897	-	-	-	-	-	23,097,897	-	23,097,897
Exercise of share options	170,521	-	-	-	-	-	170,521	-	170,521
Direct cost of issue of shares	-	-	-	-	-	(219,101)	(219,101)	(8,784)	(227,885)
Share based payments	-	-	-	215,626	-	-	215,626	-	215,626
Final dividend paid - 2012/13	-	-	-	-	-	(1,286,460)	(1,286,460)	-	(1,286,460)
Interim dividends paid - 2013/14	-	-	-	-	-	(1,980,258)	(1,980,258)	-	(1,980,258)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	404,132	404,132	(1,069,979)	(665,847)
Acquisition, disposal and changes in non controlling interest	-	-	-	-	-	(36,906)	(36,906)	(19,669)	(56,575)
As at 31 March 2014	49,748,814	17,770,505	3,179,071	215,626	679,488	51,300,652	122,894,156	11,615,980	134,510,136

The accounting policies and notes as set out in pages 199 to 287 form an integral part of these financial statements.

Figures in brackets indicate deductions.

COMPANY

In LKR'000s	Stated capital	Other capital reserves	Available for sale reserves	Revenue reserves	Total equity
As at 1 April 2012	25,110,528	-	229,595	15,841,968	41,182,091
Profit for the year	-	-	-	7,360,603	7,360,603
Other comprehensive income	-	-	(146,138)	1,607	(144,531)
Total comprehensive income	-	-	(146,138)	7,362,210	7,216,072
Exercise of share options	1,369,868	-	-	-	1,369,868
Final dividend paid - 2011/12	-	-	-	(1,275,977)	(1,275,977)
Interim dividends paid - 2012/13	-	-	-	(1,706,445)	(1,706,445)
As at 31 March 2013	26,480,396	-	83,457	20,221,756	46,785,609
Profit for the year	-	-	-	7,897,173	7,897,173
Other comprehensive income	-	-	377,986	1,314	379,300
Total comprehensive income	-	-	377,986	7,898,487	8,276,473
Direct cost of issue of shares	-	-	-	(148,486)	(148,486)
Issue of rights	23,097,897	-	-	-	23,097,897
Exercise of share options	170,521	-	-	-	170,521
Share based payments	-	215,626	-	-	215,626
Final dividend paid - 2012/13	-	-	-	(1,286,460)	(1,286,460)
Interim dividends paid - 2013/14	-	-	-	(1,980,258)	(1,980,258)
As at 31 March 2014	49,748,814	215,626	461,443	24,705,039	75,130,922

The accounting policies and notes as set out in pages 199 to 287 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1.1. CORPORATE INFORMATION

Reporting entity

John Keells Holdings PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2. The former registered office and the principal place of the business of the Company was at 130, Glennie Street, Colombo 2.

Ordinary shares of the Company are listed on the Colombo Stock Exchange. Global Depository Receipts (GDRs) of John Keells Holdings PLC are listed on the Luxembourg Stock Exchange.

John Keells Holdings PLC became the holding Company of the Group during the financial year ended 31 March 1986.

Consolidated financial statements

The financial statements for the year ended 31 March 2014, comprise "the Company" referring to John Keells Holdings PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of financial statements

The financial statements for the year ended 31 March 2014 were authorised for issue by the directors on 27 May 2014.

Principal activities and nature of operations holding Company

John Keells Holdings PLC, the Group's holding company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries and associates.

Subsidiaries, associates and joint ventures

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

Responsibility for financial statements

The responsibility of the Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

Statement of compliance

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

1.2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets and available-for-sale financial assets that have been measured at fair value.

Presentation and functional currency

The consolidated financial statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the holding company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

Each material class of similar items is presented cumulatively in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

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

The significant accounting policies are discussed in note 1.3 below.

The indicative US Dollar financial statements on pages 293 and 294 does not form part of the Financial Statements prepared in accordance with SLFRS/LKAS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2014. The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

All intra-Group balances, income and expenses, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, which is 12 months ending 31 March, using consistent accounting policies.

Effective from 1 April 2012 the basis of consolidation includes the following changes:

(i) Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(ii) A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(iii) If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the income statement; and
- Reclassifies the parent's share components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

Subsidiaries consolidated have been listed in the Group directory.

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on the power to govern the financial and operating policies of those entities.

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

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from parent' shareholder's equity.

The consolidated statement of cash flows includes the cash flows of the Company and its subsidiaries.

	% Holding
DHL Keells (Pvt) Limited	50.00
Trans-ware Logistics (Pvt) Limited	50.00
Mack Air Services Maldives (Pte) Limited	49.00
Tea Smallholder Factories PLC	37.62

The following subsidiaries have been incorporated outside Sri Lanka:

County of incorporation	**Name**
India	
	John Keells Air Services India (Pvt) Ltd
	John Keells BPO Solutions India (Pvt) Ltd
	John Keells Foods India (Pvt) Ltd
	Serene Holidays (Pvt) Ltd
Mauritius	
	John Keells BPO Holdings (Pvt) Ltd
	John Keells BPO International (Pvt) Ltd
	John Keells Holdings Mauritius (Pvt) Ltd
Republic of Maldives	
	Fantasea World Investments (Pte) Ltd
	John Keells Maldivian Resort (Pte) Ltd
	Mack Air Services Maldives (Pte) Ltd
	Tranquility (Pte) Ltd
	Travel Club (Pte) Ltd

Singapore	
	John Keells Singapore (Pte) Ltd
United Kingdom	
	John Keells Computer Services (UK) Ltd
USA	
	John Keells BPO Solutions US Inc.
Canada	
	John Keells BPO Solutions Canada Inc.

1.3. ACCOUNTING POLICIES

1.3.1 Changes in accounting policies

The accounting policies adopted by the Group are consistent with those used in the previous year except for the following;

Share based payment note 1.4.18, which is an application of new accounting for share based payment transactions from the current financial year 2013/14.

Retirement benefit obligation(Gratuity) note 1.4.19, which has been changed due to revisions made to LKAS 19- Employee benefits.

As per previous policy, actuarial gain/(loss) in full ,in the year of occurrence was recognised in the income statement. Revised standard requires recognition of actuarial gain or loss in full, in the year of occurrence in the statement of Other Comprehensive Income (OCI). Accordingly, the Group has changed its policy retrospectively, to recognise actuarial gain/ (loss) in OCI. The change in this accounting policy did not have an impact on the statement of cash flows and there is no significant impact on the Group's basic and diluted "EPS".

Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

1.3.2 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Valuation of property, plant and equipment and investment properties

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of equity. In addition, it carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged independent valuation experts to determine fair value of investment properties and land and buildings as at 31 March 2013.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate. The methods used to determine the fair value of the investment properties, are further explained in note 20.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its Value In Use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are further explained in note 21.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, are further explained in note 16.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 33.

Taxes

The Group is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has tax losses carried forward amounting to LKR7,914 million (2013 - LKR7,324 million). These losses relate to subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities and where the subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. Further details on taxes are disclosed in note 13 in the financial statements.

The Group has contingent liabilities amounting to LKR1,072 million (2013 - LKR876 million). These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited at the reporting date. Further details on contingent liabilities are disclosed in note 44 in the financial statement.

Employee benefit liability

The employee benefit liability of the Group is based on the actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in note 36.

Valuation of insurance contract liabilities and investment contract liabilities – Union Assurance PLC (UA) Insurance operations - Product classification

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that are issued and reinsurance contracts that are held.

Life insurance contract liabilities

These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time of the contract was issued, in which case, a margin for risk and adverse deviation is generally included. Adjustments to the liabilities at each reporting date are recorded in the income statement as 'Increase in life insurance contract liabilities'.

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.

For products containing discretionary participating features (DPF) the amount of the DPF is deemed to be the investment return on all related assets where the apportionment between the shareholder and the policyholder has not yet been determined. The liability includes certain elements of net unrealised gains / (losses) and retained earnings attributable to the DPF, based on the mandated rates applied to these gains and earnings on the assumption that they had been realised as of the statement of financial position date.

The minimum mandated amounts, which are to be paid to policyholders plus any declared / undeclared additional benefits, are recorded in liabilities.

Liability adequacy test (LAT) - Life insurance

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiencies shall be recognised in the income statement by setting up a provision for liability adequacy.

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These accounting policies have been applied consistently by Group entities.

1.4.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group.

The following specific criteria are used for recognition of revenue:

Sale of goods

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

General insurance business - gross written premium

Gross written premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

Life insurance business - gross written premium

Premiums from traditional life insurance contracts, including participating contracts and non-participating contracts, are recognised as revenue when cash is received from the policy holder.

Turnover based taxes

Companies in the Group pay turnover based taxes include value added tax in accordance with the respective statutes.

Dividend

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

Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree that are recognised in income statement.

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

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

Any losses arising from guaranteed rentals are accounted for in the year of incurring the same. A provision is recognised if the projection indicates a loss.

Other income

Other income is recognised on an accrual basis.

1.4.2 Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group performance.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available for - sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

1.4.3 Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

- Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

- Where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deducible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.4.4 Property, plant and equipment

Basis of recognition

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

Basis of measurement

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing assets by professional valuers at least every 5 years, except for properties held for rental and occupied mainly by group companies, which are revalued by professional valuers at least every 3 years.

Derecognition

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

Depreciation

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

The estimated useful life of assets is as follows:

Assets	**Years**
Buildings (other than hotels)	50
Hotel buildings	upto 60
Plant and machinery	10 - 20
Equipment	3 - 15
Furniture and fittings	2 - 15
Motor vehicles	4 – 10
Laboratory equipment	10
Returnable Containers	10

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

1.4.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with the SLFRS 1.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.4.6 Lease rentals paid in advance

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term.

Details of the lease rentals paid in advance are given in note 19 to the financial statements.

1.4.7 Investment properties

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

1.4.8 Intangible assets

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Present value of acquired in-force business (PVIB)

The present value of future profits on a portfolio of long term life insurance contracts as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent actuary. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses.

The PVIB is amortised over the average useful life of the related contracts in the portfolio. The amortisation charge and any impairment losses would be recognised in the consolidated income statement as an expense.

Purchased software

Purchased software is recognised as an intangible asset and is amortised on a straight line basis over its useful life.

Software license

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the assets,
- how the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's key intangible assets is as follows.

Intangible Assets	Useful life	Internally generated / Acquired	Impairment testing
PVIB	12	Acquired	When indicators of impairment arise. The amortisation method is reviewed at each financial year end.
Purchased Software	5		
Software License	5		
Developed Software	5	Internally generated	Annually for assets not yet in use and more frequently when indicators of impairment arise. Assets in use, when indicators of impairment arise. The amortisation method is reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

1.4.9 Business combinations & goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquire is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of LKAS 39, is measured at fair value with changes in fair value either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value maybe impaired.

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

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

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

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

1.4.10 Interest in joint venture

A joint venture is a jointly controlled entity, whereby the Group and other parties have a contractual arrangement that establishes joint control over the economic activities of the entity.

The arrangement requires unanimous agreement for financial and operating decisions among the ventures. The Group recognises its interest in the joint venture using the proportionate consolidation method until the date on which the Group ceases to have joint control. The Group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with similar items, line by line, in the consolidated financial statements. The financial statements of the joint venture are aligned to the Group accounting policies.

The gains or losses arising from transactions between Group and the joint venture are recognised based on the substance of the transactions. The Group's share of unrealised gain on asset purchases is not recognised until such assets are resold to a third party. Losses on these transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Joint ventures entered into by the Group, which have been accounted for under the proportionate consolidation method are:

Name	Country of Incorporation
NDO Lanka (Pvt) Ltd	Sri Lanka
Sentinel Reality (Pvt) Ltd	Sri Lanka

Financial statements of joint ventures are proportionately consolidated using their respective 12 month financial reporting period.

In the case of joint ventures where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognized in the income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

1.4.11 Investment in an associates

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the Group. The Group's investments in its associates are accounted for using the equity method and use of the equity method of accounting is discontinued on the date from which, it no longer has significant influence in the associate.

Associate companies of the Group which have been accounted for under the equity method of accounting are:

Name	Country of Incorporation
Capitol Hotel Holdings (Pvt) Ltd	Sri Lanka
Maersk Lanka (Pvt) Ltd	Sri Lanka
Nations Trust Bank PLC	Sri Lanka
Saffron Aviation (Pvt) Ltd	Sri Lanka
South Asia Gateway Terminals (Pvt) Ltd	Sri Lanka

The investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of equity accounted investees' in the income statement and statement of other comprehensive income.

The income statement reflects the share of the results of operations of the associate. Changes, if any, recognised directly in the equity of the associate, the Group recognises its share and discloses this, when applicable in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Group ceases to recognise further losses when the Group's share of losses in an associate equals or exceeds the interest in the undertaking, unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed in note 1.5.

Equity method of accounting has been applied for associate financial statements using their corresponding/matching 12 month financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the income statement.

1.4.12 Foreign currency translation

Foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lankan rupees, which is the Company's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the Group operate.

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

Foreign exchange forward contracts

Foreign exchange forward contracts are fair valued at each reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lankan rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

The exchange rates applicable during the period were as follows:

	Statement of Financial Position Closing rate		Income Statement Average rate	
	2014	2013	2014	2013
Singapore dollar	103.69	101.93	101.93	104.26
Pound sterling	217.46	191.83	206.73	205.25
US dollar	130.70	126.75	130.09	129.91
Canadian Dollar	118.23	124.72	123.60	129.68
Indian rupee	2.18	2.33	2.16	2.39
UAE dirham	35.59	34.51	35.42	35.37

1.4.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or Group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

1.4.14 Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in the income statement.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans and amounts receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 16.

1.4.15 Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity contracts that meet the definition of a derivative as defined by LKAS 39 are recognised in the income statement in cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

1.4.16 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Raw materials - On a weighted average basis

Finished goods and work-in-progress - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs

Other inventories – At actual cost

1.4.17 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the cashflow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

1.4.18 Employee share option plan

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 2013/14 financial year onwards.

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 33).

1.4.19 Defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in other comprehensive income. This was previously recognised in income statement.

1.4.20 Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

1.4.21 Insurance contract liabilities - life

The directors agree to the long term and unit link insurance business provisions on the recommendation of the actuary following annual valuation of the life insurance business.

The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the independent external actuary.

1.4.22 Insurance contract liabilities - general

Insurance provision comprises of reserve for the net unearned premium, reserve or the deferred acquisition cost (net), reserve for gross outstanding claims and the Incurred But Not Reported (IBNR) provision.

Unearned premium, deferred acquisition cost and the reserve for gross outstanding claims are stated according to the industry practices whereas the IBNR reserve is decided by an independent external actuary to estimate the outstanding liabilities as of reporting date.

1.4.23 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

1.4.24 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18).

Contingent assets are disclosed, where inflow of economic benefit is probable.

1.5 SIGNIFICANT ACCOUNTING POLICIES THAT ARE SPECIFIC TO THE BUSINESS OF ASSOCIATE COMPANIES

1.5.1 Nations Trust Bank PLC

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

For all financial instruments interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future impairment losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest Income' for financial assets and 'Interest Expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Credit related fees are deferred and recognised as an adjustment to the EIR of the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value.

1.5.2 South Asia Gateway Terminals (Pvt) Ltd

Revenue recognition

Stevedoring revenue is recognised on the berthing time of the vessel. Storage revenue is recognised on the issue of delivery advice.

1.6 DEFERRING APPLICATION OF IFRIC 15 -AGREEMENTS FOR THE CONSTRUCTION OF REAL ESTATE

This interpretation clarifies whether LKAS 18, 'Revenue' or LKAS 11 'Construction contracts' should be applied to particular transactions. It also explains the point at which revenue and related expenses from a sale of real estate unit should be recognised, if an agreement between a developer and a buyer is reached before the construction of the real estate unit is completed. Considering the latest developments in revenue recognition – the five step model, which will bring more clarity on revenue recognition, the Institute of Chartered Accountants of Sri Lanka has decided to grant an option for entities to defer application of IFRIC 15 until the new five step model comes into effect.

The Group has not adopted IFRIC 15 which is related to recognition of revenue of construction of real estate. The Group has deferred application of this IFRIC based on the ruling issued by CA Sri Lanka.

1.7 SEGMENT INFORMATION

OPERATING SEGMENTS

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

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

The activities of each of the operating business segments of the Group are detailed in the Group directory.

As such for management purposes, the Group is organised into business units based on their products and services and has seven operating business segments as follows:

Transportation

Business of the transportation operating segment offer an array of transportation related services in Sri Lanka and the region and these operations comprise of South Asia Gateway Terminals in the port of Colombo, a marine bunkering business, joint ventures/associations with leading shipping and air transportation multinationals and logistics, travel and airline services in Sri Lanka, India and the Maldives.

Leisure

The leisure operation segment encompasses two five star city hotels in Colombo and seven resort hotels spread in prime tourist locations all over Sri Lanka and three resorts in Maldives offering beaches, mountains, wildlife and cultural splendor under the two brands 'Cinnamon Hotels and Resorts' and 'Chaaya Hotels and Resorts'. The leisure operating segment also has destination management businesses in Sri Lanka and India.

Property

The property operating segment concentrates primarily on development and sale of residential apartments.

Consumer Foods and Retail

The consumer foods and retail operating segment competes in the two major categories namely manufacturing and retailing. Retailing business through the 'Keells Super' chain of supermarkets and in partnership with Nations Trust Bank has created 'Nexus', coalition loyalty card in the country.

Financial Services

The financial services operating segment offer a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing.

Information Technology

The information technology operating segment comprises from BPO, software services and information integration to office automation which offers end-to-end ICT services and solutions.

Others

This operating segment includes plantation services sector which operates tea factories, tea and rubber broking and pre-auction produce warehousing. This segment also consists of John Keells Holdings PLC including its divisions / centre functions such as John Keells Capital and Strategic Group IT (SGIT), as well as other companies providing ancillary services.

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

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently from operating profit or loss in the consolidated financial statements. However, except for financial services segment other segments' financing activities are managed on a Group basis and are not allocated to operating segments. The income taxes are managed on Group basis and are not allocated to operating segments. Transfer prices between operating segments are carried out in the ordinary course of business.

2. SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKAS) ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015.However the effective date has been deferred subsequently and the revised effective date is yet to be announced.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements.

This standard will be effective for annual periods beginning on or after 01 January 2014 .

However use of fair value measurement principles contained in this standard are currently recommended.

In addition to the above, following standards will also be effective for annual periods commencing on or after 01 January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel of three standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27-Consolidated and separate financial statements, LKAS 28- Investments in associates ,LKAS 31-Interest in joint ventures and SIC-12 and SIC 13 which are on consolidation of special purpose entities(SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including Special Purpose Entities and removal of the option to proportionate consolidate jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12,establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as disclosures currently required under LKAS 27,LKAS 28 and LKAS 31

Based on the preliminary analysis performed, the above Standards on adoption are not expected to have any material impact on the financial statements.

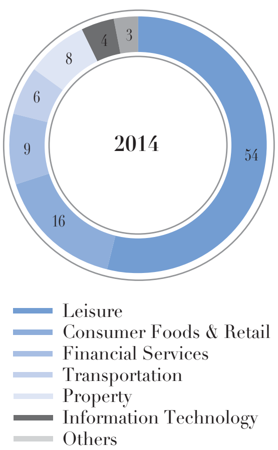
For the year ended 31st March In LKR'000s	Transportation 2014	Transportation 2013	Leisure 2014	Leisure 2013	Property 2014	Property 2013
3 OPERATING SEGMENT INFORMATION						
3.1 Business segments						
External revenue	16,700,831	19,437,737	22,547,969	20,593,302	4,138,499	3,169,654
Inter segment revenue	422,187	346,195	63,101	78,531	255,751	271,811
Total Segment Revenue	17,123,018	19,783,932	22,611,070	20,671,833	4,394,250	3,441,465
Elimination of inter segment revenue						
Net Revenue						
Segment results	606,508	964,731	5,464,051	5,078,914	832,910	1,728,491
Finance cost	(72,864)	(46,057)	(477,839)	(527,113)	(71,576)	(12,138)
Finance income	185,290	243,610	449,847	335,041	113,852	122,524
Change in fair value of investment property	-	-	-	288,710	390,636	440,025
Share of results of associates	1,950,847	2,474,022	-	(1,083)	-	-
Eliminations / adjustments	1,209	(2,353)	(2,204)	3,936	26,936	(1,027,273)
Profit / (loss) before tax	2,670,990	3,633,953	5,433,855	5,178,405	1,292,758	1,251,629
Tax expense	(160,702)	(246,406)	(609,826)	(432,795)	(1,855)	(61,777)
Profit/ (loss) for the year	2,510,288	3,387,547	4,824,029	4,745,610	1,290,903	1,189,852
Purchase and construction of PPE [1]	434,079	140,983	1,542,686	2,835,090	11,667	174,461
Addition to IA [2]	6,803	-	-	-	-	-
Depreciation of PPE [1]	103,392	94,894	1,304,229	1,075,031	22,628	17,307
Amortisation of IA [2]	1,207	6,569	-	-	-	-
Amortisation of LRPA [3]	-	-	678,634	681,424	-	-
Gratuity provision and related costs	19,067	17,838	76,622	77,636	942	2,735

In addition to segment results, information such as finance costs / income, tax expenses has been allocated to segments for better presentation.

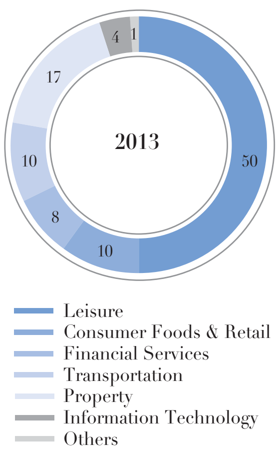
[1] Property, plant and equipment, [2] Intangible assets, [3] Lease rentals paid in advance

Consumer Foods & Retail 2014	Consumer Foods & Retail 2013	Financial Services 2014	Financial Services 2013	Information Technology 2014	Information Technology 2013	Others 2014	Others 2013	Group Total 2014	Group Total 2013
25,413,808	24,041,879	9,474,976	8,598,546	7,502,058	6,513,598	3,477,559	3,053,134	89,255,700	85,407,850
361,485	156,043	100,792	102,020	288,225	284,872	557,502	606,451	2,049,043	1,845,923
25,775,293	24,197,922	9,575,768	8,700,566	7,790,283	6,798,470	4,035,061	3,659,585	91,304,743	87,253,773
								(2,049,043)	(1,845,923)
								89,255,700	85,407,850
1,664,034	1,084,109	930,894	867,796	393,748	340,738	287,547	58,476	10,179,692	10,123,255
(152,042)	(116,006)	(2,219)	(8)	(78,285)	(72,553)	(369,301)	(307,343)	(1,224,126)	(1,081,218)
106,073	109,803	105,391	47,770	19,380	12,280	2,011,765	1,132,443	2,991,598	2,003,471
71,796	1,275,070	-	-	-	-	7,860	8,272	470,292	2,012,077
-	-	958,070	859,969	-	(4,909)	54,946	41,314	2,963,863	3,369,313
(361,955)	9,862	651	-	(19,124)	31,526	372,383	222,843	17,896	(761,459)
1,327,906	2,362,838	1,992,787	1,775,527	315,719	307,082	2,365,200	1,156,005	15,399,215	15,665,439
(322,681)	(375,610)	(356,445)	(376,641)	(70,709)	(75,621)	(865,551)	(615,689)	(2,387,769)	(2,184,539)
1,005,225	1,987,228	1,636,342	1,398,886	245,010	231,461	1,499,649	540,316	13,011,446	13,480,900
1,360,650	2,088,649	193,448	148,940	125,051	123,992	204,298	128,654	3,871,879	5,640,769
4,690	253,703	4,594	-	13,693	8,588	19,661	42,384	49,441	304,675
731,020	655,814	158,474	147,943	165,954	145,893	119,412	112,812	2,605,109	2,249,694
11,192	12,821	189,759	187,416	21,019	21,587	25,049	16,531	248,226	244,924
-	-	-	-	-	-	1,175	1,175	679,809	682,599
68,399	66,267	43,362	27,190	20,364	16,649	44,740	38,997	273,496	247,312

Segment results %



Segment results %



As at 31st March In LKR'000s	Transportation 2014	Transportation 2013	Leisure 2014	Leisure 2013	Property 2014	Property 2013
3.2 Business segments						
Property, plant and equipment	619,309	318,735	30,400,017	30,485,884	1,865,702	1,839,360
Lease rentals paid in advance	2,841	14,205	9,053,372	9,469,382	-	-
Investment property	400,000	400,000	1,758,250	1,758,250	4,331,065	6,744,715
Intangible assets	6,803	1,207	-	-	-	-
Other non-current financial assets	61,202	51,728	4,746,305	4,584,266	76,491	15,161
Other non-current assets	10,113	17,360	18,497	15,156	19,591,073	2,567,029
Segment non-current assets	1,100,268	803,235	45,976,441	46,312,938	25,864,331	11,166,265
Investments in associates	10,916,876	11,365,151	321,166	321,166	-	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non-current assets						
Inventories	890,092	505,691	324,628	301,324	2,717,709	26,025
Trade and other receivables	2,308,137	2,618,275	2,630,659	2,496,198	3,393,614	2,181,981
Short term investments	3,015,461	2,819,496	9,496,990	8,419,984	1,907,786	1,597,019
Cash in hand and at bank	552,999	456,824	1,978,935	1,531,978	1,992,056	131,356
Segment current assets	6,766,689	6,400,286	14,431,212	12,749,484	10,011,165	3,936,381
Other current assets *						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Borrowings	32,524	-	8,867,008	10,078,345	2,698,076	1,861,055
Employee benefit liabilities	101,557	88,162	438,674	380,930	35,457	17,888
Other deferred liabilities	-	-	68,426	34,160	-	-
Other non-current liabilities	-	-	63,751	60,668	185,682	270,994
Segment non-current liabilities	134,081	88,162	9,437,859	10,554,103	2,919,215	2,149,937
Deferred tax liabilities						
Eliminations / adjustments						
Total non-current liabilities						
Trade and other payables	2,368,650	1,742,989	3,248,541	4,085,786	1,628,495	591,554
Short term borrowings	1,968,937	1,912,567	4,277,956	5,443,563	7,713,039	-
Current portion of borrowings	5,333	16,667	1,856,337	1,325,111	250,219	76,114
Bank overdrafts	261,488	82,617	621,277	538,852	106,111	204,442
Segment current liabilities	4,604,408	3,754,840	10,004,111	11,393,312	9,697,864	872,110
Income tax liabilities						
Other current liabilities *						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	7,866,957	7,203,521	60,407,653	59,062,422	35,875,496	15,102,646
Total segment liabilities	4,720,632	3,843,002	14,794,221	21,947,415	12,617,079	3,022,047

* Balance mainly comprises from tax refunds / other tax payables.

Consumer Foods & Retail 2014	Consumer Foods & Retail 2013	Financial Services 2014	Financial Services 2013	Information Technology 2014	Information Technology 2013	Others 2014	Others 2013	Group Total 2014	Group Total 2013
6,605,713	6,059,305	1,446,743	1,312,584	404,158	430,919	1,252,597	1,194,682	42,594,239	41,641,469
-	-	-	-	-	-	44,203	45,378	9,100,416	9,528,965
85,482	5,040,924	-	-	-	-	2,943,936	3,113,441	9,518,733	17,057,330
293,383	57,616	51,751	49,500	52,194	56,967	68,615	74,004	472,746	239,294
112,427	206,152	18,562,035	16,714,231	38,173	48,678	2,155,829	1,791,648	25,752,462	23,411,864
277,584	16,623	150,618	111,647	9,122	8,011	20,477	916,927	20,077,484	3,652,753
7,374,589	11,380,620	20,211,147	18,187,962	503,647	544,575	6,485,657	7,136,080	107,516,080	95,531,675
-	-	3,556,323	3,049,214	-	-	-	988,830	14,794,365	15,724,361
								146,817	212,227
								950,884	950,884
								(4,122,642)	(3,319,017)
								119,285,504	109,100,130
2,265,042	2,363,666	7,037	6,090	538,496	540,193	330,060	288,086	7,073,064	4,031,075
1,727,075	1,839,220	2,263,283	3,191,950	2,142,718	2,720,385	1,393,696	1,943,638	15,859,182	16,991,647
450,334	975,650	7,776,089	5,031,415	669,839	567,834	35,514,143	12,716,219	58,830,642	32,127,617
434,185	367,453	601,219	492,241	367,695	238,472	154,878	336,522	6,081,967	3,554,846
4,876,636	5,545,989	10,647,628	8,721,696	3,718,748	4,066,884	37,392,777	15,284,465	87,844,855	56,705,185
								2,836,896	2,895,900
								(7,493,719)	(9,582,926)
								83,188,032	50,018,159
								202,473,536	159,118,289
-	-	20,273,009	17,388,494	-	-	-	-	20,273,009	17,388,494
368,671	558,269	-	-	73,973	106,761	2,606,000	3,772,620	14,646,252	16,377,050
418,929	385,386	212,303	184,249	91,314	84,481	248,658	243,976	1,546,892	1,385,072
20,464	15,230	-	-	-	-	1,334	838	90,224	50,228
143,086	198,413	-	-	-	-	-	-	392,519	530,075
951,150	1,157,298	20,485,312	17,572,743	165,287	191,242	2,855,992	4,017,434	36,948,896	35,730,919
								1,328,479	1,222,210
								(4,683,398)	(4,519,286)
								33,593,977	32,433,843
3,193,438	3,707,704	5,324,436	5,327,241	877,648	2,178,477	543,902	1,112,759	17,185,110	18,746,510
-	93,000	-	-	-	-	82,074	20,074	14,042,006	7,469,204
190,701	157,928	-	-	26,029	24,115	1,335,778	1,449,003	3,664,397	3,048,938
1,139,325	987,686	174,837	147,234	368,166	302,957	199,546	1,092,454	2,870,750	3,356,242
4,523,464	4,946,318	5,499,273	5,474,475	1,271,843	2,505,549	2,161,300	3,674,290	37,762,263	32,620,894
								923,848	981,013
								2,375,259	1,635,534
								(6,691,947)	(9,738,405)
								34,369,423	25,499,036
								67,963,400	57,932,879
12,251,225	16,926,609	30,858,775	26,909,658	4,222,395	4,611,459	43,878,434	22,420,545	195,360,935	152,236,860
5,474,614	6,103,616	25,984,585	23,047,218	1,437,130	2,696,791	5,005,292	7,691,724	70,033,553	68,351,813

4 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

4.1 Acquisitions / Investments in 2013/14

Investment in Waterfront Properties (Pvt) Ltd

John Keells Holdings PLC (JKH) had proposed to the Government of Sri Lanka a project, valued in excess of USD 650mn, involving the developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated Resort (the "Project") on the land owned and occupied by its subsidiaries Ceylon Cold Stores PLC (CCS), John Keells PLC (JKL), John Keells Properties (Pvt) Ltd (JKP) and Waterfront Properties (Pvt) Ltd (WPL) combined with leasehold land in Colombo 2. John Keells Holdings PLC together with its subsidiaries CCS, JKL and JKP will be the shareholders in the Project Company, WPL. In April 2014, the Project Company, WPL received approval for the Project from the Parliament of Sri Lanka, under the Strategic Development of Project Act No. 14 of 2008 as published in the Gazette dated 30th January 2014. The Project site has since been handed over to the contractor and construction has now commenced.

In October 2013, the Group acquired an additional 10% of the voting shares of British Overseas (Pvt) Ltd, increasing its ownership to 61%. A cash consideration of LKR57mn was paid to the non-controlling interest shareholder. The carrying value of the net assets of British Overseas (Pvt) Ltd, at the additional acquisition date was LKR40.7 mn, and the carrying value of the additional interest acquired was LKR4 mn. The difference between the consideration and the carrying value of the interest acquired of LKR53 mn has been recognised in retained earnings within equity.

4.2 Disposals in 2013/14

In January 2014, the Group disposed of its interest in one of its associates, namely Central Hospitals Ltd for LKR1.68bn. The resultant gain of LKR655mn has been reflected in the consolidated income statement.

In February 2014, the Group divested it's voting shares in one of its joint ventures, namely Information Systems Associates.

In LKR'000s	**Value recognised on disposal**
ASSETS	
Cash in hand and at bank	166,533
Trade and other receivables	65,013
Intangible assets	21,028
Property, plant and equipment	19,403
LIABILITIES	
Employee benefit liabilities	(5,108)
Trade and other payables	(40,135)
Total identifiable net assets	226,734
Profit on disposal of non current investments	157,550
Cash and cash equivalents disposed	(166,533)
Net cash inflow on disposal of non current investments	217,751

4.3 Acquisitions in 2012/13

Acquisition of additional interest in Keells Food Products PLC

In August 2012, the Group acquired an additional 6.96% of the voting shares of Keells Food Products PLC, increasing its ownership to 90.17%. A cash consideration of LKR35.4 mn was paid to the non-controlling interest shareholders. The carrying value of the net assets of Keells Food Products PLC (excluding goodwill on the original acquisition) at the acquisition date was LKR411.6 mn, and the carrying value of the additional interest acquired was LKR28.6 mn. The difference between the consideration and the carrying value of the interest acquired of LKR6.8 mn has been recognised in retained earnings within equity.

Acquisition of D&W Food Products (Pvt) Ltd by Keells Food Products PLC. (KFP)

In August 2012, the KFP acquired building, plant and machinary of D&W Food Products (Pvt) Ltd for a total consideration of LKR700mn.

In LKR'000s	**Fair value recognised on acquisition**
ASSETS	
Goodwill	242,269
Property, plant and equipment	457,731
Total purchase price	700,000

4.4 Disposals in 2012/13

In July 2012 John Keells Holdings PLC and John Keells Holdings Mauritius (Pvt) Ltd signed an agreement to divest 40% of the voting shares of John Keells Logistic Lanka (Pvt) Ltd and 80% of the voting shares of John Keells Logistics India (Pvt) Ltd.

In LKR'000s	**Value recognised on disposal**
ASSETS	
Cash in hand and at bank	19,369
Other investments	2,079
Trade and other receivables	178,417
Goodwill	9,285
Deferred tax assets	6,874
Other non-current financial assets	5,841
Property, plant and equipment	18,404
LIABILITIES	
Bank overdrafts	(71,401)
Employee benefit liabilities	(7,423)
Trade and other payables	(98,081)
Total identifiable net assets	63,364
Transferred to investment in associates	(23,700)
Profit on disposal of non current investments	92,904
Fair value of contingent consideration	(44,713)
Cash consideration received on disposal of non current investments	87,855
Cash and cash equivalents disposed	49,953
Net cash inflow on disposal of non current investments	137,808

For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
5 REVENUE				
5.1 Revenue				
Gross revenue	89,590,313	85,711,254	808,504	674,825
Turnover tax	(334,613)	(303,404)	-	-
Net revenue	89,255,700	85,407,850	808,504	674,825

For the year ended 31st March In LKR'000s	Group 2014 Sale of goods	Group 2014 Rendering of services	Group 2014 Total revenue	Group 2013 Sale of goods	Group 2013 Rendering of services	Group 2013 Total revenue
5.2 Business segment analysis						
Transportation	13,812,524	2,888,307	16,700,831	16,072,550	3,365,187	19,437,737
Leisure	-	22,547,969	22,547,969	-	20,593,302	20,593,302
Property	3,607,805	530,694	4,138,499	2,764,011	405,643	3,169,654
Consumer Foods & Retail	25,358,010	55,798	25,413,808	23,995,096	46,783	24,041,879
Financial Services	-	9,474,976	9,474,976	-	8,598,546	8,598,546
Information Technology	4,921,807	2,580,251	7,502,058	4,017,321	2,496,277	6,513,598
Others	-	3,477,559	3,477,559	-	3,053,134	3,053,134
Group revenue	47,700,146	41,555,554	89,255,700	46,848,978	38,558,872	85,407,850

For the year ended 31st March In LKR'000s	Group 2014	Group 2013
5.3 Geographical segment analysis (by location of customers)		
Sri Lanka	76,238,229	73,003,964
Asia (excluding Sri Lanka)	8,592,226	8,140,420
Europe	3,112,264	3,188,138
Others	1,312,981	1,075,328
Total Group external revenue	89,255,700	85,407,850

For the year ended 31st March In LKR'000s	Company 2014	Company 2013
6 DIVIDEND INCOME		
Income from investments in subsidiaries, joint ventures and associates	6,527,675	6,817,632
	6,527,675	6,817,632

For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
7 OTHER OPERATING INCOME				
Exchange gains	314,717	212,649	-	-
Profit on sale of property, plant and equipment	-	-	6	2,697
Profit on sale of non current investments	178,281	92,904	-	-
Profit on sale of investments in associates	655,048	129,939	688,235	-
Promotional income and commission fee from consumer foods and retail group	746,028	566,681	-	-
Write back of dealer deposits	41,363	42,958	-	-
Sundry income	550,554	456,094	31,920	29,032
	2,485,991	1,501,225	720,161	31,729

For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
8 OTHER OPERATING EXPENSES				
Nation Building Tax	763,066	844,843	16,551	13,550
Loss on sale of other investments	12,403	-	-	30,152
Loss on sale of property, plant and equipment	40,957	59,836	-	-
Other overheads	2,242,077	1,742,895	17,866	19,008
	3,058,503	2,647,574	34,417	62,710

For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
9 FINANCE COST				
Interest expense on borrowings	1,176,283	1,058,243	204,251	272,033
Other finance cost	47,843	22,975	47,843	21,068
	1,224,126	1,081,218	252,094	293,101

For the year ended 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
10 FINANCE INCOME					
Interest income		5,514,571	4,496,011	1,880,364	1,192,583
Other finance income	10.1	268,877	273,880	121,741	103,010
		5,783,448	4,769,891	2,002,105	1,295,593

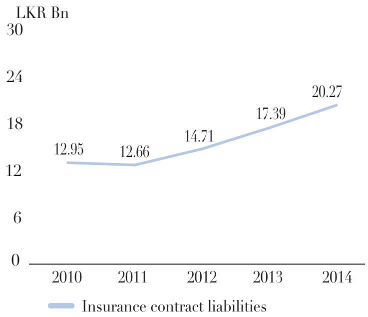
For the year ended 31st March In LKR'000s	Group 2014	 2013	Company 2014	 2013
10.1 Other finance income				
Dividend income on				
Financial assets at fair value through profit or loss	83,952	47,676	-	-
Available-for-sale financial assets	122,932	104,792	121,741	103,010
Investment related expenses	(62,540)	(76,790)	-	-
Net gains or losses on				
Financial assets at fair value through profit or loss	122,949	177,764	-	-
Available-for-sale financial assets	1,584	20,438	-	
	268,877	273,880	121,741	103,010

11 CHANGE IN LIFE INSURANCE CONTRACT LIABILITIES

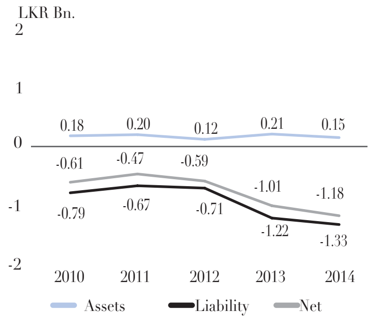
The results of Union Assurance PLC's life business segment is consolidated line by line into the Group's consolidated income statement. The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policy holders during the year.

For the year ended 31st March In LKR'000s	Group 2014	 2013
Revenue	5,320,877	4,865,114
Cost of sales	(2,104,742)	(2,085,399)
Gross profit	3,216,135	2,779,715
Operating expenses including distribution and administration expenses	(1,891,676)	(1,824,683)
Net finance income	2,311,335	2,034,040
Profit attributable to shareholders of the life fund	(602,737)	(380,622)
Change in insurance contract liabilities	3,033,057	2,608,450

Insurance contract liabilities

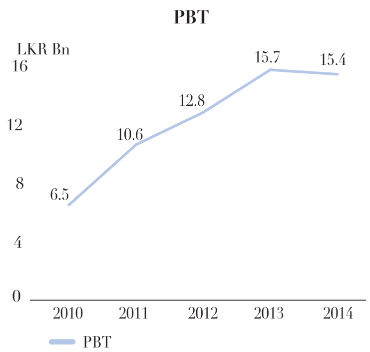


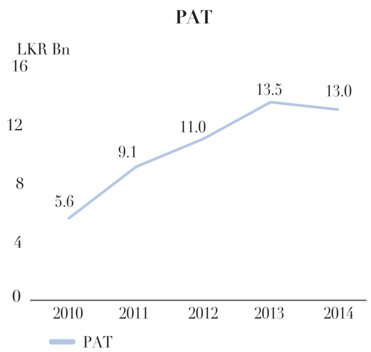
Deferred tax



For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
12 PROFIT BEFORE TAX				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	379,875	320,826	155,894	142,799
Remuneration to non executive directors	36,110	36,755	15,180	14,670
Auditors' remuneration				
Audit	44,135	50,841	5,901	8,298
Non-audit	3,840	7,760	1,474	2,595
Costs of defined employee benefits				
Defined benefit plan cost	273,496	247,312	23,182	20,482
Defined contribution plan cost - EPF and ETF	696,408	648,052	24,831	21,907
Staff expenses	9,175,096	8,881,309	419,273	338,658
Depreciation of property, plant and equipment	2,605,109	2,249,694	23,477	25,489
Amortisation of intangible assets	248,226	244,924	25,050	16,520
Amortisation of lease rentals paid in advance	679,809	682,599	-	-
Impairment losses	195,471	17,562	220,525	-
Operating lease payments	965,244	1,034,866	-	-
Loss on sale of property, plant and equipment and intangible assets	40,957	59,836	-	-
Donations	13,328	18,815	7,755	4,980

For the year ended 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
13 TAX EXPENSE					
Current income tax					
Current tax charge		1,707,652	1,598,872	274,737	64,620
(Over)/Under provision of current tax of previous years		133,373	(42,407)	144,990	882
Economic service charge	13.2	31,001	29,110	-	-
10% Withholding tax on inter company dividends		322,719	435,128	-	-
Deferred income tax					
Relating to origination and reversal of temporary differences	13.3	193,024	163,836	-	-
		2,387,769	2,184,539	419,727	65,502





For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
13.1 Reconciliation between tax expense and the product of accounting profit				
Profit before tax	15,399,215	15,665,439	8,316,900	7,426,105
Dividend income from Group companies	8,591,454	7,781,045	-	-
Share of results of equity accounted investees	(2,963,863)	(3,369,313)	-	-
Other consolidation adjustments	413,149	866,510	-	-
	21,439,955	20,943,681	8,316,900	7,426,105
Exempt profits	(3,993,103)	(3,700,402)	(375,939)	(203,937)
Profits not charged to income tax	(820,926)	(1,320,483)	(688,235)	-
Resident dividend	(7,552,337)	(7,653,519)	(6,649,416)	(6,920,643)
Accounting profit / (loss) chargeable to income taxes	9,073,589	8,269,277	603,310	301,525
Tax effect on chargeable profits	1,862,622	1,870,769	168,927	84,878
Tax effect on non deductible expenses	179,212	108,721	134,335	54,283
Tax effect on deductions claimed	(596,954)	(477,831)	(16,790)	(12,663)
Net tax effect of unrecognised deferred tax assets for the year	259,479	(52,199)	(11,735)	(61,878)
Net tax effect of unrecognised deferred tax assets for prior years	(160,278)	(10,850)	-	-
Under / (over) provision for previous years	133,373	(42,407)	144,990	882
Other income based taxes				
Economic service charge	31,001	29,110	-	-
10% WHT on inter company dividends	322,719	435,128	-	-
Current and deferred tax share of equity accounted investees	356,595	324,098	-	-
	2,387,769	2,184,539	419,727	65,502
Income tax charged at				
Standard rate 28%	908,990	790,158	274,737	64,620
Concessionary rate of 12%	460,120	452,011	-	-
Under / (over) provision for previous years	133,373	(42,407)	144,990	882
Charge for the year	1,502,483	1,199,762	419,727	65,502
Deferred tax charge	174,971	196,441	-	-
Other income based taxes				
Economic service charge	31,001	29,110	-	-
10% WHT on inter company dividends	322,719	435,128	-	-
Current and deferred tax share of equity accounted investees	356,595	324,098	-	-
Total income tax expense	2,387,769	2,184,539	419,727	65,502

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

For the year ended 31st March In LKR'000s	Group 2014	Group 2013
13.2 Economic service charge (ESC)		
ESC written-off	31,001	29,110
	31,001	29,110

For the year ended 31st March In LKR'000s	Group 2014	Group 2013
13.3 Deferred tax expense		
Income statement		
Deferred tax expense arising from;		
Accelerated depreciation for tax purposes	359,890	359,162
Revaluation of investment property to fair value	(34,830)	(16,679)
Employee benefit liabilities	(71,304)	(5,378)
Benefit arising from tax losses	(73,095)	(172,577)
Others	(5,690)	31,913
	174,971	196,441
Share of associate company deferred tax	18,053	(32,605)
Deferred tax charge	193,024	163,836
Other comprehensive income		
Deferred tax expense arising from;		
Employee benefit liabilities	(2,790)	-
Revaluation of land and building to fair value	-	228,187
Total deferred tax charge	190,234	392,023

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for leisure Group companies and at rates as disclosed in note 13.6 and 13.7.

Temporary differences associated with the undistributed reserves in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised, amounts to LKR3,351 mn (2013 LKR2,260 mn). The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
13.4 Tax losses carried forward				
Tax losses brought forward	7,324,164	6,546,382	1,041,879	1,204,239
Adjustments on finalisation of liability	(283,939)	(254,164)	-	-
Tax losses arising during the year	1,128,611	1,580,856	-	-
Utilisation of tax losses	(254,383)	(548,910)	-	(162,360)
	7,914,453	7,324,164	1,041,879	1,041,879

	Year of investment	Cost of approved investment	Relief claimed investments	Liability to additional tax on disposal of Investment
13.5 Details of investment relief				
John Keells Holdings PLC. (JKH)	1999/2000	579,036	413,771	-
Ceylon Cold Stores PLC. (CCS)	2011/2012	257,174	192,526	-
	2012/2013	167,104	83,545	-
	2013/2014	72,801	18,200	-
Keells Food Products PLC. (KFP)	2012/2013	457,732	71,369	-
Trans Asia Hotels PLC. (TAH)	2011/2012	81,522	61,142	-

JKH is eligible for qualifying payment relief granted under Section 31(2)(s) of the Inland Revenue Act No 28 of 1979 and the transitional provisions in Section 218 of the Inland Revenue Act No 10 of 2006. The company has carried forward the unclaimed investment relief to set off in future years.

CCS, KFP and TAH are eligible for qualifying payment relief granted under Section 34(2)(s) of the Inland Revenue Act, No. 10 of 2006 duly amended by the Inland Revenue (Amendment) Act, No.8 of 2012 and Inland Revenue (Amendment) Act, No.18 of 2013. These companies have carried forward the unclaimed investment relief to set off in future years.

13.6 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 28% except for the following companies which enjoy full or partial exemptions and concessions.

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Inland Revenue Act			
Ceylon Cold Stores PLC.	Off-Shore activities for payment in foreign currency	Exempt	Open-ended
John Keells Computer Services (Pvt) Ltd.	- do -	- do -	- do -
John Keels Office Automation (Pvt) Ltd.	- do -	- do -	- do -
Keells Hotel Management Services Ltd.	- do -	- do -	- do -
Keells Shipping (Pvt) Ltd.	- do -	- do -	- do -
Mack Air (Pvt) Ltd.	- do -	- do -	- do -
Walkers Tours Ltd.	- do -	- do -	- do -
John Keells Computer Services (Pvt) Ltd.	On-shore activities for payment in foreign currency	- do -	- do -
John Keells International (Pvt) Ltd.	- do -	- do -	- do -
InfoMate (Pvt) Ltd.	- do -	- do -	- do -
John Keells Holdings PLC.	- do -	- do -	- do -
Lanka Marine Services (Pvt) Ltd.	Export consignment sales of Petroleum Products	- do -	- do -

Company / Sector	Basis	Exemptions or concessions	Period
John Keells Properties Ja-Ela (Pvt) Ltd.	New undertaking engaged in construction of commercial buildings	Exempt	9 years from 1st year of profit or 2 years from operations
John Keells Warehousing (Pvt) Ltd.	Operation and maintenance of facilities for storage	10%	Open-ended
John Keells Logistics (Pvt) Ltd (sites which are not covered by the BOI agreement)	- do -	- do -	- do -
Leisure sector	Promotion of tourism	12%	- do -
Mackinnons Travels (Pvt) Ltd.	- do -	- do -	- do -
Consumer Foods and Retail sector	Qualified export profits	- do -	- do -
Lanka Marine Services (Pvt) Ltd.	- do -	- do -	- do -
Exemptions / concessions granted under the Board of Investment Law			
Asian Hotels and Properties PLC.	Construction and operation of office and apartment complex	Exempt	15 years from April 1996 with a 3 year extension on merger
Beruwala Holiday Resorts (Pvt) Ltd.	Construction of a tourist hotel	- do -	8 years from 1st year of profit or 2 years from operations
Sancity Hotels & Properties Ltd	Construction of a tourist hotel	- do -	12 years from 1st year of profit or 2 years from operations
John Keells Logistics (Pvt) Ltd.	Integrated supply chain management	- do -	5 years from April 2009
John Keells Residential Properties (Pvt) Ltd.	Infrastructure development	- do -	8 years from April 2011
Trinco Holiday Resorts (Pvt) Ltd.	For upgrading and refurbishment of a hotel in the Eastern Province	- do -	10 years from 1st year of profit or 2 years from operations
South Asia Gateway Terminals (Pvt) Ltd.	"Port Services" at Queen Elizabeth Quay	- do -	20 years from September 1999
British Overseas (Pvt) Ltd.	Infrastructure development	- do -	9 years from 1st year of profit or 2 years from operations
Waterfront Properties (Pvt) Ltd.	Intergrated super luxury tourist resort	- do -	10 years from 1st year of profit or 3 years from operations

Other miscellaneous concessions

Exemption on interest income earned from foreign currency denominated accounts. Capital gains from sale of shares is excluded from chargeability to income tax. Income / profits from offshore dividends and interest is exempt from income tax.

Country of incorporation	Company	Rate
13.7 Income tax rates of off-shore subsidiaries		
India	John Keells BPO Solutions India (Pvt) Ltd.	30.9%
	John Keells Foods India (Pvt) Ltd.	30.9%
	John Keells Air Services India (Pvt) Ltd.	30.9%
	Serene Holidays (Pvt) Ltd.	30.9%
Mauritius	John Keells BPO Holdings (Pvt) Ltd.	3%(Effective)
	John Keells BPO International (Pvt) Ltd.	3%(Effective)
	John Keells Holdings Mauritius (Pvt) Ltd.	3%(Effective)
Republic of Maldives	Fantasea World Investments (Pte) Ltd.	15%
	Tranquility (Pte) Ltd.	15%
	Travel Club (Pte) Ltd.	15%
	John Keells Maldivian Resorts (Pte) Ltd.	15%
	Mack Air Services Maldives (Pte) Ltd.	15%
Singapore	John Keells Singapore (Pte) Ltd.	17% (Max)
United Arab Emirates	Information System Associates	Nil
United Kingdom	John Keells Computer Services (UK) Ltd.	30%
USA	John Keells BPO Solutions US (Pvt) Inc.	35%(Max)
Canada	John Keells BPO Solutions Canada (Pvt) Inc.	26.5%

For the year ended 31st March In LKR'000s	Note	Group 2014	 2013
14. EARNINGS PER SHARE			
14.1 Basic earnings per share			
Profit attributable to equity holders of the parent		11,718,812	12,113,300
Weighted average number of ordinary shares	14.3	929,781	880,241
Basic earnings per share		12.60	13.76
14.2 Diluted earnings per share			
Profit attributable to equity holders of the parent		11,718,812	12,113,300
Adjusted weighted average number of ordinary shares	14.3	950,772	887,202
Diluted earnings per share		12.33	13.65
14.3 Amount used as denominator			
Ordinary shares at the beginning of the year		857,243	844,121
Bonus element on right issue		28,897	28,897
Effect of share options exercised and right issue		43,641	7,223
Weighted average number of ordinary shares in issue before dilution		929,781	880,241
Number of shares outstanding under the share option scheme and warrants		105,897	23,741
Number of shares that would have been issued at fair value		(84,906)	(16,780)
Adjusted weighted average number of ordinary shares		950,772	887,202

For the year ended 31st March In LKR'000s	LKR	2014	LKR	2013
15 DIVIDEND PER SHARE				
Equity dividend on ordinary shares declared and paid during the year				
Final dividend*	1.50	1,286,460	1.50	1,275,977
Interim dividend	2.00	1,980,258	2.00	1,706,445
Total dividend	3.50	3,266,718	3.50	2,982,422

*Previous years' final dividend was paid in the current year.

16 FINANCIAL INSTRUMENTS - GROUP

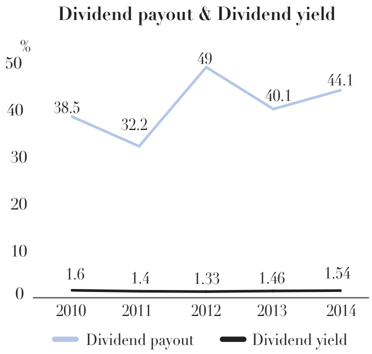
16.1 Financial assets and liabilities by categories

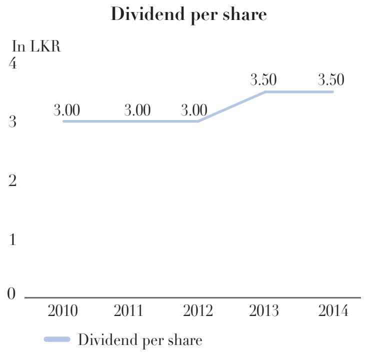
Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

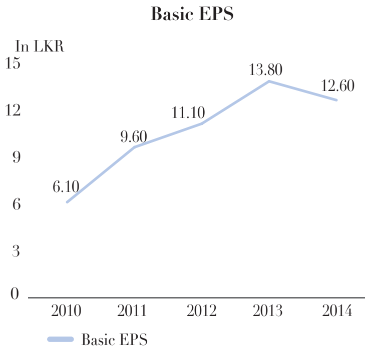
Financial assets by categories	Loans and receivables		Financial assets at fair value through profit or loss		Available-for-sale financial assets		Held-to-maturity investments		Total	
As at 31 st March In LKR'000	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Financial instruments in non-current assets										
Other non-current financial assets	2,498,184	3,180,300	23,683	44,619	5,535,537	1,935,053	13,030,423	13,656,721	21,087,827	18,816,693
Financial instruments in current assets										
Trade and other receivables	12,552,259	12,741,624	11,531	33,422	-	-	-	-	12,563,790	12,775,046
Amounts due from related parties	313,468	207,455	-	-	-	-	-	-	313,468	207,455
Short term investments	49,498,145	23,328,969	2,786,717	1,939,311	912,230	982,774	1,355,595	335,000	54,552,687	26,586,054
Cash in hand and at bank	5,955,171	3,554,804	-	-	-	-	-	-	5,955,171	3,554,804
Total	70,817,227	43,013,152	2,821,931	2,017,352	6,447,767	2,917,827	14,386,018	13,991,721	94,472,943	61,940,052

For financial assets both at fair value through profit or loss and available-for-sale financial assets the carrying amount and fair value are equal.

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology. Fair value of held to maturity investments amounts to LKR15,413 mn (2013 - LKR14,064 mn) for the Group.







16.1 Financial assets and liabilities by categories (Contd.)

Financial liabilities by categories As at 31 st March In LKR'000	**Financial liabilities at fair value through profit or loss** 2014	2013	**Financial liabilities measured at amortised cost** 2014	2013
Financial instruments in non-current liabilities				
Borrowings	-	-	9,968,646	11,857,764
Financial instruments in current liabilities				
Trade and other payables	-	-	14,737,136	14,608,263
Amounts due to related parties	-	-	46,055	15,280
Short term borrowings	-	-	9,751,976	1,853,767
Current portion of borrowings	-	-	3,664,399	3,048,936
Bank overdrafts	-	-	2,870,750	3,356,243
Total	-	-	41,038,962	34,740,253

The Group has designated financial assets amounting to LKR334 mn (2013 - LKR204 mn) upon initial recognition, as fair value through profit or loss.

The management assessed that, cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties, other than in a forced sale or on liquidation.

The following methods and assumptions were used to estimate the fair values:
Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

16.2 Financial assets and liabilities by categories - Company

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories	**Loans and receivables**		**Available-for-sale financial assets**		**Total**	
As at 31 st March In LKR'000s	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Financial instruments in non-current assets						
Other non-current financial assets	73,059	39,576	2,053,263	1,671,077	2,126,322	1,710,653
Financial instruments in current assets						
Trade and other receivables	69,194	994,862	-	-	69,194	994,862
Amounts due from related parties	695,470	518,084	-	-	695,470	518,084
Short term investments	35,406,695	12,551,540	-	-	35,406,695	12,551,540
Cash in hand and at bank	51,627	63,159	-	-	51,627	63,159
Total	36,296,045	14,167,221	2,053,263	1,671,077	38,349,308	15,838,298

Both carrying amount and fair value of available-for-sale financial assets are equal.

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

Financial liabilities by categories	**Financial liabilities measured at amortised cost**	
As at 31 st March In LKR'000s	**2014**	**2013**
Financial instruments in non-current liabilities		
Borrowings	2,591,379	3,752,621
Financial instruments in current liabilities		
Trade and other payables	225,449	229,990
Amounts due to related parties	4,939	13,156
Current portion of borrowings	1,329,103	1,314,424
Bank overdrafts	190,333	510,205
Total	4,341,203	5,820,396

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties, other than in a forced sale or on liquidation.

16.2 Financial assets and liabilities by categories - Company (Contd.)

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

16.3 Financial assets and liabilities by fair value hierarchy - Group

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs with significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group held the following financial instruments carried at fair value in the statement of financial position:

FINANCIAL ASSETS As at 31 st March In LKR'000	**Level 1**		**Level 2**		**Level 3**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Fair value through profit or loss						
Financial assets held for trading	2,476,631	1,780,296	-	-	-	-
Designated at fair value through profit or loss	-	-	333,769	203,634	-	-
Foreign exchange forward contracts	-	-	11,531	33,422	-	-
Available for sale	4,330,781	1,363,305	1,663,312	1,183,875	453,674	370,647
Total	6,807,412	3,143,601	2,008,612	1,420,931	453,674	370,647

16.4 Financial assets and liabilities by fair value hierarchy - Company

FINANCIAL ASSETS As at 31 st March In LKR'000	**Level 1**		**Level 2**		**Level 3**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Available for sale	1,624,710	1,354,440	-	-	428,553	316,637

16.5 Reconciliation of fair value measurements of Level 3 financial instruments

The Group and Company carry unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy.

A reconciliation of the beginning and closing balances including movements is summarised below:

	Available-for-sale financial assets	
In LKR'000	**Group**	**Company**
As at 1 April 2013	370,647	316,637
Sales	(24,399)	-
Impairment	(6,653)	-
Purchases	4,200	4,200
Total gains and losses recognised in OCI	109,879	107,716
As at 31 March 2014	453,674	428,553

Fair value would not significantly vary if one or more of the inputs were changed.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds available-for-sale investments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group is exposed to market risk, credit risk and liquidity risk.

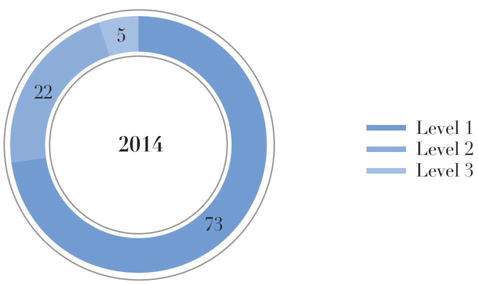
17.1 Credit risk

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

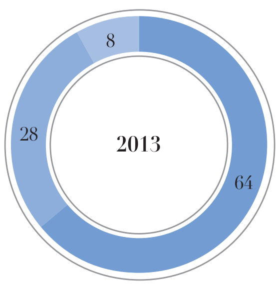
The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments, investments, and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

Financial assets fair value hierarchy %



Financial assets fair value hierarchy %



17.1.1 Risk exposure

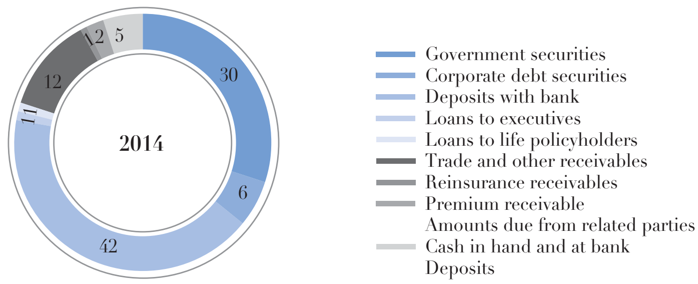
The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

As at 31 st March

In LKR'000

		2014						
Risk exposure - Group	**Notes**	**Other non current financial assets**	**Cash in hand and at bank**	**Trade and other receivables**	**Short term investments**	**Amounts due from related parties**	**Total**	**% of allocation**
Government securities	17.1.2	11,667,274	-	-	15,078,064	-	26,745,338	30%
Corporate debt securities	17.1.3	5,447,783	-	-	-	-	5,447,783	6%
Deposits with bank	17.1.4	516,562	-	-	36,997,992	-	37,514,554	42%
Loans to executives	17.1.5	808,503	-	171,832	-	-	980,335	1%
Loans to life policyholders	17.1.6	556,256	-	-	-	-	556,256	1%
Trade and other receivables	17.1.7	-	-	10,389,449	-	-	10,389,449	12%
Reinsurance receivables	17.1.8	-	-	545,680	-	-	545,680	1%
Premium receivable	17.1.9	-	-	1,456,829	-	-	1,456,829	2%
Amounts due from related parties	17.1.10	-	-	-	-	313,468	313,468	0%
Cash in hand and at bank	17.1.11	-	5,955,171	-	-	-	5,955,171	5%
Total credit risk exposure		18,996,378	5,955,171	12,563,790	52,076,056	313,468	89,904,863	100%
Financial assets at fair value through P&L	17.3.4.1	-	-	-	2,476,631	-		
Available-for-sale investments	17.3.4.2	2,091,449	-	-	-	-		
Total equity risk exposure		2,091,449	-	-	2,476,631	-		
Total		21,087,827	5,955,171	12,563,790	54,552,687	313,468		
Risk exposure - Company								
Government securities	17.1.2	-	-	-	9,372,816	-	9,372,816	26%
Deposits with bank	17.1.4	-	-	-	26,033,879	-	26,033,879	72%
Loans to executives	17.1.5	63,059	-	16,854	-	-	79,913	0%
Trade and other receivables	17.1.7	-	-	52,340	-	-	52,340	0%
Amounts due from related parties	17.1.10	10,000	-	-	-	695,470	705,470	2%
Cash in hand and at bank	17.1.11	-	51,627	-	-	-	51,627	0%
Total credit risk exposure		73,059	51,627	69,194	35,406,695	695,470	36,296,045	100%
Available-for-sale investments	17.3.4.2	2,053,263	-	-	-	-		
Total equity risk exposure		2,053,263	-	-	-	-		
Total		2,126,322	51,627	69,194	35,406,695	695,470		

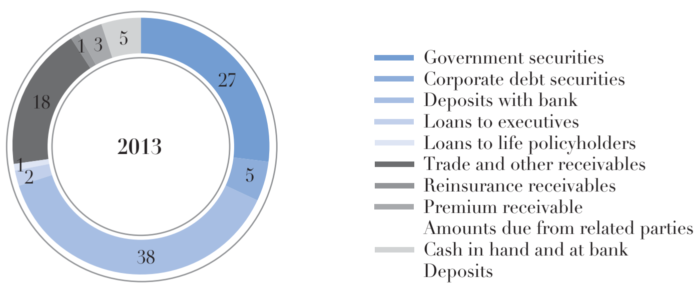
Total credit risk exposure %



2013

Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
11,915,463	-	-	3,734,734	-	15,650,197	27%
2,611,981	-	-	335,000	-	2,946,981	5%
1,570,000	-	-	20,736,024	-	22,306,024	38%
681,627	-	207,982	-	-	889,609	2%
303,670	-	-	-	-	303,670	1%
-	-	10,737,039	-	-	10,737,039	18%
-	-	367,801	-	-	367,801	1%
-	-	1,462,224	-	-	1,462,224	3%
-	-	-	-	207,455	207,455	0%
-	3,554,804	-	-	-	3,554,804	5%
17,082,741	3,554,804	12,775,046	24,805,758	207,455	58,425,804	100%
-	-	-	1,780,296	-		
1,733,952	-	-	-	-		
1,733,952	-	-	1,780,296	-		
18,816,693	3,554,804	12,775,046	26,586,054	207,455		
-	-	-	280,770	-	280,770	2%
-	-	-	12,270,770	-	12,270,770	87%
39,576	-	19,522	-	-	59,098	0%
-	-	975,340	-	-	975,340	7%
-	-	-	-	518,084	518,084	4%
-	63,159	-	-	-	63,159	0%
39,576	63,159	994,862	12,551,540	518,084	14,167,221	100%
1,671,077	-	-	-	-		
1,671,077	-	-	-	-		
1,710,653	63,159	994,862	12,551,540	518,084		

Total credit risk exposure %



17.1.2 Government securities

As at 31 March 2014 as shown in table above,30% (2013-27%) of debt securities comprise investments in government securities consist of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

17.1.3 Corporate debt securities

As at 31 March 2014, corporate debt securities comprise 6% (2013-5%) of the total investments in debt securities, out of which 86% (2013 – 89%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

As at 31 March	Group 2014 In LKR'000s	Group 2014 Rating % of total	Group 2013 In LKR'000s	Group 2013 Rating % of total
Fitch ratings				
AA+	475,000	9%	600,000	20%
AA	690,015	13%	695,000	24%
AA-	1,239,665	23%	867,680	30%
A+	2,090,318	38%	-	-
A	159,284	3%	450,000	15%
A-	582,600	10%	10,000	0%
BBB+	36,601	1%	-	-
Not rated	174,300	3%	324,301	11%
Total	5,447,783	100%	2,946,981	100%

17.1.4 Deposits with bank

Deposits with bank mainly consist of fixed and call deposits.

As at 31 March 2014, fixed and call deposits comprise 94% (2013- 90%) and 100% (2013- 93%) for the Group and Company respectively were rated "A+" or better.

As at 31 March	Group				Company			
	2014		2013		2014		2013	
Fitch ratings	In LKR'000s	Rating % of total	In LKR'000s	Rating % of total	In LKR'000s	Rating % of total	In LKR'000s	Rating % of total
AAA	254,722	1%	915,390	4%	-	-	-	-
AA+	9,107,031	24%	9,332,624	42%	7,153,329	27%	4,122,118	34%
AA	7,895,587	21%	4,638,150	21%	4,727,804	18%	2,075,892	17%
AA-	17,895,228	48%	5,199,810	23%	14,152,746	55%	5,156,001	42%
A	2,361,986	6%	2,220,050	10%	-	-	916,759	7%
Total	37,514,554	100%	22,306,024	100%	26,033,879	100%	12,270,770	100%

17.1.5 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary Power of Attorney/promissory notes as collateral for the loans granted.

17.1.6 Loans to life policyholders

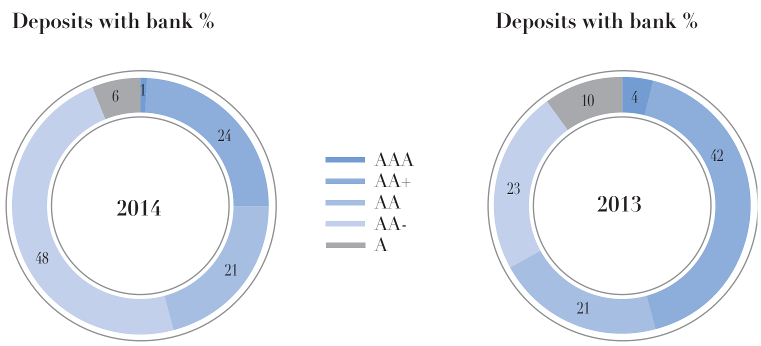
The surrender value of insurance contracts is considered as collateral for the loans given to the life policy holders by Union Assurance PLC.

17.1.7 Trade and other receivables

		Group		Company	
As at 31st March		2014	2013	2014	2013
In LKR'000s					
Neither past due nor impaired		6,529,845	6,674,774	33,300	950,480
Past due but not impaired					
	0–30 days	1,674,671	2,248,993	7,892	17,974
	31–60 days	1,512,991	1,316,516	1,780	1,138
	61–90 days	272,298	219,400	-	-
	> 91days	399,644	277,356	9,368	5,748
Impaired		393,965	303,615	3,817	-
Gross carrying value		10,783,414	11,040,654	56,157	975,340
Less: impairment provision					
Individually assessed impairment provision		(377,551)	(286,352)	(3,817)	-
Collectively assessed impairment provision		(16,414)	(17,263)	-	-
Total		10,389,449	10,737,039	52,340	975,340

The Group has obtained customer deposits from major customers by reviewing their past performance and credit worthiness, as collateral.

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.



17.1.8 Reinsurance receivables

As part of its overall risk management strategy, the Union Assurance PLC (UA) cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes UA to credit risk.

Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka and concentration of risk is managed by reference to counterparties' limits that are set each year and are subject to regular reviews. On a regular basis management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.

17.1.9 Premium receivable

UA's has a credit risk exposure to receivables where the policyholder or the intermediary cannot settle their dues to UA.
In life insurance, credit risk is minimal, since premium is collected before the policy is issued.
In non life insurance, the premium warranty clause which states that a claim is not payable if the premium is not settled within 60 days has reduced the credit risk to a greater extent.
The following steps have also been taken to further minimise credit risk;

- Customers are regularly reminded on the premium warranty clause.
- Outstanding credit is followed up on a daily basis.
- Policies not settled within a reasonable period are monitored and cancelled.
- Outstanding receivables are checked and confirmed prior to settling claims.
- Until premium is settled a temporary certificate for 60 days issued for motor policies.

17.1.10 Amounts due from related parties

The Group's amounts due from related parties mainly consists of associates and other venture partners' balances from joint ventures.
The Company balance consists of the balance from affiliate companies.

17.1.11 Credit risk relating to cash and cash equivalents

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

17.2 Liquidity Risk

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

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including debentures, bank loans, loan notes, overdrafts and finance leases over a broad spread of maturities.

As at 31st March In LKR'000s	Group 2014	 2013	Company 2014	 2013
17.2.1 Net debt / (cash)				
Short term investments	54,552,687	26,586,054	35,406,695	12,551,540
Cash in hand and at bank	5,955,171	3,554,804	51,627	63,159
Adjustments to liquid assets	(2,838,274)	(1,801,554)	-	-
Total liquid assets	57,669,584	28,339,304	35,458,322	12,614,699
Non current portion of borrowings	9,968,646	11,857,764	2,591,379	3,752,621
Short term borrowings	9,751,976	1,853,767	-	-
Current portion of borrowings	3,664,399	3,048,936	1,329,103	1,314,424
Bank overdrafts	2,870,750	3,356,243	190,333	510,205
Total liabilities	26,255,771	20,116,710	4,110,815	5,577,250
Net debt / (cash)	(31,413,813)	(8,222,594)	(31,347,507)	(7,037,449)

17.2.2 Liquidity risk management

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

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2014 based on contractual undiscounted payments.

Group In LKR'000s	**Within 1 year**	**Between 1-2 years**	**Between 2-3 years**	**Between 3-4 years**	**Between 4-5 years**	**More than 5 years**	**Total**
Borrowings	3,664,399	4,349,727	3,483,611	982,320	1,061,476	91,512	13,633,045
Trade and other payables	14,737,136	-	-	-	-	-	14,737,136
Amounts due to related parties	46,055	-	-	-	-	-	46,055
Short term borrowings	9,751,976	-	-	-	-	-	9,751,976
Bank overdrafts	2,870,750	-	-	-	-	-	2,870,750
	31,070,316	4,349,727	3,483,611	982,320	1,061,476	91,512	41,038,962

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

Group In LKR'000s	**Within 1 year**	**Between 1-2 years**	**Between 2-3 years**	**Between 3-4 years**	**Between 4-5 years**	**More than 5 years**	**Total**
Borrowings	3,048,936	3,754,171	3,789,913	3,194,895	926,957	191,828	14,906,700
Trade and other payables	14,608,263	-	-	-	-	-	14,608,263
Amounts due to related parties	15,280	-	-	-	-	-	15,280
Short term borrowings	1,853,767	-	-	-	-	-	1,853,767
Bank overdrafts	3,356,243	-	-	-	-	-	3,356,243
	22,882,489	3,754,171	3,789,913	3,194,895	926,957	191,828	34,740,253

17.2.2 Liquidity risk management (Contd.)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2014 based on contractual undiscounted payments.

Company In LKR'000s	**Within 1 year**	**Between 1-2 years**	**Between 2-3 years**	**Between 3-4 years**	**Between 4-5 years**	**More than 5 years**	**Total**	
Borrowings	1,329,103	1,295,690	1,295,689	-	-	-	3,920,482	
Trade and other payables	225,449	-	-	-	-	-	225,449	
Amounts due to related parties	4,939	-	-	-	-	-	4,939	
Bank overdrafts		190,333-	-	-	-	-		190,333
	1,749,824	1,295,690	1,295,689	-	-	-	4,341,203	

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

Company In LKR'000s	**Within 1 year**	**Between 1-2 years**	**Between 2-3 years**	**Between 3-4 years**	**Between 4-5 years**	**More than 5 years**	**Total**	
Borrowings	1,314,424	1,140,173	1,306,224	1,306,224	-	-	5,067,045	
Trade and other payables	229,990	-	-	-	-	-	229,990	
Amounts due to related parties	13,156	-	-	-	-	-	13,156	
Bank overdrafts		510,205-	-	-	-	-		510,205
	2,067,775	1,140,173	1,306,224	1,306,224	-	-	5,820,396	

17.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

* Interest rate risk
* Currency risk
* Equity price risk
* Commodity price risk

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

The sensitivity analysis in the following sections relate to the position as at 31 March in 2014 and 2013

The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligations, provisions, and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant income statement and financial position items' effect of the assumed changes in respective risks is based on the financial assets and financial liabilities held at 31 March 2014 and 2013.

17.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, based on the market condition and outlook of the interest rate, the Group takes mitigating action such as interest rate swaps ,caps, etc.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

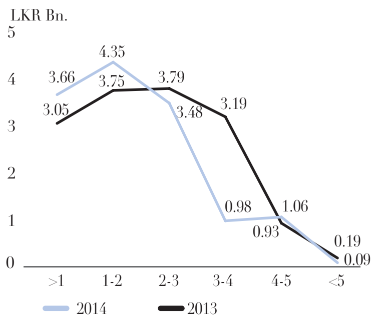
	Increase/(decrease) in basis points		Effect on profit before tax LKR '000s	
			Group	**Company**
	Rupee borrowings	Other currency borrowings		
2014				
	+125	+06	(86,750)	(2,352)
	–125	–06	99,939	2,352
2013				
	+150	+15	(80,011)	(7,601)
	–150	–15	98,921	7,601

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

17.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury analyses the market condition of foreign exchange and provides market updates to the Group Executive Committee (GEC), with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decision rights given by Boad of Directors.

Maturity analysis on borrowings



17.3.2.1 Effects of currency transaction on forward contracts

The following table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts.

	Increase/(decrease) in exchange rate USD	Effect on profit before tax LKR '000s Group	Effect on profit before tax LKR '000s Company
2014			
	+3%	(13,960)	-
	–3%	13,960	-
2013			
	+3%	(5,397)	-
	–3%	5,397	-

Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

17.3.2.2 Effects of currency translation.

For purposes of JKH's consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees (LKR). Therefore, period-to-period changes in average exchange rates may cause currency translation effects that have a significant impact on, for example, revenue, segment results (Earnings Before Interest and Taxes – EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

The Group's exposure to foreign currency changes for all other currencies is not material.

		Group		**Company**	
	Increase/(decrease) in exchange rate USD	Effect on profit before tax LKR '000s	Effect on equity LKR '000s	Effect on profit before tax LKR '000s	Effect on equity LKR '000s
2014					
	+3%	556,123	299,630	358,984	-
	–3%	(556,123)	(299,630)	(358,984)	-
2013					
	+3%	330,803	269,381	(16,738)	-
	–3%	(330,803)	(269,381)	16,738	-

Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

17.3.3 Equity price risk

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

17.3.3.1 Financial assets at fair value through Profit and loss

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

	Group			
As at 31st March	2014		2013	
	LKR'000s	%	LKR'000s	%
Banks Finance and Insurance	968,256	39%	619,998	35%
Beverage Food and Tobacco	324,148	13%	239,586	13%
Construction & Engineering	60,185	2%	73,758	4%
Diversified Holdings	564,189	23%	385,634	22%
Manufacturing	337,722	14%	210,752	12%
Motors	11,141	0%	11,141	1%
Power and Energy	114,547	5%	92,016	5%
Other Services	22,658	1%	36,162	2%
Telecommunications	73,785	3%	111,249	6%
	2,476,631	100%	1,780,296	100%

17.3.3.2 Available-for-sale investments

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

17.3.3.3 Sensitivity analysis

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

		Group		Company	
	Change in year-end market price index	Effect on Profit before tax LKR '000s	Effect on equity LKR '000s	Effect on Profit before tax LKR '000s	Effect on equity LKR '000s
2014	+5%	123,832	81,236	-	81,236
	-5%	(123,832)	(81,236)	-	(81,236)
2013	+10%	178,030	136,331	-	135,444
	-10%	(178,030)	(136,331)	-	(135,444)

17.4 Capital management

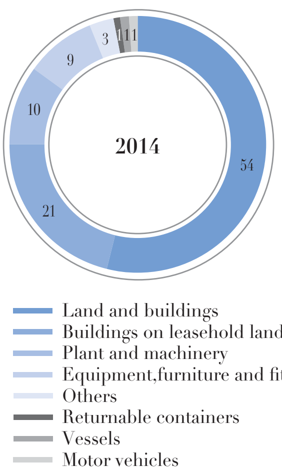
The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios inorder to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

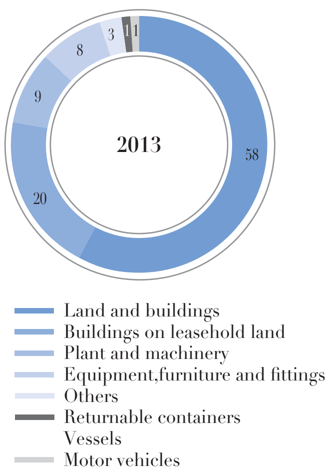
	Group		Company	
	2014	2013	2014	2013
Debt / Equity	19.5%	19.9%	5.5%	11.9%

As at 31 st March In LKR'000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
18 PROPERTY, PLANT AND EQUIPMENT				
18.1 Group				
Cost or valuation				
At the beginning of the year	29,533,079	11,052,068	7,147,473	8,807,443
Additions	92,427	415,799	899,012	987,735
Acquisition (disposal) of subsidiaries and joint ventures	-	-	-	(54,905)
Disposals	(54,989)	(23,126)	(164,418)	(466,016)
Revaluations	59,282	-	-	-
Impairment/Derecognition	(196,507)	(29,402)	-	(1,984)
Transfers	(2,526,277)	57,782	(254,345)	72,697
Exchange translation difference	-	76,072	10,230	35,609
At the end of the year	26,907,015	11,549,193	7,637,952	9,380,579
Accumulated depreciation and impairment				
At the beginning of the year	(579,116)	(1,182,979)	(2,945,766)	(4,806,397)
Charge for the year	(196,907)	(359,623)	(489,984)	(952,352)
Acquisition (disposal) of subsidiaries and joint ventures	-	-	-	35,502
Disposals	32,092	6,506	132,952	434,410
Revaluations	18,037	-	-	-
Impairment / derecognition	848	1,625	-	-
Transfers	-	-	216,769	-
Exchange translation difference	-	(45,389)	(9,253)	(26,040)
At the end of the year	(725,046)	(1,579,860)	(3,095,282)	(5,314,877)
Carrying value				
As at 31 March 2014	26,181,969	9,969,333	4,542,670	4,065,702
As at 31 March 2013	28,953,963	9,869,089	4,201,707	4,001,046

Composition of PPE %

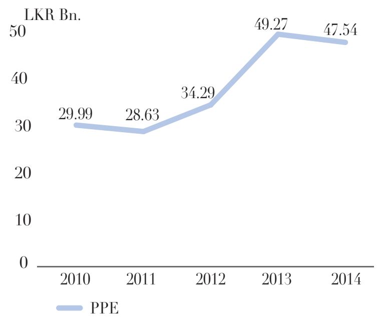


Composition of PPE %

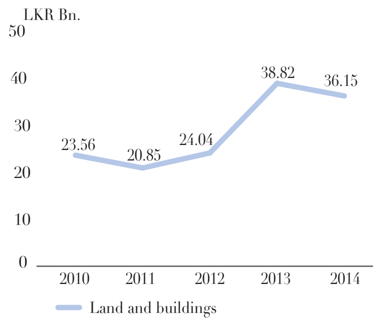


Motor vehicles Freehold	Motor vehicles Leasehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2014	Total 2013
709,160	13,292	777,646	3,612,468	-	104,957	61,757,586	45,182,498
45,993	-	67,096	501,847	373,743	488,227	3,871,879	5,640,769
-	-	-	-	-	-	(54,905)	(41,281)
(141,881)	-	(36,124)	(406,875)	-	(56,707)	(1,350,136)	(638,894)
-	-	-	-	-	-	59,282	10,463,249
-	-	-	-	-	-	(227,893)	(10,475)
-	-	-	2,352	290,080	(258,909)	(2,616,620)	1,222,615
997	-	-	(62)	-	9,325	132,171	(60,895)
614,269	13,292	808,618	3,709,730	663,823	286,893	61,571,364	61,757,586
(392,858)	(919)	(301,574)	(2,274,998)	-	-	(12,484,607)	(10,892,486)
(59,646)	(3,027)	(88,073)	(418,246)	(37,251)	-	(2,605,109)	(2,249,694)
-	-	-	-	-	-	35,502	22,877
81,032	-	11,322	381,739	-	-	1,080,053	433,974
-	-	-	-	-	-	18,037	-
-	-	-	-	-	-	2,473	(163)
-	-	-	-	(216,769)	-	-	224,014
(1,156)	-	-	(208)	-	-	(82,046)	(23,129)
(372,628)	(3,946)	(378,325)	(2,311,713)	(254,020)	-	(14,035,697)	(12,484,607)
241,641	9,346	430,293	1,398,017	409,803	286,893	47,535,667	
316,302	12,373	476,072	1,337,470	-	104,957	49,272,979	

PPE



Land and buildings



In LKR'000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2014	Total 2013
18.2 Company					
Cost					
At the beginning of the year	3,320	583,460	69,004	655,784	647,657
Additions	278	70,710	-	70,988	15,291
Disposals	-	(244)	-	(244)	(7,164)
At the end of the year	3,598	653,926	69,004	726,528	655,784
Accumulated depreciation and impairment					
At the beginning of the year	(2,822)	(536,404)	(41,249)	(580,475)	(558,098)
Charge for the year	(220)	(17,520)	(5,737)	(23,477)	(25,489)
Disposals	-	146	-	146	3,112
At the end of the year	(3,042)	(553,778)	(46,986)	(603,806)	(580,475)
Carrying value					
As at 31 March 2014	556	100,148	22,018	122,722	
As at 31 March 2013	498	47,056	27,755	75,309	

Revaluation of land and buildings

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was done on 31 March 2013. Refer note 18.3 for details of revaluations.

Property	Method of valuation	Effective date of valuation	Property valuer

18.3 Details of Group's land, building and other properties stated at valuation are indicated below;

Property	Method of valuation	Effective date of valuation	Property valuer
Land and building of	Open market	31 March 2013	P B Kalugalagedara,
Trans-ware Logistics (Pvt) Ltd.	value method		Chartered Valuation Surveyor
Land and building of	Open market	31 March 2013	P B Kalugalagedara,
Mackinnons Keells Ltd.	value method		Chartered Valuation Surveyor
Keells Realtors Ltd.			
Ferguson Road, Colombo 15. (LOT A IN SP 2016)			
Land and building of	Open market	31 March 2013	P B Kalugalagedara,
Whittall Boustead (Pvt) Ltd.	value method		Chartered Valuation Surveyor
Keells Food Products PLC.			
Ceylon Cold Stores PLC.			
Land of	Open market	31 March 2013	P B Kalugalagedara,
Resort Hotels Ltd.	value method		Chartered Valuation Surveyor
Land of	Open market	31 March 2013	S Fernando
Ahungalla Holiday Resorts (Pvt) Ltd.	value method		Chartered Valuation Surveyor
Land and building of	Open market	31 March 2013	S Fernando
Kandy Walk Inn Ltd.	value method		Chartered Valuation Surveyor
Buildings on leasehold land of	Open market	31 March 2013	P B Kalugalagedara,
Ceylon Holiday Resorts Ltd. - Bentota Beach Hotel	value method		Chartered Valuation Surveyor
Buildings on leasehold land of	Open market	31 March 2013	S Fernando
Habarana Lodge Ltd.	value method		Chartered Valuation Surveyor
Habarana Walk Inn Ltd.			
Land of	Open market	31 March 2013	S Fernando
Sentinel Realty (Pvt) Ltd.	value method		Chartered Valuation Surveyor
Land and building of	Land and	31 March 2013	K T D Tissera
Tea Smallholder Factories PLC.	building method		Chartered Valuation Surveyor
Buildings on leasehold land of	Open market	31 March 2013	P B Kalugalagedara,
Trans Asia Hotels PLC.	value method		Chartered Valuation Surveyor
Land and building of	Investment/	31 March 2013	P B Kalugalagedara,
Asian Hotels and Properties PLC.	Summation basis		Chartered Valuation Surveyor

Property	Method of valuation	Effective date of valuation	Property valuer
Land and building of	Open market	31 March 2013	S Fernando
Wirawila Walk Inn Ltd.	value method		Chartered Valuation Surveyor
Land of	Open market	31 March 2013	P B Kalugalagedara,
Beruwala Holiday Resorts (Pvt) Ltd.	value method		Chartered Valuation Surveyor
Land and building of	Open market	31 March 2013	P B Kalugalagedara,
Trinco Holiday Resorts (Pvt) Ltd.	value method		Chartered Valuation Surveyor
Trinco Walk Inn Ltd.			
Buildings on leasehold land of	Open market	31 March 2013	P B Kalugalagedara,
Hikkaduwa Holiday Resorts (Pvt) Ltd.	value method		Chartered Valuation Surveyor
JayKay Marketing Services (Pvt) Ltd.			
Buildings on leasehold land of	Investment	31 March 2013	K T D Tissera
John Keells Warehousing (Pvt) Ltd.	method		Chartered Valuation Surveyor
Buildings on leasehold land of	Open market	31 March 2013	S Fernando
Yala Village (Pvt) Ltd.	value method		Chartered Valuation Surveyor
Rajawella Hotels Ltd.			
Land and building of	Open market	31 March 2013	P B Kalugalagedara,
Keells Realtors Ltd. Ferguson Road, Colombo 15. (LOT A IN SP NO. 2000)	value method		Chartered Valuation Surveyor
Whittall Boustead (Pvt) Ltd.			
John Keells Properties Ja-Ela (Pvt) Ltd.			
Land of	Open market	In October 2013	P B Kalugalagedara,
John Keells PLC.*	value method		Chartered Valuation Surveyor
John Keells Properties (Pvt) Ltd.*			
Land and building of	Investment	31 December	P B Kalugalagedara,
Union Assurance PLC.	method	2013	Chartered Valuation Surveyor

* The land was revalued in October 2013 by qualified valuers and the surplus arising from the valuation was transferred to the revaluation reserve and due to the change in the nature of use, the total value was reclassified as other non current assets.

As at 31st March In LKR'000s	Group 2014	 2013
18.4 The carrying amount of revalued land and buildings if they were carried at cost less depreciation, would be as follows;		
Cost	11,920,218	11,644,537
Accumulated depreciation and impairment	(1,802,784)	(1,529,648)
Carrying value	10,117,434	10,114,889

18.5 Group land and buildings with a carrying value of LKR9,833 mn (2013 - LKR6,007 mn) have been pledged as security for term loans obtained, details of which are disclosed in note 35.3

18.6 Group property, plant and equipment with a cost of LKR4,087 mn (2013 - LKR4,630 mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets of the Company amounts to LKR569 mn (2013 - LKR532 mn).

As at 31st March In LKR'000s	Group 2014	 2013
19 LEASE RENTALS PAID IN ADVANCE		
At the beginning of the year	9,513,671	10,278,349
Amortisation for the year	(679,809)	(682,599)
Exchange gain / (loss)	262,626	(82,079)
At the end of the year	9,096,488	9,513,671

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

Property In LKR'000s	Land extent (in acres)	Lease period	Amount 2014	 2013
19.1 Details of Lease rentals paid in advance				
John Keells Warehousing (Pvt) Ltd.				
Muthurajawela	6.00	50 years from 19-09-2001	40,202	41,291
Rajawella Hotels Ltd.		95 years and 10 months from		
Kandy	10.00	02-02-2000	33,768	34,180
Tea Smallholder Factories PLC.				
Karawita Tea Factory	4.98	50 years from 15-08-1997	2,912	2,998
Tranquility (Pte) Ltd.				
Chaaya Island Dhonveli, Republic of Maldives	18.62	18 years from 26-08-2010	7,111,035	7,374,568
Trans Asia Hotels PLC.				
Colombo	7.65	99 years from 07-08-1981	818,664	831,068
Travel Club (Pte) Ltd.				
Chaaya Reef Ellaidhoo, Republic of Maldives	13.75	19 years from 03-08-2006	1,022,294	1,158,959
Yala Village (Pvt) Ltd.				
Kirinda	11.00	30 years from 27-11-1997	67,613	70,607
			9,096,488	9,513,671

As at 31st March In LKR'000s	Group 2014	 2013
20 INVESTMENT PROPERTY		
At the beginning of the year	9,294,936	7,631,494
Additions	22,604	1,102,168
Transfers	(5,347,605)	(1,450,803)
Change in fair value during the year	470,292	2,012,077
At the end of the year	4,440,227	9,294,936
Freehold property	4,322,096	9,184,664
Leasehold property	118,131	110,272
	4,440,227	9,294,936

20.1 Valuation details of investment property

Fair value of the Investment Property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of akin locations and category. Investment Property is appraised in accordance with LKAS 40 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The significant assumptions used by the valuers are as follows;

As at 31 March Property	Method of Valuation	Market Value Per Perch 2014 LKR'000s	 2013 LKR'000s
Freehold property			
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	Investment method	N/A	N/A
Ceylon Cold Stores PLC.* Slave Island Complex, Colombo 2	Open market value	6,999	6,900
Ceylon Cold Stores PLC. Inner Harbour Road, Trincomalee	Open market value	500	500
Keells Realtors Ltd. Ferguson Road, Colombo 15.	Open market value	1,500	1,500
Leasehold property			
Tea Smallholder Factories PLC. Stores Complex, Peliyagoda	Open market value	500	450

* The land was revalued in October 2013 by qualified valuers and the surplus arising from the valuation was transferred to the income statement and due to the change in the nature of use, the total value was reclassified as other non current assets.

Rental income earned from investment property by the Group amounts to LKR470 mn (2013 - LKR301mn) and direct operating expenses incurred by the Group amounted to LKR148 mn (2013 - LKR81 mn).

As at 31 st March	Software							Group		Company	
								2014	2013	2014	2013
In LKR'000s	Developed	Purchased	Licenses	WIP	PVIB	Goodwill	Other			Software licenses	
21 INTANGIBLE ASSETS											
Cost/carrying value											
At the beginning of the year	120,213	91,838	202,256	-	2,249,000	950,884	49,500	3,663,691	3,359,137	130,718	88,335
Additions / transfers	7,278	3,876	31,872	6,415	-	-	-	49,441	304,675	19,661	42,383
Acquisition / (disposal) of subsidiaries and joint ventures	(68,176)	-	-	(3,804)	-	-	-	(71,980)	-	-	-
Impairment	-	-	-	-	-	-	-	-	(6,965)	-	-
Exchange translation difference	4,238	-	-	76	-	-	-	4,314	6,844	-	-
At the end of the year	63,553	95,714	234,128	2,687	2,249,000	950,884	49,500	3,645,466	3,663,691	150,379	130,718
Accumulated amortisation and impairment											
At the beginning of the year	(65,296)	(72,765)	(86,451)	-	(749,665)	-	-	(974,177)	(726,064)	(56,714)	(40,194)
Amortisation	(20,316)	(5,409)	(35,085)	-	(187,416)	-	-	(248,226)	(244,924)	(25,050)	(16,520)
Acquisition / (disposal) of subsidiaries and joint ventures	50,952	-	-	-	-	-	-	50,952	-	-	-
Exchange translation difference	(1,761)	-	-	-	-	-	-	(1,761)	(3,189)	-	-
At the end of the year	(36,421)	(78,174)	(121,536)	-	(937,081)	-	-	(1,173,212)	(974,177)	(81,764)	(56,714)
Carrying value											
As at 31 March 2014	27,132	17,540	112,592	2,687	1,311,919	950,884	49,500	2,472,254		68,615	
As at 31 March 2013	54,917	19,073	115,805	-	1,499,335	950,884	49,500	2,689,514		74,004	

21.1 Present value of acquired in-force business (PVIB)

Upon acquiring a controlling stake in Union Assurance PLC (UA), the Group has recognised in the consolidated financial statements an intangible asset representing the present value of future profits on UA's portfolio of long term life insurance contracts, known as the present value of acquired in-force business (PVIB) at the acquisition date. Further, PVIB recognised at the acquisition date will be amortised over the life of the business acquired and reviewed annually for any impairment in value.

As at 31st March In LKR'000s	**Net carrying value of goodwill** **2014**
21.2 Goodwill	
Goodwill acquired through business combinations have been allocated to	
7 cash generating units (CGU's) for impairment testing as follows;	
Airline Services	5,054
Chaaya Hotels and Resorts	131,485
Cinnamon Hotels and Resorts	34,763
Consumer Foods and Retail	299,293
Financial Services	265,359
Information Technology	212,289
Logistics, Ports and Shipping	2,641
	950,884

The recoverable amount of all CGU's have been determined based on the fair value less cost to sell or the value in use (VIU) calculation.

Key assumptions used in the VIU calculations

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

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

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

As at 31st March In LKR'000s	Note	Company 2014	Company 2013
22 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES			
22.1 Carrying value			
Investments in subsidiaries			
Quoted	22.2	19,945,767	19,884,749
Unquoted	22.3	11,952,742	6,693,517
Investments in joint ventures	22.4	63,041	63,041
		31,961,550	26,641,307

As at 31st March	Group 2014 Number of shares	Group 2014 Effective holding %	Company Number of shares	Company Effective holding %	Company 2014 LKR'000s	Company 2013 LKR'000s
22.2 Cost						
Group quoted investments						
Asian Hotels and Properties PLC.	347,824,190	78.56	347,824,190	78.56	5,230,775	5,216,367
Ceylon Cold Stores PLC.	77,321,208	81.36	67,109,128	70.61	1,313,770	1,290,408
Ceylon Cold Stores PLC. - Preference shares	118	59.50	118	-	1	1
John Keells Hotels PLC.	1,169,598,478	80.32	1,169,598,478	80.32	7,102,140	7,102,140
John Keells PLC.	52,834,784	86.90	52,834,784	86.90	406,315	394,830
Keells Food Products PLC.	23,350,658	89.65	18,622,899	73.03	1,027,563	1,024,302
Tea Smallholder Factories PLC.	11,286,000	37.62	11,286,000	37.62	63,466	63,466
Trans Asia Hotels PLC.	184,107,284	82.74	97,284,256	48.64	1,598,161	1,594,665
Union Assurance PLC.	81,989,124	95.65	72,794,891	84.93	3,203,576	3,198,570
					19,945,767	19,884,749

As at 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
Market Value				
Group quoted investments				
Asian Hotels and Properties PLC.	20,452,062	24,347,693	20,452,062	24,347,693
Ceylon Cold Stores PLC.	10,879,094	10,507,952	9,442,254	9,120,130
John Keells Hotels PLC.	14,619,981	15,438,700	14,619,981	15,438,700
John Keells PLC.	3,698,435	3,238,772	3,698,435	3,238,772
Keells Food Products PLC.	1,284,286	1,634,546	1,051,072	1,303,603
Tea Smallholder Factories PLC.	395,010	507,870	395,010	507,870
Trans Asia Hotels PLC.	14,710,172	12,961,153	7,773,012	6,848,812
Union Assurance PLC.	8,444,880	7,026,468	7,791,257	6,238,522
	74,483,920	75,663,154	65,223,083	67,044,102

As at 31 st March	Group 2014 Number of shares	Group 2014 Effective holding %	Company Number of shares	Company Effective holding %	Company 2014 LKR'000s	Company 2013 LKR'000s
22.3 Group unquoted investments						
Ahungalla Holiday Resort (Pvt) Ltd	13,200,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	219,725,653	79.78	-	-	238	-
British Overseas (Pvt) Ltd	61	61.00	61	61.00	57,001	1
Ceylon Holiday Resorts Ltd.	12,119,739	79.24	-	-	238	-
DHL Keells (Pvt) Ltd.	1,000,000	50.00	1,000,000	50.00	10,000	10,000
Facets (Pvt) Ltd.	15,000	100.00	15,000	100.00	-	-
Fantasea World Investments (Pte) Ltd.	7,299	80.32	-	-	275	-
Habarana Lodge Ltd.	12,981,548	78.99	-	-	510	-
Habarana Walk Inn Ltd.	4,321,381	79.34	-	-	238	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	107,596,700	79.24	-	-	238	-
InfoMate (Pvt) Ltd.	2,000,000	100.00	2,000,000	100.00	21,483	20,000
International Tourists and Hoteliers Ltd.	38,490,901	79.78	-	-	-	-
J K Packaging (Pvt) Ltd.	1,450,000	100.00	1,450,000	100.00	-	-
JayKay Marketing Services (Pvt) Ltd.	282,239,025	81.36	-	-	15,535	-
John Keells BPO Holdings (Pvt) Ltd.	19,000,000	100.00	-	-	-	-
John Keells BPO International (Pvt) Ltd.	1,500,000,000	100.00	-	-	-	-
John Keells BPO Investments (Pvt) Ltd.	14,700	100.00	-	-	-	-
John Keells BPO Investments (Pvt) Ltd. - Preference A	57,200,000	-	-	-	-	-
John Keells BPO Solutions Canada (Pvt) Ltd.	5,000	100.00	-	-	-	-
John Keells BPO Solutions India (Pvt) Ltd.	34,131,306	100.00	-	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd.	32,843,578	100.00	-	-	-	-
John Keells BPO Solutions US (Pvt) Ltd.	5,000	100.00	-	-	-	-
John Keells Computer Services (Pvt) Ltd.	9,650,000	100.00	9,650,000	100.00	99,932	96,500
John Keells Computer Services (UK) Ltd.	98	100.00	98	100.00	9	9
John Keells Foods India (Pvt) Ltd.	9,000,000	89.65	-	-	-	-
John Keells Holdings Mauritius (Pvt) Ltd.	2,303,225	100.00	2,303,225	100.00	38,007	258,532
John Keells Hotels Mauritius (Pvt) Ltd.	34,100	80.32	-	-	-	-
John Keells International (Pvt) Ltd.	199,160,000	100.00	199,160,000	100.00	1,993,647	1,991,600
John Keells Logistics (Pvt) Ltd.	20,000,000	100.00	20,000,000	100.00	202,124	200,000
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	80.32	-	-	1,517	-
John Keells Office Automation (Pvt) Ltd.	500,000	100.00	500,000	100.00	10,227	5,000
John Keells Properties (Pvt) Ltd.	24,000,000	100.00	24,000,000	100.00	192,169	192,169
John Keells Properties Ja-ela (Pvt) Ltd	85,436,000	100.00	85,436,000	100.00	854,360	854,360
John Keells Residential Properties (Pvt) Ltd.	92,520,000	100.00	92,520,000	100.00	925,200	925,200
John Keells Singapore (Pte) Ltd.	160,000	80.00	160,000	80.00	4,209	4,209
John Keells Software Technologies (Pvt) Ltd.	800,000	100.00	800,000	100.00	-	-
John Keells Stock Brokers (Pvt) Ltd.	750,000	90.04	180,000	24.00	4,794	120
John Keells Teas Ltd.	12,000	100.00	12,000	100.00	1,673	120
John Keells Warehousing (Pvt) Ltd.	12,000,000	86.90	-	-	372	-
Kandy Walk Inn Ltd.	6,165,484	79.03	-	-	376	-
Keells Consultants (Pvt) Ltd.	16,000	100.00	16,000	100.00	1,658	1,419
Keells Hotel Management Services Ltd.	1,000,000	100.00	1,000,000	100.00	34,871	19,055
Keells Realtors Ltd.	7,500,000	92.37	3,000,000	40.00	30,000	30,000

As at 31 st March	Group 2014 Number of shares	Group 2014 Effective holding %	Company Number of shares	Company Effective holding %	Company 2014 LKR'000s	Company 2013 LKR'000s
Keells Shipping (Pvt) Ltd.	50,000	100.00	50,000	100.00	502	502
Lanka Marine Services (Pvt) Ltd.	34,805,470	99.44	34,805,470	99.44	1,328,131	1,325,218
Mack Air (Pvt) Ltd.	500,000	100.00	500,000	100.00	20,296	7,563
Mack Air Services Maldives (Pvt) Ltd.	4,900	49.00	4,700	47.00	2,021	2,021
Mackinnon Keells Ltd.	1,080,000	100.00	972,000	90.00	11,912	11,912
Mackinnon Mackenzie and Company (Shipping) Ltd.	500,000	100.00	-	-	-	-
Mackinnon Mackenzie and Company of (Ceylon) Ltd.	9,000	100.00	6,600	73.33	-	-
Mackinnons Travels (Pvt) Ltd.	500,000	100.00	500,000	100.00	14,139	13,901
Mortlake (Pvt) Ltd.	300	100.00	300	100.00	327,240	327,240
Nexus Networks (Pvt) Ltd.	10,000	100.00	10,000	100.00	338	100
Rajawella Hotels Company Ltd.	2,695,067	80.32	-	-	-	-
Resort Hotels Ltd.	79,107	79.24	-	-	-	-
Serene Holidays (Pvt) Ltd.	800,000	98.74	-	-	-	-
Tranquility (Pte) Ltd.	637,500	80.32	-	-	336	-
Trans-ware Logistics (Pvt) Ltd.	11,000,000	50.00	11,000,000	50.00	111,100	121,100
Travel Club (Pte) Ltd.	29,059	80.32	-	-	134	-
Trinco Holiday Resort (Pvt) Ltd	8,120,005	80.32	-	-	376	-
Trinco Walk Inn Ltd.	3,000,000	80.32	-	-	-	-
Walkers Tours Ltd.	4,925,577	98.51	4,925,577	98.51	135,717	128,141
Waterfront Properties (Pvt) Ltd.	1,325,285,908	90.52	534,469,747	40.33	5,344,697	-
Whittall Boustead (Pvt) Ltd.	9,918,880	100.00	7,258,264	73.18	112,948	106,590
Whittall Boustead (Travel) Ltd.	750,000	100.00	675,000	90.00	41,716	40,935
Wirawila Walk Inn Ltd.	1,576,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	75.33	-	-	238	-
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	80.32	-	-	-	-
					11,952,742	6,693,517

As at 31st March	Group 2014 Number of shares	Group 2014 Effective Holding %	Company Number of shares	Company Effective Holding %	Company 2014 LKR '000s	Company 2013 LKR '000s
22.4 Investments in joint ventures						
NDO Lanka (Pvt) Ltd	7,800,000	60.00	7,800,000	60.00	63,041	63,041
Sentinel Reality (Pvt) Ltd.	1,828,800	40.16	-	-	-	-
					63,041	63,041

The summarised financial information of joint ventures are given in note 23.1

As at 31st March	Group Number of shares	Group Effective Holding %	Group 2014 LKR '000s	Group 2013 LKR '000s	Company Number of shares	Company Effective Holding %	Company 2014 LKR '000s	Company 2013 LKR '000s
23 INVESTMENTS IN ASSOCIATES								
Quoted								
Nations Trust Bank PLC.	68,951,695	29.90	1,561,355	1,561,355	46,121,532	20.00	1,011,052	1,011,052
Unquoted								
Capitol Hotel Holdings (Pvt) Ltd.	3,254,832	27.80	325,483	325,483	3,249,232	27.80	325,483	325,483
Central Hospitals Ltd.			-	1,000,000			-	900,000
Maersk Lanka (Pvt) Ltd.	30,000	30.00	150	150	30,000	30.00	150	150
NDO India (Pvt) Ltd.			-	23,700				
Saffron Aviation (Pvt) Ltd.	27,015,160	40.00	270,152	238,312	27,015,160	40.00	270,152	238,312
South Asia Gateway Terminals (Pvt) Ltd.	159,826,750	42.19	7,346,367	7,346,367	159,826,750	42.19	7,346,367	7,346,367
Cumulative profit accruing to the Group net of dividend			3,484,284	3,610,293			-	-
Share of net assets on account of equity accounted investees			1,806,574	1,618,701			-	-
			14,794,365	15,724,361			8,953,204	9,821,364

Group's shareholding in Nations Trust Bank PLC

The JKH Group currently holds 29.9% in Nations Trust Bank PLC (NTB). The Monetary Board had previously directed that the Group reduces its share holdings in NTB to 15% or below by April 2012. The founder shareholders including JKH had written to the Central Bank of Sri Lanka (CBSL) requesting an extension of the deadline and a response is awaited. Meanwhile, the CBSL has also informed NTB that the requests made by its shareholders are currently under consideration.

As at 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
Market Value				
Quoted				
Nations Trust Bank PLC.	4,474,965	4,206,053	2,993,287	2,813,413
	4,474,965	4,206,053	2,993,287	2,813,413

Refer Group directory in the Supplementary Information section of the annual report for effective holding percentages of Group investments.

As at 31st March In LKR'000s	Associates 2014	Associates 2013	Joint Ventures 2014	Joint Ventures 2013
23.1 Summarised financial information of associates/joint ventures - Group share of;				
Revenue	8,784,064	9,043,108	593,419	433,162
Operating Expenses	(5,835,499)	(5,701,944)	(545,892)	(357,400)
Finance income	163,694	137,759	-	3,712
Finance cost	(148,396)	(109,610)	(6,850)	-
Profit for the year	2,963,863	3,369,313	40,677	79,474
Group share of;				
Total assets	51,281,284	46,628,532	116,437	407,615
Total liabilities	(41,186,651)	(35,813,319)	(119,435)	(130,059)
Net assets	10,094,633	10,815,213	(2,998)	277,556
Goodwill	4,699,920	4,909,350	-	-
Unrealised profits	(188)	(202)	-	-
	14,794,365	15,724,361	(2,998)	277,556
Capital and other commitments	25,477,783	24,197,517	-	-

The Group and the Company have neither contingent liabilities nor capital and other commitments towards its associates and joint ventures.

As at 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
24 OTHER NON CURRENT FINANCIAL ASSETS					
Other quoted equity investments	24.1	1,637,776	1,363,305	1,624,710	1,354,440
Other unquoted equity investments	24.2	453,673	370,647	428,553	316,637
Other non equity investments	24.3	18,996,378	17,082,741	73,059	39,576
		21,087,827	18,816,693	2,126,322	1,710,653

As at 31st March In LKR'000s	Group Number of shares	Group 2014	Group 2013	Company Number of shares	Company 2014	Company 2013
24.1 Other quoted equity investments						
Access Engineering PLC.	40,000,000	900,000	788,000	40,000,000	900,000	788,000
Expo Lanka Holdings PLC.	83,300,000	724,710	566,440	83,300,000	724,710	566,440
Other equity instruments		13,066	8,865		-	-
		1,637,776	1,363,305		1,624,710	1,354,440

As at 31st March In LKR'000s	Group Number of shares	Group 2014	Group 2013	Company Number of shares	Company 2014	Company 2013
24.2 Other unquoted equity investments						
Asia Power (Pvt) Ltd.	777,055	419,238	311,522	777,055	419,238	311,522
Other equity instruments		34,435	59,125		9,315	5,115
		453,673	370,647		428,553	316,637

As at 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
24.3 Other non equity investments					
Bank deposits		516,562	1,570,000	-	-
Debentures		5,447,783	2,611,981	-	-
Government securities		11,667,274	11,915,463	-	-
Loans to executives	24.4	808,503	681,627	63,059	39,576
Loans to life policyholders		556,256	303,670	-	-
Loans to subsidiaries	43.3	-	-	10,000	-
		18,996,378	17,082,741	73,059	39,576

As at 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
24.4 Loans to executives				
At the beginning of the year	889,609	1,069,625	59,098	70,651
Loans granted / transfers	639,128	391,805	49,985	15,657
Recoveries	(548,402)	(571,821)	(29,170)	(27,210)
At the end of the year	980,335	889,609	79,913	59,098
Receivable within one year	171,832	207,982	16,854	19,522
Receivable between one and five years	808,503	681,627	63,059	39,576
	980,335	889,609	79,913	59,098

As at 31st March In LKR'000s	Group ASSETS 2014	Group ASSETS 2013	Group LIABILITIES 2014	Group LIABILITIES 2013
25 DEFERRED TAX				
At the beginning of the year	212,227	129,478	1,222,210	707,970
Charge and release	(26,444)	97,656	145,737	522,288
Transfers / exchange translation difference	(38,966)	(14,907)	(39,468)	(8,048)
At the end of the year	146,817	212,227	1,328,479	1,222,210
The closing deferred tax asset and liability balances relate to the following;				
Revaluation of land and building to fair value	(1,525)	(1,524)	372,870	417,277
Revaluation of investment property to fair value	(2,340)	(934)	7,838	1,051
Accelerated depreciation for tax purposes	(384,174)	(237,247)	1,109,484	886,619
Employee benefit liability	122,900	56,556	(154,088)	(143,130)
Losses available for offset against future taxable income	403,957	385,537	(131,242)	(71,323)
Others	7,999	9,839	123,617	131,716
	146,817	212,227	1,328,479	1,222,210

25.1 The Group has tax losses amounting to LKR7,914 mn (2013 - LKR7,324 mn) that are available indefinitely to offset against future taxable profits of the companies in which the tax losses arose.

25.2 Deferred tax liability amounting to LKR150 mn (2013 - LKR150 mn) for the Group recognised on the impact pertaining to the current year on declared dividends of subsidiaries and the Group's portion of distributable reserves of equity accounted investees.

As at 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
26 OTHER NON-CURRENT ASSETS					
Pre paid staff cost		235,407	177,079	16,108	10,310
Work-in-progress - Apartments		-	3,391,670	-	-
Work-in-progress - Waterfront project	26.1	19,226,498	-	-	-
Non current advances		249,954	7,000	-	-
		19,711,859	3,575,749	16,108	10,310
26.1 Work-in-progress - Waterfront project					
Freehold property*		8,258,633	-	-	-
Leasehold property*		3,062,325	-	-	-
Other constructions in progress		1,386,275	-	-	-
Contractor advances		6,519,265	-	-	-
		19,226,498	-	-	-

* The freehold and leasehold property are located at Glennie Street and Justice Akbar Mawatha, Colombo 2.

26.1 Work-in-progress - Waterfront project (Contd.)

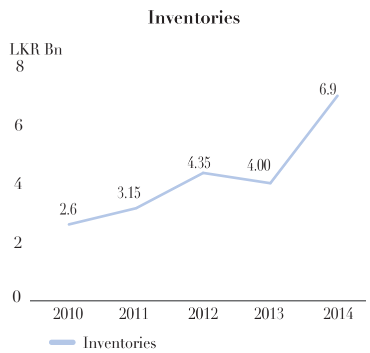
Details of Freehold Property		
Freehold Property:	Land Occupied	Extent: 7A- 0R -16.63P
Details of Leasehold Property		
Leased Property:	Land Occupied	Extent: 3A- 0R -6.35P
Lessor:	Board of Investment of Sri Lanka	
Period:	99 years from 12/02/2014	
Lease Commitment:	Upfront lease rental of LKR3.03bn, which was paid during the year	

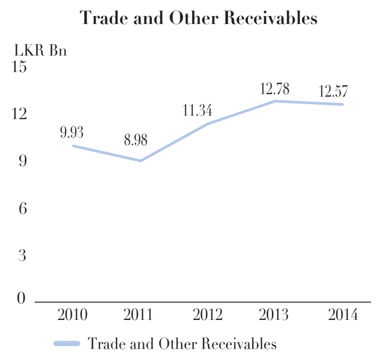
Details of the Waterfront Integrated Resort Project

The Company is engaged in the development and construction of an integrated complex with an approximate area of 4,500,000 square feet, comprising of offices, residential units, service apartments, a hotel and conference centre, retail and associated facilities and a car park.

As at 31st March In LKR'000s	Group 2014	Group 2013
27 INVENTORIES		
Raw materials	266,289	363,261
Work-in-progress	-	21,130
Finished goods	3,113,022	2,740,801
Produce stocks	305,959	268,168
Other stocks	644,152	605,540
WIP Apartments	2,636,598	-
	6,966,020	3,998,900

As at 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
28 TRADE AND OTHER RECEIVABLES					
Trade and other receivables		10,389,449	10,737,039	52,340	975,340
Reinsurance receivables	28.1	545,680	367,801	-	-
Premiums receivable	28.2	1,456,829	1,462,224	-	-
Loans to executives	24.4	171,832	207,982	16,854	19,522
		12,563,790	12,775,046	69,194	994,862





As at 31st March In LKR'000s	Group 2014	 2013
28.1 Reinsurance receivables		
Reinsurance receivables on outstanding claims	394,331	301,635
Reinsurance receivables on settled claims net of dues	154,330	70,560
Less: Impairement	(2,981)	(4,394)
Total assets arising from reinsurance contracts	545,680	367,801
28.2 Premiums receivables		
Premium receivable	1,464,435	1,469,830
Less: Impairement	(7,606)	(7,606)
	1,456,829	1,462,224

As at 31st March In LKR'000s	Group 2014	 2013	Company 2014	 2013
29 OTHER CURRENT ASSETS				
Prepayments and non cash receivables	1,733,031	1,853,325	142,155	370,825
Tax refunds	1,103,865	1,042,575	14,141	14,141
	2,836,896	2,895,900	156,296	384,966

As at 31st March In LKR'000s	Note	Group 2014	 2013	Company 2014	 2013
30 SHORT TERM INVESTMENTS					
Quoted equities at market value	30.1	2,476,631	1,780,296	-	-
Debentures		-	335,000	-	-
Bank deposits (more than 3 months and less than 1 year)		18,684,234	7,046,511	15,865,099	6,671,151
Government securities (more than 3 months and less than 1 year)		5,836,693	762,567	4,646,256	-
		26,997,558	9,924,374	20,511,355	6,671,151
Bank deposits (less than 3 months)		18,313,758	13,689,513	10,168,780	5,599,619
Government securities (less than 3 months)		9,241,371	2,972,167	4,726,560	280,770
Reported for cash flow		27,555,129	16,661,680	14,895,340	5,880,389
		54,552,687	26,586,054	35,406,695	12,551,540

As at 31 st March In LKR'000s	Group Number of shares 2014	2013	Cost 2014	2013	Market value 2014	2013
30.1 Quoted equities at market value						
Aitken Spence Hotel Holdings PLC.	456,100	224,522	32,397	16,779	31,927	16,609
Aitken Spence PLC.	546,057	318,482	66,191	38,885	53,459	38,076
Asian Hotels and Properties PLC.	276,761	279,369	20,483	20,678	16,274	19,551
AIA Insurance PLC.	-	38,212	-	10,895	-	13,374
C T Holdings PLC.	196,094	131,116	27,947	18,802	26,473	16,531
Cargills (Ceylon) PLC.	129,235	111,953	19,585	16,918	17,641	16,971
Carsons Cumberbatch PLC.	176,053	135,467	78,557	61,853	64,259	59,412
Central Finance Company PLC.	272,911	-	51,944	-	49,397	-
Ceylon Tobacco Company PLC.	98,970	123,797	95,953	109,681	104,512	96,039
Chevron Lubricants Lanka PLC.	490,096	390,944	90,964	60,478	129,532	84,740
Colombo Dockyard PLC.	344,505	344,719	76,807	76,807	60,185	73,758
Commercial Bank of Ceylon PLC. (Non voting)	484,025	842,799	29,321	68,206	46,950	87,067
Commercial Bank of Ceylon PLC.	2,154,721	1,212,209	233,480	128,852	265,031	136,954
DFCC Bank PLC.	507,612	342,690	64,107	42,409	73,045	44,909
Dialog Axiata PLC.	6,722,152	5,056,785	55,026	39,855	60,499	45,511
Diesel and Motor Engineering PLC.	22,062	22,062	33,340	33,340	11,141	11,141
Distilleries Company of Sri Lanka PLC.	703,230	641,274	130,399	105,176	142,756	106,773
Expolanka Holdings PLC.	7,617,700	7,617,707	99,444	99,444	66,274	51,801
Hatton National Bank PLC.(Non voting)	-	626,469	-	51,943	-	82,569
Hatton National Bank PLC.	1,201,943	495,620	208,505	68,276	230,145	79,449
Hayleys PLC.	109,529	51,490	32,720	15,338	31,216	15,291
Hemas Holdings PLC.	1,245,950	405,750	40,541	6,708	46,972	10,955
HNB Assurance PLC.	336,266	336,266	23,645	23,645	21,958	16,074
John Keels Holdings PLC.	1,049,095	736,862	210,246	146,113	238,145	181,944
Lanka Floortiles PLC.	455,200	455,200	61,211	61,211	34,459	31,636
Lanka ORIX Finance Company PLC.	253,320	-	18,941	-	18,999	-
Lanka Tiles PLC.	128,000	128,070	9,938	9,938	9,690	8,896
National Development Bank PLC.	1,024,855	245,742	177,024	35,903	183,039	40,520
Nestle Lanka PLC.	15,582	13,468	26,804	19,198	31,131	19,804
Piramal Glass PLC.	2,680,100	2,680,106	21,501	21,502	9,112	16,349
Sampath Bank PLC.	437,622	529,487	86,643	88,117	79,691	119,081
Softlogic Holdings PLC.	1,117,806	1,117,806	32,416	32,416	11,849	11,625
Sri Lanka Telecom PLC.	288,200	1,511,261	13,844	73,787	13,286	65,738
Textured Jersey Lanka PLC	1,941,200	-	31,534	-	30,671	-
The Bukit Darah PLC.	193,851	131,133	135,217	94,382	114,547	92,016
The Lion Brewery Ceylon PLC	71,887	-	27,128	-	28,108	-
Tokyo Cement Company (Lanka) PLC.	640,777	993,143	7,817	18,035	23,196	20,876
Tokyo Cement Company (Lanka) PLC. (Non voting)	3,484,910	2,757,500	94,364	84,147	101,062	48,256
			2,465,985	1,799,717	2,476,631	1,780,296

As at 31st March In '000s	2014 Number of shares	 Value of shares LKR	2013 Number of shares	 Value of shares LKR
31 STATED CAPITAL				
Fully paid ordinary shares				
At the beginning of the year	857,243	26,480,396	844,121	25,110,528
Share options exercised	1,058	170,521	13,122	1,369,868
Issue of rights	131,988	23,097,897	-	-
At the end of the year	990,289	49,748,814	857,243	26,480,396

The number of shares in issue as at 31-03-2014, include global depository receipts (GDRs) of 1,122,069 (2013- 1,129,677). Further information on the composition of shares in issue is given under the share information section of the annual report.

26,230,780 shares (2013 - 17,656,972) have been reserved to be issued under the employee share option plan as at 31 March 2014.

As at 31st March In LKR'000s	Note	Group 2014	 2013	Company 2014	 2013
32 OTHER COMPONENTS OF EQUITY					
Revaluation reserve	32.1	17,770,505	17,780,432	-	-
Foreign currency translation reserve	32.2	3,179,071	2,729,857	-	-
Other capital reserve	32.3	215,626	-	215,626	-
Available for sale reserve	32.4	679,488	124,282	461,443	83,457
		21,844,690	20,634,571	677,069	83,457

32.1 Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

32.2 Foreign currency translation reserve comprises the net exchange movement arising on the currecny translation of foreign operations and equity accounted investees into Sri Lankan rupees.

32.3 The other capital reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

32.4 Available for sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

33 SHARE-BASED PAYMENT PLANS

Employee Share Option Scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to executives of the Group generally with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

33 SHARE-BASED PAYMENT PLANS (Contd.)

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

The expense recognised for employee services received during the year is shown in the following table:

	Group		Company	
For the year ended 31st March In LKR'000s	2014	2013	2014	2013
Expense arising from equity-settled share-based payment transactions	215,626	-	66,555	-
Total expense arising from share-based payment transactions	215,626	-	66,555	-

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2014			
	Group		Company	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	7,415,303	253.16	2,288,823	253.16
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(141,687)	253.16	(4,615)	253.16
Outstanding at the end of the year	7,273,616	253.16	2,284,208	253.16
Exercisable at the end of the year	-	-	-	-

Weighted average share price at the date of exercise of these options (LKR)	265.18
Weighted average remaining contractual life for the share options outstanding (Years)	3
Weighted average fair value of options granted during the year was (LKR)	81.54
Exercise price for options outstanding at the end of the year (LKR)	265.18

The following inputs used in Binomial Model for ESOP Plan No 8 for the year ended 31 March 2014.

	Plan No 8
Dividend yield (%)	2.07
Expected volatility (%)	27.5
Risk–free interest rate (%)	11.26
Expected life of share options (Years)	5
Weighted average share price (LKR)	265.18

As at 31st March In LKR'000s	Group 2014	 2013
34 INSURANCE CONTRACT LIABILITIES		
Insurance contract liabilities	19,995,478	17,051,085
Unclaimed benefits	277,531	337,409
	20,273,009	17,388,494

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products.

The actuarial reserves have been established based on the following;

- Interest rates which vary by product and as required by regulations issued by the Insurance Board of Sri Lanka (IBSL).
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IBSL.
- Surrender rates based on the actual experience.

The amount of policy holder dividend to be paid is determined annually by UA. The dividend includes life policy holders' share of net income that is required to be allocated by the insurance contract or by insurance regulations.

The valuation of conventional life insurance fund as at 31 December 2013 was conducted by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of LKR522 mn to be transferred from conventional life insurance fund to the shareholders fund for the year 2013. Subsequent to the transfer the conventional life fund stands at LKR17,131 mn, including the liability in respect of bonuses and dividends declared up to and including the year 2013 of UA.

Similarly the non unit fund of linked long term business valuation was made by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of LKR90 mn to be transferred from the non unit fund of the linked long term fund to shareholders fund for the year 2013. Subsequent to the transfer the fund stands at LKR104 mn as at 31 December 2013 of UA.

As at 31st December In LKR'000s	2013	2012
Conventional life insurance		
Balance as at 1 January	14,914,009	13,140,952
Increase in life insurance fund before surplus transfer to share holders	2,739,389	2,198,057
Transfer to shareholders	(522,000)	(425,000)
Balance as at 31 December - Conventional life insurance	17,131,398	14,914,009
Non unit fund of linked life insurance contracts		
Balance as at 1 January	103,638	70,707
Increase in non unit fund of linked life insurance before surplus transfer to share holders	90,797	132,931
Transfer to shareholders	(90,000)	(100,000)
Balance as at 31 December - Non unit fund of linked life insurance	104,435	103,638
	17,235,833	15,017,647

As at 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
35 BORROWINGS				
35.1 Movement				
At the beginning of the year	14,906,700	14,697,534	5,067,045	6,409,380
Loans obtained	3,067,078	3,182,678	-	-
Repayments	(4,638,230)	(2,948,314)	(1,295,326)	(1,328,690)
Amortization of transaction cost	13,629	13,628	13,629	13,628
Exchange difference	283,868	(38,826)	135,134	(27,273)
At the end of the year	13,633,045	14,906,700	3,920,482	5,067,045
Repayable within one year	3,664,399	3,048,936	1,329,103	1,314,424
Repayable after one year				
Repayable between one and five years	9,877,134	11,665,936	2,591,379	3,752,621
Repayable after five years	91,512	191,828	-	-
	9,968,646	11,857,764	2,591,379	3,752,621
	13,633,045	14,906,700	3,920,482	5,067,045

Group interest bearing borrowings include finance lease obligations amounting to LKR108 mn (2013 - LKR143 mn), details of which are disclosed below.

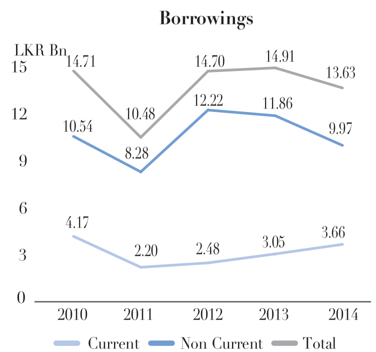
As at 31st March In LKR'000s	Group 2014	Group 2013
35.2 Finance leases		
At the beginning of the year	142,897	162,613
Lease obtained	15,460	13,290
Repayments	(41,902)	(33,006)
Adjustments / transfers	(8,481)	-
At the end of the year	107,974	142,897
Finance lease obligations repayable within one year		
Minimum lease payments	44,613	46,632
Finance charges	(12,366)	(17,168)
Present value of minimum lease payments	32,247	29,464
Finance lease obligations repayable between one and five years		
Minimum lease payments	88,686	141,750
Finance charges	(12,959)	(28,317)
Present value of minimum lease payments	75,727	113,433

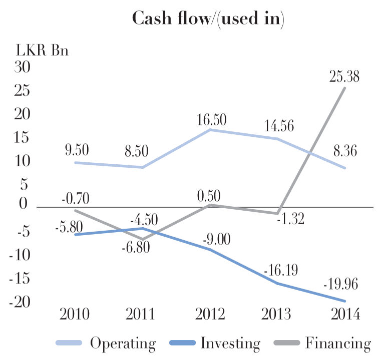
In LKR'000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2014	2013
35.3 Security and repayment terms							
John Keells Holdings PLC.	International Finance Corporation	Term Loan	6 months LIBOR + 2.75%, 331 mn shares of Asian Hotels & Properties PLC, 862 mn shares of John Keells Hotels PLC, 57 mn shares of Trans Asia Hotels PLC and 52 mn shares of Union Assurance PLC	Bi-annual repayments which commenced on December 2009	9,046,793	3,920,482	5,067,045
Group companies							
British Overseas (Pvt) Ltd.	HNB	Term loan	AWPLR Floating Mortgage Bond	Quarterly installments which commenced on June 2012	-	5,200	15,600
		Term loan	AWPLR + 1% Mortgage Bond over the land	Repayment in April 2015 and May 2015	954,436	928,000	928,000
	Commercial Bank	Term loan	AWPLR + 1% Corporate guarantee by John Keells Hotels	5 equal monthly installments commencing November 2014	-	165,000	165,000
Beruwala Holiday Resorts (Pvt) Ltd.	HNB	Term loan	01 month SLIBOR Primary floating mortgage bond over hotel property	72 monthly installments which commenced on July 2013	3,092,474	799,684	1,940,233
	SCB	Term Loan	03 months LIBOR + 3.25% Corporate Guarantee from John Keells Hotels PLC	16 quarterly installments which commenced on March 2014	-	522,800	509,244
	Sampath Bank	Term Loan	3 months LIBOR + 4.0% Corporate Guarantee from John Keells Hotels PLC	20 quarterly installments which commenced on May 2013	-	222,190	-
Ceylon Cold Stores PLC.	DFCC	Project loan	AWPR -0.5%, Kaduwela land, building and machinery of soft drink plant	48 monthly installments which commenced on August 2011	-	76,667	134,166
	DFCC	Project loan	AWDR + 2.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments which commenced on January 2012	4,613,303	143,268	195,367
	DFCC	Project loan	AWPR + 2.25%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments which commenced on October 2012	-	105,000	135,000

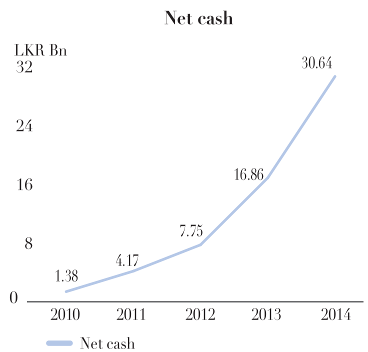
In LKR'000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2014	2013
35.3 Security and repayment terms							
Fantasea World Investments (Pte) Ltd.	HNB	Term Loan	3 months LIBOR + 3.25% leasehold right of Hakuraa huraa Island resort	Repayment over 5 years which commenced on August 2011	-	725,506	1,033,130
Habarana Lodge Ltd.	HNB	Term loan	AWPLR	Repayment over 5 years which commenced on April 2012	-	240,400	320,200
	Sampath Bank	Term loan	3 months LIBOR + 4% Corporate Guarantee from John Keells Hotels PLC	20 quarterly installments which commenced on June 2013	-	221,538	-
	Habib Bank Limited	Term loan	1 months LIBOR + 3.25% Corporate Guarantee from John Keells Hotels PLC	60 quarterly installments which commenced on July 2013	-	100,638	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	DFCC	Term loan	AWPLR + 1% Lease rights of land and movable property, plant and equipment	72 monthly installments which commenced on November 2013	1,168,666	833,495	883,495
	Sampath Bank	Term Loan	3 months LIBOR+4% Corporate gurantee of John Keells Hotels PLC	20 quarterly installments which commenced on July 2013	-	470,520	-
John Keells Hotels PLC	Habib Bank	Term Loan	AWPLR -0.5%	24 monthly installments which commenced on July 2013	-	133,441	-
John Keells Logistics (Pvt) Ltd.	SCB	Term Loan	1 month SLIBOR + 1% Letter of comfort from John Keells Holdings PLC	12 equal quarterly installments which commenced on November 2010	-	-	16,667
	HSBC	Term Loan	1 month Cost of Funds + 3.5% p.a.	30 monthly installments commencing from August 2014	-	20,000	-
John Keells Maldivian Resorts (Pte) Ltd.	Sampath Bank	Term loan	3 months LIBOR + 1.3% for first two years and LIBOR + 1.5% thereafter, Head lease rights of Dhonveli resorts	30 quarterly installments which commenced on March 2008	-	182,980	380,250
	HSBC	Term loan	3 months LIBOR + 3.0% Letter of comfort from John Keells Hotels PLC	48 equal monthly installments which commenced on November 2011	7,111,034	206,942	327,437

In LKR'000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2014	2013
35.3 Security and repayment terms							
John Keells Properties Ja-Ela (Pvt) Ltd.	Commercial Bank	Term loan	AWPLR + 1.5%	60 monthly installments which commenced on April 2013	-	-	328,569
	Commercial Bank	Term loan	AWPLR + 1.5%	In 60 installments commencing from April 2014	-	400,095	-
	Commercial Bank	Term loan	AWPLR	In 60 installments commencing from April 2015 - 1 year grace period	-	150,000	-
John Keells Residential Properties (Pvt) Ltd.	HSBC	Term loan	3 months cost of funds + 3%	Option 1 - repay in full as a bullet payment in June 2015. Option 2 - repay in full between March 2015 and June 2015	-	1,300,000	500,000
John Keells Warehousing (Pvt) Ltd.	Deutsche Bank	Asset backed notes	21.98%, Corporate guarantee of John keells PLC	Repayment over 10 years which commenced on May 2003	-	-	1,958
Kandy Walk Inn Ltd.	HSBC	Term loan	1 month LIBOR + 3.5%	60 monthly installments after a month grace period which commenced on October 2013	-	485,744	521,267
Keells Food Products PLC.	DFCC	Project loan	11.5% fixed interest Corporate guarantee from John Keells Holdings PLC.	60 equal monthly installments after a grace period of 1 year which commenced on December 2013	-	234,436	251,664
Travel Club (Pte) Ltd.	BOC Maldives	Term loan	LIBOR + 3.75%, Secured by a mortgage over the company's sublease hold right over the Ellaidhoo Island	28 quarterly installments which commenced on November 2009	1,022,293	436,443	577,164

In LKR'000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2014	2013
35.3 Security and repayment terms							
Trinco Holiday Resorts (Pvt) Ltd	Sampath Bank	Term loan	3 months LIBOR+4% Corporate guarantee of John Keells Hotels PLC	20 quarterly installments commencing April 2014	-	151,351	-
Whittal Boustead (Pvt) Ltd.	Commercial Bank	Term loan	AWPLR + 0.5%	Repaid in full	-	-	125,000
Yala Village (Pvt) Ltd.	People's Bank	Term loan	AWPLR on regular monthly promissory note issued by Yala Village (Pvt) Ltd.	72 monthly installments which commenced on December 2012	-	175,283	403,750
	Sampath Bank	Term loan	3 months LIBOR+4% Corporate guarantee by John Keells Hotels PLC	20 quaterly installments which commenced on April 2013	-	166,643	-
						13,525,071	14,763,803
JK BPO Solutions India (Pvt) Ltd.	DLF Assets (Pvt) Ltd.	Finance lease				100,004	130,874
Tea Smallholder Factories PLC.	Central Finance PLC.	Hire purchase				7,970	12,023
						107,974	142,897
						13,633,045	14,906,700







As at 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
36 EMPLOYEE BENEFIT LIABILITIES				
At the beginning of the year	1,385,072	1,372,161	134,075	126,864
Current service cost	121,138	110,096	8,434	7,796
Acquisitions	-	(7,423)	-	-
Transfers	-	-	(4,034)	(7,516)
Disposals	(5,108)	-	-	-
Interest cost on benefit obligation	152,358	137,216	14,748	12,686
Payments	(163,362)	(117,217)	(5,047)	(4,148)
(Gain)/Loss arising from changes in assumptions	51,981	(109,726)	(1,314)	(1,607)
Exchange translation difference	(295)	(35)	-	-
At the end of the year	1,541,784	1,385,072	146,862	134,075
The expenses are recognised in the income statement in the following line items;				
Cost of sales	131,633	93,332	9,932	8,092
Distribution expenses	17,463	13,702	-	-
Administrative expenses	124,400	140,278	13,250	12,390
	273,496	247,312	23,182	20,482

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

The principal assumptions used in determining the cost of employee benefits were:

	2014	2013
Discount rate	11%	11%
Future salary increases	6% - 10%	6% - 10%

36.1 Sensitivity of assumptions used

If a one percentage point change in the assumptions, would have the following effects:

In LKR'000s

	Discount rate 2014 Group	Discount rate 2014 Company	Discount rate 2013 Group	Discount rate 2013 Company	Salary increment 2014 Group	Salary increment 2014 Company
Effect on the defined benefit obligation liability						
Increase by one percentage point	(55,037)	(6,961)	(86,845)	(5,337)	78,563	8,234
Decrease by one percentage point	45,754	7,615	58,619	5,690	(86,613)	(7,650)

As at 31st March In LKR'000s	2014 Group	 Company
36.2 Maturity analysis of the payments		
The following payments are expected on employee benefit liabilities in future years		
Within the next 12 months	247,404	4,702
Between 1 and 5 years	338,509	20,856
Between 2 and 5 years	420,425	84,771
Between 5 and 10 years	341,282	18,748
Beyond 10 years	194,164	17,785
Total expected payments	1,541,784	146,862

The Group and Company's weighted average duration of defined benefit obligation is 5.80 years and 5.50 years respectively.

As at 31st March In LKR'000s	Note	Group 2014	 2013
37 OTHER DEFERRED LIABILITIES			
Government grants	37.1	1,924	2,436
Deffered revenue		87,616	47,792
		89,540	50,228
37.1 Government grants			
At the beginning of the year		2,436	2,948
Amortisation		(512)	(512)
At the end of the year		1,924	2,436
Amounts expected to be amortised within one year		512	512
Amounts expected to be amortised after one year		1,412	1,924
		1,924	2,436

Details of Government Grants	**Basis of amortisation**
Tea Smallholder Factories PLC.	
Sri Lanka Tea Board subsidy	10% p.a.
Yala Village (Pvt) Ltd.	
Ceylon Chamber of Commerce grant	10% p.a.

As at 31st March In LKR'000s	Group 2014	 2013
38 OTHER NON-CURRENT LIABILITIES		
Advances received	249,434	331,663
Deposits	143,085	198,412
	392,519	530,075

As at 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
39 TRADE AND OTHER PAYABLES					
Trade and other payables		10,345,626	10,471,465	225,449	229,990
Reinsurance payables		689,844	509,815	-	-
Insurance provision - general	39.1	3,515,637	3,302,418	-	-
Advances and deposits		186,029	324,565	-	-
		14,737,136	14,608,263	225,449	229,990

As at 31st March In LKR'000s	Group 2014	Group 2013
39.1 Insurance provision - general		
Reserve for net unearned premiums	2,374,024	2,313,464
Reserve for gross outstanding claims	1,141,613	988,954
	3,515,637	3,302,418

As at 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
40 INCOME TAX LIABILITIES					
At the beginning of the year		981,013	823,195	-	-
Charge for the year	13.1	1,502,483	1,199,762	419,727	65,502
Payments and set off against refunds		(1,559,648)	(1,041,944)	(419,727)	(65,502)
At the end of the year		923,848	981,013	-	-

As at 31st March In LKR'000s	Group 2014	Group 2013
41 SHORT TERM BORROWINGS		
Bank loans	9,751,976	1,853,767
	9,751,976	1,853,767

As at 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
42 OTHER CURRENT LIABILITIES				
Non refundable deposits	1,480,729	714,829	-	-
Other tax payables	894,530	920,705	8,816	105,478
	2,375,259	1,635,534	8,816	105,478

43 RELATED PARTY TRANSACTIONS

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory.

As at 31st March In LKR'000s	Note	Group **2014**	 **2013**	Company **2014**	 **2013**
43.1 Amounts due from related parties					
Subsidiaries	43.3	-	-	444,341	423,948
Joint ventures		11,903	53,021	2,371	1,576
Associates	43.4	301,565	154,434	248,758	92,560
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		313,468	207,455	695,470	518,084
43.2 Amounts due to related parties					
Subsidiaries	43.3	-	-	4,939	13,156
Joint ventures		21,816	7,254	-	-
Associates		24,239	8,026	-	-
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		46,055	15,280	4,939	13,156

As at 31 st March In LKR'000s	Company Amounts due from 2014	 2013	 Amounts due to 2014	 2013
43.3 Subsidiaries				
Asian Hotels and Properties PLC.	1,613	2,543	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	977	307	-	-
British Overseas (Pvt) Ltd.	-	12,532	-	-
Ceylon Cold Stores PLC.	4,512	3,101	-	-
Ceylon Holiday Resorts Ltd.	957	78	-	-
DHL Keells (Pvt) Ltd.	29,773	41,014	-	-
Facets (Pvt) Ltd.	472	432	-	-
Fantasea World Investments (Pvt) Ltd.	214	10	-	-
Habarana Lodge Ltd.	1,058	476	-	-
Habarana Walk Inn Ltd.	797	390	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	-	76	878	-
InfoMate (Pvt) Ltd.	1,403	1,997	-	-
International Tourist & Hoteliers Ltd.	28	84	-	-
JayKay Marketing Services (Pvt) Ltd.	3,788	5,536	-	-
John Keells BPO Holdings (Pvt) Ltd.	-	270	-	-
John Keells BPO International (Pvt) Ltd.	-	46	-	-
John Keells BPO Solutions India (Pvt) Ltd.	252	2,304	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd.	515	401	-	365
John Keells BPO Solutions US Inc.	-	7	-	-
John Keells Computer Services (Pvt) Ltd.	1,515	1,947	-	-
John Keells Hotels PLC.	335	404	-	-
John Keells International (Pvt) Ltd.	353	266	-	-
John Keells Logistics (Pvt) Ltd.	2,373	1,100	-	-
John Keells Maldivian Resorts (Pte) Ltd.	102	170	-	-
John Keells Office Automation (Pvt) Ltd.	2,453	1,941	-	-
John Keells PLC.	1,431	-	-	4,851
John Keells Properties Ja - Ela (Pvt) Ltd.	-	6,082	-	-
John Keells Residential Properties (Pvt) Ltd.	23	259	-	-
John Keells Teas Ltd.	299	292	-	-
John Keells Warehousing (Pvt) Ltd.	266	339	-	-
Kandy Walk Inn Ltd.	820	2	-	-
Keells Consultants (Pvt) Ltd.	-	-	430	481
Keells Food Products PLC.	2,166	3,006	-	-
Keells Hotel Management Services Ltd.	4,785	785	-	-
Lanka Marine Services Ltd.	360,157	3,116	-	-
Mack Air (Pvt) Ltd.	973	1,583	-	-
Mack Air Services Maldives (Pte) Ltd.	67	31	470	-

As at 31 st March In LKR'000s	Company Amounts due from 2014	 2013	 Amounts due to 2014	 2013
43.3 Subsidiaries (Contd.)				
Mackinnon Keells Ltd.	-	1,552	-	-
Mackinnon Mackenzie and Company (Shipping) Ltd.	-	133	-	-
Mackinnon Mackenzie and Company of Ceylon Ltd.	-	78	-	-
Mackinnons Travels (Pvt) Ltd.	-	-	-	5,297
Nexus Networks (Pvt) Ltd.	216	121	-	-
Tea Small Holder Factories PLC.	136	125	-	-
Tranquility Private Ltd.	410	21	-	-
Trans Asia Hotels PLC.	1,902	-	1,866	2,162
Transware Logistics (Pvt) Ltd.	71	31	-	-
Travel Club (Pvt) Ltd.	208	30	-	-
Trinco Holiday Resorts (Pvt) Ltd.	779	3,652	-	-
Union Assurance PLC.	9,474	12,179	-	-
Walkers Tours Ltd.	1,682	874	-	-
Waterfront Properties (Pvt) Ltd.	3,687	307,423	-	-
Whittall Boustead (Pvt) Ltd.	-	4,662	1,295	-
Whittall Boustead (Travel) Ltd.	469	85	-	-
Yala Village (Pvt) Ltd.	830	55	-	-
	444,341	423,948	4,939	13,156
Loan - Non-current				
Trans-ware Logistics (Pvt) Ltd.	10,000	-	-	-
	10,000	-	-	-
43.4 Associates				
Maersk Lanka (Pvt) Ltd.	156,060	-	-	-
Nations Trust Bank PLC.	91,602	87,977	-	-
NDO India (Pvt) Ltd.	-	3,359	-	-
Saffron Aviation (Pvt) Ltd.	838	1,099	-	-
South Asia Gateway Terminals (Pvt) Ltd.	258	125	-	-
	248,758	92,560	-	-

For the year ended 31st March In LKR'000s	Note	Group 2014	Group 2013	Company 2014	Company 2013
43.5 Transactions with related parties					
Subsidiaries					
(Purchase) / sale of goods		-	-	(2,899)	(5,532)
(Receiving) / rendering of services	43.6	-	-	632,478	562,400
Loans given	43.6	-	-	-	851,949
Interest received / (paid)		-	-	-	82,457
Rent received / (paid)		-	-	(63,049)	(77,439)
Guarantees received / (paid)		-	-	-	-
Joint Ventures					
(Receiving) / rendering of services		96,442	43,269	-	-
Associates					
(Purchase) / sale of goods		6,531	3,439	-	-
(Receiving) / rendering of services		33,961	27,485	3,929	4,281
Interest received / (paid)	43.7	168,299	340,781	44,104	176,560
Loans taken		-	-	-	-
Leases taken		-	-	-	-
Key management personnel					
(Receiving) / rendering of services		-	-	-	-
Close family members of KMP					
(Receiving) / rendering of services		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		222,286	184,709	46,330	42,025

For the year ended 31st March In LKR'000s	Company 2014	 2013
43.6 Transactions with related parties - Subsidiaries **(Receiving) / Rendering of services**		
DHL Keells (Pvt) Ltd.	176,559	134,010
Ceylon Cold Stores PLC.	45,238	44,281
Keells Hotel Management Services Ltd.	40,519	72,392
JayKay Marketing Services (Pvt) Ltd.	40,112	35,277
Union Assurance PLC.	26,845	33,694
Asian Hotels & Properties PLC.	23,578	21,900
Walkers Tours Ltd.	22,777	20,937
Keells Food Products PLC.	20,527	20,080
Trans Asia Hotels PLC	20,135	19,030
John Keells Office Automation (Pvt) Ltd.	17,857	16,526
John Keells PLC.	16,680	16,003
Infomate (Pvt) Ltd.	15,457	15,860
John Keells Computer Services (Pvt) Ltd.	10,731	10,384
Mack Air (Pvt) Ltd.	10,055	11,157
Whittal Boustead (Pvt) Ltd.	9,707	9,069
Habarana Lodge Ltd	9,273	3,780
Beruwala Holiday Resorts (Pvt) Ltd.	9,026	343
Hikkaduwa Holiday Resorts (Pvt) Ltd.	8,956	3,755
Ceylon Holiday Resorts Ltd.	8,892	3,654
John Keells Stock Brokers (Pvt) Ltd.	8,463	8,334
Other subsidiaries	91,091	61,934
	632,478	562,400
Loans given		
British Overseas (Pvt) Ltd.	-	124,500
John Keells Properties Ja - Ela (Pvt) Ltd.	-	257,000
Keells Food Products PLC.	-	350,000
Mackinnon Keells Ltd.	-	24,923
Tea Smallholder Factories PLC.	-	40,000
Whittall Boustead (Pvt) Ltd.	-	55,526
	-	851,949

For the year ended 31st March In LKR'000s	Group 2014	 2013	Company 2014	 2013
43.7 Transactions with related parties - Associates **Interest received / (Interest paid)**				
Nations Trust Bank PLC.	168,299	340,781	44,104	176,560

The Group and Company held interest bearing deposits of LKR2,346 mn (2013 - LKR2,220 mn) and LKRnil (2013 - LKR916 mn) respectively, at Nations Trust Bank PLC as at 31 March 2014.

43.8 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

Refer Group directory in the supplementary section of the annual report for effective equity holding percentages of Group investments.

43.9 Compensation of key management personnel

Key management personnel include members of the Board of Directors of John Keells Holdings PLC and its subsidiary companies.

	Group		**Company**	
For the year ended 31st March In LKR'000s	**2014**	**2013**	**2014**	**2013**
Short-term employee benefits	415,985	357,581	171,074	157,469
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	98,665	-	43,578	-
	514,650	357,581	214,652	157,469

Directors' interest in the employee share option plan of the Company

As at 31 March 2014, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

1,641,013 Ordinary Shares at a price of LKR127.50 each, exercisable before 16-12-2014
1,258,096 Ordinary Shares at a price of LKR213.13 each, exercisable before 8-12-2015
1,273,365 Ordinary Shares at a price of LKR172.49 each, exercisable before 6-12-2016

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

44 CONTINGENT LIABILITIES

44.1 John Keells Holdings PLC (JKH)

The contingent liability of the Company as at 31 March 2014, relates to the following;

- GST & VAT Assessments for the year of assessment 2002/03

The Company has filed appeals against these assessments and these are currently pending with the Court of Appeal.

- Income tax assessment relating to year of assessment 2006/07

The Company has filed an appeal against this assessment and is currently pending with the Court of Appeal.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2014 is estimated at LKR123 mn. (2013 - LKR123 mn)

44 CONTINGENT LIABILITIES (Contd.)

44.2 Lanka Marine Services (Pvt) Ltd. (LMS)

The contingent liability of LMS as at 31 March 2014, relates to the following;

• Post privatisation turnover tax levied by the Western Provincial Council

The Company has disputed this on the basis that its business activity is that of an export. An appeal has been made by the Company to the Western Provincial Council.

• Income tax assessment relating to year of assessment 2001/02

Assessment was received by the Company based on normal tax rates. The company has appealed against this assessment on the grounds that the sale of bunker to foreign ships is an export, which is liable to concessionary rates of taxes, but this has been disputed by the Department of Inland Revenue. The appeal made by the company is currently with the Court of Appeal of Sri Lanka.

• Income Tax Assessments relating to years of assessments 2002/03, 2003/04 and 2004/05

Assessments were received in January 2009, once again based on normal tax rates. It is the view of the Company, based on opinions from independent legal counsel and tax consultants, that the subject years were statutorily time barred as provided in the Inland Revenue Act. The appeals made by the Company to the Board of Review were transferred to the Tax Appeals Commission (TAC). The company is currently awaiting determination from the Tax Appeals Commission.

• Income Tax Assessments relating to years of assessments 2005/06, 2006/07, 2007/08 and 2008/09

Assessments were received in August 2008, October 2009 and March 2011, consequent to the Supreme Court judgement, whereby the original BOI concessions granted were annulled. Although the assessments were based on normal tax rates the company computed and paid income taxes at concessionary rates of tax, based on opinions from independent legal counsel and tax consultants, that the supply of bunkers to foreign vessels is an export and therefore eligible to concessionary rates of tax as provided in the Inland Revenue Act. Appeals were lodged against the balance taxes assessed and penalties charged by the Inland Revenue and the status of each of the appeals are as follows:

2005/06 and 2006/07- The Tax Appeals Commission determined that it has no jurisdiction in respect of appeals relating to these two years and a case stated has been filed with the Court of Appeal by an application made by the CGIR.

2007/08 – The appeal was determined in favour of the CGIR by the Tax Appeals Commission, and a case stated has been filed with the Court of Appeal by an application made by the company.

2008/09 – An appeal made by the company is currently with the Tax Appeals Commission.

• Income Tax Assessments relating to years of assessments 2009/2010, 2010/2011 and 2011/2012

Assessments were received in November and December 2013 respectively based on normal tax rates. Appeals have been lodged with the Department of Inland Revenue within the stipulated time period for assessments raised for both these years of assessment.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31 March 2014 is estimated at LKR923mn. (2013 - LKR727 mn)

44.3 Mackinnons Travels (Pvt) Ltd. (MTL)

The contingent liability of MTL as at 31 March 2014, relates to the following;

• VAT Assessments received for years of assessments 2009/10 and 2010/2011

The company has filed appeals against these assessments with the Inland Revenue Department.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31 March 2014 is estimated at LKR26mn. (2013 - LKR26 mn)

For the year ended 31st March In LKR'000s	Group 2014	Group 2013	Company 2014	Company 2013
45 CAPITAL AND OTHER COMMITMENTS				
Capital commitments contracted but not provided for	67,094,794	2,675,214	-	-
Guarantees	11,410,486	609,568	9,393,758	399,900
	78,505,280	3,284,782	9,393,758	399,900

For the year ended 31st March In LKR'000s	Group 2014	Group 2013
46 LEASE COMMITMENTS		
Lease rentals due on non-cancellable operating leases;		
Within one year	207,059	200,994
Between one and five years	798,623	777,829
After five years	2,486,095	2,588,923
	3,491,777	3,567,746

46.1 Details of leases

Company	Lessor	Leased properties
Ceylon Cold Stores PLC.	CISCO Specility Packaging (Pvt) Ltd	Pet Bottle Plant
Ceylon Holiday Resorts Ltd.	Sri Lanka Tourist board	Land occupied.
Hikkaduwa Holiday Resorts (Pvt) Ltd.	Sri Lanka Tourist board	Land occupied.
Fantasea World Investment (Pte) Ltd.	Government of Maldives	Land occupied.
Habarana Lodge Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Habarana Walk Inn Ltd.	Kekirawa Divisional Secretariat	Land occupied.
JayKay Marketing Services (Pvt) Ltd.	R.J. S. Exports (Pvt) Ltd / Mr. Ramesh Abeywardena	Land occupied.
Keells Food Products PLC	Pannala Divisional Secretariat	Land occupied.
Travel Club (Pte) Ltd.	Government of Maldives and a sub lease with Ellaidhoo Investments (Pte) Ltd.	Land occupied.
Tranquility (Pte) Ltd.	Government of Maldives	Land occupied.
Yala Village (Pvt) Ltd.	Sri Lanka Tourist board	Land occupied.
Waterfront Properties (Pvt) Ltd.	Board of Investment of Sri Lanka	Land occupied.

46.2 Extent of lease hold land is given in the Group real estate portfolio in the Supplementary section of the annual report.

47 ASSETS PLEDGED

Assets pledged for facilities obtained is given in note 35.3 to the financial statements.

48 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has declared a final dividend of LKR1.50 per share for the financial year ended 31 March 2014. As required by section 56 (2) of the Companies Act no 07 of 2007, the board of directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the companies Act No.07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on the 17 June 2014.

In accordance with the LKAS 10, Events after the reporting period, the final dividends has not been recognised as a liability in the financial statements as at 31 March 2014.

Economic Value Statement

For the year ended 31st March **In LKR millions**	**Transportation** 2014	**Transportation** 2013	**Leisure** 2014	**Leisure** 2013	**Property** 2014	**Property** 2013	**Consumer Foods & Retail** 2014	**Consumer Foods & Retail** 2013	**Financial Services** 2014	**Financial Services** 2013
Direct economic value generated										
Revenue	17,225	19,885	24,721	22,798	4,484	3,550	26,261	24,527	9,581	8,709
Finance income	195	259	2,548	949	236	292	109	99	2,897	2,732
Share of results of associates	1,951	2,474	-	-	-	(1)	-	-	958	860
Profit on sale of assets & other income	110	115	179	272	86	262	552	744	150	14
Valuation gain on IP	-	-	-	289	391	1,458	72	1,275	-	-
	19,481	22,733	27,448	24,308	5,196	5,561	26,994	26,645	13,586	12,315
Economic value distributed										
Operating costs	16,386	18,200	11,431	11,633	4,245	2,709	20,661	19,851	9,599	8,602
Employee wages & benefits	661	641	3,528	3,061	304	76	2,634	2,413	1,252	1,055
Payments to providers of funds	709	896	5,880	4,435	232	995	781	892	661	112
Payments to government	184	272	1,375	1,158	79	87	1,326	1,189	357	883
Community investments	5	2	37	22	6	-	18	12	2	2
	17,945	20,012	22,250	20,310	4,865	3,866	25,419	24,357	11,871	10,655
Economic value retained										
Depreciation	103	95	1,311	1,075	38	17	731	656	158	148
Amortisation	1	7	679	678	-	-	11	13	190	187
Profit after dividends	1,431	2,620	3,208	2,246	293	1,677	833	1,620	1,366	1,325
Retained for reinvestment/growth	1,536	2,722	5,198	3,998	331	1,694	1,575	2,288	1,715	1,661

Information Technology		Others		Total		Eliminations/ Adjustments		Group Total			
2014	2013	2014	2013	2014	2013	2014	2013	2014	%	2013	%
7,800	6,811	4,084	3,756	94,156	90,037	(4,901)	(4,629)	89,256	88.41	85,408	87.99
24	16	8,661	8,582	14,671	12,929	(8,888)	(8,159)	5,783	5.73	4,770	4.91
-	(5)	55	41	2,964	3,369	-	-	2,964	2.94	3,369	3.47
109	179	228	146	1,414	1,732	1,072	(230)	2,486	2.46	1,502	1.55
-	-	8	8	470	3,030	-	(1,018)	470	0.46	2,012	2.08
7,933	7,000	13,036	12,533	113,675	111,096	(12,716)	(14,036)	100,959	100.00	97,060	100.00
5,458	5,038	3,515	2,826	71,295	68,860	(2,761)	(3,114)	68,534	67.88	65,746	67.74
1,472	1,385	710	876	10,561	9,507	-	-	10,561	10.46	9,507	9.80
484	96	3,672	3,758	12,417	11,185	(6,918)	(5,732)	5,499	5.45	5,452	5.62
128	124	551	197	4,001	3,910	-	-	4,001	3.96	3,910	4.02
3	2	24	13	95	53	-	-	95	0.09	53	0.05
7,545	6,646	8,473	7,669	98,369	93,515	(9,679)	(8,846)	88,690	87.85	84,669	87.23
166	146	97	113	2,605	2,250	-	-	2,605	2.58	2,250	2.32
21	22	26	18	928	923	-	-	928	1.00	923	1.00
202	187	4,440	4,733	11,773	14,408	(3,037)	(5,189)	8,736	8.57	9,219	9.45
388	354	4,564	4,864	15,307	17,581	(3,037)	(5,189)	12,270	12.15	12,392	12.77

History of the John Keells Group

1870
The foundation was laid for the corporate journey of John Keells Holdings, when two English brothers, George and Edwin John set up E. John & Co., a firm of produce and exchange brokers.

1948
The firm merged with two London based tea brokers, William Jas and Hy Thompson & Co., and GeoWhite & Co., thereby evolving into a private liability company in the name of E. John, Thompson, White & Company Ltd.

1960
The firm amalgamated with Keell and Waldock Ltd., another long established produce, share and freight broking company and subsequently changing its name to John Keell Thompson White Ltd.

1973
The company acquired a controlling stake in Walkers Tours and Travels (Ceylon) Ltd., one of the country's leading inbound tour operators.

1974
The firm became a Rupee quoted public company under the name John Keells Ltd.

1986
A newly incorporated John Keells Holdings Ltd (JKH) acquired a controlling stake in John Keells Ltd and obtained a quotation on the Colombo Stock Exchange (CSE) amidst a heavily over-subscribed public share issue.

1991
JKH was involved in the biggest ever deal at the time, when Whittalls group of companies was acquired, thus gaining controlling stakes in Ceylon Cold Stores, Ceylon Holiday Resorts and a stake in Union Assurance.

1994
JKH became the first Sri Lankan company to obtain a listing abroad, and issued Global Depository Receipts (GDRs) that were quoted on the Luxembourg Stock Exchange.

1996
Velidhu Resort Hotel, an 80 roomed island resort in the Maldives, was acquired making it JKH's first major overseas investment.

1999
Nations Trust Bank (NTB) was established as a joint venture with the IFC and Central Finance Co. Ltd. Fortune magazine named JKH "One of the Ten Best Asian Stocks to Buy".

2000
JKH was rated among the best 300 small companies in the world by Forbes Global magazine. JKH also became the first company in Sri Lanka to obtain the SL AAA rating from Fitch Rating Ltd. JKH was admitted as a full member of the World Economic Forum.

2004 – 2005
John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. JKH acquired a controlling stake in Mercantile Leasing Limited (MLL). The John Keells Social Responsibility Foundation, the Group's CSR arm, was established as a charitable company and registered as a voluntary social service organisation.

2005 – 2006
The Group entered into a MOU to develop a third resort in the Maldives on Alidhoo Island. JKH acquired 80 per cent of Yala Village Hotel. JKH entered into the BPO space through a joint venture with Raman Roy Associates. The Group also launched its new hotel brands "Cinnamon Hotels & Resorts" and "Chaaya Hotels & Resorts". NTB merged with Mercantile Leasing Limited.

2006 – 2007
The Group acquired a lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives. Furthermore, JKH acquired 20 per cent of Associated Motorways PLC (AMW). JKH increased its stake in SAGT by 8 per cent to 34 per cent. John Keells Holdings Ltd was renamed as John Keells Holdings PLC.

2007 – 2008
Cinnamon Island Alidhoo, Maldives commenced operations. IFC signed a long term funding arrangement amounting to USD 75 million to support the Group's expansion plans.

2008 – 2009

JKH expanded its stake in SAGT, UA, CCS and KFP Acquired a 44 per cent stake in Quatrro Finance & Accounting Solutions.

2009 – 2010

The market capitalisation exceeded USD 1 billion. JKH was ranked first by the Business Today magazine's "Top 10" award. Trans Asia Hotel was re-branded and re-launched as Cinnamon Lakeside Colombo. The Group released its first stand alone Sustainability Report for 2008/09 in adherence to the Global Reporting Initiative (GRI-G3) framework.

2010 – 2011

JKH was ranked first in the LMD magazine's "Most Respected Entities in Sri Lanka" for the 5th consecutive time. The head lease of Alidhoo island was divested while the Group acquired the head lease of Dhonveli Island for a period of 18 years. Re-branding and re-launching of Chaaya Tranz formally known as Coral Gardens Hotel Hikkaduwa took place. Ceylon Cold Stores added "KIK" as its cola brand in its portfolio of soft drinks. JKH's Property arm commenced construction of "Onthree20" apartment complex in the Colombo.

2011 – 2012

"The Emperor" apartment project at Crescat City, Colombo was completed. Chaaya Tranz Hikkaduwa and Chaaya Wild Yala were re-opened after refurbishment. JKH was ranked number one in the LMD Magazine's "Top 50" of Sri Lanka's leading companies for 2010/11 and number one in the Business Today Magazine's "Top 20" rankings for the 7th time since 1999.

2012 – 2013

The 200 room five star resort hotel Cinnamon Bey was launched and Cinnamon Citadel was opened following an extensive refurbishment. Keells Food Products PLC successfully raised Rs.1.02 billion via a rights issue in order to fund the acquisition and expansion of the meat processing plant in Pannala. Union Assurance PLC successfully concluded a one for seven rights issue and raised Rs.720 million. The 140,000 square foot "K-Zone" mall was opened in Ja-ela, Colombo. JKH was ranked number one in the LMD Magazine's "Most Respected Entities in Sri Lanka" survey for 2012 and also ranked number one in Business Today Magazine's "Top 20" rankings.

2013 – 2014

Please refer "Year at a Glance" section of the Report.

Decade at a Glance

31st March LKR Millions	2014*	2013*	2012*	2011	2010	2009	2008	2007	2006	2005
OPERATING RESULTS										
Group revenue	89,256	85,408	77,690	60,500	47,980	41,023	41,805	32,855	29,463	23,232
EBIT	16,623	16,747	14,236	11,425	7,908	7,986	8,197	6,115	4,850	3,569
Finance cost	(1,224)	(1,081)	(1,416)	(796)	(1,370)	(1,695)	(1,618)	(1,314)	(525)	(404)
Share of results of equity accounted investees	2,964	3,369	2,765	2,641	2,556	2,340	2,243	1,701	958	833
Profit before tax	15,399	15,665	12,822	10,629	6,538	6,291	6,579	4,801	4,325	3,165
Tax expense	(2,388)	(2,185)	(1,842)	(1,566)	(986)	(1,326)	(1,054)	(852)	(819)	(645)
Profit after tax	13,011	13,480	10,980	9,063	5,552	4,965	5,525	3,949	3,506	2,520
Extra-ordinary item	-	-	-	-	-	-	-	-	-	185
Profit for the year	13,011	13,480	10,980	9,063	5,552	4,965	5,525	3,949	3,506	2,705
Attributable to:										
Equity holders of the parent	11,719	12,113	9,689	8,245	5,201	4,733	5,119	3,540	3,064	2,291
Non-controlling interest	1,293	1,367	1,291	818	351	232	406	409	442	414
	13,012	13,480	10,980	9,063	5,552	4,965	5,525	3,949	3,506	2,705
CAPITAL EMPLOYED										
Stated capital	49,749	26,480	25,111	24,612	23,322	22,525	22,464	22,246	9,205	9,095
Capital reserves and other components of equity	21,845	20,635	13,226	9,560	7,574	7,437	6,019	3,137	2,815	2,115
Revenue reserves	51,301	42,704	33,001	25,415	18,936	15,545	14,914	13,087	10,011	6,686
	122,895	89,819	71,338	59,587	49,832	45,507	43,397	38,470	22,031	17,896
Non-controlling interest	11,616	11,366	8,863	7,608	6,430	4,960	4,770	3,696	3,630	3,712
Total equity	134,511	101,185	80,201	67,195	56,262	50,467	48,167	42,166	25,661	21,608
Total debt	26,256	20,117	20,054	14,641	17,453	21,596	12,667	15,363	5,327	9,105
	160,767	121,302	100,255	81,836	73,715	72,063	60,834	57,529	30,988	30,713
ASSETS EMPLOYED										
Property, plant and equipment (PP&E)	47,537	49,273	34,290	28,628	29,989	29,965	28,381	19,688	18,423	19,299
Non-current assets other than PP&E	71,750	59,827	52,422	47,436	34,104	33,456	19,128	17,730	8,850	6,033
Current assets	83,188	50,018	47,746	34,228	34,566	28,718	23,440	27,759	11,478	13,589
Liabilities net of debt	(41,708)	(37,816)	(34,203)	(28,456)	(24,944)	(20,076)	(10,115)	(7,648)	(7,763)	(8,208)
	160,767	121,302	100,255	81,836	73,715	72,063	60,834	57,529	30,988	30,713
CASH FLOW										
Net cash flows from operating activities	8,363	14,568	16,476	8,501	9,485	4,146	6,914	2,523	2,664	4,620
Net cash flows from / (used in) investing activities	(19,962)	(16,199)	(9,003)	(4,469)	(5,823)	(3,972)	(4,359)	(10,088)	(2,848)	(4,482)
Net cash flows from / (used in) financing activities	25,378	(1,320)	496	(6,791)	(636)	2,332	(6,262)	18,422	(1,027)	271
Net increase / (decrease) in cash and cash equivalents	13,779	(2,951)	7,969	(2,759)	3,026	2,506	(3,707)	10,857	(1,211)	409
KEY INDICATORS										
Basic earnings per share (LKR)	12.6	13.8	11.1	9.6	6.1	5.5	5.9	4.4	3.8	2.9
Interest cover (no. of times)	13.6	15.5	10.1	14.4	5.8	4.7	5.1	4.7	9.2	8.8
Net assets per share** (LKR)	124.10	90.70	72.04	60.17	50.32	45.95	43.82	38.85	22.25	18.07
Enterprise value	193,382	203,516	166,143	175,672	109,548	42,815	76,713	95,962	64,389	47,222
ROE (%)	11.0	15.0	14.7	13.8	15.1	10.9	10.6	12.5	13.0	14.0
EV / EBITDA	10.0	10.0	13.1	13.1	10.9	4.3	7.8	13.0	10.7	10.0
Debt / equity ratio (%)	19.5	19.9	25.0	21.8	31.0	42.8	26.3	36.4	20.8	29.0
TSR (%)	(0.4)	21.7	(2.5)	57.5	202.3	(44.2)	13.5	23.0	32.8	23.9
Dividend payout (LKR millions)	3,267	2,982	2,314	1,844	1,883	3,176	1,412	1,197	1,075	726
Current ratio (no. of times)	2.4	2.0	2.0	1.8	2.1	1.8	1.9	1.2	1.2	1.6
Market price per share unadjusted (LKR)	227.0	247.0	206.0	285.6	184.0	62.8	119.8	155.0	157.8	137.5
Market price per share diluted (LKR)	227.0	239.0	199.3	207.2	133.5	45.2	86.2	80.9	68.6	54.4
USD closing rate	130.09	126.75	128.10	110.40	114.00	115.53	107.78	109.20	102.70	99.50
USD average rate	130.70	129.91	112.56	112.13	115.02	109.83	110.30	105.51	101.16	101.79

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2014.

Indicative US Dollar Financial Statements

Income statement

For information purposes only

	Group		Company	
For the year ended 31st March In USD'000s	**2014**	**2013**	**2014**	**2013**
Continuing Operations				
Sale of goods	364,959	369,617	-	-
Rendering of services	317,946	304,212	6,186	5,324
Revenue	682,905	673,829	6,186	5,324
Cost of sales	(494,658)	(493,369)	(3,192)	(2,785)
Gross profit	188,247	180,460	2,994	2,539
Dividend income	-	-	49,944	53,788
Other operating income	19,021	11,844	5,510	250
Distribution expenses	(24,151)	(22,623)	-	-
Administrative expenses	(79,848)	(76,179)	(7,940)	(5,403)
Other operating expenses	(23,401)	(20,888)	(263)	(495)
Results from operating activities	79,868	72,614	50,245	50,679
Finance cost	(9,366)	(8,530)	(1,929)	(2,312)
Finance income	44,250	37,632	15,318	10,222
Net finance income	34,884	29,102	13,389	7,910
Change in insurance contract liabilities	(23,206)	(20,579)	-	-
Change in fair value of investment property	3,598	15,874	-	-
Share of results of equity accounted investees	22,677	26,582	-	-
Profit before tax	117,821	123,593	63,634	58,589
Tax expense	(18,269)	(17,235)	(3,211)	(517)
Profit for the year	99,552	106,358	60,423	58,072
Attributable to:				
Equity holders of the parent	89,662	95,568		
Non-controlling interest	9,890	10,790		
	99,552	106,358		
Exchange rate	130.70	126.75	130.70	126.75

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at each year end have been used to convert the income statement and statement of financial position.

Indicative US Dollar Financial Statements

Statement of financial position

For information purposes only

As at 31st March In USD'000s	Group 2014	Group 2013	Company 2014	Company 2013
ASSETS				
Non-current assets				
Property, plant and equipment	363,703	388,741	939	593
Lease rentals paid in advance	69,598	75,059	-	-
Investment property	33,973	73,333	-	-
Intangible assets	18,915	21,219	525	584
Investments in subsidiaries and joint ventures	-	-	244,541	210,188
Investments in associates	113,191	124,058	68,502	77,486
Other non-current financial assets	161,345	148,455	16,269	13,496
Deferred tax assets	1,123	1,674	-	-
Other non-current assets	150,818	28,211	123	81
	912,666	860,750	330,899	302,428
Current assets				
Inventories	53,298	31,550	-	-
Trade and other receivables	96,124	100,789	529	7,849
Amounts due from related parties	2,398	1,637	5,323	4,088
Other current assets	21,705	22,847	1,196	3,037
Short term investments	417,389	209,752	270,900	99,026
Cash in hand and at bank	45,564	28,046	395	498
	636,478	394,621	278,342	114,498
Total assets	1,549,144	1,255,371	609,241	416,926
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	380,634	208,918	380,634	208,918
Revenue reserves	392,507	336,917	189,021	159,540
Other components of equity	167,136	162,797	5,180	658
	940,277	708,632	574,835	369,116
Non-controlling interest	88,875	89,674	-	-
Total equity	1,029,152	798,306	574,835	369,116
Non-current liabilities				
Insurance contract liabilities	155,111	137,187	-	-
Borrowings	76,271	93,552	19,827	29,606
Deferred tax liabilities	10,164	9,643	-	-
Employee benefit liabilities	11,796	10,928	1,124	1,058
Other deferred liabilities	685	396	-	-
Other non-current liabilities	3,003	4,182	-	-
	257,030	255,888	20,951	30,664
Current liabilities				
Trade and other payables	112,755	115,253	1,725	1,815
Amounts due to related parties	352	121	38	104
Income tax liabilities	7,068	7,740	-	-
Short term borrowings	74,613	14,625	-	-
Current portion of borrowings	28,037	24,055	10,169	10,370
Other current liabilities	18,173	12,904	67	832
Bank overdrafts	21,964	26,479	1,456	4,025
	262,962	201,177	13,455	17,146
Total equity and liabilities	1,549,144	1,255,371	609,241	416,926
Exchange rate	130.70	126.75	130.70	126.75

Sri Lankan Economy

Summary indicator	Units	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP growth	Per cent	5.9	5.4	6.2	7.7	6.8	6.0	3.5	8.0	8.2	6.3	7.3
GDP (current prices)	Rs. billion	1,822	2,091	2,453	2,939	3,578	4,411	4,835	5,604	6,543	7,579	8,674
GDP (current prices)	USD billion	18.88	20.66	24.41	28.27	32.34	40.72	42.07	49.57	59.18	59.40	67.20
GDP per capita (USD) Growth	Per cent	9.0	8.6	20.5	14.5	13.8	24.6	2.1	16.7	18.3	3	12
GDP per capita (market prices)	Rs 000	94.7	107.4	124.7	147.8	178.8	218.2	236.4	271.3	313.6	372.8	423.5
GDP per capita (market prices)	USD	948	1,030	1,241	1,421	1,617	2,014	2,057	2,400	2,836	2,922	3,280
Inflation (CCPI 2006/07=100) annual average	Per cent	N/A	N/A	N/A	N/A	N/A	N/A	3.5	6.2	6.7	7.6	6.9
Current account balance	USD liobil	(0.1)	(0.6)	(0.7)	(1.5)	(1.4)	(1.4)	(0.2)	(1.1)	(4.6)	(4.0)	(2.6)
Current account % of GDP	Per cent	(0.4)	(3.1)	(2.7)	(5.3)	(4.2)	(9.5)	(0.5)	(2.2)	(7.8)	(6.7)	(3.9)
Population	Million	19.3	19.5	19.7	19.9	20.0	20.2	20.5	20.7	20.9	20.3	20.5
Exchange rate (annual average)	Rs/USD	96.5	101.2	100.5	104.0	110.6	108.3	114.9	113.1	110.6	127.6	129.1
Exchange rate change (annual average)	Per cent	0.9	4.8	(0.7)	3.4	6.4	(2.1)	6.1	(1.6)	(2.2)	15.4	1.2
12 month T-Bill yield (year-end)	Per ent c	8.0	7.7	10.4	13.0	20.0	19.1	9.3	7.6	9.3	11.7	8.3
Prime lending rate (year-end)	Per cent	9.3	10.2	12.2	15.2	18.0	18.5	10.9	9.3	10.8	14.4	10.1
M2b money supply growth	Per cent	15.3	19.6	19.1	17.8	16.6	8.5	18.6	15.8	19.1	17.6	16.7
Exports	USD billion	5.1	5.8	6.3	6.7	7.7	8.1	7.1	8.6	10.6	9.8	10.4
Imports	USD liobil	6.7	8.0	8.9	10.3	11.3	14.1	10.2	13.5	20.3	19.2	18.0
Balance of payments	Per cent of GDP	2.7	(1.0)	2.1	0.7	1.6	(3.5)	6.5	1.9	(1.9)	0.3	1.5
Budget deficit	Per cent of GDP	(7.3)	(7.5)	(7.0)	(7.0)	(6.9)	(7.0)	(9.9)	(8.0)	(6.9)	(6.5)	(5.9)
Unemployment rate	Per cent	8.4	8.3	7.2	6.5	6.0	5.4	5.8	4.9	4.2	4.0	4.4
All share index (year-end)	Points	1,062	1,507	1,922	2,722	2,541	1,503	3,386	6,636	6,074	5,643	5,913
Tourist arrivals	No.'000	501	566	549	560	494	439	448	655	856	1,006	1,275

Sri Lanka's economic growth picked up in 2013 rising to 7.3 per cent from the 6.3 per cent reported in 2012. Gross Domestic Product (GDP) growth was broad based with growth recorded by all three key segments of the economy. This was supported by favourable weather conditions and improving global demand conditions. The low inflation level provided space for the Central Bank to ease monetary policy further to accommodate growth. The Central Bank expects the economy to grow at 7.8 per cent in 2014 and projects it to continue on this high growth trajectory.

The standing deposit facility rate (SDFR, formerly the repo rate) and the standing lending facility rate (SLFR, formerly the reverse repo rate) declined by 125 and 175 basis points respectively by early January 2014. In addition to easing its key monetary policy rates during the year, the Central bank also cut the statutory reserve ratio (SRR) by 200 basis points with effect from 1st July 2013 citing the need to reduce the spread between deposit and lending rates of commercial banks. This had an impact on the average weighted prime lending rate (AWPLR) declining to 10.1 per cent by end 2013 from the 14.4 per cent registered in the previous year.

Administratively revised prices of electricity and fuel coupled with favourable weather conditions have improved the cash flow of the Ceylon Petroleum Corporation and the Ceylon Electricity Board which eased borrowing pressure by public corporations in 2013. Credit to public corporations recorded a growth of 24.8 per cent in 2013 compared to 47.3 per cent a year earlier.

Sri Lanka was able to post a balance of payments (BOP) surplus of USD985 million in 2013 due to a healthy improvement in the external trade account, increased remittances and inflows to the capital account. Improved demand from key export destinations helped overall exports grow 6.4 per cent in 2013 while low petroleum imports helped import expenditure contract by 6.2 per cent. The trade balance deficit in 2013 contracted sharply by 19.2 per cent to USD7,609 million. Sri Lanka was able to raise in total about USD2.1 billion in international markets since September 2013 till April 2014 by way of the issuance of dollar bonds by the Sovereign and local banks. The reserve position improved to USD7.5 billion by end 2013 with the Rupee depreciating only 2.75 per cent in 2013 against the US dollar. Tourist arrivals rose 26.7 per cent in 2013 to 1.27 million with tourism income rising to USD1.72 billion in 2013 from USD1.04 billion in 2012.

According to the Central Bank, Sri Lanka's budget deficit for 2013 reduced to 5.9 per cent in 2013 from the 6.5 per cent seen in 2012. This was very close to the government's set target to reduce the deficit to 5.8 per cent of GDP in 2013 mainly on account of curtailing government expenditure.

The Year That Was

The GDP growth for the full year of 2013 came in at 7.3 per cent. The three major sub sectors of the economy; agriculture, industry and services recorded growth rates of 4.7 per cent, 9.9 per cent and 6.4 per cent respectively.

The agriculture sector grew slightly slower in 2013 compared to the 5.2 per cent growth recorded in 2012. Tea exports growing 9.2 per cent in 2013 due to favourable weather conditions and attaining high auction prices were the main reasons behind the growth of agriculture sector. Other sectors like paddy, fishing, minor export crops and other food crops recorded a significant improvement during the year. However, rubber and coconut contracted during the year with reductions in production owing to unfavorable weather conditions in the first half of the year.

Overall growth in the industrial sector during the year was almost at a similar pace to the 10.3 per cent growth recorded in 2012. Growth was driven by expansion in the construction, electricity and manufacturing sub-categories. Construction grew at a healthy pace of 14.4 per cent in 2013 easing from the 21.6 per cent growth recorded in the previous year. Manufacturing which was boosted by growth in exports, expanded 7.5 per cent in 2013 compared to a growth of 5.2 per cent in 2012.

The services sector, the most significant component of GDP recorded an impressive growth of 6.4 per cent in 2013 compared to its growth of 4.6 per cent in the previous year. Wholesale and retail registered a growth of 5.5 per cent compared to the 3.7 per cent growth in 2012. The transport and communication sub-sector expanded 9.4 per cent in 2013 against a 6.2 per cent growth recorded in the previous year. This was due to increased domestic mobility and improvements made in the transport network.

Despite economic growth increasing in 2013 compared to a year earlier, aggregate consumption slowed further to 10.1 per cent in 2013 compared to the growth of 13.7 per cent in 2012. Growth in investment in real terms declined to 10.7 per cent from 18.3 per cent with a significant decline in private sector investment which grew at 9.7 per cent compared to 15.8 per cent in 2012. Growth in public sector investment also declined sharply to 13.9 per cent against a growth of 27.9 per cent in 2012. Private sector savings advanced by 32.6 per cent in 2013 compared to a 28 per cent growth a year earlier. Aggregate domestic savings grew 35.6 per cent during the year aiding the reduction of the savings to investment gap to 3.8 per cent of GDP from the 6.6 per cent of GDP recorded in 2012.

Although remaining close to double digits during the first two months of the year, headline inflation began to decelerate from March onwards in spite of a hike in energy prices. Improved food supply due to favourable weather conditions enabled any upward pressure from the food and beverage category of the Colombo consumer price index (CCPI) basket to be abated. By the end of the first half of the year headline inflation declined to mid-single digit levels. This continued in the second half of the year with headline inflation easing to 4.7 per cent in December 2013 and closed at 4.2 per cent in March 2014.

The trade balance declined 19.2 per cent in 2013 largely due to a rebound in exports during the second half of the year and a decline in import expenditure. Earnings from textiles and garments exports, a key component of industrial exports increased 13.0 per cent in 2013. Import expenditure on intermediate goods fell 8.8 per cent in 2013 driven by a 14.6 per cent decline in fuel imports. The total expense of investment goods declined 7.3 per cent during the year due to a reduction in importation of transport equipment and machinery and equipment. However, consumer goods grew 6.3 per cent in 2013 driven by expenditure in the food and beverages sub-category. Expenditure on vehicle imports grew 17.6 per cent, rebounding from a 43.8 per cent contraction in 2012.

Group Real Estate Portfolio

Owning company and location	Buildings (in Sq. ft)	Land in acres Freehold	Leasehold	Net book value 2014 LKR'000s	2013 LKR'000s
PROPERTIES IN COLOMBO					
Ceylon Cold Stores PLC					
Slave Island Complex, Colombo 2.	26,910	4.49	3.72	-	4,985,050
John Keells Office Automation (Pvt) Ltd.					
No.90 ,Union Place, Colombo 2.	9,100	-	-	4,347	6,483
John Keells PLC.					
130, Glennie Street , Colombo 2.	122,338	1.71	0.58	-	2,044,524
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	0.08	-	1,250	1,250
John Keells Properties (Pvt) Ltd.					
125, Glennie Street, Colombo 2.	26,550	0.53	-	-	639,365
Keells Realtors Ltd.					
427 & 429, Ferguson Road, Colombo 15.	27,750	1.22	-	279,186	279,938
Mackinnon Keells Ltd.					
Leyden Bastian Road, York Street, Colombo 01.	31,656	0.45	-	409,890	411,382
Union Assurance PLC.					
No 20, St. Michaels' Road, Colombo 03.	57,916	0.58	-	849,658	773,830
Whittall Boustead (Pvt) Ltd.					
No.199 ,Union Place, Colombo 2.	14,014	0.50	-	347,000	347,000
148, Vauxhall Street, Colombo 2.	97,128	3.06	-	2,035,500	2,041,772
Waterfront Properties (Pvt) Ltd.					
100, Glennie Street , Colombo 2.	-	0.37	-	-	307,423
	413,362	12.99	4.30	3,926,831	11,838,017
PROPERTIES OUTSIDE COLOMBO					
Ceylon Cold Stores PLC.					
Kaduwela.	299,798	27.35	-	1,086,006	1,094,328
Trincomalee.	23,840	1.06	-	85,482	84,775
Facets (Pvt) Ltd.					
Ahungalla.		6.31	-	315,000	367,914
John Keells BPO Solutions India (Pvt) Ltd					
Floor 8, Tower B &C, Building					
No.6, DLF SEZ Cyber City, Phase III,					
Gurgaon, Haryana.	48,659	-	-	70,922	55,130
John Keells PLC.					
17/1, Temple Road, Ekala, Ja-Ela.	-	3.77	-	120,781	105,683
JK Properties Ja-Ela (Pvt) Ltd					
No 525, Colombo Road, Kapuwatta, Ja-Ela.	143,714	6.60	-	1,491,500	1,505,302
John Keells Warehousing (Pvt) Ltd.					
Muthurajawela.	141,276	-	6.00	317,895	326,291
Keells Food Products PLC.					
41, Temple Road, Ekala, Ja-Ela.	51,728	3.00	3.26	359,404	365,040
Tea Smallholder Factories PLC.					
Broadlands.	56,478	4.14	-	61,805	58,000
Halwitigala.	48,747	9.61	-	48,478	49,000
Hindul Oya.	10,500	0.88	-	-	-
Hingalgoda.	63,676	17.00	-	78,000	80,000
Karawita.	80,364	-	4.98	86,010	87,998
Kurupanawa.	51,410	11.80	-	51,643	53,000
Neluwa.	48,888	5.27	-	48,214	49,500
New Panawenna.	44,568	10.34	-	41,287	42,000
Pasgoda.	40,091	7.24	-	32,371	32,000
Peliyagoda.	31,629	-	0.98	118,131	110,272
Raxawa	32,750	1.22	-	24,300	25,000

Owning company and location	Buildings (in Sq. ft)	Land in acres Freehold	Leasehold	Net book value 2014 LKR'000s	2013 LKR'000s
PROPERTIES OUTSIDE COLOMBO					
Transware-Logistics (Pvt) Ltd.					
Tudella, Ja-Ela.	63,670	18.67	-	395,232	397,648
Union Assurance PLC.					
No 06,Rajapihilla Road, Kurunegala.	27,904	0.20	-	164,000	142,000
Whittall Boustead (Pvt) Ltd.					
150, Badulla Road, Nuwara Eliya.	4,343	0.46	-	88,083	86,500
	1,314,033	134.92	15.22	5,084,544	5,117,381
HOTEL PROPERTIES					
Asian Hotels and Properties PLC.					
Cinnamon Grand Premises, Colombo 2.	648,793	7.91	-	13,869,092	13,928,737
Crescat Boulevard, Colombo 2.	145,196	-	-	2,146,264	1,860,500
Ahungalla Holiday Resort (Pvt) Ltd.					
Ahungalla.	-	6.50	-	148,850	148,850
Beruwala Holiday Resorts (Pvt) Ltd.					
Cinnamon Bey, Beruwala.	336,110	11.39	-	3,092,474	3,119,608
Ceylon Holiday Resorts Ltd.					
Bentota Beach Hotel, Bentota.	236,524	2.32	11.02	662,087	700,808
Fantasea World Investments (Pte) Ltd.					
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	150,412	-	13.42	771,482	774,348
Habarana Lodge Ltd.					
Cinnamon Lodge, Habarana.	202,999	-	25.47	649,874	665,689
Habarana Walk Inn Ltd.					
Chaaya Village, Habarana.	121,767	-	9.34	333,889	348,454
Hikkaduwa Holiday Resort (Pvt) Ltd.					
Chaaya Tranz, Hikkaduwa.	233,965	0.29	4.69	1,193,280	1,234,432
Kandy Walk Inn Ltd.					
Cinnamon Citadel, Kandy.	160,550	5.79	-	948,936	902,259
Resort Hotels Ltd.					
Medway Estate, Nilaveli.	4,485	44.37	-	667,600	667,600
Rajawella Hotels Company Ltd.					
Mahaberiatenna, Kandy.	3,700	-	10.00	34,531	34,802
Trans Asia Hotels PLC.					
Cinnamon Lake Side, Colombo 2.	423,966	-	7.65	5,046,478	4,895,974
Tranquility (Pte) Ltd.					
Chaaya Island Dhonveli, Republic of Maldives.	246,358	-	18.62	7,520,797	7,722,430
Travel Club (Pte) Ltd.					
Chaaya Reef Ellaidhoo, Republic of Maldives.	170,877	-	13.75	1,392,095	1,578,060
Trinco Holiday Resorts (Pvt) Ltd.					
Chaaya Blu, Trincomalee.	120,910	13.24	-	902,695	697,807
Trinco Walk Inn Ltd.					
Club Oceanic, Trincomalee.	-	14.64	-	152,335	361,364
Wirawila Walk Inn Ltd.					
Randunukelle Estate, Wirawila.	-	25.15	-	69,998	70,000
Yala Village (Pvt) Ltd.					
Cinnamon Wild, Tissamaharama.	110,248	-	11.00	492,721	508,622
Sentinel Reality (Pvt) Ltd.					
Vakarai	-	8.43	-	60,239	17,750
	3,316,860	140.03	124.96	40,155,717	40,238,094
Improvements to Keells Super outlets on leased hold properties	-	-	-	520,925	438,167
Consolidated Value of Land and Buildings	5,044,255	287.94	144.48	49,688,017	57,631,659

Group Directory 2013/14

John Keells Holdings PLC has business interests across seven industry groups, namely, Transportation, Leisure, Property, Consumer Foods & Retail, Financial Services, Information Technology and Other including Plantation Services. The Group consists of subsidiaries and associates companies with significant business operations in Sri Lanka, India and the Maldives. The holding company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. The Group has considered all its subsidiaries, joint venture and associate companies in capturing its financial performance and financial position. For the purpose of reporting on its sustainability performance, the Group has considered the companies which are the legal entities and for which the Group is accountable and has direct control. The companies not included for reporting on Sustainability Performance are companies in which the Group does not exercise significant management control, and companies which are non-operational, are investment entities, land only holding companies, investment holding companies, managing companies and rental of office spaces, which do not carry out any operations. Such companies have been clearly identified below.

While all core business activities are carried out in-house, the use of outsourced products and services by Group companies are limited to activities where in it as industry practice to do so, it has been proven to be an efficient and effective business model or a non-core business activity.

The customer base serviced by the John Keells Group of companies can be classified primarily into three sections as illustrated below.

Individuals	Businesses & Corporates	Government
Consumer Foods & Retail, Property, Leisure, Financial Services	IT, Transportation, Leisure, Other (Plantation Services), Financial Services	IT

* The company is a non-operational company/ investment company/ holding company or owner of real estate

** The company has not been considered for sustainability reporting as the Group does not exercise management control over the entity

TRANSPORTATION

Ports and Shipping

Keells Shipping (Pvt) Ltd. (PV 1272) (100%)
Shipping agency representation & logistics services
Incorporated in 1996
No. 11, York Street, Colombo 1
2475200
Directors: S C Ratnayake - Chairman,
R M David,J R Gunaratne
Stated capital: Rs.500,000

Mackinnon Mackenzie & Co (Shipping) Ltd. (PB 359) (100%)
Shipping agency representation & logistics services
Incorporated in 1973
4, Leyden Bastian Road, Colombo 1
2307526
Directors: S C Ratnayake - Chairman,
R M David, J R Gunaratne
Stated capital: Rs.5,000,000

Maersk Lanka (Pvt) Ltd. (PV 2550) (30%)**
Shipping agency representation & freight forwarding services
Incorporated in 1992
No. 36, D. R Wijewardene Mawatha, Colombo 10
0112423700
Directors: W T Ellawala, Dinesh Lal,
R M David, Hariharan Iyer, Robert Janvan Trooijen, Rizwan Sultan Ali
Stated capital: Rs.10,000,000

South Asia Gateway Terminals (Pvt) Ltd. (PV 326) (42.19%)**
Ports & shipping services
Incorporated in 1998
Port of Colombo, P.O. Box 141, Colombo 1.
2457500
Directors: S C Ratnayake - Chairman,
A D Gunewardene, J R F Peiris, R M David,
C Kuo Cheng, H G Wieske, Dr S Senerath,
D C Alagarathnam, Capt N Keppetipola
K N J Balendra, P Sondergaard, P M English,
T Hougaard, S S Jakobsen(Appointed w.e from 01.10.2013)
Stated capital: Rs.3,788,485,900

Logistics

DHL Keells (Pvt) Ltd. (PV 1307) (50%)**
Express courier services
Incorporated in 1986
No. 148, Vauxhall Street, Colombo 2.
2304304 / 4798600
Directors: S C Ratnayake - Chairman,
R M David, M A Monteiro, G E A P Berczely
Stated capital: Rs.20,000,020

John Keells Logistics (Pvt) Ltd. (PV 318) (100%)
Integrated supply chain & third party logistics solutions
Incorporated in 2006
No. 11, York Street, Colombo 1
2475200
Directors: S C Ratnayake - Chairman,
A.D. Gunewardene,R M David
Stated capital: Rs.200,000,000

N D O Lanka (Pvt) Ltd. (PV 831) (60%)**
International freight forwarding and clearing & forwarding
Incorporated in 1980
No. 11, York Street, Colombo 1
2475200
Directors: R M David, H.C.K Hewamallika
J R Gunarathne, G G G Col
Stated capital: Rs.130,000,000

Saffron Aviation (Pvt) Ltd. (PV 84728) (40%)**
Domestic air line operations
Incorporated in 2012
No.11,York Street, Colombo 01
2475502
Directors: A D Gunewardene, R M David,
J R Gunaratne, B A B Goonetilleke,
K Balasundaram, F Omar, R T Abeyasinghe
Stated capital: Rs.674,981,000

Lanka Marine Services (Pvt) Ltd. (PV 475) (99.44%)
Importer & supplier of heavy marine fuel oils
Incorporated in 1993
4, Leyden Bastian Road, Colombo 1
2475410-421
Directors: S C Ratnayake - Chairman,
A D Gunewardene, R M David,
R S Fernando
Stated capital: Rs.350,000,000

Mackinnon Mackenzie & Co of Ceylon Ltd. (PB 348) (100%)*
Foreign recruitment agents & consultants
Incorporated in 1975
No. 11, York Street, Colombo 1
2475200
Directors: S C Ratnayake - Chairman,
R M David
Stated capital: Rs.90,000

Trans-ware Logistics (Pvt) Ltd. (PV 3134) (50%)*
Integrated container depot. operations & logistics services provider
Incorporated in 1994
No.150/1, Pamunugama Road, Tudella, Ja-Ela
2475508/2475538
Directors: S C Ratnayake - Chairman, A D Gunawardene, R M David, A A Miskon (Alt. N A Latif), Y K Boo, H H Pang
Stated capital: Rs.220,000,080

Whittall Boustead (Pvt) Ltd - Cargo Division. (PV 31) (100%)
International freight forwarder & logistics services
Incorporated in1958
No.148, Vauxhall Street Colombo 2
2475299
Directors: S C Ratnayake - Chairman, A D Gunewardene, R M David, S Rajendra
Stated capital: Rs.99,188,800

Air Lines

John Keells Air Services India (Pvt) Ltd. (U85110KA2000PTC027834) (100%)
(Formerly known as *Matheson* Keells Air Services (Pvt) Ltd)
General sales agents for airlines in India.
Incorporated in 2000
No 172, Third Floor, 2nd Main, Kasturi Nagar, East of NGEF, Bangalore - 560043, India
91(080)42040004, 42040005
Directors: S C Ratnayake - Chairman, R M David, R S Fernando, C Hewamallika
Stated capital: Rs.17,995,097

Mack Air (Pvt) Ltd. (PV 868) (100%)
General sales agents for airlines in Sri Lanka
Incorporated in 1980
No. 11, York Street, Colombo 1
2475375/2475335
Directors: S C Ratnayake - Chairman, R M David, C N Lawrence
Stated capital: Rs.12,500,000

Mackinnons Travels (Pvt) Ltd. (PV 1261) (100%)
IATA accredited travel agent and travel related services
Incorporated in 1971
No. 99 Dharmapala Mawatha, Colombo 7
2318600
Directors: S C Ratnayake - Chairman, A D Gunawardene, R M David
Stated capital: Rs.5,000,000

Mack Air Services Maldives (Pte) Ltd. (C/I 35-2000) (49%)*
General sales agents for airlines in the Maldives
Incorporated in 2000
4th Floor, STO Aifaanu Building, Boduthakurufaanu Magu, Male 20-05 Republic of Maldives
+9603334708 - 09
Directors: S C Ratnayake - Chairman, A D Gunewardene, R M David, S Hameed, A Shihab
Stated capital: Rs.677,892

LEISURE

Hotel Management

Keells Hotel Management Services Ltd. (PB 7) (100%)
Manager & marketer of resort hotels
Incorporated in 1974
No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 2.
2306600, 2421101-8
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala, B J S M Senanayake (Appointed w.e from 01.08.2013)
Stated capital: Rs.19,520,000

John Keells Hotels PLC. (PQ 8) (80.32%)*
Holding company of group resort hotel companies in Sri Lanka & Maldives
Incorporated in 1979
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
2306600
Directors: S C Ratnayake - Chairman, A D Gunewardene, J R F Peiris, J E P Kehelpannala, R T Wijesinha, D A Cabraal (Resigned w.e from 31.10.2013), B J S M Senanyake, N B Weerasekera, T L F W Jayasekara (Apponted w.e from 01.11.2013)
Stated capital: Rs.9,500,246,939

Sentinel Realty (Pvt) Ltd. (PV 80706) (40.16%)**
Investment company for Hotel Development land
Incorporated in 2011
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
2306000
Directors : A D Gunewardene, S Rajendra, B A B Goonettileke, K Balasundaram
Stated capital: Rs.116,390,620

City Hotels

Asian Hotels and Properties PLC -Cinnamon Grand. (PQ 2) (78.56%)
Owner & operator of the five star city hotel "Cinnamon Grand"
Incorporated in 1993
77, Galle Road, Colombo 3
2437437 /2497442
Directors: S C Ratnayake - Chairman, A D Gunewardene - Managing Director, J R F Peiris, R J Karunarajah, S Rajendra, S K G Senanayake, S A Jayasekara, C J L Pinto
Stated capital: Rs.3,345,118,012

Trans Asia Hotels PLC. (PQ 5) (82.74%)
Owner & operator of the five star city hotel "Cinnamon Lakeside".
Incorporated in 1981
No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 2.
2491000
Directors: S C Ratnayake - Chairman, A D Gunewardene, J R F Peiris, N L Gooneratne, C J L Pinto J C Ponniah (Appointed w.e.f. 02.10.2013), E H Wijenaike,
Stated capital: Rs.1,112,879,750

Capitol Hotel Holdings Ltd. (PB 5013) (27.8%)**
Developer of City Business Hotels
Incorporated in 2012
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
2306000
Directors: A D Gunewardene, S Rajendra, M S Weerasekera, W R K Wannigama, D A Kannangara
Stated capital: Rs.1,168,800,100

Sancity Hotels & Properties Ltd. (PV 4787) (27.8%)**
Developer of City Business Hotels
Incorporated in 2011
No.59, Ananda Coomaraswami Mawatha, Colombo 03
2306000
Directors: A D Gunewardene, S Rajendra, M S Weerasekera, W R K Wannigama, D A Kannangara
Stated capital: Rs.1,162,300,100

Resort Hotels - Sri Lanka

Beruwala Holiday Resorts (Pvt) Ltd. (PV 69678) (79.78%)
Owner & operator of "Cinnamon Bey" in Beruwala
Incorporated in 2009
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
2306600, 2421101-8
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala B J S M Senanayake (Appointed w.e from 01.08.2013)
Stated Capital: Rs.2,338,150,000

Ceylon Holiday Resorts Ltd-Bentota Beach Hotel. (PB 40) (79.24%)
Owner & operator of "Bentota Beach Hotel" in Bentota
Incorporated in 1966
Galle Road, Bentota
034 2275176 / 034 2275266
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala, B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.744,517,303

Hikkaduwa Holiday Resorts (Pvt) Limited. (PV 71747) (79.24%)
Owner & operator of "Chaaya Tranz" in Hikkaduwa
Incorporated in 2010
P.O Box 1, Galle Road, Hikkaduwa
091 2298000
Directors: S C Ratnayake - Chairman A D Gunewardene, J E P Kehelpannala B J S M Senanayake (Appointed w.e.f 01.08.2013)
Stated capital: Rs.1,062,635,460

Habarana Lodge Ltd. (PB 38) (78.99%)
Owner & operator of "Cinnamon Lodge" in Habarana
Incorporated in 1978
P.O Box 2, Habarana
066 2270011-2/ 066 2270072
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala, B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.341,555,262

Habarana Walk Inn Ltd. (PB 33) (79.34%)
Owner & operator of "Chaaya Village" in Habarana
Incorporated in 1973
P.O Box 1, Habarana
066 2270046-7/ 066 2270077
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.126,350,000

International Tourists and Hoteliers Ltd. (PB 17) (79.78%)*
Owner of real estate
Incorporated in 1973
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
2306600, 2421101-8
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala, D C Alagaratnam, B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.1,939,760,925

Kandy Walk Inn Ltd. (PB 395) (79.03%)
Owner & operator of "Cinnamon Citadel" in Kandy
Incorporated in 1979
No.124, Srimath Kuda Ratwatte Mawatha, Kandy
081 2234365-6/ 081 2237273-4
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala, R T Molligoda, B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.115,182,009

Rajawella Hotels Ltd. (PB 92) (80.32%)*
Owner of real estate
Incorporated in 1992
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
2306000
Directors: S C Ratnayake - Chairman, A D Gunewardene, J R Gunaratne
Stated capital: Rs.29,300,000

Resort Hotels Ltd. (PB 193) (79.24%)*
Owner of real estate
Incorporated in 1978
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
2306780, 2421101-8
Directors: S C Ratnayake - Chairman, A D Gunewardene
Stated capital: Rs.6,350,670

Trinco Holiday Resorts (Pte) Ltd.(PV 69908) (80.32%)
Owner & Operator of "Chaaya Blu" in Trincomalee
Incorporated in 2009
Alles Garden, Uppuvelli, Sampathiv Post
026 2222307 / 026 2221611
Directors: S C Ratnayake - Chairman A D Gunewardene, J E P Kehelpannala B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated Capital: Rs.357,000,000

Trinco Walk Inn Ltd. (PB 168) (80.32%)*
Owner of Real Estate
Incorporated in 1984
Alles Garden, Uppuveli,Sampathiv Post, Trincomalee
026 2222307 / 011 2306600
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.119,850,070

Wirawila Walk Inn Ltd. (PB 89) (80.32%)*
Owner of real estate
Incorporated in 1994
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
2306780, 2421101-8
Directors: S C Ratnayake - Chairman, A D Gunewardene, D C Alagaratnam
Stated capital: Rs.16,611,750

Ahungalle Holiday Resorts (Pvt) Ltd. (PV 85046) (80.32%)*
owner of real estate
Incorporated in 2012
No.117,Chittampalam A Gardiner Mawatha,Colombo - 02
2306000
Directors: S C Ratnayake - Chairman, A D Gunewardene, J E P Kehelpannala B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.132,000,000

Yala Village (Pvt) Ltd. (PV 2868) (75.33%)
Owner & operator of "Cinnamon Wild" in Yala
Incorporated in 1999
P.O Box 1,Kirinda, Tissamaharama
047 2239449-52
Directors: M A Perera - Chairman S C Ratnayake - Deputy Chairman, A D Gunewardene, J A Davis, J E P Kehelpannala, B J S M Senanayake (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.419,427,600

Resort Hotels - Maldives

Fantasea World Investments (Pte) Ltd. (C 143/97) (80.32%)
Owner & operator of "Chaaya Lagoon Hakuraa Huraa" in Maldives
Incorporated in 1997
2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives
00960 6720014 / 00960 6720064 / 00960 6720065
Directors: S C Ratnayake - Chairman, A D Gunewardene, B J S M Senanayake, S A S Perera, J E P Kehelpannala (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.341,573,190

John Keells Maldivian Resorts (Pte) Ltd. (C 208/96) (80.32%)
Hotel holding company in the Maldives
Incorporated in 1996
2nd Floor, H Maizan Building, Sosun Magu, Male, Republic of Maldives
00960 3329083 / 00960 3304601 / 00960 3313738
Directors: S C Ratnayake - Chairman, A D Gunewardene B J S M Senanayake, S A S Perera, J E P Kehelpannala (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.3,978,671,681

Tranquility (Pte) Ltd. (C 344/2004) (80.32%)
Owner and operator of "Chaaya Island Dhoinveli" in Maldives
Incorporated in 2004
2nd Floor, H Maizan Building, Sosun Magu, Male, Republic of Maldives
✆00960 6640055 / 00960 6640012
Directors: S C Ratnayake - Chairman, A D Gunewardene, B J S M Senanayake, S A S Perera, J E P Kehelpannala (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.552,519,608

Travel Club (Pte) Ltd. (C 121/92) (80.32%)
Operator of "Chaaya Reef Ellaidhoo" in Maldives
Incorporated in 1992
2nd Floor, H Maizan Building, Sosun Magu, Male, Republic of Maldives
✆00960 6660839 / 00960 6660663 / 00960 6660664
Directors: S C Ratnayake - Chairman, A D Gunewardene, B J S M Senanayake, S A S Perera, J E P Kehelpannala (Appointed w.e.f. 01.08.2013)
Stated capital: Rs.143,172,000

Destination Management

Serene Holidays (Pvt) Ltd. (U63040MH2006PTC164985) (98.74%)
Tour operators
Incorporated in 2006
204, Accord Complex, Opp. Goregaon Station, Goregaon (East), Mumbai 400 063,India
✆091-22 42105210 99
Directors: A D Gunewardene - Chairman, V Leelananda
Stated capital: Rs.34,149,706

Walkers Tours Ltd. (PB 249) (98.51%)
Inbound tour operators
Incorporated in 1969
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
✆2306306
Directors: S C Ratnayake - Chairman, A D Gunewardene,V Leelananda
Stated capital: Rs.51,374,200

Whittall Boustead (Travel) Ltd. (PB 112) (100%)
Inbound tour operators
Incorporated in 1977
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
✆2306384
Directors: S C Ratnayake - Chairman, A D Gunewardene, V Leelananda
Stated capital: Rs.7,500,000

PROPERTY

Property Development

Asian Hotels and Properties PLC - Crescat. Boulevard, The Monarch, The Emperor. (PQ 2) (78.56%)
Developer and manager of integrated properties
Incorporated in 1993
No.77, Galle Road, Colombo 3
✆5540404
Directors: S C Ratnayake - Chairman, A D Gunewardene - Managing Director, J R F Peiris, R J Karunarajah, S Rajendra, S K G Senanayake, S A Jayasekara, C J L Pinto
Stated capital: Rs.3,345,118,012

British Overseas (Pvt) Ltd. (PV 80203) (61%)**
Developer of "7th Sense" Project
Incorporated in 2011
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
✆2306000
Directors : A D Gunewardene, K N J Balendra, D C Alagaratnam S Rajendra, S P G N Rajapakse
Stated capital: Rs.1,000

John Keells Residential Properties (Pvt) Limited. (PV 75050) (100%)
Developer of "On320" Project
Incorporated in 2010
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
✆2300065
Directors: S C Ratnayake - Chairman, A D Gunewardene, S Rajendra
Stated capital: Rs.925,200,000

John Keells Properties Ja-Ela (Pvt) Ltd. (PV 76068) (100%)
Developer & Manager of Mall operations
Incorporated in 2010
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
✆2306000
Directors: S C Ratnayake - Chairman, A D Gunawardene, S Rajendra
Stated capital: Rs.854,360,000

Real estate

John Keells Properties (Pvt) Ltd. (PV 1034) (100%)*
Renting of office space
Incorporated in 2006
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
✆2306000 /2397263
Directors: S C Ratnayake - Chairman, A D Gunewardene, S Rajendra
Stated capital: Rs.240,000,030

Keells Realtors Ltd. (PB 90) (92.37%)*
Owner of Real Estates
Incorporated in 1977
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
✆2306000 /2397263
Directors: S C Ratnayake - Chairman, A D Gunewardene, S Rajendra
Stated capital: Rs.75,000,000

Whittall Boustead (Pvt) Ltd - Real Estate Division. (PV 31) (100%)*
Renting of office space
Incorporated in1958
No. 148, Vauxhall Street, Colombo 2.
✆2397263 /2327805
Directors: S C Ratnayake - Chairman, A D Gunewardene, R M David, S Rajendra
Stated capital: Rs.99,188,800

Waterfront Properties (Pvt) Ltd. (PV 82153) (90.52%)
Developer of Hotels, Apartments & Shoping Malls
Incorporated in 2011
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
✆2306000
Directors : S C Ratnayake - Chairman, A D Gunewardene, S Rajendra J R F Peiris (Appointed w.e.from 01.07.2013), D C Alagaratnam (Appointed w.e.f. 01.09.2013)
Stated capital: Rs.13,252,859,080

CONSUMER FOODS AND RETAIL

Consumer Foods

Ceylon Cold Stores PLC. (PQ 4) (81.36%)
Manufacturer & distributor of Beverages, frozen confectionery, and the holding company of JayKay Marketing Services (Pvt) Ltd.
Incorporated in 1926
No. 1, Justice Akbar Mawatha, Colombo 2
✆2328221/7, 2318777
Directors: S C Ratnayake - Chairman, A D Gunewardene, J R F Peiris, J R Gunaratne, U P Liyanage, P S Jayawardena, A R Rasiah
Stated capital: Rs.918,200,000

Keells Food Products PLC. (PQ 3) (89.65%)
Manufacturer and distributor of Processed meat, breaded meat and convenience food products.
Incorporated in 1982
P.O Box 10, No.16, Minuwangoda Road, Ekala, Ja-Ela
✆2236317/ 2236364
Directors: S C Ratnayake - Chairman, A D Gunewardene, J R F Peiris, J R Gunaratne, R Pieris, S H Amarasekera, A D E I Perera, M P Jayawardena
Stated capital: Rs.1,294,815,000

John Keells Foods India (Pvt) Ltd.
(U15122MH2008FTC180902) (89.65%)*
Marketing of Branded meat and convenience food products
Incorporated in 2008
Luthra and Luthra Chartered
Accountants
A 16 / 9, Vasant Vihar,
New Delhi -110057, India
0091 1142591823, 0091
1126148048,26151853, 26147365
Fax: +91-11-2614 5222
Directors: S C Ratnayake - Chairman
J R Gunaratne, R S Fernando
Stated capital: Rs.220,294,544
(INR 90,000,000)

Retail
JayKay Marketing Services (Pvt) Ltd.
(PV 33) (81.36%)
Owns and Operates the "Keells Super" chain of supermarkets,"KEKO" chain of clothing stores and Kzone Malls
Incorporated in 1980
No.117, Chittampalam A Gardiner
Mawatha, Colombo - 02
2316800
Directors: S C Ratnayake - Chairman,
A D Gunewardene, M R N Jayasundera-Moraes, K N J Balendra
Stated capital: Rs.1,198,000,000

Nexus Networks (Pvt) Ltd. (PV 47) (99.99%)
Operator of the "nexus" loyalty card programme
Incorporated in 2001
No.117, Chittampalam A Gardiner
Mawatha, Colombo - 02
2343792 / 2343794-98
Directors: S C Ratnayake - Chairman,
M R N Jayasundera - Moraes,
K N J Balendra
Stated capital: Rs.100,000

FINANCIAL SERVICES GROUP
John Keells Stock Brokers (Pvt) Ltd.
(PV 89) (90.04%)
Share broking services
Incorporated in 1979
No. 186,Vauxhall street, Colombo 02
2446694-5 /2338066 / 4710721-4,
0112306250
Directors: A D Gunewardene - Chairman,
S C Ratnayake, K N J Balendra
Stated capital: Rs.7,500,000

Nations Trust Bank PLC. (PQ 118) (29.9%)**
Commercial banking and leasing operations
Incorporated in 1999
No. 242, Union Place, Colombo 2.
4313131
Directors: K N J Balendra - Chairman,
A K Gunaratne (Resigned w.e.f. 30/04/2014) M E Wickremesinghe,
A R Rasiah, D Weerakoon, Murtaza
Jafferjee, K De Soysa, D P De Silva,
N S Panditharatne, Suran Wijesinghe
C H S K Piyaratna, R N K Fernando,
J G A Cooray (Appointed w.e.f. 01/05/2014), C L K P Jayasuriya
(Appointed w.e.f. 01/05/2014)
Stated capital: Rs.5,101,368,736

Union Assurance PLC. (PQ 12) (95.65 %)
Life and general insurance underwriters
Incorporated in 1987
No.20, St. Michaels' Road, Colombo 3
2428428
Directors: A D Gunewardene - Chairman,
D C Alagaratnam, S Rajendra,
A S De Zoysa, G F C De Saram,
H A J De Silva Wijeyeratne
Stated capital: Rs.1,138,433,000

INFORMATION TECHNOLOGY
IT Services
John Keells Computer Services (UK) Ltd.
(3190959) (100%)*
Software development services (UK)
Incorporated in 1996
268,Bath Road,Slough, SLI 4DX,
United Kingdom
441753725283
Directors: A D Gunewardene - Chairman,
G S Dewaraja, R S Fernando
Stated capital: Rs.9,507

John Keells Computer Services (Pvt) Ltd.
(PV 652) (100%)
Software services
Incorporated in 1998
No. 148, Vauxhall Street, Colombo 2.
2300770-77
Directors: A D Gunewardene - Chairman
S C Ratnayake, G S Dewaraja,
R S Fernando
Stated capital: Rs.96,500,000

J K O A Mobiles (Pvt) Ltd. (PV 136) (100%)
Marketer of software packages
Incorporated in 1992
No. 148, Vauxhall Street,Colombo 2.
2300770-77
Directors: A D Gunewardene - Chairman,
G S Dewaraja, R S Fernando
Stated capital: Rs.8,000,000

Office Automation
John Keells Office Automation (Pvt) Ltd.
(PV 127) (100%)
Distributor/Reseller and Services Provider in Office Automation(OA), Retail Automation (RA) and Mobile Devices
Incorporated in 1992
Corporate Office: 90 Union Place,
Colombo - 2
Technical Services:148 Vauxhall Street,
Colombo - 2
2313000, 2431576, 2445760
Directors: A D Gunewardene - Chairman,
G S Dewaraja, R S Fernando
Stated capital: Rs.5,000,000

IT Enabled Services
InfoMate (Pvt) Ltd. (PV 921) (100%)
IT enabled services
Incorporated in 2005
No.4, Leyden Bastian Road, Colombo 1
(94) 112149700
Directors: S C Ratnayake,
M J S Rajakariar, R S Fernando
Stated capital: Rs.20,000,000

John Keells BPO Holdings Private Limited.
(C 60882) (100%)*
Holding company of AuxiCogent group companies
Incorporated in 2006
IFS Court, 28, Cybercity, Ebene,
Mauritius
(230) 467 3000
Directors: S C Ratnayake,
A D Gunewardene, R S Fernando,
K N J Balendra, P Bissoonauth,
Z H Niamut
Stated capital: Rs.1,988,300,000

John Keells BPO International (Pvt) Ltd.
(C 070137) (100%)*
Investment holding company
Incorporated in 2007
IFS Court, 28, Cybercity,Ebene,
Mauritius
(230) 467 3000
Directors: S C Ratnayake - Chairman,
A D Gunewardene, R S Fernando,
K N J Balendra, P Bissoonauth,
Z H Niamut
Stated capital: Rs.1,616,700,008

John Keells BPO Solutions Lanka (Private)
Limited. (PV 3458) (100%)*
BPO operations in Sri Lanka
Incorporated in 2006
No.4, Leyden Bastian Road, Colombo 1
(94) 112479709
Directors: S C Ratnayake,
A D Gunewardene, R S Fernando,
R M David
Stated capital: Rs.328,435,800

John Keells BPO Solutions US Inc.
(PO 8000022353) (100%)*
Provides sales & marketing support for AuxiCogent in North America
Incorporated in 2008
9225, Ulmerton Road, Suite H, Largo,
Florida 33771, USA
+1 727 518 0000
Director: Mithila Prasanna Gunaratna
Stated capital: Rs.40,243,250

John Keells BPO solutions Canada Inc.
(761124-2) (100%)*
BPO Operation in Canada
Incorporated in 2010
1900, 736-6th Avenue S.W., Calgary,
Alberta T2P 3T7, Canada
Directors: A D Gunewardene, D K Malik,
K N J Balendra, R S Fernando,
R M David, J R Gunaratne,
D C Alagaratnam, T E Scott
Stated capital: Rs.49,339,992

John Keells BPO Investments Private Limited.
(C 070139) (100%)*
Investment holding company
Incorporated in 2007
IFS Court, 28, Cybercity,Ebene,
Mauritius
(230) 467 3000
Directors: S C Ratnayake,
A D Gunewardene, R S Fernando,
K N J Balendra, K D Joory, F Soreefan
Stated capital: Rs.619,229,966

John Keells BPO Solutions India Private Limited. (U72300DL2006PTC153130) (100%)
BPO operations in India (Formaly known as Quatrro Business Support Services (Pvt) Ltd)
Incorporated in 2006
Basement-24, C Block, Community Centre, Janakpuri, New Delhi
+91 124 4561000
Directors: J R F Peiris, R S Fernando, K N J Balendra
Stated capital: Rs.899,836,136

OTHERS

Plantation Services

John Keells PLC. (PQ 11) (86.90 %)
Produce Broking and Real Estate Ownership
Incorporated in 1960
No 186, Vauxhall street, Colombo 02
2306000
Directors: S C Ratnayake - Chairman, A D Gunewardene, J R F Peiris, R S Fernando, T de Zoysa, Y A Hansen, S T Ratwatte,
Stated capital: Rs.152,000,000

John Keells (Teas) Ltd. (PV 522) (100%)
Manage eight bought leaf tea factories
Incorporated in 1979
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02
2306518
Directors: S C Ratnayake - Chairman, A D Gunewardene, R S Fernando
Stated capital: Rs.120,000

John Keells Warehousing (Pvt) Ltd. (PV 638) (86.90%)
Warehousing of Tea and Rubber
Incorporated in 2001
No.93,1st Avenue, Muturajawela, Hendala, Wattala
Muturajawala
4819560
Directors: S C Ratnayake - Chairman, A D Gunewardene, R S Fernando
Stated capital: Rs.120,000,000

Tea Smallholder Factories PLC. (PQ 32) (37.62%)
Owner and operator of Bought Leaf factories
Incorporated in 1991
No.4, Leyden Bastian Road, Colombo 1
2335870 / 2149994
Directors: S C Ratnayake - Chairman (Alt. J R Gunaratne)
A D Gunewardene, J R F Peiris, E H Wijenaike, R Seevaratnam, R E Rambukwella, A S Jayatilleke, J S Ratwatte, R S Fernando
Stated capital: Rs.150,000,000

Centre & Others

Facets (Pvt) Ltd. (PV1048) (100%)*
Owner of real estate
Incorporated in 1974
No.117, Chittampalam A Gardiner Mawatha,Colombo - 02
2306000
Directors: S C Ratnayake - Chairman, D C Alagaratnam
Stated capital: Rs.150,000

John Keells Holdings PLC. (PQ 14)
Group holding company & function based services
Incorporated in 1979
No.117, Sir Chittampalam A Gardiner Mawatha, Colombo - 02
2306000 /2421101-9
Directors: S C Ratnayake - Chairman, A D Gunewardene, J R F Peiris, E F G Amerasinghe, T Das, S S Thiruchelvam (Resigned w.e.f. 09.09.2013), Dr I Coomaraswamy, A R Gunasekera, M A Omar, D.A.Cabraal (Appointed w.e.f. 01.11.2013), A.N.Fonseka (Appointed w.e.f. 01.11.2013).
Stated capital: Rs.49,748,815,322

John Keells Holdings Mauritius (Pvt) Ltd. (081455 C1/GBL) (100%)*
Holding company of AuxiCogent group companies
IFS Court,28, Cybercity, Ebene, Mauritius
Incorporated in 2008
2304673000
Directors: S C Ratnayake, A D Gunewardene, A F Soreefan (Resigned w.e.from 14.03.2014), Z H Miamut (Appointed w.e.f. 14.03.2014), B Pooja (Appointed w.e.f. 22.11.2013), Jill Joan Wan Bok Nale (Appointed w.e.f. 01.03.2013 & Resigned w.e.f. 22.11.2013)
Stated capital: Rs.258,531,533

John Keells International (Pvt) Ltd. (PV 46) (100%)*
Regional holding company providing administrative & function based services
Incorporated in 2006
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
2306000 /2421101-9
Directors: S C Ratnayake - Chairman, A D Gunewardene
Stated capital: Rs.1,991,600,000

J K Packaging (Pvt) Ltd. (PV 1265) (100%)*
Printing and packaging services provider for the export market
Incorporated in 1979
No 148, Vauxhall street, Colombo 02
2475308
Directors: S C Ratnayake - Chairman, R M David, R S Fernando
Stated capital: Rs.14,500,000

John Keells Singapore (Pte) Ltd. (199200499C) (80%)*
International trading services
Incorporated in 1992
No.3, Raffles Place, #07-01, Bharat Building, Singapore-048617
65 67329636
Directors: S C Ratnayake - Chairman, A D Gunewardene, R M David, R Ponnampalam, D C Alagaratnam
Stated capital: Rs.9,638,000

Keells Consultants Ltd. (PB 3) (100%)
Company secretarial services to the group
Incorporated in 1974
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02
2421101-9
Directors: S C Ratnayake - Chairman, A D Gunewardene, D C Alagaratnam
Stated capital: Rs.160,000

Mackinnons Keells Ltd. (PB 8) (100%)*
Rental of office space
Incorporated in 1952
No. 4, Layden Bastian Road, Colombo 1
2475102-3
Directors: S C Ratnayake - Chairman, A D Gunewardene, S Rajendra
Stated capital: Rs.10,800,000

Mortlake Ltd. (PV 756) (100%)*
Investment company
Incorporated in 1962
No. 148, Vauxhall Street,Colombo 2.
2475308
Directors: S C Ratnayake - Chairman, A D Gunewardene, R M David D C Alagaratnam
Stated capital: Rs.3,000

Effective holding percentage is based on 31st March 2014.
Name of the directors are as at 27th May 2014.

Memberships Maintained by the Industry Groups

Senior management personnel of the Group, holds positions of membership on the following professional and governance bodies and participates in various sub committees and projects initiated by such bodies. The Group views these memberships as a vital part of business given the ability of such bodies to recommend policy changes, address industry concerns and carry out necessary lobbying for the betterment of the industry as a whole.

The Group's senior management are involved in the following bodies as active members, and in addition members of the Group Executive Committee holds positions such as Chairman of Ceylon Chamber of Commerce, President Sri Lanka Institute of Directors, President of Chartered Institute of Logistics & Transport, Chairman Colombo Stock Exchange of Sri Lanka and Chairperson of the steering committee for HR and Education of the Ceylon Chamber of Commerce and a member of the National Labour Advisory Committee.

Industry Group	Memberships
Transportation	Bombay Chamber of Commerce
	Freight Forwarders Association of India (FFFAI)
	Sri Lanka Freight Forwarders Association (SLAFFA)
	International Air Transportation Agents Association (IATA)
	World Cargo Alliance (WCA) Membership
	Employers Federation of Ceylon (EFC)
	International Air Transport Association Agents Association of Sri Lanka
	Logistics and Transportation Faculty Industry Committee of the University of Moratuwa
	International Bunker Industry Association (IBIA)
	Association of Licensed Bunker Operators of Sri Lanka (ALBOSL)
	Ship Chandlers Association of Sri Lanka
	Lanka Association of Ship Owners (LASO)
	American Chamber of Commerce
	Civil Aviation Authority
	Accredited Agent of International Air Transport Association
	Travel Agents Association of Sri Lanka
	Sri Lanka Tourism Board
	Italian Business Council
	Sri Lanka France Business Council
	Certificate of Corporate Partnership with The Chartered Institute of Logistics & Transport (CILT)
	Sri Lanka Association of Airline Representatives
	Sri Lanka - India Business Association
	Sri Lanka - Korea Business Association
	Sri Lanka - Belgium Business Association
	Sri Lanka Airline Cargo Association (SLACA)
	Air Promoters Group (APG)
	European Chamber of Commerce of Sri Lanka

Industry Group	Memberships
Information Technology	Sri Lanka Association of Software and Service Companies (SLASSCOM)
	Leading Edge Alliance
	Employers' Federation of Ceylon (EFC)
	Oracle Partner Network
	Gold partnership of Microsoft
	Strategic partnership of IATA
	IBM partner - World
	Ministerial Advisory Committee on IT/BPO exports convened by the EDB
	Nordic Business Council
	American Chamber of Commerce
	European Chamber of Commerce
	Sri Lanka Germany Business Council
	Sri Lanka Institute of Directors
Consumer Food and Retail	Consumer Goods Forum
	Employers' Federation of Ceylon (EFC)
	National Chamber of Commerce
	Export Development Board
	National Chamber of Exporters
	Ceylon Chamber of Commerce
	Sri Lanka - Maldives Bilateral Business Council
	Lanka Confectionery Manufacturers Association
	Sri Lanka Association of Testing Laboratories
Leisure	SKAL International Colombo
	American Chamber of Commerce
	European Chamber of Commerce of Sri Lanka
	Dutch Burger Union
	Tourist Hotels Association
	Business with Britain
	Indian Association of Tour Operators
	Sri Lanka Association of Inbound Tour Operators
	Field Ornithology Group of Sri Lanka
	Cultural Triangle Hoteliers Association
	Natural Disaster Management of Palugaswewa Division

Industry Group	Memberships
Leisure (contd)	SWITCH-ASIA
	Compost Production Membership -Ministry of Agriculture
	Sri Lanka Conventions Bureau
	La Chaine des Rotisseurs
	Ceylon Chamber of Commerce
	Pacific Asia Travel Association
	Indo-Lanka Chamber of Commerce
	Sri Lanka - British Business Council
	Sri Lanka - Japan Business Council
	Sri Lanka - New Zealand Business Council
	Sri Lanka - Malaysia Business Council
	Sri Lanka - German Business Council
	Sri Lanka-China Business Council
	Sri Lanka - Benelux Business Council
	Sri Lanka - Canada Business Council
	Sri Lanka - Maldives Bilateral Business Council
	Sri Lanka - Malaysian Business Council
	Sri Lanka - Netherland Business Council
	Sri Lanka - Japan Business Council
	Sri Lanka - Poland Business Council
	Sri Lanka - France Business Council
	Sri Lanka - Singapore Business Council
	Sri Lanka - Italy Business Council
	Sri Lanka - Australia Business Council
	Sri Lanka - Germany Business Council
	Sri Lanka - Russia Business Council
	Sri Lanka – Pakistan Business Council
	Sri Lanka – Vietnam Business Council
	Sri Lanka – China Business Council
	Employers' Federation of Ceylon
	Wild Life Focus Group of the Sri Lanka Tourism Promotions Bureau
	Responsible Tourism Partnership
	Friends of Sri Lanka Association, UK
	Sri Lanka Conventions Bureau
	Sri Lanka Institute of Tourism and Hotel Management
	European Business Council
	Sri Lanka Tourism Promotions Bureau
	Kandy Hoteliers Association
	Maldives Association of Tourism Industry
	Field Ornithology Group of Sri Lanka – Nature Odyssey
	Tourism Development Committee of Hambantota District under Hambantota District Chamber of Commerce
	Sri Lanka Tourism Development Authority
	Bentota/Beruwela Hotelier's Association
	Tourist Hotels Association of Sri Lanka
	Chef Guild of Sri Lanka
	Ceylon Chamber of Commerce

Industry Group	Memberships
Leisure (contd)	Ceylon Hotel School Graduates Association
	Bird Friendly Concept Network
	Wild Life and Nature Protection Society
	Travel Trade Sports Club
	Signature Travel Network
	International Association of Travel & Tourism Professionals
	Pacific Asia travel association (Sri Lanka) chapter (PATA)
	Sri Lanka Institute of Directors
	Sri Lanka Association Of Professional Conference Exhibition & Event Organisers
	Travel Agents Association of India
	Japan Association of Travel Agents
	The hotels association of Sri Lanka
	SL Africa and Middle east business council
Property	Chamber of Construction Industry of Sri Lanka
	Ceylon Chamber of Commerce
	Employers' Federation of Ceylon
Financial Services	Colombo Stock Brokers Association
	Colombo Stock Exchange
	Insurance Association of Sri Lanka
	American Chamber of Commerce in Sri Lanka
	National Chamber of Commerce
	Association of Insurers and Reinsurers of Developing Countries
Other	Employers' Federation of Ceylon
	National Chamber of Commerce of Sri Lanka
	Sri Lanka Institute of Directors
	Lanka Business Coalition on HIV & AIDS
	Sri Lanka Tea Board
	Ceylon Chamber of Commerce
	National Chamber of Commerce
	Sri Lanka Tea Factory Owners Association
	Planters' Association of Ceylon
	Colombo Tea Traders' Association
	International Tea Committee
	Harvard Management Communications Ltd
	Harvard Business Review
	European Chamber of Commerce
	Sri Lanka Tea Factory Owners Association
	Tea Research Board of Sri Lanka
	Colombo Tea Traders Association
	Colombo Rubber Traders Association
	Rubber Dealers' License – Director of Rubber Development Department
	Sri Lanka Association of Software and Service Companies (SLASSCOM)
	Federation of Information Technology in Sri Lanka (FITIS)
	SAP Services Partner in Sri Lanka

DNV·GL

Independent Assurance Statement on Non-Financial Reporting

Introduction

DNV GL represented by DNV Business Assurance Lanka (Private) Limited has been commissioned by the management of John Keells Holdings PLC ('JKH' or 'the Company') to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial - qualitative and quantitative information (sustainability performance) prepared 'in accordance – Core' option based on GRI G4 guidelines and reported in the JKH printed Integrated Report – 2013 -14 ('the Report'). This engagement focused on verification of non-financial - qualitative and quantitative information (sustainability performance) disclosed in the Report, and underlying management systems and reporting processes. The engagement was carried out against AccountAbility's AA 1000 Assurance Standard 2008 (AA 1000AS), the DNV GL Protocol for Verification of Sustainability Reporting ('VeriSustain' - www.dnvgl.com/cr ; available on request) including confirmation of 'in accordance – Core' reporting requirements and adherence to reporting principles and standard disclosures of the Global Reporting Initiative G4 Sustainability Reporting Guidelines (GRI G4).

The intended users of this assurance statement are the management and readers of the non-financial - qualitative and quantitative information (sustainability performance) reported in JKH printed Integrated Report – 2013-14. The Management of the Company is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information presented in the report. Our responsibility in performing this work is regarding the verification of the non-financial - qualitative and quantitative information (sustainability performance) reported in the printed Integrated Report – 2013 -14 only, in accordance with the scope of work agreed with the management of the Company. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this assurance statement. Our assurance engagement was planned and carried out in January – May - 2014.

Scope, Boundary and Limitations of Assurance

The scope of assurance included the review of Economic, Environment and Social information in the Report. In particular the assurance engagement included:

- The verification of the qualitative and quantitative sustainability performance reported in the Integrated Report prepared by JKH PLC based on the GRI G4 guidelines, covering economic, environmental and social performance for the activities undertaken by the Company over the reporting period 1st April 2013 to 31st March 2014 and reported in this Integrated Report;
- Review of the policies, initiatives, practices and performance described in the non-financial - qualitative and quantitative information (sustainability performance) reported in printed Integrated Report – 2014 as well as references made in the Report;
- Evaluation of the disclosed information in the Report, both general and specific standard disclosures 'in accordance – Core' reporting requirements covering the systems and the processes the Company has in place for adherence to reporting principles set out in the Global Reporting Initiative Sustainability Reporting Guidelines 2013 (GRI G4);
- Evaluation with respect to the AccountAbility principles and specified performance information, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008):
  - information relating to the issues, responses, performance data, case studies and underlying systems for the management of such information and data;
  - information relating to materiality assessment and stakeholder engagement processes;
  - The sustainability disclosures fulfills the criterion related to GRI G4 - 'in accordance – Core' as declared by the JKH.

The reporting aspect boundary is based on the internal and external materiality assessment covering the operations of 48 companies under the direct control of the Group in six sectors (i.e. Transportation, Leisure, Property, Consumer Foods & Retail, Financial Services and Information Technology) in Sri Lanka, Maldives and India, including the selected supply chain activities as set out in the report. The report excludes 10 companies, which are not under direct control of JKH group. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. No external stakeholders were interviewed as part of this assurance engagement.

Verification Methodology

This assurance engagement was planned and carried out in accordance with the AA1000AS (2008) i.e. Type 2, Moderate and the DNV GL Protocol for Verification of Sustainability Reporting ('VeriSustain'). The report has been evaluated against the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness, as well as Reliability of specified sustainability performance information, as set out in the AA1000AS (2008);
- Application of the principle of materiality as per GRI G4;
- Adherence to additional principles of Completeness and Neutrality, as set out in DNV GL's Protocol;
- The GRI G4 requirements – 'in accordance - Core'.

During the assurance engagement, we have taken a risk-based approach, meaning that we concentrated our verification efforts more on the issues of high material relevance to JKH business and its stakeholders. We have verified the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In doing so, we have:

- Reviewed the approach to stakeholder engagement and its materiality determination process;
- Verified the sustainability-related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls;
- Examined and reviewed documents, data and other information made available by the JKH and visited the Head office, Cinnamon Lakeside Hotel, Infomate (Pvt.) Limited, Walkers Tours and Whittal Boustead(Travel) Limited at Colombo and KFL Pannala;
- Conducted interviews with key representatives including data owners and decision-makers from different functions of the JKH Group;
- Performed sample-based reviews of the mechanisms for implementing the sustainability related policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report.

Conclusions

In our opinion, based on the scope of this assurance engagement, the non-financial - qualitative and quantitative information (sustainability performance) reported in the printed Integrated report – 2013 –14, and referenced information, provides a fair representation of the sustainability related strategies, management system and performance and meets the general content and quality requirements of the GRI G4 i.e.,

- **General Standard Disclosure:** We reviewed the General Standard Disclosures reported in this Report and we are of the opinion that the reported information generally meets the reporting requirement for 'in accordance – Core' based on GRI G4.

- **Specific Standard Disclosure:** We reviewed the Specific Standard Disclosures reported in this Report and we are of the opinion that the reported information generally meets the reporting requirement for 'in accordance – Core' based on GRI G4 covering generic DMA and performance indicator for identified material aspects as below:

Economic

- Economic Performance - G4 - EC1, EC3;
- Indirect Economic Impact - G4 - EC7;
- Procurement Practices - G4 - EC9;

Environment

- Energy - G4 - EN3;
- Water – G4 - EN8;
- Emissions - G4 - EN15, EN16;
- Effluents and Waste - G4 - EN22, EN23, EN24;
- Compliance - G4-EN29
- Supplier Environment Assesment - G4 - EN32 ;

Social

Labour Practice and Decent Work

- Employment - G4-LA1;
- Occupational Health and Safety - G4 - LA6;
- Training and Education - G4-LA9, G4 - LA11 ;
- Diversity and Equal Opportunity - G4 - LA12;
- Supplier Assessment for Labour Practices - G4 - LA14;

Human Rights

- Freedom of Association and Collective Bargaining - G4 -HR4;
- Child Labour - G4-HR5;
- Forced or Compulsory Labour - G4 - HR6;
- Supplier Human Rights Assessment - G4 - HR10;

Society

- Local Communities - G4 - SO1;
- Anti-Corruption - G4 - SO3;
- Compliance - G4 - SO8;

Product Responsibility

- Customer Health and Safety - G4 - PR1
- Product and Service Labeling - G4 - PR3;
- Marketing Communications - G4 - PR7;
- Compliance - G4 - PR9;

We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

AA1000AS (2008) principles

Inclusivity: The stakeholder identification and engagement process is well established to identify sustainability challenges and concerns through different channels and includes engagement with key stakeholders across the six sectors in a systematic manner. The stakeholder engagement frequency, modes of engagement and concerns are also reported. In our view, the level at which the Report adheres to this principle is "Good".

Materiality: The process of materiality assessment has been carried out based on requirements of GRI G4. The material issues emerging from the stakeholder engagement were collected and prioritised based on the impact to stakeholder and to external stakeholders, and the results are fairly reflected in the Report. The materiality of the aspects is explained in the report along with the management and monitoring systems. In our view, the level at which the Report adheres to this principles is "Acceptable".

Responsiveness: We consider that the response to key stakeholder concerns, through its strategies, policies and management systems including governance are fairly reflected in the Report. In our view, the level at which the Report adheres to this principle is "Good".

Reliability: The majority of data and information verified at the Head office and selected sites were found to be fairly accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected; Hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that the specified sustainability data and information presented in the Report is reliable and acceptable. In our view, the level at which the Report adheres to this principle is "Good".

Specific evaluation of the information on sustainability performances

We consider the methodology and process for gathering information developed by the JKH, for its sustainability performance reporting is appropriate; the qualitative and quantitative data included in the Report, was found to be identifiable and traceable; the personnel responsible was able to demonstrate the origin and interpretation of the data and its reliability. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

Additional principles as per DNV GL protocol

Completeness: The Report has fairly attempted to disclose the general and specific standard disclosures including the disclosure on management approach covering the sustainability strategy, management approach, monitoring systems and sustainability performances indicators against the GRI G4 – 'in accordance – Core'. In our view, the level at which the Report adheres to this principle is "Good".

Neutrality: The disclosures related to sustainability issues and performances are reported in a neutral tone, in terms of content and presentation. In our view, the level at which the Report adheres to the principle of Neutrality is "Good".

Opportunities for Improvement

The following is an excerpt from the observations and further opportunities for improvement reported to the management of JKH and are not considered for drawing our conclusion on the Report; however, they are generally consistent with the Management's objectives:

- the material topics/ aspects related to certain sector guidance like Food Processing, Financial Services, Construction and Real Estate etc. could be included in the future reports to further identify and manage the emerging issues of respective sectors;
- The disclosure on supply chain may evaluate and disclose the strategic risks in supply chain in the geo locations of operations and articulate the strategy, management approach and monitoring mechanisms to manage the frontier risks.

Our Competence and Independence

We are a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward any people interviewed.

For DNV GL

Vadakepatth Nandkumar	Balasubramoniam, Sivasubramaniam
Project Manager, Head-Sustainability and Climate Change	*Assurance Reviewer*

DNV Business Assurance India Private limited, India.

27th May 2014, Bangalore, India.

AA1000
Licensed Assurance Provider

GRI Index

General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.	UNGC Advanced Principles*	IFC Sustainability Framework Performance Standard**	Code of Best Practice on Corporate Governance 2013***
GENERAL STANDARD DISCLOSURES					
STRATEGY AND ANALYSIS					
G4-1	Page 9	Yes, 306 - 309	1		7
ORGANISATIONAL PROFILE					
G4-3	Page 4	Yes, 306 - 309	22		
G4-4	Pages 4 - 5	Yes, 306 - 309	22		
G4-5	Page 4	Yes, 306 - 309	22		
G4-6	Page 4	Yes, 306 - 309	22		
G4-7	Page 4	Yes, 306 - 309	22		
G4-8	Page 4 - 5	Yes, 306 - 309	22		
G4-9	Page 4, Pages 6 - 7	Yes, 306 - 309	22		
G4-10	Page 77 - 78, www.keells.com/sustainability - Disclosure of Management Approach Pages 2 - 3	Yes, 306 - 309	11, 12		3
G4-11	Page 79, www.keells.com/sustainability - Disclosure of Management Approach Pages 4	Yes, 306 - 309	11, 12		3
G4-12	Page 79, www.keells.com/sustainability - Disclosure of Management Approach Pages 17 - 18	Yes, 306 - 309	21		
G4-13	Page 8	Yes, 306 - 309	22		
G4-14	Page 49	Yes, 306 - 309	13		2
G4-15	Page 46	Yes, 306 - 309	4		7
G4-16	Pages 304 - 305	Yes, 306 - 309			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Pages 298 - 303, Page 46	Yes, 306 - 309			
G4-18	Page 48	Yes, 306 - 309	22, 23		6, 7
G4-19	Page 56	Yes, 306 - 309	3		6
G4-20	Page 55	Yes, 306 - 309	22, 23		6
G4-21	Page 55	Yes, 306 - 309	22, 23		6
G4-22	Page 46	Yes, 306 - 309	22, 23		
G4-23	Page 46	Yes, 306 - 309	22, 23		
STAKEHOLDER ENGAGEMENT					
G4-24	Pages 50 - 53	Yes, 306 - 309	3		6
G4-25	Page 49	Yes, 306 - 309	3		6
G4-26	Pages 50 - 53	Yes, 306 - 309	3		6
G4-27	Page 54	Yes, 306 - 309			6

* UNGC Advanced Principles

** IFC Sustainability Framework Performance Standard

*** Code of Best Practice on Corporate Governance 2013

REPORT PROFILE								
G4-28	Pages 3, 46				Yes, 306 - 309	22, 23		
G4-29	Page 46				Yes, 306 - 309	22, 23		
G4-30	Page 46				Yes, 306 - 309	22, 23		7
G4-31	Page 54				Yes, 306 - 309	22, 23		
G4-32	Pages 3, 46, 306 - 309, 310 - 315				Yes, 306 - 309	22, 23		7
G4-33	Pages 46, 9, 306 - 309				Yes, 306 - 309	24		7
GOVERNANCE								
G4-34	Page 23				Yes, 306 - 309	2		7
ETHICS AND INTEGRITY								
G4-56	Pages 4, 35				Yes, 306 - 309	2		
SPECIFIC STANDARD DISCLOSURES								
DMA and Indicators	**Page Number (or Link)** Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	**Identified Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	**Reason(s) for Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	**Explanation for Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.	**External Assurance** Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.			
CATEGORY: ECONOMIC								
MATERIAL ASPECT: ECONOMIC PERFORMANCE								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 7 - 8				Yes, 306 - 309			1
G4-EC1	Pages 73				Yes, 306 - 309			1
G4-EC3	www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 6				Yes, 306 - 309			1
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 20				Yes, 306 - 309			4
G4-EC7	Page 156, www.keells.com/sustainability - Disclosure of Management Approach Page 23				Yes, 306 - 309			4
MATERIAL ASPECT: PROCUREMENT PRACTICES								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 17 - 18				Yes, 306 - 309			1
G4-EC9	Page 80, www.keells.com/sustainability - Disclosure of Management Approach Pages 19				Yes, 306 - 309			1

CATEGORY: ENVIRONMENTAL					
MATERIAL ASPECT: ENERGY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9 - 10	Yes, 306 - 309	13, 14	3	2
G4-EN3	Page 75	Yes, 306 - 309	15, 16	3	2
MATERIAL ASPECT: WATER					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9 -10	Yes, 306 - 309	13, 14	4	2
G4-EN8	Page 76	Yes, 306 - 309	15, 16	4	2
MATERIAL ASPECT: BIODIVERSITY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9 -10	Yes, 306 - 309	13, 14	6	2
G4-EN11	Page 100	Yes, 306 - 309	15, 16	6	2
MATERIAL ASPECT: EMISSIONS					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9 -10	Yes, 306 - 309	13, 14	3	2
G4-EN15	Page 76	Yes, 306 - 309	15, 16	3	2
G4-EN16	Page 76	Yes, 306 - 309	15, 16	3	2
MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9 -10	Yes, 306 - 309	13, 14	3	2
G4-EN22	Page 76	Yes, 306 - 309	15, 16	3	2
G4-EN23	Page 77	Yes, 306 - 309	15, 16	3	2
G4-EN24	Page 92	Yes, 306 - 309	15, 16	3	2
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9 -10	Yes, 306 - 309	13, 14		2
G4-EN29	Page 80	Yes, 306 - 309	15, 16		2
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 17 -18	Yes, 306 - 309	15		
G4-EN32	Page 80, www.keells.com/ sustainability - Disclosure of Management Approach Page 19	Yes, 306 - 309	15		

CATEGORY: SOCIAL					
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
MATERIAL ASPECT: EMPLOYMENT					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 1 - 2	Yes, 306 - 309	9, 10		3
G4-LA1	Page 78, www.keells.com/ sustainability - Disclosure of Management Approach Page 3	Yes, 306 - 309	11, 12		3
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 5	Yes, 306 - 309	9, 10		3, 7
G4-LA6	Page 79, www.keells.com/ sustainability - Disclosure of Management Approach Page 5	Yes, 306 - 309	11, 12		3, 7
MATERIAL ASPECT: TRAINING AND EDUCATION					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 4	Yes, 306 - 309	9, 10		3
G4-LA9	Page 79, www.keells.com/ sustainability - Disclosure of Management Approach Page 4	Yes, 306 - 309	11, 12		3
G4-LA11	Page 79, www.keells.com/ sustainability - Disclosure of Management Approach Page 4	Yes, 306 - 309	11, 12		3
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 2 - 3	Yes, 306 - 309	9, 10	2	3
G4-LA12	Page 78, www.keells.com/ sustainability - Disclosure of Management Approach Page 3	Yes, 306 - 309	11, 12	2	3
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 17 - 18	Yes, 306 - 309	11		
G4-LA14	Page 80, www.keells.com/ sustainability - Disclosure of Management Approach Page 19	Yes, 306 - 309	11		

SUB-CATEGORY: HUMAN RIGHTS					
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 4, 17 - 18	Yes, 306 - 309	9, 10	2	3
G4-HR4	Page 79, www.keells.com/sustainability - Disclosure of Management Approach Pages 4, 19	Yes, 306 - 309	11, 12	2	3
MATERIAL ASPECT: CHILD LABOR					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 12	Yes, 306 - 309	5, 6	2	3
G4-HR5	www.keells.com/sustainability - Disclosure of Management Approach Page 14	Yes, 306 - 309	7, 8	2	3
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 13	Yes, 306 - 309	5, 6	2	3
G4-HR6	www.keells.com/sustainability - Disclosure of Management Approach Page 14	Yes, 306 - 309	7, 8	2	3
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 17 - 18	Yes, 306 - 309	7		
G4-HR10	Page 80, www.keells.com/sustainability - Disclosure of Management Approach Page 19	Yes, 306 - 309	7		
SUB-CATEGORY: SOCIETY					
MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-DMA	154 - 156, www.keells.com/sustainability - Disclosure of Management Approach Pages 20 -23	Yes, 306 - 309			4
G4-SO1	156, 157 - 176, www.keells.com/sustainability - Disclosure of Management Approach Page 23	Yes, 306 - 309			4
MATERIAL ASPECT: ANTI-CORRUPTION					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 13	Yes, 306 - 309	17, 18		
G4-SO3	www.keells.com/sustainability - Disclosure of Management Approach Page 14	Yes, 306 - 309	19, 20		
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 14	Yes, 306 - 309	17, 18		
G4-SO8	Page 80, www.keells.com/sustainability - Disclosure of Management Approach Page 14	Yes, 306 - 309	19, 20		

SUB-CATEGORY: PRODUCT RESPONSIBILITY					
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 15 - 16	Yes, 306 - 309			5
G4-PR1	Page 79, www.keells.com/ sustainability - Disclosure of Management Approach Page 16	Yes, 306 - 309			5
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 15 - 16	Yes, 306 - 309			5
G4-PR3	Page 115	Yes, 306 - 309			5
MATERIAL ASPECT: MARKETING COMMUNICATIONS					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 15 - 16	Yes, 306 - 309			5
G4-PR7	www.keells.com/sustainability - Disclosure of Management Approach Page 16	Yes, 306 - 309			5
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 15 - 16	Yes, 306 - 309			5
G4-PR9	Page 79, www.keells.com/ sustainability - Disclosure of Management Approach Page 16	Yes, 306 - 309			5

Glossary of Financial Terms

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ADJUSTED ROCE AND ROE
Adjusted for 2013 Rights Issue, Waterfront debt, revaluation of Property, Plant and Equipment and fair value changes on Investment Property for the current and previous year.

ASSET TURNOVER
Revenue including associate company revenue divided by average total assets.

BETA
Co-variance between daily JKH share return and market return divided by variance of daily market return over a 5 year period.

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt.

CAPITAL STRUCTURE LEVERAGE (CSL)
Average total assets divided by average shareholders' equity.

CASH EARNINGS PER SHARE
Profit after tax adjusted for non cash items minus share of associate company profits plus dividends from associate companies divided by the weighted average number of ordinary shares in issue during the period.

CASH INTEREST AND TAX COVER
Cash flow from operations before working capital changes divided by cash interest and tax payments.

CASH RATIO
Cash plus short term investments divided by current liabilities.

CASH TO PRICE EARNINGS
Diluted market price per share divided by diluted cash earnings per share.

COMMON EARNINGS LEVERAGE (CEL)
Profit attributable to equity holders of the parent divided by profit after tax.

CONTINGENT LIABILITIES
A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. the obligation is crystalised by the occurrence or non occurrence of one or more future events or,
2. a probable outflow of economic resources is not expected or,
3. it is unable to be measured with sufficient reliability

CURRENT RATIO
Current assets divided by current liabilities.

DEBT/EQUITY RATIO
Debt as a percentage of shareholders' funds and non-controlling interests.

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

DIVIDEND PAYABLE
Final dividend per share multiplied by the latest available total number of shares as at the date of the report.

DIVIDEND PAYOUT RATIO
Dividend as a percentage of company profits adjusted for non-cash gains items.

DIVIDEND YIELD
Dividends adjusted for changes in number of shares in issue as percentage of the share price at the end of the period.

EARNINGS PER SHARE
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT
Earnings before interest and tax (includes other operating income).

EBIT MARGIN
EBIT divided by turnover inclusive of share of associate company turnover.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION
Tax expense divided by profit before tax.

EV (ENTERPRISE VALUE)
Market capitalisation plus net debt.

INTEREST COVER
Consolidated profit before interest and tax over finance expenses.

LIABILITIES TO TANGIBLE NET WORTH
Total non-current and current liabilities including contingent liabilities divided by tangible net worth.

LONG TERM DEBT TO TOTAL DEBT
Long term loans as a percentage of total debt.

MARKET CAPITALISATION
Number of shares in issue at the end of period multiplied by the market price at the end of period.

MARKET VALUE ADDED
Market capitalisation minus shareholder's funds.

NET ASSETS
Total assets minus current liabilities minus long term liabilities minus non-controlling interests.

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NET DEBT (CASH)
Total debt minus (cash plus short term deposits).

NET PROFIT MARGIN
Profit after tax divided by turnover inclusive of share of associate company turnover.

NET WORKING CAPITAL
Current assets minus current liabilities.

PRICE EARNINGS RATIO
Market price per share (diluted) over diluted earnings per share.

PRICE TO BOOK RATIO
Market price per share (diluted) over net asset value per share.

PROFIT RATIO
Profit after tax attributable to equity holders of the parents divided by total revenue including share of associates.

PUBLIC HOLDING
Percentage of shares held by the public calculated as per the Colombo Stock Exchange's Listing Rules as of the date of the Report.

QUICK RATIO
Cash plus short term investments plus receivables, divided by current liabilities.

RETURN ON ASSETS
Profit after tax divided by the average total assets.

RETURN ON CAPITAL EMPLOYED (ROCE)
Consolidated profit before interest and tax as a percentage of average capital employed.

RETURN ON EQUITY (ROE)
Profit attributable to shareholders as a percentage of average shareholders' funds.

SHARE TURN RATIO
Total volume of shares traded during the year divided by average number of shares in issue.

SHAREHOLDERS' FUNDS
Total of stated capital, capital reserves and revenue reserves.

TANGIBLE NET WORTH
Total equity less intangible assets and deferred tax assets.

TOTAL DEBT
Long term loans plus short term loans plus overdrafts.

TOTAL EQUITY
Shareholders' funds plus non-controlling interest.

TOTAL SHAREHOLDER RETURN
(P1 - P0 + D) / P0 x100

P1 = Market price at the end of the financial year

P0 = Market price (diluted) at the beginning of the financial year

D = Adjusted divided for the year

Notice of Meeting

Notice is hereby given that the Thirty Fifth Annual General Meeting of John Keells Holdings PLC will be held on 27th June 2014 at 10:00 a.m. at The Forum Area (Sixth Floor), The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longdon Place), Colombo 7.

The business to be brought before the meeting will be:

- to read the notice convening the meeting.
- to receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2014 with the Report of the Auditors thereon.
- to re-elect as Director, Mr. E F G Amerasinghe, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. E F G Amerasinghe is contained in the Board of Directors section of the Annual Report.
- to re-elect as Director, Mr. J R F Peiris, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. J R F Peiris is contained in the Board of Directors section of the Annual Report.
- to re-elect as a Director, Mr. D A Cabraal, who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Mr. D A Cabraal is contained in the Board of Directors section of the Annual Report.
- to re-elect as a Director, Mr. A N Fonseka, who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Mr. A N Fonseka is contained in the Board of Directors section of the Annual Report.
- to re-elect as Director, Mr. T Das who is over the age of 70 years and who retires in terms of section 210 of the Companies Act No. 7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:

  "THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. T Das, who is 75 years and that he be re-elected a Director of the Company."
- to re-appoint Auditors and to authorise the Directors to determine their remuneration.
- to consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board
JOHN KEELLS HOLDINGS PLC

Keells Consultants (Private) Limited
Secretaries
30 May 2014

Notes:

i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

ii. A Proxy need not be a member of the Company.

iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.

iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.

v. If a poll is demanded, a vote can be taken on a show of hands or by a poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual shareholder and his/her proxy holder are both present at the meeting, only the shareholder's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

Notes

Form of Proxy

I/We.. of

....

being a member/s of John Keells Holdings PLC hereby appoint

.... of

....or failing him/her

MR. SUSANTHA CHAMINDA RATNAYAKE	or failing him
MR. AJIT DAMON GUNEWARDENE	or failing him
MR. JAMES RONNIE FELITUS PEIRIS	or failing him
MR. EMMANUEL FRANKLYN GAMINI AMERASINGHE	or failing him
MR. TARUN DAS	or failing him
DR. INDRAJIT COOMARASWAMY	or failing him
MR. ANTHONY RANJIT GUNASEKARA	or failing him
MR. MOHAMED ASHROF OMAR	or failing him
MR. DAMIEN AMAL CABRAAL	or failing him
MR. ANTHONY NIHAL FONSEKA	

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held on 27th June 2014 at 10:00 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as Director, Mr. E F G Amerasinghe, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as Director, Mr. J R F Peiris, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as Director, Mr. D A Cabraal, who retires in terms of Article 91 of the Articles of Association of the Company		
To re-elect as Director, Mr. A N Fonseka, who retires in terms of Article 91 of the Articles of Association of the Company		
To re-elect as Director, Mr. T Das who is over the age of 70 years and who retires in terms of section 210 of the Companies Act No. 7 of 2007		

To re-appoint Auditors and to authorise the Directors to determine their remuneration.

Signed on this ……………………….. day of ………………………….. Two Thousand and Fourteen

………………..……………

Signature/s of shareholder/s

NOTE:

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117 Sir Chittampalam A Gardiner Mawatha, Colombo 2, not later than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the appointor is a company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or Corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name	:………………………………………………………………………………………
Address	:………………………………………………………………………………………
	………………………………………………………………………………………
	………………………………………………………………………………………
Jointly with	:………………………………………………………………………………………
Share Folio No.	:………………………………………………………………………………………

Corporate Information

Name of Company
John Keells Holdings PLC

Legal Form
Public Limited Liability Company
Incorporated in Sri Lanka in 1979
Ordinary Shares listed on the
Colombo Stock Exchange
GDRs listed on the Luxembourg
Stock Exchange

Company Registration No.
PQ 14

Directors
S C Ratnayake – Chairman
A D Gunewardene – Deputy Chairman
J R F Peiris
E F G Amerasinghe
D A Cabraal
I Coomaraswamy
T Das
A N Fonseka
A R Gunasekara
M A Omar

Senior Independent Director
E F G Amerasinghe

Audit Committee
A R Gunasekara – Chairman
D A Cabraal
I Coomaraswamy
A N Fonseka

Human Resources and Compensation Committee
E F G Amerasinghe – Chairman
I Coomaraswamy
A N Fonseka
A R Gunasekara
M A Omar

Nominations Committee
T Das – Chairman
E F G Amerasinghe
D A Cabraal
M A Omar
S C Ratnayake

Related Party Transactions Review Committee
A N Fonseka – Chairman
E F G Amerasinghe
D A Cabraal
J R F Peiris
S C Ratnayake

Bankers
Bank of Ceylon
Citibank N.A
Commercial Bank
Deutsche Bank A.G
DFCC Bank
DFCC Vardhana Bank
Hatton National Bank
Hongkong & Shanghai Banking
Corporation
Muslim Commercial Bank
Nations Trust Bank
National Savings Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Depository for GDRs
Citibank N.A
New York

Registered office of the Company
117, Sir Chittampalam A Gardiner
Mawatha, Colombo 2, Sri Lanka
Internet: www.keells.com
Email: jkh@keells.com

Secretaries and Registrars
Keells Consultants (Pvt) Limited
117, Sir Chittampalam A Gardiner
Mawatha,Colombo 2, Sri Lanka
Telephone : +94 11 230 6245
Facsimile : +94 11 243 9037

Investor Relations
John Keells Holdings PLC
117, Sir Chittampalam A Gardiner
Mawatha, Colombo 2, Sri Lanka
Telephone : +94 11 230 6165
+94 11 230 6000
Facsimile : +94 11 230 6160
Email: investor.relations@keells.com

Group Sustainability and Enterprise Risk Management
John Keells Holdings PLC
117, Sir Chittampalam A Gardiner
Mawatha, Colombo 2, Sri Lanka
Telephone : +94 11 230 6182
Facsimile : +94 11 230 6249
Email: sustainability@keells.com

Contact for Media
Corporate Communications Division
John Keells Holdings PLC
117, Sir Chittampalam A Gardiner
Mawatha, Colombo 2, Sri Lanka
Telephone : +94 11 230 6191
Email: jkh@keells.com

Auditors
Ernst & Young
Chartered Accountants
P.O. Box 101
Colombo, Sri Lanka

Designed and produced by emagewise
Photography by Dhanush de Costa
Digital plates by Imageline (Pvt) Ltd
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