HELPING YOU TO SEE US MORE CLEARLY

John Keells Holdings PLC
Annual Report 2014/15

H E L P I N G Y O U

T O S E E

U S M O R E

C L E A R L Y

John Keells Holdings has never been a company that took the short-term view or the easy way out. Over the decades of our existence, we have relied on our solid foundations to withstand the challenges of a fast changing business environment; working towards our immediate business concerns whilst always keeping the long-term perspective in view. That's how we have built a legacy of values that remain as relevant to contemporary Sri Lankans today as they were 145 years ago.

Over those years of constant change and growing competition, our corporate agility, resilience and business adaptability have driven the successful diversification of our industry portfolio and the dynamism of our strategies.

This Report is as always, a detailed and comprehensive one, in which we bring clarity and detail to the complex task of reporting on one year of business operations at John Keells Holdings; the business integrity, good governance, stakeholder value creation and sustainability that help you, our stakeholder, to see the John Keells Group and all its operations more comprehensively and clearly.

John Keells Group

John Keells Holdings PLC

Annual Report 2014/15

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www.keells.com

The John Keells Annual Report 2014/15 is as always a reflection of the Group's integrated approach of management, primarily focussed on a triple bottom line performance combined with business integrity, good governance, stakeholder value and sustainability. This Report gives you a 360 degree view of the economic, social and environmental performance, overall policies, strategies and direction of the Company and Group thereby "Helping you to see us more clearly".

In keeping this Report concise and pertinent to the year under review, whilst being comprehensive and detailed, we have ensured that the commentaries in certain sections are limited to a helicopter view of the events and progress within the year, whilst the Group's standard policies, operating guidelines and management approaches are available on the corporate website. As such, the Sustainability Integration section of this Report comprises the Group's management approach towards meeting its sustainability impacts, while a more detailed discussion on the Group's disclosures of management approach is available on the corporate website at ***www.keells.com/sustainability***. Similarly, the Corporate Governance Commentary of this Report is also available online at ***www.keells.com/governance-structure***. 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.

Being focussed on transparency and accountability, we confirm that 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). The commentaries, and discussions, have considered the recommendations of the Code of Best Practices on Corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the UK Corporate Governance Code (formerly known as the Combined Code of 2010) to the extent they are applicable and practicable, in the context of the nature of our diverse businesses and risk profiles.

All Group subsidiaries and associate companies were considered 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 2014/15.

The financial statements in this Report are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have been prepared on an accrual basis and under the historical cost convention, unless otherwise specifically stated, with detailed discussions where applicable in order to ensure faithful representation, materiality, relevance, accuracy and reliability.

The sustainability information contained in this Report is prepared "In accordance"-Core of Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

As such, as you flip through the pages of this Report, you will find a relevant, transparent and noteworthy value proposition entrenched within the John Keells Group that strives to achieve the highest form of stakeholder satisfaction.

Outlook statements, management discussion and analyses represent the personal and group view of the management which is dependent on their interpretation of current and future events. The reader is advised to seek expert professional advice in all such respects.

This Report gives you a 360 degree view of the economic, social and environmental performance, overall policies, strategies and direction of the Company and Group thereby "Helping you to see us more clearly"

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 1986. 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

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	
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 and Insurance	Group Finance
Group Human Resources	Group Tax	Group Treasury	John Keells Research
Legal & Secretarial	New Business Development	Strategic Group Information Technology	Sustainability, Enterprise Risk Management & Group Initiatives

JOHN KEELLS FOUNDATION

* At present some of our hotels continue to be branded as "Chaaya". However, in line with our new brand architecture these hotels will be positioned as "Cinnamon"

Financial Highlights – Three Year Performance

Year ended 31st March		2014/15	2013/14 Restated	Change (%)	2012/13 Restated
Earnings Highlights and Ratios					
Group revenue - consolidated	Rs. million	91,582	86,706	6	83,262
Group revenue - including equity accounted investees	Rs. million	102,383	97,152	5	93,378
Group profit before interest and tax (EBIT)	Rs. million	19,743	16,537	19	16,676
Group profit before tax	Rs. million	19,075	15,320	25	15,595
Group profit after tax	Rs. million	15,746	12,958	22	13,434
Group profit attributable to equity holders	Rs. million	14,348	11,722	22	12,113
Dividends *	Rs. million	3,476	3,267	6	2,982
Diluted earnings per share	Rs.	14.15	12.33	15	13.65
Cash earnings per share	Rs.	16.55	15.11	10	14.26
Interest cover	No. of times	29.5	13.6	117	15.4
Return on equity (ROE)	%	11.0	11.0	-	15.0
Pre-tax return on capital employed (ROCE)	%	11.8	11.7	1	15.1
Balance Sheet Highlights and Ratios					
Total assets	Rs. million	218,086	201,581	8	158,724
Total debt	Rs. million	23,934	26,139	(8)	20,108
Net debt (cash) **	Rs. million	(43,224)	(31,182)	39	(8,124)
Total shareholders' funds	Rs. million	137,798	122,897	12	89,819
No. of shares in issue	Millions	997	990	1	857
Net assets per share ***	Rs.	138.15	123.21	12	90.05
Debt / equity	%	15.9	19.5	(18)	19.9
Net debt (cash)/ equity **	%	(28.8)	(23.2)	24	(8.0)
Debt / total assets	%	11.0	13.0	(15)	12.7
Market / Shareholder Information					
Market price of share as at 31st March (actual)	Rs.	199.40	227.00	(12)	247.00
Market price of share as at 31st March (diluted)	Rs.	199.40	227.00	(12)	238.95
Market capitalisation	Rs. million	198,899	224,796	(12)	211,739
Enterprise value **	Rs. million	155,675	193,614	(20)	203,615
Total shareholder return	%	(12.0)****	(0.4)****	(2,900)	21.7
Price earnings ratio (PER) (diluted)	No. of times	14.1	18.4	(23)	17.5
Dividend payout	%	34.5	44.2	(22)	41.0
Dividend per share	Rs.	3.50	3.50	-	3.50
Dividend yield	%	1.76	1.54	14	1.46

* Cash dividends paid during the year
** Customer advances in the Property Development sector and cash and cash equivalents relating to the UA life fund have been excluded
*** Net assets per share has been calculated, for all periods, based on the number of shares in issue as at 31st March 2015
**** Includes the proportionate impact arising from the ownership of the warrants

Non-Financial Highlights - Three Year Performance

Indicator		2014/15	2013/14	2012/13
Economic Performance				
EC1	Economic value added (Rs. million)	14,638	12,985	12,392
EC3	Employee benefit liability as of 31st March (Rs. million)	1,495	1,326	1,385
EC7	Community services and infrastructure projects (Rs. million)	58	59	24
EC9	Proportion of purchases from suppliers within Sri Lanka (%)	81	77	69
Environmental Impact				
EN3	Direct energy consumption (GJ)	353,328	384,165	377,858
	Direct energy (GJ) per Rs. million of revenue	3.9	4.3	4.4
	Indirect energy consumption (GJ)	311,263	296,747	274,767
	Indirect energy (GJ) per Rs. million revenue	3.40	3.35	3.22
EN15	Direct greenhouse gas emissions - scope 1 (MT)	16,320	17,895	17,231
EN16	Energy indirect greenhouse gas emissions - scope 2 (MT)	58,933	56,184	52,023
	Total carbon footprint (MT)	75,253	74,079	69,253
	Total carbon footprint (MT) per Rs. million of revenue	0.82	0.84	0.81
EN8	Water withdrawal (m^3)	1,803,061	1,741,318	1,660,870
	Water withdrawal (m^3) per Rs. million revenue	19.71	19.68	19.45
EN22	Water discharge (m^3)	1,390,650	1,342,568	1,340,190
EN23	Waste generated (MT)	7,803	7,971	7,904
	Waste recycled/re-used by Group companies and through third party contractors (%)	43	41	42
EN29	Significant environmental fines*	Nil	Nil	Nil
Training, Health and Safety				
	Total workforce (employees and contractors' staff)	18,981	19,771	19,296
LA1	Attrition of new hires (as a percentage of total new hires)	16	18	20
LA6	Number of injuries and diseases**	199	231	196
	Injury rate (number of injuries per 100 employees)	1.1	1.2	1.0
	Lost day rate (lost days as a percentage of total person days)	0.050	0.039	0.031
	Number of people educated on serious diseases	16,323	30,027	17,670
LA9	Average hours of training per employee	39	47	46
LA11	No. 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	0
HR6	Incidents of forced labour during the year	0	0	0
Social Responsibility				
SO1	Community engagement (no. of persons impacted)***	51,598	35,856	28,402
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 (%)	80	81	95
	Proportion of labels carrying information on disposal (%)	60	61	37
	Proportion of labels carrying sourcing of components (%)	1	1	1
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)	80	70	0
	Business partners screened for labour, environment and human rights	90	64	22

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

** From 2013/14 onwards figures include the sales agents of Union Assurance PLC

*** Excludes people impacted indirectly

June 2014

JKH was reaffirmed as a great workplace in Sri Lanka through the Great Place to Work survey 2014.

Divested the 4.3 per cent stake in Expolanka Holdings PLC for a consideration of Rs.891 million.

September 2014

Cinnamon Red, Sri Lanka's first lean luxury hotel was launched.

Merger of JayKay Marketing Services (Private) Limited with Nexus Networks (Private) Limited.

October 2014

"OnThree20", the residential development project was completed.

November 2014

Launched Project WAVE – Working Against Violence through Education, focussed on eradicating gender based violence.

Divested the 4 per cent stake in Access Engineering PLC for a consideration of Rs.1.59 billion.

December 2014

JKH was adjudged the winner of the Gold Award in the "Cyril Gardiner Memorial Trophy for Overall Excellence" at the 50th Annual Report Awards Competition organised by CA Sri Lanka.

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

January 2015

Union Assurance PLC completed the segregation of its Life and General Insurance businesses, in line with the Insurance Board of Sri Lanka (IBSL) stipulated regulations.

A 78 per cent stake in the General Insurance business was sold to Fairfax Asia Limited for a consideration of Rs.3.66 billion.

February 2015

At the ACCA Sustainability Reporting Awards, JKH was adjudged runner-up of the "Country's Most Transparent Corporate Business Entity" category and the winner of the "Conglomerate and Diversified" category.

March 2015

The Human Genetics Unit, Faculty of Medicine, University of Colombo together with John Keells Research successfully sequenced the entire genome of "Goda Vee", a rice variety, for the first time in Sri Lanka.

John Keells PLC launched "mAuction", an IT solution designed to link buyers and sellers onto a single platform at the Colombo Tea Auction.

Financial Achievements and Goals

Indicator (%)		Achievement		
	Goal	2014/15	2013/14	2012/13
EBIT growth	>20	19.4	(1.2)	17.6
EPS growth (fully diluted)	>20	14.8	(9.7)	23.4
Cash EPS growth (fully diluted)	>20	9.6	13.6	9.0
Long term return on capital employed (ROCE)	15	11.8	11.7	15.1
Long term return on equity (ROE)	18	11.0	11.0	15.0
Net debt (cash) to equity	50	(28.8)	(23.2)	(8.0)

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31st March 2015.

I trust that our Report will provide you with an in-depth understanding of the Group's stakeholder centric strategies and actions which are based on the principles of compliance, conformance, good governance, ethical conduct and sustainable development.

Whilst the Group profit before tax (PBT) for the financial year ended 31st March 2015 at Rs.19.08 billion was 25 per cent above that of 2013/2014, the Group recurring PBT for the financial year ended 31st March 2015, excluding fair value gains on investment property and the capital gain on the disposal of Union Assurance General Limited at Rs.17.81 billion was a 20 per cent increase over the recurring PBT of Rs.14.85 billion recorded in the previous year. The profit attributable to equity holders of the parent was Rs.14.35 billion, representing an increase of 22 per cent over 2013/14, whilst the recurring profit attributable to equity holders of the parent was Rs.13.14 billion, representing an increase of 16 per cent over the Rs.11.34 billion recorded in the previous year.

Summarised in the ensuing section are the key financial highlights of our operating performance during the year under review.

- Group revenue increased by 6 per cent to Rs.91.58 billion.
- Group profit before tax increased by 25 per cent to Rs.19.08 billion.
- Profit attributable to equity holders of the parent increased by 22 per cent to Rs.14.35 billion.
- Recurring profit before tax increased by 20 per cent to Rs.17.81 billion.
- Recurring profit attributable to equity holders of the parent increased by 16 per cent to Rs.13.14 billion.
- Net cash flow from operating activities increased by 159 per cent to Rs.20.85 billion.
- Return on capital employed (ROCE) increased marginally to 11.8 per cent from 11.7 per cent in the previous year.
- Return on equity (ROE) remained at 11.0 per cent as in the previous year.
- Debt to equity ratio decreased to 15.9 per cent compared to 19.5 per cent in the previous financial year.
- Diluted earnings per share increased by 15 per cent to Rs.14.15.
- Cash earnings per share increased by 10 per cent to Rs.16.55.
- The total shareholder return (TSR) in 2014/2015 was a negative 12.0 per cent.
- The carbon footprint per one million rupees of revenue decreased by 2 per cent to 0.82 metric tons.

As was highlighted last year, the investment in the "Waterfront" Project and the regular revaluation of assets under Fair Value Accounting principles have short to medium term implications on our ROCE and ROE ratios. This is discussed in detail in the Group Financial and Sustainability Review section of this Report. The ROCE and the ROE adjusted for these impacts as well as the capital gain on the disposal of Union Assurance General Limited are 14.4 per cent and 12.9 per cent respectively. We are confident that investments which we are making today in pursuing a sustainable long term future will result in improved returns on our capital employed in the medium to long term.

Finance income, which has shown significant growth, includes interest income due to the policy holders of the Life Insurance fund with a corresponding charge in the income statement, the capital gains on disposals of the private equity investments held under John Keells Capital, gains on short term financial instruments mainly at Union Assurance and exchange rate gains. This is discussed in further detail under the Group Financial and Sustainability Review section of this Report.

A Land (Restrictions on Alienation) Act was legislated on the 29th of October 2014 with retrospective application from the 1st of January 2013. Whilst your Company recognises, and appreciates, the need to monitor and manage the freehold sale of land to foreign nationals, we are of the view that the ambiguity inherent in the Act and the uncertainty it creates as a result will be deterrents to capital formation and foreign direct investment in Sri Lanka and, therefore, requires urgent review.

Rs. 19.08 bn

Group Profit Before Tax

As announced by your Company on 30th January 2015, the "Waterfront" Project will continue. For clarity, we wish to state that "Waterfront" was to lease a 150,000 square foot area, this being a mere 3 per cent of a total area of 4.5 million square feet of the constructed area to an existing Casino licence holder to operate in partnership with an international Gaming operator under strict Gaming regulations consistent with the best in the world. Waterfront Properties (Private) Limited did not intend to operate a Casino nor did it intend to own a Casino licence. It is also noteworthy that the "Waterfront" Project did not request, and, in fact, turned down, any tax exemptions on Gaming activities under the Strategic Development Projects Act.

The prospects for Consumer Foods and Retail and Financial Services, in particular, are promising given the significant under-penetration of consumption, banking and insurance in comparison to other regional markets

Whilst the "Waterfront" Project is described in greater detail in the Property Industry Group Review of the Management Discussion and Analysis of the Report, I wish to reiterate that "Waterfront" is uniquely placed to cater towards the emerging requirements of the contemporary tourist and the increasing Meetings, Incentives, Conferences and Exhibitions (MICE) traffic, particularly from India, with services, products and facilities that are on par or exceed those of other regional destinations. This, I am confident, will enable us to attract the high spending segment of tourists which Sri Lanka has hitherto been unable to satisfy. It is indeed this vision of Colombo as a hub for business and leisure travel which was at the heart of conceptualising the "Waterfront" Project.

From a portfolio and diversification perspective, the investments in key growth industries such as the Consumer Foods and Retail and Financial Services industry groups have borne fruit, contributing towards a more balanced portfolio and a diverse stream of cash flows. These two industry groups in particular have scaled up significantly over the last few years and now account for nearly 25 per cent of Group PAT even after eliminating for the impact of the one-off capital gain on the disposal of the General Insurance business as discussed later in this message. The prospects for Consumer Foods and Retail and Financial Services, in particular, are promising given the significant under-penetration of consumption, banking and insurance in comparison to other regional markets. The outlook for our other industry groups is also positive considering the growth prospects of the country and the continued growth in tourism.

The Annual Report contains discussions on the macro-economic factors, the impact of these on our businesses as well as a detailed discussion and analysis of each of the industry groups. As such, I will focus on a high level summation of the performance of each industry group during the financial year 2014/15.

Transportation Industry Group

The Transportation industry group reported revenues, including the share of revenues from the associate companies, of Rs.19.91 billion and a PAT of Rs.2.34 billion, contributing 19 per cent and 15 per cent to Group revenue and PAT respectively. Various restrictions that were placed on the private sector within both the port and bunkering industries limited the growth potential for South Asia Gateway Terminals (SAGT) and Lanka Marine Services (LMS) in the past. However, improved prospects for greater private sector participation in both these industries, going forward, are likely to create additional avenues for growth through the expansion of operations in the Group's Port and Bunkering businesses. Despite a 14 per cent growth in container volumes recorded over the entire Port of Colombo for the calendar year 2014, SAGT recorded a marginal decline in volumes towards the latter part of the year under review. The decline was a direct result of the formation of a new alliance between two leading shipping consortiums and their subsequent decision to deploy larger vessels requiring a deeper draft which resulted in a re-alignment of

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services away from SAGT. The performance of the Bunkering business was negatively impacted by the significant decline in oil prices which lowered the overall value of sales, whilst the increasingly fragmented operating environment continued to exert pressure on margins. Notwithstanding the above, LMS restructured its cost base and supplier relationships towards improving both its operational efficiency and profitability. In the year under review, DHL Keells focussed on upgrading the quality and security of its operations in Sri Lanka, facilitating an increase in its active customer base and its overall market share.

Leisure Industry Group

The Leisure industry group reported revenues of Rs.23.36 billion and a PAT of Rs.4.86 billion, contributing 23 per cent and 31 per cent to Group revenue and PAT respectively. The industry group continued to maintain its position as the largest contributor to Group PAT. During the calendar year 2014, arrivals to Sri Lanka reached 1,527,153, representing a year-on-year growth of 20 per cent. Had it not been for the economic volatility in Russia and the continuing political unrest in Ukraine which curtailed tourist arrivals particularly in the key tourist months of November and December, tourist arrivals would possibly have grown at a higher pace. Augmented by focussed destination marketing and improved connectivity, China recorded a 136 per cent increase in arrivals for 2014. Arrivals from India grew at a steady pace, increasing to 242,734 arrivals whilst arrivals from other regions also demonstrated encouraging growth.

The 3-4 star room inventory within the City of Colombo saw a substantial growth in the year under review. Whilst this increased capacity is in line with the expected growth in tourist arrivals in the long run, it has intensified competition in the present operating environment, restricting the growth in average room rates and occupancies for both Cinnamon Grand and Cinnamon Lakeside. It is in this light that we state that an integrated development such as "Waterfront" with its contemporary, and diverse, product and service offerings will facilitate the growth in both MICE and high-end tourism. Cinnamon Lakeside is partially closed for a period of 6 months for refurbishments relating to its façade. During this period, 40 per cent of the room inventory is expected to be operational whilst all common areas will continue to be open to the public as usual. Promoting the concept of "lean luxury" and in line with the industry group's new brand architecture, Cinnamon Red, was launched in September 2014. Currently the Group holds an associate stake of 20 per cent in the hotel company and manages the operations of the hotel through Cinnamon Hotel Management Limited. The hotel has performed beyond expectations thus far, recording profits from the first month of its operations.

During the year, the Sri Lankan Resorts sector focussed on increasing the contribution of its three beach properties to the overall profitability of its hotel portfolio. To this end, a strategy targeting increased web sales and participation from the local tourist segment was initiated in the year under review, ensuring a growth in occupancies for the sector as a whole. Finance expenses declined significantly on account of the substitution of Rupee debt with lower cost Dollar debt where appropriate in addition to the refinancing of higher cost borrowings. The combined impact of the aforementioned issues in Russia and Ukraine and the uncertain political landscape that prevailed locally limited the year-on-year growth in tourist arrivals to the Maldives to 7 per cent, well below the double digit growth witnessed in 2013. Whilst occupancies across the Maldivian Resort sector remained above the industry average, the depressed growth in arrivals and the increased prominence of the informal sector was made apparent through a marginal decline in average room rates for the year under review.

Rs. 4.86 bn

Leisure Industry Group Profit After Tax

Rs. 1.80 bn

CF&R Industry Group
Profit After Tax

A common property management system was rolled out across the entire portfolio of the City and Resort Hotels in Sri Lanka during the year under review. The system provides unique features that promote customer experience and employee interaction and effectiveness. The industry group also invested heavily on its social media strategy to create brand awareness and expand its reach as an international brand. All such initiatives were introduced to complement the new brand architecture which inculcates the "service culture" amongst our employees and creates a value proposition to differentiate the industry group's product offering and drive sales in a fragmented market.

All initiatives were introduced to complement the new brand architecture which inculcates the "service culture" amongst our employees and creates a value proposition to differentiate the industry group's product offering

Property Industry Group

The Property industry group reported revenues of Rs.5.69 billion and a PAT of Rs.1.43 billion, contributing 6 per cent and 9 per cent to Group revenue and PAT respectively. The two residential developments "7th Sense" on Gregory's Road and "OnThree20" recorded an increase in revenue recognised in the year under review. The 475 unit "OnThree20" residential development was completed in the third quarter of 2014/15, with only 8 apartment units remaining to be sold. "7th Sense" on Gregory's Road witnessed promising demand with 90 per cent of the apartments being reserved as of 31st March 2015. The "Waterfront" Project continued to generate encouraging demand for both residential and commercial office spaces in the year under review. Although the funding for the Project was concluded in December 2014, the changes to the scope of the Project necessitated amendments to relevant sections of the syndicated loan agreement. Our lenders remain fully committed and the agreement is expected to be finalised shortly. The overall brand architecture for the Project was finalised during the year with a positioning as "Cinnamon Life".

Consumer Foods and Retail Industry Group

The Consumer Foods and Retail industry group recorded revenues of Rs.29.76 billion and a PAT of Rs.1.80 billion, contributing 29 per cent and 11 per cent to Group revenue and PAT respectively. The Consumer Foods sector recorded an overall growth in profitability with both Ceylon Cold Stores (CCS) and Keells Food Products (KFP) contributing to the improved performance. The encouraging trend in consumer sentiment together with the expansion of the product portfolio in line with evolving consumer tastes and preferences resulted in higher volumes recorded under both the Beverage and Ice Cream businesses. Whilst the increase in disposable incomes supported volumes, a focus on production efficiencies and cost control enabled healthy improvement in margins which contributed towards the strong growth in profits. In the year under review, KFP recorded a significant increase in profitability, aided by a growth in volumes and an improvement in operational efficiency. The company restructured its distribution strategy and product mix, which materialised into higher volumes, whilst various efficiency improving initiatives that were implemented in the previous financial years facilitated growth in operating margins.

The Retail sector recorded a strong increase in profits on the back of an encouraging growth in footfall as the emphasis on improving product quality, product offering and consumer awareness contributed towards enhancing the overall shopping experience. All new outlets opened in recent years are performing above expectations. This has contributed to the growth in profitability of the sector. The penetration of modern Fast Moving Consumer Goods (FMCG) retail in the country remains very low compared to more developed regional countries and presents a significant opportunity for growth. With a number of new locations having been already identified, the sector will continue to aggressively expand its store network. The Nexus mobile phone application was launched in June 2014 with the aim of driving forward its digital strategy to facilitate greater customer penetration and convenience.

All new Retail outlets opened in recent years are performing above expectations. This has contributed to the growth in profitability of the sector

The negative impact of the "deemed" value added tax (VAT) provisions enacted and enforced from January 2014 was further compounded with the exemption of alcohol and tobacco from VAT in the budget measures announced and implemented in October 2014. These provisions contravene the very principles of VAT and thus undermine the flow through economic benefits of a VAT system which is meant to be a tax on value addition as opposed to a tax on turnover, and as such merits reconsideration.

Financial Services Industry Group

The Financial Services industry group recorded revenues, including the share of revenues from associate companies, of Rs.12.99 billion and a PAT of Rs.3.02 billion, contributing 13 per cent and 19 per cent to Group revenue and PAT respectively. On a recurring basis, excluding the capital gain of Rs.1.22 billion as mentioned below, the PAT for the industry group is Rs.1.80 billion, contributing 12 per cent to Group PAT. On 1st January 2015, Union Assurance PLC (UA) segregated its Life and General Insurance businesses in line with the Regulation of Insurance Act No. 3 of 2011 by transferring the assets, property, undertakings and liabilities of the General Insurance business to the newly incorporated Union Assurance General Limited, a wholly owned subsidiary of UA. Subsequent to the segregation, a 78 per cent stake of the General Insurance business was sold to Fairfax Asia Limited for a total consideration of Rs.3.66 billion, realising a capital gain of Rs.1.22 billion. The Life Insurance business Gross Written Premium (GWP) has seen growth in excess of 70 per cent in the last 4 years and with the prevailing low interest rate environment the outlook for this business is positive.

In the year under review, the banking industry was negatively impacted by the lacklustre credit demand, which, despite showing signs of recovery in the second half of calendar year 2014, was constrained by the uncertainty prevailing pre and post the Presidential election in January 2015. Notwithstanding the challenging operating environment, Nations Trust Bank (NTB) recorded a strong performance aided by a growth across all business lines with both deposit and credit growth trending above the industry average. Furthermore, NTB successfully managed its assets and liabilities in order to drive growth in its high yielding assets amidst increased competition. In line with its 5 year mapping strategy which was implemented in the previous financial year, the Bank expanded its island wide presence and migrated to an advanced Core Banking System, creating a strong foundation to drive forward its digital strategy. The Group's Stock Broking business recorded an increase in profitability as an increase in participation from both local and foreign investors, particularly in the first three quarters of the period under review, resulted in an 84 per cent increase in average daily turnover levels at the Colombo Stock Exchange (CSE).

Information Technology Industry Group

The Information Technology industry group recorded revenues of Rs.7.21 billion and a PAT of Rs.280 million, contributing 7 per cent and 2 per cent to Group revenue and PAT respectively. The Office Automation business witnessed an improvement in the profitability of its product mix due to a higher contribution from both the Smart Phones and Copier segments. The growing inclination towards technology and the increasing substitution of feature phones with smart phones drove volumes in the Mobile Phone segment whilst the company's extensive dealer network and unparalleled reputation for after sales services increased penetration and improved market share in the Copier segment. The Group's Business Process Outsourcing (BPO) operations in India continued to diversify its client portfolio on the back of recovered demand for BPO services from key markets such as the United States of America.

Other including Plantation Services

The Plantation Services sector recorded revenues of Rs.3.17 billion and a PAT of Rs.193 million, contributing 3 per cent and 1 per cent to Group revenue and PAT respectively. Political unrest and economic volatility witnessed across some of the key destinations for tea exports resulted in a sharp decline in tea prices and negatively impacted the profitability of

Rs. 1.22 bn

Capital Gain from the Disposal of a 78 per cent Stake of Union Assurance General Limited

Notwithstanding the challenging operating environment, Nations Trust Bank (NTB) recorded a strong performance aided by a growth across all business lines with both deposit and credit growth trending above the industry average

the Plantations Services sector. Others, comprising of the Holding Company and other investments, and the Plantation Services sector, together, recorded revenues of Rs.3.47 billion and a PAT of Rs.2.03 billion for 2014/15. The increased PAT is mainly on account of the combined gain of Rs.982 million resulting from the disposal of the investments held by John Keells Capital in Expolanka PLC and Access Engineering PLC and is classified under finance income in keeping with the accounting standards.

Employees

The success of our Group has been built around our loyal and committed employees, and I wish to pay tribute to them for their contribution to what has been a successful year. Over the years, we have attracted the best and the brightest from the entire pool of available talent to build a strong workforce that reflects the diversity of the customers we serve. We continue to engage and encourage our employees to perform to the best of their talents through a performance oriented culture founded on ethical and transparent behaviour which in turn promotes sustainable and profitable growth. The Corporate Governance and the Group Financial and Sustainability Review sections of this Report explain in further detail the best practices, policies and procedures that are in place to ensure that John Keells is "More Than Just a Work Place".

Corporate Governance

I am pleased to state that, there were no violations of any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Further details on Governance compliance can be found in the Corporate Governance Commentary of this Report.

Sustainability

Similar to last year, this Integrated Annual Report has been prepared "In accordance"-Core of the GRI (G4) Guidelines and has obtained the GRI Materiality Disclosures check. The Report has also been independently assured by DNV GL represented in Sri Lanka by DNV Business Assurance Lanka (Private) Limited.

The Group strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into our work-plans. During the year, we implemented a supplier management framework and a supplier code of conduct and engaged with our significant supply chain partners through various fora and assessments.

I am pleased to announce that this year too we have made significant progress on the agenda items reported in last year's Integrated Annual Report. Although the carbon footprint at 75,253 metric tons is a 2 per cent growth in comparison to the previous year as a result of the increase in operational activity across all key industry groups, the carbon footprint per million rupees of revenue showed a 2 per cent reduction to 0.82 metric tons. The Group's water footprint this year amounted to 1.8 million cubic meters, an increase of 4 per cent, while the total waste generated amounted to 7,803 metric tons, representing a reduction of 2 per cent from the previous financial year. The water withdrawal corresponds to 19.7 cubic meters per million rupees of revenue and is in line with the previous year.

From an employee perspective, the reported number of injuries and diseases declined by 14 per cent to 199 for the period under review. Training hours per employee decreased to 39 hours compared to 47 hours in the previous year. The training hours for employees are determined on a needs basis, aligning the business specific requirements with gaps identified in employee skills and the roof competencies as outlined in the Group Learning and Development policy guidelines.

Corporate Social Responsibility

The John Keells Group continues to be a participant of the United Nations Global Compact Initiative and supports Sri Lanka'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.

2,393

Number of Cataract Surgeries Completed During 2014/15

The focus of our CSR activities continued to be on six key areas, namely, Education, Health, Environment, Community and Livelihood Development, Arts and Culture and Disaster Relief. These projects have been inspired and sustained over time by our CSR Vision "Empowering the Nation for Tomorrow".

The CSR initiatives of the Group are centrally planned and implemented by the John Keells Foundation (Foundation), a company limited by guarantee 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 under review are listed below.

The John Keells Vision Project

Under this initiative, a total of 21 eye camps and 17 cataract clinics were conducted in various parts of the country including in areas such as Mannar and Kilinochchi in the Northern Province, Trincomalee and Batticaloa in the Eastern Province and Nawalapitiya and Dickoya in the Central Province. As a result, a total of 2,393 cataract surgeries were completed and 586 spectacles were donated during the subject year.

The carbon footprint per million rupees of revenue showed a 2% reduction to 0.82 metric tons

Soft Skills and Industrial Training for University Undergraduates

A total of 705 undergraduates from multiple faculties benefited from the workshops conducted under "The Final Step" initiative in the North Western and Colombo Districts of whom 593 were eligible to receive certificates based on attendance criteria. Separately, an industrial tour was conducted for 38 final year students of the Hospitality, Tourism and Event Management Faculty of the Uva Welassa University (Badulla District) facilitating valuable exposure to the Leisure industry group.

English Language Scholarship Programme

A total of 1,115 school children are nearing the end of the foundation level course, whilst 293 students completed the pre-intermediate course and a total of 78 students completed the intermediate-level course. Meanwhile, two new initiatives were piloted for hearing impaired students at The School for the Deaf, Ratmalana benefiting a total of 22 students in Grades 1-3 and a total of 11 vocational trainees respectively.

Project WAVE (Working Against Violence through Education)

This project, aimed at combating gender based violence and child abuse, through awareness raising, was officially launched. A total of 1,826 Group staff were educated under the project.

Elephant Research Project

The "Cinnamon Elephant" Project, which was initiated during the year is a collaborative effort between Cinnamon Hotels and Resorts, John Keells Foundation and the Centre for Conservation and Research. The project has commenced tracking of elephant herds in the North Central Province by using high tech satellite collars to understand the seasonal movement of the herds.

Youth Development Project

An initiative aimed at developing knowledge and skills of unemployed and/or under-employed youth in the Southern, North Central and Eastern Provinces to meet the demands of hospitality and related industries was launched in collaboration with Cinnamon Hotels and Resorts, John Keells Foundation and CARE International. The pilot initiative involved a total of 74 youth completing 6 months' training at a selected number of the Group's Resorts. This initiative has given rise to training and recruitment opportunities in the Group for the graduating trainees.

Disaster Relief

The Foundation participated in a flood relief initiative in December 2014, in the aftermath of torrential rain and flooding which resulted in severe damage and destruction in many parts of the country. The Group's CSR volunteers supported both packing and distribution of relief items to flood victims in five Districts, benefiting approximately 8,000 families.

Our Volunteers

During the year in review, the John Keells Foundation recorded a total of 1,111 engagements by 512 volunteers across the John Keells Group. This excludes volunteer activities at the business or sector level.

We continue to engage and encourage our employees to perform to the best of their talents through a performance oriented culture founded on ethical and transparent behaviour which in turn promotes sustainable and profitable growth

Dividends

Your Board declared a final dividend of Rs.1.50 per share to be paid on the 15th of June 2015. The first and second interim dividends for the year were Rs.1.00 per share each. The total pay-out in the year under review was Rs.3.48 billion compared to Rs.3.27 billion in the previous financial year.

Subdivision of Shares

The Board of Directors has recommended a subdivision of the Company's shares in the proportion of 8 ordinary shares for every 7 ordinary shares held for approval of the shareholders at an Extraordinary General Meeting. Accordingly, the price and quantity of the 2015 and 2016 Warrants will be adjusted to reflect the aforementioned subdivision of shares.

Conclusion

I wish to place on record my appreciation of the contribution made by Mr. Ranjit Gunasekara who stepped down from the Board at the end of June 2014 and I welcome Ms. Premila Perera who joined the Board in July 2014.

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 year.

Susantha Ratnayake
Chairman

26 May 2015

GOVERNANCE

MANAGING YOUR COMPANY WITH TRANSPARENCY

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 37 years of management experience, all of which is within the John Keells Group. A past Chairman of the Sri Lanka Tea Board and Ceylon Chamber of Commerce, he is also the Chairman of Ceylon Tobacco Company PLC and the Employers' Federation of Ceylon.

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 and Nations Trust Bank PLC. Ajit has a Degree in Economics and brings over 32 years of management experience.

Ronnie Peiris*

Group Finance Director

Appointed to the John Keells Holdings PLC Board during 2002/03, Ronnie, as Group Finance Director, has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance, Treasury, and the Information Technology functions. He is also a Director of several companies in the John Keells Group. He was previously the Managing Director of Anglo American Corporation (Central Africa) Limited in Zambia.

He has over 40 years of 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

Senior Independent 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.

Amal Cabraal

Non-Executive Director

Appointed a Director on 1st November 2013, 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 an MBA from the University of Colombo, a Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK.

He is presently an Independent External Director of Hatton National Bank PLC, Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, S A Silva & Sons (Pvt) Ltd and also serves on the Supervisory Board of Associated Motorways (Pvt) Ltd. On 1st April 2015, he assumed the role of Non-Executive Director and Chairman of CIC Feeds (Pvt) Ltd. He is a committee member of the Ceylon Chamber of Commerce and serves on the management committee of the Mercantile Services Provident Society.

Dr. Indrajit Coomaraswamy

Non-Executive 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 (1981-89). 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 (January-July 2010). He completed his undergraduate degree at Cambridge University and obtained his Doctorate from the University of Sussex.

Tarun Das

Non-Executive Director

Tarun Das has spent his professional career in the development and promotion of the Indian Industry. Starting in November 1963 with the predecessor body of the 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 led to strengthening business and strategic ties between India and the world.

He is the Founding Trustee, Ananta Aspen Centre; Ananta Centre and Founding Trustee, Council on Energy Environment and Water (CEEW); 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, Board of Trustees, Public Interest Foundation (PIF); Member, Apex Council on India@75, Confederation of Indian Industry (CII); Trustee, India@75 Foundation; Trustee, Singapore India Partnership Foundation (SIPF); Lifetime Trustee, The Aspen Institute, USA.

He is also a Co-Chair of the US-India Strategic Dialogue; Indo-US-Japan Strategic Dialogue; India-Israel Forum and a member of the India-Singapore Strategic Dialogue; India-China Strategic Dialogue; Indo-Turkey Forum.

He is the Chairman, Advisory Board, JCB India; member, International Advisory Board of ACE Insurance (USA).

Ashroff Omar

Non-Executive 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, Chairman of the Advisory Committee on Garments - Export Development Board (EDB) and serves as a committee member of the Ceylon Chamber of Commerce.

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.

Nihal Fonseka

Non-Executive Director

Nihal Fonseka is a career banker and served as the Chief Executive Officer and a Director of DFCC Bank from 2000 until his retirement in 2013. He is the Chairman of the Group Audit Committee of Brandix Lanka Ltd, President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK, and a member of the Employees' Trust Fund Board.

Prior to joining DFCC Bank, Nihal Fonseka was the Deputy Manager of HSBC Sri Lanka. He is a past Chairman of the Colombo Stock Exchange and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He has also served as a member of the Presidential Commission on Taxation (2009) and the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka, 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 holds a BSc from the University of Ceylon, Colombo, and is a Fellow of the Institute of Financial Studies (Chartered Institute of Bankers), UK.

Premila Perera

Non-Executive Director

Premila Perera was appointed to the Board of the Company with effect from 1st July 2014 as an Independent Non-Executive Director. Premila Perera, formerly a Partner, KPMG in Sri Lanka, also served as the Global Firms Regional Tax Director for ASPAC in 2000/ 2001, as a member of the Global Task Force commissioned in 1998, to advice the International Board of KPMG on future directions in determining long term strategic plans, & faculty of the KPMG International Tax Business School. She also served a period of secondment with the US Firm's National Tax Office in Washington DC, and was a participant at the KPMG-INSEAD International Banking School programme.

She is a Fellow of the Institute of Chartered Accountants of Sri Lanka and currently serves as an Independent Director and Chairperson of the Audit Committee of Ceylon Tobacco Company PLC, and is also a Non-Executive Director of Holcim (Lanka) Limited.

* Refer Group Directory for directorships held by Executive Directors in other Group companies

Dilani Alagaratnam

President

Dilani Alagaratnam is the President with overall responsibility for the Group Human Resources, Legal & Secretarial, Corporate Communications, Sustainability & Enterprise Risk Management and Group Sourcing functions of the Group. She is also a Director of Union Assurance PLC and several unlisted companies within the John Keells 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 and a member of the Legislation Sub Committee 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 PLC and the Chairman of the Steering Committee on Investments and Ease of Doing Business of the Ceylon Chamber of Commerce. He is a former Chairman of the Colombo Stock Exchange. He started his professional career at UBS Warburg, Hong Kong, in investment banking, focussing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence & Company PLC, Sri Lanka prior to joining JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

Gihan Cooray

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. He is a Non-Executive Director of Nations Trust Bank PLC. 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. He serves as a member of the sub-committees on Economic, Fiscal and Policy Planning; Investments and Ease of Doing Business; and Young Leaders of the Ceylon Chamber of Commerce.

Romesh David

President

Romesh David leads the Transportation industry group of the John Keells Group and has been with the Group for 35 years during which he has also served in the Leisure, Domestic & International Trade and IT sectors.

He presently serves as a Vice President of the Indo-Lanka Chamber of Commerce and is a member of the Council of the Chartered Institute of Logistics & Transport, Advisory Council of the Sri Lanka Logistics & Freight Forwarders Association, Executive Committee of the Council for Business with Britain and the Infrastructure Steering Committee of the Ceylon Chamber of Commerce.

He is a past Chairman of the Chartered Institute of Logistics and Transport – Sri Lanka, the Sri Lanka Logistics & Freight Forwarders Association and the Council for Business with Britain.

Sanjeeva Fernando

President

Sanjeeva Fernando is responsible for the IT industry group and the Plantation Services sector. He possesses over 28 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 & 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. He is a Director of John Keells PLC and Tea Smallholder Factories PLC. 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 34 years of management experience in the Group also covers Leisure and Property. Jitendra holds a Diploma in Marketing. He is a Director of Ceylon Cold Stores PLC and Keells Food Products PLC and is also the President of the Beverage Association of Sri Lanka. He is a member of the Council of the Employers' Federation of Ceylon.

Suresh Rajendra

President

Suresh Rajendra is responsible for the Property industry group of the John Keells Group and also serves as a Director of Union Assurance PLC and Asian Hotels and Properties 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 Manger 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.

* Refer Group Directory for directorships held by GEC members in other Group companies

Sanjeewa Jayaweera

Executive Vice President

Sanjeewa Jayaweera, Chief Financial Officer for the Consumer Foods & Retail industry group, has been with the Group for 22 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.

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.

Rohan Karunarajah

Executive Vice President

Rohan Karunarajah, Sector Head of the City Hotels, currently overlooks the management of the Cinnamon Grand, Cinnamon Lakeside and Cinnamon red. A career hotelier counting over three decades, both in the local and international hospitality industry; he held the position of General Manager in several hotels in the United Kingdom, lastly being the Marriott Marble Arch, London. He is a Director of Asian Hotels and Properties PLC and Trans Asia Hotels PLC. He read for his Masters in Hospitality and Business Studies from the Thames Valley University, London.

Mano Rajakariar

Executive Vice President

Mano Rajakariar, has been the Group Financial Controller since April 2005. He has been with the Group for over 19 years in many capacities including serving as the Sector Financial Controller of the Plantations 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 IFRS Education Committee, the Tax Faculty and the Examinations Committee 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.

Vasantha Leelananda

Executive Vice President

Vasantha Leelananda is Head of the Destination Management sector and counts over 36 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, Board member of the Sri Lanka Institute of Tourism and Hotel Management from 2007 to 2010 and served as a Board member of American Chamber of Commerce (AMCHAM) from 2012 to 2014. He is currently a Board member of the Responsible Tourism Partnership which is affiliated to the Travel Foundation UK and a Board member of the Sri Lanka Tourism Promotion Bureau (SLTPB).

Waruna Rajapaksa

Executive Vice President

Waruna Rajapaksa, Head of New Business Development for the John Keells Group and Head of Operations for the "Waterfront" Integrated Resort project, has over 28 years of experience in Sri Lanka and in the UK, primarily in management consultancy, project & infrastructure, 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 Senanayake

Executive Vice President

Sunimal Senanayake, Sector Head of the Leisure Resorts (Sri Lanka & Maldives) has over 30 years of experience in the Leisure industry, both in hotels and inbound tourism. He is a Director of John Keells Hotels PLC and also 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 & 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 the 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 15 years in C-level management. Ramesh is a Hayes-Fulbright Scholar and holds to his credit a MSc (Information Technology & Computer Science) with Phi Kappa Phi Honours from Rochester Institute of Technology (New York, USA), Master of Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura, Bachelor of Science in Electronics & Telecommunications Engineering with First Class Honours from the 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 an Attorney at Law in Sri Lanka. She also heads the Corporate Social Responsibility arm of John Keells Holdings PLC. She has been involved in most of the strategic transactions of the John Keells Group during her 19 year tenure with the 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 is a Director of Nations Trust Bank PLC and 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 (CA Sri Lanka) and the Chartered Institute of Management Accountants of UK.

* Refer Group Directory for directorships held by GOC members in other Group companies

The Group's corporate governance philosophy is institutionalised at all levels through a strong set of Corporate Values, a written Code of Conduct and a proven Performance Management and Values monitoring system

1. Executive Summary

Over the years, John Keells Holdings PLC (JKH) has focussed on developing a strong corporate governance foundation to complement its efforts in creating and maintaining a sustainable business model. The Group's corporate governance philosophy is institutionalised at all levels through a strong set of Corporate Values, a written Code of Conduct and a proven Performance Management and Values monitoring system. Good governance is engrained in the Group's culture creating an enabling environment for growth in a structured, predictable and sustainable manner. It is this governance mindset which has enabled the Group to continuously create value for all its stakeholders notwithstanding the external environment and macro conditions.

Against this backdrop, the Group confirms that it is fully compliant with all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka Act (SEC) and all other legislation and rules relevant to the businesses of the Group. Further, the Group practices are in line with the Code of Best Practices on Corporate Governance jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The systems and procedures are continuously reviewed to provide transparency and accountability and the Corporate Governance policies are continuously updated, to adhere to the stipulated guidelines.

The ensuing sections will describe in greater detail, where relevant and applicable, the components of the JKH Corporate Governance System; as well as the mechanisms in place to ensure strict adherence to the Group's Governance policy in order to gain assurance of its effectiveness and the outlook and emerging challenges for corporate governance.

This Corporate Governance Commentary is available on our corporate website at www.keells.com/governance-structure

Corporate Governance Initiatives at JKH for the Year 2014/15

- Establishment of a Related Party Transaction Review Committee:

  Further to the directive issued by the SEC on the Code of Best Practice on Related Party Transactions for listed companies to adopt the Code mandatorily by 1st January 2016, JKH opted to voluntarily adopt the code with effect from 1st April 2014.

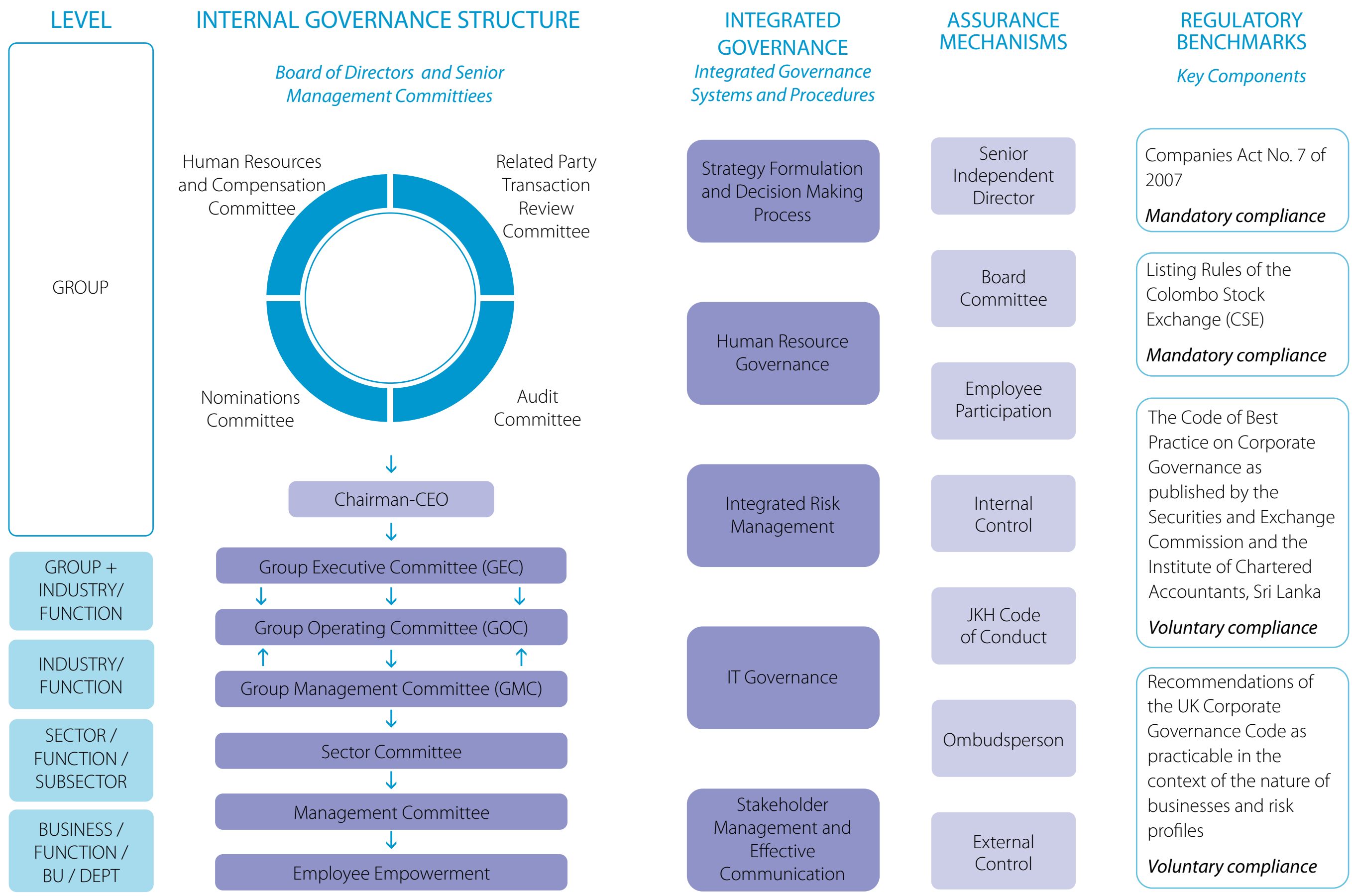
  The Committee was formed with the intention of ensuring, on behalf of the Board, that all Related Party Transactions of JKH and its listed subsidiaries are consistent with the Code issued by the SEC (refer section 3.2.4 for a detailed discussion). During the year under review, material related party transactions within the Group included the merger of Nexus Networks (Private) Limited and JayKay Marketing (Private) Limited and the purchase of office space at the "Waterfront" Integrated Resort by the Life Fund of Union Assurance PLC.
- Circulation of Board papers in electronic format:

  All documents pertaining to Board meetings are made available in electronic format in line with the sustainability initiatives to reduce paper usage and to enable timely, more efficient and interactive real time communication among the Board members.
- Review of benchmarks and overarching parameters underlying the Short-Term Incentive (STI) scheme to employees.
- Strengthening of Internal Controls on cash transactions across the Group and minimising cash handling by encouraging the use of direct banking facilities and technology enabled payment methods.
- Enhancement of the Ombudsperson's mandate and role to capture a wider scope, in addition to matters relating to the Group whistle-blower policy and sexual harassment policy.
- Implementation of action plans developed by Focus Groups on issues highlighted by the Great Places to Work (GPTW) Survey 2014.
- To strengthen the Group's social media presence and to encourage interaction among employees, numerous blogs were hosted by the employees on the John Keells blog and a business person Facebook page was created for the Chairman to make available Group corporate information via social media.

2. The Corporate Governance System

The diagram below depicts the key components of the JKH Corporate Governance System and their inter-linkages. The Corporate Governance Commentary is broadly sequenced in keeping with this diagram.

JKH Corporate Governance System Within a Sustainability Development Framework



- All 4 Board Sub-Committees are chaired by Independent Directors appointed by the Board
- Human Resource and Compensation Committee is attended by Chairman-CEO
- Audit Committee is attended by Chairman-CEO, Group Finance Director, Group Financial Controller, Head of Group Business Process Review and External Auditors
- The 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

2.1 Internal Governance Structure

Discussed in section 3 of this Commentary, the Internal Governance Structure comprises of the committees which formulate, execute and monitor Group strategies and initiatives and the policies, processes and procedures employed.

2.2 Assurance Mechanisms

Discussed in section 5 of this Commentary, 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 and suggesting best practices, as appropriate.

2.3 Regulatory and Performance Benchmarks

Discussed in section 6 of this Commentary, this comprises, among others, the regulations which govern all JKH corporate activities from the Companies Act to Listing Rules of the CSE, rules of the SEC and the benchmarks set for the Group in working towards local and global best practices.

3. Internal Governance Structure

These are the components embedded within the Group, and as a result, have an impact on the execution and monitoring of all governance related initiatives, systems and processes.

The Internal Governance Structure encompasses:

i. the Board of Directors;
ii. Board Sub-Committees;
iii. Senior Management Committees; and
iv. Employee Empowerment.

As depicted in the governance framework, the above components are strengthened and complemented by internal policies, processes and procedures such as strategy formulation and decision making, human resource governance, integrated risk management, IT governance, and stakeholder management and effective communication.

3.1 The Board of Directors

3.1.1 Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, constructive dissent and productive dialogue within an environment which facilitates employee empowerment and engagement.

The Board's key responsibilities include:

- Providing direction and guidance to the Company in the formulation of sustainable high-level medium and long term strategies;
- Reviewing and approving annual plans and longer term business plans;
- Tracking actual progress against plans;
- Reviewing HR processes with emphasis on top management succession planning;
- Appointing and reviewing the performance of the Chairman-CEO;
- Monitoring systems of governance and compliance;
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits;
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels;
- Reviewing and approving major acquisitions, disposals and capital expenditure;
- Approving any amendments to constitutional documents;
- Approving in principle the issue of JKH equity/debt securities.

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

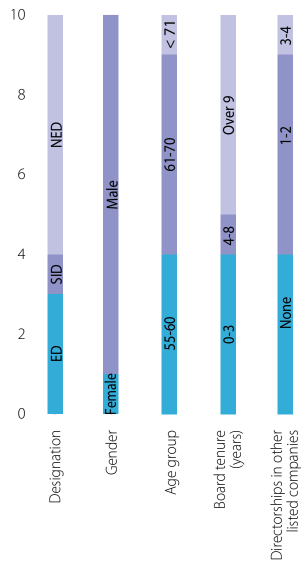
- The divestment of a 78 per cent stake in the newly formed General insurance business to FairFax Asia Limited for a value of Rs.3.66 billion, consequent to the segregation of the Life and General businesses of Union Assurance PLC;
- Approval for Waterfront Properties (Private) Limited to enter into a syndicated project development facility with Standard Chartered Bank in respect of the "Waterfront" Development Project;
- Following developments impacting gaming operations in Sri Lanka, a decision to continue with the "Waterfront" Project was made after considering all the known factors and the potential impacts of varying alternatives.
- The application of the Land (Restrictions on Alienation) Act, No. 38 of 2014, to the Group which came into effect in October 2014.

3.1.2 Board Composition

As at 26th May 2015, the Board comprised of 10 Directors, with 7 of them being Non-Executive and Independent. Ms. Premila Perera was appointed to the Board with effect from 1st July 2014 as an Independent Non-Executive Director whilst Mr. Ranjit Gunasekara resigned from the Board with effect from 30th June 2014. Apart from tax and financial accounting, Ms. Perera brings in a wealth of knowledge, augmenting the diverse exposures and skills of the Board (refer Board Profiles section of the Annual Report for more details).

The Group policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

The current composition of the JKH Board is illustrated as follows:



3.1.3 Board Skills

Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business administration, banking, law, finance, economics, marketing, taxation and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgment.

JKH is ever conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in ensuring that the skill representation is in alignment with current and future needs of the Group. Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.

3.1.4 Access to Independent Professional Advice

In order to preserve the independence of the Board and to strengthen the decision making, the Board seeks independent professional advice when deemed necessary and this is, in general, coordinated through the Board Secretary.

3.1.5 Board Appointment

Board appointments follow a structured and formal process within the purview of the Nominations Committee. The Terms of Reference for the members of the Nominations Committee and the Committee report can be found in section 3.2.3 of this Commentary.

Details of new Directors are disclosed to the shareholders at the time of their appointment by way of public announcement as well as in the Annual Report (refer Board Profiles section of the Report). The Directors are required to report any substantial changes in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board.

3.1.6 Board Induction

When Directors are newly appointed to the Board, they undergo a comprehensive induction where they are apprised, inter-alia, of the Group values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and the operational strategies of the Group.

Additionally, the newly appointed Directors have access to relevant parts of the businesses and are availed the opportunities to meet with key management personnel and other key third party service providers such as External Auditors, Risk Consultants etcetera.

3.1.7 Re-election

All the Non-Executive Directors are appointed for a period of three years and are eligible for re-election by the shareholders. Non-Executive Directors can serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the exigencies of the Group. The Executive Directors, other than the Chairman-CEO, are re-elected in a manner similar to that applying to Non-Executive Directors.

3.1.8 Board Meetings

3.1.8.1 Regularity of Meetings and Pre-Board Meetings

During the financial year under review, there were four pre-scheduled Board meetings and an additional Board meeting on 30th January 2015. Each of the pre-scheduled meetings was preceded by a Pre-Board meeting usually held on the day prior to the formal Board Meeting. In addition to these Pre-Board meetings, where issues of strategic importance requiring extensive discussions are considered, the Board of Directors had regular communications as and when required. The attendance at the Board meetings held during the financial year 2014/15 is given below.

	Year of Appointment to the Board	Board Meeting Attendance						
		27.05.2014	24.07.2014	04.11.2014	29.01.2015	30.01.2015	Eligible to Attend	Attended
Executive								
S Ratnayake - Chairman-CEO	1992/93	✓	✓	✓	✓	✓	5	5
A Gunewardene - Deputy Chairman	1992/93	✓	✓	✓	✓	✓	5	5
R Peiris - Group Finance Director	2003/04	✓	✓	✓	✓	✓	5	5
Senior Independent Non-Executive								
F Amerasinghe	1999/00	✓	✓	✓	✓	✓	5	5
Independent Non-Executive								
A Cabraal	2013/14	✓	✓	✓	✓	✓	5	5
I Coomaraswamy	2010/11	✓	✓	✓	✓	✓	5	5
T Das	2000/01	✓	✓	✓	✓	✓	5	5
N Fonseka	2013/14	✓	✓	✓	✓	✓	5	5
R Gunasekara*	2011/12	✓	N/A	N/A	N/A	N/A	1	1
A Omar	2012/13	✓	✓	✓	✓	✗	5	4
P Perera**	2014/15	N/A	✓	✓	✓	✓	4	4

* Resigned with effect from 30th June 2014

** Appointed with effect from 1st July 2014, and joined the Board meeting on 4th November 2014 via con-call

3.1.8.2 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), by way of Board papers and proposals, for all four Board meetings held during the year in order to ensure robust discussion, informed deliberation and effective decision making. Effective from November 2014, Board related documents were made available in electronic format, keeping in line with the Group's sustainability initiatives.

Members of the corporate and senior management team made presentations to Directors on important issues relating to strategy, risk management, investment proposals, re-structuring and system procedures, where necessary. The Directors had independent contact with the corporate and senior management of the Group.

3.1.8.3 Board Agenda

The Chairman-CEO ensured that all Board proceedings were conducted in a proper manner, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2014/2015 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 discussed at Pre-Board meetings
- 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

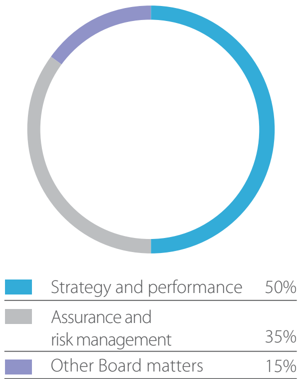
3.1.8.4 Board Secretary

The President HR, Legal and Secretarial is the Secretary to the Board. In addition to maintaining Board minutes and Board records, the Board Secretary has provided support in ensuring that the Board receives timely and accurate information, advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

3.1.9 Time Spent by Non-Executive Directors and Support Given

The Board has dedicated adequate time for the fulfilments of their duties as Directors of the Group. It is estimated that Non-Executive Directors devote a minimum of 30 full time equivalent days each, to the Group during the year, and the general time allocation is as illustrated below.

Time Commitment



In addition to attending Board meetings and Pre-Board meetings, they have attended the respective Sub-Committee meetings and have also contributed to decision making via circular resolutions, when necessary.

3.1.10 Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2014/15. 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 are collated by the Senior Independent Director, and the results are analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/ or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark reflecting the openness of the Board.

3.1.11 Managing Conflicts of Interests and Ensuring Independence

In order to avoid potential conflicts or biases, the Directors make a general disclosure of interests, as illustrated in the following table, at appointment, at the beginning of every financial year, and during a year, as required. Such potential conflicts are reviewed by the Board from time to time to ensure the integrity of the Board's independence. Details of companies in which Board members hold Board or Board Committee memberships are available with the Company Secretaries for inspection by shareholders on request.

It is estimated that Non-Executive Directors devote a minimum of 30 full time equivalent days each, to the Group during the year

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

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

Definition	Status of Conformity
• Shareholding carrying not less than 10 per cent of voting rights	None of the individual EDs or NED/IDs shareholding exceeds 1 per cent
• Director of another company*	None of the NED/IDs are Directors of another related party company as defined
• 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's income
• Employment at JKH two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at JKH
• Close family member who is a Director, CEO or a Key Management Personnel	No family members of the EDs or NED/IDs is a Director or CEO of a related party company
• Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	Refer note below

* 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.

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 10 consecutive years as Directors, the Board considers them "Independent" given their objective and unbiased approach to matters of the Board.

Summary of Non-Executive Independent Directors' Interests

	Shareholding	Management Director	Material Business Relationship	Employed by the Company	Family Member a Director or CEO	Continuously Served for More Than Nine Years
F Amerasinghe	•	•	•	•	•	•
A Cabraal	•	•	•	•	•	•
I Coomaraswamy	•	•	•	•	•	•
T Das	•	•	•	•	•	•
N Fonseka	•	•	•	•	•	•
A Omar	•	•	•	•	•	•
P Perera	•	•	•	•	•	•

- • Compliant
- • Compliant by assessment and resolution

3.1.11.1 Details in Respect of Directors

In addition to the Director profiles given in the Report, the following illustrates the total number of Board seats (excluding Group Board seats) held in other listed companies by each Director outside the Group.

Name of Director	Directorship Status at JKH	Board Seats Held in Other Listed Sri Lankan Companies	
		Executive Capacity	Non-Executive Capacity
S Ratnayake	Chairman-CEO	Nil	Ceylon Tobacco Company PLC
A Gunewardene	Executive Director	Nil	Nil
R Peiris	Executive Director	Nil	Nil
F Amerasinghe	Senior Independent Director	Nil	Nil
A Cabraal	Non-Executive Director	Nil	Ceylon Beverage Holdings PLC Lion Brewery (Ceylon) PLC Hatton National Bank PLC
I Coomaraswamy	Non-Executive Director	Nil	Tokyo Cement Company (Lanka) PLC
T Das	Non-Executive Director	Nil	Nil
N Fonseka	Non-Executive Director	Nil	DFCC Vardhana Bank PLC
A Omar	Non-Executive Director	Nil	Textured Jersey Lanka PLC
P Perera	Non-Executive Director	Nil	Ceylon Tobacco Company PLC

3.1.12 Director Remuneration

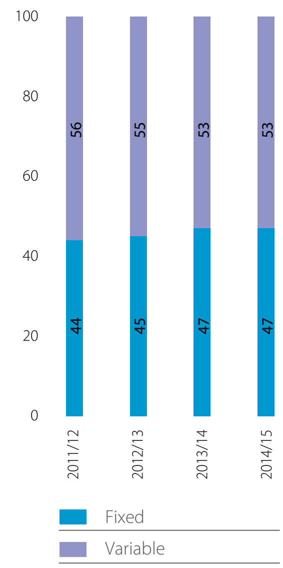
3.1.12.1 Executive Director Remuneration

The remuneration of Executive Directors has a significant element which is variable. This variability is linked to the peer adjusted consolidated Group bottom line and expected returns on shareholder funds. Further, the Human Resource and Compensation Committee consults the Chairman-CEO about any proposals relating to the Executive Director remuneration, other than that of the Chairman-CEO.

Total aggregate Executive Director Remuneration for the year was Rs.170 million of which Rs.90 million was a variable based on performance. This does not include the performance based Employee Share Options (ESOP) granted to the Executive Directors. During the year, ESOPs valued using a binomial pricing model were granted to the Executive Directors as well as to all other eligible employees. Further details are found in the Notes to the Financial Statements section of this Annual Report.

The composition of the fixed and variable components of compensation paid to Executive Directors is depicted below.

Composition of Executive Director Renumeration



3.1.12.2 Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies and adjusted, where necessary, in keeping with the complexity of the Group. Non-Executive Directors 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.21 million.

3.1.12.3 Compensation for Early Termination

In the event of an early termination of a Director, there are no compensation commitments other than for:

i. Executive Directors: as per their employment contract similar to any other employee

ii. Non-Executive Director: accrued fees payable, if any, as per the terms of their contract

3.2 Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The four Board Sub-Committees are as follows:

i. Audit Committee

ii. Human Resources and Compensation Committee

iii. Nominations Committee

iv. Related Party Transaction Review Committee

The Board Sub-Committees comprised predominantly of Independent Non-Executive Directors. The membership of the four Board Sub-Committees are as follows;

Board Sub-Committee Membership	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transaction Review Committee
Executive				
S Ratnayake - Chairman-CEO			●	●
A Gunewardene - Deputy Chairman				
R Peiris - Group Finance Director				
Senior Independent Non-Executive				
F Amerasinghe		◉	●	●
Independent Non-Executive				
A Cabraal*	●	●	●	●
I Coomaraswamy	●	●		
T Das			◉	
N Fonseka**	◉	●		◉
R Gunasekara***	◉	●		
A Omar		●	●	
P Perera****	●		●	●

● Committee Member

◉ Committee Chair

* Mr. A Cabraal was appointed to the Human Resource and Compensation Committee with effect from 29th January 2015

** Mr. N Fonseka was appointed as the Audit Committee Chairman with effect from 1st July 2014

*** Mr. R Gunasekara resigned from the Audit Committee and Human Resource and Compensation Committee with effect from 30th June 2014

**** Ms. P Perera was appointed to the Audit Committee, Nominations Committee and Related Party Transaction Review Committee with effect from 24th July 2014

3.2.1 Audit Committee

Composition	All members to be exclusively Non-Executive, Independent Directors with at least one member having significant, recent and relevant financial management and accounting experience and a professional accounting qualification. The Chairman-CEO and the Group Finance Director are permanent invitees for all Committee meetings. The Group Financial Controller is also present at discussions relating to Group reporting.
Mandate	Monitor and supervise management's financial reporting process in ensuring; • Accurate and timely disclosure • Transparency, integrity and quality of financial reporting
Scope	i. Confirm and assure: • Independence of external auditor • Objectivity of internal auditor ii. Review with independent auditors adequacy of internal controls and quality of financial reporting iii. Regular review meetings with management, internal auditor and external auditors in seeking assurance on various matters

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 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 without prejudicing the independence of those Committees. To the extent and in the manner it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action.

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 four Independent Non-Executive Directors during the year. In July 2014, Mr. Ranjit Gunasekara stepped down and Mr. Nihal Fonseka was appointed the Chairman of the Committee. Ms. Premila Perera was also appointed to the Committee in the same month. The Head of the Group BPR division served as the Secretary to the Audit Committee.

The Audit Committee held seven meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below. The Chairman-CEO and the Group Finance Director are permanent attendees while 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 need 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 limited review of the Group's interim financial statements for the six months ended 30th September 2014. 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 them.

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 whistle-blowing arrangements for the Group and had direct access to the Ombudsperson 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 2014/15, 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 2016, subject to approval by the shareholders at the Annual General Meeting.

N Fonseka
Chairman of the Audit Committee

26 May 2015

Audit Committee Meeting Attendance

	19.05.2014	26.05.2014	23.07.2014	01.08.2014	03.11.014	28.01.2015	24.02.2015	Eligible to Attend	Attended
A Cabraal	✓	✓	✓	✓	✓	✓	✓	7	7
I Coomaraswamy	✓	✓	✓	×	✓	✓	✓	7	6
N Fonseka	✓	✓	✓	✓	✓	✓	✓	7	7
R Gunasekara*	✓	✓	N/A	N/A	N/A	N/A	N/A	2	2
P Perera**	N/A	N/A	✓	✓	✓	✓	✓	5	5

* Resigned from the Board with effect from 30th June 2014
** Appointed to the Committee with effect from 24th July 2014

3.2.2 Human Resources and Compensation Committee

Composition	The Chairperson must be a Non-Executive Director. Committee should comprise exclusively of Non-Executive Directors, a majority of whom shall be independent. The Chairman-CEO and Group Finance Director are present at all Committee meetings unless the Chairman-CEO or Executive Director remuneration is under discussion respectively. The President, Human Resources and Legal, is also present at all meetings
Mandate	Determine the quantum of compensation (including stock options) for Chairman and Executive Directors, conduct performance evaluation of Chairman-CEO, review performance evaluation of the other Executive Directors and establish a Group Remuneration Policy
Scope	i. Determine and agree with the Board a framework for remuneration of Chairman and Executive Directors ii. Consider targets, and benchmark principles, for any performance related pay schemes iii. Within terms of agreed framework, determine total remuneration package of each Executive Director, keeping in view; • Performance • Industry trends • Past remuneration iv. Succession planning of Key Management Personnel v. Determining compensation of Non-Executive Directors will not be under the scope of this Committee

Report of the Human Resources and Compensation Committee

The Committee comprised the undersigned and the following Independent Directors:

A Cabraal
I Coomaraswamy
N Fonseka
A Omar

The invitees for meetings included the Chairman-CEO, Group Finance Director and the President, Group HR, Legal and Secretarial. The Committee was ably supported by Ms. Linda Starling who acted as Secretary.

Two meetings were held during the calendar year and information sharing and debate also happened by exchange of correspondence. All the required information for proper and well considered decision making was made available. Decisions were taken after due deliberation and debate. When the necessity arose, the committee interacted with the Executive Board members and other Independent Directors. Minutes of meetings were circulated at Board meetings.

The Committee also made requests for presentations, from time to time, to the President, Group HR, Legal and Secretarial in order to ensure that the Committee was well informed of processes in place. For example, the President, Human Resources made a presentation on the promotions and recruitment policies in place. She also provided details of the "Great Place to Work Survey" which was done during the period and it was pleasing to note the improvements made in many areas surveyed and the high degree of satisfaction prevailing among all levels of employees.

The Committee ensured that the implementation of Board policies and strategies had taken place, as planned and as expected. The close contact between the Committee and the HR function helped in understanding the structures in place for compensation, career development and performance management. The Committee also ensures that there have been no disputes with employees regarding their treatment.

A report from the Remuneration Committee continues to be a standing agenda item 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 Head of HR tables statistics at Board meetings which give a total picture of issues relevant to the people management function. Issues such as succession planning and employee attrition are given pride of place in the work of the Committee.

The Committee ensured that the Board complied with 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 compensation and how it compares with the market. The compensation scheme continues to be a key to employee satisfaction. The turnover of staff is carefully monitored.

The Committee met to evaluate the performance of the Chairman-CEO and also consider his evaluation of the Executive Directors and members of the Group Executive Committee (GEC). The key managers are all evaluated on fixed and measurable criteria which have been agreed with them individually. The team performed well and the results have been exceptional.

The Committee also approved a new Employee Share Option Plan, in keeping with its compensation policy which was duly approved at an EGM. It is clear that employees are motivated by this long term benefit.

In conclusion, I wish to thank my colleagues on the Committee for their helpful contributions, and our Secretary, Linda Starling for her excellent work.

F Amerasinghe
Chairman of the Human Resources and Compensation Committee

26 May 2015

Human Resources and Compensation Committee Meeting Attendance

	25.06.2014	02.12.2014	Eligible to Attend	Attended
F Amerasinghe	✓	✓	2	2
A Cabraal*	N/A	N/A	-	-
I Coomaraswamy	✓	✓	2	2
N Fonseka	✓	✓	2	2
R Gunasekara**	✓	N/A	1	1
A Omar	✓	✓	2	2

* Appointed with effect from 29th January 2015
** Resigned from the Board with effect from 30th June 2014

3.2.3 Nominations Committee

Composition	The Chairperson must be a Non-Executive Director. The Chief Executive Officer should be a member
Mandate	Define and establish the nomination process for Non-Executive Directors, lead the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors
Scope	i. Assess skills required on the Board given the needs of the businesses ii. From time to time assess the extent to which the required skills are represented at the Board iii. Prepare a clear description of the role and capabilities required for a particular appointment iv. Identify and recommend suitable candidates for appointments to the Board v. Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clearly • Expectation in terms of time commitment • Involvement outside of the formal Board meetings • Participation in Committees The appointment of Chairperson and Executive Directors is a collective decision of the Board

Report of the Nominations Committee

The Nominations Committee, as of 31st March 2015, consisted of four Independent Directors and the Chairman-CEO of John Keells Holdings PLC (JKH).

The mandate of the committee remains:

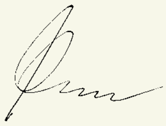
- To recommend to the Board the process of selecting the Chairman and Deputy Chairman
- To identify suitable persons who could be considered for appointment to the Board of JKH PLC or other listed companies in the Group as Non-Executive Directors
- Make recommendation on matters referred to it by the Board.

During the period under review the Committee had one formal meeting with all members in attendance and several other informal discussions.

The Committee continues to work closely with the Board on reviewing regularly its skills mix based on the immediate and emerging needs. The skills needs of the Company are also discussed by the Board during the annual JKH Board evaluation.

During the year, the Committee recommended to the Board that Ms. Premila Perera be appointed to the Board as a Non-Executive Director. The recommendation was accepted by the Board.

The Committee also recommended to the Board that Mr. F Amerasinghe be re-appointed as a Non-Executive Director for a further term of three years until the conclusion of the AGM for 2016/17.



T Das
Chairman of the Nominations Committee

26 May 2015

Nominations Committee Meeting Attendance

Name of Director	30.06.2014	Eligible to Attend	Attended
F Amerasinghe	✓	1	1
A Cabraal	✓	1	1
T Das	✓	1	1
A Omar	✓	1	1
P Perera*	N/A	-	-
S Ratnayake	✓	1	1

* Appointed to the Committee with effect from 24th July 2014

3.2.4 Related Party Transaction Review Committee

Composition	The Chairperson must be a Non-Executive Director. Must include at least one Executive Director
Mandate	To ensure on behalf of the Board, that all Related Party Transactions of JKH and its listed subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC Whilst the above requisitions the minimum required by the CSE, the Group has broadened the mandate to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee
Scope	i. Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group ii. Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis iii. Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies

Report of the Related Party Transaction Review Committee

The Committee was constituted on 1st April 2014. The Committee comprised the undersigned and the following:

F Amerasinghe	P Perera
A Cabraal	S Ratnayake

The Group Finance Director Mr. Ronnie Peiris attended meetings by invitation and the Head of Group Business Process Review Mr. Druvi Sirisena served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka ("Code")) of John Keells Holdings PLC and its listed subsidiaries are undertaken and disclosed in a manner consistent with the Code.

The Committee formulated and recommended a policy for adoption on RPT transactions for John Keells Holdings and its listed subsidiaries which is consistent with the Operating Model and the delegated decision rights of the John Keells Group. In doing so, transaction threshold values which require discussion in detail, RPTs which require pre-approval by the Board, RPTs which require to be reviewed annually were established and reporting templates were designed and approved by the Committee. Further, the guidelines which senior management must follow in dealing with Related Parties, including pricing where applicable, were documented.

The Committee in discharging its function introduced processes and periodic reporting by the relevant entities with a view to ensuring:

- that there is compliance with the Code;
- that shareholder interests are protected; and
- that fairness and transparency are maintained.

The Committee recommended and the Board adopted criteria for designating JKH Key Management Personnel (KMP). All Presidents, Executive Vice Presidents, Chief Executives Officers, Chief Financial Officers and Sector Financial Controllers of their respective companies/sectors in addition to the Directors were designated as KMPs in order to increase transparency and enhance governance. Further, processes were introduced to obtain annual disclosures from all KMPs so designated.

The Committee held four meetings during the financial year. Information on the attendance of these meetings by the members of the Committee is given in the ensuing section.

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 meetings.

N Fonseka
Chairman of the Related Party Transaction Review Committee

26 May 2015

Related Party Transaction Review Committee Meeting Attendance

	19.05.2014	23.07.2014	03.11.014	28.01.2015	Eligible to Attend	Attended
F Amerasinghe	✓	✓	✓	✓	4	4
A Cabraal	✓	✓	✓	✓	4	4
N Fonseka	✓	✓	✓	✓	4	4
P Perera*	N/A	✓	✓	✓	3	3
S Ratnayake	✓	✓	✓	✓	4	4

* Appointed to the Committee with effect from 24th July 2014

3.3 Combined Chairman-CEO Role

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

3.3.1 Appropriateness of Combining the Roles of Chairman and CEO

The appropriateness of combining the roles of the Chairman-CEO was established after rigorous evaluation and debate internally and externally. The appropriateness continues to be discussed periodically, and in the minimum, at least once a year. These discussions are supported by international best practices accessed through consultancy services and experts.

Subsequent to these rigorous evaluations, the Board deems that combining the two roles is more appropriate, in meeting stakeholder objectives in a large conglomerate setting, for the Group at present.

As the head of the Group Executive Committee, the Chairman-CEO provides the overall direction and policy/execution framework for the Board's decisions via this structure.

Experience has proved that the JKH Board composition of majority independent Directors coupled with the role of the Senior Independent Director and other supporting Board dynamics have enabled him to effectively balance his role as the Chairman of the Board and the CEO of the Company/Group.

Given the above need to have a combined Chairman-CEO role, the Chairman-CEO does not come up for re-election as the case with other Executive and Non-Executive Directors. It should be noted that the Company Articles of Association allow for this.

3.3.2 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	•	•

* Other listed companies on the Colombo Stock Exchange

3.3.3 Direct Discussions with the Non-Executive Directors

The Chairman-CEO conducts direct discussions with the Non-Executive Directors at meetings of the Non-Executive Directors, convened by the Senior Independent Director. Issues arising from these discussions are actioned in consultation with the relevant persons. During the year under review, the Non-Executive Directors met twice a year without the presence of the Executive Directors.

3.4 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.

3.5 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. All the Committees carried out their specific tasks as expected.

Whilst the Chairman-CEO and Presidents are ultimately accountable for the Company/Group and the industry groups/business/functions respectively, all decisions are taken on a committee structure as described in the following section.

3.5.1 Group Executive Committee (GEC)

As at 31st March 2015, the 10 member GEC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director and the Presidents of each business/function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairman-CEO, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources. A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure (refer GEC Profiles section of the Annual Report for more details).

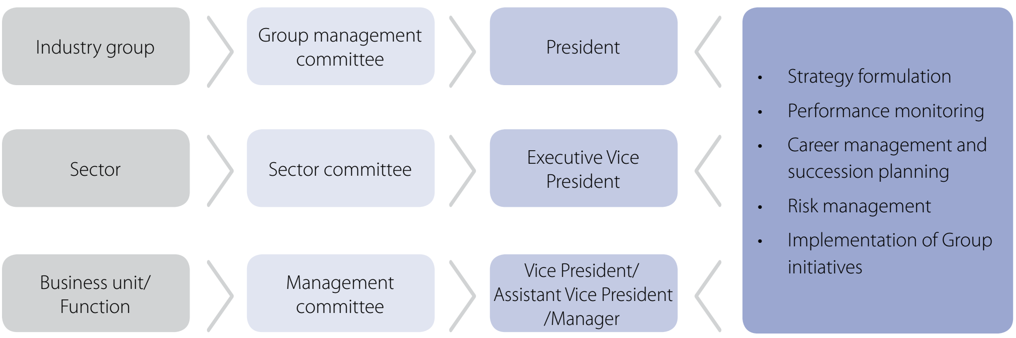
3.5.2 Group Operating Committee (GOC)

As at 31st March 2015, the 21 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 industry groups, sectors, business units and functions. The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units (refer GOC Profiles section of the Annual Report for more details).

3.5.3 Other Management Committees

This includes the Group Management Committee, Sector Committee and Management Committee which are responsible at the industry group level, sector level and business unit level respectively. The underlying intention of forming these Committees is to encourage the respective business units to take responsibility and accountability at the grass-root level via suitably structured Committees and teams in a management by objectives setting.

The agendas of these Committees are carefully structured to avoid duplication of effort and to ensure that discussions and debate are complementary both in terms of a bottom-up and top-down flow of information and accountability. These Committees met regularly and carried out their tasks in keeping with their scope. The Management Committees proved to be key in enhancing employee engagement and empowerment. Illustrated below is the structure of the three Committees;



3.6 Employee Empowerment

Given the importance the Group places on its employees for the growth of the organisation, policies, processes and systems are in place to ensure effective recruitment, development and retention of this vital stakeholder. The bedrock of these policies is the Group's competency framework. To support these policies, the Group continued with, and further strengthened, the following practices.

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights were defined for each level of employment in order to instil 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 for optimal decision making.

Moreover, the Group provides a safe, secure and conducive environment for its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race or religion, and promotes workplaces which are free from physical, verbal or sexual harassment. Additionally, the Group strives to incorporate these practices, where relevant, in the supply chain contracts entered into by the Group.

4. Integrated Governance Systems and Procedures

Listed below are the main governance systems and procedures of the Group. These systems and procedures strengthen the elements of the JKH Internal Governance Structure and are benchmarked against industry best practices.

i. Strategy formulation and decision making
ii. Human resource governance
iii. Integrated risk management
iv. IT governance
v. Stakeholder management and effective communications

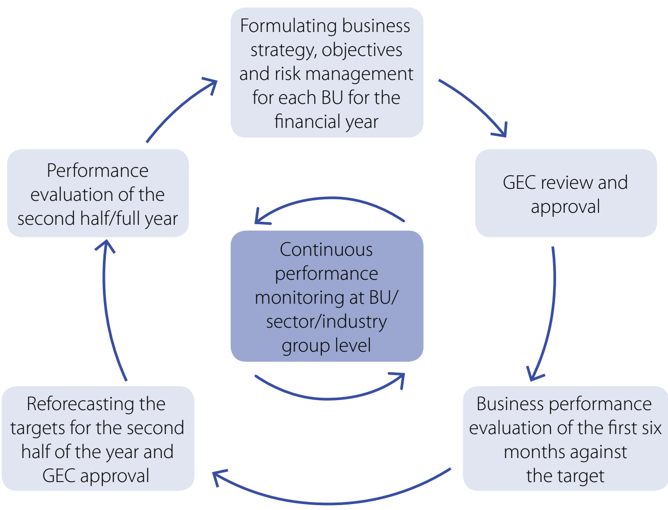
4.1 Strategy Formulation and Decision Making Processes

The Group's investment appraisal methodology and decision making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.

In this manner:

- Several views, opinions and advice are obtained prior to making an investment decision.
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, risk, sustainability and tax implications.
- All investment decisions are consensual in nature, made through the aforementioned management committee structure where no single individual has unfettered decision making powers over investment decisions.
- The ultimate responsibility and accountability of the investment decision rests with the Chairman-CEO.

The below illustration depicts the Group's strategy formulation process;



The following section further elaborates on the Group's project appraisal and execution process.

4.1.1 Project Approval Process

Projects undertaken at the Group follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility only, but encompasses a wider scope of work covering risk management, sustainable development and HR considerations.

Based on the decision rights matrix, subsequent to review by the relevant leadership committee of the feasibility report and once approval in principle is obtained, a multi-disciplined project team will proceed to the next phase of the project evaluation which will focus on detailed operational, commercial, financial and legal due diligence. Discussions will also commence with regulatory and licensing authorities, financial institutions and possible partners as relevant and deemed necessary.

Social and environmental impacts will also be considered in ensuring the sustainability of the business and the communities impacted by it. Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and state land. In case of state land, every action would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained. Where the project is a part of a privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interests, request for proposals, pre-bid meetings and official approvals and correspondence.

Subsequent to the project satisfying the above highlighted criteria, the final approval to proceed will be granted by the Board. When appropriate, the GEC is empowered to approve such proposals in terms of the delegated decision rights with the Board being kept informed.

The aforementioned project appraisal framework flow is illustrated below:

The Group human resource governance is designed in a manner that enables high accessibility by any employee to every level of management

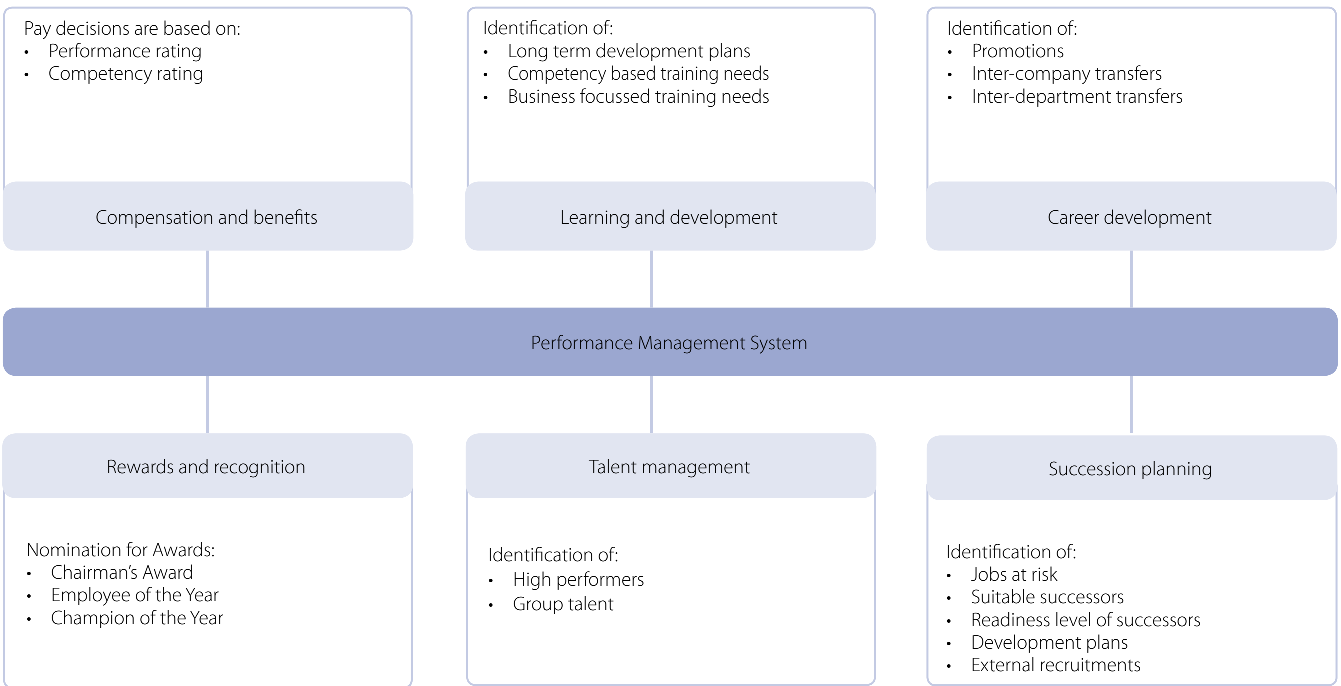
4.2 Human Resource Governance

The Group human resource governance is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employees and their families. Therefore, the Group follows an open door policy for its employees and this is promoted at all levels of the Group.

The Group performance management dynamics and compensation policy is explained in the ensuing sections.

4.2.1 Performance Management

The Performance Management System, as illustrated below, is at the heart of many supporting human resource management processes such as learning and development, career development, succession planning, talent management, rewards/recognition and compensation/benefits.



4.2.2 Performance Based Compensation Philosophy

The JKH Group Compensation Policy is as follows:

Performance Management

- "Pay for performance" - Greater prominence is given to the incentive component of the total target compensation.

"More Than Just A Workplace"

- Continuously focusses on creating a sound work environment covering all aspects of employee satisfaction.

Compensation Policy

- Compensation comprises of fixed (base) payments, short term incentives and long term incentives.
- Higher the authority levels within the Group, higher the incentive component as a percentage of total pay.
- Greater the decision influencing capability of a role, higher the weight given to organisational performance as opposed to individual performance.
- Long term incentives are in the form of Employee Share Options at JKH.

Internal Equity

- Remuneration policy is built upon the premise of ensuring equal pay for equal roles.
- Manager and above level roles are banded using the Mercer methodology for job evaluation, on the basis of the relative worth of jobs.

External Equity

- Fixed compensation is set at competitive levels using the median, 65th percentile and 75th percentile of the best comparator set of companies (from Sri Lanka and the region, as relevant) as a guide.
- Regular surveys are done to ensure that employees are not under/ over compensated.

4.2.2.1 Equity Sharing

Employee Share Option Plans are offered at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long term incentives have been very instrumental in inculcating a deep sense of ownership in the recipients. Share options are awarded to individuals on the basis of their immediate performance and potential importance of their contribution to the Group's future plans.

4.3 Integrated Risk Management

JKH's Group-wide risk management programme focusses on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress-test various risk scenarios. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving stakeholder wealth.

The steps taken towards promoting the Group's integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/ procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/ managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility of risk appetites.

Please refer the Risk Management section and Notes to the Financial Statements of the Annual Report for a detailed discussion on Group's Integrated Risk Management process and the key risks identified in achieving the Group's strategic business objectives.

4.4 Information Technology (IT) Governance

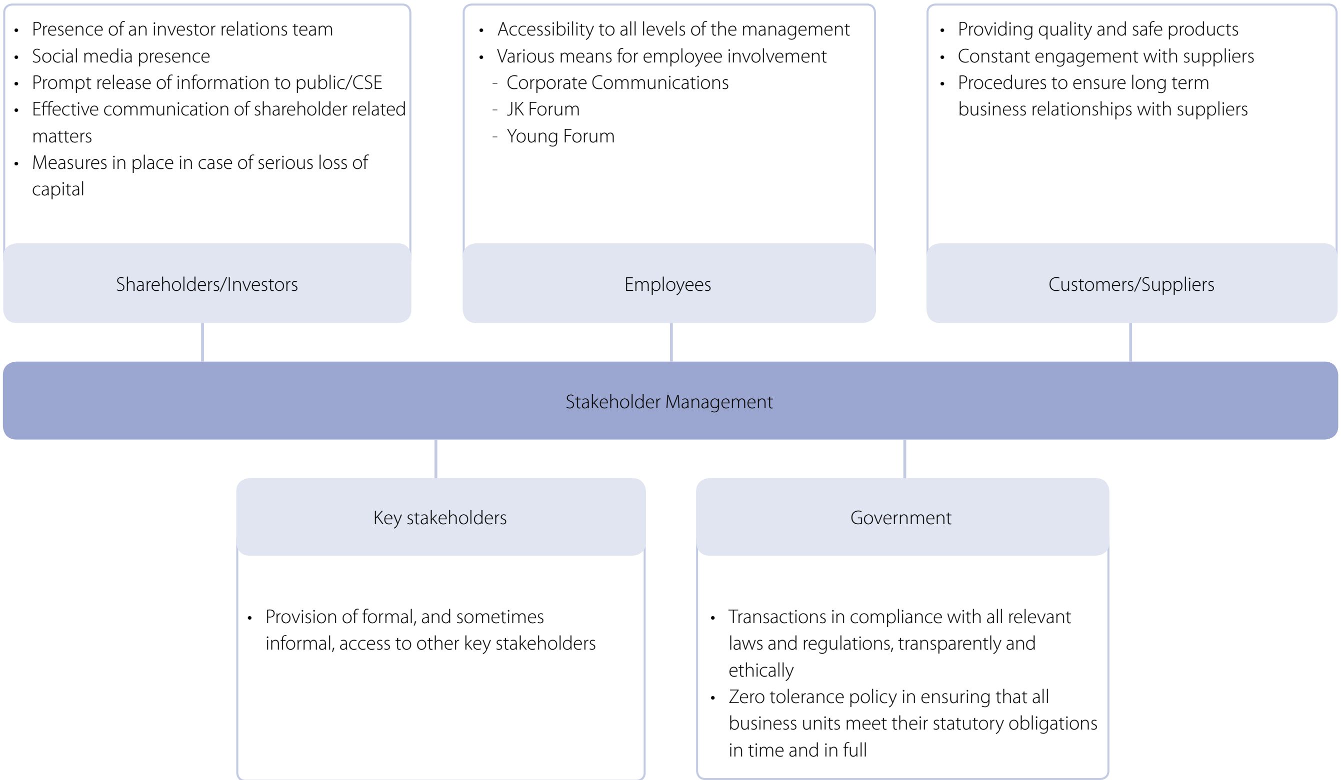
IT governance stewardship roles are governed through layered and nested committees, cascading from the GEC to the Group IT Management Committee to the Group IT Operation Committee with well-defined roles and responsibilities at a Group, sector and business unit level.

The IT governance framework used within the Group leverages best practices and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9000:2008, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), in providing a best of breed framework.

Long term incentives have been very instrumental in inculcating a deep sense of ownership in the recipients

4.5 Stakeholder Management and Effective Communication

Following is an overview of the key stakeholder management methodologies adopted by the Group. Please refer the Engagement of Significant Stakeholders section of the Annual Report for a detailed discussion.



4.5.1 Channels to Reach All Shareholders of the Company

The primary modes of communication between the Company and the shareholders are through the Annual Report, Quarterly Reports and the Annual General Meeting (AGM).

4.5.1.1 Investor Relations

The Investor Relations team of the Group is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties in ensuring effective investor communication.

The Investor Relations team has regular discussions with shareholders, as and when applicable, to share highlights of the Group's performance as well as to obtain constructive feedback. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries, the Senior Independent Director or the Chairman. Further, individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

4.5.1.2 Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements.

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

4.5.1.3 Annual General Meeting

The Group makes use of the AGM constructively towards enhancing relationships with the shareholders and towards this end the following procedures are followed:

- Notice of the AGM and related documents are sent to the shareholders along with the Annual Report within the specified time
- Summary of procedures governing voting at general meetings are clearly communicated
- All the Executive and Non-Executive Directors are available to answer queries
- The Chairman-CEO ensures that the relevant senior managers are available at the AGM to answer specific queries
- Separate resolutions are proposed for each item
- Proxy votes, those for, against, and withheld are counted

4.5.1.4 Serious Loss of Capital

In the unlikely event that the net assets of a company fall below half of shareholder funds, shareholders would be notified and the requisite resolutions would be passed on the proposed way forward.

5. Assurance Mechanisms

The Assurance Mechanisms comprise of the various supervisory, monitoring and benchmarking elements of the Group Corporate Governance System which are used to measure "actuals" against "plan" with a view to signalling the need for quick corrective action, when necessary. These mechanisms also act as "safety nets" and internal checks in the governance system, which are discussed in detail in the ensuing section.

5.1 The Code of Conduct

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 all business in an ethical manner at all times in keeping with acceptable businesses practices
- Exercise of professionalism and integrity in all businesses and "public" personal transactions

The objectives of the Code of Conduct are strongly affirmed by a strong set of Corporate Values which are 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 are 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 and Business Unit Heads during employee and other key stakeholder engagements, in order to instil these values in the hearts and DNA of the employee.

5.2 Senior Independent Director

Considering the combined role of the Chairman-CEO, the presence of the Senior Independent Director is important in ensuring that no one person has unfettered decision making powers and that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors.

The Senior Independent Director meets with other Non-Executive Directors, without the presence of the Chairman-CEO, at least twice every year to evaluate the effectiveness of the Chairman-CEO and has regular meetings with the other Non-Executive Directors on matters relating to the effectiveness of the Board or the Board as appropriate. The Senior Independent Director is also kept informed by the Ombudsperson of any matters in respect of the JKH Code of Conduct which has come to his attention.

Report of the Senior Independent Director

Independent Directors

F Amerasinghe	N Fonseka
A Cabraal	A Omar
I Coomaraswamy	P Perera
T Das	

During the year under review there was one change in the composition of the Board: Mr. Ranjit Gunasekara resigned due to personal reasons. The Board welcomed Ms. Premila Perera as replacement which also meant that the gender representation lost by the late Mrs. Thiruchelvam's departure was once again restored. The current Board has seven Independent Directors with an array of skills and experience needed to give direction to the Company.

The Independent Directors with the exception of Messrs Amerasinghe and Das had tenures that were under nine years as Board members. In keeping with the requirements of the Listing Rules of the CSE, the Board, after due consideration, recommended that the said two Directors be still considered Independent as they were capable of acting independently, and without bias, as members of the Board. This was duly approved by the shareholders at the AGM.

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

The Independent Directors, in order to ensure that they could have their own discussions apart from the main Board meetings, met twice during the year. This enabled more focus on matters of relevance to the Board meetings and resulted in several useful suggestions. After each meeting, the Independent Directors had a wrap up meeting with the Chairman-CEO and this was helpful in discussing issues which needed Board attention or a fuller study. The Independent Directors demonstrated 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 Executive and the Non-Executive members of the Board. When necessary, Independent Directors requested clarification or made comments on various matters and these proved to be useful. Executive Directors also continued to interact with the Non-Executive Directors in relation to matters where the expertise of the latter was required.

The Ombudsperson has reported to me that in his opinion there have been no issues which showed any mismanagement, unfair treatment or justified discontent of any employee or ex-employee. He has in fact investigated complaints received, if any, with the full co-operation of the management.

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 in ensuring the best standards of governance which we always strive for.

F Amerasinghe
Senior Independent Director

26 May 2015

5.3 Board Sub-Committees

The Board Sub-Committees play an important supervisory and monitoring role by focussing on the designated areas of responsibility passed to it by the Board. For more information on the Board Sub-Committees section refer section 3.2 of this Report.

5.4 Employee Participation in Assurance

The Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the Chairman-CEO and the management. Whilst employees have many opportunities to interact with senior management, the Group has created formal channels for such communication through feedback as listed below.

- Skip Level meetings
- Exit interviews
- Young Forum meetings
- 360 Degree Evaluation
- Great Place to Work survey
- Voice of Employee survey
- Monthly staff meetings

Additionally, the Group continued with its whistle-blower policy and securities trading policy. The Group has witnessed an increased level of communication flow from employees. Such communication and feedback received from the employees by the management are recorded, irrespective of the level of anonymity, and subsequently discussed and followed up. The respective outcomes are duly recorded.

5.5 Internal Controls

The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and that internal control systems remain effective via the review and monitoring of such systems on a periodic basis.

5.5.1 Internal Compliance

A quarterly self-certification programme requires the Presidents, Sector Heads and Chief Financial Officers of industry groups to confirm compliance with statutory and other regulatory procedures, and also identify any significant deviations from the expected norms.

5.5.2 System of Internal Control

The Board has, through the involvement of the Group Business Process Review function, taken steps to obtain assurance that systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations. For example, during the year under review, measures were taken to minimise the number of cash transactions undertaken at the Group by encouraging the use of direct debits to banks.

The risk review programme covering the internal audit of the whole Group is outsourced. Reports arising out of such audits are, in the first instance, considered and discussed at the business/functional unit levels and after review by the Sector Head and the President of the industry group are forwarded to the relevant Audit Committee on a regular basis. Further, the Audit Committees also assess the effectiveness of the risk review process and systems of internal control on a regular basis.

5.6 Ombudsperson

An Ombudsperson is available to report any complaints from employees of alleged violations of the published Code of Conduct if the complainant feels that the alleged violation has not been addressed satisfactorily by the internally available mechanisms.

The findings and the recommendations of the Ombudsperson arising subsequent to an independent inquiry is confidentially communicated to the Chairman-CEO or to the Senior Independent Director upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairman-CEO or the Senior Independent Director, as the case may be, will place before the Board:

i. the decision and the recommendations
ii. action taken based on the recommendations
iii. where the Chairman-CEO or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

In situation (iii) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairman-CEO or the Senior Independent Director is expected to take such steps as are necessary to ensure that the complainant is not victimised, in any manner, for having invoked this process.

Report of the Ombudsperson

Mandate and Role

The mandate and role of the Ombudsperson is to receive and investigate;

(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 or when the matter has been inadequately dealt with;

(b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairman-CEO, in which case the complainant 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.

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.

Period under review – General

During the period under review I handled one complaint. Although the nature of the complaint did not fall within the scope of my mandate, I offered to explore in the role of "conciliator" or "mediator" and the complainant accepted my offer. At the end of my inquiry the complainant expressed appreciation of the opportunity afforded to her to share her problems with an independent outsider. My subsequent report to the Chairman-CEO and Senior Independent Director proposed an action plan on the subject issue.

I also had discussions with DNV Business Assurance Lanka (Pvt) Ltd., the local arm of DNVGL, who provides independent assurance for the efficacy of all the sustainability initiatives of the Group. DNV was keen to understand whether the mandate of the Ombudsperson was adequate in terms of width and coverage and what type of inquiries I had undertaken. DNV appeared to have been satisfied with the scope of my mandate and role.

Ombudsperson

26 May 2015

5.7 External Audit

Ernst & Young are the external auditors of the Company as well as many of the Group companies. The individual Group companies also employed KPMG Ford, Rhodes, Thornton & Co, Price Waterhouse Coopers, S.R. Batliboi & Associates, Deloitte and Touche, India and Luthra and Luthra, India as external auditors. The appointment/re-appointment of these auditors was recommended by the individual Audit Committees to their respective Boards of Directors. The audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

6. 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 of Sri Lanka (CA Sri Lanka) and the requirements of the CSE and other applicable authorities. 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 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 2013); and
- Companies Act No. 7 of 2007

The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by 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.

7. Outlook and Emerging Challenges

At JKH, the primary objective of good governance is to maintain an organisation focussed on creating value for all stakeholders within a framework of sustainable development. As is evident from this Commentary, the Group will continue to regularly review and update its practices, particularly, in meeting the challenges of the future.

Summarised below are the more significant challenges addressed by JKH.

7.1 Increased Regulations

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 etcetera. Increased regulatory requirements and close surveillance by the Stock Exchange require JKH to ensure its internal controls and processes are in place to address such concerns.

7.2 Emphasis on Long-Term Value Creation

Investors may seek greater transparency on how non-financial metrics such as innovation, culture, sustainable development and other societal obligations are weaved into the financial objectives.

7.3 Greater Employee Involvement in Governance

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

Going forward, JKH 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.
- To apply differentiated means of communication based on the age dynamics of employee segments.

7.4 Increased Shareholder Activism

Shareholders will be demanding a more attentive "management ear" to their concerns. Management will have to increasingly adopt a "listening" stance. The Group will continue to focus on maintaining suitable channels of communication with investors and analysts as required on a timely basis.

At JKH, the primary objective of good governance is to maintain an organisation focussed on creating value for all stakeholders within a framework of sustainable development

8. Compliance Summary

8.1 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	Yes	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	Yes	7 out of 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"	Yes	All NEDs are Independent
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 7 Independent NEDs 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	Yes	All Independent NEDs 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	Yes	Refer Board of Directors section of the Annual Report
d.	Provide a resume of new Directors appointed to the Board along with details	Yes	Detailed resumes of the new Independent NEDs appointed during the financial year were submitted to the CSE
7.10.4	Criteria for Defining Independence		
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Refer Summary of NEDs interests section of the Annual Report
7.10.5	Remuneration Committee		
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairman of the Committee
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	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	Yes	Refer Board Sub-Committees section of the Annual Report
c.2	Statement of Remuneration policy	Yes	Refer Director Remuneration section of the Annual Report
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	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	Yes	The Audit Committee comprises only of Independent NEDs
a.2	A NED shall be the Chairman of the committee	Yes	Chairman of the Audit Committee is an Independent NED
a.3	CEO and CFO should attend AC meetings	Yes	The Chairman-CEO, Group Finance Director, Group Financial Controller and the External Auditors attended most parts of the AC meetings by invitation

	CSE Rule	Compliance Status	JKH Action
a.4	The Chairman of the AC or one member should be a member of a professional accounting body	Yes	The Chairman of the AC is a member of a professional accounting body
b.	Functions of the AC	Yes	The AC 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	Yes	The AC 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 laws and regulations	Yes	The AC 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 and risk management controls are adequate to meet the requirements of the SLFRS/LKAS	Yes	The AC 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	Yes	The AC assesses the external auditor's performance, qualifications and independence
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	The Committee is responsible for appointment, re-appointment, removal of External Auditors and also the approval of the remuneration and terms of Engagement
c.1	Names of the Audit Committee members shall be disclosed	Yes	Refer Board Committees section of the Annual Report
c.2	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer Report of the Audit Committee in the Annual Report
c.3	Report on the manner in which Audit Committee carried out its functions	Yes	Refer Report of the Audit Committee in the Annual Report

8.2 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

A. Directors

	Rule	Compliance Status	Reference
A.1	**Effective Board to Direct and Control the Company**		
A.1.1	Regular Board meetings and supply of information	Yes	Corporate Governance Commentary – Section 3.1.8
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	Yes	Corporate Governance Commentary – Section 3.1
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Yes	Corporate Governance Commentary – Section 3.1.4
A.1.4	Access to advice and services of the Company Secretary	Yes	Corporate Governance Commentary – Section 3.1.8.4
A.1.5	Bring independent judgment on various business issues and standards of business conduct	Yes	Corporate Governance Commentary – Section 3.1.3
A.1.6	Dedication of adequate time and effort	Yes	Corporate Governance Commentary – Section 3.1.9
A.1.7	Board induction and training	Yes	Corporate Governance Commentary – Section 3.1.6
A.2	**Chairman and Chief Executive Officer**		
A.2.1	Justification for combining the roles of the Chairman and the CEO	Yes	Corporate Governance Commentary – Section 3.3.1
A.3	**Chairman's Role**		
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner	Yes	Corporate Governance Commentary – Section 3.1.8.3

	Rule	Compliance Status	Reference
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	Yes	Corporate Governance Commentary – Section 3.1.3
A.5	**Board Balance**		
A.5.1	In the event the Chairman and CEO is the same person, NEDs should comprise a majority of the Board	Yes	Corporate Governance Commentary – Section 3.1.2
A.5.2	Where the constitution of the Board of Directors includes only two NEDs, both such NEDs should be "Independent"	N/A	N/A
A.5.3	Definition of Independent Directors	Yes	Corporate Governance Commentary – Section 3.1.11
A.5.4	Declaration of Independent Directors	Yes	Corporate Governance Commentary – Section 3.1.11
A.5.5	Board determinations on independence or non-independence of NEDs	Yes	Corporate Governance Commentary – Section 3.1.11
A.5.6	If an Alternate Director is appointed by a NED 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 NEDs to be the "Senior Independent Director" (SID)	Yes	Corporate Governance Commentary – Section 3.4
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns	Yes	Corporate Governance Commentary – Section 3.4
A.5.9	The Chairman should hold meetings with the NEDs only, without the presence of EDs	Yes	Corporate Governance Commentary – Section 3.3.3
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	Yes	Corporate Governance Commentary – Section 3.1.8.4
A.6	**Supply of Information**		
A.6.1	Board should be provided with timely information to enable it to discharge its duties	Yes	Corporate Governance Commentary – Section 3.1.8.2
A.6.2	Timely submission of the minutes, agenda and papers required for the Board Meeting	Yes	Corporate Governance Commentary – Section 3.1.8.2
A.7	**Formal and Transparent Procedure for Board Appointments**		
A.7.1	Nomination Committee to make recommendations on new Board appointments	Yes	Corporate Governance Commentary – Section 3.1.5 and 3.2.3
A.7.2	Assessment of the capability of Board to meet strategic demands of the Company	Yes	Corporate Governance Commentary – Section 3.2.3
A.7.3	Disclosure of new Board member profile and Interests	Yes	JKH Annual Report 2014/15 – Board Profiles
A.8	**Re-election**		
A. 8.1 / A.8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders	Yes	Corporate Governance Commentary – Section 3.1.7
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	Yes	Corporate Governance Commentary – Section 3.1.10
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees	Yes	Corporate Governance Commentary – Section 3.1.10
A.9.3	The Board should state how such performance evaluations have been conducted	Yes	Corporate Governance Commentary – Section 3.1.10
A.10	**Disclosure of Information in Respect of Directors**		
A.10.1	Profiles of the Board of Directors and Board meeting attendance	Yes	JKH Annual Report 2014/15 - Board Profiles Corporate Governance Commentary – Section 3.1.8

Rule		Compliance Status	Reference
A.11	**Appraisal of the Chief Executive Officer**		
A.11.1 / A.11.2	Appraisal of the CEO against the set strategic targets	Yes	Corporate Governance Commentary – Section 3.3.2

B. Directors Remuneration

B.1	**Remuneration Procedure**		
B.1.1	The Board of Directors should set up a Remuneration Committee	Yes	Corporate Governance Commentary – Section 3.2.2
B.1.2	Remuneration Committees should consist exclusively of NEDs	Yes	Corporate Governance Commentary – Section 3.2.2
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	Yes	Corporate Governance Commentary – Section 3.2
B.1.4	Determination of the remuneration of NEDs	Yes	Corporate Governance Commentary – Section 3.1.12.2
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other EDs	Yes	Corporate Governance Commentary – Section 3.1.12.1
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	Yes	Corporate Governance Commentary – Section 3.1.12
B.2.5	Executive share options should not be offered at a discount	Yes	Corporate Governance Commentary – Section 3.1.12
B.2.6	Designing schemes of performance-related remuneration	Yes	Corporate Governance Commentary – Section 3.1.12
B.2.7 / B.2.8	Compensation commitments in the event of early termination of the Directors	Yes	Corporate Governance Commentary – Section 3.1.12.3
B.2.9	Level of remuneration of NEDs	Yes	Corporate Governance Commentary – Section 3.1.12.2
B.3	**Disclosure of Remuneration**		
B.3.1	Disclosure of remuneration policy and aggregate remuneration	Yes	Corporate Governance Commentary – Section 3.1.12

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	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.1.2	Separate resolution to be proposed for each item	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.1.3	Heads of Board Sub-Committees to be available to answer queries	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.1.5	Summary of procedures governing voting at General Meetings to be informed	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.2	**Communication with Shareholders**		
C.2.1	Channel to reach all shareholders to disseminate timely information	Yes	Corporate Governance Commentary – Section 4.5.1.2
C.2.2 C.2.7	Policy and methodology of communication with shareholders and implementation	Yes	Corporate Governance Commentary – Section 4.5.1
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	Yes	JKH Annual Report 2014/15 – 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	Yes	Corporate Governance Commentary – Section 4.5.1.2
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	Yes	JKH Annual Report 2014/15 - Annual Report of the Board of Directors
D.1.3	Statement of Directors' responsibility	Yes	JKH Annual Report 2014/15 - Statement on Directors' Responsibility

	Rule	Compliance Status	Reference
D.1.4	Management Discussion and Analysis	Yes	JKH Annual Report 2014/15 - 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	Yes	JKH Annual Report2014/15 - 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	Yes	Corporate Governance Commentary – Section 4.5.1.4
D.1.7	Disclosure of Related Party Transactions	Yes	JKH Annual Report – 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	Yes	Corporate Governance Commentary – Section 5.5
D.2.2	Internal Audit function	Yes	Corporate Governance Commentary – Section 5.5
D.2.3 / D.2.4	Maintaining a sound system of internal control	Yes	Corporate Governance Commentary – Section 5.5.2
D.3	**Audit Committee**		
D.3.1	The Audit Committee should be comprised of a minimum of two independent NEDs or exclusively by NEDs, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a NED, appointed by the Board	Yes	Corporate Governance Commentary – Section 3.2.1
D.3.2	Terms of reference, duties and responsibilities	Yes	Corporate Governance Commentary – Section 3.2.1
D.3.3	The Audit Committee to have written Terms of Reference covering the salient aspects as stipulated in the section	Yes	Corporate Governance Commentary – Section 3.2.1
D.3.4	Disclosure of Audit Committee membership	Yes	Corporate Governance Commentary – Section 3.2
D.4	**Code of Business Conduct and Ethics**		
D.4.1	Availability of a Code of Business Conduct and Ethics and an affirmative declaration that the Board of Directors abide by such Code	Yes	Corporate Governance Commentary – Section 5.1
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	Yes	JKH Annual Report 2014/15 – Chairman's Message
D.5	**Corporate Governance Disclosures**		
D.5.1	The Directors should include in the company's Annual Report a Corporate Governance Report	Yes	JKH Annual Report 2014/15 – Corporate Governance Commentary

E. Institutional Investors

E.1	**Shareholder Voting**		
E.1.1	Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives	Yes	Corporate Governance Commentary – Section 4.5.1
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	Yes	Corporate Governance Commentary – Section 4.5.1

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	Yes	Corporate Governance Commentary – Section 4.5.1.1
F.2	**Shareholder Voting**		
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	Yes	Complied at AGM / EGM

G. Sustainability Reporting

G	**Sustainability Reporting**		
G.1.1 – G.1.7	Disclosure on adherence to sustainability principles	Yes	JKH Annual Report 2014/15 – GRI Index

SUSTAINABILITY INTEGRATION & RISK MANAGEMENT

SERVING OUR STAKEHOLDERS WITH INTEGRITY

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 John Keells Group 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, a productive workforce, environmental stewardship and social responsibility.

This segment provides an overview of the Group's strategy of entrenching sustainability within its business operations, and the scope and boundary of the sustainability content.

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 it is a part and enhance their quality of life and opportunities while respecting people's culture, ways of life and heritage.

Sustainability Management Framework

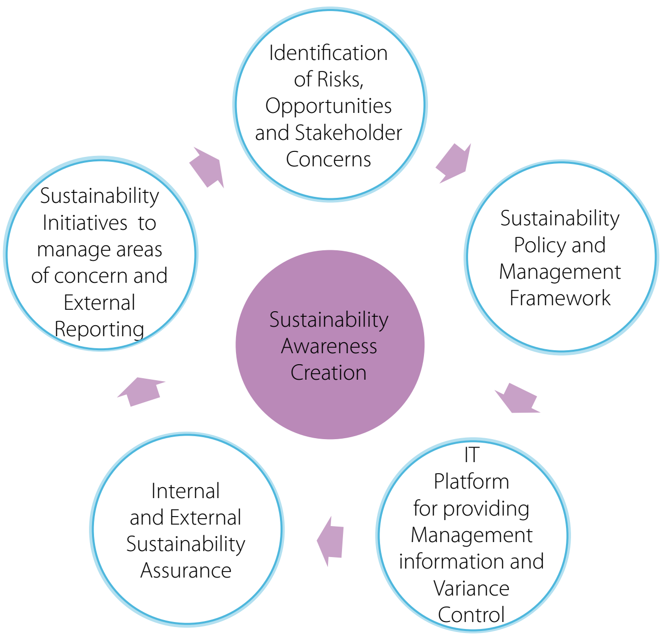
The Group's Sustainability Management Framework (SMF) is facilitated by a sustainability organisational structure, management information processes for benchmarking, gap analysis and reporting, as well as awareness creation and sustainability assurance.

This comprehensive management framework which was put in place four years ago has been constantly updated and improved to take into consideration the operational requirements of the various companies of the Group. This has been further augmented by Standard Operating Procedures, common IT platforms for tracking Key Sustainability Indicators and Key Risk Indicators and internal sustainability assurance in addition to internal audit and external assurance processes.

The Group's sustainability performance is tracked on a quarterly basis, compared against local and international benchmarks and then reported internally and externally. This has become a proactive process in assessing a Group company's sustainability performance, identification of areas of risk and providing management with timely information for corrective action.

The Group's SMF is also synchronised with the various management systems including environment management, human resources, health and safety and product quality as well as to business processes such as risk management, internal audit, legal and statutory compliance and corporate social responsibility initiatives.

Sustainability Integration Process



Sustainability Organisational Structure

The Sustainability, Enterprise Risk Management & Group Initiatives Division, along with the Group Executive Committee and the Group Sustainability Committee formulates the Group sustainability strategy. The Division is responsible for the operationalisation of the Group's Sustainability Management Framework under which Group companies carry out their specific sustainability strategies and initiatives.

The Division is also responsible for the process in which the Group identifies its significant stakeholders, the identification of material 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 at least one annual group-wide awareness campaign to broadbase knowledge and inculcate a culture of sustainability.

The Group has in place 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 its overall sustainability performance, under the overall supervision of the respective Sector Head and Head of Business Unit. This structure is used in integrating sustainability within business operations as well as assessing and developing sustainable practices within the value chain.

The strategic planning process and annual plan cycle of Group companies are now based on a holistic approach and include an integrated strategy of considering all aspects of the triple bottom line, whilst striving for optimised financial performance. Business units identify their material impacts and commit to medium term strategies to minimise such impacts. This has enabled the Group to further integrate their sustainability strategies with their business strategies and has created the need for business units to assess the hidden costs of operations and include sustainability initiatives and other green projects with their annual objectives. With business unit strategies and goals aligned to triple bottom line results, this has also resulted in employee objectives being aligned to such results which has enabled the Group to truly entrench sustainability into its organisational culture.

In the previous year, the Group commenced a focussed strategy of encouraging its significant suppliers to embrace sustainability as part of their operations. This integration of sustainability within its value chain is in its initial stages, and the Group has currently in place processes to assess risks of environmental, labour and social impacts emanating from its value chain. It carries out internal assessments of supply chain partners, commenced an annual drive to create awareness through supplier fora for its significant supply chain partners and also introduced a Code of Conduct for all significant suppliers bidding for the Group's centrally sourced goods and services.

Report Content

The annual report is one of the primary methods used to communicate the Group's response to stakeholder concerns. The process of recognising key sustainability related risks, significant stakeholders, assessment of the material aspects based on relative importance to both the Group and stakeholders, and to formulate policies and management approaches to manage and mitigate these aspects, have become an integral part of defining this Report.

The Significant Stakeholders and Engagement of Significant Stakeholders sections of this Report explain the process adopted by the Group in determining the information requirements of its stakeholders, prioritisation of issues and establishing materiality. The Key Sustainability Concerns section of this Report explains the outcomes of the stakeholder engagement process and establishes the relevance of the material aspects and key sustainability indicators that the Group has reported on.

This Report is the 4th integrated annual report, providing a holistic overview including the Group's overall strategy, corporate governance framework, risk management processes and financial and non-financial performance covering all aspects of the triple bottom line. Prior to this, the Group published stand-alone sustainability reports, which has gradually evolved over the past four years to reports that strive to disclose relevant information to all stakeholders. In the previous year, the integrated report evolved from a group-centric approach to an approach which provided a sectorial analysis and presentation of relevant material aspects for each industry group. The report which provided the highlights of the triple bottom line performance of each industry group, also provided similar information from a group-wide perspective. This year, the Report has been structured similarly and as was the case in the previous year, is prepared "In accordance" – Core of the Global Reporting Initiative (GRI) G4 Guidelines.

This year, each Industry Group Analysis section and the Group Financial and Sustainability Review section of this

Interrelationships between identified material aspects and the significance of these aspects on areas such as financial performance, human capital and relationships with community

Report strives to capture the interrelationships between identified material aspects and the significance of these aspects on areas such as financial performance, human capital and relationships with community and the environment, with a view to providing information regarding the risks and opportunities and strategies going forward.

This Report strives to provide a balanced overview to all significant stakeholders identified in the Engagement of Significant Stakeholder section of the Report, providing year on year comparisons for both financial and non-financial information relevant to such identified stakeholders. This Report provides information not only with regards to the Group's performance, but also on sectorial performance of the material aspects identified for each industry group as disclosed in the Industry Group Analysis section of this Report. The Group's material aspects and its aspect boundaries are also covered in the Identification of Sustainability Aspects section of the Report.

The Report has been externally verified and assured through an independent assurance process undertaken by DNV GL represented in Sri Lanka by DNV Business Assurance Lanka (Pvt) Ltd. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with standard industry practices and indicator protocols provided under the GRI G4 Guidelines (included in the Reporting Principles and Standard Disclosures and the Implementation Manual). The said data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Disclosures of Management Approach section and can be found online at *www.keells.com /sustainability.*

The GRI G4 content index has been 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 International Finance Corporation Sustainability Performance Framework.

Scope and Boundary

83 legal entities of the John Keells Group create the financial reporting boundary of this Report out of which, 74 companies are directly controlled by the Group. The remaining 9 have not been included for sustainability reporting, as they do not fall within direct control of the Group. Of the 74 companies, 28 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 46 companies have been listed in the Group Directory and any other exclusions made have been clearly explained under the relevant sustainability aspects.

A year on year comparison is possible subject to the explanations provided in respect of the divestments mentioned previously as well as changes in operational activity as mentioned in the Industry Group Analysis sections in the Report. In terms of re-statements to the previous year 2013/14, the numbers and statements have been re-arranged wherever necessary to conform to the present year's presentation.

Analysis of Risks, Impacts and Opportunities

A key factor in ensuring the Group's success is a proactive risk management process, which is an integral part of the Group's strategy development

The Group pursues a sustainable long-term future and operational activities. 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, whilst at the same time identifying opportunities for business success.

Risks and impacts are identified from a triple bottom line perspective, emanating from the socio/economic environment the Group operates in. Risks emanating from its value chain are also assessed in order to consider the entire value chain and not just the operations of the Group.

From an economic perspective, the Group identified the weakened global economy, political instability as well as epidemics, possible volatility in interest and foreign exchange rates and ambiguous and outdated laws as key areas of risk impacting the business operations of the Group. In striving to mitigate these risks, the Group also identifies opportunities to tap into emerging Asian markets in the Leisure industry group, increasing local purchases through sustainable sourcing in the Leisure, Consumer Foods & Retail industry groups, and enhancing local community infrastructure through various community based initiatives.

The Group's operational decisions are influenced by the "Precautionary Principle" and 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 has identified aspects such as climate change, natural disasters and process violations leading to environmental pollution as key risks and tracks impacts of such risks through risk indicators. With one of the Leisure industry group's unique selling propositions being the natural environment and biodiversity, the Group relies on the environment for its sustained operations. In addition, both the Leisure and the Consumer Foods sectors rely heavily on water resources and hence conservation and protection of the environment is seen as an opportunity for sustainable growth.

A comprehensive commentary on the Group's Enterprise Risk Management process, its key risks, mitigation plans and activities are contained in the Risk Management section of this Report.

Significant Stakeholders

The Group conducts its commercial operations in several industry sectors of the economy across different geographical markets. This diversity necessitates developing and sustaining relationships with various stakeholder groups. Expectations on the Group would be diverse and numerous considering the large number of stakeholders that the Group engages with. 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 operations. These groups are identified in the diagrams shown in the following pages.

Once in every three years a group-wide comprehensive employee survey is carried out to get timely feedback from employees, while in the interim years the Group conducts a "Voice of Employee" survey, an in-house dip stick study, administered online by an external party. The findings of the survey are incorporated into an action plan and are used in evaluating manager effectiveness, influencing policy and process change and enhancing employee motivation and morale. In 2015 a VOE survey was conducted. The survey was based on four key drivers namely - Caring, Credibility, Equality and Pride which are accessed through 16 statements.

Engagement of Significant Stakeholders

Engagement with its significant stakeholders are carried out through formal and informal consultations, negotiations, communication, mandatory and voluntary disclosures, certifications, and accreditations. The various methods of engagement and frequency of engagement with significant suppliers have been shown in the following pages:

The Group's diverse sectors necessitate developing and sustaining relationships with various stakeholder groups

Continuous engagement with significant stakeholders

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	Methods of Engagement
Annually	Road shows, trade fairs and field visits
Bi-annually	One-on-one meetings, discussion forums, progress reviews
Regularly	Customer satisfaction Surveys
On-going	Information dissemination through printed reports, telephone, SMS, e-mail, corporate website, workshops and 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	Methods of Engagement
Annually	Employee satisfaction surveys and dip stick surveys such as Great Place To Work (GPTW), Voice of Employee (VOE), group-wide year end get-together
Bi-annually	Performance reviews, skip level meetings
Regularly	Intranet communications through JK Connect and My Portal
On-going	Professional training, development activities and team building through internal and external programmes, joint consultative committees, open door policy at all levels, sports events, Corporate Social Responsibility programmes

Community – Neighbours, Community, Community Leaders, Society

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

Frequency	Methods 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
Monthly	Engagement is then carried out on a monthly basis while operating via one-on-one meetings, workshops, forums
On-going	Corporate Social Responsibility programmes, creating awareness and education along with the engagement of employee volunteers

Institutional Investors, Fund Managers, Analysts, Leaders, Multilateral Lenders

Expectations – Consistent economic performance leading to greater economic value generation

Frequency	Methods of Engagement
Annually	Annual reports, disclosures and reviews
Quarterly	Quarterly reports
Regularly	Investor road shows
On-going	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	Methods of Engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis and also serve on committees set up to formulate various policy frameworks on request
On-going	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	Methods of Engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
On-going	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 and Exchange Commission, Colombo Stock Exchange and Tourist Board of Sri Lanka

Business Partners, Principals, Suppliers

Expectations – Fostering long terms business relations and benefiting 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	Methods of Engagement
Annually	Distributor conferences, contract renegotiations and reviews, road shows, supplier fora, supplier assessments
Quarterly	Supplier review meetings, one-on-one meetings
Regularly	Market reports
On-going	Conference calls, e-mails, circulars, corporate website

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	Methods of Engagement
On-going	Website, press releases, media briefings, correspondence, disclosures, media coverage, 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	Methods of Engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
Regularly	Communication through membership of trade associations, conferences, discussion forums

Supplier assessments carried out during this year helped the Group to identify material environmental and social concerns emanating from its value chain partners, effectively taking the Group's sustainability focus to its value chain partners as well

Key Sustainability Concerns

There is a strong confidence among stakeholders on 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. This conclusion has been reached by the Group through continuously monitoring print and electronic media throughout the period, which also now forms part of the Group's process of tracking Key Risk Indicators.

The most recent third party stakeholder engagement, described in the Stakeholder Engagement Process section of the Report, as well as the materiality impact assessments carried out on a sectorial basis, was used to further ascertain material issues to both the Group and its significant stakeholders. The supplier assessments carried out during this year helped the Group to identify material environmental and social concerns emanating from its value chain partners, effectively taking the Group's sustainability focus to its value chain partners as well.

The primary concern of shareholders is to ensure not only return on their investment but consistent returns for the long run. However in addition to the overall economic performance of the company, such investors would also consider the sustainability of the organisation with regards to its environmental performance, social performance and corporate governance.

Stakeholders such as society at large, 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, and as such, these will continue to be high priority areas for the Group.

The John Keells Group has always placed great importance in developing the communities within which it operates. The Group's corporate philosophy has always been to be a responsible corporate citizen; and will continue to do so as done for the last 145 years of its existence. The Group also constantly engages with its employees, identifying areas of improvement towards attraction and retention.

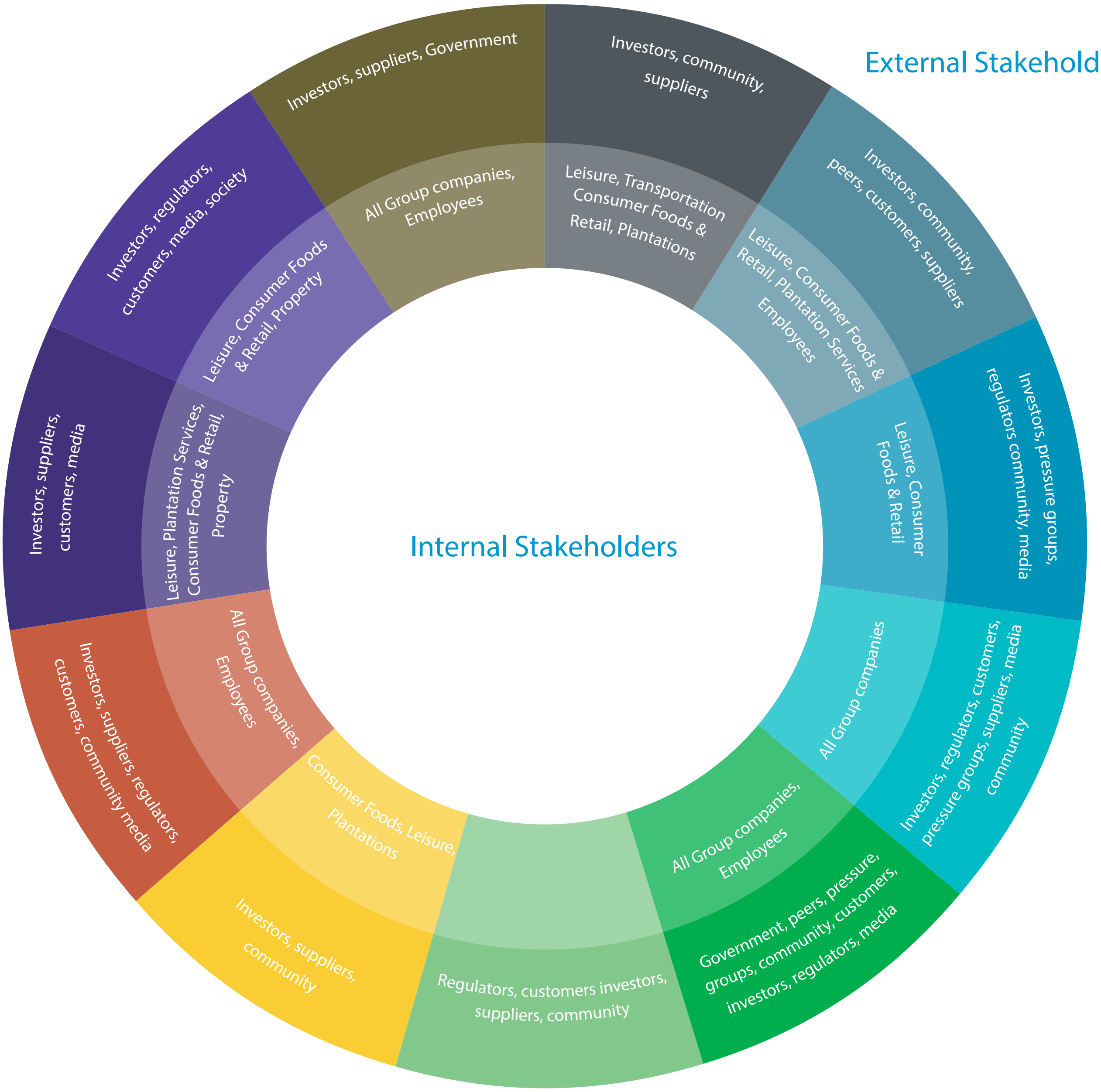
Over the years, through its annual reports, the Group has responded to concerns raised by stakeholders. During the reporting year, the Group has, as relevant, made changes to its policy frameworks and management approach, where stakeholder needs and potential frontier risks have become apparent.

Identification of Sustainability Aspects

Taking into consideration the key sustainability concerns of significant stakeholder groups, the Group assesses its material aspect boundary as follows. The Group considers its business units and employees as internal stakeholders whilst its external stakeholder consist of shareholders, investors, lenders, customers, suppliers, business partners, government and regulatory authorities, peers, pressure groups media and the community. Continuing from the previous year, this year too, the Group provided greater focus to suppliers and distribution networks in an attempt to assess the risks faced by the Group through its value chain.

Any clarifications regarding this Report may be obtained from the:

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



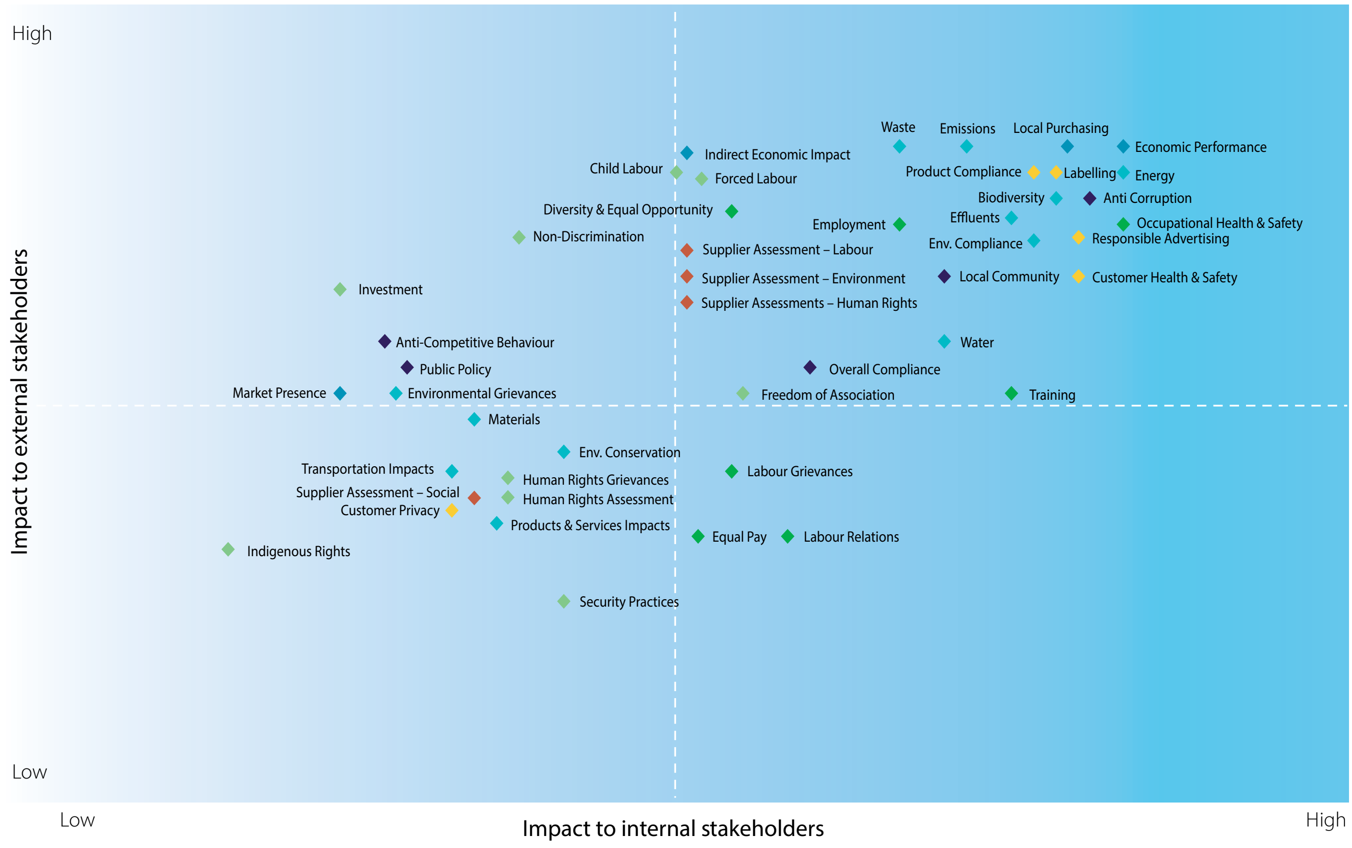
Aspect Grouping

	Economic performance
	Procurement practices, indirect economic impact
	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

G4-18, G4-19

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 is shown below.

Material Apsects



Colour Code of 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 and development, diversity and equal opportunity, occupational health and 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 and 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 Approach of Identified 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 its employees with regards to freedom of association 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 to its shareholders, pay back 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 usage, 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, takes 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 its key businesses, through the establishment of policies and practices that enable it to conduct its 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 and 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 Corporate Governance Commentary section.

Management Approach of Identified Material Aspects (Contd.)

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 it serves.

- 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's Marketing Communication Guidelines are based on the ICC Code of Advertising and Marketing Communication.
- 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 Industry Group Analysis 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 its commitment to the community and environment it operates, staying in line with its CSR Vision "Empowering the Nation for Tomorrow".

- The Group focusses on education, health, environment, community and livelihood development, arts and 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.

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

The Group seeks a proactive and holistic approach to the management and mitigation of risk, entrenching this with GRI G4 Guidelines

Enterprise Risk Management Process

Overview

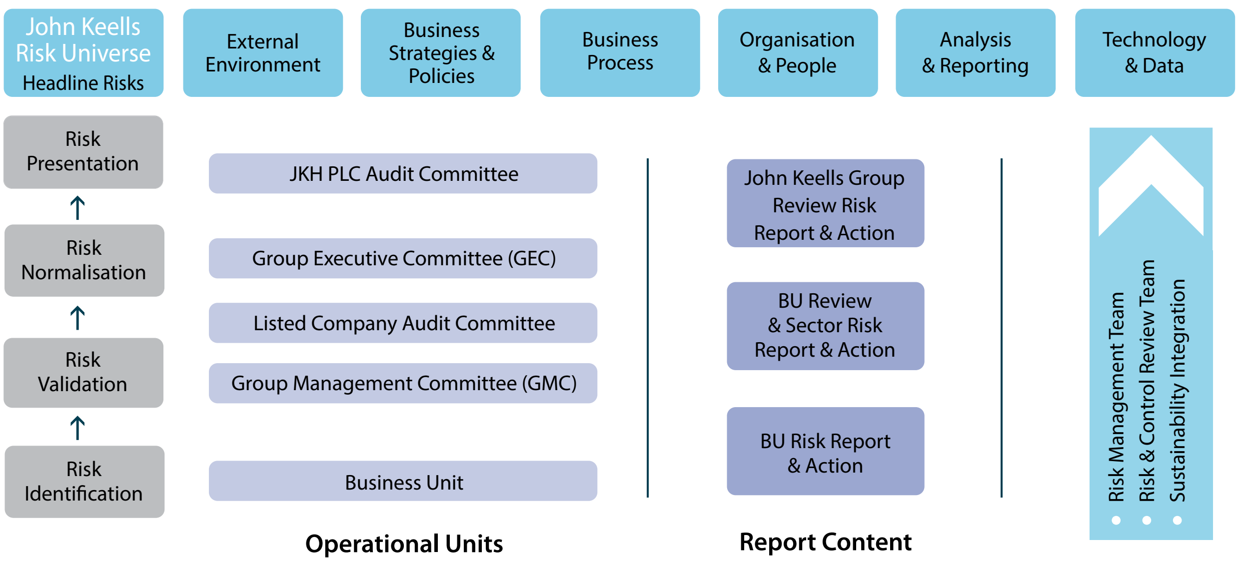
Enterprise risk management in the Group is intrinsically interwoven with sustainability and CSR, and forms the foundation of the Group's engagement strategy with its internal and external stakeholders. The Group risk management process now also extends to its value chain, as the Group seeks a proactive and holistic approach to the management and mitigation of risk, entrenching this with GRI G4 Guidelines. Risk management in the Group therefore considers far more than specific business-focussed operational and financial risks faced by the organisation, and encompasses macro and other risks related to its triple bottom line approach to business, including potential risks related to the environment, the community, its value chain and its employees.

At the centre of the risk management process lies the Enterprise Risk Management Division which acts as the process owner, facilitating the effective and timely identification, mitigation and monitoring of risk as an integral component of the Group's Corporate Governance System. The Division is also responsible for the dissemination of best practices and continuous improvement and updating of the risk management framework, working closely with the Sustainability, CSR, Internal Audit and Insurance functions of the Group.

The treatment of risk across Group companies occurs through a process of mitigation, acceptance and/or transfer of risk, and is implemented at each business unit through operational and management controls. Mitigation plans are subject to periodic verification by an independent internal audit. Other specific mitigation mechanisms including Business Continuity Plans, Disaster Recovery Plans and insurance to cover residual non-systemic risks are also utilised.

Business units are the ultimate risk owners, responsible for the identification and mitigation of risks pertaining to their specific businesses on an ongoing basis. These include core sustainability risks which are low probability risk events yet with the potential to have a significant impact on the sustainability of the business. All risks are validated at an industry group level by the respective Group Management Committees and also presented to the Audit Committees of listed companies. The Group's Business Process and Review (Internal Audit) Division is responsible for the audit of risk control measures and reports to the respective Audit Committees of listed companies as well as to the Audit Committee of John Keells Holdings PLC. The Group Executive Committee is responsible for validating and assessing those risks which have Group level impacts, with a review of such risks being carried out on a biannual basis. These risks are profiled, analysed and reported to the John Keells Holdings PLC Audit Committee twice annually.

The risk management process and information flow is depicted below.



Key Impacts, Risks and Opportunities

The Group's risk management approach encompasses not only traditional operational risks identified and mitigated at a business unit level, but also includes overarching macro risks impacting the Group, the highlights of which are given below.

Macro-economic and Political Environment

Financial year	2014/15	2013/14	2012/13
Risk rating	Moderate	Low	Moderate

Despite the positive growth trajectory of the Sri Lankan economy, the risk rating was raised to a moderate from a low given the current lack of definition in the local political environment and economic strategy and goals, changes in the international macro-economic and political environment, the threat of international terrorism on key markets and global disease threats.

The Group however, remains very confident regarding the medium to long term resilience and sustainability of the local economy and continues to actively participate though senior management in key policy making forums, business bodies and think tanks, and is committed in its support of an equitable and sustainable economic growth strategy taken by the Government. As part of its own strategy, the Group continues its support of local organisations and entrepreneurs in the communities where it operates, with its Sustainability Sourcing initiative facilitating the availability of locally produced raw materials to its Consumer Foods sector and enabling the involvement of local service providers in the Leisure sector. This not only promotes local industry but also acts to mitigate supply chain risks and lowers dependence on foreign imports. The Group's strategy is augmented by the John Keells Foundation's CSR activities which invests in livelihoods, local community infrastructure and health and education.

Regulatory Environment

Financial year	2014/15	2013/14	2012/13
Risk rating	Ultra high	Ultra high	Ultra high

The regulatory environment has continued to pose some uncertainty over recent years and in the context of the current fluid political landscape, is reflected in an unchanged risk rating. The lack of strategy predictability and the frequent dishonouring of concluded agreements also contribute to the ultra-high risk rating. Against this background, the Group has made best efforts to ensure its management structures are flexible, agile and robust in order to ensure quick and effective adaptation and minimisation of the impact of any legal and business framework changes. The Group's high level of participation in relevant fora further enables a means with which to engage with decision making bodies to foster constructive dialogue regarding the need for clarity and consistency in policy measures.

Sustainable sourcing not only promotes local industry but also mitigates supply chain risks and lowers dependency on foreign imports

Financial Exposure

Financial year	2014/15	2013/14	2012/13
Risk rating	Low	Moderate	Moderate

The central Treasury Division, supported by the Executive and Finance functions of the businesses, is responsible for the management of financial risks through ongoing monitoring and hedging mechanisms, as well as management of liquidity and financing requirements and ensuring Board approved strategies for interest rate, currency and liquidity management are applied across the Group. Given recent trends, the risk rating has been downgraded this year to reflect both the state of the Group's readiness in this area and the expected relative stability of the relevant indicators in the medium term. Given the Group's planned exposure related to the "Waterfront" project, this risk item continues to be closely monitored and managed, with the Treasury report and financial indicators being regular items on the Board's agenda.

Information Technology Security

Financial year	2014/15	2013/14	2012/13
Risk rating	Low	Low	Low

The Group places great emphasis on harnessing Information Technology to obtain a competitive advantage, whilst also recognising the need for internal controls, IT governance policies and the appropriateness and the return on IT investments. The Group's IT governance structures and policies were revisited and strengthened in the previous year, while this year, the Group carried out a business unit-wide assessment on the disaster recovery readiness of all line of business systems. This is further bolstered by Business Continuity and Disaster Recovery Plans, and a centralised approach to IT within the Group and as such, this risk continues to be rated low.

Global Competition

Financial year	2014/15	2013/14	2012/13
Risk rating	Low	Low	Low

The Group recognises the need for continuous improvement of quality standards and enhancement of competitive advantage in the face of a constantly changing global environment. In the context of increasing globalisation and foreign investments, maintaining competitiveness remains a top priority for the Group. This is achieved through a strong focus on the maintenance of quality levels of products and services, seeking to obtaining relevant certification wherever possible and

With increasing local and global competition, the Group places great focus on superior product and service quality and innovation

benchmarking itself against global best practices, while fostering innovation through the John Keells Research Division and seeking to inculcate these values in its employees through targeted training and capacity building. While this risk is currently rated at low level, the Group believes that constant horizon scanning is necessary to ensure that Group practices remain on par with international standards.

Human Resources and Talent Management

Financial year	2014/15	2013/14	2012/13
Risk rating	Low	Low	Low

Despite a highly competitive labour market, the Group's brand image and reputation for good governance and its culture of recognising and rewarding performance have continued to bolster its status as a preferred employer. The Group believes that talent and human resource management play a vital role in a sustainable business strategy and strong emphasis is thus placed on retaining key talent through robust talent management strategies within a meritocracy. This focus on a performance-driven recognition and reward culture as well as on career and leadership development has resulted in a high level of talent retention, warranting a low risk rating with regard to retention of high calibre employees. The Group also benchmarks its attrition levels against corresponding industries and country-wide levels and conducts exit interviews for executive and above employee grades.

The Group believes in continuous engagement with its employees, building on feedback received from ongoing employee surveys to ensure mutually beneficially working conditions and relations, whilst also maintaining positive and constructive dialogue with unions. An effective grievance handling mechanism is also in place, with an open door policy amongst other measures, serving to ensure a culture of dialogue and engagement with its staff.

Assessment of supply chain risks form a part of the Group's risk management process

Further, improving competencies and skills are recognised as vital factors in maintaining current standards and matching global best practice levels, which the Group achieves through targeted, business-focussed training and development programmes available to all employees across the Group. The Group's e-learning and classroom training programmes provide employees with the tools to improve their business leadership and managerial skills, and through this, improve productivity and business performance.

Environment and Health and Safety

Financial year	2014/15	2013/14	2012/13
Risk rating	Low	Low	Low

Risks related to the environment and health and safety continue to be rated at a low risk level given the comprehensive approach taken to mitigating such risks. Ensuring a safe working environment for its employees, consumers and customers remains a top priority for the Group as a responsible employer, bolstering morale and improving productivity and efficiency by reducing lost days due to injuries. Where relevant, Group companies have obtained OHSAS 18001 certification, streamlining their organisational processes along with continuous monitoring and process improvements to ensure safe working conditions for its employees.

The Group also places great importance in ensuring minimal negative environmental impacts of its business activities and has in place an Environmental Management System and Environmental Policy in addition to specific policies related to energy, emissions, water and waste. All companies are required to ensure zero violations of environmental laws and regulations, assess environmental concerns and impacts when evaluating new projects, and wherever possible, seek to minimise environmental impacts through measures to reduce their energy and water footprints as well as waste generation through waste reduction and recycling. Accordingly, Group companies are encouraged to seek out renewable sources of energy, install energy and water efficient equipment and minimise wastage wherever possible.

Reputation and Brand Image

Financial year	2014/15	2013/14	2012/13
Risk rating	Low	Low	Low

The risk rating of reputation and brand image has remained at a low rating over the past years as the Group places great importance on safeguarding its reputation and brand image, the foundation of which is the Group's Code of Conduct. The Code of Conduct lays out the Group's expectation of an uncompromising approach to ethical and transparent business conduct, with a "zero tolerance" attitude to any violations of the same. Employees are expected to live by this Code of Conduct and the ethics and values espoused by the Group. This is further strengthened through the presence of an independent Ombudsperson, whistleblower mechanisms and Chairman Direct conduits amongst other measures, supporting the governance structure of the Group.

The Group also identifies and mitigates potential risks to its brand image by focussing on a triple bottom line approach through its Sustainability, Enterprise Risk Management and Group Initiatives Division, and through the many social infrastructure and community development activities of the John Keells Foundation. In addition, stringent quality assurance and product standards are adhered to, product quality continually monitored and tracked, and all marketing communications conform to the Group Marketing Communications Policy (which is based on the ICC Code of Advertising), to ensure the highest levels of product stewardship.

Supply Chain Risk

Financial year	2014/15	2013/14	2012/13
Risk rating	Low	Low	-

The Group believes a comprehensive risk management process must also extend to its value chain partners and regularly assesses risks associated with its supply chain. Supplier performance is reviewed on an annual basis with regard to compliance with the labour, environmental and other relevant operating regulations of the country. Concurrently, the Group engages with its significant value chain partners in order to assist them to entrench sustainability within their own business operations, bringing them cost benefits in addition to enhancement of their own brand image. The Group's Supplier Code of Conduct educates suppliers on the expectations of the Group with regards to sustainable and ethical business practices and the Group also provides training and knowledge transfer through supplier fora held annually, both in Sri Lanka and the Maldives.

Other Risks and Summation

While the above section gives an overview of the Group's key risk areas, the Notes to the Financial Statements discusses in detail the following financial risks; (1) credit risk, (2) liquidity risk, (3) interest rate risk, (4) currency risk, (5) commodity price risk, (6) equity price risk and (6) capital management.

In addition, given the interrelationship between risk management and sustainability, the Group Financial and Sustainability Review section of this Report 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.

Risk management is further reinforced through the Group's corporate governance framework which ensures a strong focus on compliance to regulatory and ethical guidelines and operating in line with the principles of sustainable development.

MANAGEMENT DISCUSSION & ANALYSIS

REPORTING OUR OPERATIONS **WITH** CLARITY

This year's Annual Report theme is centred on providing our stakeholders with further insights, clarity and an in-depth analysis of the Group's financial and non-financial business operations for the reporting year 2014/15

This year's Annual Report theme is centred on providing our stakeholders with further insights, clarity and an in-depth analysis of the Group's financial and non-financial business operations for the reporting year 2014/15. The Group continuously strives to push the boundaries of insightful corporate reporting; comprehensively covering a Triple Bottom Line reporting framework of the Group's financial, environmental and social performance. As such, the following Group Financial and Sustainability Review (GFSR) details the following aspects:

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

The Financial Performance Review section of the GFSR outlines the consolidated financial performance of the Group whilst the 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 Social Performance Review section of the GFSR 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.

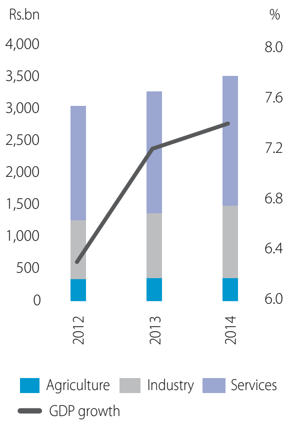
The Economy

The Sri Lankan economy continued its growth momentum recording an annual Gross Domestic Product (GDP) growth of 7.4 per cent for the calendar year 2014 compared to 7.2 per cent in the previous year. Continued domestic activity helped sustain the growth, particularly in the Industry and Services sectors, which was partially offset by lower growth in the Agriculture sector. The Presidential election in Sri Lanka was held in January 2015 resulting in a change of Government and with it a certain degree of political and policy uncertainty, as priority was given by the transitionary Government to constitutional reforms, the lowering of the cost of living, in general, and the increasing of disposable incomes, particularly in the lower income segments of the population.

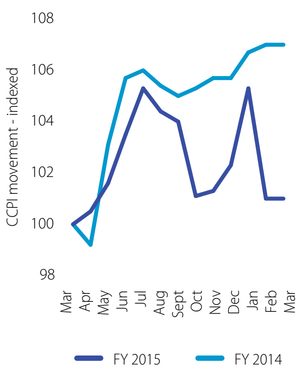
Found in the following section is a discussion on the movement of the primary macro-economic variables during the year under review and the resultant impacts on the performance of the Group's businesses. More comprehensive discussions of the strategies and risks pertaining to the industry groups are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

The Group continuously strives to push the boundaries of insightful corporate reporting; comprehensively covering a Triple Bottom Line reporting framework of the Group's financial, environmental and social performance

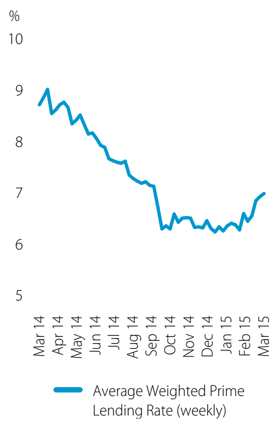
Gross Domestic Product



Inflation

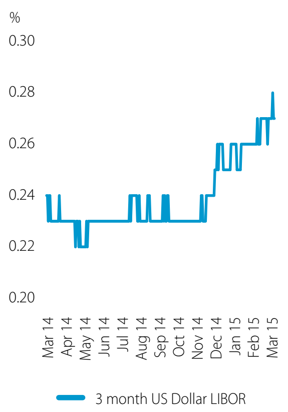


Domestic Interest Rates

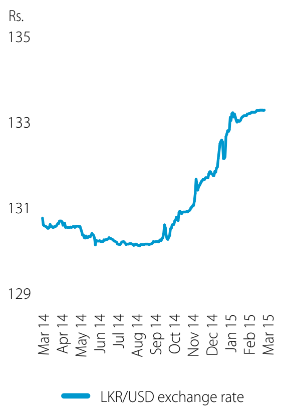


Movement	Cause	Impact to JKH
GDP growth increased to 7.4 per cent in 2014 compared to 7.2 per cent in 2013.	Economic growth for the year was mainly supported by the expansion in the Industrial sector, which grew by 11.4 per cent, and the Services sector, which grew by 6.5 per cent. The Agricultural sector recorded a relatively lower growth of 0.3 per cent due to adverse conditions of drought which prevailed in most parts of the harvesting regions across the country in 2014.	The growth in GDP and consumer relief measures enhanced the sentiment of both businesses and consumers alike, particularly in the second half of the year, which positively impacted the Group businesses as a result of higher consumer spending and increased tourist arrivals.
Inflation, as measured by the CCPI, decreased to 0.1 per cent in March 2015 from 0.6 per cent in February 2015 on a year-on-year basis. Annual average inflation declined from 5.7 per cent in March 2014 to 2.5 per cent in March 2015.	Inflation remained at low single digit levels throughout the year, reflecting the impact of demand management policies, the downward price revisions of electricity, water, gas and fuel from the latter half of 2014 onwards, the moderation in international commodity prices and improved supply conditions.	The price reductions in inputs, particularly fuel and electricity, eased pressure on the margins on all businesses, particularly in CF&R, Sri Lankan Resorts and City Hotels. These reductions also resulted in higher disposable incomes, thereby positively impacting businesses relying on consumption.
AWPLR decreased to 7.0 per cent in March 2015 compared to 8.6 per cent in the previous year. The three month Government T-bill rate was 6.6 per cent in March 2015 compared to 6.7 per cent in March 2014.	The CBSL continued to maintain a relaxed monetary policy stance during 2014, given the low inflation environment and low credit growth. In September 2014, the CBSL curtailed access to the SDF in order to stimulate private sector credit growth. This resulted in an immediate downward adjustment in market interest rates during the last quarter of 2014. By end 2014, private sector credit growth rebounded to 9 per cent. Subsequently, the CBSL removed the special SDF rate of 5 per cent in March 2015, effectively raising interest rates.	The Group benefited from the reduction in rates on its short and long term borrowings portfolio. The reduction of AWPLR had a positive impact on term loans which were priced using AWPLR as a benchmark. However, the reduction in the interest rates had a negative impact on the Group's interest income. This was mitigated by the Group strategy to invest in more medium term investments based on the Group's rate outlook and liquidity requirements for the year.

Global Interest Rates



Exchange Rate



Movement	Cause	Impact to JKH
3 month USD LIBOR increased marginally to 0.27 per cent in March 2015 from 0.23 per cent in March 2014.	The 3 month USD LIBOR was generally stable throughout the financial year due to stable US policy rates, liquid money markets and low inflation in the US on the back of declining oil prices. However, the interest rate swap curve steepened sharply during the year in anticipation of a rate hike by the US Fed. The curve flattened subsequently driven by the strength of the US Dollar and the sharp decline in oil prices and commodities resulting in concerns of lower inflation in the US and disinflation and lack of growth in the Eurozone.	The marginal increase in the US Dollar LIBOR rate did not result in an increase in overall Group finance cost due to the lower total Dollar denominated debt compared to the previous year. Taking into account the maturity profile of a majority of the Group's debt, which are short to medium term, the Group did not enter into arrangements to fix interest rates, considering the significant negative carry in the short term. This is with the exception of a significant portion of Resort sector loans where the rates have been fixed for a 12 month period.
The Rupee depreciated to Rs.133.32 as at 31st March 2015 against the US Dollar compared to Rs.130.73 in the previous year.	The Sri Lankan Rupee appreciated marginally during the first nine months of the 2014 on the back of increased earnings from exports of goods and services, higher migrant workers' remittances and inflows to the capital account. However, increased demand for US dollars by importers and outflows of short term foreign investments from many emerging markets including Sri Lanka, driven by expectations of rate hikes by the US Fed, resulted in the Rupee depreciating against the Dollar from the fourth quarter of 2014 onwards. This was compounded by the relatively high quantum of maturities of foreign currency debt in the early part of the calendar year 2015.	The depreciation of the Rupee had a positive financial impact on businesses having Dollar denominated income streams, particularly in the Leisure industry group. However, due to differences of timing, there were short term impacts on the translation on foreign currency debt in the Leisure industry group. Given the higher reliance on imported inputs, Consumer Foods and Office Automation businesses took proactive steps to mitigate exchange rate risks, although the impacts, if any, are not material in the context of the Group. 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. The positive impact of the Rupee depreciation on the Group's net asset position was not significant as the assets and liabilities are on par with each other.

Note: AWPLR: Average Weighted Prime Lending Rate; CBSL – Central Bank of Sri Lanka; CCPI – Colombo Consumer Price Index; CF&R – Consumer Foods & Retail; GDP – Gross Domestic Product; LIBOR – London Inter-Bank Offer Rate; SDF Rate – Standing Deposit Facility Rate

Management Discussion and Analysis

Group Financial Review

Revenue

In the year under review, Group revenue increased by 6 per cent to Rs.91.58 billion [2013/14: Rs.86.71 billion] with primary contributions from the Consumer Foods and Retail (CF&R), Leisure and Transportation industry groups. Revenue emanating from domestic sources was Rs.78.01 billion [2013/14: Rs.73.69 billion].

Group revenue, inclusive of associate company revenue, increased by 5 per cent to Rs.102.38 billion [2013/14: Rs.97.15 billion]. Revenue from associate companies increased by 3 per cent to Rs.10.80 billion compared to the Rs.10.45 billion in the previous year mainly due to an increase in revenue contribution from Nations Trust Bank and the additions during the year to associate revenue from Union Assurance General Limited and commencement of operations of Cinnamon Red. However, this was off-set to an extent by the reduction in revenue from South Asia Gateway Terminals (SAGT) and the withdrawal of revenue streams from the divestments made during 2013/14 as given in the previous year's Annual Report, particularly from Central Hospitals (Private) Limited.

Earnings Before Interest and Tax

During the year under review, the earnings before interest and tax (EBIT) increased by 19 per cent to Rs.19.74 billion [2013/14: Rs.16.54 billion] driven by increases in contributions from the Financial Services, CF&R and Other including Plantation Services industry groups.

During the financial year, the Group fully divested its stakes in Expolanka Holdings PLC and Access Engineering PLC, and a 78 per cent stake in the newly formed company - Union Assurance General Limited, subsequent to the segregation of the Union Assurance General business in compliance with the requirements of the Regulation of Insurance Industry Act No. 3 of 2011.

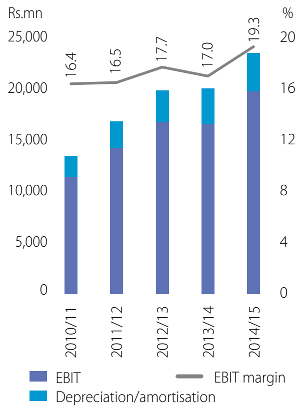
The Group recorded capital gains amounting Rs.1.22 billion, Rs.593 million and Rs.389 million from the disposal of stakes in Union Assurance General Limited, Access Engineering PLC, Expolanka Holdings PLC respectively and a further Rs.28 million from the share repurchase of Asia Power (Private) Limited during the year under review. The total capital gains recorded in 2014/15 of Rs.2.23 billion compares with capital gains of Rs.800 million in the previous year. Correspondingly, fair value gains on investment property were recorded at Rs.49 million in 2014/15, comprising of gains of Rs.35 million, Rs.9.0 million and Rs.4.8 million at Other including Plantation Services, CF&R and Property respectively, compared to a total of Rs.470 million in the previous year.

In addition to the discussion on the financial performance as reported, the GFSR will also analyse Group performance at a recurring level – where the impacts of fair value gains on investment property and the capital gain on the disposal of Union Assurance General Limited will be excluded, as these do not arise as a result of the Group's ongoing core operations. Accordingly, the recurring EBIT for the year under review increased by 15 per cent to Rs.18.47 billion compared to the Rs.16.07 billion in the previous year.

In terms of composition of EBIT, Leisure was the primary contributor with a 29 per cent contribution, followed by Financial Services and Other including Plantation Services with contributions of 18 per cent and 17 per cent respectively.

The graph that follows illustrates the Group EBIT, EBITDA and EBIT margins; indicating its overall upward trend over the five year period.

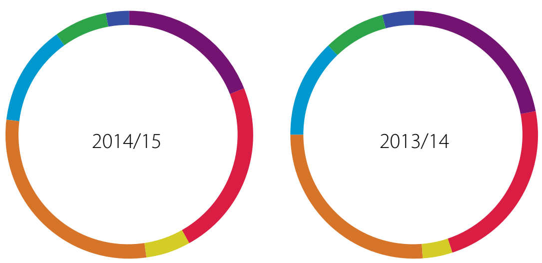
Group EBIT, EBITDA and EBIT Margins



The overleaf table illustrates the unadjusted and recurring EBIT margins for each industry group. The recurring Group EBIT margin increased to 18.0 per cent from 16.5 per cent in the previous year. With the exception of Leisure and Transportation, all other industry groups achieved growth in recurring EBIT margins. For detailed discussions on the industry group EBIT growth refer the Industry Group Analysis section of this Report.

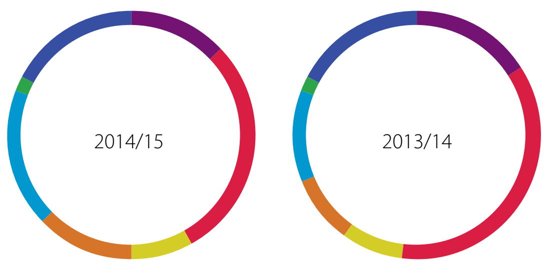
The increase in recurring EBIT margins in the Other including Plantation Services industry group was driven by the capital gains recorded during the year through the divestment of stakes in Access Engineering PLC, Expolanka Holdings PLC and the share repurchase of Asia Power (Private)

Group Revenue Composition (%)



	2014/15	2013/14
Transportation	19	22
Leisure	23	23
Property	6	4
Consumer Foods & Retail	29	26
Financial Services	13	13
Information Technology	7	8
Other including Plantation Services	3	4

Group EBIT Composition (%)



	2014/15	2013/14
Transportation	13	16
Leisure	29	36
Property	8	8
Consumer Foods & Retail	13	9
Financial Services	18	12
Information Technology	2	2
Other including Plantation Services	17	17

Limited, which were held under John Keells Capital, the private equity arm of the Group. John Keells Capital explores opportunities in the private equity space as part of its core strategy. In spite of the CF&R industry group recording a significant improvement in overall performance, its EBIT margin is comparatively lower to the other industry groups as the Retail industry, in general, both locally and globally, is characterised by low EBIT margins.

EBIT Margins (%)	Unadjusted		Recurring	
	2014/15	2013/14	2014/15	2013/14
Transportation	12.8	12.8	12.8	12.8
Leisure	24.6	26.2	24.6	26.2
Property	28.8	32.7	28.7	23.3
Consumer Foods & Retail	8.6	5.8	8.6	5.5
Financial Services	26.7	15.9	17.3	15.9
Information Technology	5.3	5.3	5.3	5.3
Other including Plantation Services	98.5	64.9	97.5	64.7
Group	19.3	17.0	18.0	16.5

During the year under review, the combined administrative, distribution and other expenses increased marginally by 1 per cent to Rs.16.39 billion as against Rs.16.25 billion in the previous year despite increased operational activity across the Group, demonstrating the concerted effort and focus on managing the cost base of the Group in an optimum manner.

Finance Income

During the period under review, the finance income of the Group increased by 41 per cent to Rs.8.12 billion [2013/14: Rs.5.77 billion], of which the composition is given as follows.

Finance Income (In Rs. '000s)	2014/15	2013/14
Interest income from life insurance policy holder funds at UA	2,736,388	2,729,857
Interest income of Group excluding UA	3,249,280	2,772,141
Capital gains from disposals of private equity investments of JKH	1,010,417	-
Other finance income	1,126,412	268,877
Total	8,122,497	5,770,875

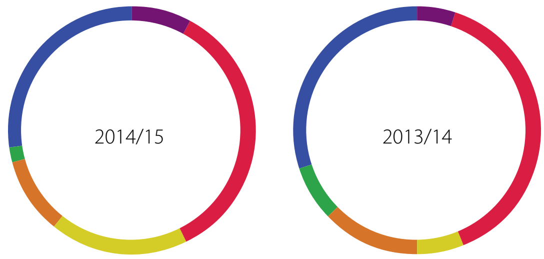
* UA - Union Assurance PLC

Interest income related to Union Assurance PLC amounting to Rs.2.74 billion [2013/14: Rs.2.73 billion], net of related costs, is classified under operating segment results on the basis that interest income from the life insurance funds is considered as operational income. A further interest income of Rs.2.43 billion relates to the Holding Company, of which Rs.1.19 billion relates to the 2013 Rights Issue funds which is earmarked to fund the Company's equity contribution in the "Waterfront" Project.

As per the SLFRS accounting standards, finance income includes capital gains from the disposal of private equity investments, which amounts to Rs.1.01 billion during the year under review. Similar to the principle of calculating the recurring performance of the Group, the capital gain on Union Assurance General Limited is not included under finance income as per the standard. The increase in other finance income to Rs.1.13 billion from Rs.269 million in the previous year is mainly on account of mark-to-market gains on short term financial instruments, particularly at Union Assurance PLC, and exchange rate gains. Further details on finance income can be found in the Notes to the Financial Statements section of the Annual Report.

Finance Expense

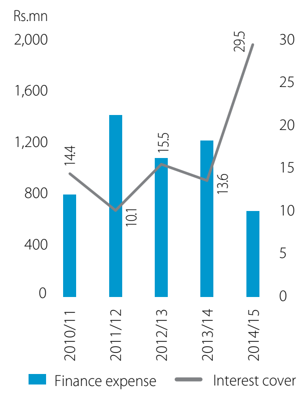
Group Finance Expense (%)



	2014/15	2013/14
Transportation	8	5
Leisure	35	39
Property	18	6
Consumer Foods & Retail	10	13
Financial Services	0	0
Information Technology	2	7
Other including Plantation Services	27	30

The finance expense of the Group decreased to Rs.668 million [2013/14: Rs.1.22 billion] on account of a decrease in total debt to Rs.23.93 billion from Rs.26.14 billion in 2013/14 combined with the low interest rate environment and refinancing of higher cost borrowings during the year. Leisure accounted for approximately 35 per cent of the total finance expense followed by Other including Plantation Services and Property with 27 per cent and 18 per cent respectively. Property contributed to the highest increase in Group debt, primarily on account of the bridge loan funding of the "Waterfront" Project, offset by debt repayments mainly in Leisure, Transportation and CF&R. Finance expense incurred under the bridge loan funding at "Waterfront" is capitalised as work-in-progress, in accordance with the Group accounting policy, under other non-current assets. The interest cover of the Group increased to 29.5 times from 13.6 times in the previous year driven by a significant growth in EBIT coupled with a reduction in the finance expense.

Finance Expense and Interest Coverage



Taxation

During the year under review, Group tax expense increased by 41 per cent to Rs.3.33 billion [2013/14: Rs.2.36 billion]. The Group tax expense primarily comprised of Rs.2.73 billion from Group profits and Rs.604 million as withholding tax from inter-company dividends. The increase in the Group tax expense was mainly on account of an increase in the income tax and dividend tax by Rs.665 million and Rs.281 million respectively. The increase in tax expense on Group profits was primarily on account of CF&R and Financial Services where there is a significant increase in reported profits. Tax expenses in the Leisure and Property industry groups increased due to Asian Hotels and Properties PLC (AHPL) completing its tax exemption period as at 1st April 2014. The tax expense on inter-company dividends increased due to an increase in dividends received by the Company to Rs.8.90 billion from Rs.6.65 billion in the previous year.

The effective tax rate on Group profits increased to 17.5 per cent as against 15.5 per cent in the previous year, mainly driven by an increase in effective tax rates at CF&R. The effective tax rate of the CF&R industry group increased primarily due to the previous year's profit at Ceylon Cold Stores (CCS) including tax exempt income amounting to Rs.439 million as gains from lease rights foregone and investment property. In addition, capital allowances claimed at CCS was lower in 2014/15 compared to 2013/14. Eliminating the impacts of the aforementioned tax exemption at AHPL and CCS, taxes on associate companies and total capital gains, the effective tax rate of the Group decreased to 12.5 per cent from 13.2 per cent in the previous year.

Other including Plantation Services, CF&R and Leisure were the highest contributors to the Group tax expense with Rs.1.21 billion, Rs.694 million and Rs.650 million respectively. For further details on tax impacts of the Group refer to the Notes to the Financial Statements section of the Annual Report.

Subsequent to the interim budget announced in January 2015, the Bill on the Super-Gains Tax was published in March 2015. As the Bill had not yet been approved by the Parliament, the Group has not provided for the potential liability in the accounts for the year ended 31st March 2015.

Profit After Tax

Group profit after taxation (PAT) increased by 22 per cent to Rs.15.75 billion [2013/14 Rs.12.96 billion]. Of the industry groups, Leisure, Financial Services and Transportation were the highest contributors to PAT with contributions of Rs.4.86 billion [2013/14: Rs.4.82 billion], Rs.3.02 billion [2013/14: Rs.1.64 billion] and Rs.2.34 billion [2013/14: Rs.2.46 billion] respectively. The recurring Group PAT increased by 16 per cent to Rs.14.48 billion from Rs.12.49 billion in the previous year.

Non-Controlling Interest

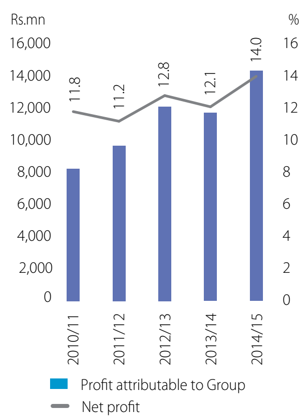
Non-controlling interest (NI) increased to Rs.1.40 billion [2013/14: Rs.1.24 billion] mainly due to the increase in profits at Ceylon Cold Stores PLC where there is a relatively higher non-controlling interest. The NI share of PAT for 2013/14 is 8.9 per cent against 9.5 per cent in the previous year.

Profit Attributable to Equity Holders of the Parent

The profit attributable to equity holders of the parent increased by 22 per cent to Rs.14.35 billion [2013/14: Rs.11.72 billion]. The net profit margin of the Group increased to 14.0 per cent against 12.1 per cent in the previous year.

The recurring net profit attributable to equity holders increased by 16 per cent to Rs.13.14 billion from Rs.11.34 billion in the previous year whilst the recurring net profit margin of the Group increased to 12.8 per cent against 11.7 per cent in the previous year.

Net Profit Ratio and Net Profit



Contribution to the Sri Lankan Economy

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 reveals 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 GFSR.

Economic Value Statement (Rs. million)	2014/15	2013/14
Direct economic value generated		
Revenue	91,582	86,706
Finance income	8,122	5,771
Share of results of associates	3,296	3,089
Profit on sale of assets and other income	3,077	2,492
Valuation gain on investment property	49	470
	106,126	98,528
Economic value distributed		
Operating costs	68,982	65,744
Employee wages and benefits	11,178	10,317
Payments to providers of funds	5,541	5,447
Payments to Government	5,602	4,710
Community investments	235	95
	91,538	86,313
Economic value retained		
Depreciation	2,767	2,569
Amortisation	948	919
Profit after dividends	10,872	8,728
	14,588	12,216

Quarterly Performance at a Glance

(Rs. million)	FY 2014/15				
	Q1	Q2	Q3	Q4	Total
Net revenue	21,283	22,165	25,468	22,667	91,582
PBT	3,055	3,680	5,424	6,916	19,075
Transportation	529	589	727	641	2,485
Leisure	659	1,152	1,405	2,290	5,505
Property	218	341	376	580	1,516
CF&R	472	496	583	947	2,498
Financial Services	332	460	1,097	1,579	3,467
Information Technology	21	112	120	117	370
Other including Plantation Services	826	531	1,115	762	3,233
Profit attributable to equity holders	2,146	2,648	4,332	5,222	14,348
Total assets	201,418	212,656	215,349	218,086	218,086
Total equity	134,689	138,134	142,614	150,077	150,077
Total debt	24,859	24,246	24,666	23,934	23,934

Return on Capital Employed

	Unadjusted ROCE	=	EBIT Margin	x	Asset Turnover	x	Capital Structure Leverage
2014/15	11.8%	=	19.3%	x	0.49	x	1.25
2013/14	11.7%	=	17.0%	x	0.54	x	1.28

During the year under review, the Group return on capital employed (ROCE) increased marginally to 11.8 per cent in comparison with the previous year. In spite of an increase in the EBIT margin, the impact on the ROCE was off-set by a proportionate decrease in the asset turnover ratio and capital structure leverage ratio. The average asset base of the Group increased by 16 per cent to Rs.209.83 billion [2013/14: Rs.180.35 billion] primarily as a result of the Rights Issue funds of Rs.23.10 billion being factored in the opening and closing balances for 2014/15 whilst the average for the previous year factored the Rights Issue funds only in the closing balance since the Rights Issue was held in October 2013. For further details on the ROCE of each of the industry groups, refer the Portfolio Movement and Evaluation and the Industry Group Analysis sections of the Annual Report.

In addition to the fair value gain on investment property and the capital gain on Union Assurance General Limited, the following adjustments, as highlighted in the previous year, in relation to the "Waterfront" Project and the regular revaluation of assets under fair value accounting principles, are considered in analysing the Group ROCE.

i. Equity and debt funding of the "Waterfront" Project which has a four year gestation period:
   - Rs.24.92 billion via the 2013 Rights Issue at JKH PLC - this includes the cumulative finance income portion of Rs.1.82 billion received during 2013/14 and 2014/15. Although equity funds have been deployed on a staggered basis to the Project, the total funds from the Rights Issue amounting to Rs.23.10 billion received in October 2013 has been eliminated from the capital base, considering the aforementioned four year gestation period of the Project.
   - Bridge loan amounting to Rs.10.03 billion drawn directly by Waterfront Properties (Private) Limited

ii. Revaluation of property, plant and equipment in keeping with fair value accounting standards amounting to Rs.2.53 billion in the current year compared to the Rs.31 million in the previous year.

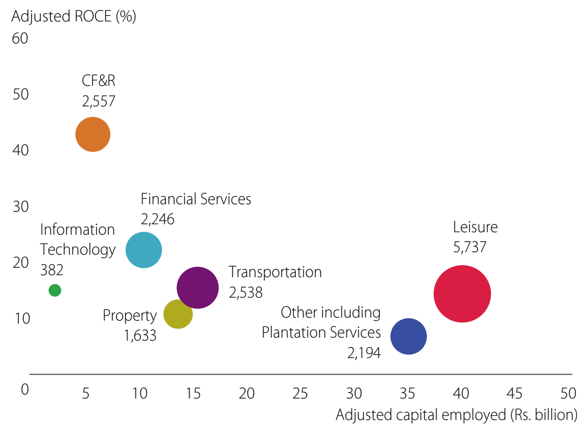
As such, the adjusted industry group and overall Group ROCE is as illustrated in the table below.

The Group ROCE adjusted for funding of the "Waterfront" Project, investment property, capital gain on Union Assurance General Limited and revaluations is further explained as;

	Adjusted ROCE	=	EBIT Margin	x	Asset Turnover	x	Capital Structure Leverage
2014/15	14.4%	=	16.9%	x	0.63	x	1.36
2013/14	13.7%	=	15.9%	x	0.64	x	1.35

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

Adjusted ROCE, Capital Employed and EBIT
(size of bubble represents the relative contribution to EBIT in Rs. million)



Return on Equity

	Unadjusted ROE	=	Return on Assets	x	Common Earnings Leverage	x	Capital Structure Leverage
2014/15	11.0%	=	7.5%	x	0.91	x	1.61
2013/14	11.0%	=	7.2%	x	0.90	x	1.70

For the year under review, Group return on equity (ROE) was stable at 11.0 per cent compared with the previous year, due to similar impacts as discussed under Group ROCE.

	Unadjusted ROCE (%)		ROCE Adjusted for Rights Issue Funds and Waterfront Debt (%)		ROCE Adjusted for Rights Issue Funds, Waterfront Debt, Investment Property, Capital Gain on UAGL and Revaluations (%)	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Transportation	15.7	15.8	15.7	15.8	15.7	15.8
Leisure	12.7	11.6	12.7	11.6	15.6	14.5
Property	6.4	5.3	8.9	9.7	7.1	10.9
Consumer Foods & Retail	14.7	33.7	14.7	33.7	16.9	43.9
Financial Services	22.5	32.7	22.5	32.7	22.6	22.7
Information Technology	15.2	15.3	15.2	15.3	15.2	15.3
Other including Plantation Services	8.0	6.8	8.3	7.1	8.5	7.1
Group	11.7	11.8	12.7	13.8	13.7	14.4

When adjusted for the afore described impacts, the adjusted ROE for the Group is;

	Unadjusted ROE (%)		ROE Adjusted for Rights Issue Funds and Waterfront Debt (%)		ROE Adjusted for Rights Issue Funds, Waterfront Debt, Investment Property, Capital Gain on UAGL and Revaluations (%)	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Group	11.0	11.0	11.9	12.6	12.9	12.9

The Group ROE adjusted for the funding of the "Waterfront" Project, investment property, the capital gain on Union Assurance General Limited and revaluations is further explained as;

	Adjusted ROE	=	Return on Assets	x	Common Earnings Leverage	x	Capital Structure Leverage
2014/15	12.9%	=	8.2%	x	0.91	x	1.73
2013/14	12.9%	=	7.8%	x	0.91	x	1.81

The adjusted ROE was stable at 12.9 per cent compared with the previous year. The increase in return on assets is attributable to the significant growth in EBIT.

Concluding on the Group Financial Review, 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 manner in which its environmental capital is managed has a direct bearing on its financial capital. As such, the Group is committed to establishing policies and procedures that enable sustainable and efficient business operations whilst also resulting in growth of the bottom line.

During the year under review, the Group applied its comprehensive environmental management system through which it focussed on energy conservation, reduction of carbon footprint, conservation and optimisation of water usage, efficient waste management and conservation of bio-diversity.

The Group's overall triple bottom line performance strategy ensures that day to day business operations, including new project appraisals, are vigorously monitored and analysed for its financial feasibility as well as the opportunities and risks arising from its environmental and social impacts.

Total Power Consumed in GJ	2014/15	2013/14	2012/13
Direct energy	353,328	384,165	377,858
Fossil fuel	223,260	243,433	234,343
Diesel	138,584	144,377	142,692
Petrol	21,357	19,590	16,720
Furnace oil	38,638	55,380	51,696
LPG	24,681	24,086	23,236
Renewable energy	130,067	140,732	143,516
Solar power	1,478	1,316	969
Biomass	128,589	139,417	142,547
Indirect energy - national grid	311,263	296,747	274,767
Hydro and renewable	186,758	86,057	112,654
Thermal	124,505	210,690	162,112
Total energy consumption	664,591	680,912	652,625

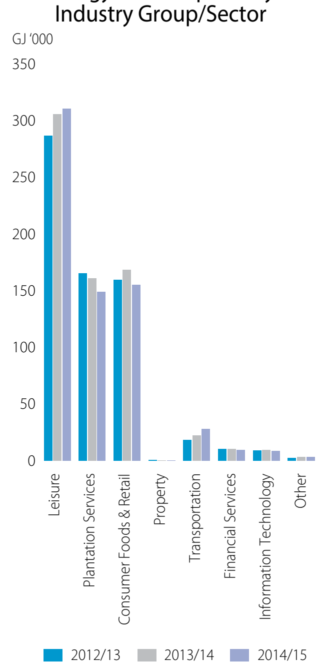
Energy and Carbon Footprint

During the year under review, the Group's total energy consumption of 664,591 Gigajoules (2013/14: 680,912 Gigajoules) was derived from non-renewable and renewable energy sources and the national grid.

The Leisure and CF&R industry groups were amongst the largest consumers of energy, accounting for over 82 per cent of the energy consumed and over 88 per cent of the carbon footprint of the Group.

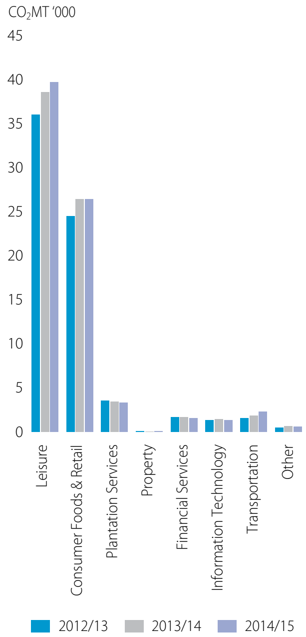
During the year, Cinnamon Lakeside Colombo invested in solar panels with a capacity of 40 kW. In total, the Leisure industry group generated approximately 472,263 kWh of renewable energy during the period.

Energy Consumption by Industry Group/Sector



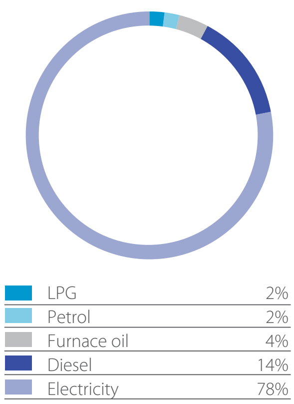
The Plantation Services sector accounted for 12 per cent of the Group's total energy consumption. However, the sector contributed only 5 per cent to the Group's carbon footprint, primarily due to its continued usage of renewable energy generated through biomass. Tea Smallholder Factories PLC (TSF PLC) is the largest consumer of power in the Plantation Services sector obtaining 65 per cent of its energy through renewable energy.

Carbon Footprint by Industry Group/Sector



Overall, the Group generated 8.8 million kWh of power through renewable energy, constituting 8 per cent of its total energy requirement, from sources such as firewood purchased from the surrounding communities and solar power. While such practices have enabled the Group to reduce its environmental impact and cost of operations, it has also provided a means of livelihood for the surrounding communities.

Carbon Footprint by Energy Type



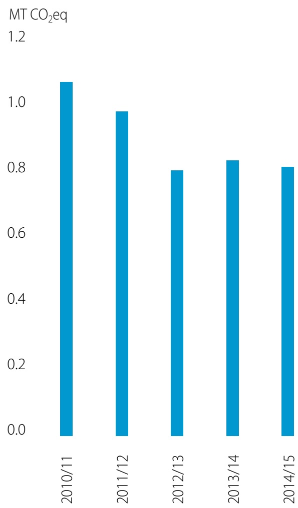
The main contributor to the Group's carbon footprint was electricity from the national grid followed by diesel and furnace oil. Given that Sri Lanka's national grid is hydro power based, the resultant carbon footprint is lower in comparison to countries producing power solely through fossil fuels.

During the year, Group companies carried out several energy conservation initiatives, saving 4.69 million kWh which has yielded an estimated carbon saving of 3,200 MT. Further details of key initiatives are included in the Industry Group Analysis section of the Report.

Demonstrating the continuous improvement in carbon efficiency, the Group recorded a marginal increase of 2 per cent in its carbon footprint amounting to 75,253 MT [2013/14: 74,079 MT], notwithstanding the increased operational activity of the Group due to the opening of Cinnamon Red and new Keells Super outlets amounting to an increase of 44,000 square feet of retail area and increased production volumes in the Consumer Foods sector. The scope 1 direct energy carbon footprint amounted to 16,320 MT, while scope 2 indirect energy carbon footprint amounted to 58,933 MT.

During the year, the Group implemented several initiatives that resulted in an improved carbon footprint and energy savings, including the use of renewable energy, hybrid vehicles and efficient equipment, details of which can be found in the Industry Group Analysis section of the Report. The movement over the past five years' carbon footprint in MT per million rupees of revenue illustrates an overall declining trend as depicted in the chart below.

Carbon Footprint per Rupees Million of Revenue



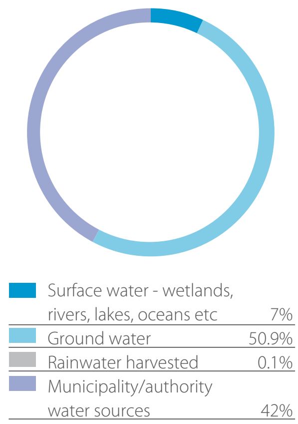
Water Management

The Group's water sources include ground water, inland surface water bodies, oceans, pipe-borne water from the National Water Supply and Drainage Board and rainwater harvesting.

The Group withdrew a total of 1,803,061 cubic meters of water, resulting in a 4 per cent increase from the previous year. This was mainly due to the aforementioned increase in operational activity across all sectors of the Group.

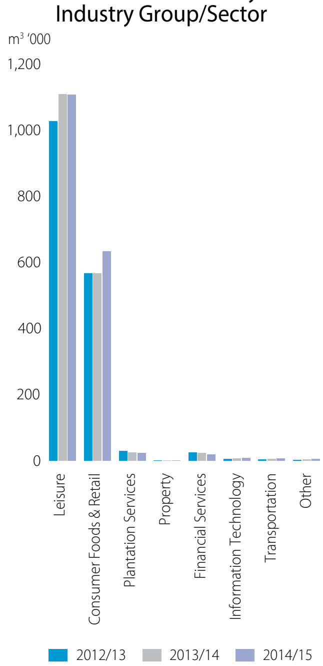
The past five years' carbon footprint in MT per million rupees of revenue illustrates an overall declining trend

Water Withdrawal by Source



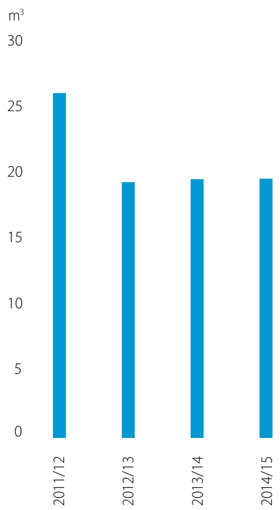
The Leisure industry group and Consumer Foods sector were the largest consumers of water in the Group, and as a result, several water conservation initiatives were carried out especially in these sectors. These initiatives range from rationalisation of production runs, carrying out awareness campaigns and implementing water saving fixtures, details of which can be found in the Industry Group Analysis section of the Report.

Water Withdrawn by Industry Group/Sector

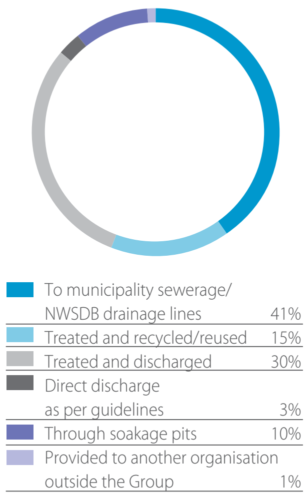


During the year, the total effluent discharged by the Group stood at 1,390,650 cubic meters [2013/14: 1,342,568 cubic meters] of which 15 per cent of the effluents discharged were recycled in comparison to 14 per cent in the previous year. The Group seeks to ensure that all water released into the environment meets regulatory levels and is of an acceptable standard. Accordingly, 45 per cent of its effluent is treated through sewerage treatment plants located at the various operational locations while a further 41 per cent was sent to municipality sewerage systems. In a bid to minimise ground water extraction, one third of all treated water was completely recycled and used for purposes such as gardening, general cleaning and in the flushing mechanisms at certain locations. A detailed discussion of the sector-wise water withdrawal, usage and discharge is available in the Industry Group Analysis section of the Report.

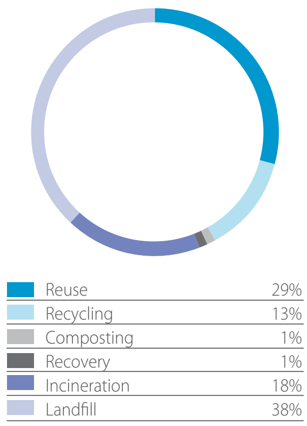
Water Usage per Rupees Million of Revenue



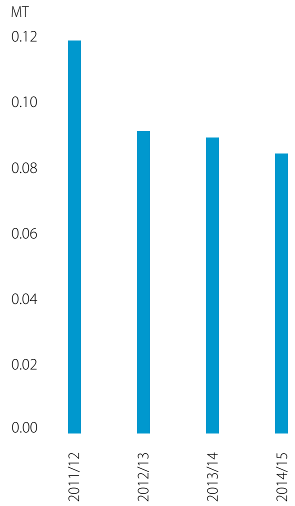
Water Discharge by Method



Waste Disposal by Method



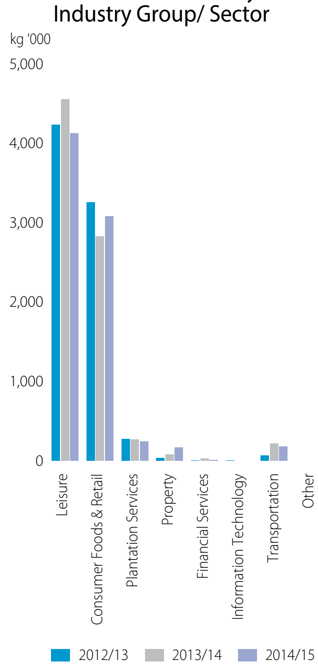
Waste Generated per Rupees Million of Revenue



Waste Management

Despite increased operational activity across the Group, waste generated decreased to 7,803 MT from 7,971 MT in the previous year. Of this, 135 MT was classified as hazardous waste and disposed through specialised third party contractors. Of the total waste produced, 43 per cent [2013/14: 41 per cent] was recycled or reused by the Group's business units or through various third party contractors. The Leisure and CF&R industry groups contributed to over 92 per cent of the waste generated by the Group. Further details of how such waste was generated, reused and recycled are available in the Industry Group Analysis section of the Report.

Waste Generated by Industry Group/ Sector



43% of the total waste produced was recycled or reused by the Group's business units or through various third party contractors

Group Social Performance Review

Further to the Group's Financial and Environmental Performance Review, this section will review the social impacts of the Group's operations. 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

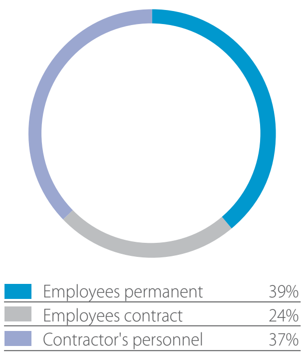
The Group's human capital is the primary component of its earning potential, productivity and long term sustainability. The Group's holistic approach to the management of its human capital encompasses ensuring diversity, employee satisfaction and continuous engagement, stringent policies on health and safety, talent management, career development and training and development.

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 section of the Report.

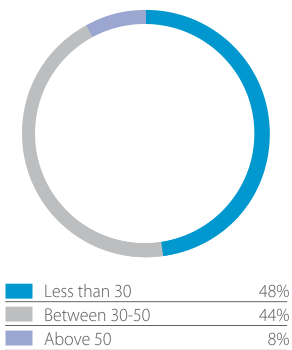
Employee Diversity

As an equal opportunity employer, the Group encourages workplace diversity, bringing about innovative thinking while creating an enabling environment which promotes a productive workforce. The workforce as at 31st March 2015 was 18,981 of which 11,890 were employees and 7,091 were outsourced personnel (4,470 were sales agents of Union Assurance). The Group recorded no significant variations in employment numbers of seasonal workers. 10,617 of the Group's total employees are positioned in Sri Lanka, with 537 being placed in the Maldives and 723 in India.

Workforce by Type of Employment

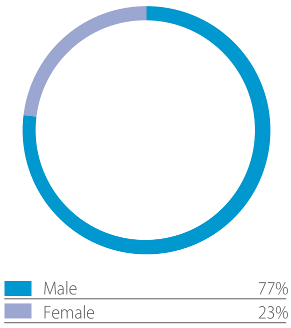


Total Employees - Age Analysis

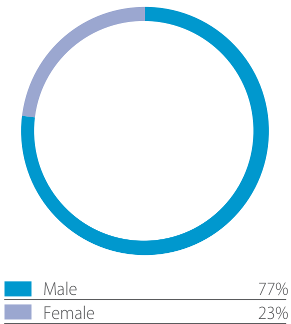


The Group monitors the diversity of its workforce based on age and gender as illustrated by the following diagrams.

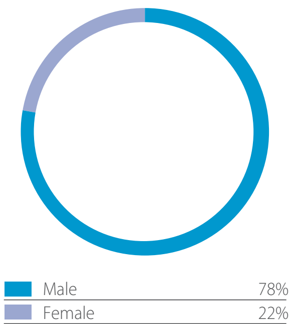
Employee by Gender



Workforce by Gender



Contractor's Personnel by Gender



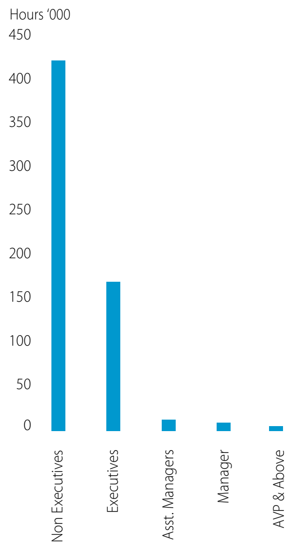
All ten Board Directors of JKH are above the age of 50 with one female Director. Of the ten Group Executive Committee (GEC) members, three are between the ages of 30-50, seven members are over 50 years of age, while one GEC member is female. Excluding the GEC members, of the eleven members of the Group Operating Committee (GOC), four are between the ages of 30-50, and seven are over the age of 50, with three GOC members being female.

Performance Appraisals

All employees of the Group undergo regular appraisals to receive feedback resulting in continuous improvement of staff performance. 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. Employee recognition is carried out through various awards schemes such as "Chairman's Awards", Innovation, CSR and Sustainability Awards as well as through "Employee of the Year," "Champion of the Year" and "V-Sparc" Awards.

Training and Development

Total Training Hours



The Group's training and development programmes are key policy components of talent retention and ensuring a sustainable competitive advantage, with a total of 466,213 hours [2013/14: 586,623 hours] training provided to Group employees. Each year, training hours for employees are determined on a needs basis, aligning the business specific requirements with gaps identified in employee skills and the roof competencies as outlined in the Group learning and development policy guidelines. Through the performance management system, employees can request for training when conducting self-appraisals while supervisors also nominate employees for training based on the needs in line with the Group's training calendar. On average, the Group provided 39 hours of training per employee, with average training hours per annum amounting to 41 hours for males and 34 hours for females.

On average, the Group provided 39 hours of training per employee

Collective Bargaining

The Group recognises the freedom of association of its employees and the Group maintains cordial relationships with its trade unions with ongoing dialogues including participation through mechanisms such as Joint Consultative Committees. Formal agreements are found in the CF&R industry group, covering over 748 employees. The Plantation Services sector follows the wage structures of the plantation industry of the country and the Resort Hotels have entered into a Memoranda of Understanding with staff representatives.

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.

	2014/15	2013/14
Number of staff affected by occupational injuries and diseases	199	231
Gender-wise occupational injuries and diseases (male: female)	159:40	191:40
Region-wise occupational injuries and diseases (In Sri Lanka: outside Sri Lanka)	192:7	228:3
Occupational injuries per 100 workforce	1.05	1.15
Total man days lost per 100 workforce days	0.05	0.039
Total absentee days per 100 workforce days	0.0024	0.0017

Employee Benefit Plans

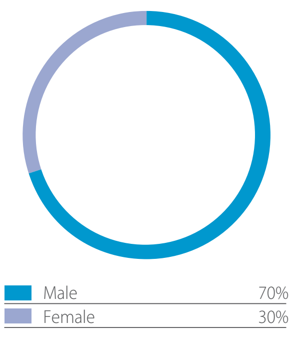
In Sri Lanka, employees are eligible for the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) contributions. Employees who are Maldivian nationals or employed in the Maldives are eligible for Maldives Retirement Pension Scheme (MRPS) contributions while employees based in India are eligible for Employees' Provident Fund (EPF) contributions according to the terms of the Employees' Provident Fund and Miscellaneous Provisions Act in India. The total contribution made to the trust funds for the reporting year was Rs.127 million while the total contribution made to the provident funds was Rs.575 million. In Sri Lanka and India, employees are also entitled to retirement gratuity. The employee benefit liability as at 31st March 2015 was Rs.1.49 billion.

Talent Management

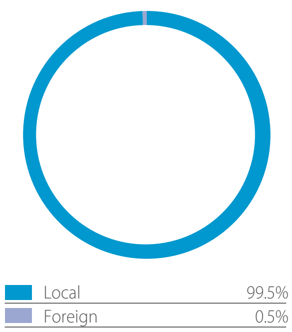
New hires and attrition and their composition by gender, region and age group are key labour indicators that are continuously tracked and monitored by the Group.

The Group's total attrition (executive and non-executive) and new hire attrition rate, excluding the IT and Retail sectors, where staff turnover is expected to be high and is an industry norm, was 24 per cent and 8 per cent respectively.

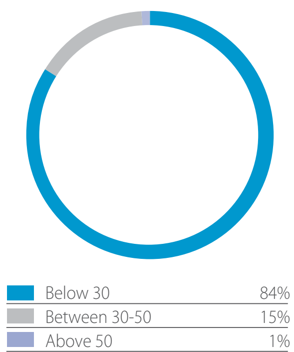
New Hire Attrition by Gender



New Hire Attrition by Region

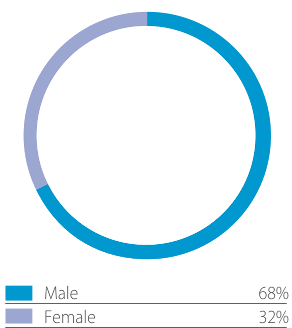


New Hire Attrition by Age Group

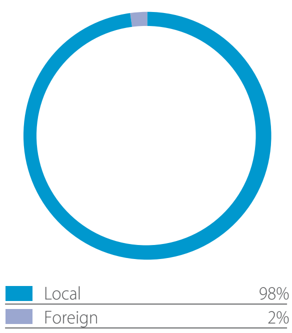


Proactive initiatives have been taken to address attrition in industries with high staff turnover. Continuous engagements are carried out through surveys such as "Voice of Employee" to ascertain the Group's performance on credibility, caring, equality and pride. One-on-one interactions between personnel identified as "Talent" and the Group's senior management is also carried out once a year, while an insignificant turnover of "Talent" has been recorded across the Group.

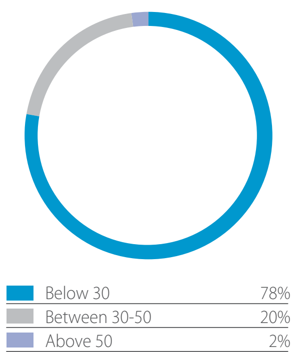
Attrition by Gender



Attrition by Region



Attrition by Age Breakdown



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

Product Responsibility

Group companies engaged in the manufacture of consumer foods have obtained ISO 9001, ISO 22000 and ISO 14000 as initial steps in achieving process excellence. In the Leisure industry group, Walkers Tours has obtained ISO 9001 while most of the Resorts have obtained OHSAS18001 certification which indicates a culture of health and safety which permeates through to the end product or service. All business units assess their products and services for consumer health and safety through its robust manufacturing, quality assurance and overall management processes. 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. During the year, supplier fora were carried out for all group sourced suppliers for its Sri Lankan operations and significant suppliers in the Maldives, covering approximately 80 suppliers across the Group. The Group also carried out assessments of approximately 90 significant suppliers during the reporting year which was a steady increase from the 64 suppliers assessed last year. These suppliers were assessed for labour practices, human rights and environmental impacts, using an established Group-wide supplier assessment

The Group carried out assessments of 90 significant suppliers

process. The Group has assessed all significant suppliers and intends to asses any new suppliers based on the above criteria in the future.

During the year under review, the Group also combined its Group Sourcing function with its Sustainability and Risk Management functions in a bid to integrate sustainability further down its value chain, appraise supply chain partners of responsible corporate practices and to ensure that the procurement of high value items for the Group is carried out considering all aspects of the triple bottom line. With this integration, all tenders and bids received by the Group's sourcing division are now assessed for social and environmental impacts as well as for quality and price.

Social Responsibility

During the year under review, the Group spent 81 per cent of its economic value distributed for purchasing of goods, services and utilities locally. 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 this Report. Sri Lankan Resorts also recorded Rs.450 million of purchases from suppliers in the vicinity of the resorts, which have led to lower purchase costs whilst stimulating local economies.

In order to ensure sustained business in the locations of operations, the Group carried out several strategic corporate social responsibility initiatives across six areas of focus of national interest. Through this initiative over 51,500 persons were impacted, while approximately 682,000 people were indirectly impacted, expending over Rs.59 million in carrying out community services and infrastructure projects on a pro-bono basis, details of which can be found in the Corporate Social Responsibility section of this Report. The Group also educated and trained 16,323 persons on serious diseases. Displaying its commitment to responsible business, the Group had no environmental, product related or any other significant fines during the reporting year and did not have any non-compliance with regard to marketing communications.

The Group spent 81% of its economic value distributed for purchasing of goods, services and utilities locally

Progress Review on Sustainability Commitments

The following table is a progress review of the short and medium term sustainability agenda action points for the previous reporting period 2013/14. Details of ongoing initiatives with regard to environmental, social and human resources have been detailed in the Industry Group Analysis section of the Report.

Targets for 13/14	Comment on Progress	Status
Identify and evaluate initiatives towards partially offsetting the Group's 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 The CF&R industry group 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 In the short to medium term, the Group will strive to reduce its carbon footprint by approximately 5 per cent per million rupees of revenue and reduce its scope 3 carbon footprint through various employee targeted initiatives	The Group achieved a carbon footprint reduction of 2 per cent per million rupees of revenue and will continue to strive to further improve on this
Aim to increase its overall energy efficiency by embracing greener technologies and improved energy management practices	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 which enables energy conservation	Achieved and will continue to be part of the Group strategy going forward
Seek to minimise the risk of adverse labour practices in the value chain by extending its assessments to cover the Group's significant suppliers and creating awareness with such suppliers	During the year, the Group carried out reviews of over 90 significant value chain partners on all areas of the triple bottom line, whilst also carrying out sustainability awareness through supplier fora for 80 group suppliers	Assessments for all significant suppliers were carried out. Supplier fora awareness programmes will continue to be conducted on an annual basis
Aim to improve the process of assessing impacts from community based initiatives	The Group carried out impact assessments at entry, exit and during the implementation of projects This practice will continue as a part of the Group's CSR programme	Achieved

Outlook

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

The Sri Lankan economy is expected to maintain its growth momentum in the short to medium term, driven by improved consumer discretionary spending as a result of significant price reductions in fuel, gas and electricity during the latter half of the financial year 2014, the prevailing low interest rate and benign inflation environment, increasing influx of tourists, growth in foreign remittances and the continued improvement in global economic conditions. With Parliamentary elections expected in the second quarter of 2015/2016, the visibility of a firmer economic policy direction is likely to be low till at least the middle of the third quarter of 2015/2016 as political transition takes effect and economic/social policies are promulgated, and articulated, with greater confidence and clarity.

For the calendar year 2015, inflation is expected to remain at low single digit levels primarily due to the aforementioned downward price revisions of energy and other essential consumer items in addition to the soft global outlook on food, oil and other commodities. The prevailing low inflation has enabled the Central Bank of Sri Lanka to ease its monetary policy stance and reduce policy rates in the beginning of the second quarter of the calendar year 2015. This should encourage economic activity via enhanced credit flows and investments due to lower cost of funds, provided that the political landscape is stable and Government borrowings in the local market do not crowd out the private sector. The Group will continue to evaluate and re-finance its borrowings portfolio, where applicable and relevant, to capitalise on the attractive rates available.

The increase in the consumer disposable income as discussed before is expected to augur well for the CF&R industry group. The Consumer Foods sector will continue to evaluate expanding its beverage and convenience food portfolio, capturing varying consumer markets and consumption occasions, particularly the growing segment of health conscious consumers. The Group's Retail business will continue to roll out stores in strategically placed locations.

The Leisure industry group is well positioned to capitalise on the growth momentum of tourist arrivals to the country upon the completion of its brand architecture strategy where all resorts will be brought under the "Cinnamon" brand. This is expected to bring in cost reductions and operating efficiencies across all resorts, in addition to the enhanced experience offered to all guests. The newly adopted brand architecture will distinctively cater to three separate tiers. Going forward, the focus of the Group's Leisure business will broadly be within this tier structure.

The Property industry group will continue to look for unique product propositions within the residential property and office space market, on the back of the Group's sizeable land bank, improved consumer sentiment and low interest rate environment.

The Ports and Bunkering business will leverage on the improved prospects for public-private partnerships within the industry, particularly focussing on new opportunities at the Port of Hambantota. Further, the introduction of the first deep water container handling facility in the whole of South Asia under the expansion of the Port of Colombo, combined with Sri Lanka's strategic location at the centre of the East-West shipping route, is expected to attract a significant number of the existing global shipping alliances to the country.

The Financial Services industry group can benefit from the low interest rate environment which should help drive volumes, although the Banking business could face challenges with the tightening of margins. The Insurance business will continue to capitalise on the opportunities made available by the significantly low life insurance penetration within the country, leveraging on its strong brand presence, cost efficient processes and differentiated product offerings.

The exchange rate may continue to experience some pressure driven by a balance of trade deficit and significant maturities of foreign currency borrowings of the Government. However, the currency may be supported by the improvement in the external sector driven by the improved outlook in the US and the prospect of the country regaining the GSP+ preferential tax status from the EU coupled with continuing worker remittances and improvements in tourism earnings. The Group's strategy of maintaining "natural hedges", where relevant and feasible, coupled with the inflow of dollar denominated income streams, particularly in the Leisure industry group, is expected to mitigate to an extent the volatility arising from possible fluctuations in the exchange rate.

In the forthcoming year, the Group will seek to comprehensively interlink its risk management process with its sustainability strategy through the introduction of Key Risk Indicators to complement its Sustainability Performance Indicators. While the Group will continue to engrain sustainability further into the operating models of business units, it will also seek to entrench sustainability and risk management practices across its significant value chain partners in an effort to promote responsible corporate citizenship in its supply chain whilst reducing the risk of operations for the John Keells Group. The Group will strive to outperform selected international benchmarks for carbon footprints, energy consumption and water usage whilst also seeking to better its own performance on the said aspects.

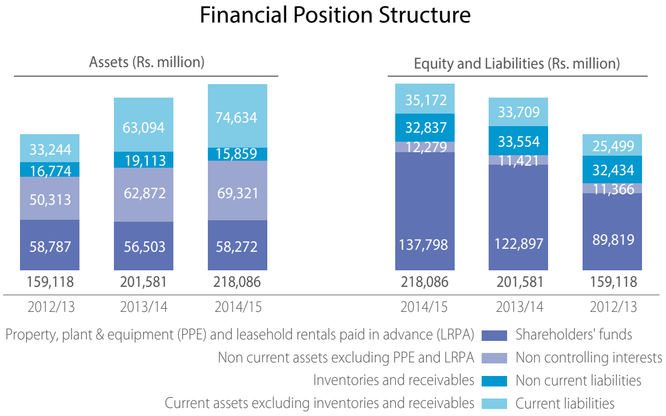
The Group's strategy of maintaining "natural hedges", where relevant and feasible, coupled with the inflow of dollar denominated income streams, particularly in the Leisure industry group, is expected to mitigate to an extent the volatility arising from possible fluctuations in the exchange rate

Summary of Key Financial Position Items

Item	2015 Rs. Mn	2014 Rs. Mn	Change Rs. Mn	Change (%)	Explanatory Highlights For YoY Changes
Property plant and equipment	49,563	47,406	2,156	5	Additions - Rs.486 million on development of a building and Rs.171 million of costs capitalised due to an electricity conservation project at CG
					Additions - Rs.466 million at JMSL on account of opening of new supermarket outlets
					Addition - Rs.199 million on account of the acquisition of a property in Nuwara Eliya for a potential hotel development
					Revaluations at CG, KWI and WBL of Rs.1.69 billion, Rs.268 million and Rs.144 million respectively
					Decrease of Rs.2.77 billion on account of depreciation on the PPE across the Group and Rs.1.17 billion due to removal of depreciation of disposed PPE
					Decrease of Rs.113 million on account of the disposal of UAG
Lease rentals paid in advance	8,709	9,096	(387)	(4)	Increase due to lease period extension fee of Rs.167 million capitalised at FWI and exchange differences of Rs.160 million. Offset by amortisation of Rs.714 million
Investment property	4,609	4,440	169	4	Increase due to changes in fair value of Rs.49 million and transfer from PPE at JKPJ of Rs.115 million
Intangible assets	2,719	2,472	247	10	Increase due to additions of Rs.248 million along-side a transfer from PPE of Rs.154 million at CHML due to development of the new property management system at CHML
					Offset by amortisation of PVIB amounting to Rs.187 million at UA and amortisation of software of Rs.47 million for the Group
Investments in associates and joint ventures	16,345	15,049	1,296	9	Share of associate company profits (net of tax) of Rs.2.78 billion, addition of Rs.690 million due to the incorporation of UAG, change in net assets of Rs.167 million at SAGT, offset by dividend received of Rs.2.45 billion
Non current financial assets	19,709	21,069	(1,360)	(6)	Net decrease in UA of Rs.773 million on account of reduction of long term investments and policy holder loans
					Disposal of AFS amounting to Rs.1.52 billion. Offset by an increase in long term deposits of Rs.1.08 billion at JKH
Other non current assets	25,830	19,710	6,120	31	Addition of Rs.6.54 billion as WIP pertaining to the ongoing projects in the Property group including the "Waterfront" Project
Inventories	5,589	6,966	(1,377)	(20)	Addition of Rs.2.21 billion offset by transfer to cost of sales of Rs.1.57 billion at BOCPL
					LMS - reduction in stock by Rs.787 million due to a timing difference in the arrival of a consignment
					JKRP - transfer of Rs.2.21 billion to cost of sales on account of recognition of revenue offset by additions of Rs.622 million
					JMSL - addition of Rs.197 million, CCS - addition of Rs.154 million
Trade and other receivables	10,270	12,147	(1,877)	(15)	De-recognition of a balance of Rs.1.55 billion owing to the disposal of UAG
					JKL - decrease in tea seller's advances
					LMS - decline of Rs.632 million due to the fall in price of crude oil despite volumes purchased being higher compared to the previous financial year
					CCS - increase in debtors due to higher sales and also increase of advances paid to foreign creditors
Short term investments and cash in hand	72,051	60,159	11,893	20	JKH - Increase in investments in repurchase instruments amounting to Rs.9.37 billion. Increase in investments in treasury bills amounting to Rs.12.78 billion offset by a decrease in fixed deposits of Rs.11.09 billion
					Increase in the fixed income fund of UA by Rs.753 million
Shareholders' equity	137,798	122,897	14,901	12	Increase in stated capital due to the exercise of ESOPs during the year amounting to Rs.954 million
					Net profit for the year of Rs.14.35 billion offset by dividends of Rs.3.48 billion
					Revaluation of PPE net of tax of Rs.1.98 billion
Insurance contract liabilities	23,932	20,273	3,659	18	Net increase in the UA funds under the life insurance segment
Borrowings	9,359	13,633	(4,274)	(31)	Repayments of Rs.1.10 billion at BOL, Rs.1.31 billion on the IFC loan at JKH, Rs.536 million at TCL, Rs.570 million at FWI, Rs.320 million at JKMR and Rs.316 million at HLL
					Offset by increases of Rs.230 million at THR, Rs.360 million at TCL, Rs.200 million at JKRP and Rs.140 million at YV
Trade and other payables	11,267	14,236	(2,969)	(21)	Decease of Rs.4.81 billion at UA due to the disposal of UAG and a decrease of Rs.675 million at LMS on account of the decrease in crude oil prices.
					Offset by increases of Rs.559 million at WPL mainly due to custom advances, Rs.546 million at JMSL, Rs.457 million at JKOA and Rs.190 million at JKSB
Short term borrowings	12,623	9,752	2,871	29	WPL - drawdown of Rs.3.32 billion to finance the development cost of the "Waterfront" Project
					Increase of Rs.1.00 billion at BOL
					LMS - Drawdown of Rs.13.66 billion to finance working capital offset by a repayment of Rs.14.49 billion of existing short term facilities
					JKL - repayment of Rs.550 million
Bank overdraft	1,952	2,754	(801)	(29)	Decrease of Rs.618 million at JMSL due to lower utilisation of facilities and Rs.326 million at JKOA due to settlements
					Offset by an increase of Rs.381 million at JKL used to fund advances made to tea clients

Note: AFS - Available for sale; BOCPL - British Overseas Colombo (Private) Limited; CCS - Ceylon Cold Stores; CHML - Cinnamon Hotel Management Limited; CG - Cinnamon Grand; ESOPs - Employee share options; FWI - Fantasea World Investments Limited; IFC - International Finance Corporation; JKH - John Keells Holdings; JKL - John Keells PLC; JKMR – John Keells Maldivian Resorts; JKOA - John Keells Office Automation; JKPJ - JK Properties Ja-Ela; JKSB - John Keells Stock Brokers; JMSL - JayKay Marketing Services; KWI - Kandy Walk Inn; LMS - Lanka Marine Services; PPE - Property, plant and equipment; PVIB - Present value of acquired in-force business; TAH - Trans Asia Hotels, TCL - Travel Club (Private) Limited; UAG - Union Assurance General Limited; UA - Union Assurance PLC; WBL - Whittall Boustead; WIP - Work-in-progress; WPL - Waterfront Properties (Private) Limited; YV – Yala Village

Financial Position Structure



For the period under review, the Group's total assets increased by Rs.16.50 billion to Rs.218.09 billion [2013/14: Rs.201.58 billion] mainly on account of increases in short term investments arising from the investment of cash profits from the divestment of Access Engineering PLC and Expolanka Holdings PLC coupled with the deposits made using the dividends received at the Holding Company. Further, additions to other non-current assets, which include the work-in-progress costs relating to the "Waterfront" Project, and property plant and equipment contributed towards the increase of the total assets. The key movements of the items affecting the Group's financial position are highlighted in the table before.

Working Capital/Liquidity

Net working capital of the Group increased to Rs.55.32 billion as of 31st March 2015 [2013/14: Rs.48.50 billion] driven by an increase in current assets. The increase in current assets is mainly attributable to two reasons; these being the above mentioned increase in short term investments and an increase in foreign currency investments in the Leisure industry group as a result of increased operating cash flows from the Maldivian Resorts and Destination Management sectors. Current liabilities increased by Rs.1.46 billion to Rs.35.17 billion primarily due to an increase of short term borrowings, which includes the Bridge facility draw down by Waterfront Properties (Private) Limited.

The Group remains confident that its liquidity position will comfortably enable it to meet short and medium term funding and debt repayment obligations, pursue organic and acquisitive growth opportunities and to meet other obligations. In terms of the composition of the liquid assets of the Group, Other including Plantation Services accounted for more than half of the cash and cash equivalents followed by the Financial Services and Leisure industry groups. The liquidity management strategy of the Group takes in to account the funding requirements of the development of the "Waterfront" Project and other capital requirements of the Group's businesses. A majority of the equity component planned to be infused in to "Waterfront" has already been raised through the rights issue held in October 2013 whilst the balance equity funding is expected to be financed by a combination of existing foreign currency and Rupee reserves available at the Holding Company and from the funds expected to be raised from the 2015 and 2016 Warrants. The existing bridge loan facility will be refinanced by a long term syndicated loan facility during the second quarter of the ensuing financial year which would be available for utilisation over the construction phase of the Project.

Cash Flow

Cash and cash equivalents increased by Rs.14.76 billion to Rs.45.17 billion by the end of the current financial year [2013/14: Rs.30.41 billion]. Net cash from operating activities increased by Rs.12.81 billion mainly due to the decrease in the cash used to finance other non current assets and an increase in finance income received as explained in the Group Financial and Sustainability Review section of the Report. Net cash used in investing activities decreased to Rs.1.26 billion [2013/14: Rs.19.71 billion] due to the net proceeds received from the disposal of the 78 per cent stake in Union Assurance General Limited amounting to Rs.3.46 billion and maturities of short term investments (maturing between a 3–12 month period) in repo instruments and bank deposits amounting to Rs.3.03 billion versus investments amounting to Rs.15.81 billion made in such instruments in the previous year. Net cash used in financing activities was Rs.4.84 billion in the current year as against Rs.25.45 billion of net cash inflow reported in the previous financial year which comprised primarily of the Rights Issue 2013 proceeds of Rs.23.10 billion.

Leverage and Capital Structure

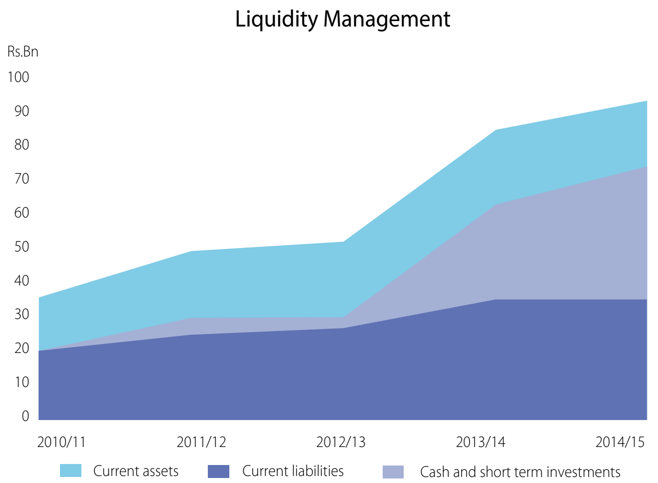
Capital Structure

Total assets of Rs.218.09 billion were funded by shareholder's funds (63 per cent), non-controlling interests (6 per cent), long term creditors (15 per cent) and short term creditors (16 per cent). The long term funding of assets at Rs.182.91 billion was 84 per cent of total assets.

Debt

The consolidated debt at the Group decreased to Rs.23.93 billion from Rs.26.14 billion in the previous year. The Property and Leisure industry groups continued to account for a majority of the Group's debt with Rs.13.13 billion and Rs.4.83 billion respectively. The main addition to the overall debt was from Property due to a further draw down of the bridge loan facility of Rs.3.32 billion relating to the "Waterfront" Project.

The businesses are evaluated for foreign currency denominated income, where possible, to use borrowings in foreign currency to take advantage of the currently prevailing lower cost of foreign currency debt, where there are matching foreign currency revenue streams and foreign currency denominated debtors. This has been practiced in the Leisure industry group in particular where foreign currency receipts and receivables are regularly monitored to proactively evaluate the borrowing capacity of businesses. Currently, approximately 77 per cent of the overall debt of the Group is denominated in foreign currency.



Property remained the highest contributor to the increase in Group debt during the financial year, whilst all other industry groups recorded a decline. The Sri Lankan Resorts sector settled a few loans that reached maturity and refinanced a few higher cost borrowings during the year. The loan balance of the IFC facility as of 31st March 2015 reduced to USD 20 million from USD 30 million in the previous year.

The debt to equity ratio of the Group reduced to 15.9 per cent in the current year from 19.5 per cent in the previous year. The net debt (cash) to equity ratio was a negative 28.8 per cent as against a negative 23.2 per cent recorded in the previous year. The debt to EBITDA cover of the Group stood at 1.0 times compared to 1.3 times in the previous year, underscoring the Group's ability to leverage further as and when required. Long term debt to total debt decreased to 20.5 per cent from 38.1 per cent due to the repayments of long term debt at the Holding Company and the Leisure industry group and increase in short term debt on account increased debt at Waterfront Properties (Private) Limited.

Statement of Changes in Equity

Total equity of the Group increased by Rs.15.76 billion to Rs.150.08 billion [2013/14:Rs.134.32 billion]. The main increases were on account of profits after tax of Rs.15.75 billion and other comprehensive income of Rs.2.94 billion recorded during the year, partially offset by the dividends paid during the year of Rs.3.48 billion.

The Group adopts prudent measures to manage the financial impacts arising from currency fluctuations

Treasury Management

The LKR/USD exchange rate was broadly stable during the first half of the financial year whilst the Rupee depreciated against the US Dollar during the latter half of the year. The Group adopts prudent measures to manage the financial impacts arising from currency fluctuations. Businesses with US Dollar denominated debt were able to offset the exposure created by a depreciating Rupee by matching US Dollar revenue streams through the creation of a "natural hedge", thereby managing the volatility on profits. Given that a majority of the Group's borrowings are denominated in foreign currency, the Group consciously monitors foreign exchange fluctuations and reiterates the need to match such liabilities with corresponding inflows and hence continuously evaluate such positions. Further, the exchange rate exposure arising from the Dollar denominated liabilities at the "Waterfront" Project, including the bridge loan facility, is mitigated to an extent as the functional currency of Waterfront Properties (Private) Limited is in US Dollars given the economic environment in which it operates in.

The downward movement in the Rupee interest rates during the year under review resulted in a lower interest expense in businesses with Rupee funding. However, this did not have a material impact on the Group since the Rupee share of debt has declined over the recent past. The Group's intentional strategy of maintaining floating dollar denominated debt facilities for a majority of its foreign currency debt has been justified to-date since LIBOR has continued to remain at low levels. Given the current rate outlook, the interest rate exposure in relation to the bridge facility at the "Waterfront" Project is mitigated in the short term due to the availability of Dollar investments, which would correspondingly benefit due to a rate increase. The Group is cognizant of the interest rate risk exposure considering the medium to long term interest rate outlook in the US and continues to monitor on a proactive basis the cost/benefit of such borrowings based on interest rate differentials and also evaluates relevant mechanisms to hedge such risks. This would be particularly relevant in the case of "Waterfront" once the long term syndicate loan is in place. The Group has considered, and will continue to dynamically monitor, all necessary actions to mitigate this exposure in relation to potential risks impacting the Group. Further, the structuring of the Project financing includes contingencies which can absorb costs arising from rate fluctuations. In any event, Project related borrowing costs are capitalised during the construction phase of the Project and will not result in a volatility in the income statement during the construction period.

	2014/15	2013/14
Current ratio (times)	2.6	2.4
Quick ratio (times)	2.4	2.2
Net working capital (Rs. million)	55,321	48,498
Asset turnover (times)	0.5	0.5
Capital employed (Rs. million)	174,011	160,457
Total debt (Rs. million)	23,934	26,139
Net debt (cash) (Rs. million)	(43,224)	(31,182)
Debt/equity ratio (%)	15.9	19.5
Net debt (cash)/equity ratio (%)	(28.8)	(23.2)
Long-term debt to total debt (%)	20.5	38.1
Debt/total assets (%)	11.0	13.0
Liabilities to tangible networth	0.5	0.5
Debt/EBITDA (times)	1.0	1.3
Net debt/EBITDA (times)	(1.8)	(1.6)

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 and 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

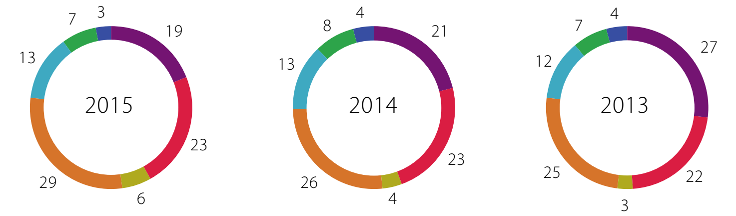
In March 2015, JKH terminated its ratings agreement with Fitch Ratings Lanka Limited on the basis that a local rating is not warranted at present considering the Group's debt funding sources which are predominantly in foreign currency. At the time of the termination of the ratings agreement, JKH was rated AA+(lka). JKH will consider obtaining an international credit rating, if and when a need arises.

In addition to the significant cash reserves, the Group continues to have significant facilities available with banks in Sri Lanka. The Group is looking to proactively manage potential funding requirements and will continue to have 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.

Industry Group Financial and Non Financial Highlights

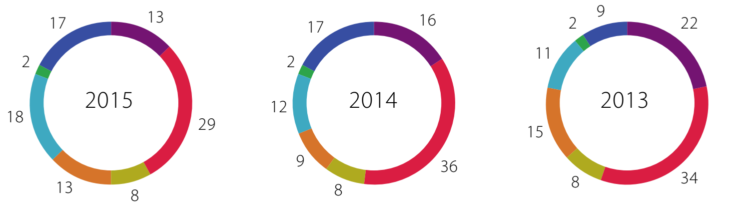
Revenue* (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2014/15	19.91	23.36	5.69	29.76	12.99	7.21	3.47
2013/14	20.73	22.55	4.17	25.41	12.57	7.50	4.21
2012/13	25.11	20.59	3.17	24.04	11.11	6.80	3.63



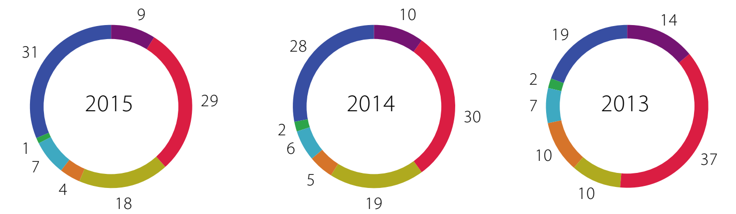
EBIT (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2014/15	2.54	5.74	1.64	2.57	3.47	0.38	3.41
2013/14	2.66	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



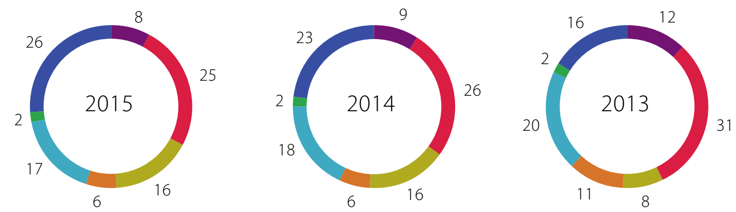
Capital Employed (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2014/15	15.49	50.59	31.66	7.54	11.78	2.41	54.54
2013/14	16.68	48.27	30.21	7.68	9.42	2.57	45.63
2012/13	17.09	45.04	12.61	12.51	8.30	2.60	23.14



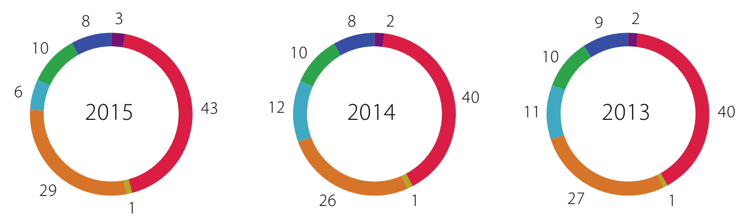
Total Assets (Rs. billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2014/15	16.66	55.40	34.89	12.95	37.13	3.75	57.31
2013/14	18.54	52.66	32.48	12.17	35.59	3.44	46.69
2012/13	19.23	49.80	12.69	17.30	31.51	3.72	24.87



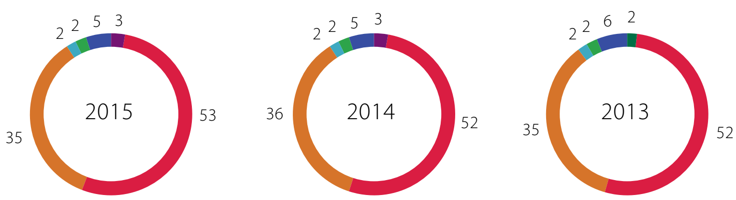
Employees (Number)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2014/15	326	5,147	107	3,427	718	1,224	941
2013/14	307	5,054	101	3,263	1,527	1,206	1,043
2012/13	302	5,176	103	3,415	1,401	1,267	1,127



Carbon Footprint (MT)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2014/15	2,313	39,684	59	26,441	1,550	1,309	3,898
2013/14	1,863	38,562	52	26,428	1,687	1,428	4,060
2012/13	1,566	36,035	96	24,504	1,676	1,343	4,034



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

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

Ports & Shipping

Transportation

CO_2 116 kg per Rs. Mn revenue

Contribution to JKH Group

Revenue	EBIT	Capital employed	Carbon footprint
19%	13%	9%	3%

DHL Keells recorded an increase in market share

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 a container terminal in the port of Colombo, a marine bunkering business, joint venture/associations with leading shipping, logistics and air transportation multinationals, travel and airline services in Sri Lanka and the Maldives.

Key Indicators

(Rs. million)	2014/15	2013/14	Chg (%)	2012/13
Revenue[1]	19,906	20,733	(4)	25,113
EBIT	2,538	2,658	(4)	3,680
PBT	2,485	2,592	(4)	3,634
PAT	2,335	2,457	(5)	3,388
Total assets	16,656	18,543	(10)	19,233
Total equity	14,232	14,544	(2)	15,139
Total debt	1,255	2,133	(41)	1,953
Capital employed[2]	15,486	16,677	(7)	17,092
Carbon footprint (MT)[3]	2,313	1,863	24	1,566
Employees (number)[4]	326	307	6	302
EBIT per employee[4]	7.8	8.7	(10)	12.2

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 Excludes SAGT, DHL, Maersk Lanka, NDO and Cinnamon Air
4 As per the sustainability reporting boundary

	Ports and Shipping	Transportation
The businesses within the sector	Operation of a container terminal in the Port of Colombo as a public private partnership on a BOT basis through 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 Joint venture with Norbert Dentressangle Overseas (NDO) of France and bunkering services under Lanka Marine Services (LMS)
	Associate stake in Maersk Lanka, agents in Sri Lanka and the Maldives for Maersk Line and Safmarine	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 services through Mackinnons American Express Travels. A domestic scheduled air taxi service, Cinnamon Air, through Saffron Aviation
Revenue and growth	Rs.5.09 billion, increase of 1%	Rs.14.82 billion, decrease of 6%
EBIT and growth	Rs.2.07 billion, no change	Rs.466 million, decrease of 20%
Carbon footprint	Not within the boundary of sustainability reporting	2,313 MT
Key external/internal variables impacting the business	• The total volume through the Port of Colombo for the calendar year 2014 grew by 14 per cent, with transhipment and domestic volumes growing at 15 per cent and 9 per cent respectively • An increasing number of global shipping lines are consolidating to benefit from greater operating efficiencies through cost pooling and strengthened purchasing power • Improved prospects for private sector participation in the ports and shipping industry	• Domestic companies are following in the footsteps of multinational firms to outsource their supply chain activities • Improved prospects for private sector participation in the bunkering industry

Operational Review

The Port of Colombo recorded a year on year growth in volumes of 14 per cent, primarily driven by the availability of infrastructure that has the ability to cater to new generation container vessels and improving economic conditions in India, which accounts for approximately 60 per cent of Sri Lanka's transhipment volumes. The Group's Port business, South Asia Gateway Terminals (SAGT) handled 1.61 million twenty foot equivalent units (TEUs) during the period under review, with transhipment volumes contributing 77 per cent to total volumes. The increased

The Port of Colombo recorded a year on year growth in volumes of 14%

The growth in tourists arrivals contributed towards the increase in passenger volumes for Cinnamon Air

activity witnessed across the Port of Colombo enabled SAGT to maintain relatively stable volumes in the first three quarters of the year under review. SAGT also focussed on improving the productivity of its operations through various cost management measures which contributed positively towards the overall profitability of the company. However, as anticipated, volumes at SAGT were negatively impacted in the latter part of 2014/15 as a result of the formation of a new alliance between two leading container shipping companies and their subsequent decision to deploy larger, more cost effective vessels requiring a deep draft on the Asia – Europe services.

The Bunkering business maintained its position as the market leader despite operating in a low margin environment driven by continued price competition from bunker suppliers operating within Colombo and a total restriction on private sector participation in Hambantota. In the year under review, a number of initiatives were implemented to improve the overall cost structure of the Bunkering operations. LMS leveraged on its reputation to restructure its procurement strategy and facilitate new relationships with suppliers resulting in improved costing for certain grades of oil. Furthermore, the company divested one of its smaller barges, "LM Kelani". This, together with added emphasis on reducing fuel consumption, contributed towards a lower cost base and an overall improvement in operational efficiency.

During the year, DHL Keells recorded encouraging growth, predominantly driven by the increase in weight for both inbound and outbound cargo. DHL Keells maintained its position as the market leader whilst simultaneously recording an increase in market share for the period under review. The company took various initiatives to improve the quality and security of its service offering in Sri Lanka, which in turn lead to a growth in its active customer base. The knowledge and experience of its existing workforce combined with the added focus on training and development also contributed positively to the overall performance of DHL Keells.

John Keells Logistics Limited (JKLL) recorded an increase in total throughput managed driven by the growth in volumes handled under its existing clients and the rise in demand from domestic companies which are increasingly seeking to outsource supply chain activities. The company focussed on fully operationalising the new Seeduwa facility, which began operating at full capacity towards the latter portion of the year under review, as JKLL secured a long term contract with Sri Lanka's largest paint brand.

The performance of the Airlines business remained below expectations during the first half of the year in a growing but challenging environment mainly as a result of the reduction in coverage and frequency of Jet Airways, the only "on-line" airline handled by the business. Notwithstanding the difficult operating environment, several initiatives surrounding sales and yield improvement encouraged Jet Airways to introduce a second daily flight midway through the third quarter of 2014/15 and the business is looking to grow on that further.

The increase in disposable incomes and improved consumer sentiment resulted in a growth in outbound travel amongst Sri Lankans, positively impacting the Travel Agency business. However, the operating environment within the travel agency industry has become increasingly fragmented with the growing inclination towards online bookings and the entry of a number of airlines providing direct booking services.

The growth in tourist arrivals and focussed marketing efforts contributed towards the increase in passenger volumes for Cinnamon Air. Despite a year on year growth in passenger numbers in excess of 100 per cent, the domestic air taxi business did not generate the expected volumes through its scheduled services vertical. During the year under review, Bentota was introduced as a new destination, and Cinnamon Air expanded its coverage under scheduled flights to include a total of nine locations.

The Freight Forwarding business, managed by its joint venture partner Norbert Dentressangle of France, altered its commercial strategy and increased its exposure to customs clearance opportunities. The new product mix enables the company to focus on its core competency and mitigate the credit risk associated with perishable exports.

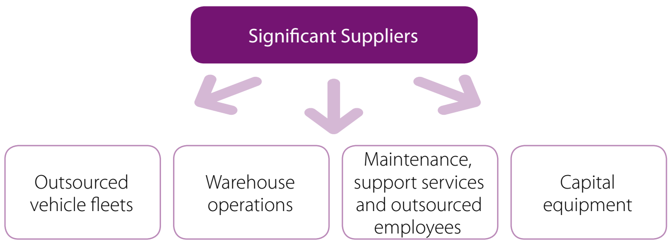
Sustainability Review

The Transportation industry group's sustainability strategy is based upon the material impacts and key risks identified by the Group as part of its enterprise risk management process.

The material impacts for the industry group are classified as follows:

Energy and Emissions Management	Financial implications and environmental responsibility
Waste Management	Regulatory compliance and environmental responsibility
Occupational Health and Safety	Labour and productivity concerns as the Group places significant emphasis on providing a safe working environment for its employees and stakeholders
Talent Management	The need to retain and continuously upgrade the skills of existing staff, while developing a resource base of professionals for the country's transportation industry

The significant suppliers within the industry group are illustrated below:



All significant suppliers, including those providing security, janitorial and other outsourced services have been assessed for significant negative impacts in terms of environmental, labour and human rights aspects.

JKLL secured a long term contract with Sri Lanka's largest paint brand

Sustainability Strategy

Increased focus on improving connectivity across Sri Lanka has signalled the need to develop a sustainable and environmentally friendly transportation industry. Furthermore, the rising number of road accidents have resulted in road safety being considered a national priority. The Transportation industry group's energy consumption and emissions are effectively managed through the implementation of the Group's Environment and Energy Management Policy. Safety concerns are addressed through adherence to the Group's Health and Safety policy and through training programmes which include road safety specific sessions as well as other general topics.

Sustainability Targets and Initiatives

Energy and Emissions Management

Targets

- Internal targets such as fuel efficiency targets for the vehicle fleet are maintained to improve efficiency and reduce energy consumption and thereby emissions.

Initiatives

- Fuel consumption based on the route and vehicle usage is monitored and analysed on a daily basis, while the sales routes are continuously restructured to ensure maximum efficiency.
- Continuing from the previous year, partitions were installed in the remaining fleet of DHL vans to minimise air condition usage and improve fuel efficiency.
- Feasibility assessments were carried out to convert the current DHL fleet into hybrid light commercial vehicles. This is expected to reduce the overall carbon footprint of the distribution and transport operations.

Health and safety practices at John Keells Logistics

Waste Management

Targets

- Adhering to Marine Environmental Pollution Authority (MEPA) regulations.

Initiatives

- LMS continued to manage its hazardous oil sludge from its bunkering operations through a certified third party waste disposal contractor certified by MEPA with all disposals following the MEPA process, obtaining relevant certifications confirming responsible disposal.
- Waste generated in office locations is disposed through the Group's identified e-waste and paper recycling suppliers.

Occupational Health and Safety

Targets

- Various health and safety targets, including a target of less than five road accidents per month and no more than one warehouse injury per year have been established.

Initiatives

- The OHSAS 18001 certification for occupational health and safety was successfully renewed at both LMS and JKLL. LMS is the only bunkering firm in Sri Lanka to obtain the OHSAS 18001 certification in relation to importing, storing and delivering bunker fuel and lubricants to vessels.
- LMS adheres to its own Health, Safety and Environment (HSE) guidelines, which have also been audited and approved by British Petroleum (UK).
- LMS initiated a number of drills and training courses for its staff and crew and held workshops focussed on incident reporting guidelines, while the Red Cross Association of Sri Lanka conducted first aid training aboard all three barges for the benefit of the entire staff cadre of the company.
- JKLL organised "Zero Harm", a workshop on warehouse operational health and safety, with a hundred participants from internal and external companies. The workshops included segments on occupational health and safety, machinery safety standards, racking safety standards and first aid and warehouse accidents.
- Business Continuity Plans at JKLL and LMS were reviewed and tested on a regular basis.

Talent Management

Target

- Providing training to existing staff to continuously upgrade their skills.
- Ensuring an adequate resource base of transportation and logistics professionals.

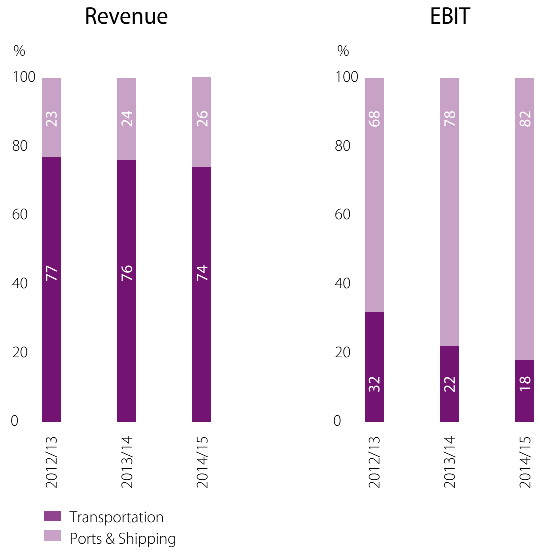
Initiatives

- The industry group continued to provide training for its staff, recording 1,533 hours of training.
- The Transportation industry group continues to sponsor the scholarship programme for undergraduates reading for the Bachelor of Science in Transport and Logistics Management at the University of Moratuwa.
- The programme also involves an internship at the Transportation industry group, helping to develop young professionals in a growth industry.
- A total of two such graduates are currently employed within the industry group whilst an honours graduate from the degree programme and a 3 time winner of the JKH scholarship was selected for the JKH Group Management Trainee Programme in 2014.

Sustainability and Financial Performance

Sustainability Performance

The Transportation industry group's carbon footprint excludes SAGT, DHL, Maersk Lanka, NDO and Cinnamon Air, which are associate companies and are beyond the sustainability reporting scope. The carbon footprint of the other Transportation industry group companies increased by 24 per cent to 2,313 MT in 2014/15 from 1,863 MT during the previous year, due to increased operations including a new logistics warehouse facility in Seeduwa and a full year's operation of a larger vessel for bunkering operations. No significant spillages were reported by the relevant companies during the reporting year. The average number of training hours provided per employee within the industry group was 5 hours while in 2013/14 the industry group recorded 14 hours.



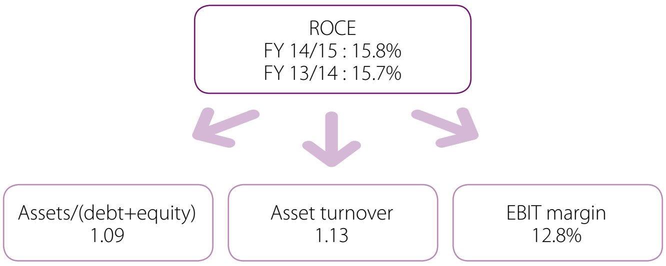
Sustainability Performance			
	2014/2015	2013/2014	Change (%)
Carbon footprint (MT)	2,313	1,863	24
Waste disposed (kg)	177,576	219,538	(19)
Injuries and diseases (number)	3	3	-
Total training (hours)	1,533	4,160	(63)

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

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor		
	2014/2015	2013/2014
LMS CO_2 (kg per MT of bunkers sold)	8.1	7.2
JKLL CO_2 (kg per m^2 of warehouse area managed)	4.7	4.1

Waste Generated per Operational Intensity Factor		
	2014/2015	2013/2014
LMS waste generated (kg per MT of bunkers sold)	0.92	1.4
JKLL waste generated (kg per m^2 of warehouse area managed)	0.15	0.12

Return on Capital Employed



Financial Review

The revenue of the Transportation industry group declined by 7 per cent to Rs.13.13 billion [2012/13: Rs.14.20 billion], mainly attributed to the significant drop in world oil prices in the latter half of the year resulting in a reduction in the value of sales made by the Bunkering business. Revenue, including associate company revenue, declined by 4 per cent to Rs.19.91 billion [2012/13: Rs.20.73 billion], on account of the marginal decline in 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 4 per cent to Rs.2.54 billion [2013/14: Rs.2.66 billion]. However, improved performance of DHL Keells at the gross profit level mitigated the decline in EBIT to an extent.

- ROCE increased marginally to 15.8 per cent compared to the previous financial year. Despite the decline in EBIT as mentioned above, the asset base also declined following the sale of one of the barges at LMS and the lower value of inventory recorded at LMS at year end, which was primarily due to the timing of the stock valuation.
- The successful implementation of various cost management initiatives enabled the industry group to maintain its EBIT margin at 12.8 per cent in line with the previous financial year.
- Asset turnover improved to 1.13 times in comparison to 1.10 times in 2013/14.

Outlook

The commencement of the first phase of terminal operations in the new Colombo South Harbour, the first deep water container port in the whole of South Asia, gives an added fillip to Sri Lanka's strategic location astride the East-West shipping route and will attract a significant volume of additional throughput from both current and new global shipping alliances using the Port of Colombo. Whilst this will change the overall dynamics and market share in the Port of Colombo in the short term, the positioning of Colombo as the primary regional maritime hub and the resulting growth in total volumes is expected to benefit SAGT in the years to follow.

The improved prospects for greater private sector participation in the ports and bunkering industries will enable both SAGT and LMS to better manage their existing customer relationships. The Group will also look to leverage on this new opportunity to include the Port of Hambantota and other expansion projects, which may materialise in the future. Whilst private sector participation in bunkering operations at the Port of Hambantota has been hitherto restricted, it is encouraging that there is a likelihood that the full potential of existing infrastructure could be optimised through globally competitive public private partnerships that would effectively utilise the assets on the ground.

JKLL will focus on expanding its footprint and client base to include long-term, integrated customer relationships. To this end, the company continually evaluates the potential for new, purpose built and modern logistics facilities anchored by key customers.

DHL Keells will continue to benefit from the growth in trade volumes, which will be further augmented through additional opportunities in the apparel industry, a primary growth area. The competitive landscape is likely to remain stable in the short term, given the high cost of entry associated with the industry.

Cinnamon Air will continue to focus on creating industry and customer awareness of its scheduled services product through multiple channels with special focus on e-commerce and on-line offerings to promote its services. Sri Lanka's growing attractiveness as a destination for shorter stay, more upscale leisure and corporate tourists combined with the establishment of several luxury hotel brands and small boutique hotels is likely to expand the demand for scheduled and charter inland air services.

Whilst private sector participation in bunkering operations at the Port of Hambantota has been hitherto restricted, it is encouraging that there is a likelihood that the full potential of existing infrastructure could be optimised

City Hotels | Sri Lankan Resorts | Maldivian Resorts | Destination Management

CO_2 1,699 kg per Rs. Mn revenue

Contribution to JKH Group

Revenue	EBIT	Capital employed	Carbon footprint
23%	29%	29%	53%

Cinnamon Red, a select service hotel was launched in September 2014

Vision and Scope

Representing JKH's largest asset exposure, the Leisure industry group encompasses two city hotels that offer approximately 39 per cent of the current 5 star room capacity in Colombo, a newly operational select service hotel also in Colombo, eight resort hotels spread in prime tourist locations across Sri Lanka and three resorts in the Maldives, offering beaches, mountains and cultural splendour under the brand "Cinnamon Hotels and Resorts". The Leisure industry group also has a destination management business in Sri Lanka.

Key Indicators

(Rs. million)	2014/15	2013/14	Chg (%)	2012/13
Revenue[1]	23,360	22,548	4	20,593
EBIT	5,737	5,912	(3)	5,706
PBT	5,505	5,434	1	5,178
PAT	4,855	4,824	1	4,746
Total assets	55,403	52,662	5	49,795
Total equity	45,764	41,570	10	37,606
Total debt	4,826	6,697	(28)	7,435
Capital employed[2]	50,590	48,267	5	45,041
Carbon footprint (MT)	39,684	38,562	3	36,035
Employees (number)[3]	5,147	5,054	2	5,176
EBIT per employee[3]	1.1	1.2	(5)	1.1

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

	City Hotels	Sri Lankan Resorts	Maldivian Resorts	Destination Management
The businesses within the sector	Cinnamon Grand – 501 rooms	8 resort hotels in Sri Lanka – 1,000 rooms	3 resort hotels in the Maldives – 340 rooms	Walkers Tours and Whittal Boustead Destination Management operations in Sri Lanka
	Cinnamon Lakeside – 340 rooms			
	Cinnamon Red – 240 rooms			
Revenue and growth	Rs.7.47 billion, decrease of 3%	Rs.4.70 billion, increase of 8%	Rs.6.38 billion, increase of 4%	Rs.4.80 billion, increase of 11%
EBIT and growth	Rs.2.19 billion, decrease of 16%	Rs.943 million, increase of 4%	Rs.1.48 billion, increase of 3%	Rs.310 million, increase of 4%
Carbon footprint	18,580 MT	13,277 MT	7,170 MT	657 MT
Key external/ internal variables impacting the business	• Increased room inventory in the 3-4 star segment • Arrivals into the City of Colombo were primarily driven by the leisure and airline crew segments • Average duration of stay in the City declined although arrivals into the City increased • Cinnamon Red, the select service hotel catering mainly to business travellers, was launched in September 2014	• The political instability in Ukraine and the economic uncertainty in Russia had a negative impact on tourist arrivals • Depreciation of the Rupee against the US Dollar had a short term negative impact on the profitability of Sri Lankan Resorts, given the exposure to USD denominated loans • Increased competition from the informal sector	• Increased political instability • Expansion of the small and medium hotel segment • The Government of Maldives abolished the bed tax of USD 8 per night and increased tourism GST by 4 per cent	• Initiated a Chinese charter flight from July 2014 onwards • Witnessed a significant growth in volumes from the Chinese market • Launched Cvisit, an online booking platform

Hotel Management Sector

In addition to the sectors referred to in the above table, Cinnamon Hotel Management Limited (CHML), functions as the hotel management arm of the Leisure industry group. The sector achieved an EBIT of Rs.807 million which is a growth of 23 per cent over the previous year.

Operational Review

During the calendar year 2014, arrivals to Sri Lanka grew by 20 per cent to reach 1,527,153 tourists [CY2013: 1,274,593]. The tourism industry reported receipts of USD 2.43 billion, an increase of 41 per cent over the previous year. Western Europe, the largest source market for

The Chinese market continued to demonstrate strong growth potential and contributed significantly to Sri Lanka's leisure industry

1,527,153

Tourist Arrivals to Sri Lanka

tourist arrivals to Sri Lanka grew by 14 per cent while South Asia, the second largest contributor to arrivals, grew at an encouraging 13 per cent to 370,299 arrivals. The economic volatility in Russia and the continuing political unrest in Ukraine had a negative impact on the arrivals from these markets. Arrivals from Russia declined significantly in the key tourist months of November and December, whilst arrivals from Ukraine contracted by 23 per cent for the calendar year 2014, albeit off a relatively small base. The lead up to the Presidential election which was held in January 2015 also had a negative impact on overall arrivals towards the latter part of 2014 and in the month of January 2015. Notwithstanding the aforementioned impacts on tourist arrivals, the Chinese market continued to demonstrate strong growth potential and contributed significantly to Sri Lanka's leisure industry. Various initiatives were implemented at the national level to promote Sri Lanka as a tourist destination amongst Chinese tourists whilst the initiation of a Chinese charter flight by the Group's Destination Management business and the introduction of direct flights from a number of Chinese cities by both Sri Lankan Airlines and Air China improved connectivity between the two destinations. These efforts facilitated a 136 per cent increase in arrivals generated from China to 128,166 which accounted for 8 per cent of total arrivals to Sri Lanka in 2014.

In the year under review, tourist arrivals into the City of Colombo recorded an increase, primarily driven by the leisure and crew segments. The corporate segment recorded only a marginal growth but maintained its position as the largest contributor to overall arrivals. The city hotel segment became increasingly competitive with the growth in 3-4 star room inventory on the back of the commencement of the Group operated 240-room Cinnamon Red Colombo in September 2014 and two other hotels.

Cinnamon Grand maintained its market share and leadership position amongst the city hotels in 2014/15. Intensified competition within the city hotel sector resulted in a marginally lower average room rate for the period under review, while the encouraging trend in tourist arrivals to the City helped maintain occupancy at a level similar to that recorded in the previous financial year.

Cinnamon Lakeside maintained average room rates in line with the previous financial year, but recorded a reduction in occupancies mainly on account of the increasingly competitive operating environment, particularly in the leisure segment. The hotel was partially closed in March 2015 for planned facade related refurbishments and is expected to commence full operations in October 2015. Approximately 40 per cent of the room inventory will be operational during the 6 month closure, while all public areas and main restaurants will remain open to the public and continue to operate as usual. The total cost for the refurbishment is estimated at Rs.415 million.

Cinnamon Lakeside was partially closed in March 2015 for a period of 6 months

Special emphasis was also placed on ensuring a consistent performance of the three beach resorts within the portfolio

The Sri Lankan Resorts sector recorded an improvement in overall occupancies as the growth in tourist arrivals from non-traditional tourism generating markets such as China, India and the Middle East more than compensated for the downturn in arrivals from both Russia and the Ukraine. In the year under review, special emphasis was also placed on ensuring a consistent performance of the three beach resorts within the portfolio through the initiation of a volume driven strategy which focussed on web sales and targeted promotional campaigns locally. Whilst the growth in occupancies remained encouraging, increased supply of rooms in the informal sector as well as the graded sector, which is in direct competition with the Group's Sri Lankan Resorts, exerted pressure on margins. The depreciation of the Sri Lankan Rupee against the US Dollar also adversely impacted the profitability of the sector in the short term given the exposure to US Dollar denominated debt. However, this impact will be offset over a period of time as revenues will also benefit from the depreciation of the Rupee.

During the calendar year 2014, 1,204,857 tourists visited the Maldives, representing a growth of 7 per cent in comparison to the previous year [CY2013:1,125,202]. North East Asia and Western Europe were the primary contributors to the overall arrivals whilst South East Asia recorded encouraging growth off a relatively lower base. Despite the growth in tourist arrivals, the performance of the Maldivian tourist industry fell short of the double digit growth reported in 2013 due to the unstable political environment which prevailed within the country and the aforementioned troubles in Russia and Ukraine. Arrivals from China, the largest source market for tourism in Maldives, also witnessed an unexpected drop towards the latter part of 2014. However, focussed marketing efforts combined with increased connectivity through the introduction of direct flights between a number of Chinese cities and the Maldives by both Maldivian Airlines and Mega Maldives in February 2015 helped reverse this negative trend towards the latter part of the year under review.

The Maldivian Resorts sector continued to record encouraging occupancies, well above the industry average. However, with an increasing number of inhabited islands offering guest houses for tourist accommodation, competition from the informal sector intensified and constrained the growth in average room rates. Savings in finance costs and continued efforts to manage operational costs had a positive impact on the profitability of the Maldivian Resorts sector. In the year under review, the Government of Maldives abolished the bed tax, increased tourism good and service tax (GST) and enacted a bill to introduce a green tax with effect from 1st November 2015.

The performance of the Destination Management sector was in line with expectations as the decline in volumes from the European markets was more than compensated for by the growth in volumes generated from China. Given the increasing prominence of Chinese tourists in to Sri Lanka, a programme was initiated to train Mandarin speaking undergraduates from the Sabaragamuwa and Kelaniya universities to work exclusively as guides for Walkers Tours. The Destination Management sector also focussed on capturing market share in the growing online travel segment and launched Cvisit, an online booking platform in October 2014. The platform acts as a single point through which any traveller to the country can plan their itinerary, enabling the business to be better equipped to embrace the growth in Sri Lanka's tourism industry.

The Annual Report for 2013/14 outlined a number of new initiatives focussed on re-inventing the Cinnamon brand and the social media strategies to be introduced in line with the evolving industry to drive focus of the Group's Leisure business from an asset intensive operation to a brand driven one. The first phase of the new branding initiative was implemented in the year under review as the "Cinnamon" brand architecture was finalised. In line with this architecture, Cinnamon Red was launched in September 2014. The business hotel emphasises the concept of lean luxury and provides a selected range of services and quality accommodation. Since its launch, the hotel has performed beyond expectations and recorded encouraging occupancies, highlighting the effectiveness of our newly adopted brand architecture. Currently, the Group has an associate stake of 20 per cent in the hotel company, whilst the operations of Cinnamon Red are managed by CHML.

Energy efficient lighting at Cinnamon Citadel Kandy

The first phase of the new branding initiative was implemented in the year under review as the "Cinnamon" brand architecture was finalised

In the year under review, a re-vamped social media strategy was implemented with the intention of improving customer engagement and promoting the newly developed brand architecture. A common property management system, "Indra PMS" was also rolled out across the entire range of Sri Lankan City and Resort Hotels of the Group. This ensures that disparate systems are replaced with one solution that centralises all front office processes and other systems on one platform, providing centralised access to information on guest preferences and buying habits with ease.

Sustainability Review

The Leisure industry group sustainability strategy is based upon the material impacts as well as the key risks identified by the Group as part of its enterprise risk management process.

The material impacts for the industry group are classified as follows:

Energy and Emissions Management	Financial implications, stakeholder expectations of sustainable tourism practices, regulatory requirements, brand image and reputation of the industry group's businesses
Water and Effluent Management	Financial implications as well as regulatory and brand reputation implications
Waste Management	Regulatory and brand reputation implications
Talent Management	Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality levels
Health and Safety	The businesses within the sector need to ensure safe working conditions
Supply Chain and Community Engagement	Assessing and educating significant suppliers to ensure the mitigation of negative impacts in environmental, labour and human rights aspects whilst constantly engaging with surrounding communities in order to maintain good relations

The significant suppliers within the industry group are illustrated below:

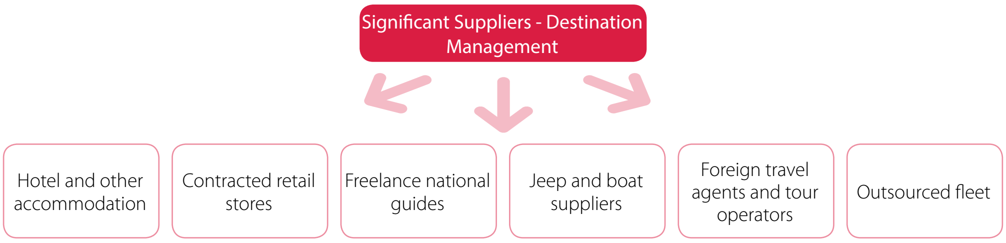
Significant Suppliers - Hotels

Amenities

Food and beverage suppliers

Travel agents and travel websites

Casual employees



Sustainability Strategy

With increasing global demand for sustainable tourism and responsible travel, both by tour operators and independent travellers, the Leisure industry group strives to follow a sustainable and environmentally friendly strategy.

Sri Lanka's rich biodiversity and varied natural environment is a unique selling point, one that is leveraged by the Leisure industry group as the largest hotelier in the country. While basing its sustainability strategy under the umbrella of the John Keells Group Sustainability Policy, the Leisure industry group has also sought to bring its business units within a unified, holistic strategy under the "Cinnamon" brand.

Aligned with this, the Leisure industry group has put in place environmentally friendly practices within its business units to ensure conservation and preservation of the environment within which operations are carried out and seeks to conform to local and international best practices, where applicable. All properties within the industry group monitor, track and seek to make improvements in areas such as energy consumption, water withdrawal, water discharge, waste generation and responsible disposal. Since the Resort properties are in proximity to biologically diverse areas, accounting for a total of 0.6858 square kilometres in size, the industry group continually monitors the impact its operations have on local biodiversity and the environment. The industry group also places emphasis on engaging with local communities, building mutually beneficial relationships through sustainable sourcing from local businesses and through on-going corporate social responsibility projects and activities. To ensure the highest levels of service delivery and quality, the Leisure industry group focusses on providing training on industry specific and other skills to enable its employees to be continually developed as a means of building morale while improving productivity.

Sustainability Targets and Initiatives

Energy and Emissions Management

Targets

- Striving to conserve energy and reduce the carbon footprint through low energy utilisation, use of efficient equipment and by replacing older, higher energy consuming units when required.
- Monitoring of the carbon footprint within the industry group and find other sources of renewable energy with the focus of reducing emissions.
- International benchmarking for all Hotel Properties on energy consumption and carbon emissions.
- Ensuring that the quality of emissions are within the tolerance levels stipulated by the Environmental Protection Licence (EPL).

Initiatives

- Cinnamon Grand modified its heating, ventilation and air conditioning system covering chillers, chill water pumps, air handling units, cooling towers and fan coil units. A new building energy management system (BMS) was also implemented, resulting in a saving of 3,010,000 kWh of energy, Rs.50 million in operating costs and 4,244 MT of CO_2 per annum.
- All Hotels are in the process of adopting energy efficient lighting in staff and guest areas, whilst Cinnamon Lakeside reused its laundry steam for water heating which has resulted in a saving of 87,600 litres of furnace oil per annum.
- Cinnamon Lakeside replaced air conditioning units in the laundry and installed solar panels on the rooftop of the main building, resulting in a saving of 66,836 kWh of energy and Rs.1.1 million in costs per annum.
- Energy audits were conducted at selected hotels to identify gaps in operating efficiencies. As a result, the chiller settings at Cinnamon Tranz Hikkaduwa and Cinnamon Bey Beruwala were adjusted, resulting in a significant saving of energy and cost.
- Renewable energy sources such as solar thermal units and co-generation units for water heating were installed in all of the Group's resort properties.
- The Maldivian Resort sector replaced its conventional air conditioners with inverter type air conditioners in all guest rooms at Cinnamon Island Dhonveli, Chaaya Reef Ellaidhoo and Cinnamon Lagoon Hakuraa Huraa.
- Walkers Tours continued to successfully offset the entire carbon footprint of its fleet and retained its carbon neutral fleet status.

Water and Effluent Management

Targets

- Reducing the Leisure industry group's water footprint.
- International benchmarking for all Hotel Properties on water usage.
- Strive to ensure that all effluents from the Group's Hotel Properties meet the requisite water quality standards.

Water usage was monitored and tracked in all Hotels using divisional sub-metering to analyse high usage areas and target areas of inefficiency

- Ensuring that all Hotels without the ability to discharge water into common municipal sewerage lines have a dedicated effluent treatment plant on site.

Initiatives

- Cinnamon Wild Yala implemented an innovative control system to prevent wastage of water in its washer and extractors during power cuts, resulting in an annual saving of approximately 288 cubic meters of water.
- Water usage was monitored and tracked in all Hotels using divisional sub-metering to analyse high usage areas and target areas of inefficiency, while all effluent was checked on a regular basis by independent assessors to ensure it met with compliance levels.
- All Sri Lankan Resorts increased the use of recycled water for washrooms, gardening and washing purposes.
- All Hotel properties attempted to reduce water withdrawal through initiatives such as rainwater harvesting, with Cinnamon Citadel Kandy initiating a project to use rainwater harvested during the rainy season for its hotel laundry.

Newly commissioned Building Management System at Cinnamon Grand Colombo

Waste Management

Targets

- Implementing a comprehensive waste management strategy in reaching zero waste to landfill status in the long term, through waste classification, inventorisation, segregation, recycling and initiatives such as waste to biogas conversion and composting.

Initiatives

- The second phase of the paper recycling initiative at Cinnamon Lodge Habarana produced paper using elephant dung and waste paper from the hotel. Training has been provided to members of the community in order to produce value added products from the recycled paper, which in turn would be purchased by the project's technical partner Maximus Pvt Ltd.
- The Maldivian Resort sector installed a multi-chopper at Cinnamon Island Dhonveli in a bid to reduce the volume of waste sent to landfill at Thilafushi, while a bio gas digester was installed at Cinnamon Lagoon Hakuraa Huraa.
- Cinnamon Lakeside strengthened its waste management process by recycling polyethylene terephthalate bottles, plastic cans, glass bottles, aluminium cans, cardboard, newspapers, electronic waste and burnt bulbs. The hotel also introduced colour-coded waste bins in the year under review.

Talent Management

Targets

- Ensuring a skilled workforce to meet Cinnamon brand standards through on-going training to all employees with a target number of training hours to be provided to each employee.
- Retaining talent in the face of heightened global and local competition.

Initiatives

- Continuous training and development was provided to all employees in order to ensure better productivity, service quality and employee satisfaction.
- Approximately 46 hours of training was provided per employee in areas covering industry specific managerial skills as well as Company values, policies and remedial mechanisms available to staff.
- Comprehensive training was provided to all chauffeur guides, with approximately 90 chauffeur guides going through the comprehensive training programme by Walkers Tours and Whittalls Bousted.
- Over 10,000 personnel including workforce, families of workforce and members of the community were educated, trained, counselled and appraised on prevention and risk control with regard to serious diseases.

Health and Safety

Targets

- Ensuring safe work conditions while minimising incidents of occupational health and safety.

Initiatives

- Including training on staff health and safety, first aid and other occupational health and safety aspects.
- Maintaining OHSAS 18001 certification for all of the Group's hotels on an annual basis.
- All companies of the industry group reviewed and tested their Business Continuity Plans regularly throughout the year.

Supply Chain and Community Engagement

Targets

- Ensuring that all significant supply chain partners' operations are environmentally and socially responsible.
- Engaging with surrounding communities and striving to stimulate the local economy through the sourcing of fresh produce and other outsourced services.

Initiatives

- Walkers Tours organised two first aid training programs targeting jeep suppliers in the Udawalawe, Yala and Habarana regions with approximately 60 drivers from Yala and Udawalawe and 25 from Habarana.
- The industry group's procurement practices continued to stimulate the local economy and provide livelihoods. The Sri Lankan Resorts sector procured over Rs.450 million of fresh produce locally, while Walkers Tours provided assistance and livelihoods to over 100 drivers through its outsourced vehicle model.

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
Cinnamon 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
Cinnamon Lagoon Hakuraa Huraa, Meemu Atoll Maldives	Marine ecosystems	Adjacent	Nil	0.0543

Sustainability and Financial Performance

Sustainability Performance

The carbon footprint of the Leisure industry group was 39,684 MT in the year under review, which was only a 3 per cent increase against the previous year, despite the commencement of operations of Cinnamon Red and increased guest nights. Despite the increased operational activity, the water consumption remained constant at 1.1 million cubic meters utilised while waste generation decreased by 9 per cent due to better waste management processes. The total injuries recorded fell by 11 per cent from 100 injuries last year, to 89 injuries this year, highlighting the industry group's focus on occupational health and safety, with a majority of hotels having obtained ISO 18000 OHSAS certification. The Leisure industry group also provided 46 hours of training on average to each of its employees, marginally down from 50 hours of training in the previous year.

Sustainability Performance

	2014/2015	2013/2014	Change (%)
Carbon footprint (MT)	39,684	38,562	3
Water withdrawn (l)	1,107,477	1,108,973	(0.1)
Waste disposed (kg)	4,129,651	4,553,277	(9)
Injuries and diseases (number)	89	100	(11)
Total training (hours)	238,130	250,818	(5)

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor

	2014/2015	2013/2014
Sri Lankan Resorts sector CO_2 (kg per guest night)	22.9	23.0
Maldivian Resorts sector CO_2 (kg per guest night)	31.9	31.4
City Hotels sector CO_2 (kg per guest night)	54.6	60.2
Destination Management sector CO_2 (kg per client serviced)	9.1	12.8

Water Withdrawal per Operational Intensity Factor

	2014/2015	2013/2014
Sri Lankan Resorts sector water withdrawn (litres per guest night)	975.1	992.1
Maldivian Resorts sector water withdrawn (litres per guest night)	595.8	617.9
City Hotels sector water withdrawn (litres per guest night)	1,189.3	1,392.2

Waste Generated per Operational Intensity Factor

	2014/2015	2013/2014
Sri Lankan Resorts sector waste generated (kg per guest night)	2.7	3.2
Maldivian Resorts sector waste generated (kg per guest night)	5.3	6.2
City Hotels sector waste generated (kg per guest night)	4.0	4.6

The Destination Management sector also contributed with a 11% increase in revenue, mainly on account of higher volumes from China

Financial Performance

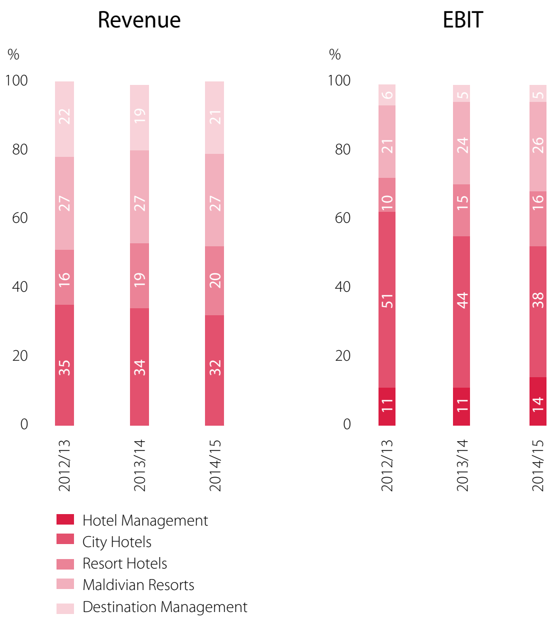
The revenue of the Leisure industry group increased by 4 per cent to Rs.23.36 billion [2013/14: Rs.22.55 billion]. The Sri Lankan Resorts sector recorded a 8 per cent growth in revenue due to an increase in the average room rates and occupancies across a majority of the Resort Hotels. The Maldivian Resorts sector recorded a 4 per cent growth in revenue as the increase in average room rates more than compensated for the marginal decline in occupancies. The Destination Management sector also contributed with a 11 per cent increase in revenue, mainly on account of higher volumes from China. The City Hotel sector witnessed a 3 per cent decrease in revenue due to the lower occupancies recorded at Cinnamon Lakeside.

The EBIT decreased by 3 per cent to Rs.5.74 billion [2013/14: Rs.5.91 billion], primarily on account of the lower EBIT recorded in the City Hotel sector. The lower revenue combined with higher marketing costs at Cinnamon Lakeside and an increase in staff related expenditure at Cinnamon Grand resulted in a 16 per cent decline in the EBIT of the City Hotel sector.

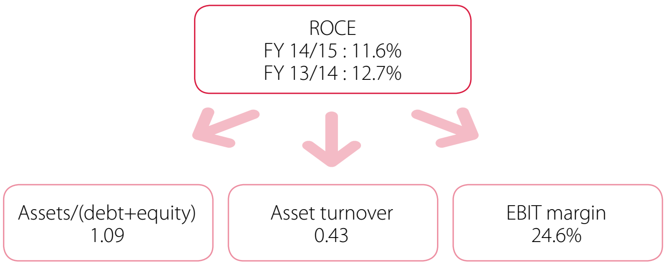
The industry group recorded a significant decrease in finance expenses during the year under review as both the Sri Lankan Resorts and the Maldivian Resorts sectors retired a significant portion of debt. The lower debt base combined with the lower interest rate environment and refinancing of higher cost borrowings contributed towards the reduction in finance costs. Resultantly, the industry group PBT increased marginally to Rs.5.51 billion [2013/14: Rs.5.43 billion].

Rs. 5.51 bn

Leisure Industry Group PBT



Return on Capital Employed



- ROCE declined to 11.6 per cent from 12.7 per cent recorded in the previous financial year. The asset base for the industry group increased as a result of a gain of Rs.2.27 billion arising from the revaluation of a number of properties, including the land owned by Asian Hotels and Properties (AHPL) which recorded a gain from revaluation amounting to Rs.1.69 billion. The ROCE adjusted for revaluation gains and the gain arising from the revaluation of investment property in 2012/13 is 14.5 per cent compared to 15.6 per cent in the previous year. The lower adjusted ROCE is a result of the decrease in EBIT as mentioned above.
- The EBIT margin declined to 24.6 per cent from 26.2 per cent in the previous financial year. The decline is mainly on account of the lower margins recorded under the City Hotels sector for the aforementioned reasons. Whilst both SL Resorts and the Maldivian Resorts maintained EBIT margins in comparison to the previous financial year, the Hotel Management sector recorded cost savings across the board to mark a significant improvement in its EBIT margin.
- The asset turnover ratio declined marginally to 0.43 times from 0.44 times recorded in the previous financial year as the increase in the asset base following the aforementioned gains on revaluations was offset only to an extent by the increase in overall revenue.

Outlook

Tourist arrivals to Sri Lanka are expected to continue its current growth trajectory, primarily driven by newly emerging source markets such as China and India which have demonstrated significant growth potential. Leveraging on the opportunities for growth created through improved connectivity between China and Sri Lanka, the Sri Lanka Tourism Board, in partnership with the private sector, recently launched a focussed marketing plan and development strategy to create awareness and promote tourism into the country. Such efforts are likely to complement the large population of high spending individuals in China with arrivals expected to surpass the United Kingdom as the second largest source market for Sri Lankan tourism in 2015/16. Arrivals from India, the largest source market, are expected to grow with both the leisure and business segments being key contributors. The potential for outbound travel from India is discussed in further detail under the Property Industry Group Review of the Management Discussion and Analysis section of the Annual Report.

The available room inventory in Sri Lanka has increased

The Leisure industry group remains positive that the newly initiated brand architecture, coupled with the digital and social media strategy, will expand and strengthen its brand presence and help achieve differentiation of its offering

significantly over the last few years. Whilst this has created an oversupply of rooms in the short term, Sri Lanka still lacks the necessary capacity to cater to the projected increase in tourist arrivals and is still well below other regional countries such as Thailand, Malaysia, Vietnam and Cambodia in terms of its overall room inventory relative to tourist inflows. While the luxury 5-star market has mainly contributed to this increase, competition is being primarily driven by the informal sector which is priced attractively considering the lower cost base and different service offering. The Leisure industry group remains positive that the newly initiated brand architecture, coupled with the digital and social media strategy, will expand and strengthen its brand presence and help achieve differentiation of its offering in a market which now has a variety of product and service offerings.

In the ensuing year, the Leisure industry group will implement the remaining aspects of its brand strategy while its execution is expected to be fully completed in 2016/17. All Hotel properties of the industry group will be brought under the brand "Cinnamon", creating a master brand with over 2,400 operational rooms spread across Sri Lanka and the Maldives. The industry group will continue to explore new opportunities across the country in order to complete its round tour offering, whilst integrating with its newly initiated brand architecture. A comprehensive online and social media strategy will be further developed to capture margins by lowering distribution costs and to drive direct sales through the website which will be launched in the first quarter of 2015/16. In the following financial year, the common property management system "Indra PMS" will be rolled out across the Maldivian Resorts, completing the process of linking all our properties, both local and international on one platform. Overall, these initiatives will enable the business towards creating a product that can be marketed on a sustainable basis, where sales are based on a value proposition and not price driven.

The City Hotel sector is expected to witness growth in the corporate and leisure tourist segments. Brand loyalty, emphasis on online bookings and the displacement resulting from the partial closure of Cinnamon Lakeside is likely to improve occupancies at Cinnamon Grand. During the 6 month closure period, Cinnamon Lakeside will focus on the leisure tourist segment and careful yield management to drive demand.

In the ensuing year, Sri Lankan Resorts will continue to drive occupancies through a combination of a volume driven strategy with added focus on web sales and tighter relations with foreign tour operators. Emphasis will also be placed on improving its internal staff capabilities through various training programmes, succession planning and talent management processes. The Group's Maldivian Resorts will look to explore new source markets such as Czech Republic and Hungary that are presently showing a positive growth in tourist arrivals to the Maldives in order to partially mitigate the aforesaid negative impact on occupancies. However, the resulting change in guest composition is likely to limit the growth in average room rates.

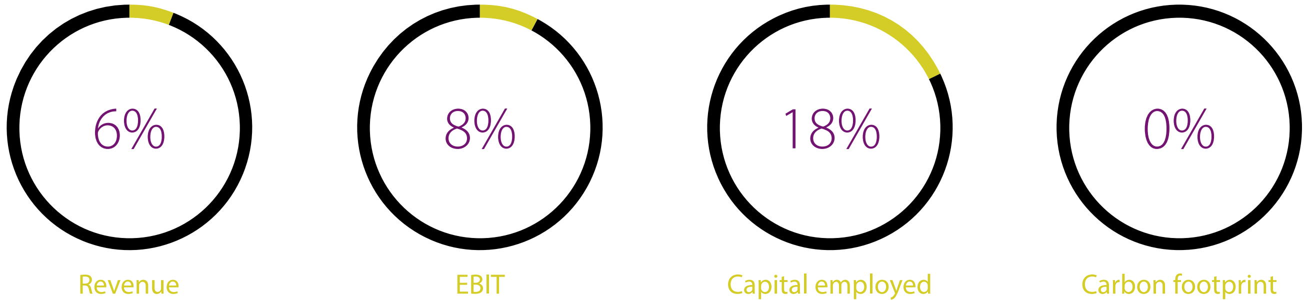
The Destination Management sector will continue to focus on China as a main driver of growth and consolidate its existing position in the three main cities of Beijing, Shanghai and Guangzhou whilst concentrating on two new Chinese cities, namely, Kunming and Chengdu, following the initiation of direct flights to Sri Lanka. Focus will also be placed on increasing volumes from the existing tour operators while implementing an operating structure that will complement the recently launched digital platform.

Property Development

Real Estate

CO_2 10 kg per Rs. Mn revenue

Contribution to JKH Group



The construction of the "OnThree20" residential development was completed on schedule

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 "7th Sense" project on Gregory's Road, the recently concluded "OnThree20" project and the "Waterfront" Integrated Resort Project. The industry group includes the Property Division of Asian Hotels and Properties PLC – the developers of "The Crescat Residencies", "The Monarch", "The Emperor", the up-market shopping mall "Crescat Boulevard" and the "K-Zone" malls in Moratuwa and Ja-Ela.

Key Indicators

(Rs. million)	2014/15	2013/14	Chg (%)	2012/13
Revenue	5,689	4,172	36	3,170
EBIT	1,638	1,364	20	1,264
PBT	1,516	1,293	17	1,252
PAT	1,427	1,291	11	1,190
Total assets	34,891	32,484	7	12,690
Total equity	18,539	19,447	(5)	10,472
Total debt	13,125	10,767	22	2,142
Capital employed	31,664	30,214	5	12,614
Carbon footprint (MT)	59	52	13	96
Employees (number)	107	101	6	103
EBIT per employee	15.3	13.5	13	12.3

90%

Apartments Reserved at "7th Sense" on Gregory's Road as of 31st March 2015

	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.5.49 billion, increase of 38%	Rs.202 million, increase of 7%
EBIT and growth	Rs.1.57 billion, increase of 10%	Rs.73 million, increase of 226%
Carbon footprint	58 MT	1 MT
Key external/internal variables impacting the businesses	• Increased supply of residential apartment units • Recent amendments to the Nations Building Tax Act which was published on 27th March 2015 introduced a 2 per cent levy on the sale of residential apartment units. The levy will take retrospective effective from 1st January 2015. However, the bill though published has not been approved by Parliament as at date • A proposal was made through the mini budget which was held in January 2015 to implement a Mansion Tax on apartments valued over Rs.150 million and or larger than 10,000 square feet. The Bill published on 27th March 2015 has not been approved by Parliament as at date • Potential for increase in demand for properties on the back of lower interest and other finance costs	• Following the implementation of the Land (Restrictions on Alienation) Act, a foreigner, a foreign company or a company incorporated in Sri Lanka under the Company's Act where any foreign shareholding, either direct or indirect, exceeds 50 per cent or above at such company is prohibited from purchasing land outright and is only permitted to lease land for a period of up to 99 years with a payment of an upfront lease tax of 15 per cent, or 7.5 per cent (subject to status), on the total rent payable for the duration of the lease • Improved connectivity and accessibility to the suburbs following the development of the highway systems

Operational Review

During the year under review, the overall property market in Sri Lanka benefited from the moderation of interest rates, increasing disposable incomes and the continuing trend of a growing urban population. The emergence of a market segment, where lifestyle and convenience takes precedence, continued to promote the residential market catering to the mid-income tier. Supply under the premium residential market increased significantly whilst demand was driven by a finite number of high net-worth individuals and non-resident Sri Lankans. In the commercial office space segment, an increasing number of residential properties are substituted for commercial use, which has resulted in office

The Crescat mall in Colombo sustained its position as the preferred retail destination within the City of Colombo rentals being maintained at levels well below the regional average. Whilst demand for commercial office space has remained steady, low rentals combined with high construction costs continued to constrain supply within this segment.

From a regulatory perspective, the Land (Restrictions on Alienation) Act introduced on 29th October 2014 and applied retrospectively from 1st January 2013 restricts foreigners, foreign companies and companies incorporated in Sri Lanka under the Company's Act where any foreign shareholding, either direct or indirect, exceeds 50 per cent or above at such company from directly purchasing both residential and commercial property on a freehold basis. As a result of this Act, those considered "foreign" based on the above definition are only permitted to lease land for a maximum duration of 99 years and are liable to pay an upfront lease tax amounting to 15 per cent (or 7.5 per cent dependent on status) of the total rent payable for the entire duration of the lease. The Act, however, provides clarity that foreign nationals can own apartment units above the fourth floor of a residential development and allows a lower lease tax on certain specified instances. Furthermore, the imposition of the NBT levy and the Mansion Tax both of which have been described above may have an impact on the sale of residential units.

The construction of "OnThree20", the Group's residential apartment project was completed on schedule during the third quarter of the year under review. Augmented by its convenient location and targeted pricing, the development witnessed encouraging demand with only 8 units remaining to be sold as of 31st March 2015.

Construction of the premium residential development "7th Sense" on Gregory's Road, comprising of 66 apartment units, is progressing as planned. The main structure for the development was completed with 80 per cent of the overall construction being finalised in the year under review. At the conclusion of the 2014/15 financial year, approximately 90 per cent of the units were reserved and 50 per cent of the overall revenue was recognised.

The Crescat mall in Colombo sustained its position as the preferred retail destination within the City of Colombo and maintained near full occupancy throughout the year under review. The occupancy at the K-Zone mall in Moratuwa stood at 90 per cent as of 31st March 2015. Both malls continued to benefit from various events, promotional campaigns and complementary product offerings which enhanced the overall shopping experience resulting in an increase in customer footfall. The K-Zone mall in Ja-ela recorded an average occupancy of 73 per cent for the current year. The mall is in its second year of operations and further alignment of its retail offering is being undertaken to meet the needs and spending patterns of the surrounding community in order to improve occupancies.

The "Waterfront" Project, an integrated, multi-use resort remains as Sri Lanka's largest private sector investment to date. Given the scale of the Project, the hotel, conferencing and retail segments are expected to create direct employment opportunities for approximately 5,000 people. Furthermore, the multiplier effect of the direct employment generated will result in a significant contribution from the creation of other indirect employment opportunities arising through related products and services. This number will in fact increase further depending on the operations and activities of the Project where certain services and facilities could be operational on a 24/7 basis. The significant economic and social benefits accruing to the country through employment generation and foreign exchange inflows and skills upgrading via technology transfer, resulted in the Project receiving Strategic Development Project status in January 2014 from the Government of Sri Lanka under the Strategic Development Projects Act, enacted by the Parliament to support infrastructure and projects deemed to be of strategic interest to the country.

The "Waterfront" Project, an integrated, multi-use resort remains as Sri Lanka's largest private sector investment to date

The Project was designed to consist of an 800-room super luxury hotel and conference centre, a state-of-the-art office complex, luxury residential apartments and a retail mall, which included a space that was earmarked for rental for gaming activities to be carried out by an internationally renowned gaming operator using an existing gaming licence. This rentable space amounted to just 3 per cent of the total 4.5 million square feet of the Development. The envisaged operational structure for the Development was such that Waterfront Properties (Private) Limited, the Project company, was never to own a licence to operate gaming activities and was to act solely as a landlord renting out space to a gaming operator, subject to the prevailing laws and regulations governing gaming in the country. As announced by the Company to the CSE on the 30th of January 2015, following developments impacting gaming operations in Sri Lanka, a decision

WPL was never to own a licence to operate gaming activities and was to act solely as a landlord renting out space to a gaming operator

was made to continue with the Project after considering all known factors and the potential impacts of varying alternatives. It was concluded that the Project avails great potential given its diverse portfolio of revenue streams and the existing growth potential within the Sri Lankan tourism industry, primarily through the MICE tourist segment as further discussed in the Outlook section. As such, the Project will continue as planned. The retail space will continue to be considered as a rentable space to house unique activities and attractions that can be used to create footfall from both local and regional markets thereby complementing the hotel operations and related aspects of the Development.

The Project Company concluded a USD 445 million syndicated project development facility with Standard Chartered Bank in December 2014 to meet the debt financing requirements of the Project. Subsequent to the decision made to continue with the Project as announced to the Stock Exchange on the 30th of January 2015, as referred to before, the relevant sections of the loan agreement and related financial models are being amended to reflect the current status and scope of the project. The lenders remain committed. Meanwhile, the Project Company has in place a bridge funding facility from Standard Chartered Bank for USD 100 million to meet the initial funding requirements of the Project. This will be refinanced with the syndicated project development facility when concluded.

The overall brand architecture for the Development was finalised during the year, with the Project being positioned as "Cinnamon Life". The branding is in line with the newly adopted brand strategy of the Leisure industry group, where, a collection of brands are being brought under one umbrella to leverage on the strong brand equity of one "Masterbrand", namely, "Cinnamon". Cinnamon Life will complement the brand promise under the Cinnamon masterbrand providing exposure to a complete "vibrant lifestyle" through our offerings within one location. The construction of the Project is ongoing for expected completion in 2018. Demand for both residential and commercial spaces continue to remain encouraging with 20 per cent and 30 per cent of units available for sale being reserved as of 31st March 2015 respectively.

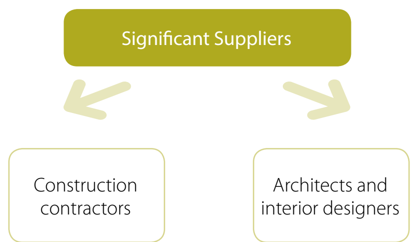
Sustainability Review

The Property industry group's sustainability strategy is based upon the material impacts as well as the key risks identified by the Group as part of its enterprise risk management process.

The material impacts for the industry group are classified as follows:

Energy and Emissions Management	Direct financial implications as well as overall price competitiveness in renting out shop and office space
Waste Management and Effluent Discharge	Requirement to be compliant with government regulations, industry regulations and prerequisites of lending agencies. Implications on brand image and the environment
Occupational Health and Safety	Business requirement to monitor occupational health and safety incidences and practices in the supply chain while continuously assessing risks faced by the Property industry group due to its business model of utilising third party construction contractors
Customer Health and Safety and Impacts on Neighbourhood Community	Requirement to ensure hygienic food and other facilities in shopping malls and to minimise disturbances to neighbourhood communities as a result of construction activity

The significant suppliers within the industry group are illustrated below:



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

Sustainability Strategy

With Sri Lanka's expanding property market, the Property industry group seeks to differentiate itself by maintaining the quality standards of its products, reputation as a responsible corporate citizen and position itself as one of the foremost companies in the property market.

The Property industry group's operations are based on the JKH Group's overarching sustainability policies including environmental and social impact assessments prior to the commencement of new projects. Effluent and waste management, occupational health and safety and the requirement to engrain sustainability in its supply chain through supplier engagement and assessment are looked at carefully by the industry group, for both its existing operations and new projects. These assessments assist in reducing the operational and reputation risks to the business.

"Waterfront", the Group's integrated resort was designed by the Balmond Studio, in accordance with British Standards, the Code of Practice for Energy Efficient Buildings in Sri Lanka and Sri Lanka Standard Code of Practice for electrical installations. Furthermore, all materials used for piping and insulation within the industry group's developments are free from chlorofluorocarbons (CFC) and hydrochlorofluorocarbons (HCFC).

In response to the impact on national infrastructure and utilities, basement reservoirs with a holding capacity of twice the average daily water consumption have been built, while the sizing of waste water networks is done based on effluent flow rates for each building. In addition, rainwater recovered from roof-tops is filtered, stored and re-used for flushing purposes in wash rooms.

Sustainability Targets and Initiatives

Energy and Emissions Management

Targets

- Improve energy efficiency and thereby reduce the carbon footprint of John Keells Group companies that utilise areas in common office locations.

- Improve energy efficiency within shop spaces rented out and thereby gain a competitive advantage.

Initiatives

- Power factor correction capacitor banks were installed at common office locations.
- Variable speed drives were installed at Crescat Boulevard to optimise equipment efficiency.
- Energy efficient lighting was installed in car parks.
- Optimisation of chiller system at K-Zone Ja-Ela.

Waste Management and Effluent Discharge

Targets

- Ensure that solid waste generated is disposed of in a responsible manner.
- Before releasing to the environment, ensure that as per regulatory requirements the waste water is discharged to municipality sewers or to in-house sewerage treatment plants.
- Waste generated in office locations is disposed through the Group's identified e-waste and paper recycling suppliers.

A full-time health and safety team was deployed at the construction sites

Initiatives

- A solid waste segregation strategy was implemented to measure, monitor, track and report waste generated on a quarterly basis.
- The effluent discharge from sewer treatment plants were maintained within the Environmental Protection Licence tolerance levels for locations not covered by city sewerage lines.
- The effluent treatment plant at K-Zone Ja-Ela was utilised to reuse 100 per cent of its waste water. The treated water was used for gardening and general cleaning purposes at the premises.

Occupational Health and Safety

Targets

- Maintain health and safety standards within the value chain and obtain OHSAS 18001 certification for all shopping malls.
- Safe construction site for employees as well as personnel of outsourced construction contractors.

Initiatives

- OHSAS 18001 certification was obtained for K-Zone Moratuwa and Crescat Boulevard while certification is in the process of being obtained for the K-Zone shopping mall in Ja-Ela.
- Training programmes on first aid, fire evacuation and food testing were conducted for all maintenance, housekeeping and security staff of the retail malls.
- A full time health and safety team was deployed at construction sites and practices of outsourced construction contractors were continuously assessed and monitored with regard to health and safety.
- Monthly site safety meetings were conducted for all construction contractors. Site safety and the requirement for sound labour practices by construction contractors were incorporated into contracts.
- The labour department's requirements for lifts, construction equipment and health and safety standards were checked and monitored. Monthly meetings with the consultant and contractor were held in order to review the progress made.
- All companies within the industry group reviewed and tested their Business Continuity Plans on a regular basis throughout the year.

Supplier audits at 7th Sense

Customer Health and Safety and Impacts on Neighbourhood Community

- A training session on food hygiene was conducted for all food court staff of the Group owned retail malls.
- All regulatory requirements were met ensuring there were minimal negative impacts on communities and the environment in the vicinity of construction sites.
- WPL conducted an Environmental Examination Report [EER], approved by the Urban Development Authority (UDA) and the Central Environmental Authority (CEA), while an environmental monitoring plan was submitted in line with the EER and will be monitored by a committee consisting of Waterfront Properties (Private) Ltd, the contractor and consultant.
- A Traffic Impact Assessment (TIA) and Initial Environmental Examination (IEE) assessments were obtained for WPL as required, in order to minimise impacts on public utilities and infrastructure.

Sustainability and Financial Performance:

Sustainability Performance

The Property industry group's carbon footprint increased by 14 per cent from 52 MT in 2013/14 to 59 MT in 2014/15. The Property industry group did not have any occupational health and safety incidents involving its own employees in 2014/15. There were however, incidences reported by its construction contractors due to accidents and the industry group continues to engage with its contractors to minimise such instances. In addition, 1,287 hours of training were provided to the staff within the industry group.

Sustainability Performance			
	2014/2015	2013/2014	Change (%)
Carbon footprint (MT)	59	52	13
Waste disposed (kg)	164,798	77,913	112

* 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 common office locations of the group.

Return on Capital Employed

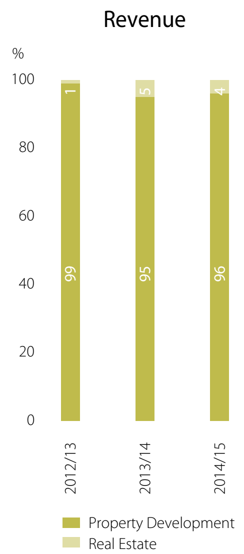
ROCE
FY 14/15 : 5.3%
FY 13/14 : 6.4%

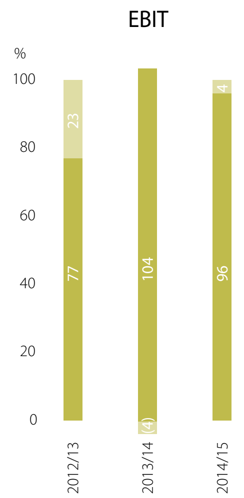
Assets/(debt+equity) 1.09 | Asset turnover 0.17 | EBIT margin 28.8%

Financial Performance

Revenue increased by 36 per cent to Rs.5.69 billion [2013/14: Rs.4.17 billion] with revenue recognition at "OnThree20" being the largest contributor to industry group revenue. The growth in revenue however was driven primarily on account of the higher revenue recognition at "7th Sense" on Gregory's Road since "OnThree20" had significant revenue recognition in the previous year as well.

The EBIT increased by 20 per cent to Rs.1.64 billion [2013/14: Rs.1.36 billion] on account of the aforementioned increase in revenue, an increase in finance income arising from the investment of pre-sales cash receipts at "OnThree20" and lower administration related expenses reported at a number of companies within the industry group. The growth in EBIT was constrained since the previous year's EBIT included a gain of Rs.391 million on the revaluation of the Crescat Boulevard investment property and the land owned by Waterfront Properties (Private) Limited. The corresponding revaluation gain on investment property for 2014/15 is only Rs.5 million, mainly arising from Crescat Boulevard. The recurring EBIT increased by 68 per cent to Rs.1.63 billion [2013/14: Rs.974 million]. The recurring PBT increased by 67 per cent to Rs.1.51 billion [2013/14: Rs.902 million].





- ROCE declined to 5.3 per cent from 6.4 per cent recorded in the previous financial year. The asset base increased on account of the infusion of cash equity and the drawdown of debt at Waterfront Properties (private) Limited in order to fund the ongoing project expenses associated with the construction of "Waterfront". This combined with the lower gain on fair value on investment property in the current year and a revaluation gain of Rs.136 million at the land owned by Whittall Boustead in Vauxhall Street, Colombo 02, as opposed to a gain of Rs.10 million in the previous financial year, had a negative impact on the ROCE for 2014/15. Considering the long gestation period of four years on the "Waterfront" Project, we have eliminated these impacts, including adjustments on investment properties and revaluation gains, to compute an adjusted ROCE which reflects the return on the current portfolio of the Property industry group. The adjusted ROCE on this basis is 10.9 per cent for the current year compared to 7.1 per cent in the previous financial year. The higher adjusted ROCE is a reflection of the increased EBIT as mentioned above.
- The EBIT margin declined to 28.8 per cent from 32.7 per cent recorded in the previous financial year. The higher gain in investment property recorded in the previous financial year had a negative impact on the EBIT margin. The recurring EBIT margin of 28.7 per cent was an increase compared to the 23.3 per cent in 2013/14. The EBIT margin increased on account of higher finance income recorded at "OnThree20" and lower admin related expenses as mentioned above.
- The asset turnover decreased to 0.17 times from 0.18 times due to the aforementioned increase in the asset base in order to meet the funding requirements at Waterfront Properties (Private) Limited. The asset turnover adjusted for the impacts from "Waterfront" on the asset base and the higher gain arising from revaluation of land in 2014/15 is 0.32 times compared to 0.28 times in the previous financial year.

Outlook

Demand for the mid-tier residential property market is expected to be driven by

Rs.1.64 bn

Property Industry Group EBIT

Retail penetration in Sri Lanka is well below other regional countries such as Malaysia, India and Thailand

increasing disposable incomes and lifestyle changes, with apartment living gaining ground as a social norm. This trend will be further supported if the interest rate environment remains relatively stable in spurring the housing market. Whilst the "OnThree20" residential development targeting the mid-to-upper luxury segment of the population was recently completed, the industry group will continue to look for new development opportunities within this segment, where location, product and price are considered key differentiators. The supply of premium residential units is expected to increase further over the short to medium term. The "7th Sense" on Gregory's Road, the Property industry group's existing premium residential development, however, is already well established in the market with most units being sold. With the development nearing its completion, its unique product proposition and the JKH Group's brand reputation is expected to contribute towards selling the remaining units. Similarly, the Property industry group is confident that the unique proposition of "Waterfront" – a true mixed use development as described before – will continue to have a positive impact on the sales of residential apartments and office spaces. The industry group will also look to capitalise on its sizeable land bank and the improved connectivity and accessibly to the suburban areas to provide new residential products that cater towards the changing lifestyles and preferences of the emerging population.

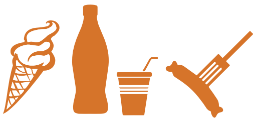
The "Waterfront" Integrated Resort was conceptualised taking into account the medium to long term prospects for tourism in the country – both leisure and business, the potential for the City of Colombo to be a key driver of tourism considering the proximity to key business hubs in the region and the opportunity of attracting high spending tourists into the country through the creation of a destination catering to the needs of the emerging traveller. As a result, certain aspects of the Project were designed under strict regulation to provide a unique value proposition and facilities on par with regional tourist markets that have successfully appealed to the mid to high spending tourist segment. It is envisaged that the unique offering given the integrated nature of the Project, combined with the growth in regional conference and convention markets will continue to attract tourists with significant spending potential and ensure demand for the various value propositions within the Resort.

While the Sri Lankan tourism industry has recorded double digit growth over the past few years there still remains significant untapped potential, particularly in terms of attracting outbound travel under the business and MICE tourist segments from key source markets such as India. India is expected to record a significant increase in outbound travel over the next five years. A tourism industry report by Amadeus Frost & Sullivan has estimated that the total expenditure by Indians travelling to Asia Pacific alone will increase to approximately USD 90 billion by 2030. Amongst the outbound tourist segment from India, the MICE segment has shown encouraging growth over the years, both in terms of absolute tourist numbers and average spend per tourist, which is notably higher in comparison to the regional average. India is expected to continue to drive outbound travel in the MICE market and a number of competing destinations including the likes of Melbourne and South Africa are working towards capturing this high potential tourist segment. However, Sri Lanka has the distinct added advantage of being located within close proximity to India and will further benefit from the improving connectivity between the two destinations. The expected influx of MICE tourists into Sri Lanka, combined with the lack of existing facilities within the country to cater to the high spending conference and corporate incentive travellers, will ensure a strong market for the conference and convention facilities at the "Waterfront" Integrated Resort, which has the capacity including parking for approximately 1,600 vehicles to cater to a total of 3,300 delegates in three locations. This will help promote Colombo, and Sri Lanka, as a destination for large international conferences on par with regional locations. Furthermore while the number of hotel rooms in the pipeline over the short to medium term is expected to increase considerably, this growth in inventory is required if Colombo is to cater to the aforementioned growth in tourism. The growth potential within the Sri Lankan tourism industry is discussed in further detail under the Leisure industry group review of the Management Discussion and Analysis section of the Annual Report.

The "Waterfront" Integrated Resort has the capacity including parking for approximately 1,600 vehicles to cater to a total of 3,300 delegates in three locations

Retail penetration in Sri Lanka is well below other regional countries such as Malaysia, India and Thailand. A growing middle class population and strong growth in tourism is expected to drive demand for international quality mall space providing lifestyle and entertainment choices along with branded goods and services.

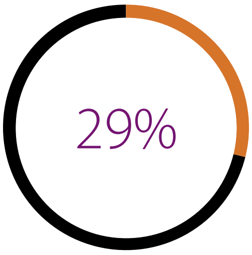
The demand for commercial office space is expected to increase following the growing need for efficient and "smart" office space. Furthermore, as seen in other developing countries within the region, it is likely that various regulations will be drafted and implemented to prevent offices being set-up in informal/ residential locations.


Consumer Foods

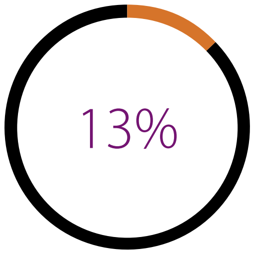

Retail

889 kg
per Rs. Mn revenue

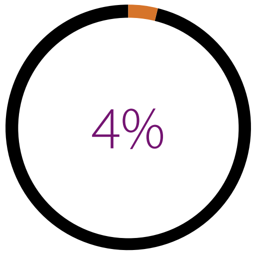
Contribution to JKH Group



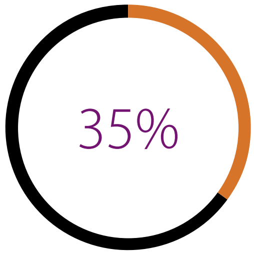
Revenue



EBIT



Capital employed



Carbon footprint

Keells Food Products extended its product portfolio to include 160 SKUs in total

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 confectionery and convenience foods.

The Retail sector focusses 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)	2014/15	2013/14	Chg (%)	2012/13
Revenue	29,757	25,414	17	24,042
EBIT	2,566	1,480	73	2,479
PBT	2,498	1,328	88	2,363
PAT	1,804	1,005	79	1,987
Total assets	12,945	12,171	6	17,305
Total equity	6,613	5,977	11	10,804
Total debt	923	1,699	(46)	1,704
Capital employed	7,536	7,676	(2)	12,508
Carbon footprint (MT)	26,441	26,428	0	24,504
Employees (number)	3,427	3,263	5	3,415
EBIT per employee	0.7	0.5	65	0.7

120%

Retail Sector EBIT Growth

	Consumer Foods	Retail
The businesses within the sector	Ceylon Cold Stores (CCS) produces and markets a portfolio of carbonated soft drinks under the "Elephant House" brand, an energy drink under the "Wild Elephant" brand and "Elephant House" branded ice creams and related confectionery products	JayKay Marketing Services (JMSL) operates the "Keells Super" chain of modern retail outlets and the Nexus loyalty programme
	Keells Food Products (KFP) produces and markets a range of processed meat products under the "Keells", "Krest" and "Elephant House" brand names	
Revenue and growth	Rs.11.50 billion, increase of 12%	Rs.18.26 billion, increase of 21%
EBIT and growth	Rs.1.98 billion, increase of 63%	Rs.586 million, increase of 120%
Carbon footprint	13,651 MT	12,790 MT
Key external/internal variables impacting the businesses	• Consumer confidence improved in the year under review and translated into higher discretionary spending towards the latter part of 2014/15 • Cost of production remained stable as the increase in the price of fresh milk was offset by the reduction in sugar prices and electricity tariffs • Emergence of a more health conscious consumer base	• Consumer confidence improved in the year under review and translated into higher discretionary spending towards the latter part of 2014/15 • Low inflationary environment • Downward revision in electricity tariffs • Both alcohol and tobacco businesses were exempted from value added taxes (VAT) under the Budget for 2015 resulting in a higher "deemed VAT" payout for the company

Operational Review

The consumer foods industry as a whole benefited from the improving trend in consumer sentiment witnessed during the year under review. The trend of improving consumer confidence witnessed in the latter part of 2013/14 maintained its momentum into the first half of the year under review. The reduction in electricity tariffs during the year and various other measures of relief to reduce the cost of living, which were implemented consequent to the interim budget in early 2015, resulted in an increase in disposable incomes and further improved consumer sentiment. However, the full benefit in terms of an increase in discretionary spend will be witnessed in the ensuing year since these measures were implemented towards the latter part of the financial year 2014/15.

The Frozen Confectionery business outpaced the performance of the overall industry and recorded a notable growth in volumes, aided by the increasing levels of discretionary spending and focus on strengthening the modern

The consumer foods industry as a whole benefited from the improving trend in consumer sentiment witnessed during the year under review

KFP invested in a state-of-the-art formed meat line

trade distribution channel. The bulk segment was the primary contributor to the improved performance, whilst the impulse range continued to demonstrate steady growth, albeit off a smaller base. A new flavour, "Rocky Road", was introduced under the premium product range, extending its portfolio to 6 flavours in total.

The performance of the Beverage business was in line with the overall industry as it recorded a marginal improvement in volumes. As in the past, competitors continued to adopt a number of mechanisms to capture market share. However, CCS leveraged on its strong brand, extensive distribution network and flavour portfolio to achieve a successful balance between profitability and volumes. Health concerns regarding the consumption of carbonated soft drinks have resulted in a segment of consumers having a preference towards healthier alternatives. In July 2014, CCS launched "Twistee", a fruit based tea drink which caters towards this growing segment of health conscious consumers. The product has been well received by the market and overall sales have been promising thus far.

During the year the Government increased the farm gate price of fresh milk, a key ingredient in manufacturing frozen confectionery products. However, the lower price of sugar and the downward revision in certain tariffs through the interim budget as mentioned above, combined with various cost management initiatives at an operational level, helped mitigate the negative impact on the overall profitability of CCS. The company also implemented a number of selective price increases, after taking into account the price elasticity of demand of its various product offerings.

As a testament to 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 2nd consecutive year at the People's Awards jointly held by the Sri Lanka Institute of Marketing (SLIM) and The Neilson Company.

Keells Food Products (KFP) recorded significant growth in overall volumes in the year under review, with all major product categories contributing to the improved performance. During the year, KFP was awarded the Halal certification, enabling the company to venture into new market segments. The company also expanded its product portfolio and altered the composition of its distribution network in favour of modern trade and general trade, which focusses on in-home consumption. As a result, KFP successfully improved the profitability of its product mix and recorded an increase in penetration levels. The company invested in a state-of-the-art formed meat line in 2014, paving the way to enter new product segments and enhance its production capacity. KFP continued to benefit from a number of efficiency improvement measures that were implemented in the previous financial years. The acquisition of the meat processing plant in Pannala has decreased the total waste generated during production, whilst the automation of processes at the factory has reduced labour expenses and improved overall productivity. The downward revision of electricity tariffs, fuel costs and the prices of other key raw materials in the year under review also contributed positively to the overall profitability of the company.

The Retail sector recorded a significant improvement in its performance, primarily driven by the growth in customer footfall. Emphasis was placed on continuously reviewing the products on offer and ensuring the quality of products sold at each outlet, whilst also improving customer awareness through focussed marketing campaigns. This resulted in an increase in customer penetration for fresh produce. JMSL maintained its strategy of focussing on larger format outlets which have so far performed beyond expectations. During the year, 4 new outlets conforming to the new format were opened, whilst 3 loss making outlets were discontinued. A number of initiatives were also implemented to improve operational productivity, with cashiers being trained to improve check out times and efficiency gains in the supply channel being achieved through the distribution centre managed by John Keells Logistics. As a part of its digital strategy, JMSL launched Nexus mobile and successfully grew the active Nexus customer base in the year under review. The Nexus mobile phone application, the first of its kind in Sri Lanka, was introduced during the financial year of 2014/15. The application promotes customer convenience through a variety of features, including those that facilitate online shopping, the ability to view ongoing promotions and locate nearby outlets.

The Retail sector opened 4 new outlets conforming to the new, larger format

As proposed under the Budget for 2015, both alcohol and tobacco businesses were exempted from value added taxes (VAT). Since alcohol and tobacco producers can no longer issue VAT invoices, the deemed liable VAT of JMSL increases as the company is unable to claim input VAT on these products. The revision is effectively a tax on the topline of the Retail business, where both alcohol and tobacco account for a considerable portion of overall revenue. The Retail sector engaged with the respective suppliers and undertook necessary measures to mitigate the negative financial impact of this revision. The supermarket industry is also currently engaging with the Government to exclude VAT on essential items such as basic agricultural products, dairy products and pharmaceutical items in order to ensure there is no pass-through cost impact of VAT on these essential items.

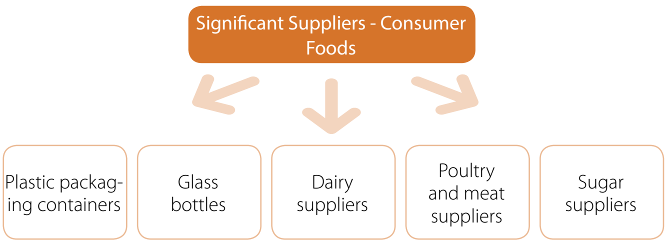
In July 2014, CCS launched "Twistee", a fruit based tea drink

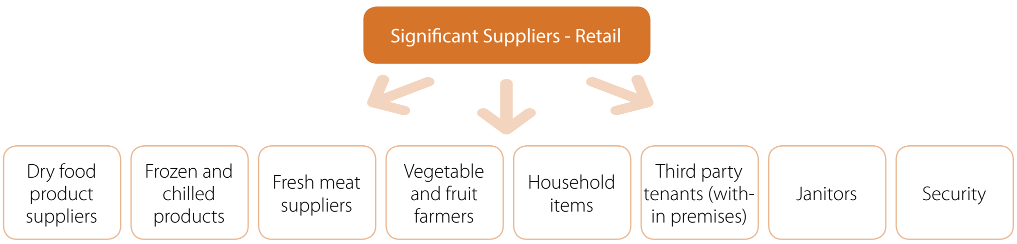
Sustainability Review

The Consumer Foods & Retail industry group's sustainability strategy is based upon the material impacts as well as the key risks identified by the Group as part of its enterprise risk management process.

The material impacts for the industry group are:

Product and Service Quality, Responsible Labelling and Marketing Communications	Brand reputation, regulatory compliance and business continuity implications
Supply Chain and Community Engagement	Ensuring a continuous source of raw materials which reduces risk, enhances brand reputation and benefits local businesses whilst maintaining good relations with the neighbouring community
Energy and Emissions Management	Regulatory compliance and environmental responsibility
Water and Effluent Management	Financial and operational efficiencies as well as regulatory and brand reputation implications
Waste Management	Regulatory and brand reputation implications
Occupational Health and Safety	Ensuring a safe and productive working environment is essential given that the sector is labour intensive and operations are predominantly in manufacturing
Talent Management	The need to retain and continuously upgrade the skills of existing staff, thereby improving productivity





Sustainability Strategy

Being in the food industry, ensuring high product and service quality is of paramount importance to the Consumer Foods & Retail industry group. The operational strategies are centred on ensuring safe and high quality products of the Consumer Foods businesses, and differentiating the Retail operations by facilitating a superior experience through heightened service levels. The industry group's businesses have obtained international quality standards with assurance obtained annually through third party verifications. Both Ceylon Cold Stores and Keells Food Products adhere to the standards stipulated by the Sri Lanka Standards Institute and have achieved standards that are on par with international standards with respect to process excellence.

The industry group considers it a key strategy for its business units to purchase raw materials locally as it optimises the cost of purchase, stimulates local economies and ensures that the Group maintains its social license to operate. The industry group is aware that changes in weather patterns can impact crop yields, and therefore, adversely impact its overall operations. To this end, it proactively engages with its diverse farmer communities to adhere to agricultural practices that are environmentally sound and result in high yields. Given its significant distribution network, varied manufacturing plants and over 40 retail outlets, the industry group also 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. Given its labour intensive nature, the industry group also places great importance on the health and safety of its workforce. Emphasis is placed on providing continuous training to develop skills and improve productivity of the staff while respecting employee rights and maintaining good working conditions. The industry group adheres to the John Keells Group's environmental, labour and product policies and continues to monitor employee, environmental and social activities within the Group, whilst marketing its products responsibly.

Sustainability Targets and Initiatives

The industry group focusses on ensuring high quality products and services, environmentally sound practices and a safe work environment. The businesses within the industry group have established targets to continuously monitor processes in line with international standards.

Product and Service Quality, Responsible Labelling and Marketing Communications

Targets

- Ensure superior product quality and service levels.
- Provide relevant information to meet the requirements of its consumers through responsible labelling of products and services.

CCS and KFP have successfully maintained ISO 9001 and ISO 22000 certifications during the year

- Ensuring that all marketing communications carried out are ethical and aligned to social norms.

Initiatives

- CCS and KFP have successfully maintained ISO 9001 and ISO 22000 certifications during the year, whilst JMSL has introduced 40 organic SKUs at 8 selected outlets, certified by Sri Cert, in response to the growing segment of health conscious consumers.
- All companies of the industry group, at a minimum, adhere to the Consumer Affairs Authority with regards to all its products and service, as well as regulations stipulated by the Food Act, whilst providing information such as sourcing of components and responsible disposal.
- The industry group has 454 stock keeping units which are either manufactured by the Consumer Foods sector or obtained via private labelling arrangements at the Retail sector. Of these, 80 per cent carry information on the ingredients used, 1 per cent carries information on the sourcing of raw materials, whilst 28 per cent and 60 per cent carry information on the safe use and responsible disposal of products respectively.
- All companies of the industry group adhere to the John Keells Group Marketing Communication Guidelines which are based on the Code of Advertising and Marketing Communications of the International Chamber of Commerce.

Environmentally friendly carbon dioxide plant at Ceylon Cold Stores, Ranala

Supply Chain and Community Engagement

Targets

- Maximise the procurement of raw materials from local suppliers and farmers whilst meeting required quality standards.
- Minimise risks emanating from supply chain.

Initiatives

- CCS, KFP and JMSL continue to procure a significant component of raw materials from local suppliers. During the reporting year, procurement from overseas suppliers only took place to cover incidences of short supply.
  - CCS procured Rs.166 million of ginger, cashew, vanilla, treacle and kithul jaggery from local suppliers.
  - KFP procured Rs.809 million of vegetables and spices as well as other meat products from local farmers and suppliers.
  - JMSL procured Rs.458 million of fresh fruit and vegetables from farmers in proximity to its collection centres in Suriyawewa and Thambuththegama and Nuwara Eliya and Jaffna, whilst it also currently works with 10 organic produce farmers, purchasing 2,000 kg of organic produce.
- All companies in the industry group carried out quality assurance audits of their significant suppliers, including adherence to the John Keells Group Environmental and Labour policies.
- The industry group's management also spent over an estimated 100 hours in supplier engagement and provision of technical support for improving yield and quality standards whilst simultaneously uplifting livelihoods.
- CCS periodically engaged with the local community to ascertain social needs and establish social responsibility initiatives based on feedback received. As a result, over 20 new employees have been recruited from the community.
- CCS continued to actively contribute to community welfare projects with one of the key initiatives being the provision of treated water to over 15 families free of charge.
- CCS also worked towards obtaining the biomass requirement for boilers through an intermediary working with the surrounding community.

Energy and Emissions Management

Targets

- Reduction of energy consumption and resultant reduction in the carbon footprint.
- International benchmarking for CCS and all Keells Super outlets on energy consumption and carbon emissions.
- Ensuring that quality of emissions are within the tolerance levels stipulated by the Environmental Protection Licence (EPL).

Initiatives

- Initiated the use of renewable energy sources to reduce CCS's furnace oil and diesel consumption through the installation of a 5 ton per hour biomass boiler which replaced two furnace oil fired boilers in the ice cream and soft drink factories. This resulted in a saving of 650,000 litres of furnace oil amounting to an annual saving of Rs.54 million and a carbon footprint saving of approximately 1,700 MT.

- CCS commenced the process of obtaining its carbon dioxide requirement from overseas as a by-product of a recycling process, offsetting the need for the combustion of fossil fuel. As a result, approximately 140,000 litres of diesel amounting to Rs.16 million was saved annually, whilst the carbon footprint reduced by 315 MT per annum.
- Five electric trucks were introduced for the new cold room operations at CCS, resulting in a further reduction of CCS's carbon footprint.
- JMSL implemented a strategy to entrench sustainable practices including energy efficiency practices at store level with plans to roll out an initiative of energy efficient lighting across all its outlets with an anticipated saving of over 20,000 kWh per annum.
- JMSL implemented an energy saving action plan during the year across all its outlets which included standard operating procedures for equipment operating times and introduced sub meters to monitor the consumption of electricity at all outlets.

Water and Effluent Management

Targets

- Minimising water usage and striving to achieve international benchmarks on water consumption.
- At a minimum, adhere to tolerance levels stipulated by the EPL for effluent discharge.

Initiatives

- CCS's water source is an underground aquifer in the Kelani valley basin which provides a continuous supply of water. Despite having secured a continuous supply of water through the underground aquifer, water conservation is still considered an important aspect for CCS. To this end, various initiatives such as rationalisation of production runs, improved "cleaning in process" to reduce number of washing cycles as well as awareness programmes on water reduction for staff have been implemented.
- Effluent treatment plants were installed at CCS, KFP and selected Retail outlets to treat and reuse waste water for purposes such as gardening and general cleaning in an effort to reduce the total volume withdrawn for operations.

Organic produce range offered at Keells Super

- In order to improve the quality of waste water above the compliance levels, CCS carried out further improvements to the effluent treatment plant in January 2015 with the upgrade including a new membrane which uses bio reactor technology. The capacity of the plant was also increased to 150 cubic meters per day.

Waste Management

Targets

- Waste segregation and striving to meet international benchmarks on the quantum of waste sent to landfill.
- Maximise recycling and reuse of waste.

Initiatives

- CCS and KFP continued to implement a comprehensive waste management process which includes waste identification, segregation and the application of responsible disposal mechanisms to each waste stream.
- CCS and KFP recycled or reused 44 per cent and 11 per cent of their waste generated respectively, through third party contractors.

Occupational Health and Safety

Targets

- Implement comprehensive management processes to minimise occupational health and safety incidents.

Initiatives

- CCS and KFP continue to maintain OHSAS 18001 certification for all operating locations.
- JMSL has developed internal Hazard Identification Risk Assessment forms which would be used to standardise health and safety practices across its outlets.
- CCS upgraded its fire systems to include smoke and heat detectors, augmenting its existing fire alarm panels to cover the entire factory complex.
- All companies of the industry group reviewed and tested their Business Continuity Plans regularly throughout the year.

Talent Management

Initiatives

- Continuous engagement with employees, providing regular feedback along with performance reviews throughout the year.
- Maintain a healthy working relationship with employee unions through constant dialogue and joint consultative committees.
- Identify and meet the training needs of the staff and reduce employee attrition.
- JMSL provides a comprehensive initial training programme upon recruitment, along with ongoing training and retention incentives such as a retention bonus scheme.

Sustainability and Financial Performance

Sustainability Performance

The carbon footprint for the Consumer Foods and Retail industry group increased marginally to 26,441 MT during the year under review, compared to 26,428 MT in the previous year, notwithstanding an overall increase in operational activity with the introduction of KFP's new manufacturing plant in Pannala, higher production volumes at CCS and 40,000 additional square feet of retail space. Water withdrawal and waste disposed increased by 12 per cent and 9 per cent respectively as a result of the said increased operational activity. The number of injuries during the year was 55, whilst 108,581 hours of training was provided to the staff.

Sustainability Performance	2014/2015	2013/2014	Change (%)
Carbon footprint (MT)	26,441	26,428	0.1
Water withdrawn (l)	633,773	566,039	12
Waste disposed (kg)	3,078,564	2,828,863	9
Injuries and diseases (number)	55	52	6
Total training (hours)	108,581	218,514	(50)

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor	2014/2015	2013/2014
CCS CO_2 (per litre produced)	0.11	0.14
KFP CO_2 (per kg of processed meat produced)	0.85	0.86
JMSL CO_2 (per square foot of outlet area)	31.44	32.36

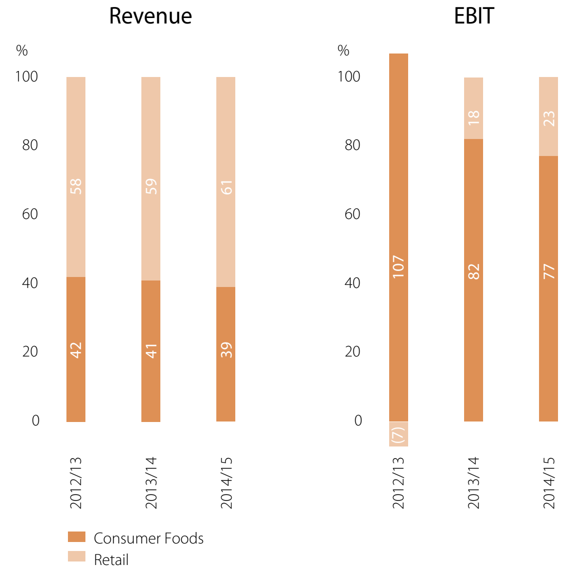
Water Withdrawal per Operational Intensity Factor	2014/2015	2013/2014
CCS water withdrawn (litres per litre produced)	5.15	4.81
KFP water withdrawn (litres per kg of processed meat produced)	12.4	13.5
JMSL water withdrawn (litres per square foot of outlet area)	298.9	310.3

Waste Generated per Operational Intensity Factor	2014/2015	2013/2014
CCS waste generated (kg per litres produced)	0.02	0.02
KFP waste generated (kg per kg of processed meat produced)	0.14	0.21
JMSL waste generated (kg per square foot of outlet area)	2.0	1.8

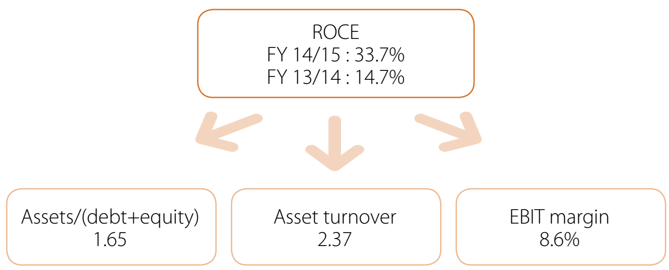
Financial Performance

Revenue increased by 17 per cent to Rs.29.76 billion [2013/14: Rs.25.41 billion]. Higher sales volumes recorded at Ceylon Cold Stores (CCS) and Keells Food Products (KFP) resulted in a growth in revenue of 12 per cent of the Consumer Foods sector, whilst a notable increase in footfall lead to a 21 per cent growth in revenue of the Retail sector.

The EBIT for the industry group increased by 73 per cent to Rs.2.57 billion [2013/14: Rs.1.48 billion] in spite of the higher fair value gain on investment property of Rs.72 million recorded in 2013/14 against a corresponding figure of Rs.9 million recorded in the current year. The recurring EBIT for 2014/15, excluding the fair value gain on investment property, increased by 82 per cent to Rs.2.56 billion [2013/14: Rs.1.41 billion], with all three companies, namely, CCS, KFP and JMSL contributing to the improved performance. Higher volumes combined with an increase in finance income ensured an increase in EBIT for CCS. The Retail sector implemented a number of initiatives to manage costs across the board whilst recording a growth in volumes. Furthermore, JMSL also recorded an increase in the other income component due to a growth in promotional income. KFP, in addition to a 15 per cent increase in revenue, benefited from a number of efficiency improvements at the operational level. It should be noted that the cost base of KFP in the previous financial year included the one off cost of Rs.139 million associated with the voluntary retirement scheme (VRS). The recurring PBT of the industry group increased by 98 per cent to Rs.2.49 billion [2013/14: Rs.1.26 billion], due to the increase in EBIT and further aided by a decrease in finance costs resulting from the low interest rate environment.



Return on Capital Employed



- ROCE increased to 33.7 per cent in comparison to 14.7 per cent recorded in the previous financial year. The impact from the fair value gains on investment property as mentioned above and the gain of Rs.22 million arising from the revaluation of land in 2014/15 compared to the corresponding loss of Rs.33 million in the previous financial year impacted the asset base. The adjusted ROCE, eliminating

Rs. 29.76 bn

CF&R Industry Group Revenue

these impacts stands at 43.9 per cent compared to an adjusted ROCE of 16.9 per cent in 2013/14. The higher adjusted ROCE is primarily on account of the significant increase in EBIT as mentioned above and the inclusion of a portion of the current "Waterfront" land in the asset base of the Consumer Foods Sector in 2012/13, which was subsequently transferred to Waterfront Properties (Private) Limited, resulting in a lower ROCE for 2013/14.

- The EBIT margin was 8.6 per cent compared to 5.8 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 8.6 per cent as against the 5.5 per cent recorded in 2012/13. The increased margin is primarily as a result of the significant improvement in performance at KFP, whilst both CCS and JMSL also contributed positively towards the higher margin. The recurring EBIT margin for the Consumer Food sector stood at 17.1 per cent whilst that for the Retail sector was at 3.2 per cent.
- Asset turnover improved to 2.37 times, compared to 1.72 times in 2013/14 primarily driven by the growth in revenue and the higher asset base for 2013/14 as discussed above.

Outlook

The per capita consumption of carbonated soft drinks and ice creams in Sri Lanka currently stands at approximately 8 per cent and 2 per cent respectively; well below the corresponding regional averages, demonstrating the significant potential for the continued long term growth of this industry. Furthermore, increases in disposable incomes and the encouraging trend in consumer sentiment is likely to be maintained in the short to medium term and lead to an increase in demand for non-essential items, where demand is income elastic. Emerging trends in consumer preferences also provide for a number of growth opportunities within the industry, where the Consumer Foods sector is continuously evaluating expansions to its portfolio to capitalise on such developments.

The Frozen Confectionery business will look to expand its product portfolio, with greater focus on the impulse range to capture an emerging consumer base. Facilitated by rising incomes and cheaper access to modern communication tools, there also appears to be a shift towards "premiumisation", where Sri Lankan consumers are becoming more brand conscious. CCS will look to strengthen its position in the premier ice cream range, while competition is also expected to increasingly focus on this product segment. The Frozen Confectionery business will also work towards extending its customer reach by investing on the expansion of freezer capacity and strengthening its mobile distribution channel.

The growth potential for the carbonated soft drinks industry will be constrained to an extent due to the growing segment of health conscious consumers. However, opportunities for growth within the beverage industry as a whole remain promising. CCS will focus on extending its beverage portfolio both in terms of the target market and consumption occasions. Research and development initiatives will be implemented to facilitate the use of natural flavours and colours when re-inventing existing products and introducing new products to the market. As lifestyles evolve and convenience takes precedence, consumer preferences are also shifting toward beverages presented in plastic packaging as opposed to glass packaging. In the ensuing financial year, CCS will make the necessary investments to enhance its production capacity of beverages packaged in polyethylene terephthalate (PET) bottles and cater to the growing demand within this segment. Further steps will also be taken to consolidate the existing distribution network and improve efficiencies where possible.

The Convenience Foods business will look to expand its offerings in the vegetarian, fish and pork segments to capture varying consumer markets. Added emphasis will also be placed on increasing volumes to export markets such as the Maldives, where the newly obtained Halal certification is expected to create a new avenue for growth. In terms of the distribution strategy, initiatives will be implemented to maximise capacity utilisation of the transport network, enhance distributor selling efficiencies and increase retail penetration outside the Colombo city limits.

Sri Lanka's modern trade sector is relatively at its infancy with significant potential for growth. The levels of urbanisation in Sri Lanka lag significantly compared to its regional peers. The modern trade share of Sri Lanka's retail business stands at approximately 16 per cent, whilst the corresponding figures for Singapore, Malaysia and Thailand are 70 per cent, 49 per cent and 43 per cent respectively. In the recent past, growth in the Retail business of the Group was primarily driven by an increase in customer footfall. However, going forward, average basket values are also expected to contribute positively towards growth as consumer spending improves on the back of higher disposable incomes. The Group's Retail business will continue to roll out stores conforming to the larger format in strategically placed locations. While a majority of the stores will be concentrated within the Western Province, locations beyond these limits will also be evaluated based on certain criteria. Given the efficiency improvements that materialised in the year under review, JMSL will place added focus on centralising its distribution network further in the medium to long term.

CCS will focus on extending its beverage portfolio both in terms of the target market and consumption occasions

Insurance

Banking and Leasing

Stock Broking

CO_2 119 kg per Rs. Mn revenue

Contribution to JKH Group

13%	18%	7%	2%
Revenue	EBIT	Capital employed	Carbon footprint

John Keells Stock Brokers recorded an improvement in its profitability

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)	2014/15	2013/14	Chg (%)	2012/13
Revenue[1]	12,989	12,568	3	11,108
EBIT	3,468	1,995	74	1,776
PBT	3,467	1,993	74	1,776
PAT	3,019	1,636	85	1,399
Total assets	37,128	35,586	4	31,507
Total equity	11,698	9,248	26	8,157
Total debt	80	175	(54)	147
Capital employed[2]	11,778	9,422	25	8,304
Carbon footprint (MT)	1,550	1,687	(8)	1,676
Employees (number)[3]	718	1,527	(53)	1,401
EBIT per employee[3]	4.8	1.3	270	1.3

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

	Insurance	Banking and Leasing	Stock Broking
The businesses within the sector	Union Assurance (UA) offers comprehensive insurance solutions in the Life insurance segment while General Insurance solutions are offered through its associate Union Assurance General Limited	Nations Trust Bank (NTB) offers complete banking solutions through its network of branches for corporate, retail and SME clients and is the sole acquirer and the exclusive issuer of the flagship centurion product range of American Express 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.9.01 billion, decrease of 3%	Rs.3.69 billion, increase of 19%	Rs.293 million, increase of 45%
EBIT and growth	Rs.2.25 billion, increase of 126%	Rs.1.13 billion, increase of 18%	Rs.90 million, increase of 129%
Carbon footprint	1,527 MT	Not within the boundary of sustainability reporting	23 MT
Key external/ internal variables impacting the business	• As per the Regulation of Insurance Industry Act No. 3 of 2011, UA segregated its Life and General Insurance businesses • A 78 per cent stake of the newly incorporated entity, Union Assurance General Limited was sold to Fairfax Asia Limited • 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 is expected to come into effect by 1st January 2016	• Lower credit growth was visible throughout the industry • The Bank maintained a stable capital position with a capital adequacy ratio of 18 per cent, well above the regulatory requirement • The core banking system was successfully implemented as a key project as it sets the foundation for a number of other initiatives. • Focussed acquisition of low cost transactional accounts increased the current and savings deposit mix from 25 per cent in 2013 to 30 per cent in 2014	• The All Share Price Index (ASPI) gained 14 per cent for the financial year 2014 • The low interest rate environment encouraged greater trading activity by domestic investors

Operational Review

In line with the Regulation of Insurance Industry Act No. 3 of 2011, Union Assurance PLC (UA) segregated its Life and General Insurance businesses on 1st January 2015 through a de-merger process. The Life Insurance business will continue under Union Assurance PLC, while the assets, property, undertakings and liabilities of the General Insurance business was transferred to the newly incorporated Union Assurance General Limited, a wholly owned subsidiary of UA. Subsequent to this transfer, a 78 per cent stake of the General Insurance business was sold to Fairfax Asia Limited for a total consideration of Rs.3.66 billion, resulting in a total capital gain of Rs.1.22 billion to Union Assurance PLC. Fairfax Asia Limited is a

The divestment will enable UA to focus on the Life Insurance business, whilst maintaining exposure through its retained 22% stake wholly owned subsidiary of Fairfax Financial Holdings Limited, a Canadian based financial services holding company. Fairfax Asia benefits from a diverse book of business and has significant experience and expertise in the general insurance and reinsurance markets through its operations in several Asian markets, including India, Singapore, Malaysia, Indonesia, Hong Kong, Thailand and China. The divestment will enable UA to focus on the Life Insurance business, whilst maintaining exposure through its retained 22 per cent stake which will ensure that certain synergies and transitions post the segregation of the businesses are realised together with the value addition gained from the expertise of Fairfax to the General Insurance business.

The life insurance industry continued to demonstrate encouraging growth in the year under review. The gross written premium for the Life Insurance business for the calendar year 2014 stood at Rs.5.95 billion, an increase of 8 per cent over the Rs.5.52 billion recorded in the corresponding period in 2013. The growth was predominantly driven by a 13 per cent increase in traditional policies whilst renewal premiums from unit linked products were in line with expectations. With focus on providing tailor made solutions, UA launched a new investment plan with shorter premium payment periods, directly catering to customers who seek short term investment returns. The policy has a number of unique features including premium payment limits of up to five years, policy period flexibility and partial withdrawals by customers after 10 years. During the year, UA introduced the "Digital Advisory Toolkit" which enables insurance advisors to digitally complete and submit proposal forms, thus endorsing operational efficiency and customer convenience. In recognition of this initiative which promotes technological advancement in the insurance sector, Union Assurance PLC received the "Celent Model Insurer Asia Award 2014".

As per the actuarial valuation carried out during the year, the Life Insurance business generated a surplus of Rs.750 million, an increase of 23 per cent over the Rs.612 million that was generated in 2013.

The General Insurance business recorded a marginal decline in gross written premiums from Rs.5.39 billion in 2013 to Rs.5.22 billion in the calendar year 2014. The motor insurance segment accounted for 49 per cent of the total premium while the accident and liability segment contributed a further 32 per cent. During the year, the claims ratio declined across all segments of the General Insurance business with the management adopting a more disciplined approach towards underwriting.

Rs. 5.95 bn

Gross Written Premium for the Life Insurance Business

For the calendar year 2014, the Bank grew its deposits and loan advances by 16% and 19% respectively

Aided by a significant drop in the value of pawning portfolios, the lacklustre credit demand which prevailed in the previous financial year and the resulting excess liquidity continued to negatively impact the banking industry, particularly in the first half of the financial year under review. Credit growth demonstrated signs of picking up with the small and medium enterprise sector in particular having a healthy pipeline. However, the uncertainty which prevailed prior to, and immediately after, the Presidential elections resulted in a deferral of investment decisions. Despite a challenging operating environment, Nations Trust Bank successfully delivered on both the growth of its loan book and profitability. For the calendar year 2014, the Bank grew its deposits and loan advances by 16 per cent and 19 per cent respectively, while the corresponding figures for the industry as a whole stood at 12 per cent and 14 per cent. All portfolios contributed to the growth in loans and advances whilst the growth in the current and savings accounts (CASA) mix under deposits had a favourable impact on NTB's funding profile, albeit in a low interest rate environment where CASA could be less relevant.

With a loan book expansion of 22 per cent in 2014, the SME Banking sector was a primary driver of growth for NTB. In the year under review, the Bank took steps to better align itself with the growth sectors of the economy and launched "Nations Trader", a product targeting SME customers in the export, import and agricultural sectors. This product gives customers easy access to combined trade facilities and was placed among the top ten innovations at the SME Finance Innovation Awards. The credit card business continued to gain market share in both card numbers as well as spend and receivable parameters. In the calendar year 2014, the Bank surpassed 20 per cent market share in all such parameters and recorded a milestone figure of two hundred and fifty thousand credit cards in issue.

In line with the five year strategic mapping exercise that was implemented in 2013, NTB undertook a number of new initiatives to improve its overall positioning within the industry. The Bank expanded its island wide reach with the introduction of seventeen new branches and improved on its regional presence by entering into three new markets, namely Japan, Lebanon and Israel to operate in the remittances market. In October 2014, NTB successfully migrated to the Finacle Core Banking System, which provides a strong platform to drive the Bank's digital strategy. Despite the increasing costs associated with the rapid branch expansion and migration to a new core banking system, the Bank took considerable efforts to curtail its operating expenses

JKSB focussed on strengthening its global tie-ups

in the year under review. NTB continued to leverage on the lean management concepts that were introduced in 2013 to enhance customer experience and improve operational efficiency, resulting in an improved cost to income ratio which stood at 53 per cent for 2014 (CY2013: 58 per cent).

The All Share Price Index (ASPI) recorded a healthy gain of 14 per cent for the financial year under review as the average daily turnover levels at the Colombo Stock Exchange (CSE) increased by 84 per cent for the same period. The low interest rate environment encouraged greater participation from both local institutional and high net-worth individuals, while foreign institutional investors remained "net buyers" in the market. The profitability of the Group's Stock Broking business was positively impacted by the improved performance of the overall market, the strength of the company's global alliances and the various cost management initiatives that were implemented at the operational level. In the year under review, JKSB also focussed on strengthening its global tie-ups by participating in partner conferences and facilitating corporate access for foreign clients.

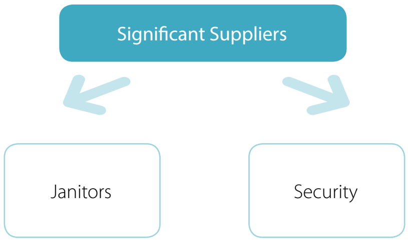
Sustainability Review

The Financial Services industry group's sustainability strategy is based upon the material impacts as well as the key risks identified by the Group as part of its enterprise risk management process.

The material impacts for the industry group are:

Customer Satisfaction and Service Levels	Negative impacts on key customer accounts, investor and client confidence
Ethical Behaviour and Anti-Corruption	Loss of brand reputation and regulatory non-compliance
Occupational Health and Safety	Union Assurance sales agents account for over 75 per cent of the John Keells Group's total contractor personnel and are exposed to road side accidents
Social Responsibility	Proactive community engagement contributes to building trust and promotes brand image

The significant suppliers within the industry group are:



Sustainability Strategy

The regulatory framework governing the financial services industry necessitates that business is carried out in accordance with the highest ethical standards. As such, the Group strives to ensure that its operations are undertaken in a responsible manner, focussed on strengthening its brand presence among customers through a commitment to high quality products and services, community engagement, employee development and a minimal impact on the environment.

Sustainability Targets and Initiatives

Customer Satisfaction and Service Levels

Initiatives

- Union Assurance (UA) placed added emphasis on the training and development of its sales agents comprising of over 4,470 persons and recorded 388,426 training hours in the year under review, while its executive and non-executive staff recorded 21,018 hours of training.
- Focus was also placed on enhancing the infrastructure and training for e-learning and online examinations. To this end, 42,521 e-learning and distance learning hours were completed during the year under review.
- UA continued to invest in internal certification programmes for all categories, with 825 sales force members being certified during the year.

Ethical Behaviour and Anti-Corruption

Initiatives

- Corruption and unethical behaviour are covered under the overall risk management process of the Group, particularly considering the relevance to the Financial Services industry group. All employees are expected to abide by the John Keells 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 as part of the management approach.

Occupational Health and Safety

Initiatives

- Road safety awareness programs were carried out for all its sales agents.
- UA continued to track and monitor the number of injuries on a quarterly basis with a view to identifying and minimising the number of injuries recorded.

Social Responsibility

Initiatives

- The community centric activities of Union Assurance are based on creating a safe

Thalassemia awareness programme carried out by Union Assurance and healthy community by focussing on and addressing national concerns. The activities are carried out in partnership with the Ministry of Health and the Sri Lanka Police.

- Safety awareness and health awareness programmes were conducted by the General Insurance and Life Insurance businesses respectively.
- The initiatives that were carried out under the safety awareness programmes are as follows.
  - o Installation of 325 crime prevention hoardings carrying telephone numbers of relevant police stations.
  - o Traffic awareness programmes for school children on general traffic rules and regulations.
  - o Installation of reflector lights on bicycles.
- Under the health awareness programmes, the Life Insurance business worked together with the Ministry of Health to create awareness of diseases such as dengue, thalassaemia and diabetes.

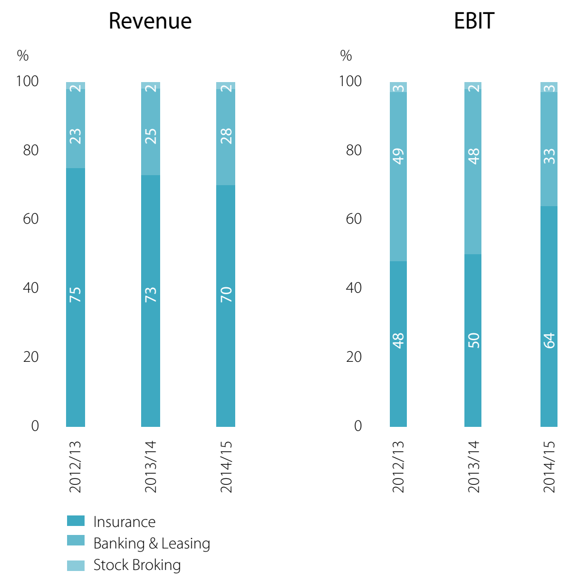
Sustainability and Financial Performance

Sustainability Performance

The industry group's carbon footprint, excluding Nations Trust Bank, was 1,550 MT in the year 2014/15, a reduction from the previous year [2013/14: 1,687 MT]. Total injuries for the year under review reduced to 49 injuries, compared to 66 injuries in the previous financial year. The majority of these incidents were road accidents given the nature of the role of sales agents. The industry group also provided a total of 21,186 hours of training to its employees.

Sustainability Performance			
	2014/2015	2013/2014	Change (%)
Carbon footprint (MT)	1,550	1,687	(8)
Injuries and diseases (number)	49	66	(26)
Total training (hours)	21,186	27,194	(22)

* Water usage and waste disposal are not shown above as they are not material for the industry group

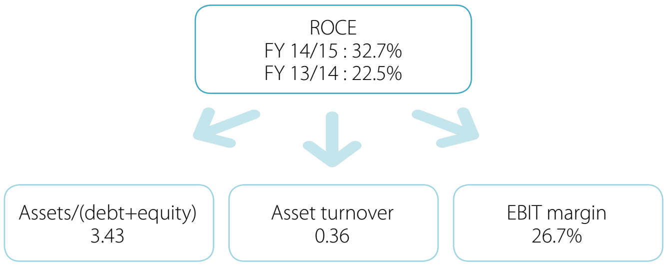


Financial Performance

The revenue of the Financial Services industry group declined by 4 per cent to Rs.9.08 billion [2013/14: Rs.9.47 billion]. The decline in revenue is due to Union Assurance PLC treating the post-segregated general insurance company as an associate following the sale of the 78 per cent stake as discussed before. Revenue, inclusive of associate company revenue, increased marginally by 3 per cent to Rs.12.99 billion [2013/14: Rs.12.57 billion]. NTB recorded a 19 per cent growth in revenue, mainly on account of a higher contribution from the SME banking sector whilst an increase in transaction volumes resulted in a 45 per cent growth in revenue reported by John Keells Stock Brokers.

The industry group EBIT increased by 74 per cent to Rs.3.47 billion [2013/14: Rs.1.99 billion] primarily on account of the capital gain of Rs.1.22 billion arising from the aforementioned sale of the General Insurance business. The EBIT excluding the capital gain is Rs.2.25 billion, representing an increase of 13 per cent over the EBIT for 2013/14. The higher EBIT is a result of the improved performance recorded by both NTB and JKSB coupled with a steady performance by UA.

Return on Capital Employed



- ROCE increased to 32.7 per cent against the 22.5 per cent recorded in the previous financial year. The ROCE excluding the aforementioned capital gain of Rs.1.22 billion is 22.5 per cent. However, the overall asset base for the industry group also increased due to investment in IT systems and branch expansions at NTB and the 22 per cent investment in the newly incorporated Union Assurance General Limited, which is classified as an associate of the Group.
- The EBIT margin increased to 26.7 per cent from 15.9 per cent recorded in the previous financial year, mainly on account of the capital gain recorded at UA. The EBIT margin excluding the capital gain is 17.3 per cent, primarily driven by the improved performance at JKSB.
- Asset turnover declined marginally to 0.36 times from 0.37 times.

Outlook

The future prospects for the life insurance industry in Sri Lanka continue to be promising. Despite the improving economic climate and the rapidly aging population, life insurance penetration is significantly lower compared to other regional markets. Life premiums as a percentage of GDP in Sri Lanka are still below 1 per cent, whilst the corresponding

Towards the latter half of 2015, NTB is expected to implement the second phase of its digital banking platform

figure in India is approximately 3 per cent. Union Assurance will leverage on its strong brand presence, differentiated product portfolio, experienced staff and IT enabled cost effective processes to grow the Life Insurance business.

Following the regulatory requirement to segregate composite insurance companies, a number of firms are being incorporated to provide general insurance solutions. Therefore, in the short term, the general insurance industry is likely to be characterised by intensive price competition. However, with improving economic activity and the return to more prudent, risk based pricing, the prospects for this segment in the medium to long term appears encouraging. Union Assurance General Limited, with its strategic shareholder Fairfax Asia Limited is uniquely positioned to exploit any growth opportunities that may lie ahead.

Globally changing customer preferences and the digitalisation of financial products and services is expected to change the operational and competitive dynamics within the banking industry. In order to cater to customer requirements as a result of this shift in trend, Nations Trust Bank is currently in the process of implementing a number of strategic initiatives. To this end, the Bank engaged with one of the world's leading scorecard providers to introduce behavioural and underwriting scorecards and is therefore working towards a deeper understanding of customers through the use of data analytics. Towards the latter half of 2015, NTB is expected to implement the second phase of its digital banking platform which will help consolidate the Bank's existing digital delivery and distribution network. Furthermore, following the successful migration to the core banking system, NTB is now well positioned to reap the benefits of the resulting efficiency and productivity improvements associated with its critical processes.

The broking industry, in collaboration with the Securities and Exchange Commission and the Colombo Stock Exchange is expected to make significant headway in upgrading the available infrastructure to include facilities that help manage risk better and enhance trading and settlement efficiency. JKSB will also continue to pursue global tie-ups in order to strengthen its presence in the foreign market segment whilst simultaneously working towards expanding its local client base through the initiation of customer forums and one-on-one meetings aimed at local clients and fund managers.

IT Services

Office Automation

IT Enabled Services

CO_2 181 kg per Rs. Mn revenue

Contribution to JKH Group

7% Revenue

2% EBIT

1% Capital employed

2% Carbon footprint

John Keells Office Automation leveraged on its strong reputation for after sales services

Vision and Scope

The Information Technology industry group has a vision of providing quality, world class information communication technology services ranging from business process outsourcing (BPO), software services and information integration to office automation by offering end-to-end information and communication technology (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 industry group is at the forefront of making Sri Lanka an ICT hub in South Asia.

Key Indicators

(Rs. million)	2014/15	2013/14	Chg (%)	2012/13
Revenue[1]	7,212	7,502	(4)	6,797
EBIT	382	394	(3)	380
PBT	370	316	17	307
PAT	280	245	14	231
Total assets	3,750	3,445	9	3,717
Total equity	2,322	2,104	10	2,166
Total debt	92	468	(80)	434
Capital employed[2]	2,414	2,572	(6)	2,599
Carbon footprint (MT)	1,309	1,428	(8)	1,343
Employees (number)[3]	1,224	1,206	1	1,267
EBIT per employee[3]	0.3	0.3	(5)	0.3

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

	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) is the authorised distributor for some of the leading office automation brands in the world	BPO operations, primarily in the voice vertical through JK BPO, which operates approximately 750 seats in India, US and Canada
	Core focus areas are in software engineering services and products targeted at the aviation industry	Sole distributor for Toshiba Copiers. National distributor for Samsung mobile phones, Asus, Toshiba notebooks and other office automation products such as Samsung Laser printers, Hotel TV's, Large format displays (LFD), RISO duplicator Machines, Comcolor the world's fastest full colour inkjet printer, Posiflex and FEC POS systems, Bixolon receipt and label printers, ZTE mobiles, Tabs, accessories, Karbonn mobiles and Hitachi Projectors	Provider of shared service solutions in the finance, accounting and payroll verticals to the JKH Group and external clients under InfoMate
Revenue and growth	Rs.397 million, decrease of 35%	Rs.5.41 billion, decrease of 3%	Rs.1.40 billion, increase of 5%
EBIT and growth	Rs.47 million, increase of 1%	Rs.306 million, increase of 1%	Rs.29 million, decrease of 34%
Carbon footprint	186 MT	285 MT	838 MT
Key external/ internal variables impacting the business	• JKCS divested its ownership in the Zhara Hospitality Suite product (Zhara HS) • The client portfolio under the Aviation vertical was diversified	• Changing consumer patterns have reinforced demand for smart phones • Island wide distribution network coupled with extensive service coverage and product promotions improved customer penetration • Continued competition from the second hand market and parallel imports	• Improved economic sentiment throughout the US together with demand from small and medium size enterprises contributed towards growth in the BPO industry • The depreciation of the Indian Rupee and various cost control initiatives had a positive impact on margins

Operational Review

During the year under review, the Office Automation business recorded an increase in mobile phone sales volumes, primarily driven by a growth in demand for smart phones. The mobile phone market in Sri Lanka reached the one million mark during the last quarter of 2014, with smart phones accounting for approximately 22 per cent of the overall market. Samsung continued to maintain its market leadership position in the Smart Phone segment. Lower unemployment and benign inflation have resulted in higher spending from end users which, together with a growing inclination towards technology, has shifted consumer preferences from feature phones to smart phones. JKOA expanded

InfoMate, the Sri Lanka based BPO operation, successfully increased its external client portfolio

JKOA was able to achieve a significant increase in sales for Hitachi Multimedia projectors

its product portfolio under the Mobile Phones segment by introducing three new brands in the year under review. JKOA also improved its market position in the Toshiba Copier segment, despite growing competition from the second hand copier market. The company leveraged on its extensive OA dealer network and strong reputation for after sales services to increase penetration and maintain and build relationships with both existing and potential clients alike. In the year under review, the company was able to record a significant increase in sales for digital copiers and Hitachi Multimedia projectors. Overall sales volumes in the Notebook vertical decreased during the year as the product offering under the Notebook vertical was restricted to one brand.

The performance of the Aviation vertical of the Software Services business was negatively impacted following the financial and safety related issues faced by two of its key clients. The Software Services Engineering vertical successfully retained its existing client accounts and strengthened its project pipeline with the addition of 8 new clients in the year under review. Various initiatives were also implemented to rationalise the overall cost base of the company. Costs were measured and monitored on a project-wise basis, with added focus on optimising the fixed and variable composition of the company's cost structure. "Zhara HS", the flagship product under the Hospitality vertical was sold to a Canadian based firm in August 2014, for a total consideration of USD 400,000.

The BPO industry recorded double digit growth of 10 per cent for the calendar year 2014, primarily driven by increasing demand from key markets such as the United States of America and Europe as well as growing demand from small and medium enterprises where there is increased confidence in outsourcing complex work overseas. The Group's BPO operations in India through JK BPO India acquired new clients in the year under review. JK BPO India benefited from the diversified nature of its client portfolio with the growth recorded in particular customer segments helping to mitigate the negative impact arising on account of a key client who faced operational challenges. InfoMate, the Sri Lanka based BPO operation, successfully increased its external client portfolio with the acquisition of two new overseas clients and recorded encouraging growth in third party revenue.

Sustainability Review

The IT industry group's sustainability strategy is based upon the material impacts as well as the key risks identified by the Group as part of its enterprise risk management process.

The material impacts for the industry group are classified as follows:

Energy and Emissions Management	Financial implications and environmental responsibility
Waste Management	Environmental and social responsibility, especially in terms of disposing e-waste and paper
Talent Management	The need to retain and continuously upgrade the skills of existing staff and ensure a pool of quality potential staff given the nature of the industry
Occupational Health and Safety	Providing a safe and conducive environment given that long hours are spent at work stations

The significant suppliers within the industry group are illustrated below:

All significant suppliers have been assessed through a defined process for negative impacts on environmental, labour and human rights aspects.

Sustainability Strategy

Energy costs have a significant impact on the profits of the IT industry group, given the energy intensive nature of its businesses. There is increasing onus on companies within the industry group to dispose of electronic waste in a responsible manner, thereby ensuring adherence to the John Keells Group's environmental policy to promote sound environmental practices. The IT industry group monitors and manages its energy usage, carbon footprint and waste generation whilst encouraging the engagement of third parties to dispose of its electronic waste by reusing and recycling wherever possible.

Given the increasing country-wide focus on broad-basing ICT knowledge, especially among the rural youth, the IT industry group's sustainability strategy is also heavily vested in engaging with key stakeholders and local communities. This enables the industry group to broad-base recruitment, retain talent and outsource tasks to rural areas, which in turn helps its businesses to optimise its operational costs whilst positively contributing to social development.

The industry group has an established strategy to outsource work to its rural BPOs in a bid to train and empower rural youth, whilst also providing a cost effective solution for the JKH Group. Currently InfoMate operates three rural BPOs in Seenigama, Mahawilachchiya and Jaffna, working together with the John Keells Foundation, the Foundation for Advancing Rural Opportunity (FARO), Foundation of Goodness (FOG), Spectra Skills (Pvt) Limited and various Government offices. The employees in these rural BPOs are provided with technical training on accounting, SAP, industry specific knowledge, general management, as well as a number of soft skills such as team work and communication skills. InfoMate has also commenced entrenching sustainability in its outsourced BPO centres with an initial focus on health and safety an ergonomically sound working conditions as well as energy conservation, water conservation and waste management. During the year, all members of staff employed in the BPO centres underwent training sessions conducted by InfoMate.

JKCS initiated personality and soft skills development programmes in a number of Sri Lankan universities and higher education institutes

Sustainability Targets and Initiatives

Energy and Emissions Management

Targets

- Energy targets to regulate and minimise the use of electricity have been established alongside awareness campaigns and energy reducing practices.

Initiatives

- Both JKCS and InfoMate implemented a heat insulation project which insulated windows to improve air conditioning efficiency. As a result, energy consumption was reduced by 99,000 kWh per annum, realising a saving of Rs.3.8 million.
- Replaced physical servers which consume approximately 300 W of energy with virtual machines that consume only 14 W of energy. The resulting saving is equivalent to 4 MT of carbon emissions per physical server.
- Optimised the utilisation of air conditioners and energy efficient lighting such as LED across all companies in the industry group.
- A number of JKCS's software products were transferred to the cloud, resulting in lower energy consumption and carbon footprint for its customers.

Waste Management

Targets

- Responsible reduction of e-waste and paper.

Initiatives

- JKCS, JKOA and InfoMate continued to dispose their e-waste responsibly through the Group's contracted e-waste disposal partner.
- All companies have implemented initiatives to reduce paper usage through the redesigning of internal documentation to reduce the number of pages per document as well as recycling of paper waste.

Associates at Jaffna BPO operated by InfoMate

Talent Management

Targets

- Provide training to existing staff to continuously upgrade their skills.
- Ensuring an adequate pool of potential staff from local universities equipped with necessary soft skills.

Initiatives

- The industry group continued to provide training for its staff, recording an average of 69 hours of training per employee.
- As a part of its long term recruitment policy, JKCS initiated personality and soft skills development programmes in a number of Sri Lankan universities and higher education institutes to provide career guidance to university students and enhance their employability while concurrently increasing the company's brand presence amongst university students.
- A selected number of these graduates are taken on as interns by JKCS, trained, and subsequently absorbed into the employee cadre based on performance.

Occupational Health and Safety

Targets

- Adhere to the Group's health and safety policy and strive to ensure that all members of staff are provided with a safe and healthy working environment.

Initiatives

- All companies of the industry group reviewed their business continuity plans regularly throughout the year.
- Given the 24 hour nature of BPO operations, JK BPO India provided safe transport to all members of staff to ensure safety during their commute while it also carried out health and safety awareness campaigns during the year.
- InfoMate is in the process of carrying out assessments for air quality and lighting levels in office areas, whilst it has already implemented its policy of purchasing ergonomically sound furniture for its staff.

Sustainability and Financial Performance

Sustainability Performance

The carbon footprint for the IT industry group in the year under review was 1309 MT, a reduction of 8 per cent compared to 1,428 MT in the previous year, primarily due to the energy saving initiatives undertaken. The IT industry group places emphasis on staff training to increase the efficiency and service quality of its employees. The total number of training hours increased from 71,679 to 84,873, reflecting an increase of 18 per cent over the previous financial year.

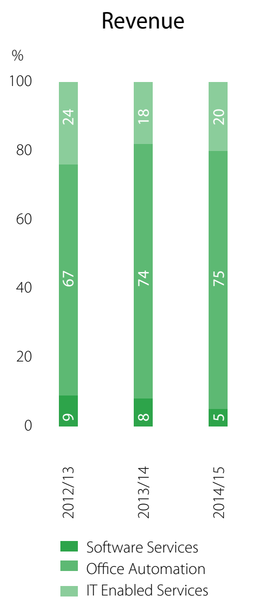
Sustainability Performance			
	2014/2015	2013/2014	Change (%)
Carbon footprint (MT)	1,309	1,428	(8)
Injuries and diseases (number)	-	5	(100)
Total training (hours)	84,873	71,679	18

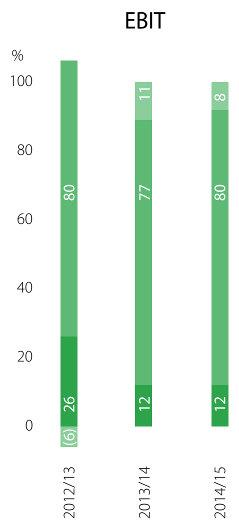
* Water usage is not shown as it is not material for the industry group
** Waste disposed is carried out through the landlord of the common office facility and recorded under the Property industry group

Financial Performance

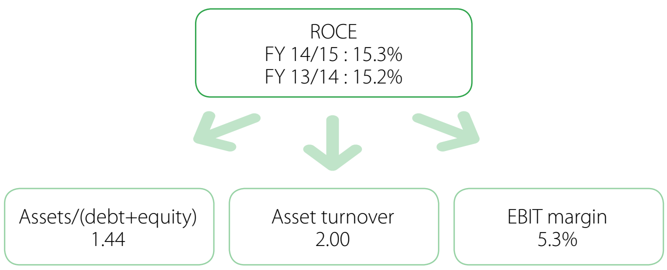
Revenue decreased marginally to Rs.7.21 billion [2013/14: Rs.7.25 billion], mainly on account of the lower revenue at JKOA following a change in the overall sales mix. Revenue, inclusive of associate company revenue, decreased by 4 per cent to Rs.7.21 billion [2013/14: Rs.7.50 billion] following the lower overall revenue base arising from the divestment of the Group's 49 per cent stake in Information Systems Associates (ISA) in the previous financial year. JK BPO India and InfoMate contributed positively to revenue aided by increased global demand for BPO services and a notable growth in third party revenue respectively.

The industry group EBIT decreased by 3 per cent to Rs.382 million [2013/14: Rs.394 million]. The aforementioned decrease in revenue and the increase in staff and marketing related expenditure under the Indian BPO operations contributed towards the marginally lower EBIT. However, the evolving product mix at JKOA resulted in improved margins at the gross profit level, which together with the profit on the disposal of "Zhara HS" under JKCS mitigated the overall negative impact on EBIT to an extent. As in the previous year, the Office Automation business remained the largest contributor to the industry group EBIT.





Return on Capital Employed



The profitability of the Mobile Phone portfolio of JKOA is likely to improve with the changing trends in consumer preferences

- ROCE increased marginally to 15.3 per cent from 15.2 per cent recorded in the previous financial year. The lower asset base following the disposal of "Zhara HS" offset the negative impact arising from the lower EBIT.
- The EBIT margin remained constant at 5.3 per cent. The EBIT margin for ISA was historically higher compared to the EBIT margin for the industry group as a whole. As a result, the sale of the Group's stake in ISA as mentioned above had a negative impact on EBIT margins for the current year although this was mitigated by the improved EBIT margins at both JKOA and JKCS.
- The asset turnover decreased to 2.00 times from 2.10 times in the previous year due to the decline in revenue as mentioned above.

Outlook

The demand for smart phones is expected to maintain its current growth trajectory driven by increasing disposable incomes, improved network coverage and data connectivity. The profitability of the Mobile Phone portfolio of the Office Automation business is likely to improve with the changing trends in consumer preferences towards smartphones. JKOA will look to leverage on this new target market and further expand its product offering under the mobile phone segment to supplement its existing products. Focus will also be placed on driving the sales for both notebooks and tabs in order to achieve market leadership in these product segments. A number of training initiatives and performance based reward programmes are also expected to be introduced in an effort to attract and retain talent.

The Services vertical of the Software Services business is expected to expand its revenue base by focussing on international client opportunities in the Middle Eastern and Nordic countries. The Aviation vertical will work towards introducing complementary products, enhancing its online presence and improving delivery cycles in order to promote brand visibility and innovation.

The outlook for the BPO industry remains promising. Globally, corporations have placed greater emphasis on customer satisfaction in the overall competitive dynamics of their businesses. However, most firms continue to find it challenging to provide instant, round the clock services to their customers and are increasingly looking to outsource their services. Customer preferences are also trending towards near-shore and on-shore service delivery with focus on countries such as Canada, United States of America and Mexico. InfoMate will look to expand its third party revenue base by pursuing growth opportunities internationally whilst simultaneously expanding the range of services offered to the JKH Group.

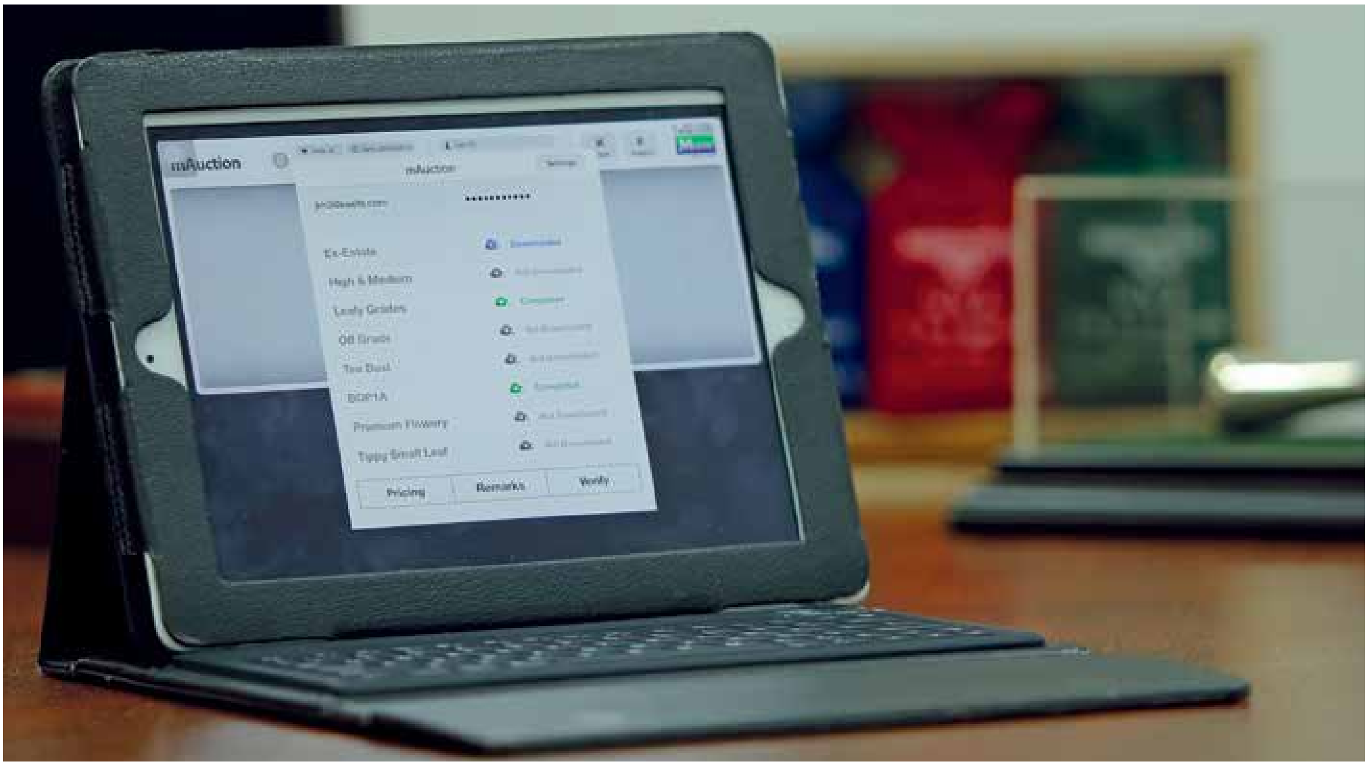
Plantation Services

Other

CO_2 1,124 kg per Rs. Mn revenue

Contribution to JKH Group

3%	17%	31%	5%
Revenue	EBIT	Capital employed	Carbon footprint



John Keells PLC, in collaboration with Mobitel (Private) Limited, launched "mAuction"

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 for pre-auction produce in the country.

The "Other" sector 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. SGIT supports the Group's information technology requirements, provides consulting services and SAP implementation services to external clients. SGIT is a SAP value added reseller in addition to being a SAP services partner.

Key Indicators

(Rs. million)	2014/15	2013/14	Chg (%)	2012/13
Revenue[1]	3,468	4,214	(18)	3,629
EBIT	3,415	2,734	25	1,463
PBT	3,233	2,365	37	1,156
PAT	2,025	1,500	35	540
Total assets	57,313	46,692	23	24,870
Total equity	50,910	41,428	23	16,842
Total debt	3,633	4,199	(13)	6,302
Capital employed[2]	54,543	45,627	20	23,144
Carbon footprint (MT)	3,898	4,060	(4)	4,034
Employees (number)	941	1,043	(10)	1,127
EBIT per employee	3.6	2.6	38	1.3

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

	Plantation Services	Other
The businesses within the sector	John Keells 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 – operates 7 tea factories and is a leading manufacturer of low grown teas in the country, including the CTC variety	The Strategic Group Information Technology (SGIT) supports the Group's IT requirements, provides consulting services and SAP implementation services to external companies
Revenue and growth	Rs.3.17 billion, decrease of 5%	Rs.303 million, decrease of 66%
EBIT and growth	Rs.332 million, decrease of 31%	Rs.3.08 billion, increase of 37%
Carbon footprint	3,307 MT	590 MT
Key external/internal variables impacting the business	• Sharp decline in tea prices due to the lack of demand from key tea consuming countries owing to political and economic factors • Unpredictable weather conditions had a negative impact on production during the year under review	• The low interest rate environment and excess credit reduced the need for private equity to an extent • Lack of SAP resource personnel in the market limited SGIT's expansion capabilities • SGIT was appointed as one of SAP's premier re-sellers in Sri Lanka

Operational Review

During the year under review, tea prices witnessed a sharp decline as global demand for tea weakened on the back of political and economic uncertainties in some of the key tea importing countries. Lower oil prices severely impacted the purchasing power of two of the largest export destinations for tea, namely, the Middle East and Russia. Russia was further impacted by economic sanctions and the devaluation of its currency, while political turmoil in Ukraine and Syria further depressed global demand for tea. In the year under review, the average sales price for low grown teas in Sri Lanka decreased by approximately 4 per cent.

The performance of Tea Smallholder Factories PLC (TSF PLC) was adversely impacted by the reduction in average tea prices. However, TSF PLC implemented a number of initiatives in the year under review towards improving its overall profitability. As in the previous financial year, the company continued to focus on producing high quality leaf, commanding a substantial premium on its low grown tea prices, whilst emphasis was also placed on automating processing activities to reduce the dependency on labour and to optimise its overall operational cost base. In the third quarter of the year under review, TSF PLC sold the "Raxawa" tea factory for a total consideration of Rs.41 million, realising a profit of Rs.17 million.

> The average sales price for low grown teas in Sri Lanka decreased by approximately 4%

The negative impact on the performance of John Keells PLC (JK PLC), as a result of globally weak tea prices was mitigated to an extent as Sri Lanka's exclusive range of orthodox black teas continued to attract strong demand in the first half of the year under review. JK PLC, in partnership with Mobitel (Private) Limited, launched "mAuction", a single platform which connects tea brokers and buyers at the Colombo Tea Auction. This diverse platform drives efficiencies at every level of the industry value chain through its ability to integrate with both brokers' and buyers' back office systems and reduce turnaround times with regards to the transparent flow of data. The warehousing business recorded an increase in capacity utilisation as Sri Lanka maintained its positive trend in tea production despite witnessing unprecedented heavy rains in the second half of the year under review, which restricted supply from all elevations.

John Keells Research (JKR), the research and development arm of the Group which was established in 2012/13 as a means of promoting innovation to create sustainable value through research and development made steady progress during the year. Since its inception, JKR has entered into a number of partnerships with both local and international research institutions alike, whilst initiating several new projects in its core research areas, namely, nanotechnology, energy storage, advanced materials and renewable energy generation. JKR, in collaboration with the Human Genetics Unit of the Colombo University Medical Faculty, successfully completed the sequencing of the entire genome of "Goda Vee" (indigenous rice variety) during the year under review. Whilst this is a significant breakthrough in the field of research and towards preserving Sri Lanka's bio-diversity, it is an initial milestone in a project of much larger scale and opportunity that has been initiated by the Group's research unit.

John Keells Capital (JK Capital), the investment banking division of the Group, completed a number of mandates, including facilitating an investment in a leading packaging company. In May 2014, JK Capital divested its 4.3 per cent stake in Expolanka Holdings PLC for a total consideration of Rs.891 million, realising a capital gain of Rs.389 million. Subsequently, in November 2014, the Group also divested its 4.0 per cent stake in Access Engineering PLC, held under John Keells Capital, for a total consideration of Rs.1.59 billion, recording a capital gain of Rs.593 million.

Strategic Group Information Technology (SGIT) continued to grow its market share as well as revenue in its main stream of SAP consultancy services and was appointed as one of SAP's premier resellers in Sri Lanka, which in addition to its existing SAP services' partnership, will augur well for SGIT in terms of its future growth. Furthermore, SGIT together with Indra of Spain successfully implemented the SAP based Property Management Software (PMS) and Computer Reservation System (CRS) solutions across the Group's Hotel properties during the year under review.

JKR, in collaboration with the Human Genetics Unit of the Colombo University Medical Faculty, successfully completed the sequencing of the entire genome of "Goda Vee", a rice variety

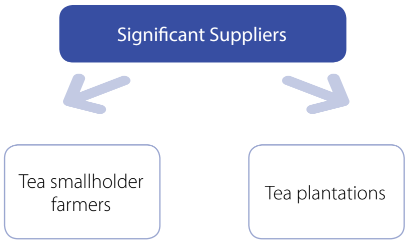
Sustainability Review

The Other including Plantation Services industry group's sustainability strategy is based upon the material impacts as well as the key risks identified by the Group as part of its enterprise risk management process.

The material impacts for the industry group are classified as follows:

Energy and Emission Management	Financial and regulatory implications, environmental and social responsibility
Waste and Effluent Management	Regulatory implications and environmental responsibility
Occupational Health and Safety	The respective businesses need to ensure safe working conditions, mainly focussing on occupational health and safety
Supplier Development and Social Responsibility	Sharing of knowledge and best practices on cultivation with tea smallholders to ensure higher yields and quality green leaf which benefits both the tea factories and the smallholder community
Training and Development	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 illustrated below:



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

Sustainability Strategy

In recent years, the Plantation Services sector has focussed on a concerted drive towards sustainable practices in the areas of cultivation, manufacture, transportation and distribution of produce following government proposals for incentives and concessions for plantation companies who invest in replanting, value additions, labour welfare and soil and water conservation.

Many estates and small holder cooperatives have entered into partnerships with international conservation bodies that set standards and promote best practices within the industry. Further, international buyer trends have seen an increased demand for produce that is certified as eco-friendly. It is in this backdrop that the Plantation Services sector operates and formulates its sustainability strategy.

The Plantation Services sector adheres to the Group's Environmental and Energy Management Policy, which addresses efficient energy usage and minimises emissions.

Further, keeping in line with the Group's human rights policies, the Plantations Services sector has created awareness about these policies externally, while implementing the same within the sector. As its supplier and community are one and the same for Tea Smallholder Factories PLC (TSF PLC), as part of its supply chain management strategy, there is added emphasis on enhancing the livelihood of the tea smallholders through focussed corporate social responsibility initiatives carried out by the sector as well as centrally through the John Keells Foundation.

John Keells PLC is also an active participant in the John Keells Foundation HIV and AIDS Programme, undertaking training on this topic to factories and plantations.

The Centre Functions of the Group are primarily office based operations with energy consumption being managed and monitored through the Property industry group, while continuous training for Centre staff is carried out on a needs basis throughout the year.

Sustainability Targets and Initiatives

Energy and Emission Management

Targets

- Continuously assess existing facilities, machinery and processes for energy efficiency and carry out improvements as required.
- Continue to innovate and improve processes with the purpose of reducing carbon emissions while maintaining operational productivity and efficiency.

Initiatives

- TSF PLC implemented many initiatives to reduce cost and energy consumption and increase process efficiency at its factories with an estimated annual energy savings of 38,300 kWh.
- The manufacturing process was automated and capacitor banks, screw compressors and variable speed drivers were installed for trough motors.
- Blade angles of trough fans were adjusted, LED lighting was introduced and natural lighting was enhanced.
- The sifting process at the Broadlands tea factory was semi-automated after a process flow analysis which resulted in a labour saving of 5 workers per shift.
- The biomass shed at Hingalgoda and the UV treated polythene roof of the firewood shed at Kurupanawa were fabricated, leading to increased energy efficiencies in the biomass furnaces and hot water generator, resulting in an estimated saving of Rs.750,000 per annum.
- Minimised fuel consumption of vehicles and factory equipment resulting in a reduction of emissions.
- Approximately 65 per cent of energy was generated through biomass which is a renewable energy source, resulting in reduced emissions whilst TSF PLC expended approximately Rs.50 million during the year for localised purchasing of firewood required for its biomass furnaces, thereby positively impacting local economies.

65% of the energy was generated through biomass which is a renewable energy source

Waste and Effluent Management

Targets

- Ensure that waste water discharged as a result of the factory cleaning process and waste generated from its biomass generators do not contaminate the environment while ensuring that the Environmental Protection Licence (EPL) requirements are met.

Initiatives

- Soakage pits were established for waste water.
- Landfills were established for wood ash disposal from energy generation.

Occupational Health and Safety

Targets

- Ensure a safe and conducive work environment with a view to minimising incidents of occupational health and safety.

Initiatives

- Reviewed and tested all Business Continuity Plans of TSF PLC and offices of Centre Functions.
- Fire drills and training on fire safety were provided for all factory and Centre Function staff.
- OHSAS 18001 certification has been obtained for a majority of the TSF PLC factories with plans to obtain certification for the remaining factories in due course.

Supplier Development and Social Responsibility

Targets

- Improving yield of tea small holders with a view to improving their livelihoods, providing alternate sources of income whilst conserving the environment and improving agricultural practices of tea small holders.
- Enhancing relationships with smallholder community in the vicinity and encouraging loyalty to TSF PLC factories to ensure a steady supply of green leaf.

Initiatives

- TSF PLC continued to carry out the tea replanting programme commenced in 2010 covering 18 acres of small holder plantations, impacting 25 small holder families.
- A community based reforestation project was initiated by John Keells Foundation (JKF) and TSF PLC's factories in the Hiniduma and Galle regions together with the

Extension services carried out for small holder farmers by TSF PLC

Carbon Consulting Company to supply 3,000 forest plants to 15 acres of land belonging to tea small holder suppliers of TSF PLC. The small holders' livelihood is expected to be improved through this project with the monthly allowance paid to them for the maintenance of the plants in the short term as well as the commercial value of cash crops in the longer term.

- Extension services were carried out to provide small holders with technical knowledge as well as appraise them on principles of Good Agricultural Practices (GAP), and protection of the environment and labour and human rights regulations.
- The Plantation Services sector also encouraged factories to obtain the Ethical Tea Partnership Certification, conduct health camps, eye camps, conducting awareness programmes on serious diseases and providing training on health and safety to its surrounding communities.

Training and Development

Targets

- Enhance knowledge and skills of staff to improve and sustain group wide synergies.

Initiatives

- A total of 8,380 hours of training were provided to staff in the Plantation Services sector amounting to an average of 11 hours of training per person, while a total of 2,243 hours of training were provided to Centre Function staff, amounting to an average of 15 hours per person.

Sustainability and Financial Performance

Sustainability Performance

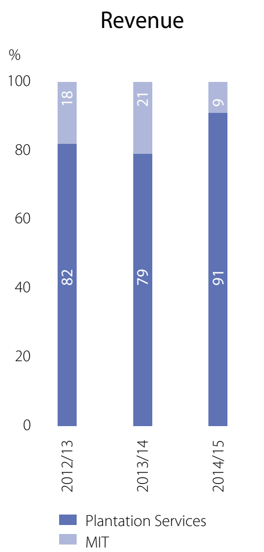
The carbon footprint for the Other including Plantations Services industry group reduced marginally to 3,898 MT for the year under review from the 4,060 MT recorded in the previous year. 10,623 hours of training was provided to staff within the industry group, compared to 12,193 hours of training recorded in the previous financial year. A reduction in the number of injuries for the industry group was also recorded in the year under review.

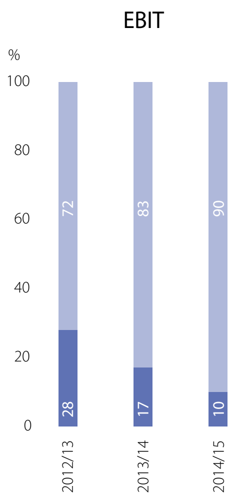
Sustainability Performance	2014/2015	2013/2014	Change (%)
Carbon footprint (MT)	3,898	4,060	(4)
Waste disposed (kg)	244,739	266,392	(8)
Injuries and diseases (number)	3	5	(40)
Total training (hours)	10,623	12,193	(13)

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor	2014/2015	2013/2014
TSF PLC CO_2 (kg per kg of tea produced)	0.59	0.58
JK PLC and JKW CO_2 (kg per square foot of floor area)	1.2	1.4

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.3.17 billion [2013/14: Rs.3.33 billion], a decrease of 5 per cent from the previous year. Both TSF PLC and JK PLC recorded lower revenue on account of the significant decline in the average selling price for tea. However, JK Warehousing recorded a notable increase in revenue following the increased production of tea, albeit off a relatively smaller base.

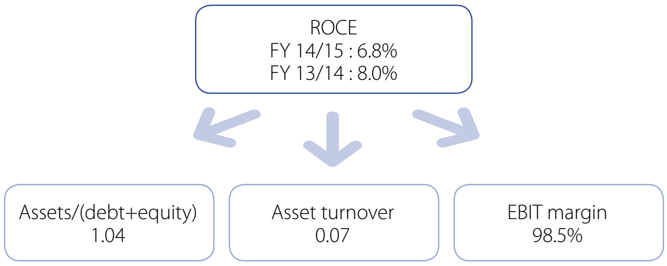




Total EBIT (including the Holding Company) increased by 25 per cent to Rs.3.41 billion [2013/14: Rs.2.73 billion]. The growth is mainly on account of the increase in finance income of Rs.1.77 billion arising from the gain of Rs.389 million and Rs.593 million resulting from the disposal of the investments held in Expolanka PLC and Access Engineering PLC respectively. The gains on the disposals of these investments are treated as finance income in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The income arising from the investment of funds raised through the Rights Issue also contributed towards the increase in finance income. These funds are available for deployment in to the "Waterfront" Project as equity on a needs basis throughout the development period. The EBIT adjusted for the impact of the Rights Issue funds is Rs.2.23 billion. Since investments and divestments made under John Keells Capital are considered in the ordinary course of business it should be noted that the EBIT has not been adjusted to exclude the impact of the capital gains associated with the aforementioned divestments.

The finance expense of the industry group decreased on account of the reduction in the total outstanding debt and lower interest rates during the year under review. The PBT adjusted for the impact of the Rights Issue funds increased by 18 per cent to Rs.2.05 billion [2013/14: Rs.1.73 billion].

Return on Capital Employed



- ROCE decreased to 6.8 per cent in comparison to 8.0 per cent in the previous financial year. The decrease is mainly on account of an increase in the asset base towards the end of the financial year following investments in short term financial instruments. The gain of Rs.81 million arising from the revaluation of the land owned by TSF PLC located in Peliyagoda also contributed to the higher asset base. Considering the long gestation period of 4 years on the "Waterfront" Project, the equity yet to be infused to the "Waterfront" Project as well as the above mentioned revaluation gain have been eliminated for the purposes of calculating the adjusted capital base for the industry group. Similarly, the finance income associated with the eliminated equity capital has been adjusted in the computation of EBIT. The resulting adjusted ROCE is 7.1 per cent compared to 8.5 per cent in the previous financial year.
- The EBIT margin increased to 98.5 per cent from 64.9 per cent recorded in the previous financial year due to the aforementioned capital gains and increase in finance income whilst there was no corresponding revenue. The recurring EBIT margin increased to 63.3 per cent from 49.6 per cent in 2013/14. The EBIT margin for the Plantation Services sector declined due to the decline in revenue at TSF PLC and JK PLC, and higher sales and distribution costs incurred at JK PLC.
- The asset turnover ratio decreased to 0.07 times from 0.12 times as a result of the higher asset base and the decline in revenue as mentioned above. The asset turnover ratio adjusted for the funds earmarked for the "Waterfront" Project and the aforementioned revaluation gains is 0.11 times compared to the 0.16 times in 2013/14.

TSF PLC is likely to maintain its focus on processing high quality leaf with the ability to command premium prices at the auctions

Outlook

The demand for tea is likely to remain depressed in the short term due to the poor economic and political climate witnessed across some of the key export destinations for Sri Lankan tea. The performance of the Russian market in particular will be a critical factor for the Sri Lankan tea industry as the weakened Ruble will continue to exert pressure on both Sri Lankan tea exporters and Russian tea importers alike. However, Russia's accession to the World Trade Organisation (WTO) in August 2014 is expected to lower the tariff applied on value added imports in the ensuing financial year and improve the overall accessibility of tea imports to the country. Furthermore, the growing demand from Egypt and the expected shortfall in tea production in countries such as India and Kenya is likely to help mitigate the negative impact on global tea prices to an extent.

With the expected drop in tea prices, TSF PLC is likely to maintain its focus on processing high quality leaf with the ability to command premium prices at the auctions. Both JK PLC and TSF PLC will continue to place special emphasis on improving productivity in order to streamline costs associated with the overall operations.

The investment banking arm of the Group will continue to explore new opportunities whilst leveraging on its existing pipeline which focusses mainly on the equity capital space. SGIT expects to expand its client base through the acquisition of new clients, particularly with its appointment as a SAP reseller, whilst it hopes to expand the reach of its SAP based PMS and CRS solutions to the Asia Pacific region through its partnership with Indra of Spain.

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 Group Financial and Sustainability Review, Capital Resources and Liquidity sections and Notes to the Financial Statements of the Report.

Introduction

Portfolio management and evaluation is an imperative action in creating value to all stakeholders through financial and non-financial evaluation of the Group's fundamentals. Whilst the Group is presented with opportunities in varying industries, it continues to follow its four-step, successful and structured methodology shown below in evaluating its portfolio and thereby guiding investment and divestment decisions.

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/ Required Rate of Return

The present hurdle rate of JKH is at 15 per cent which is a function of the weighted average cost of capital (WACC). The WACC is derived from the Group's cost of equity, cost of debt, target capital structure, tax rates and the value creation premium required over and above the WACC. Whilst the cost of debt has reduced during the period under review, the hurdle rate has not been revised on the basis that it is a long term target, and any revision would be warranted only if the above factors are expected to change over the long term.

Even though this hurdle rate is utilised as the initial benchmark rate in evaluating feasibility and opportunity in all projects of the Group, project specific modifiers are also used in order to get a holistic view of the project under consideration. As such, a country specific risk modifier would be applied for investments with a high proportion of foreign currency investment costs and operational cash flows through the use of a project specific cost of debt and foreign currency denominated equity return benchmarks commensurate with the investment, which in turn would be comparatively analysed against projects with similar risk profiles.

Regular Assessment of Risk and Reward

All verticals and businesses within each industry group are regularly assessed on key dimensions such as customer orientation and bargaining power, supplier concentration and power, JV partner affiliations and dependence, cyclicality, regulatory structure, performance against the industry and Sri Lankan economy and economic, procedural, regulatory or technological factors that obstruct or restrict operations, entry or exit of both the unit and competitors etcetera.

The capital structure for new projects are stress tested under varied scenarios, which often leads to taking proactive measures, particularly in managing potential foreign exchange risks during both the development and operating phases. Further, ongoing projects are regularly tested and evaluated in partnership with independent and recognised parties to ensure clear, impartial judgment on matters relating to capital structure, economic implications and key risks.

Conceptualising Portfolio Performance

Further to the discussion in the Group Financial and Sustainability Review section of this Report, the ensuing section discusses the ROCE for 2014/15 under two key modifiers.

Modifier I – Adjustment for Land Re-allocations

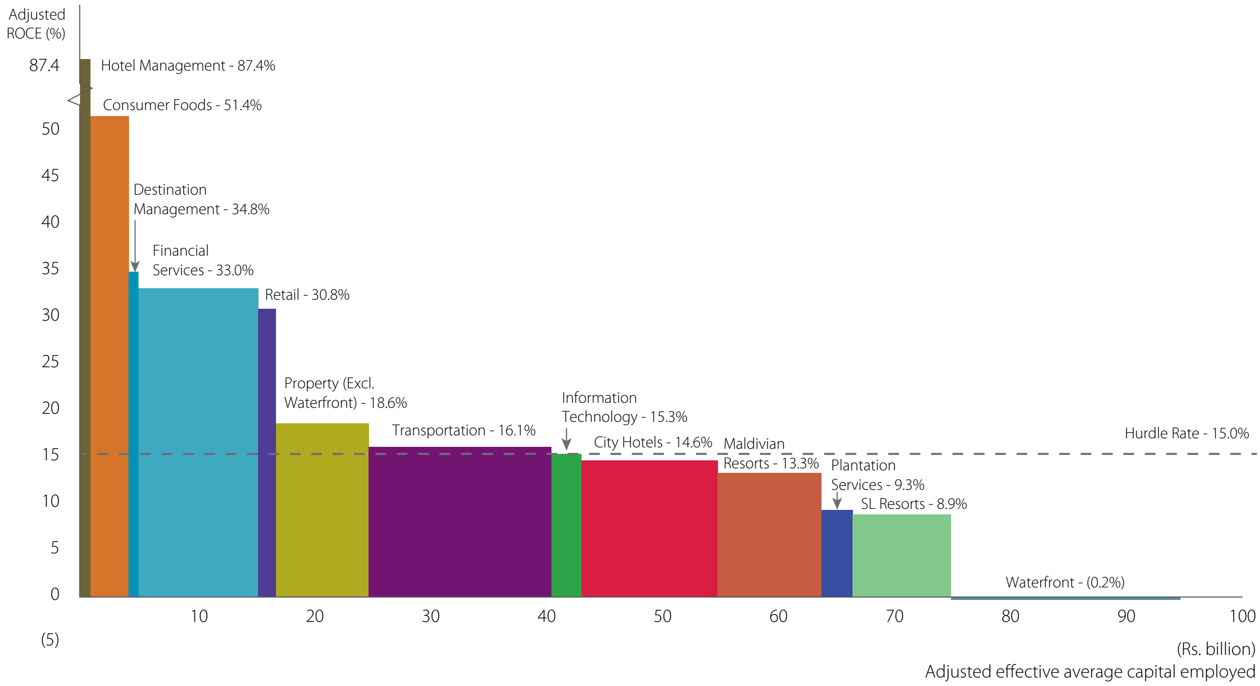
Properties that are not under the operational banner of the non-property related business units, and are excess to their current and foreseeable operational requirements, have been allocated to the Property industry group along with their corresponding income. However, note that real estate belonging to the Sri Lankan Resorts sector is excluded as such properties constitute the land bank of the sector for future hotel developments. As noted in last year's Annual Report, the properties re-allocated will be a part of a "property play" and plans for their development and operation is the responsibility of the Property industry group. "Waterfront" is recognised as a stand-alone play.

Modifier II – Adjustment for Investment Property and Revaluations

Properties which have been re-rated in keeping with the principle of fair value accounting have been adjusted for the financial years 2012/13, 2013/14 and 2014/15 in order to obtain a clear and un-skewed view of

	2014/15			2013/14
Industry Group/Sector	Unadjusted ROCE (%)	ROCE after Modifier I (%)	ROCE after Modifier I and II (%)	ROCE after Modifier I and II (%)
Hotel Management	87.4	87.4	87.4	107.5
City Hotels	9.3	9.8	14.6	18.6
Resort Hotels	7.2	7.2	8.9	8.9
Destination Management	34.8	34.8	34.8	34.5
Maldivian Resorts	13.3	13.3	13.3	13.2
Transportation	15.8	16.1	16.1	16.1
Consumer Foods	34.8	35.3	51.4	17.7
Retail	30.6	30.6	30.8	14.7
Financial Services	32.7	32.7	33.0	22.6
Property (Excl. Waterfront)	18.3	15.2	18.6	8.7
Waterfront	(0.2)	(0.2)	(0.2)	0.0
Information Technology	15.3	15.3	15.3	15.2
Plantation Services	8.3	8.5	9.3	20.1

The adjusted ROCE following the above two modifiers is graphically depicted below;



the ROCE. This is similar to one aspect of the discussion had in the section titled "Return on Capital Employed" of the Group Financial and Sustainability Review section of the Report.

Noteworthy points on the above graph are as follows;

In addition to the two modifiers discussed earlier, for the purpose of providing better clarity on the performance of the Group's portfolio, the capital employed by the Group in each of the above sectors/industry groups has been computed to reflect the effective share of capital based on the effective ownership held by the Group. Thus providing a clear view of the returns generated by each sector/industry group accruing to the Group from the overall portfolio.

The City Hotels sector underperformed mainly on account of decreased room and banqueting revenue compared to the previous year. Increased competition from the 3-star and 4-star segments as a result of the increased room supply resulted in a drop in occupancy for Cinnamon Lakeside thereby impacting EBIT. The drop in room revenue of Cinnamon Grand in comparison to last year was on account of multiple international conferences being held during 2013/14. Furthermore, the capital expenditure incurred on the development of the property management system at Cinnamon Grand contributed towards the sector expanding its asset base whilst the returns associated with the investment are expected to accrue over the ensuing years. As such, the adjusted ROCE declined to 14.6 per cent in the current year, from the 18.6 per cent recorded last year. The adjusted ROCE of the Sri Lankan Resorts sector remained the same at 8.9 per cent due to the presence of a large land bank earmarked for development of hotel properties (refer Group Real Estate Portfolio section for details on the land bank) and flat EBIT margins recorded during the period.

The Hotel Management sector and the Destination Management sector ROCEs were well above the hurdle rate as was the case in the previous years.

The re-rating of the properties over the past 3 years has increased the capital base of such properties thus warranting it impossible to be employed in immediate return generating projects

For the reader's convenience and to ensure capturing of all sectors/ industry groups, the Maldivian Resorts sector has been included in the adjusted ROCE analysis and is below the Rupee hurdle rate. As such, considering the Dollar investments made into the Maldivian Resorts, the return generated should be appraised against a return of a comparable dollar financed asset as opposed to the Group Rupee hurdle rate of 15 per cent.

The adjusted ROCE of Transportation remained at 16.1 per cent over the previous year in light of a reduced EBIT offset by a reduced adjusted capital base.

The Property industry group, excluding "Waterfront", recorded an increase in adjusted ROCE to 18.6 per cent from 8.7 per cent on account of higher revenue and EBIT recognised at "OnThree20" and "7th Sense" on Gregory's Road residential developments compared to the previous financial year. As defined under "modifier 1" above, properties that are not under the operational banner of the non-property related business units, and are excess to their current and foreseeable operational requirements have been included under Property. The re-rating of these properties over the past 3 years has increased the capital base of such properties thus warranting it impossible to be employed in immediate return generating projects. And hence has been modified as defined under "modifier 2" above in calculating the adjusted ROCE.

Unlike the analysis done on adjusted ROCE under the Group Financial and Sustainability Review section of the Report, debt and equity infused at "Waterfront" has not been adjusted as the "Waterfront" Development Project is separately evaluated in the ensuing section.

During the financial year, Rs.585 million of cash equity and Rs.3.32 billion of debt was infused to "Waterfront" to finance the development costs of the project. On a cumulative basis, the total capital at "Waterfront" includes equity of Rs.13.82 billion (which also includes the land transferred to "Waterfront" from subsidiaries of JKH in addition to the cash equity infusions) and debt of Rs.10.03 billion. Further, the initiation of the branding campaign for the "Waterfront" Development Project, titled "Cinnamon Life", resulted in the incurrence of marketing and promotional costs, which cannot be capitalised as projects costs, resulting in an adjusted ROCE of negative 0.2 per cent. Note that all other project related costs unless explicitly mentioned, such as above, are capitalised in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

The Consumer Foods sector's adjusted ROCE increased to 51.4 per cent from 17.7 per cent in the previous year. The inclusion of a portion of the current "Waterfront" land under the capital base of this sector in 2012/13 resulted in the lower ROCE in 2013/14, which was subsequently transferred to Waterfront Properties (Private) Limited, contributing to the significant increase in ROCE of this sector in the current year. An increase in profitability, driven by higher volumes and improved cost management, also resulted in the increase of EBIT margins of the sector.

The Retail sector also witnessed higher profitability owing to increased footfall and efficiency improvements which increased the adjusted ROCE to 30.8 per cent from 14.7 per cent recorded in the previous financial year. The increase in adjusted ROCE was achieved despite an increase in capital employed resulting from the opening of four new outlets and reformatting exercises done on a number of existing outlets.

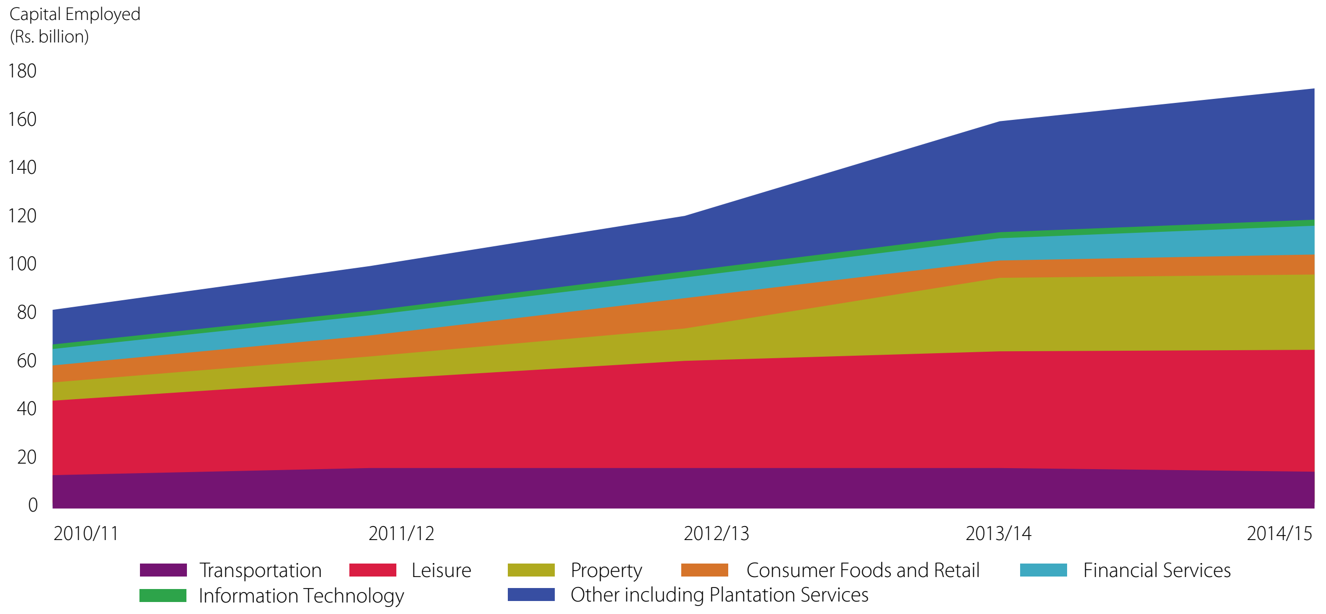
The Financial Services sector recorded an adjusted ROCE of 33.0 per cent compared to 22.6 per cent recorded in the previous financial year. The increase was largely due to the capital gain on disposal of the General Insurance business as discussed in the Industry Group Review section of the Report. Nonetheless, excluding the capital gain the adjusted ROCE of 22.7 per cent is well above the hurdle rate owing to the increase in EBIT stemming from the improved performance by the Banking and Stock Broking businesses. The increase in adjusted ROCE was achieved in spite of the investments in IT systems and branch expansions at NTB and the 22 per cent investment in the newly incorporated Union Assurance General Limited, which is classified as an associate of the Group.

The adjusted ROCE of the Plantations Services sector declined to 9.3 per cent compared to 20.1 per cent recorded in the previous financial year. The lower adjusted ROCE is a result of a decrease in EBIT, as a high degree of political unrest and economic volatility was witnessed across some of the key destinations for tea exports which resulted in a sharp decline in tea prices.

As shown in the graph before, the Consumer Foods and Retail industry group and Financial Services industry group have exceeded the return thresholds of the Group whilst expanding their respective capital bases. These businesses are poised to grow in the medium term due to conducive economic conditions and are expected to play a pivotal role within the Group's portfolio.

Portfolio movements over the past five years can be illustrated as follows;

Portfolio Movements



Significant Movements of the Portfolio and in Capital Employed

	2011/12	2012/13	2013/14	2014/15
Investments	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.113 million in Saffron Aviation (Private) Limited, which operates Cinnamon Air
	International Tourist and Hoteliers Limited invested Rs.350 million in its fully owned subsidiary Beruwala Holiday Resorts (Private) Limited to fund the construction of Cinnamon Bey Beruwala	Invested Rs.224 million in Saffron Aviation (Private) Limited, 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	Invested Rs.100 million in John Keells Properties Ja-ela (Private) Limited
	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.585 million in Waterfront Properties (Private) Limited
	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	-	KHL invested Rs.199 million for the acquisition of a 426 perch land in Nuwara Eliya
		Invested Rs.467 million during the year for the refurbishment of Cinnamon Citadel		Entered into a lease agreement to acquire Kekuraalhuveli Island next to Hakuraa.
		The JKH Group invested Rs.119 million in K-Zone Ja-Ela		
		Invested Rs.1.29 billion for the balance construction of Cinnamon Bey		
Divestments		Disposed of the 44 per cent holding in Quattro FPO Solutions (Private) Limited 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	JKH disposed its 4.3 per cent stake in Expolanka Holdings PLC which resulted in a capital gain of Rs.389 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	JKH disposed its 4.0 per cent stake in Access Engineering PLC which resulted in a capital gain of Rs.593 million
				UA sold a 78 per cent stake in Union Assurance General Limited for a consideration of Rs.3.66 billion which resulted in a capital gain of Rs.1.22 billion
Mergers and Restructuring				JKH's 100 per cent stake in Nexus Networks (Private) Limited was divested to JayKay Marketing Services (Private) Limited, which subsequently resulted in an amalgamation, with the surviving entity being JayKay Marketing Services (Private) Limited

Total number of shares in issue as at 31.03.2015	**997,486,491**
Public shareholding as 31.03.2015	98.49%
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
Global Depositary Receipts (GDR) balance	**1,122,069**
2015 Warrants outstanding	**43,995,994**
2016 Warrants outstanding	**43,995,994**

Unexpired Employee Share Options

Expiring Year	Granted Shares (Adjusted)	Immediately Exercisable	To be Vested
2015/16	7,070,022	5,981,721	Nil
2016/17	7,137,515	5,677,597	Nil
2018/19	7,415,303	1,627,823	5,183,176
2019/20	7,428,128	Nil	7,204,894
Total	**29,050,968**	**13,287,141**	**12,388,070**

Local Stock Market Review

The All Share Price Index (ASPI) of the Colombo Stock Exchange (CSE) was 6,820.34 as of 31st March 2015, recording a gain of 14 per cent over the previous financial year. The S&P SL 20 Index, which is the weighted average index of selected counters of the CSE based on market capitalisation, liquidity and financial thresholds, stood at 3,852.43 as of 31st March 2015, posting an increase of 17 per cent over the previous financial year.

The low interest rate regime, supported by benign inflation data that prevailed, provided some momentum to the equity market with domestic participation increasing to 73 per cent during the financial year compared to 67 per cent observed in the previous financial year. Resultantly, the average daily turnover levels increased to Rs.1.48 billion during the financial year compared to Rs.805 million recorded in the previous financial year. The market capitalisation of the CSE was Rs.2,891 billion at the end of the financial year compared to Rs.2,498 billion recorded in the previous financial year, recording a growth of 16 per cent. In September 2014, total market capitalisation surpassed the Rs.3 trillion threshold for the first time in the history of the CSE.

Primary market activity on the CSE during the financial year was mediocre compared to the previous financial year with only 3 initial public offerings and 17 rights issues which raised a total of Rs.777 million [2013/14: Rs.3.08 billion] and Rs.13.15 billion [2013/14: Rs.25.64 billion] respectively.

The tax incentives offered on corporate debt contributed towards the conclusion of 26 corporate debenture issues, raising a total of Rs.68.73 billion during the financial year compared to 28 debenture issues which raised Rs.66.76 billion during the previous financial year. The increased activity in the corporate debt securities market had an impact on equities as a result of certain institutional investors preferring to allocate funds towards corporate debt over equity.

Foreign investors remained net buyers recording net inflows of Rs.31.21 billion [2013/14: Rs.10.98 billion]. The market witnessed strong buying interest from foreigners during the first three quarters of the financial year. The diversified sector attracted a majority of the foreign buying followed by the banking and finance and food and beverage sectors. The construction sector also saw heavy buying from foreign sources compared to the previous year largely due to the increase in earnings recorded during the year under review. Overall, corporate earnings continued to grow at a steady pace.

Whilst the CSE did witness upward momentum, particularly during the first half of the financial year, the second half performance was volatile due to political uncertainty on account of the announcement and conclusion of the Presidential election. Whilst the ASPI did gain 108 points post the conclusion of the Presidential election, political uncertainty and the measures announced in the mini budget, in particular the super gains tax, dampened investor sentiment particularly in the domestic retail space, resulting in the CSE losing some ground, although still ending the year with a 14 per cent gain as discussed before.

Global Review

Globally, US equities were supported by strong economic data, falling oil prices and the accommodative policy stance maintained by the US Federal Reserve, notwithstanding geopolitical tensions that prevailed internationally during the period under review. The emergence of strong labour market data brought forward expectations for the first hike in US interest rates to June 2015, while subsequent dovish commentary from the Fed pushed expectations back out again to September 2015. Alongside these developments in the US, the expansionary policies executed by the European Central Bank (ECB) and Bank of Japan (BoJ) have led to increased volatility in currency, bond and share markets. Volatility is expected to continue when the Fed commences its tightening cycle, with the ECB and BoJ expected to continue with their expansionary policy stance. Nonetheless, during the financial year the Dow Jones Industrial Average (DJI) posted a gain of 8 per cent whilst reaching an all-time high in March 2015.

The strengthening of the US dollar had a negative impact on returns to US investors with holdings in unhedged emerging market assets. Relative to US equities, European equities and emerging market equities demonstrated volatility in response to events of geopolitical tensions in Europe, outbreaks of violence in the Middle East and the spread of the Ebola virus in Africa. However, London's FTSE 100 recorded a gain of 3 per cent at the close of the financial year with positive expectations for the forthcoming year stemming from the launch of the ECB's asset purchase programme during the last quarter of the financial year. The excess liquidity through the ECB is likely to support investment in the Eurozone as well as result in a portion of that liquidity flowing to emerging markets.

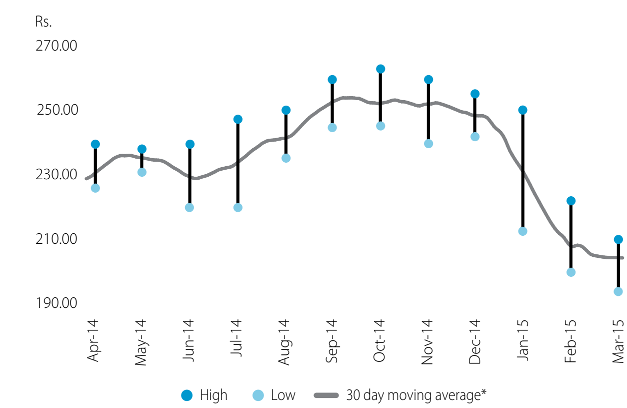
The S&P Sensex of Mumbai (SENSEX) in India gained 25 per cent during the fiscal year on account of the change in Government post conclusion of the elections in India and consequent expectations of significant economic reforms. Japan's Nikkei 225 index performed robustly and increased by 30 per cent during the year on the back of the action of the BoJ. The Jakarta Composite Index (JCI) and Singapore's Strait Times Index (STI) increased by 16 per cent and 8 per cent respectively whilst lower prices of oil impacted Malaysia, as a net oil exporter, leading to a decrease in the FTSE Bursa Malaysia KLCI (KLSE) by 1 per cent as of the financial year end.

Despite an unpredictable global environment and political uncertainty stemming from the announcement of the Presidential elections, the ASPI increased by 14 per cent during the financial year. Moreover, from a long term perspective, the CSE has outperformed most of the regional as well as western markets over the last five years based on the CAGR of 13 per cent thereby ranking Sri Lanka ahead of most of its regional peers.

The JKH Share

The JKH share decreased to Rs.199.40 as at 31st March 2015 from Rs.227.00 recorded in the previous financial year. The share witnessed steady growth until the announcement of the Presidential elections in November which resulted in the share experiencing some volatility, followed by a decline, particularly following the developments impacting the "Waterfront" Project in relation to gaming operations in Sri Lanka. As stated elsewhere in this Report, the Company has reiterated its commitment to the "Waterfront" Project. The decision to continue with the Project was made after considering all the known factors and the potential impacts of varying alternatives. The Company also made an announcement to the CSE and shareholders on the 30th January 2015 in this regard. The Company remains confident of the prospects for the Development as discussed in the Chairman's Message and the Property Industry Group Review under the Industry Group Reviews section of this Report. The announcement of the retrospective one-off super gains tax charge of 25 per cent on companies (or group of companies) with a profit before tax exceeding Rs.2 billion also had an impact on the JKH share price. The JKH share traded between a high of Rs.263.00 in October 2014 and a low of Rs.195.00 in March 2015. The JKH share continued to attract foreign buying interest on account of healthy earnings growth recorded over the first three quarters of the financial year.

JKH High and Low Share Prices per Month



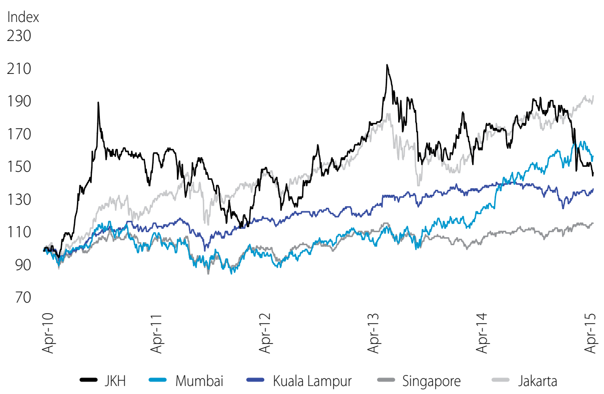
* 30 day moving averages have been calculated using 15 days trailing and forward closing prices from the mid-point of each month

The JKH share contributed 19.7 per cent in terms of market turnover compared to 21.6 per cent recorded in the previous financial year underscoring its consistency as a preferred liquid equity instrument. The beta of the JKH share as of 31st March 2015 was 0.62 (the beta is calculated on daily JKH share and market movements measured by the ASPI for the five year period commencing 1st April 2010 to 31st March 2015). The compounded annual growth rate (CAGR) of the JKH share over the five year period was 8 per cent, primarily due to the share performance in the current year due to the issues discussed before, thus underperforming the market which posted a CAGR of 13 per cent over the same period. The movement of the JKH share price and the ASPI over the five year period is plotted in the graph titled "JKH share performance vs ASPI, MPI, S&P SL 20 (indexed)".

Warrants 2015 and Warrants 2016

The "2015 warrant" price decreased to Rs.20.80 as of 31st March 2015 from Rs.68.60 recorded at the end of the

JKH Share Compared with Key Regional Indices (indexed)



JKH Share Performance vs ASPI, MPI, S&P SL20 (indexed)

previous financial year. The decrease in the warrant price is due to the fall in the underlying price of the share and also due to the warrant nearing expiration in November 2015. The "2015 warrant" traded between a high of Rs.80.50 in October 2014 and a low of Rs.16.00 in March 2015 due to the reasons discussed above.

The "2016 warrant" price decreased to Rs.32.10 as of 31st March 2015 from Rs.71.90 recorded at the end of the previous financial year. The decline in the price is due to the reasons aforementioned. The "2016 warrant" traded between a high of Rs.85.40 during October 2014 and a low of Rs.27.10 in March 2015.

Both, the "2015 warrant" and "2016 warrant" continued to trade at a premium to its intrinsic value throughout its life.

The movement of the warrant price in relative to the market performance and the JKH share is illustrated in the graph titled "JKH performance versus the ASPI (indexed)".

Issued Share Capital

The number of shares issued by the Company increased to 997.49 million as at 31st March 2015 from 990.29 million as at 31st March 2014. The increase in the share capital was solely due to the exercise of employee share options (ESOPs) of 7.20 million equivalent shares during the financial year. Moreover, out of the 25.68 million shares equivalent of unexercised ESOPs as at 31st March 2015, 13.29 million unexercised ESOPs are eligible for immediate exercise whilst the balance 12.39 million unexercised ESOPs are awaiting performance based vesting as 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 contained in this Report. The Global Depositary Receipts (GDRs) balance in ordinary share equivalents remained unchanged at 1.12 million as of the financial year end.

The Board of Directors have recommended a subdivision of the Company's shares in the proportion of 8 ordinary shares for every 7 ordinary shares held for approval of the shareholders at an Extraordinary General Meeting. Accordingly, the price and quantity of the 2015 and 2016 Warrants will be adjusted to reflect the aforementioned subdivision of shares.

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 its investment pipeline and optimise its capital structure, thus ensuring the creation of sustainable shareholder wealth in the short, medium and long term.

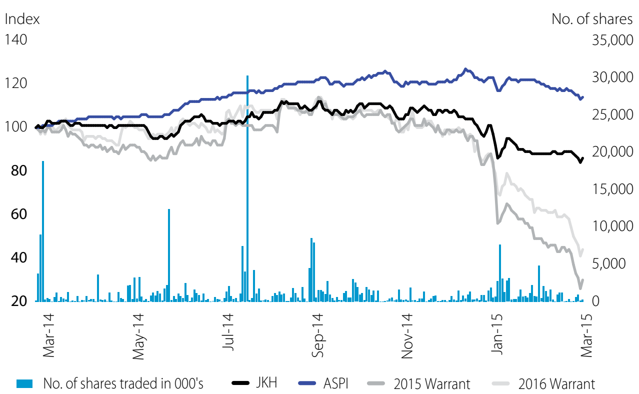
Despite share capital expanding by 13 per cent subsequent to the 2 for 13 Rights Issue which took place during the last financial year, the Company maintained its dividend payout of Rs.3.50 per share for the current financial year. The total dividend paid for the financial year increased by 6 per cent to Rs.3.48 billion [2013/14: Rs.3.27 billion]. The dividend payout ratio decreased to 34.5 per cent [2013/14: 44.2 per cent] in the current year. The decrease in the dividend payout ratio was mainly due to the increase in the distributable Company profits of 36 per cent.

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 15th June 2015. Therefore, the dividend paid out of the current financial year's profits in absolute terms is Rs.3.49 billion [2013/14: Rs.3.47 billion].

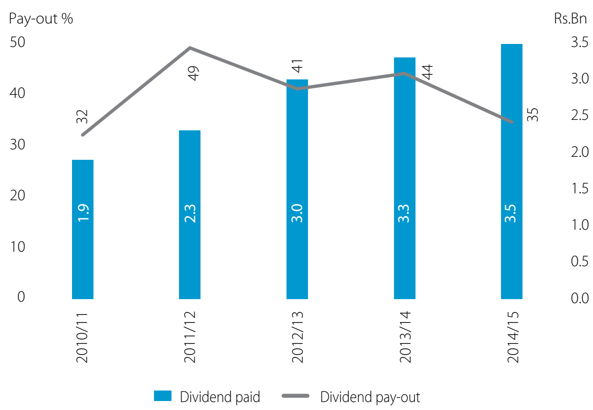
Earnings per Share

The fully diluted earnings per share (EPS) for the financial year increased by 15 per cent to Rs.14.15 [2013/14: Rs.12.33] due to the increase in profit attributable to the equity holders. It is noteworthy to mention that, on a recurring basis, the diluted EPS after adjusting for changes in fair value of investment property, interest income from rights issue funds, capital gains and losses accrued through disposal of available for sale financial assets and the 78 per cent stake in Union Assurance General Limited has increased to Rs.12.68 during the current financial year from Rs.11.52 recorded in the previous financial year, thus recording an increase of 10 per cent. The growth in the recurrent EPS is on account of improvement in profitability of core business activities. The items impacting profits are discussed in depth in the Group Financial and Sustainability Review and Industry Group Analysis sections of the Report.

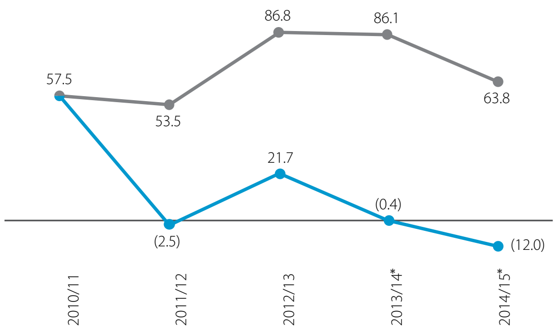
JKH Share Performance vs the ASPI (indexed)



Distributions to Shareholders and Pay-out Ratio

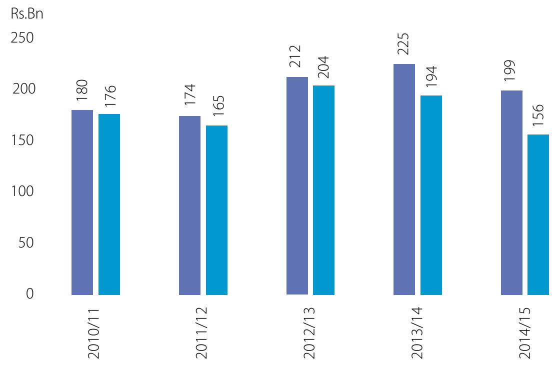


Five-year Total Shareholder Return (%)



* Includes the proportionate impact arising from the ownership of warrants

Market Capitalisation and Enterprise Value



The weighted average number of shares (diluted) increased to 1,014 million as 2014/15 from the 951 million shares recorded in 2013/14. The dilutive nature of the warrants and outstanding ESOPs has been factored in the calculation of the weighted number of shares (diluted).

Total Shareholder Return

The total shareholder return (TSR) to a holder of a single share subsequent to the rights issue in 2013 with proportionate ownership over the "2015 warrant" and "2016 warrant" was a negative 12.0 per cent compared to the negative 0.4 per cent registered in the previous financial year. The main reason for the decline in the TSR was the fall in the share price by 12.2 per cent. On a standalone basis the total shareholder return (excluding the gain or loss realised through the proportionate ownership over the warrants) was negative 10.6 per cent compared to negative 3.5 per cent recorded in the previous financial year.

As at 1st April 2014, the 1-year Treasury Bill rate was 7.1 per cent.

On a cumulative basis, over a five year holding period, the share posted an annualised total return of 10.4 per cent, which was primarily impacted by the underperformance of the JKH share in the current year.

Market Capitalisation and Enterprise Value

The market capitalisation of the Company decreased by 12 per cent to Rs.198.90 billion as of 31st March 2015 [2013/14: Rs.224.80 billion]. At the financial year end JKH represented 6.9 per cent of the total market capitalisation of the CSE as against 9.0 per cent at the end of the previous financial year.

The enterprise value of the Group as at 31st March 2015 decreased by 20 per cent to Rs.155.68 billion [2013/14: 193.61 billion]. The decrease in the enterprise value was due to the reduction in market capitalisation coupled with the strengthening of the Group's net cash position.

A discussion of the net cash position can be found in the section titled Capital Resources and Liquidity of this Report.

Price Earnings Ratio

The price earnings ratio (PER) of the JKH share was 14.1 times as at the current financial year end compared to 18.4 times recorded in the previous financial year end. The decrease in the PER was driven by the decline in the share price by 12 per cent coupled with an increase in the diluted EPS of 15 per cent as discussed earlier. The JKH share which has historically traded at a premium, was at a discount compared to the market PER of the CSE which was 18.4 times as of the financial year end [2013/14: 15.9 times]. The CSE traded at a relatively higher PER multiple in comparison to its regional peers. The Kuala Lampur's FTSE Bursa Malaysia KLCI was 16.7 times, Jakarta's Composite Index was 16.2 times and Singapore's STI was 14.3 times. The PER of the SENSEX Index Mumbai was 18.4 times on account of the renewed investor confidence whilst the Dow Jones Industry Average Index and London's FTSE 100 indices were trading at 16.1 times and 15.9 times respectively as of the financial year end.

	2014/15	2013/14	2012/13
Market capitalisation (Rs. Bn)	198.90	224.80	211.74
Enterprise value (Rs. Bn)	155.68	193.61	203.62
Market value added (Rs. Bn)	61.10	101.90	121.92
EV/EBITDA (times)	6.6	9.7	10.3
Diluted EPS (Rs.)	14.15	12.33	13.65*
PER (diluted)	14.1	18.4	17.5*
Price to book (times)	1.4	1.8	2.7
Price/cash earnings (times)	16.6	15.1	14.3*
Dividend yield (%)	1.8	1.5	1.5*
Dividend pay-out ratio (%)	34.5	44.2	41.0
TSR (%)	(12.0)**	(0.4)**	21.7*

* Adjusted for: 2013 Rights Issue
** Includes the proportionate impact arising from the ownership of warrants

The average daily turnover of the JKH share was Rs.292 million, considerably higher than the Rs.173 million registered in the previous financial year

Price to Book

The price to book ratio of the Group as at the financial year end was 1.4 times [2013/14: 1.8 times]. The increase in the net asset value per share by 12 per cent to Rs.138.15 [2013/14: Rs.123.21] coupled with the decline in the share price as described earlier led to the decrease in the ratio.

Liquidity

During the financial year, 297 million shares changed hands over 34,000 transactions as against 181 million shares transacted over 29,000 trades recorded in the previous financial year. The average daily turnover of the JKH share was Rs.292 million, considerably higher than the Rs.173 million registered in the previous financial year. The average daily market turnover of JKH represented 19.7 per cent of the CSE during the financial year. The share turn ratio for the financial year increased to 0.30 from 0.18 recorded in the previous financial year.

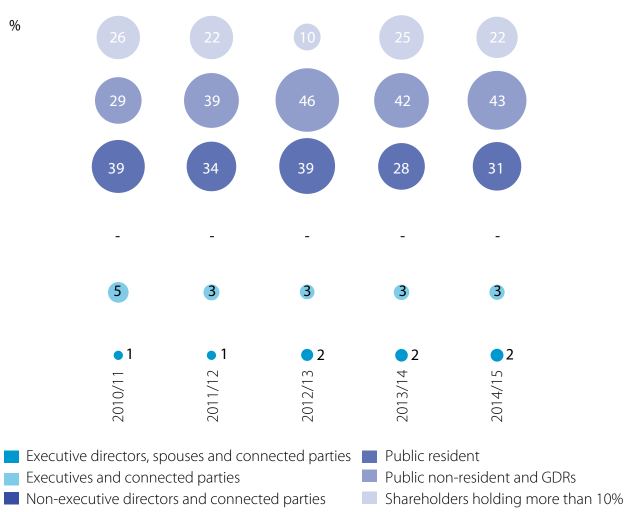
Additionally, 36 million "2015 warrants" were traded over 18,000 transactions compared to 18 million "2015 warrants" changing hands over 12,000 transactions in the previous financial period whilst 34 million "2016 warrants" changed hands over 14,000 transactions during the current financial year compared to 19 million "2016 warrants" being traded in over 11,000 transaction during the previous financial year.

Distribution and Composition of Shareholders

The total number of shareholders of JKH as at 31st March 2015 increased to 9,924 from 8,868 as at the end of the previous financial year. Out of the total number of shares, 98 per cent of the shares were held by the public whilst the remaining 2 per cent were held by Directors, spouses and connected parties.

In terms of residency of the shareholders, 46 per cent of the shares in issue were held by 9,525 resident shareholders whilst the remaining 54 per cent of the shares in issue were held by 399 non-resident shareholders of which a majority of shares are owned by institutional shareholders.

Trend in Composition of Shareholders



Composition of Shareholders

	31st March 2015			31st March 2014		
	Number of Shareholders	Number of Shares	(%)	Number of Shareholders	Number of Shares	(%)
Executive directors, spouses and connected parties	5	15,044,340	1.5	5	15,201,327	1.5
Non-executive directors and connected parties	2	6,467	0.0	3	130,927	0.0
Executives and connected parties	104	33,132,911	3.3	102	32,419,592	3.3
Public Resident						
Institutions :	599	178,989,306	17.9	523	149,507,111	15.1
Individuals :	8,815	236,472,026	23.7	7,853	270,383,872	27.3
Public Non-Resident						
Institutions :	149	525,613,638	52.7	147	513,619,664	51.9
Individuals :	249	7,105,734	0.7	234	7,904,823	0.8
Global depositary receipts	1	1,122,069	0.1	1	1,122,069	0.1
Grand total	**9,924**	**997,486,491**	**100.0**	**8,868**	**990,289,385**	**100.0**

Distribution of Shareholders

	31st March 2015				31st March 2014			
	Number of shareholders	(%)	Number of shares held	(%)	Number of shareholders	(%)	Number of shares held	(%)
Less than or equal to 1,000	5,888	59.3	1,451,868	0.1	5,240	59.1	1,191,383	0.1
1,001 to 10,000	2,706	27.3	9,816,491	1.0	2,448	27.6	8,577,532	0.9
10,001 to 100,000	998	10.1	28,860,464	2.9	872	9.8	25,407,128	2.6
100,001 to 1,000,000	204	2.1	65,351,235	6.6	198	2.2	65,814,170	6.6
Over 1,000,001	128	1.3	892,006,433	89.4	110	1.2	889,299,172	89.8
Grand total	**9,924**	**100.0**	**997,486,491**	**100.0**	**8,868**	**100.0**	**990,289,385**	**100.0**

Market Information on Ordinary Shares of the Company

	2014/15	Q4	Q3	Q2	Q1	2013/14
Share Information						
High	263.00	250.30	263.00	260.00	240.10	290.03*
Low	195.00	195.00	240.00	219.70	219.70	204.00
Close	199.40	199.40	250.00	253.70	219.90	227.00
Dividends paid (per share)	3.50	1.00	1.00	0.00	1.50	3.50
Trading Statistics of the JKH share						
Number of transactions	34,614	16,021	5,157	7,911	5,525	29,784
Number of shares traded '000	296,590	61,680	45,567	118,278	71,066	181,022
% of total shares in issue	29.7	6.2	4.6	11.9	7.2	18.3
Value of all shares traded (Rs. million)	69,744	13,138	11,504	28,548	16,553	42,141
Average daily turnover (Rs. million)	291.81	235	189	446	285	173
% of total market turnover	19.7	19.8	11.0	23.6	26.2	21.6
Market capitalisation (Rs. million)	198,899	198,899	249,906	251,528	217,811	224,796
% of total market capitalisation	6.9	6.9	8.0	8.2	8.1	9.0

* Adjusted for the 2013 Rights Issue

Market Information on 2015 Warrant of the Company

	2015 Warrant					
	2014/15	Q4	Q3	Q2	Q1	2013/14
Warrant information						
High	80.50	69.80	80.50	79.20	71.50	90.50
Low	16.00	16.00	66.70	59.40	58.00	55.10
Close	20.80	20.80	68.00	75.50	59.90	68.60
Trading Statistics						
Number of transactions	18,026	8,868	1,421	3,834	3,903	12,615
Number of warrants traded '000	35,575	12,726	3,945	12,957	5,947	18,273
Value of all warrants traded (Rs. million)	2,068	487	289	911	382	1,261
Average daily turnover (Rs. million)	9	9	5	14	7	14
Market capitalisation (Rs. million)	915	915	2,992	3,322	2,635	3,018

Market Information on 2016 Warrant of the Company

	2016 Warrant					
	2014/15	Q4	Q3	Q2	Q1	2013/14
Warrant information						
High	85.40	73.80	85.40	83.00	77.90	98.20
Low	27.10	27.10	70.00	69.00	66.90	53.00
Close	32.10	32.10	72.50	80.00	71.10	71.90
Trading Statistics						
Number of transactions	14,142	5,379	886	3,911	3,966	11,011
Number of warrants traded '000	33,637	7,607	2,224	15,137	8,670	18,592
Value of all warrants traded (Rs. million)	2,343	365	173	1,183	622	1,296
Average daily turnover (Rs. million)	10	7	3	18	11	14
Market capitalisation (Rs. million)	1,412	1,412	3,190	3,520	3,128	3,163

Directors' Shareholding

	31st March 2015	31st March 2014
S C Ratnayake	6,000,360	6,139,930
A D Gunewardene*	7,298,898	7,479,022
J R F Peiris	1,745,082	1,582,375
E F G Amerasinghe	6,362	6,362
D A Cabraal	105	105
I Coomaraswamy	Nil	Nil
T Das	Nil	Nil
A N Fonseka	Nil	Nil
A R Gunasekara**	Nil	124,460
M A Omar	Nil	Nil
M P Perera***	Nil	Nil

* Includes shares owned by related parties
** Resigned with effect from 30th June 2014
*** Appointed with effect from 1st July 2014

Directors' Warrant Holding

	2015 Warrant		2016 Warrant	
	31st March 2015	31st March 2014	31st March 2015	31st March 2014
S C Ratnayake	280,297	280,297	280,297	280,297
A D Gunewardene*	332,410	332,410	332,410	332,410
J R F Peiris	70,329	70,329	70,329	70,329
E F G Amerasinghe	282	282	282	282
D A Cabraal	Nil	Nil	Nil	Nil
I Coomaraswamy	Nil	Nil	Nil	Nil
T Das	Nil	Nil	Nil	Nil
A N Fonseka	Nil	Nil	Nil	Nil
A R Gunasekara**	Nil	5,531	Nil	5,531
M A Omar	Nil	Nil	Nil	Nil
M P Perera***	Nil	N/A	Nil	N/A

* Includes warrants owned by related parties
** Resigned with effect from 30th June 2014
*** Appointed with effect from 1st July 2014

Options Available to Directors Under the Employee Share Option Plan

Expiring Year	S C Ratnayake			A D Gunewardene			J R F Peiris		
	Granted Shares (Adjusted)	Immediately Exercisable	To be Vested	Granted Shares (Adjusted)	Immediately Exercisable	To be Vested	Granted Shares (Adjusted)	Immediately Exercisable	To be Vested
2015/16	479,275	479,275	Nil	419,365	419,365	Nil	359,456	359,456	Nil
2016/17	485,093	485,093	Nil	424,456	424,456	Nil	363,816	363,816	Nil
2018/19	494,792	123,698	371,094	432,943	108,235	324,708	371,094	92,773	278,321
2019/20	464,258	Nil	464,258	406,226	Nil	406,226	348,194	Nil	348,194
Total	**1,923,418**	**1,088,066**	**835,352**	**1,682,990**	**952,056**	**730,934**	**1,442,560**	**816,045**	**626,515**

Twenty Largest Shareholders of the Company

		31st March 2015		31st March 2014	
		Number of Shares	(%)	Number of Shares	(%)
1	Mr. S E Captain	110,775,563	11.1	143,340,253	14.5
2	Broga Hill Investments Limited	104,084,164	10.4	104,084,164	10.5
3	Paints & General Industries Limited	66,913,811	6.7	51,994,412	5.3
4	Melstacorp (Private) Limited	36,498,341	3.7	36,498,341	3.7
5	Aberdeen Global-Asian Smaller Companies Fund	35,822,854	3.6	34,453,481	3.5
6	Schroder International Selection Fund	34,504,417	3.5	16,832,712	1.7
7	Deutsche Bank AG – London	30,065,961	3.0	35,407,406	3.6
8	Aberdeen Global Asia Pacific Equity Fund	21,978,158	2.2	21,978,158	2.2
9	Aberdeen Institutional Commingled Funds, LLC	15,569,620	1.6	11,354,620	1.1
10	Aberdeen Global-Emerging Markets Smaller Companies Fund	15,342,272	1.5	16,430,969	1.7
11	Mr. K Balendra	15,227,172	1.5	15,227,172	1.5
12	London - Edinburgh Dragon Trust PLC	12,619,227	1.3	12,619,227	1.3
13	Somerset Small Mid Cap EM All Country Fund, LLC	11,362,207	1.1	5,036,951	0.5
14	Aberdeen Asia Pacific Fund	10,470,264	1.0	10,470,264	1.1
15	Mrs. C S De Fonseka	10,051,585	1.0	10,582,326	1.1
16	Mrs. S A J De Fonseka	9,868,701	1.0	10,483,019	1.1
17	Employees Trust Fund Board	8,817,681	0.9	3,341,858	0.3
18	Aberdeen Global Frontier Markets Equity Fund	8,636,653	0.9	8,436,653	0.9
19	Ruffer Total Return Fund	8,540,000	0.9	-	-
20	Employees Provident Fund	8,435,708	0.8	4,701,861	0.5

Twenty Largest 2015 Warrant Holders of the Company

		31st March 2015		31st March 2014	
		Number of Warrants	(%)	Number of Warrants	(%)
1	Seylan Bank / Capital Trust Holdings (Pvt) Ltd	8,957,364	20.4	3,431,299	7.8
2	Broga Hill Investments Limited	4,523,355	10.3	4,523,355	10.3
3	Melstacorp (Private) Limited	1,666,208	3.8	1,666,208	3.8
4	Aberdeen Global-Asian Smaller Companies Fund	1,641,071	3.7	1,641,071	3.7
5	Aberdeen Global-Emerging Markets Smaller Companies Fund	1,135,979	2.6	1,135,979	2.6
6	Dee Sanda Holdings (Private) Limited	1,000,119	2.3	682,553	1.6
7	Aberdeen Global Asia Pacific Equity Fund	976,840	2.2	976,840	2.2
8	Deutsche Bank AG – London	956,950	2.2	957,006	2.2
9	Employees Trust Fund Board	726,227	1.7	-	-
10	Schroder International Selection Fund	709,906	1.6	745,113	1.7
11	Mr. K Balendra	695,144	1.6	695,144	1.6
12	London - Edinburgh Dragon Trust PLC	560,873	1.3	560,873	1.3
13	Sampath Bank / Capital Trust Holdings (Pvt) Ltd	518,152	1.2	512,538	1.2
14	London - Aberdeen Asia Pacific Equity Fund	465,361	1.1	465,361	1.1
15	Mr. C K Sangakkara	438,331	1.0	59,100	0.1
16	Aberdeen Institutional Commingled Funds, LLC	433,909	1.0	433,909	1.0
17	Luxembourg - Aberdeen Global Frontier Markets Equity Fund	374,975	0.9	374,975	0.9
18	Rosewood (Pvt) Limited	354,429	0.8	54,429	0.1
19	Mrs. L V C Samarasinha	316,883	0.7	316,883	0.7
20	Mr. A D Gunewardene	313,588	0.7	313,588	0.7

Twenty Largest 2016 Warrant Holders of the Company

		31st March 2015		31st March 2014	
		Number of Warrants	(%)	Number of Warrants	(%)
1	Seylan Bank / Capital Trust Holdings (Pvt) Ltd	6,151,503	14.0	2,052,358	4.7
2	Broga Hill Investments Limited	4,523,355	10.3	4,523,355	10.3
3	Melstacorp (Private) Limited	1,666,208	3.8	1,666,208	3.8
4	Aberdeen Global-Asian Smaller Companies Fund	1,641,071	3.7	1,641,071	3.7
5	J.B Cocoshell (Private) Limited	1,226,423	2.8	655,509	1.5
6	Aberdeen Global-Emerging Markets Smaller Companies Fund	1,135,979	2.6	1,135,979	2.6
7	Aberdeen Global Asia Pacific Equity Fund	976,840	2.2	976,840	2.2
8	Deutsche Bank AG – London	956,950	2.2	957,006	2.2
9	Trading Partners (Private) Limited	843,122	1.9	-	-
10	Schroder International Selection Fund	709,906	1.6	745,113	1.7
11	Mr. K Balendra	695,144	1.6	695,144	1.6
12	London - Edinburgh Dragon Trust PLC	560,873	1.3	560,873	1.3
13	Sampath Bank / Capital Trust Holdings (Pvt) Ltd	549,262	1.2	-	-
14	Mrs. S A J De Fonseka	469,814	1.1	511,628	1.2
15	London - Aberdeen Asia Pacific Equity Fund	465,361	1.1	465,361	1.1
16	Mrs. C S De Fonseka	447,669	1.0	511,770	1.2
17	Aberdeen Institutional Commingled Funds, LLC	433,909	1.0	433,909	1.0
18	Luxembourg - Aberdeen Global Frontier Markets Equity Fund	374,975	0.9	374,975	0.9
19	Merchant Bank of Sri Lanka Limited	359,213	0.8	-	-
20	Mr. B M Amarasekera	350,000	0.8	350,000	0.8

Employee Share Option Plan as at 31st March 2015

	Date of Grant	Employee Category	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares[2] Adjusted	Vested	Exercised	Cancelled[3]		Outstanding	End/ Current[2] Price (Rs.)
									Due to Resignations	Due to Performance		
PLAN 5	17.12.2009		6,126,960	16.12.2014	160.25	8,836,177	8,836,177	8,779,797	56,380		-	127.50
		GEC[1]	2,465,780			3,793,503	3,793,503	3,793,503	-		-	
		Other Executives	3,661,180			5,042,674	5,042,674	5,042,674	56,380		-	
PLAN 6	09.12.2010		4,672,823	08.12.2015	292.00	7,070,022	7,070,022	479,542	608,759		5,981,721	213.13
		GEC [1]	1,907,852			2,935,150	2,935,150	-	-		2,935,150	
		Other Executives	2,764,962			4,134,872	4,134,872	479,542	608,759		3,046,571	
PLAN 7	07.12.2011		6,306,182	06.12.2016	172.10	7,137,515	7,137,515	1,269,746	190,172		5,677,597	172.49
		GEC[1]	2,602,482			3,002,861	3,002,861	-	-		3,002,861	
		Other Executives	3,703,700			4,134,654	4,134,654	1,269,746	190,172		2,674,736	
PLAN 8[4]	01.07.2013		6,426,719	30.06.2018	265.18	7,415,303	1,627,823	-	463,654	140,650	6,810,999	253.16
Award 1		GEC[1]	2,712,919			3,130,287	712,990	-	-	69,580	3,060,707	
		Other Executives	3,713,800			4,285,016	914,833	-	463,654	71,070	3,750,292	
PLAN 8[5]	01.07.2014		7,428,128	30.06.2019	229.93	7,428,128	-	-	223,234		7,204,894	229.93
Award 2		GEC[1]	2,816,845			2,816,845	-	-	-		2,816,845	
		Other Executives	4,611,283			4,611,283	-	-	223,234		4,388,049	
Total			**30,960,812**			**37,887,145**	**24,671,537**	**10,529,085**	**1,542,199**	**140,650**	**25,675,211**	

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 (Award 1) – 25 per cent of the options had vested as at 31st March 2015
5 Plan 8 (Award 2) - None of the options had vested as at 31st March 2015

Share Capital Since 2004/05

Year ended 31st March	Number of shares in issue (million)
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
2015	997.49

GDR History (In Terms of Ordinary Shares, Million) Since 2004/05

Year ended 31st March	Opening Balance	Issued**	Converted/ Repurchased	Closing Balance
2005	0.65	0.06	-	0.71
2006	0.71	0.14	-	0.85
2007	0.85	0.12	-	0.97
2008	0.97	0.14	-	1.11
2009	1.11	-	0.12	0.99
2010	0.99	-	0.01	0.98
2011	0.98	-	0.03	0.95
2012	0.95	0.32	0.08	1.19
2013	1.19	-	0.06	1.13
2014	1.13	-	0.01	1.12
2015	1.12	-	-	1.12

* 1 GDR is equivalent to 2 ordinary shares

** First issued in FY1994 and subsequently increased along with bonus issues and sub-division of shares

Dividend Since 2004/05

Year ended 31st March	DPS (Rs.)	Dividends (Rs. '000)
2005	3.0	1,027,497
2006	3.0	1,199,460
2007	3.0	1,412,306
2008	5.0	3,176,302
2009	3.0	1,883,442
2010	3.0	1,843,642
2011	3.0	1,868,707
2012	3.0	2,313,519
2013	3.5	2,982,421
2014	3.5	3,266,718
2015	3.5	3,475,947

History of Scrip Issues, Rights and Repurchases Since 1999/00

Year ended 31st March	Issue	Basis	Number of shares (million)	Ex-date
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 prices

Financial Calendar

	Date
2014/15 Financial Year	
Interim Financial Statements	
Three months ended 30th June 2014	24th July 2014
Six months ended 30th September 2014	4th November 2014
Nine months ended 31st December 2014	30th January 2015
First interim dividend paid on	25th November 2014
Second interim dividend paid on	23rd February 2015
Final dividend proposed to be paid on	15th June 2015
Annual Report 2014/15	29th May 2015
36th Annual General Meeting	26th June 2015

	Date
2015/16 Financial Year	
Interim Financial Statements	
Three months ended 30th June 2015	On or before 3rd August 2015
Six months ended 30th September 2015	On or before 6th November 2015
Nine months ended 31st December 2015	On or before 29th January 2016
Annual Report 2015/16	On or before 1st June 2016
37th Annual General Meeting	On or before 24th June 2016

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.

Our Community

The Group aims to be good neighbours, proactively contributing to causes affecting the social development of our 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 all its stakeholders, and manage responsibly the impact that its operations have on the community and environment. The Group's Corporate Social Responsibility (CSR), represents how its values, corporate culture and operations are intrinsically intertwined and connected to social, economic and environmental concerns.

> The John Keells Group believes in wider societal needs than our own, to meaningfully enrich the lives of the communities of which we are an integral part. We abide by the values of caring, trust and integrity by ensuring that through our actions we demonstrate our commitment to and respect for all our stakeholders, including the communities and the environment in which our businesses operate.

The John Keells Foundation ("Foundation"), a company duly incorporated under the law and also registered as a "Voluntary Social Service Organisation" with the Ministry of Social Welfare, 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. The activities of the Foundation are funded by companies within the Group out of their profits.

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 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 empowered 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.

Focus Areas

The Group's social commitment is defined by the diverse initiatives, both medium-to-long and short-term, in six key focus areas – namely, Education, Health, Environment, Community/Livelihood Development, Arts and Culture and Disaster Relief. Projects selected within the focus areas and sustained over time are inspired by the Group's CSR Vision `Empowering the Nation for Tomorrow'.

Education	Providing educational opportunities to disadvantaged groups of the community
Health	Enhancing productivity via a healthy society
Environment	Minimising the impact of the Group's operations on the environment and promoting the cause of environmental conservation and sustainability
Community and Livelihood Development	Fostering the spirit of entrepreneurship as a key to sustainable development through constructive dialogue with stakeholders and staff volunteerism
Arts and Culture	Safeguarding and promoting the cultural heritage of Sri Lanka and boosting the livelihoods of those engaged in arts and culture
Disaster Relief	Providing relief to victims of natural and man-made disasters and helping them rebuild their lives and livelihoods

Performance Goals and Monitoring

The Group's chosen focus areas are also aligned to the Millennium Development Goals (MDGs) as well as the United Nations Global Compact (UNGC), of which John Keells Holdings PLC is a pioneer participant. In addition, the Group guards against undertaking community engagement activities which to our knowledge have any adverse impact on the environment.

The Group's commitment to the above focus areas of Education, Health, Environment, Community/ 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 Group's commitment to the above focus areas of Education, Health, Environment, Community/ 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 Group's social performance is tracked every quarter through the tracking of GRI indicators focussing 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 head. This questionnaire is designed to include all elements that result from conducting business 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 has been carried out by independent third parties.

The details of the ongoing tracking, monitoring and setting of goals and targets of all of the Group's CSR initiatives, are contained within the Group's Corporate Social Responsibility section of the Report.

Operation

Although the Group's CSR initiatives are predominantly centralised, the Group Business Units also engage in their own CSR initiatives such as sponsorships and donations to complement their respective businesses, as well as the broad focus areas of the Foundation.

The activities are handled through the Foundation Management Committee (MC) comprising of three full-time employees (the Head of Operations and two CSR coordinators), with the support of a cross-functional team of senior executives drawn from various industry groups within the Group. Each project is championed by a member of the MC and implemented by a project sub-committee comprising volunteers from across the Group. The MC meets monthly, the Foundation's activities are reported to the Executive Committee on a quarterly basis and its accounts are audited annually.

The Foundation projects are funded through the Group company profits, and 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.

Action Plans

The Group has contributed towards the development of society through infrastructure, public services and local community engagement initiatives.

The table at the end of each Focus Area 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 within the Group's Corporate Social Responsibility section that follows.

Education

English Language Scholarship Programme

Since its launch in 2004, the John Keells English Language Scholarship Programme, which has been implemented through the Gateway Language Centre, has to date empowered the lives of over 11,000 persons in various parts of the country.

John Keells English Language Scholarship Programme aims at enhancing English language skills of schoolchildren and youth from socially economically disadvantaged backgrounds towards improving their opportunities for higher learning and sustainable employment. It complements State policy and initiatives to improve speaking and communicative skills in English throughout Sri Lanka.

Stakeholder Engagement	Selection Criteria	Impact Assessment
• Nominations and applications of deserving candidates through school principals of government schools	• Disadvantaged government schools in identified Districts • Nominated students are selected based on the results of a placement test	• Monthly monitoring of attendance • Staff feedback • Final examination result • Student feedback on programme (compulsory) • Annual English Day • Teacher engagement • Number of students progressing into next level

During the year in review, the flagship programme "English for Teens" continued with 1115 students attending classes under the foundation-level course in 23 locations in 17 Districts of the country. In the reporting year, the foundation-level programme was extended to cover a total of over 100 eligible students of: (a) the Prince of Wales and Princess of Wales Colleges in Moratuwa under a Government initiative to teach and test English speaking skills in schools; and (b) the Defence Services College - a Government school in Colombo for children of the armed forces.

A student interacts during a Soft Skills Workshop at the Wayamba University

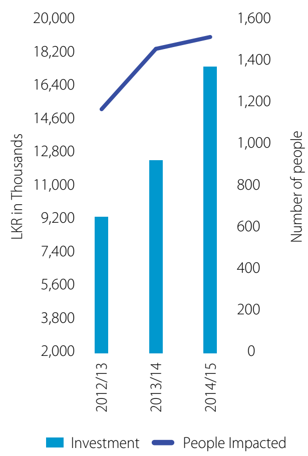
> In remote areas like Ampara we find it very difficult to spend a lot of money on our studies as most of the students are from farming families. Therefore, John Keells Foundation is doing a very meritorious social service for students like myself from poor families.
>
> *K. D. Sachith Dilsankha - Ampara*

Further, 293 scholars completed the final examination under the pre-intermediate level programme at 16 locations in 13 Districts while 78 scholars sat for the final examination under the intermediate level programme at 11 locations in 9 Districts.

During the reporting year two new initiatives were piloted for hearing impaired students of The School for the Deaf, Ratmalana. These include a one-year Cambridge Young Learners Course branded "English for Pre-Teens" benefiting a total of 22 students of Grades 1-3; and a 6-month foundation Level Course branded "English for Youth" benefiting a total of 11 vocational trainees.

The performance of the English Language Scholarship Programme over the last 3 years is as follows:

English Language Scholarship Programme



Soft Skills for University Undergraduates

The Soft Skills initiatives of the John Keells Foundation have to date empowered the lives of over 4,300 undergraduates and Career Guidance personnel in various parts of the country.

Stakeholder Engagement	Selection Criteria	Impact Assessment
• 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.	• Preference given to final and third year students of all faculties • Pre-registration of candidates via the CGU	• Attendance at workshops • Participant interaction • Participant feedback (mandatory) • Staff volunteers' feedback • Informal assessment with CGU and Vice Chancellor • Official report of the CGU

The Final Step is a series of soft skills workshops conducted by John Keells Foundation aimed at enhancing the employability of graduates of State Universities especially in Sri Lanka's private sector, which today is the country's primary employer. A wide range of topics such as Employer Expectations, Team Building and Leadership Skills, Entering and adapting to the Corporate Environment, Personality Development and Confidence Building, Personal Grooming and Corporate Hospitality, are covered through the workshops.

In the reporting year, The Final Step was conducted in the Wayamba University of Sri Lanka in collaboration with the University Grants Commission (UGC). The programme received an enthusiastic response from over 500 students representing multiple Faculties, with 462 students becoming eligible for certificates based on attendance criteria.

The Final Step was also conducted for the benefit of undergraduates of the Faculty of Management & Finance of the University of Colombo, attracting over 160 senior students each day. Here too, the students actively participated in mock interviews and public speaking exercises.

We learnt many things about speaking in public, being confident, etc. The things we learn today will be of great help to face the challenges we would face in the future.

Ms. Anjali, Faculty of Management & Finance (3rd year), University of Colombo

During the year in review, the Foundation also organised an industrial tour for a total of 38 Final Year students of the Hospitality, Tourism and Event Management Faculty of the Uva Wellassa University, an Entrepreneurial University located in the Badulla District. The 3-day tour facilitated exposure to the John Keells Group with broad insights into its Leisure Sector starting with a full day's programme at Cinnamon Citadel where the students were able to experience first-hand operations ranging from cocktail mixes and room service to waste management as well as how to face an interview successfully. This was followed by sessions in Colombo covering an introduction to JKH and Group businesses as well as DMS, Event Management, Leisure Resorts and Eco Tourism. The programme concluded with a tour of Cinnamon Grand and Cinnamon Red.

Vocational Trainee at Cinnamon Grand

As a new initiative, John Keells Foundation at the invitation of the University Grants Commission (UGC) conducted a training session on "Entering and Adapting to the Workplace" for the benefit of 50 Career Guidance staff of various State universities as part of a 3-day workshop organised by the UGC with the aim of building capacity of administrators, trainers and advisors towards better catering to the needs of University students.

Neighbourhood School Development Project

The Foundation continues to support the development and maintenance of infrastructure and facilities of five disadvantaged Government schools located in Colombo 2 – namely, Al-Iqbal Muslim Balika Vidyalaya, Holy Rosary Sinhala Vidyalaya, Holy Rosary Tamil Vidyalaya, Siri Sariputta Maha Vidyalaya and T. B. Jayah Maha Vidyalaya. In the reporting year, three more schools were included in the project – namely Al Hikma College, Colombo 12, Hindu College, Colombo 13 and Modara Sri Medhananda Vidyalaya, Colombo 15.

Stakeholder Engagement	Selection Criteria	Impact Assessment
• Request by school principals and/ or Director of Zonal Education accompanied by independent needs assessment by project team/technical staff of City Hotels OR proposed by John Keells Foundation and mutually agreed with school authorities and (if necessary) students and their parents	• Relevance of the initiative in keeping with project objectives • Need to prioritise vis-a- vis annual budgetary allocation • Maintenance/ sustainability of initiative	• Feedback from students • Feedback from school authorities • Students' performance at related examinations or vocational training (as the case may be) • Project team's/ staff volunteer's feedback

The aim of this initiative is to create an environment more conducive to learning and enhance the quality of education of disadvantaged Government schools located in proximity to Group businesses.

The project is implemented in collaboration with the CSR teams of Cinnamon Grand Colombo and Cinnamon Lakeside Colombo.

During the year in review, the Foundation continued with the initiatives listed on page 150 towards enhancing the opportunities of these disadvantaged students to pursue higher education, thereby directly impacting 3,217 persons during the reporting period.

Career Guidance and Vocational Training Programme

The Foundation conducted the annual Career Guidance Programme in January 2015 open during the reporting year to students of all eight schools who had completed their Ordinary Level Examination in December 2014. The programme which was carried out with the support of school principals, Director of Zonal Education and Group businesses comprised a workshop on personal effectiveness and basic career guidance followed by business specific presentations relating to Hospitality, Retail, Property and Logistics Sectors including career opportunities and entry level requirements in the respective Sectors and concluded with a hotel tour.

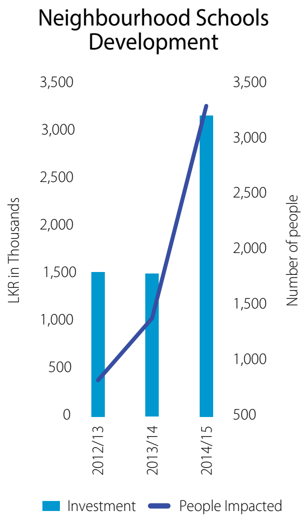
After the release of Ordinary Level Examination results in April 2015, those students who do not qualify for Advanced Level studies will be given an opportunity to apply for a six-month Vocational Training at Group businesses including Hospitality, Retail, Property and Logistics Sectors.

Meanwhile, in the reporting year, the previous batch of vocational trainees (students who sat for the Ordinary Level Examination in 2013) successfully completed their six-month training at the respective business units – namely, Cinnamon Grand Colombo, Cinnamon Lakeside Colombo and Keells Super supermarkets. Out of the fifteen (15) students originally selected, five (5) did not record the minimum attendance, leaving ten (10) trainees successfully completing the programme and receiving certificates, giving rise to recruitment opportunities in the Group. It is encouraging to note that some businesses have initiated action to provide promising trainees with additional business specific training both internally and externally.

"Until this Vocational Training, I never knew there was a career path in the Hotel industry for us. To get training at Cinnamon Grand is a unique opportunity."

- *Imas Imitisam, Vocational Trainee at Cinnamon Grand*

The performance of the Neighbourhood Schools Development Project over the last 3 years is as follows:



Higher Education Scholarship Scheme for Disadvantaged Rural Youth

During the year in review, John Keells Foundation piloted a scholarship scheme aimed at promoting secondary and tertiary education (Advanced Level and University studies) among deserving youth of villages associated with the John Keells Group. The terms and conditions applicable to the John Keells Foundation's Higher Education Scholarship Scheme were drawn up and circulated together with application forms. Following applications received and processed as per eligibility criteria, five scholarships were granted during the reporting period, comprising one University scholarship (BSc in Food Science and Nutrition at the Wayamba University) benefiting the son of a farmer supplying Keells Supermarkets and four Advanced Level Scholarships in favour of children of villagers in Halmillewa.

Promoting Science Education among School children

In the reporting year, the Foundation also commenced collaboration on an initiative aimed at popularising the study of science among schoolchildren which has seen a progressive decline in the recent past. According to school census data cited by the Sri Lanka Association for the Advancement of Science (SLAAS), the student percentage opting for the science stream at G.C.E. Advanced Level in year 2010 was 22.5% - far below the global figure of 75%. Accordingly, the Foundation decided to collaborate with SLAAS in conducting workshops in selected Districts of the country.

The objective of the Science Day Programme (SDP) to inspire interest in the joy, wonder and excitement of scientific discovery especially among youth and to make science learning in schools exciting and stimulating. Each programme consists of a series of lectures, interactive brainstorming sessions, science quiz (written and oral), scientific poster competition and oratorical contest. The programs are conducted with the collaboration of Provincial Education Directors and teachers. SDPs are generally conducted on district basis by prioritising under-privileged areas in the country. Students with their teachers and parents representing selected schools in a particular educational zone are invited for the programme in one of the schools which is selected as the hosting institute.

The pilot collaborative workshop was conducted on 6th March 2015 in Eheliyagoda in the Ratnapura District, attracting a total of 250 students from 15 schools and was well received by the students and teachers. Following a review of the SDP, certain improvements were identified for implementation in future programmes.

University of Moratuwa Transport and Logistics Degree Programme

The Transportation Sector of John Keells Holdings PLC 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 (TLM) Hons.) at the University of Moratuwa. This 4-year programme, which commenced in 2006, is a strategic CSR project designed to develop the knowledge, skills and attitudes necessary to equip the undergraduates to face the modern day challenges in Transportation and Logistics. It also helps 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. The first year students are entitled to a need-based scholarship while the second, third and fourth year students benefit from a merit-based scholarship.

In 2014/15, a total of 23 students was granted scholarships. Meanwhile, as all lectures are conducted entirely in English, the first-year students (numbering 50) were also provided English Language training via a customised programme conducted by Gateway Language Centre. This innovative approach involving a 5 day total immersion camp at the University premises in lieu of a 2 ½ month classroom programme has drawn a very positive response from the students.

The TLM degree syllabus also includes a 6-month industrial placement with 2 students being selected for internship in the Group's Transportation Sector during the year in review, namely, Mack Air (Pvt) Ltd and John Keells Logistics (Pvt) Ltd.

John Keells Logistics (Pvt) Ltd conducted a workshop on Business and Dining Etiquette for the TLM students on 4th March 2015 at the University Premises benefiting approximately 60 Second Year students.

> "This workshop will help me in my future activities surely. I developed my communication skills and presentation skills. I really enjoyed this."
>
> \- *G.A.D Tharanga Lakmali*

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 14th 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 government school. 27 volunteers (staff and tour leaders) participated at the event held on 15th November 2014 at which stationery requirements of all students from Year One to Year 11 (currently numbering 231) for the whole year were distributed.

Overview of the Education Projects

Project	Infrastructure / Service / Type	Initiative	Project Objective	Direct Impact	No. of Volunteers
English Language Scholarship Programme	P/S 17,498,458.09	English for Teens A four-month course for school children within the age limits of 12 to 14 years	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.	Applications 1,637 Registered 1,115 Classes ongoing	15 volunteers from across the Group represented JKF at inaugural programmes at respective centres. 41 volunteers from across the Group participated at the English Day. 8 volunteers from across the Group assisted admin work.
		Pre-intermediate level A 4-month post-foundation course for English for Teens scholarship students of 2012/13 who obtained an Honours Pass		No of Honours students from 2013/14 395 Registered 324 No. who sat for exam 293 (results pending)	
		Intermediate level A 4 - month post pre-intermediate course for pre intermediate students of 2012/13 who obtained an Honours Pass		No of Honours students from 2013/14 114 Registered 88 No. who sat for exam 78 (results pending)	
		English for Pre-Teens A one year Cambridge for Young learners course for Grades 1 - 3	Enhancing English language skills of hearing impaired school children and youth at The School for the Deaf, Ratmalana towards improving their opportunities for higher learning and sustainable employment.	Registered 22 (Classes ongoing)	One volunteer represented JKF assisting in the inauguration day for the Deaf School.
		English for Youth A 6 month course targeting the vocational training students of the school		Registered 11 Classes ongoing	
The Final Step-University Soft Skills Project	P/S 1,485,850.99	Wayamba University of Sri Lanka	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.	Total participants 512 Certificate recipients on 80% attendance 462	36
		Faculty of Management and Finance, University of Colombo		Total participants 193 Certificate recipients on 80% attendance 131	17
Industrial Tours for University Undergraduates		Hospitality, Tourism and Event Management Faculty of the Uva Wellassa University	To enhance the learning and skills of local graduates by providing exposure to related industries and develop greater awareness of career opportunities in these industries.	Total participants 38	20

Project	Infrastructure / Service / Type	Initiative	Project Objective	Direct Impact	No. of Volunteers
Train the Trainer workshops for Career Guidance Staff of State Universities		Training Programme for Career Guidance Units of State Universities organised by the University Grants Commission	To build capacity of Career Guidance administrators, trainers and advisors towards better catering to the needs of University students	Total participants 50	0
Neighbourhood Schools Development Project	P/I/S 3,249,952.00	English Skills	Improving the overall educational facilities and employability of students of the following disadvantaged government schools: • Al Iqbal Muslim Balika Vidyalaya, Colombo 2 • Holy Rosary Sinhala Vidyalaya, Colombo 2 • Holy Rosary Tamil Vidyalaya, Colombo 2 • Siri Sariputta Maha Vidyalaya, Colombo 2 • T.B. Jayah Maha Vidyalaya, Colombo 2 • Al Hikma College, Colombo 12 • Colombo Central Hindu College, Colombo 13 • Modara Sri Medhananda Vidyalaya, Colombo 15	Students 17	147
		Refresher workshops for Grade 5 Scholarship Students		Students 73	
		Refresher workshops for O'Level Students		Students 47	
		IT Skills		Students 40	
		Career Guidance and Vocational Training for school leavers		Parents 15 Students 98 Principals 2	
		Supporting development/ maintenance of school infrastructure and facility enhancement		Students 2,858 Teachers 147	
University of Moratuwa Transportation and Logistics Degree Programme	P/S 1,267,500.00	Immersion Camps, Scholarships, internships and Career Guidance for students from the Transport and Logistics Management Degree Programme	Develop the knowledge, skills and attitudes necessary to equip the undergraduates to face the modern day challenges in Transportation and Logistics	University Students 135	
Higher Education Scholarship Scheme	P/S 115,500.00	A scholarship scheme for A'Level and University students	Scholarship scheme aimed at promoting secondary and tertiary education (Advanced Level and University studies) among deserving youth of villages associated with the John Keells Group	Scholarship recipients 5	1
Promoting Science Education among School children	P/S 64,163.00	Science Day Programme for school children	Popularising the study of science among school children which has seen a progressive decline in the recent past	Students 250	1

Health

John Keells HIV and AIDS awareness campaign

John Keells HIV and AIDS Awareness Campaign was launched in 2005 with the aim of combating the growing threat of HIV and AIDS through education and access to accurate information. The key targets are the youth and working population of the Island in the context of the virus being most prevalent among those aged 15–49 and hence considered a threat to the economic and social well-being of the country. Awareness sessions were initiated among the staff of the John Keells Group, and gradually extended to include other organisations, both private and public.

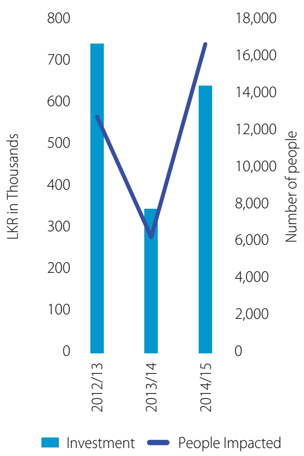
Stakeholder Engagement	Selection Criteria	Impact Assessment
• Organisational (Group or 3rd party) request for awareness session(s) • Collaboration arrangements for awareness (e.g. Sri Lanka Army, Sri Lanka Air Force, Lanka Business Coalition on HIV, external corporates and Universities)	• No of individuals identified for awareness • Availability of prerequisites - suitable venue, minimum number of participants, ground support/ focal point for organisation	• Participant interaction • Participant feedback • Project team's/staff volunteers' feedback • Feedback/ acknowledgement from beneficiary organisation • Feedback from third party organisations (e.g. ILO, LBCH)

By the end of 2013, an estimated 35 million people were living with HIV worldwide. Although the global trend of new HIV infections has fallen by 38% since 2001, the corresponding figure for Sri Lanka has been increasing. As per National STD/AIDS Control Programme, the number of cumulative HIV cases at the end of 2014 was 2074 with a total of 229 new cases of HIV reported during the year. Besides the personal health struggles experienced by persons living with HIV, additional challenges of stigma and discrimination remain a reality for these persons.

During the year in review, a total of 16,552 was sensitised on HIV and AIDS including staff of the John Keells Group and external corporates, personnel of Sri Lanka Army, Air Force and Government agencies, students of Universities and schools. In addition, a total of 150 was sensitised via short drama performances to commemorate World AIDS Day. Accordingly, the cumulative number of persons educated since the inception of the campaign in 2005 is 77,077 - the highest number of persons educated on HIV and AIDS by a Sri Lankan private sector entity.

The performance of this initiative over the last 3 years is shown in the graph below:

John Keells HIV and AIDS Awareness Campaign



World AIDS Day at John Keells Group

The John Keells Group marked World AIDS Day – falling on 1st December - with a week-long series of activities across all business units. The Foundation along with Group business units conducted Group-wide commemorative activities such as awareness sessions, pinning of the red ribbon, digital awareness campaigns, and HIV and AIDS quiz for employees.

A new feature was a short drama competition which was held under the main theme 'Reducing stigma of HIV & AIDS" / "Importance of getting tested voluntarily' and judged by a panel including two external persons. Winners of both the drama and quiz competitions were awarded by John Keells Foundation.

"We as a Special Forces Training School are highly impressed by your voluntary willingness to conduct such a valuable awareness programme in this camp….. I would like to thank you once again for your continued assistance given to soldiers for the healthy life of the nation."

Lt. Col. H D W K N Eriyagama RWP RSP, Commandant, Special Forces Training School, Maduru Oya

John Keells Vision Project

21 eye camps and 17 cataract clinics were conducted in seven Provinces during the year in review, resulting in the completion of a record 2,393 cataract surgeries, thereby bringing the cumulative total of cataract surgeries since project launch in 2004 to 8,910. Moreover, a total of 586 spectacles was donated to both adults and children during the reporting period, resulting in a cumulative project total of 2,251 spectacles.

Stakeholder Engagement	Selection Criteria	Impact Assessment
• 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 dedicated to Vision • Publicity before and during the Eye Camps • Press releases/ advertorials	• 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	• Attendance at eye camp • No. 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 • No. of cataract surgeries completed (as against the number of patients diagnosed with cataract)

Cataract is recognised as the primary cause of blindness in Sri Lanka. In most cases, risk of progressive blindness could have been avoided if the patients had timely access to necessary eye care resources. For this reason, the John Keells Vision Project has been implemented primarily sponsoring cataract surgeries across the Island. It's objective being to assist deserving individuals regain their vision and thereby their social and economic independence. The Project is aligned to the World Health Organisation's "Vision 2020" Project, which aims to eliminate avoidable blindness worldwide by the year 2020.

""I was in fear of seeking medical assistance for cataract. John Keells Volunteers were able to convince me to go through with the cataract surgery. I am indebted to John Keells for giving me this opportunity."

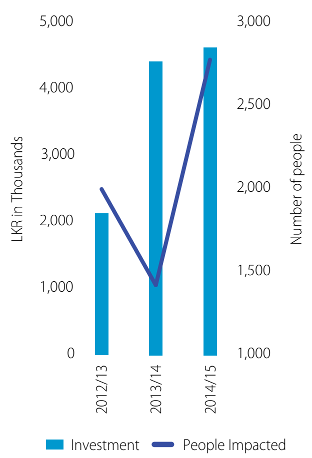
W. M. Hemawathi, 79 year old beneficiary from Morawewa

A John Keells volunteer helps a patient at an eye camp in Trincomalee

The Foundation continued to partner with Vision 2020 Secretariat of the Ministry of Health, Lions Gift of Sight Hospital and So Others May See (S0MS) while new collaboration activity was commenced with Suwanetha Lions Eye Hospital, a 25-bed facility located in Gothatuwa.

The performance of this initiative over the last 3 years is shown in the graph below.

John Keells Vision Project



Project WAVE (Working Against Violence through Education)

The John Keells Awareness Campaign on Gender Based Violence and Child Abuse branded as Project WAVE (Working Against Violence through Education) This project, aimed at combating gender based violence and child abuse through awareness raising, was officially launched during the year in review, commencing with employees of the Group at all levels. The official launch took place on 12th November 2014 at Cinnamon Lakeside Colombo under the patronage of Chairman Mr. Susantha Ratnayake and in the presence of members of the Group Executive Committee, Group Operational Committee and external organisations in the field of gender and child rights.

Staff awareness sessions have since been taken to various business locations of the Group. External resource persons who are experts in the fields conduct the sessions. Every session kicks off with Forum Theater interventions, where John Keells Volunteers depict audience-relevant scenarios to engage with the participants. Most sessions are bilingual (English and Sinhala) and are interactive to create a two-way communication street between audience members and resource persons.

During the year in review, a total of 1,826 Group staff have been sensitised via 50 sessions. Meanwhile, the awareness brochure to be distributed among participants at the Foundation's awareness sessions was launched on 25th November 2014 to coincide with the International Day for the Elimination of Violence against Women with the first copies being presented to Chairman and members of the Executive Committee.

Moreover, with the aim of broadbasing the project objective, John Keells Foundation has also sponsored sustained initiatives which are specifically aimed at raising awareness on gender based violence and/or child abuse. Accordingly, a print sponsorship was provided to The Grassrooted Trust for its 'V Day 2015: Our Stories' whilst a donation was made to the Sri Lanka Girl Guides Association for its `Stop the Violence Campaign', an islandwide programme open to Guides and non-Guides including adults.

Bentota Beach Hotel celebrated International Women's Day falling on 08th March in collaboration with Bank of Ceylon Bentota. Approximately 150 female employees from the government and local government sectors as well as the Private Sector were invited to participate. Prof. Sarath Wijesooriya, Head of the Department of Sinhala, University of Colombo delivered a lecture emphasising the role of a woman in today's society.

A staff awareness session under Project WAVE in progress

Overview of the Health Projects

Project	Infrastructure / Service / Type	Initiative	Project Objective	Direct Impact		No. of Volunteers
Project WAVE (Working Against Violence through Education)	P/S 1,892,464.65	Awareness raising on gender based violence and child abuse	To sensitise the public (commencing with Group staff) on gender based violence and child abuse including their impact on the health and well-being of the individual, family, workplace and society	Persons educated	1,826	26
John Keells Vision Project	P/S 7,628,704.86	Cataract surgeries in collaboration with Vision 2020 Secretariat of the Ministry of Health, Government Hospitals, Lions Gift of Sight Hospital and Lions Suwanetha Hospital	To assist deserving individuals regain their vision and thereby their social and economic independence	Completed surgeries	2,393	87
		Donation of spectacles to children and adults - at John Keells eye camps and SOMS Eye Glass Clinics		Spectacles donated	586	
John Keells HIV & AIDS Awareness Campaign	P/S 642,155.54		To prevent the spread of HIV, and discrimination and stigma relating to HIV and AIDS, through education for Group staff, surrounding communities (including high risk environments) and the general public.	Persons educated	16,702	52

Environment

As part of John Keells Group's conscious and collective effort to protect and enhance the Environment, the Group strives to minimise the impact of its operations on the Environment. John Keells Foundation is spearheading sustainable Environment and Wildlife related CSR projects and collaborating with the Group's businesses and Sustainability Initiative to achieve this aim.

Biodiversity Conservation

Nature Field Centre, Rumassala

During the financial year, The Foundation continued to support the Nature Field Centre in Rumassala, Galle in collaboration with the Central Environment Authority (CEA).

The Nature Field Centre conducts half-day programmes for schoolchildren and other interested groups to raise awareness on the need to protect the Environment and our rich biodiversity, eco-friendly practices and the importance of co-existing in harmony with the environment. The CEA reported sensitisation of a total of 1990 persons during the year in review.

Forestry Project

In the reporting year, John Keells Foundation continued the forestry project in collaboration with John Keells Group company Tea Smallholder Factories PLC (TSF) and technical partner Conservation Carbon Company (Pvt) Ltd. The project is aimed at increasing the forest cover in an endangered area with a long-term view to creating a bio link between the Kanneliya and Sinharaja rain forests.

Phase 1 involves 31 plots of tea smallholder farmland in the vicinity of Halvitigala, Hingalgoda, Neluwa and Kurupanawa in the Galle district. Since its launch in 2014, the planting and maintenance of 3000 saplings of selected varieties of forestry trees and crop bearing trees has been undertaken in 15 acres of barren lands belonging to 30 tea smallholders. In the reporting year, two monitoring visits were undertaken by CCC during which casualties were identified and new saplings distributed for planting. The Manager Extension, Superintendent and Extension coordinator of each TSF factory also carried out periodic visits of the smallholder lands to monitor the plants.

Monitoring visits in progress under the Forestry Project

In the reporting year, Project Leopard was recognised by Clark University USA with the "Davis Project for Peace". The prize money of USD 8,000 was utilised to distribute 8 pens to needy cattle farmers of Kirinda.

Wildlife Conservation

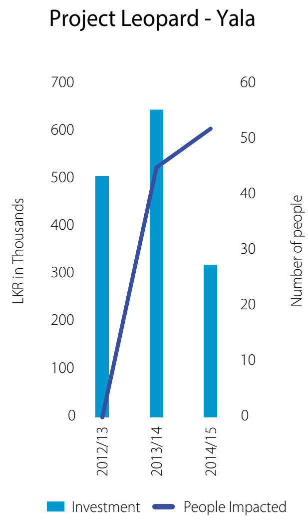
Project Leopard

A cumulative total of 52 stainless steel pens have been donated to cattle farmers since project launch, resulting in saving the lives of both cattle and leopards.

> While Yala Block I could be home to the densest population of Leopards in the world, it is also one of the best locations for leopard sightings. Leopards tend to be more readily observed in Sri Lanka than in the other continents due to the lack of dominant competition, such as Hyaenas and Lions. Steady numbers of leopard population and sporadic intrusions by these cats on the adjacent cattle farms have resulted in losses on both sides. Often half eaten cattle carcasses anger farmers and revenge attacks by the farmers leave leopards at great danger. Thus, this initiative of Cinnamon Wild Yala in collaboration with John Keells Foundation strives to assist the rural communities by safeguarding their livelihoods while conserving and protecting Yala's leopards that live by the periphery of the national park.

It is estimated that the lives of an estimated 780 calves and 60 leopards have been saved since the launch of this initiative in 2010/11.

The performance of this initiative over the last 3 years is shown in the graph below:



Leopard Research Project

The Foundation continues to support Cinnamon Wild Yala in its leopard research project in Yala. During this reporting year, research spanning over 17 months were completed. The Cinnamon Nature Trails team is planning to conduct public-private workshops to present the research findings to officials of the Department of Wildlife Conservation and other interested parties towards raising awareness on the need for better management of the leopard population of Yala and conservation of the biodiversity in the Yala National Park. This information will also be shared with guests based at Cinnamon Wild through short films and presentations enabling them to obtain a more personal informative experience.

Cinnamon Elephant Project at Cinnamon Lodge

A new project initiated during the year in review is the 'Cinnamon Elephant Project' - a collaborative effort between the Cinnamon Hotels and Resorts, John Keells Foundation and the Centre for Conservation and Research. The project breaks new ground in developing elephant viewing based tourism and taking it to a higher level through integration of research and tourism. Under this programme elephants are individually identified based on their morphological characters and their life stories followed by the naturalists at the Cinnamon Hotels using GPS and satellite communication technology. This information is shared with visitors while on safari and based at the Cinnamon Lodge (Habarana) through a newly constructed elephant research station, enabling them to obtain a unique, enriching and more personal experience. Web based information dissemination enables them to follow the lives of identified elephants even after their visit, encouraging repeat visitation. In addition, demographic, health and behavioural data is collected, which provides baseline data on the populations, enables monitoring of their wellbeing and contributes to scientific knowledge on Asian elephants. The project aims to benefit science and tourism and through that, contribute to ensuring the long term conservation of the Asian elephant. The project will track some of the smaller elephant herds in the North Central Province by using high tech satellite collars throughout the year even after the Gathering disperses as a second phase of the study to understand the seasonal movement of the elephant herds that are part of the larger gathering.

In the reporting year, one GPS collar was sponsored by the Foundation while two more collars are due to be sponsored in 2015/16.

Development of map of Block I of the Yala National Park

The Yala National Park is the second largest and arguably the most popular National Wildlife Park in Sri Lanka with over 100,000 visitors a year. Due to the popularity of the Park as a destination for leopard sightings, visitation to Yala, by both local and foreign tourists, has been on the increase, especially after the end of the thirty-year old civil conflict. However, even with visitation and attention to Yala on the increase, there still is a lack of correct information and guidance for the Park visitors which is an important part of visitor experience. Therefore, Cinnamon Nature Trails together with John Keells Foundation initiated a new project during the reporting year to develop the map of the Yala National Park as an initial step to educate Park visitors on various aspects including the map of Yala Block I, information about the Park and visitor responsibilities within the Park. As a first step, the map will be given to visitors who stay at Cinnamon Wild Yala as awareness material as well as a souvenir. Wider propagation of the map will be reviewed thereafter.

Elephant Identification under Cinnamon Elephant Project - Unicorn: Best known as the single tusker of the gathering, no tail tuft, big tear on right ear, no tear on left ear

Caring for lives at Yala National Park

During the severe drought that affected many parts of Sri Lanka during mid-2014, the habitat in Yala National Park was also gravely affected. Cinnamon Wild Yala contributed by building a pond with a 6,500 litre capacity at the Yala National Park to provide water to animals suffering from the drought. Both John Keells Foundation and Inbound Tour company Walkers Tours allocated funds to fill and sustain the watering hole with the support of the Nature Trails team at Cinnamon Wild.

Meanwhile, the Foundation has also sponsored the cost of two pens due to be donated to the Wildlife authorities for the safety of injured animals, one to be kept at the entrance of the Yala National Park while the other will be handed over to the Veterinary Unit.

Sustainable Water Resources

In the reporting year, the UNGC Local Network (GCNC) initiated the GCNC Water Mandate as a platform for business collaboration to make a larger impact on water. John Keells Holdings PLC together with several other leading private sector companies and World Vision were invited as founder members. Provision of safe drinking water and sanitation were identified as the key areas for collaboration by the members. Based on World Vision's proposal, the pilot initiative to be undertaken is the provision of safe drinking water in Meegahakiula (Badulla District). Funds have been allocated by the Foundation to carry out the feasibilities in this regard.

Polythene Reduction

Keells Super Supermarkets continued with its efforts at reducing the use of polythene during the reporting period. The related initiatives 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.

It is noted that from 2013/2014 to 2014/2015, the polythene usage has increased by 4.51%. However, it is noteworthy that, in a growth environment, Keells Super has been able to manage polythene usage, in spite of the increase in the customer count, sales and quantities of items as indicated in the following page.

Asia's first recycling initiative - Banners to bags (B2b) sale at Cinnamon Grand (Since 2009)

Cinnamon Grand Colombo's popular Banners to Bags (B2b) initiative was held in commemoration of World Environment Day, for the fifth time in June 2014. The sale featured 170 exclusive bags made out of used flexi banners of the hotel.

Cinnamon Grand is Asia's first and world's fourth company to embark on this unique recycling initiative. All proceeds from the sale of the bags are directed towards the Children's Ward of the Maharagama Cancer Hospital. The bags are sewn by retired tailors as a means of income.

This innovative concept was introduced in 2009, and was endorsed by Co-Laureate, 2007 Nobel Peace Prize, Professor Mohan Munasinghe, who is the Vice Chairman of the Intergovernmental Panel on Climate Change, the co-winner of the Nobel Prize with Al Gore.

Red Bag and Cardboard Box Usage – 3-Year Comparison

Fiscal Year	Red Bag Sale	Red Bag Re-use	Total Red Bag Usage	Cardboard Box Usage	Total Re-Use	Per Customer Re-use	Re-use - increase % per customer
April 2012 to March 2013	73,416	84,140	84,140	181,479	339,035	0.028	-65%
April 2013 to March 2014	211,214	202,758	36,589	202,758	450,561	0.034	20%
April 2014 to March 2015	198,877	327,264	6,894	327,264	533,035	0.034	29%

Polythene Bags Usage

Fiscal Year	Polythene usage in KG	Polythene usage in grams per visit	Per Customer Reduction	Growth in Customer Count	Growth in Sales Amount	Growth in Sales Quantities
April 2012 to March 2013	92,739	7.74	28.94%	8.83%	19.63%	6.63%
April 2013 to March 2014	167,599	12.50	-38.08%	9.47%	14.83%	5.71%
April 2014 to March 2015	202,810	13.09	-4.51%	15.53%	21.60%	19.69%

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 direct and indirect impact of the project during the reporting period as follows:

Keells Super Red Bag Initiative

Waste Paper Management Project – John Keells Group – 2014/15 Report

Waste paper collected by Neptune Recyclers (Pvt) Ltd. 1 April 2014 - 31st March 2015		Direct Impact - Payment (Rs.)	Indirect Impact - Savings				
Month	Collection (Kg)		Trees (Nos)	Water (Ltrs)	Electricity (Kwh)	Oil (Ltrs)	Landfill (Cub Mts)
April	726	3,630	12	23,072	2,904	1,274	2
May	4,290	28,970	73	136,336	17,160	7,529	13
June	1,673	8,731	28	53,168	6,692	2,936	5
July	3,577	21,981	61	113,677	14,308	6,278	11
August	3,172	20,480	54	100,806	12,688	5,567	10
September	2,210	14,362	38	70,234	8,840	3,879	7
October	3,723	25,001	63	118,317	14,892	6,534	11
November	2,292	16,044	39	72,840	9,168	4,022	7
December	2,934	20,538	50	93,243	11,736	5,149	9
January	3,548	24,836	60	112,755	14,192	6,227	11
February	4,450	31,150	76	141,421	17,800	7,810	13
March	2,272	15,904	39	72,204	9,088	3,987	7
Total	34,867	231,627	593	1,108,073	139,468	61,192	105

Overview of the Environment Projects

Project	Infrastructure / Service / Type	Project Objective	Direct Impact	No. of Volunteers
Nature Field Rumassala	P/S	Facilitate experiential learning on environment and biodiversity conservation in a natural setting rich in bio-diversity.	Students and Teachers 1,428 Officials 559 Others 3	1
Project Leopard	P/S 319,650.00	Mitigate the human – leopard conflict in the villages adjacent to Yala National Park through the provision of portable steel – fenced pens to herd domestic cattle	People 52 Animals 792	
Leopard Research	Completed	Aimed at studying Sri Lankan Leopard, its distribution in Yala, dietary habits, territories, adaptability to new land use outside the national park and the impact of leopards on cattle farmers		
Cinnamon Elephant Project	P/S 753,491.00	Research on elephant gathering, behavioural and dispersion patterns in the Anuradhapura District		
Forestry Project	I/S 683,476.74	Reforestation with a view to increasing the coverage of vegetation of selected environs, creating a bio-link between existing forest areas.	Tea smallholders 30	

Community/ Livelihood Development

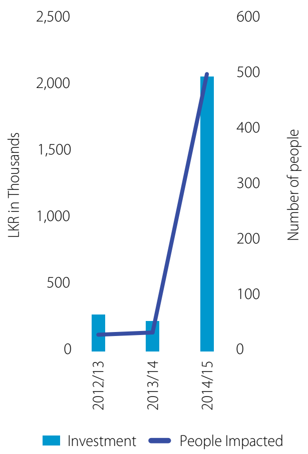
Village Adoption Project – Halmillewa (Anuradhapura District)

Continuing its involvement in the village for the ninth year, the Foundation has supported the following aspects during the reporting year:

- Dam Renovation – Following receipt of approval of the Deputy Commissioner of Agrarian Development Anuradhapura District to undertake the renovations of the `Velangaha Ulpotha Anicut', the commencement of construction work was pending the end of the Monsoon season. As per the agreed collaboration, the material cost will be borne by the Foundation, labour will be provided by members of the Farmer Organisation while the related technical advice, supervision and payment recommendations will be provided by the Department of Agrarian Development.
- Agricultural support – Following crop damage caused by the drought, the Farmer Organisation requested for the Foundation's support in purchasing seed paddy for Maha cultivation. Accordingly, seed paddy was distributed to 132 farmers.
- Women's Empowerment – The Foundation continued to support the `Diriyen Idiriyata' Women's Society.
- Home garden cultivation –The competition continued for the third successive year with the participation of 21 villagers. Following three rounds of inspections by the judges, the best 10 performers were ranked on the aggregate scores and will be awarded prizes by the Foundation.
- School – Classes for school children of different age groups were conducted via the Service Learning team from the Science Faculty of the University of Colombo.
- Community Awareness - Awareness sessions on health and nutrition and kidney disease were conducted for the benefit of the entire community while a workshop on personality development was conducted for the benefit of the village youth, both coordinated by the Service Learning team from the Science Faculty of the University of Colombo.

The performance of this initiative over the last 3 years is shown in the graph below:

Village Adoption - Halmillawe (Anuradhapura District)



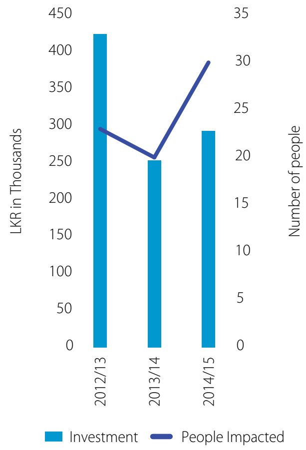
Service Learning Initiative of the University of Colombo:
During the year in review, the Foundation supported the Service Learning Initiative of the Faculty of Science of the University of Colombo for the second successive year by involving a team of eight Final Year students in the Village Adoption Project at Halmillewa as part of their university curriculum. The students were fully involved in the work assigned to them and completed the 3-month initiative with commendable results. The initiative was mutually beneficial, providing the youth an opportunity to engage in a sustainable community development initiative in a remote village in the country as part of their final year assignment whilst serving the interests of both John Keells Foundation and the community of Halmillewa.

Village Adoption Project – Mangalagama (Ampara District)

During the year in review, the cashew sourcing initiative via Ceylon Cold Stores continued to face setbacks in terms of inability to agree on a price. Meanwhile the Foundation continued to support the women's empowerment initiative and the training programme in dressmaking was completed in the reporting year, benefiting 12 women. Taking into account the general state of development in Mangalagama and the limited scope for further interventions, it has been decided to discontinue the Foundation's engagement in the village and to communicate this to the village leaders/ representatives.

The performance of this initiative over the last 3 years is shown in the graph below:

Village Adoption - Mangalagama (Ampara District)



Village Adoption Project – Mullaitivu District

Iranaipalai in Puthukkudiyiruppu and Puthumathalan in Maritimepattu DS of Mullaitivu District

The completion of the second year of the Village Adoption Project in Mullaitivu District was marked with a handover ceremony held at the Iranaipalai playground on 30th June 2014. The event was attended by the Government Agent/ District Secretary of Mullaitivu, Divisional Secretaries, Security Forces representatives, religious leaders and school principals as well as representatives of the village communities in addition to teams representing the John Keells Group and World Vision. The handover comprised a stock of 40 boats, 40 engines, 782 fishing nets, 200 safety equipment (including awareness on using same), sinks and fittings in primary and secondary schools and a new well in the Mathalan Primary School in addition to the ongoing renovation of an access road for farmers aggregating to approximately Rs.23 Million.

"We believe that this would help us greatly in enhancing our economic status and life style."

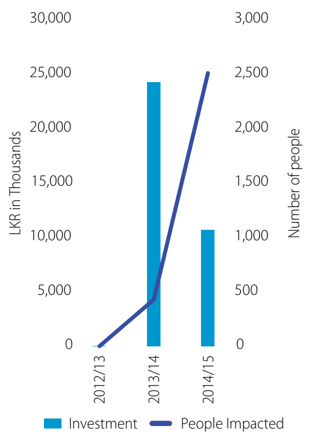
Vote of Thanks at the handover ceremony by a member of the Women's Society

During the year in review, the Foundation continued to service prioritised needs as per assessments conducted in the selected villages together with its ground partner World Vision Lanka. These included the following:

- Fencing of the public playground with the support of village youth
- Widening and levelling of the existing access road to the paddy fields used by farmers of both villages
- Support of IT education of school children through the provision of desks and chairs for the computer lab in Iranaipalai R C School
- Plans are also underway to assist women's livelihoods by providing milch cows to selected beneficiaries of both villages, although implementation has been delayed due to foot-and-mouth and other diseases prevalent in several districts in Sri Lanka.

The performance of this initiative over the last 3 years is shown in the graph below:

Village Adoption - Iranaipalai and Puthumathalan (Mullaitivu District)



In addition, the Foundation is also in discussion with the relevant authorities about development work in the school including facilities such as a science lab, library and a playground.

Village Adoption Project – Trincomalee District

Ellangaithurai Mugathuvaram GN in Verugal DS of Trincomalee District

During the year 2014/15, 30 fishermen received fishing nets and 30 farmers received 19 coconut seedlings each. In addition, 55 eye glasses were sponsored through Vision Project and 35 scholarship students under the English Language Scholarship Programme received certificates.

As reported last year, in consideration of the Government Agent's request to redirect support to more disadvantaged areas of the District, the Foundation terminated its involvement in the Verugal DS and initiated development activities in the Morawewa DS in 2014/15.

Morawewa North GN in Morawewa DS

Following discussions with the Government Agent of Trincomalee and related authorities, the Foundation undertook an assessment visit to the village and engaged with community groups towards identifying the development activities to be undertaken in the village. It was decided to prioritise major tank renovation work in view of the severe water scarcity in the area and its impact on most aspects of development. Other needs identified were mainly livelihood support and basic school infrastructure.

Morawewa is predominantly an agricultural area. People of this area were displaced during the prolonged civil conflict resulting in cultivation of land and other occupations coming to a standstill. Following the escalation of the conflict in the Eastern Province, displacement of families from all GN Divisions in Morawewa reached approximately 3166 after 1985. The return of IDPs to their places of origin commenced only after the Ceasefire Agreement in 2002.

During the year in review, the Foundation undertook the following work together with its ground partner World Vision Lanka:

- Commissioning the surveying and levelling of the village tanks (D7 and D8) via the Director of Irrigation, Trincomalee (currently underway)
- Purchasing of sports equipment and the fencing and gating of the school. This will benefit not only the school children but also the youth who use the same facilities for youth club activities.

Plans are also underway to assist women's livelihoods by providing milch cows to selected beneficiaries of both villages, although implementation has been delayed due to foot-and-mouth and other diseases prevalent in several districts in Sri Lanka.

BPO Initiative - Taking City Jobs to the Village

OnTime Technologies (Pvt.) Limited in Mahavilachchiya in the North Central Province completed its seventh year of operations during the year in review. The Foundation collaborates with FARO and John Keells Group subsidiary InfoMate in setting up and operating the BPO – which was a first in Sri Lanka.

This ground-breaking 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

The company works as a service provider to InfoMate which is the captive finance and accounting service provider for the John Keells Group. The project enables them to work from the familiar

Morawewa - community engagement

environment of their own village, whilst allowing for sustainable employment.

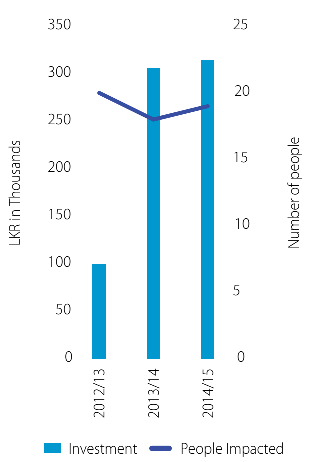
During the reporting period, the number of youth engaged at OnTime was 19 associates and their earnings increased by 25%. A total of 6 of the associates have been in service in excess of 5 years. Felicitation ceremonies were held in Mahavilachchiya for the associates completing five years in appreciation of their loyalty and commitment.

The Foundation continued to support OnTime with infrastructure and skills development. During the year, replacements for chairs, upkeep and maintenance of the building, new computers and a projector were provided by the Foundation.

With the support of the Group HR personnel, 17 associates participated in a training on leadership and team building. The primary objective of the workshop was to enhance the efficiency of the outsourcing unit and to develop the ability to handle professional challenges among the employees.

The performance of this initiative over the last 3 years is shown in the graph below:

BPO Project - Mahavilachchiya

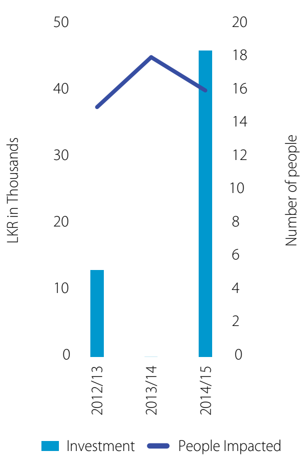


Seenigama BPO Technologies completed its fourth year of operations during the reporting period recording a total of 16 associates.

InfoMate liaised with Sri Lanka Telecom and Group IT to introduce a point to point VPN connectivity which has greatly improved processing speed. InfoMate bore the cost of Seenigama's connectivity and also contributed towards the cost of operating a generator. Two visits were undertaken by the staff of Seenigama BPO Technologies to Bentota Beach Hotel and Cinnamon Bey in order to meet the finance staff and obtain specific trainings. During the year in review, for the first time, one of the associates of Seenigama was selected for a permanent posting to one of the John Keells resort hotels as part of the finance team.

The performance of this initiative over the last 3 years is shown in the graph below:

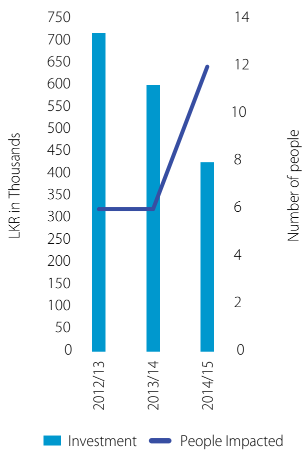
BPO Project - Seenigama



Jaffna BPO Technologies (Pvt) Limited, which is nearing the completion of its second year of operations made significant progress during the reporting year. The unit which commenced with 5 associates recorded 12 associates by end of the year in review. Their performance, productivity and earnings have increased significantly, making this a very stable operation.

The performance of this initiative over the last 3 years is shown in the graph below.

BPO Project - Jaffna



During the year in review, senior staff of John Keells Foundation and InfoMate attended an event in Jaffna to mark the completion of the unit's first year in operation. The event was also graced by representatives of the project partners FARO and Spectra Skills (Pvt) Limited. During the visit, 20 co-branded t-shirts and a name board for the BPO were donated by the Foundation.

InfoMate coordinated with Sri Lanka Telecom and Group IT to introduce a point to point VPN connectivity which greatly enhanced its connectivity and hence the processing speed and earnings potential. The investment and recurring cost of the connectivity are borne by InfoMate.

The Foundation continued to support all new infrastructure including workstations, chairs and new computers. During the year, the John Keells Foundation undertook to refit the entire office in line with BPO standards with wall to wall carpeting, partitioning, new wiring and cabling.

In February 2015 the associates and management of all three BPOs were hosted to a year-end felicitation ceremony and lunch at Cinnamon Lakeside. The event was graced by the directors of FARO and senior management of John Keells Foundation and InfoMate. A motivational session was conducted by leading trainers together with a training on sustainability practices followed by the traditional festive meal and fellowship.

Associates at work at Jaffna BPO

"Our company started with the help of John Keells. We had only 5 people when it started last year but now we have about 12 people working here. John Keells has helped us in many ways. They provided us with adequate training in Colombo including food, accommodation and travelling and we are very grateful for these opportunities."

K. Kajendran COO, Jaffna BPO Technologies

Youth Development Project

In the reporting year, John Keells Foundation together with Cinnamon Hotels and Resorts and CARE International embarked on a strategic CSR initiative aimed at developing knowledge and skills of unemployed and/or underemployed youth in the Southern, North Central and Eastern Provinces to meet the demands of hospitality and related industries. The pilot collaboration involved the training of two groups of youth at Cinnamon Bey, Beruwela and Cinnamon Lodge, Habarana.

The 6-month training programme included a mix of classroom and practical training comprising life and soft skills, technical training in F&B, Housekeeping and Kitchen departments, exposure and field visits.

A total of 36 students completed 6 months' training at Cinnamon Bey of whom 15 were offered employment by the hotel. A total of 15 kitchen students are due to continue training for another six months.

A total of 38 students completed 6 months' training at Cinnamon Lodge of whom 8 were offered employment by Cinnamon resorts. All 20 kitchen students are due to continue training for another six months. The rest of the students will receive opportunities to work with The Cultural Triangle Hoteliers Association member hotels.

Jalavahini - Water-based Women's Empowerment Initiative

In the reporting year, the collaboration with Brandix Lanka and its technical partner NetWwater (Network of Women Water Professionals) continued for the second successive year. This initiative is aimed at developing women leaders in sustainable water management due to the inadequacy of clean and sustainable water sources in many parts of the country.

During the reporting year, NetWwater team visited selected CBOs in Anuradhapura and developed a matrix to select the beneficiaries on a scientific basis. A residential home garden and cultivation training was conducted for approximately 50 women farmers from Rajangane and Pubbogama on 20-21st October 2014 at the Mahailluppallama Inservice Training Centre in Anuradapura following which monitoring visits were undertaken by NetWwater.

For strategic reasons, it was mutually decided to discontinue this collaboration at the end of 2014/15.

Sustainable Sourcing Initiatives of the John Keells Group

Sustainable Sourcing by Ceylon Cold Stores PLC

The following table demonstrates project performance during a three-year period commencing 1st April 2012 and ending 31st March 2015:

Sustainable Sourcing Projects of Ceylon Cold Stores PLC - Three-Year Comparison

Product	Location	Primary Suppliers/ Project Partners	Number of farmers			Total annual supply (kg)			Total payment (Rs.)		
			2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
Ginger	Aludeniya	CCS, Ginger Growers and the Kandurata Development Bank supported by Central Bank of Sri Lanka	253	253	253	28,195	7337*	22,192	16,917,366	4,402,116	35,507,200
Vanilla	Meegammana West, Wattegama, Kandy	-	2,500	2,500	2500	981	490*	399.94	5,762,390	3,572,900	3,650,580
Treacle	Waralla, Deniyaya	Nilwala Food Products	14	14	14	20,422	35,675	41,894	2,654,860	4,510,339	5,446,233
Kithul Jaggery	Agriculture Self Employment Society, Neluwa	Dakshina Kithul Nishpadana	50	50	53	20,284	19,726	18,343*	8,132,277	8,616,326	11,828,343
Cashew Nuts**	Collected from Wanathawilluwa, Galewella, Adiyagama, Chilaw, Serukele and processed in Kuliyapitiya and Ja-Ela	Winner Lanka (Pvt) Ltd - Kuliyapitiya Ranscrip (pvt) Ltd- Ja Ela	1500	1500	1500	50,373	53,950	67,110	77,975,422	86,032,424	110,447,778

* CCS' annual supply of Kithul Jaggery was negatively impacted by low yield.

** Cashew Nut supply data for the 3 years have been revamped to indicate all supplies as against supply from Mangalagama reported in the previous years.

Sustainable Sourcing by Keells Food Products

Sustainable Sourcing Projects of Keells Food Products PLC 2014/15

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, Marawila	Chutiduwa Farm, Kaypro Farms, Maxies Livestock, S N Brothers Farm, Sanjeewa Farms, D S D Perera, W G Fernando, Srima Farms	25	801,932	293,348,657
Chicken	Wennappuwa, Hanwella, Kosgama, Gampola, Udugampola, Meethirigala, Pannala	Maxies & Company, Pussalla Farms, New Anthonys Farm, J P Poultry, Farms Pride, Weehena Farms, Neo, Delmo	2,200	1,774,252	435,577,509
Spices	Namalthenna, Gallalla, Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association, Helabima Foods	2,500	47,892	48,300,780
Vegetables	Meegammana West, Wattegama, Kandy, Ekala, Ja-Ela	Kandy Vanilla Growers Association, Ranjith Jayalath	30	268,720	32,050,190

Sustainable Sourcing by Keells Super supermarkets

Thambuttegama Vegetable Collection Centre

Jaykay Marketing Services (Pvt) Limited (JMSL) has been operating a Vegetable Collection Centre at Thambuttegama since August 2005. During 2014/15, JMSL procured over 2,019,000 kgs of vegetables and fruits for a total value of over Rs.133,000,000/-. This entire volume was purchased direct from farmers in Mahaweli 'H' region in Thambuttegama. Compared to the last financial year, this is a growth of 68.3% in terms of volume.

Progress of the Collection Centre-Thambuttegama

F/Y	Volume (kg)	Purchases (Rs.)	Volume Growth %	No. of farmers/ Month
2014/2015	2,019,900	133,039,000	68.33%	125
2013/2014	1,200,000	75,000,000	125.35%	90
2012/2013	532,502	39,262,000	-7.39%	75

The Executive in-charge of the Collection Centre was assisted by one supervisor and seven employees drawn from within and around the area. The Centre worked with approximately 175 farming families whilst at any given time approximately 125 farmers supplied produce to the Collection Centre over a month.

For the sixth consecutive year, JMSL purchased over 320,000 kg of Big Onions from the farmer associations in Kebithigollawa and Galenbindunuwewa (two villages in the North Central Province) which was initiated by USAID-Sri Lanka and from farmers in Sigiriya, Thambuttegama and Dambulla. JMSL continuously works with these farmers by providing them a readymade market for their produce with a view to upgrading their livelihood.

Suriyawewa Collection Centre

The Suriyawewa Collection Centre started operations in January 2011 in the Walawa Mahaweli Area in the Southern Province. This Collection Centre was set up to procure low-country vegetables and fruits in order to meet the increasing demand of the supermarket chain. The Executive-in-charge of the Collection Centre is assisted by one supervisor and eight employees drawn from the surrounding region. JMSL has been working with approximately 200 farming families and procured around 2,080,000 Kg of vegetables and fruits at an aggregate value of over Rs.144,000,000/- during the year in review. In comparison to the last financial year, this is a growth of 67% in terms of volume.

Progress of the Collection Centre – Suriyawewa

F/Y	Volume (kg)	Purchases (Rs.)	Volume Growth %	No. of farmers/ Month
2014/2015	2,088,110	144,234,011	67.05%	112
2013/2014	1,250,000	80,000,000	64.96%	95
2012/2013	757,750	53,772,750	28.43%	75

Nuwara Eliya Collection Centre

The Nuwara Eliya Agricultural Cooperative Society (AGCO) at Meepilimana, Nuwara Eliya operates the vegetable collection centre on behalf of JMSL. They have an Operations Manager, two Supervisors and 18 full time workers involved in this operation. This organisation has a membership of more than 1,200 farmers from in and around Nuwara Eliya and they procure all produce from the membership. During the year in review, JMSL has been working with approximately 150 farmers and procured over 975,000 Kg of up-country vegetables for a total value of over Rs.170,000,000/-. This is a volume growth of 22 % over the previous Financial Year.

Sourcing from Jaffna

During 2012/2013 JMSL initiated a project to source fruits, vegetables and fish from Jaffna. The Executive-in-Charge stationed in Jaffna has been closely working with the farmers to make this project successful. JMSL has been working with approximately 20 farmers and procured over 52,600 Kg of fruits and vegetables and over 14,000 Kg of fish for a value of over Rs.11,000,000/- from Jaffna during the period in review

Organic Produce

JMSL is committed to providing organic produce to its valued customers and has established a relationship with over eight Certified Organic farmers in areas such as Bandarawela, Nuwara Eliya, Anuradhapura, Jaffna and Batticaloa. During the financial year JMSL procured over 25,600 Kg of organic produce. Organic fruits and vegetables are now sold in 10 stores and organic chicken is sold in four stores. The Company strives hard to expand the farmer base and volumes as well as provide them with technical knowledge.

Training and Extension Services

As part of its sustainable sourcing initiatives, JMSL distributed crates among farmers free of charge and promoted use of crates in order to ensure post-harvest quality of their produce. Two training sessions each were conducted in Suriyawewa and Thambuttegama and one each at Nuwara Eliya and Bandarawela to disseminate knowledge and enhance the scientific approach to sustainable agriculture in collaboration with the Mahaweli Authority and the Agriculture Department. JMSL's Extension Officer works with farmers in all its sourcing regions providing guidance to farmers as and when required.

Sustainable Sourcing in the Leisure Inbound Sector

In its sustained efforts to uplift SME's and improve quality standards, Walkers Tours Limited (a member of the John Keells Group and an inbound tour operator company) continued with its ongoing partnership with vehicle drivers. During the year in review, it maintained its ongoing partnership with 31 of its car drivers 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 many drivers having benefited from this initiative from its inception 5 years ago. Walkers Tours has continued and expanded the above partnership with the inclusion of 11 branded large coaches and 4 mini coaches on self-financed models.

Slave Island Railway Station

Other community development initiatives of the Group include the ongoing refurbishment and maintenance of the Slave Island Railway Station - a historic colonial building and iconic landmark in Colombo 2 in collaboration with the General Manager, Railways since 2002.

Several renovations and infrastructure improvements were carried out at the location during the year in review in preparation for the historic visit of Pope Francis to the Island since the Slave Island Railway Station was the terminus for commuters travelling from various parts of the Island to attend the Papal Mass at Galle Face, Colombo on 14th January 2015. An investment exceeding Rs.3 Million was made in renovating washrooms, painting of the main entrance, overhead bridge, existing doors and windows, improving landscape work, installation of additional wooden benches and renovating the advertising hoardings of the Slave Island Railway Station. The project is expected to have benefited an estimated 600,000 commuters during the year. The collaboration also permits companies of the John Keells Group to advertise their products and services in the Station premises.

JMS extension officer providing technical advice to farmers at Sooriyawewa

A cross section of the renovated Slave Island railway station

Overview of the Community and Livelihood Development Projects

Project	Infrastructure / Service / Type	Initiative	Project Objective	Direct Impact		No. of Volunteers
Village adoption	P/I/S 2,064,890.00	Halmillewa (Anuradhapura District)	Empowering the lives of rural communities in a sustainable and entrepreneurial manner through infrastructure development, livelihoods and capacity building, education and community awareness	Villagers	500	9
	P/S 292,857.00	Mangalagama (Ampara District)		Villagers	30	
	P/I 1,067,368.00	Iranapalai (Mullaitivu District)		Villagers	2,510	
		Puthumathalan (Mullaitivu District)				
	P/I 1,355,710.00	Morawewa (Trincomalee District)		Villagers	75	
Slave Island Railway Station	P/I 30,038,751.00	Renovation and Maintenance of the Slave Island Railway Station and reservation	Restoring the historic Station to its original splendour and enabling modern facilities to compliment the age-old architecture	Commuters	559,913	11
BPO Initiative	P/I/I 990,653.00	OnTime Technologies (Pvt) Limited in Mahavilachchiya	Creating economic benefits to the company whilst simultaneously generating sustainable employment opportunities for rural youth	Associates	19	2
		Seenigama BPO Technologies		Associates	16	
		Jaffna BPO Technologies (Pvt) Limited		Associates	12	
Paper recycling in Habarana			Recycling of waste paper and production of branded paper for Group use	Villagers	4	
Jalavahini	P/S 504,623.00	A water –based women's empowerment initiative	Aimed at developing women leaders and sustainable water management	Beneficiaries	50	
Sustainable Sourcing		CCS Farmers	Boost agricultural activity in villages and raise the standard of living in diverse communities	Farmers	4,320	
		KFP Farmers		Farmers	4,755	
		JMSL Farmers		Farmers	432	
Youth Development Project	2,000,000.00	A 6-month training programme on life and soft skills, technical training in F&B, Housekeeping and Kitchen departments, exposure and field visits	Developing knowledge and skills of unemployed and/or underemployed youth in the Southern, North Central and Eastern Provinces to meet the demands of hospitality and related industries	Youth	74	

Arts and Culture

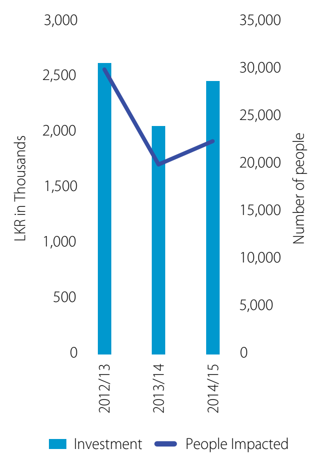
The John Keells Group is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of the community.

Kala Pola

In the reporting year, "Kala Pola" – open air art fair – celebrated its 22nd anniversary on Sunday 25th January 2015 on the sidewalks of Nelum Pokuna Mawatha with the Indian High Commissioner, H.E. Y.K. Sinha, as Chief Guest at the official ceremony. Conceptualised by The George Keyt Foundation, Kala Pola has enjoyed the support of the John Keells Group for 21 consecutive years.

The performance of this initiative over the last 3 years is shown in the graph below:

Kala Pola
- Annual Open Air Art Fair



A total of 291 artists participated in the reporting year's event recording sales estimated to exceed Rs.13 million. The event drew an estimated 22,000 visitors and a record 107 staff volunteers. Kala Pola also included the Kid's Art Corner attracting 98 children who were awarded a certificate and ice cream courtesy of Elephant House and a colouring box sponsored by Sakura Agency. This year the Kids' Art Corner included the participation of children from "The Dream" – the Centre for Children with Cerebral Palsy. As dusk fell over Colombo, the night's entertainment included live performances by the acclaimed Ravibandhu Vidyapathi Drum Ensemble and Thriloka with their innovative blend of traditional Sri Lankan folk music, Indian raga, jazz and rock, adding to the evening's cultural experience.

> "…. Kala Pola has attained iconic status in this part of the world as a street fair that helps promote artists from all over the country."
>
> *H.E. Y.K. Sinha, Indian High Commissioner to Sri Lanka*

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 to GKF • Only the above persons registering for the event are entitled to a display stall	• No. of participating artists • No. of visitors • Volume of sales • Participant feedback (compulsory) • Staff volunteers ' feedback • Media coverage (pre and post event) • Review by JKF and GKF

Digital Art Gallery

The "Sri Lankan Art Gallery" (main website - http://www.srilankanartgallery.com/) hosts the "John Keells Art Gallery" which consists of art pieces selected by a panel of curators who are experts in the field. The Digital Art Gallery is also present on social media sites such as Facebook and updated on a regular basis. By the end of the year in review, the site hosted 262 registered artists and 405 uploaded works of art consisting of paintings, drawings and sculptures of which 174 artists and 309 works of art were added in the reporting year. The monthly visitors to the site have increased by 57% over the year with the site recording over 100,000 page views during the same period. The site was promoted among senior artists at the Sri Lankan Art Exhibition and new artists at the "Nava Kala Karuwo Exhibition", both organised by The George Keyt Foundation, and also at Kala Pola during the year in review. The maintenance and updating of all aspects of the Digital Art Gallery are carried out by John Keells Group Volunteers who are passionate about the subject.

Meanwhile, notwithstanding the relocation of the John Keells Head Office complex, the Group continues to host and maintain 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.

Overview of the Arts and Culture Projects

Project	Infrastructure / Service / Type	Project Objective	Direct Impact		No. of Volunteers
Arts and Culture					
Kala Pola	I/S 2,464,631.05	Key platform for artists and sculptors to launch and build their careers and build a steady clientele, thereby promoting art as a lucrative and professional career.	Artists Visitors	291 22,160	107
Sri Lankan Art Gallery (website)	P/S 1,400.00	Opportunity given to artists to showcase their work throughout the year to local and foreign buyers	Artists Visitors	262 100,000	15

Disaster Relief

Flood Relief

JKF partnered with the Maharaja Organisation in an extensive flood relief initiative branded 'Sirasa - Shakthi John Keells Sahana Yathra'. The initiative was carried out from 27th-29th of December 2014, in the aftermath of torrential rain and flooding causing severe damage and destruction to many parts of the country. A donation of Rs.10 Million was made via John Keells Foundation towards this initiative.

"….You have done a great deed by bringing us this relief. We have small children and it is difficult to even sleep at night. It has been 8 to 9 days since we came leaving our houses and there wasn't any milk powder to give the children. "

A flood victim in a welfare camp

Volunteers from various businesses of the John Keells Group supported volunteers of the Maharaja Group in sorting and packing over 7000 relief packs and distributing them to flood victims in 5 districts (namely, Puttalam, Polonnaruwa, Batticaloa, Anuradhapura and Trincomalee). Over 50 volunteers from across the John Keells Group supported both packing operations and distribution of relief items at ground level, benefiting an estimated 8,000 families.

Meanwhile, Cinnamon Lodge Habarana donated 500 lunch packets to the Palugaswewa Divisional Secretariat office for distribution among flood victims.

Drought Relief

In August 2014, Cinnamon Lakeside employees united to collect funds to purchase 400 5 litre bottles and 600 1.5 litre bottles of water in support of drought victims of the North Central Province. Associates of the hotel travelled to Polonnaruwa and distributed the water to villagers in the Medirigiriya area in Polonnaruwa.

Relief for Victims of Landslides

Families and children who were affected by the earth slip in Koslanda and suffering due to the up-country cold weather conditions were provided linen items by Cinnamon Grand on 31st July 2014. These included bed sheets, bed spreads, blankets, towels and clothing.

Staff Volunteerism

A vital element in the Group's community engagement strategy is staff volunteerism. The Foundation mobilises Group staff as volunteers in all its projects. The Volunteer network enables employees to reach beyond their day today work to contribute to the community and environment.

"…JKH, being one of the largest conglomerates in Sri Lanka, gives us a sense of pride to be a part of it. Volunteering opportunities make our careers more meaningful."

Chantelle Ferdinands, Volunteer from Walkers Tours

Using staff volunteering as a means of attracting and retaining staff, all new recruits are made aware of volunteering opportunities and encouraged to volunteer as a part of the Centre Induction Programme. All Business Units heads are informed to release their staff for volunteer work with minimum restraints. Volunteers are recognised for their contribution via the internal portal, Group newsletter and Volunteer Facebook page, their volunteer contribution rated under the Performance Appraisal System and considered for eligibility under the Group's Recognition and Rewards System including the Chairman's Award for CSR. Volunteers are encouraged to share their experiences on the Group Blog as a motivation for others.

Two teams comprising 20 volunteers from the John Keells Group were part of a contingent of 600 volunteers from Sri Lanka who gathered together under the Habitat for Humanity's Youth Build 2015 initiative on the 21st March 2015. The mass shramadana was initiated to build of houses for the internally displaced in Trincomalee as well as building relationships and bridging together communities from all parts of the country in the true spirit of volunteerism.

Distribution of Aid to flood victims in Batticaloa

Volunteers at Kids' Corner at Kala Pola

John Keells Foundation Management Committee and Support Staff 2014/15

During the reporting year, the Foundation recorded the engagement of 583 employee volunteers from John Keells Group in 1,209 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 or Sector level. The Foundation with the help of Group Sustainability and SGIT developed and launched an online enabled mechanism aimed at enhancing the capturing of volunteer engagement at both John Keells Foundation and Business level whilst facilitating supervisor release.

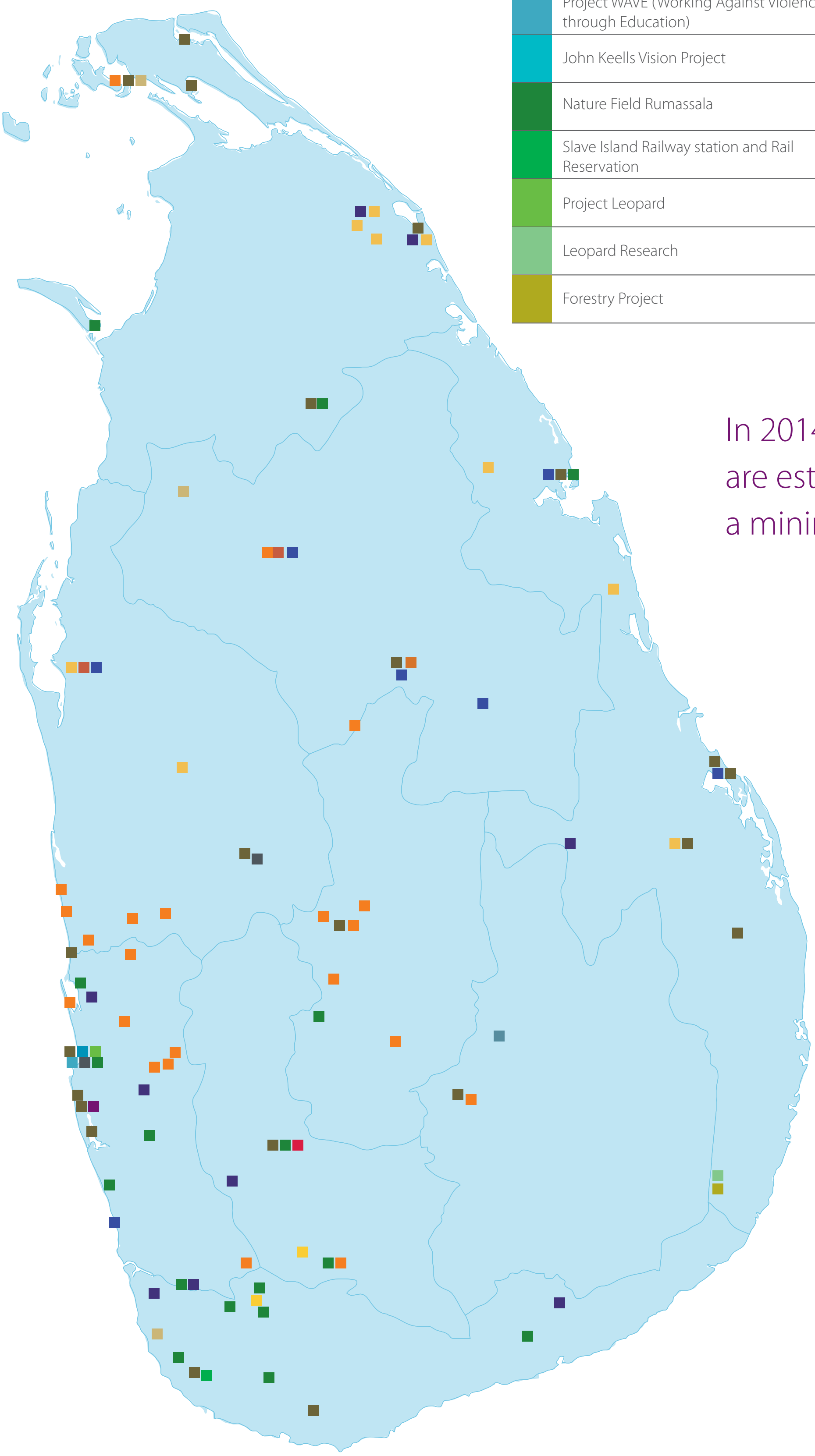
"…….unlike when we first started, there is a more structured process on engaging staff volunteers and we have a good network. We have also built a team of multi lingual volunteers and they are an asset when we conduct eye camps in the North and East and they are able to speak in Tamil to assist the surgeons who don't. It is encouraging to see that a staff member who has volunteered for an eye camp often is a repeat volunteer at eye camps at a later date."

Anil Bandara, Project Champion, John Keells Vision Project

Overview of the Disaster Relief Projects

Project	Infrastructure / Service / Type	Initiative	Direct Impact		No. of Volunteers
Flood Relief	10,073,000.00	Flood relief in collaboration with the Maharaja Organisation in Anuradhapura, Polonnaruwa, Puttalam, Trincomalee and Batticaloa Districts	Families	8,000	51

- English Language Scholarship Programme
- The Final Step- University Soft Skills Project
- Industrial Tour and UGC workshop
- Skills Development, Career Guidance & Vocational Training & School Infrastructure Development
- Project WAVE (Working Against Violence through Education)
- John Keells Vision Project
- Nature Field Rumassala
- Slave Island Railway station and Rail Reservation
- Project Leopard
- Leopard Research
- Forestry Project
- Village Adoption Project
- BPO Initiatives
- Sustainable Sourcing Initiative
- Paper Recycling
- Jalavahini – water-based women's empowerment initiative
- Supporting of Siduhath Vidyalaya
- University of Moratuwa Transportation & Logistics Degree Programme
- John Keells HIV and AIDS Awareness Campaign
- Youth Development Project
- Disaster Relief



In 2014/15, our CSR initiatives are estimated to have impacted a minimum of 733,698 persons

FINANCIAL STATEMENTS

ANALYSING OUR

RESULTS

WITH

ACCURACY

The Directors have pleasure in presenting the 36th 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 2015.

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. Significant changes to business combinations and acquisition of non-controlling interests are provided in note 8 to the financial statements. 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 7 to the financial statements.

REVENUE

Revenue generated by the Company amounted to LKR 926 million (2014 – LKR 809 million), whilst Group revenue amounted to LKR 91,582 million (2014 – LKR 86,706 million). Contribution to Group revenue, from the different business segments is provided in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit after tax of the holding Company was LKR 11,139 million (2014 - LKR 7,897 million) whilst the Group profit attributable to equity holders of the parent for the year was LKR 14,348 million (2014 - LKR 11,722 million).

Results of the Company and of the Group are given in the income statement.

A final dividend of LKR 1.50 per share for the financial year 2013/14 (2012/13 – LKR 1.50) was paid on 17 June 2014. A first interim dividend of LKR 1.00 per share for the year 2014/15 (2013/14 – LKR 1.00) was paid on 24 November 2014. A second interim dividend for 2014/15 of LKR 1.00 per share was paid on 23 February 2015 (2013/14 – LKR 1.00). This resulted in a total dividend pay-out of LKR 3.50 per share (2013/14 - LKR 3.50) amounting to LKR 3,476 million (2014 - LKR 3,267million).

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. A final dividend will be paid on 15 June 2015 to those shareholders on the register as on 3 June 2015.

Detailed description of the results and appropriations are given below.

For the year ended 31 March In LKR '000s	2015	2014
Results from operating activities	12,075,185	10,240,206
Finance cost	(668,174)	(1,217,006)
Finance income	8,122,497	5,770,875
Change in insurance contract liabilities	(3,799,000)	(3,033,057)
Change in fair value of investment property	48,666	470,292
Profit accruing to the company and subsidiaries	15,779,174	12,231,310
Share of results of equity accounted investees	3,296,139	3,089,123
Profit before tax	19,075,313	15,320,433
Provision for taxation including deferred tax	(3,329,776)	(2,362,106)
Profit after tax	15,745,537	12,958,327
Profit attributable to minority shareholders	(1,397,344)	(1,236,521)
Amount available to the Group's shareholders	14,348,193	11,721,806
Other adjustments	418,056	343,515
Balance brought forward from the previous year	49,818,026	41,218,583
Amount available for appropriation	64,584,275	53,283,904
1st interim dividend of LKR 1.00 per share (2014 - LKR 1.00) paid out of dividend received.	(992,884)	(989,988)
2nd interim dividend of LKR 1.00 per share (2014 - LKR 1.00) paid out of dividend received.	(997,443)	(990,270)
	62,593,948	51,303,646
Final dividend declared of LKR 1.50 per share (2014 – LKR 1.50) to be paid out of dividend received. *	(1,496,230)	(1,485,620)
Balance to be carried forward next year	61,097,718	49,818,026

* In accordance with LKAS 10, Events after the reporting period, the final dividends has not been recognised as a liability in the financial statements.

ACCOUNTING POLICIES

Details of accounting policies have been discussed in note 2 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 2.5. For all periods up to and including the year ended 31 March 2015, 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 LKR 11.7 million (2014 - LKR 7.8 million) and LKR 29.2 million (2014 - LKR 13.3 million), respectively. Of these, the donations to approved charities were LKR 11 million (2014 - LKR nil) at Company LKR 16 million (2014 - LKR nil) at Group. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

CORPORATE SOCIAL RESPONSIBILITY

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 and Enterprise Risk Management section in the 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 statement of financial position (SOFP) date amounted to LKR 126 million (2014 - LKR 123 million) and LKR 49,563 million (2014 - LKR 47,406 million) for the Company and Group respectively. Capital expenditure for the Company and Group amounted to LKR 39 million (2014 - LKR 71 million) and LKR 2,999 million (2014 – LKR 3,799 million), respectively.

Details of property, plant and equipment and their movements are given in note 24 to the financial statements.

MARKET VALUE OF PROPERTY, PLANT AND EQUIPMENT

All land and buildings owned by Group companies were revalued in financial year 31 March 2015, with an exception of land and building of Union Assurance PLC. which was revalued in December 2013.

Valuations were carried out by P B Kalugalgedera, Chartered Valuation Surveyor, S Fernando, Chartered Valuation Surveyor and K T D Tissera, Chartered Valuation Surveyor.

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 2015. The carrying value of investment property of the Group is LKR 4,609 million (2014 - LKR 4,440 million). Valuations were carried out by P B Kalugalgedera, Chartered Valuation Surveyor and S Fernando, Chartered Valuation Surveyor.

Details of the revaluation of property, plant and equipment and investment property are provided in notes 24.3 and 26.1 to the financial statements.

Details of Group properties as at 31 March 2015 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 2015 amounted to LKR 25,830 million (2014 - LKR 19,710 million) for the Group, details of the other non-current assets are provided in notes 32 to the financial statements.

INVESTMENTS

Detailed description of the long term investments held as at the reporting date, are given in note 28, 29 and 30 to the financial statements.

STATED CAPITAL

The total stated capital of the Company as at 31 March 2015 was LKR 50,703 million (2014 - LKR 49,749 million), as given in note 37 to the financial statements.

Options in respect of 7,197,351 shares (2014 - 1,058,897 shares) were exercised during the year under the employee share option plan, for a total consideration of LKR 954 million (2014 – LKR 171million).

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 JKH's Board of Directors' (including their close family members) shareholdings and warrant holdings and options available under the employee share option (ESOP) plans as at 31 March 2015.

John Keells Holdings PLC.

NAME	SHAREHOLDINGS		2015 WARRANT HOLDINGS		2016 WARRANT HOLDINGS		OUTSTANDING ESOPS	
	31-03-2015	31-03-2014	31-03-2015	31-03-2014	31-03-2015	31-03-2014	31-03-2015	31-03-2014
S C Ratnayake – Chairman/CEO	6,000,360	6,139,930	280,297	280,297	280,297	280,297	1,088,066	1,592,798
A D Gunewardene – Deputy Chairman	7,298,898	7,479,022	332,410	332,410	332,410	332,410	952,056	1,393,697
J R F Peiris	1,745,082	1,582,375	70,329	70,329	70,329	70,329	816,045	1,185,979
E F G Amerasinghe	6,362	6,362	282	282	282	282	N/A	N/A
D A Cabraal	105	105	Nil	Nil	Nil	Nil	N/A	N/A
I Coomaraswamy	Nil	Nil	Nil	Nil	Nil	Nil	N/A	N/A
T Das	Nil	Nil	Nil	Nil	Nil	Nil	N/A	N/A
A N Fonseka	Nil	Nil	Nil	Nil	Nil	Nil	N/A	N/A
A R Gunasekara (resigned w.e.f. 30 June 2014)	N/A	124,460	N/A	5,531	N/A	5,531	N/A	N/A
M A Omar	Nil	Nil	Nil	Nil	Nil	Nil	N/A	N/A
M P Perera (appointed w.e.f. 1 July 2014)	Nil	N/A	Nil	N/A	Nil	N/A	N/A	N/A

Group companies

SHAREHOLDINGS	ASIAN HOTELS AND PROPERTIES PLC.		CEYLON COLD STORES PLC.		JOHN KEELLS HOTELS PLC.	
	31-03-2015	31-03-2014	31-03-2015	31-03-2014	31-03-2015	31-03-2014
S C Ratnayake	20,000	20,000	3,344	3,344	550,311	550,311
A D Gunewardene	Nil	Nil	30,800	30,800	74,806	74,806
J R F Peiris	Nil	Nil	668	668	Nil	Nil

SHAREHOLDINGS	KEELLS FOODS PRODUCTS PLC.		TRANS ASIA HOTELS PLC.		UNION ASSURANCE PLC.	
	31-03-2015	31-03-2014	31-03-2015	31-03-2014	31-03-2015	31-03-2014
S C Ratnayake	12,750	12,750	400	400	Nil	Nil
A D Gunewardene	Nil	Nil	400	400	8,562	8,562
J R F Peiris	Nil	Nil	400	400	Nil	Nil

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 2015 for the Company and Group amounted to LKR 32,373 million (2014 - LKR 24,705 million) and LKR 62,594 million (2014 - LKR 51,304 million), respectively. The movement and composition of the reserves are disclosed in the statement of changes in equity.

DIRECTORS

The Board of Directors of the Company as at 31 March 2015 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, A D Gunewardene and I Coomaraswamy retire by rotation and being eligible, offer themselves for re-election. Brief profiles of A D Gunewardene and I Coomaraswamy are contained in the Board of Directors section of the Annual Report

The Company has recommended the re-election of T Das and E F G Amerasinghe, who are over 70 years of age, and retire in terms of section 210 of the Companies Act. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act No 7 of 2007 shall not apply to them and that they be re-elected as Directors of the Company.

M P Perera was appointed to the Board as an independent, non executive Director on 1 July 2014. In accordance with Article 91 of the Articles of Association of the Company, M P Perera being eligible for re-election offers herself for re appointment. A brief profile of M P Perera is contained in the Board of Directors section of the Annual Report.

BOARD COMMITTEES

The following members serve on the Board, Audit, Human Resources and Compensation, Nominations and Related Party Transactions Review Committees;

AUDIT COMMITTEE	HUMAN RESOURCES & COMPENSATION COMMITTEE	NOMINATIONS COMMITTEE	THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
A N Fonseka – Chairman D A Cabraal I Coomaraswamy M P Perera	E F G Amerasinghe – Chairman D A Cabraal I Coomaraswamy A N Fonseka M A Omar	T Das – Chairman E F G Amerasinghe D A Cabraal M A Omar M P Perera S C Ratnayake	A N Fonseka – Chairman E F G Amerasinghe D A Cabraal M P Perera S C Ratnayake
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 report of Related Party Transactions Review Committee is given under the Corporate Governance section of the Annual Report.			

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 which 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 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.

SHARE DEALINGS

JOHN KEELLS HOLDINGS PLC. (JKH)		
Name	Purchase of ESOP	Sale of shares
S C Ratnayake	628,439	768,000
A D Gunewardene	549,876	730,000
J R F Peiris	300,000	462,000

TRANS ASIA HOTELS PLC.	
Name	Sale of shares
N L Gooneratne	25,702

INDEMNITIES AND REMUNERATION

John Keells Holdings PLC.

1. The Board approved the payment of 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 comprising of;

   - An increment from 1 July 2014 based on the individual performance rating obtained 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 2013/2014, paid in July 2014; and
   - Long Term Incentive in the nature of ESOP granted in July 2014 in John Keells Holdings PLC., 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.

2. The Board approved the payment of increased non-executive Directors fee for Messrs. E F G Amerasinghe, T Das, I Coomaraswamy, M A Omar, D A Cabraal, and A N Fonseka as recommended by the Human Resource and Compensation Committee of John Keells Holdings PLC. in keeping with the Group remuneration policy.

3. I Coomaraswamy's contract as a Non- Executive Director was renewed for a further period at non-executive Directors fees approved by the Human Resources and Compensation Committee of John Keells Holdings PLC.

4. M P Perera was appointed to the Board of Directors of John Keells Holdings PLC. 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.

5. E F G Amerasinghe's contract as a non- executive Director was renewed for a further period at non-executive Directors fees approved by the Human Resources and Compensation Committee of John Keells Holdings PLC.

Asian Hotels and Properties PLC.

1. The Board approved the payment to Messrs. R J Karunarajah and S Rajendra, executive Directors of Asian Hotels & Properties PLC., a remuneration comprising of;

- An increment from 1 July 2014 based on the individual performance rating obtained 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 2013/2014, paid in July 2014; and
- Long Term Incentive in the nature of ESOP granted in July 2014 in John Keells Holdings PLC., dependent on the aforesaid performance rating, organisational rating and role responsibility,

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. the holding company of Asian Hotels & Properties PLC. in keeping with the Group remuneration policy.

2. The Board approved the payment of an increased non-executive Directors fee for Messrs. S C Ratnayake, A D Gunewardene, J R F Peiris, S G K Senanayake, C L J Pinto, and S A Jayasekara as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. the holding company of Asian Hotels & Properties PLC. in keeping with the Group remuneration policy. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Further the Board approved the renewal of C L J Pinto's contract as a Non- Executive Director of Asian Hotels and Properties PLC. for a further period at non-executive Director's fee approved by the Human Resources and Compensation Committee of John Keells Holdings PLC.

Trans Asia Hotels PLC.

1. The Board approved the payment of an increased non-executive Directors fee for Messrs. S C Ratnayake, A D Gunewardene, J R F Peiris, N L Gooneratne, C J L Pinto, E H Wijenaike and J C Ponniah as recommended by the Human Resource and Compensation Committee of John Keells Holdings PLC. the holding company of Trans Asia Hotels PLC. in keeping with the Group remuneration policy. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Further the Board approved the renewal of C L J Pinto's contract as a Non- Executive Director of Trans Asia Hotels PLC. for a further period at non-executive Directors fees approved by the Human Resources and Compensation Committee of John Keells Holdings PLC..

Ceylon Cold Stores PLC.

1. The Board approved the payment to J R Gunaratne executive Director of Ceylon Cold Stores PLC., a remuneration, comprising of;

- An increment from 1 July 2014 based on the individual performance rating obtained 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 2013/2014, paid in July 2014; and
- Long Term Incentive in the nature of ESOP granted in July 2014 in John Keells Holdings PLC., dependent on the aforesaid performance rating, organisational rating and role responsibility,

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. the holding company of Ceylon Cold Stores PLC. in keeping with the Group remuneration policy.

2. The Board approved the payment of increased non-executive Directors fee for Messrs. S C Ratnayake, A D Gunewardene, J R F Peiris, P S Jayawardena, U P Liyanage and A R Rasiah as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. the holding company of Ceylon Cold Stores PLC. in keeping with the Group remuneration policy. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Further the Board approved the renewal of Messrs. U P Liyanage, P S Jayawardena and A R Rasiah's contracts as non-executive Directors of Ceylon Cold Stores PLC. for a further period at non-executive Directors fees approved by the Human Resources and Compensation Committee of John Keells Holdings PLC.

John Keells PLC.

1. The Board approved payment to the executive director of John Keells PLC., R S Fernando, a remuneration comprising of;

- An increment from 1st July 2014 based on the individual performance rating obtained by the executive Directors in terms of the performance management system of the John Keells Group;
- A short term variable incentive based on the individual performance, organisation performance and role responsibility based on the results of the financial year 2013/2014, paid in July 2014; and
- Long Term Incentive in the nature of ESOP granted in July 2014 in John Keells Holdings PLC., dependent on the aforesaid performance rating, organisational rating and role responsibility,

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC., the Holding company, in keeping with the Group remuneration policy.

2. Increased non-executive fees were paid to Messrs. S C Ratnayake, A D Gunewardene, J R F Peiris, T de Zoysa, Y A Hansen and S T Ratwatte as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC., its holding company. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Further the Board approved the renewal of T de Zoysa's and Y A Hansen's contracts as a non-executive Directors of John Keells PLC. for a further period at non-executive Directors fees approved by the Human Resources and Compensation Committee of John Keells Holdings PLC.

John Keells Hotels PLC.

1. The Board approved the increased remuneration for non-executive Directors Messrs. S C Ratnayake, A D Gunewardene, J R F Peiris, J E P Kehelpannala, B J S M Senanayake, R J Wijesinha, N B Weerasekara and T L F W Jayasekara as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. (its holding company) which fees are commensurate with market complexities of the Company. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Further the Board approved the renewal of R T Wijesinha's contract as a non-executive Director of John Keells Hotels PLC. for a further period at non-executive Directors fees approved by the Human Resources and Compensation Committee of John Keells Holdings PLC.

Cinnamon Hotel Management Ltd.

1. The Board approved the payment to Messrs B J S M Senanayake and J E P Kehelpannala, executive Directors of Cinnamon Hotel Management Ltd., a remuneration, comprising of;

- An increment from 1 July 2014 based on the individual performance rating obtained 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 2013/2014 paid in July 2014; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC. dependent on the aforesaid performance rating, organisational rating and role responsibility granted in July 2014,

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. the holding company of Cinnamon Hotel Management Ltd. in keeping with the Group remuneration policy.

2. The Board approved the increased remuneration for non-executive Directors Messrs. S C Ratnayake and A D Gunewardene, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. (its holding company) which fees are commensurate with market complexities of the Company. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Walkers Tours Ltd.

1. The Board approved payment to V Leelananda executive Director of Walkers Tours Ltd., a remuneration comprising of:

- An increment from 1 July 2014 based on the individual performance rating obtained 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 2013/2014, paid in July 2014; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC. dependent on the aforesaid performance rating, organisational rating and role responsibility granted in July 2014,

as recommended by the Human Resource and Compensation Committee of John Keells Holdings PLC., the holding company of Walkers Tours Ltd. in keeping with the Group remuneration policy.

2. The Board approved the increased remuneration for non-executive Directors for Messrs. S C Ratnayake and A D Gunewardene, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. (its holding company) which fees are commensurate with market complexities of the Company. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Union Assurance PLC.

The Board approved payment to the executive Director of Union Assurance PLC., A D Pereira, a remuneration comprising of:

- A fixed element;
- Short term variable element in the form of Short Term Incentive which is based inter alia, on the individual performance and organisation performance; and
- A Long Term Incentive in the form of Employee Share Options at John Keells Holdings PLC.,

as recommended by the Board of Union Assurance PLC.

2. The Board approved the increased remuneration for non-executive Directors Messrs. A D Gunewardene, S Rajendra, A S De Zoyza, G F C De Saram, H A J de Silva and D C Alagaratnam as recommended by Board, which fees are commensurate with market complexities of the Company. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Keells Food Products PLC.

1. The Board approved the increased remuneration for non-executive Directors Messrs. S C Ratnayake, A D Gunewardene, J R F Peiris, J R Guneratne, R Peiris, A D E I Perera, S H Amarasekera and M P Jayawardena as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. (its holding company) which fees are commensurate with market complexities of the Company. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

Further the Board approved the renewal of Messrs. R Peiris, A D E I Perera and S H Amarasekara's contracts as non-executive Directors of Keells Food Products PLC. for a further period at non-executive Directors fees approved by the Human Resources and

Compensation Committee of John Keells Holdings PLC.

Tea Small Holders Factories PLC.

1. The Board approved the increased remuneration for non-executive Directors Messrs. S C Ratnayake, A D Gunewardene, J R F Peiris, R S Fernando, E H Wijenaike, R E Rambukwella, A S Jayatilleke, J S Ratwatte and R Seevaratnam, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC. (its holding company) which fees are commensurate with market complexities of the Company. Fees payable to non-executive nominee Directors of John Keells Holdings PLC. was paid to John Keells Holdings PLC. and not to individual Directors.

2. J S Ratwatte's contract as a non-executive Director of Tea Smallholder Factories PLC. was renewed for a further period at non-executive Fees by the Board as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC., the holding company of Tea Smallholder Factories PLC., which fees are commensurate with the market complexities of the Company.

DIRECTORS' REMUNERATION

Details of the remuneration and other benefits received by the Directors are set out in note 17 of the financial statements.

EMPLOYEE SHARE OPTION PLAN (ESOP)

At the beginning of the year, the employee share option plan consisted of the sixth, seventh and eighth plans approved by the shareholders on 6 December 2010, 7 December 2011 and 28 June 2014 respectively.

The Directors confirm that 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 as required by the Listing Rules of the Colombo Exchange are given under the Shares and Warrants Information section of the Annual Report.

The highest, lowest and the closing prices of the share recorded during the year were LKR 263.00, LKR 195.00 and LKR 199.40 respectively.

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 internal stakeholder engagements have enabled the Group to focus on material issues such as the conservation of natural resources and the environment as well as material issues highlighted by other stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which is continuously evolving based on the above mentioned stakeholder engagements. This year, the Group published its third integrated Annual Report, combining financial information with sustainability information, in a bid to provide its stakeholders with holistic information relating to all areas of the Triple Bottom Line. The Group has sought independent third-party assurance from DNV GL in relation to the non-financial information contained in this Report. In addition, the Report also adheres to the Global Reporting Initiative (GRI) G4 Guidelines and has obtained the 'GRI Materiality Disclosures Service' 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.

Details of the Group's Human resource initiatives are detailed in the employees' section of the sustainability report.

The number of persons employed by the Company and Group as at 31 March 2015 was 113 (2014 - 114) and 12,502 (2014 - 11,845), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the 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 2015 the trade and other payables of the Company and Group amounted to LKR 334 million (2014 - LKR 225 million) and LKR 11,267 million (2014 - LKR 14,236million), respectively.

The Group strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into work-plans. During the year, a supplier management framework and a supplier code of conduct was implemented and through various fora and assessments of sites, suppliers were closely engaged with, particularly where the supply is of great importance to the Group.

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 Sustainability 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 50 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 54 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 17 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 26 May 2015. 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 29 May 2015.

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, 26 June 2015 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

26 May 2015

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 LKR 1.50 per share for this year, to be paid on 15 June 2015.

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 balance sheet date have been paid, or where relevant provided for, except as specified in note 50 to the financial statements covering contingent liabilities.

By order of the Board

Keells Consultants (Pvt) Ltd.
Secretaries
26 May 2015

Ernst & Young
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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, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2015, and the income statement and statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- the financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

26 May 2015
Colombo

For the year ended 31st March In LKR '000s	Note	Group 2015	Group 2014 Restated	Company 2015	Company 2014
Continuing operations					
Sale of goods		54,837,835	50,375,911	-	-
Rendering of services		36,744,384	36,330,515	926,336	808,504
Revenue	11	91,582,219	86,706,426	926,336	808,504
Cost of sales		(66,191,331)	(62,711,967)	(473,597)	(417,240)
Gross profit		25,390,888	23,994,459	452,739	391,264
Dividend income	12	-	-	8,843,908	6,527,675
Other operating income	13	3,076,893	2,491,700	71,049	720,161
Selling and distribution expenses		(3,212,685)	(3,062,125)	-	-
Administrative expenses		(10,088,749)	(10,128,389)	(1,346,059)	(1,037,794)
Other operating expenses	14	(3,091,162)	(3,055,439)	(36,919)	(34,417)
Results from operating activities		12,075,185	10,240,206	7,984,718	6,566,889
Finance cost	15	(668,174)	(1,217,006)	(100,890)	(252,094)
Finance income	15	8,122,497	5,770,875	3,772,223	2,002,105
Change in insurance contract liabilities	16	(3,799,000)	(3,033,057)	-	-
Change in fair value of investment property	26	48,666	470,292	-	-
Share of results of equity accounted investees	29.3	3,296,139	3,089,123	-	-
Profit before tax	17	19,075,313	15,320,433	11,656,051	8,316,900
Tax expense	18	(3,329,776)	(2,362,106)	(517,238)	(419,727)
Profit for the year		15,745,537	12,958,327	11,138,813	7,897,173
Attributable to:					
Equity holders of the parent		14,348,193	11,721,806		
Non-controlling interest		1,397,344	1,236,521		
		15,745,537	12,958,327		

	Note	LKR.	LKR.		
Earnings per share	19				
Basic		14.44	12.61		
Diluted		14.15	12.33		
Dividend per share	20	3.50	3.50		

Figures in brackets indicate deductions.
The notes as set out in pages 187 to 270 form an integral part of these financial statements.

For the year ended 31st March In LKR '000s	Note	Group 2015	Group 2014 Restated	Company 2015	Company 2014
Profit for the year		15,745,537	12,958,327	11,138,813	7,897,173
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Currency translation of foreign operations		489,049	272,107	-	-
Share of other comprehensive income of equity accounted investees		159,191	224,925	-	-
Net gain / (loss) on available-for-sale financial assets		(255,840)	564,028	(296,763)	377,986
Net other comprehensive income to be reclassified to income statement in subsequent periods		392,400	1,061,060	(296,763)	377,986
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Revaluation of land and buildings	24.1	2,532,225	34,392	-	-
Share of other comprehensive income of equity accounted investees		(1,096)	-	-	-
Re-measurement gain / (loss) on defined benefit plans	42	43,015	(51,981)	5,415	1,314
Net other comprehensive income not to be reclassified to income statement in subsequent periods		2,574,144	(17,589)	5,415	1,314
Income tax on other comprehensive income	18.4	(22,817)	2,790	-	-
Other comprehensive income for the period, net of tax		2,943,727	1,046,261	(291,348)	379,300
Total comprehensive income for the period, net of tax		18,689,264	14,004,588	10,847,465	8,276,473
Attributable to :					
Equity holders of the parent		16,694,869	12,712,529		
Non-controlling interest		1,994,395	1,292,059		
		18,689,264	14,004,588		

Figures in brackets indicate deductions.
The notes as set out in pages 187 to 270 form an integral part of these financial statements.

As at 31st March	Note	Group 2015	Group 2014	Company 2015	Company 2014
In LKR '000s			Restated		
ASSETS					
Non-current assets					
Property, plant and equipment	24	49,562,595	47,406,292	126,051	122,722
Lease rentals paid in advance	25	8,709,033	9,096,488	-	-
Investment property	26	4,608,941	4,440,227	-	-
Intangible assets	27	2,719,457	2,472,254	63,283	68,615
Investments in subsidiaries	28	-	-	32,813,245	31,888,509
Investments in equity accounted investees	29	16,345,490	15,049,407	8,827,422	9,026,245
Non-current financial assets	30	19,708,688	21,068,778	1,633,119	2,126,322
Deferred tax assets	31	108,585	131,683	-	-
Other non-current assets	32	25,830,029	19,709,673	13,807	16,108
		127,592,818	119,374,802	43,476,927	43,248,521
Current assets					
Inventories	33	5,588,916	6,966,020	-	-
Trade and other receivables	34	10,269,689	12,146,573	85,566	69,194
Amounts due from related parties	49	185,085	334,096	258,270	695,470
Other current assets	35	2,398,142	2,601,091	124,749	156,296
Short term investments	36	67,540,668	54,359,578	43,292,579	35,406,695
Cash in hand and at bank		4,510,526	5,799,053	43,931	51,627
		90,493,026	82,206,411	43,805,095	36,379,282
Total assets		218,085,844	201,581,213	87,282,022	79,627,803
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	37	50,702,701	49,748,814	50,702,701	49,748,814
Revenue reserves		62,593,948	51,303,646	32,373,320	24,705,039
Other components of equity	38	24,501,278	21,844,690	727,398	677,069
		137,797,927	122,897,150	83,803,419	75,130,922
Non-controlling interest		12,278,883	11,420,940	-	-
Total equity		150,076,810	134,318,090	83,803,419	75,130,922
Non-current liabilities					
Insurance contract liabilities	40	23,931,966	20,273,009	-	-
Interest-bearing loans and borrowings	41	4,899,576	9,968,646	1,325,508	2,591,379
Deferred tax liabilities	31	1,625,394	1,328,479	-	-
Employee benefit liabilities	42	1,494,711	1,502,246	160,456	146,862
Other deferred liabilities	43	103,297	89,540	-	-
Other non-current liabilities	44	781,967	392,519	-	-
		32,836,911	33,554,439	1,485,964	2,738,241
Current liabilities					
Trade and other payables	45	11,267,339	14,236,381	333,822	225,449
Amounts due to related parties	49	26,488	14,142	2,726	4,939
Income tax liabilities	46	1,592,079	908,100	263,240	-
Short term borrowings	47	12,622,740	9,751,976	-	-
Interest-bearing loans and borrowings	41	4,459,213	3,664,399	1,345,276	1,329,103
Other current liabilities	48	3,251,881	2,380,149	14,883	8,816
Bank overdrafts		1,952,383	2,753,537	32,692	190,333
		35,172,123	33,708,684	1,992,639	1,758,640
Total equity and liabilities		218,085,844	201,581,213	87,282,022	79,627,803

I certify that the financial statements, as set out in pages 180 to 270, 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 notes as set out in pages 187 to 270 form an integral part of these financial statements.

26 May 2015
Colombo

For the year ended 31st March	Note	Group 2015	Group 2014	Company 2015	Company 2014
In LKR '000s			Restated		
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	11,387,283	10,613,970	(406,540)	(290,238)
(Increase) / Decrease in inventories		1,377,104	(240,350)	-	-
(Increase) / Decrease in trade and other receivables		(71,986)	237,830	(27,111)	1,411,770
(Increase) / Decrease in other current assets		(368,770)	335,392	9,777	(27,956)
(Increase) / Decrease in other non-current assets		(6,120,356)	(10,908,060)	2,302	(5,799)
Increase / (Decrease) in trade and other payables		2,244,620	(199,145)	106,155	(12,759)
Increase / (Decrease) in other current liabilities		1,030,600	687,402	6,067	(96,662)
Increase / (Decrease) in insurance contract liabilities		3,658,957	2,884,515	-	-
Cash generated from operations		13,137,452	3,411,554	(309,350)	978,356
Finance income received		7,413,741	5,163,796	2,632,685	1,435,581
Finance cost paid		(654,546)	(1,203,377)	(112,218)	(263,286)
Dividend received		2,396,850	2,823,453	9,361,361	6,010,515
Tax paid		(1,294,454)	(1,994,282)	(218,598)	(149,472)
Gratuity paid		(144,335)	(159,416)	(5,898)	(9,081)
Net cash flow from operating activities		20,854,708	8,041,728	11,347,982	8,002,613
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		(2,999,475)	(3,798,836)	(38,763)	(70,988)
Purchase of intangible assets		(280,490)	(46,215)	(17,676)	(19,661)
Addition to investment property		(3,101)	(22,604)	-	-
Purchase of lease rights		(167,000)	-	-	-
Increase in interest in subsidiaries		-	-	(688,835)	(5,391,697)
Increase in interest in associates		(113,090)	(31,840)	(113,090)	(31,840)
Proceeds from sale of property, plant and equipment and intangible assets		265,000	228,222	5,803	104
Proceeds from demolition on property, plant and equipment		-	37,613	-	-
Proceeds from sale of non-current investments	8.2	3,460,528	-	48,000	-
Proceeds from sale of interest in associates	8.4	-	2,072,519	-	1,588,235
Proceeds from sale of financial instruments - fair valued through profit or loss		506,063	302,978	-	-
Purchase of financial instruments - fair valued through profit or loss		(754,733)	(958,758)	-	-
(Purchase) / disposal of other non current financial assets (net)		(4,194,367)	(1,683,227)	1,205,164	(37,683)
(Purchase) / disposal of short term investments (net)		3,025,319	(15,810,326)	5,085,895	(13,273,680)
Net cash flow from/(used in) investing activities		(1,255,346)	(19,710,474)	5,486,498	(17,237,210)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		953,887	23,268,418	953,887	23,268,418
Proceeds from shareholders with NCI, on issue of rights in subsidiaries		-	425	-	-
Direct cost on issue of shares		(3,139)	(227,885)	-	(148,486)
Acquisition of non-controlling interest		-	(57,000)	-	-
Dividend paid to equity holders of parent		(3,475,947)	(3,266,718)	(3,475,947)	(3,266,718)
Dividend paid to shareholders with non-controlling interest		(793,276)	(598,347)	-	-
Proceeds from long term borrowings		1,014,970	3,067,078	-	-
Repayment of long term borrowings		(5,405,012)	(4,638,230)	(1,311,510)	(1,295,326)
Proceeds from (repayment of) other financial liabilities (net)		2,870,764	7,898,209	-	-
Net cash flow from /(used in) financing activities		(4,837,753)	25,445,950	(3,833,570)	18,557,888
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		14,761,609	13,777,204	13,000,910	9,323,291
CASH AND CASH EQUIVALENTS AT THE BEGINNING		30,407,536	16,630,332	14,756,634	5,433,343
CASH AND CASH EQUIVALENTS AT THE END		45,169,145	30,407,536	27,757,544	14,756,634
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments	36	42,611,002	27,362,020	27,746,305	14,895,340
Cash in hand and at bank		4,510,526	5,799,053	43,931	51,627
Unfavourable balances					
Bank overdrafts		(1,952,383)	(2,753,537)	(32,692)	(190,333)
Total cash and cash equivalents		45,169,145	30,407,536	27,757,544	14,756,634

Figures in brackets indicate deductions.

The notes as set out in pages 187 to 270 form an integral part of these financial statements.

For the year ended 31st March In LKR '000s	Group 2015	Group 2014 Restated	Company 2015	Company 2014
A. Profit before working capital changes				
Profit before tax	19,075,313	15,320,433	11,656,051	8,316,900
Adjustments for:				
Finance income	(8,122,497)	(5,770,875)	(3,772,223)	(2,002,105)
Dividend income	-	-	(8,843,908)	(6,527,675)
Finance costs	668,174	1,217,006	100,890	252,094
Share based payment expense	347,092	215,626	111,092	66,555
Change in fair value of investment property	(48,666)	(470,292)	-	-
Share of results of equity accounted investees	(3,296,139)	(3,089,123)	-	-
(Profit) / loss on sale of non-current investments	(1,221,460)	(820,926)	(47,900)	(688,235)
Depreciation of property, plant and equipment	2,767,323	2,568,510	30,434	23,477
Provision for impairment losses	10,561	195,471	311,913	220,525
(Profit) / loss on sale of property, plant and equipment and intangible assets	(91,935)	40,957	(804)	(6)
Amortisation of lease rental paid in advance	714,115	679,809	-	-
Amortisation of intangible assets	234,198	239,315	23,008	25,050
Amortisation of other deferred liabilities	(512)	(512)	-	-
Gratuity provision and related costs	286,373	262,204	24,907	23,182
Unrealised (gain) / loss on foreign exchange (net)	65,319	26,381	-	-
Unrealised (profit) / loss on sale of goods to associates	24	(14)	-	-
	11,387,283	10,613,970	(406,540)	(290,238)

Figures in brackets indicate deductions.
The notes as set out in pages 187 to 270 form an integral part of these financial statements.

Group Restated In LKR '000s	Attributable to equity holders of the parent								
	Stated capital	Revaluation reserve	Foreign currency translation reserve	Other capital reserve	Available for sale reserve	Revenue reserve	Total	Non controlling interest	Total equity
As at 1 April 2013 (Restated)	26,480,396	17,780,432	2,729,857	-	124,282	42,704,203	89,819,170	11,159,813	100,978,983
Profit for the year (Restated)	-	-	-	-	-	11,721,806	11,721,806	1,236,521	12,958,327
Other comprehensive income (Restated)	-	(9,927)	449,214	-	555,206	(3,770)	990,723	55,538	1,046,261
Total comprehensive income (Restated)	-	(9,927)	449,214	-	555,206	11,718,036	12,712,529	1,292,059	14,004,588
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 (Restated)	-	-	-	-	-	404,132	404,132	(1,002,479)	(598,347)
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	(36,906)	(36,906)	(19,669)	(56,575)
As at 31 March 2014 (Restated)	**49,748,814**	**17,770,505**	**3,179,071**	**215,626**	**679,488**	**51,303,646**	**122,897,150**	**11,420,940**	**134,318,090**
Profit for the year	-	-	-	-	-	14,348,193	14,348,193	1,397,344	15,745,537
Other comprehensive income	-	1,986,971	591,425	-	(263,835)	32,115	2,346,676	597,051	2,943,727
Total comprehensive income	-	1,986,971	591,425	-	(263,835)	14,380,308	16,694,869	1,994,395	18,689,264
Exercise of share options	953,887	-	-	-	-	-	953,887	-	953,887
Direct cost of issue of shares	-	-	-	-	-	(2,877)	(2,877)	(262)	(3,139)
Share based payments	-	-	-	347,092	-	-	347,092	-	347,092
Realisation of revaluation reserve	-	(5,065)	-	-	-	5,065	-	-	-
Final dividend paid - 2013/14	-	-	-	-	-	(1,485,620)	(1,485,620)	-	(1,485,620)
Interim dividends paid - 2014/15	-	-	-	-	-	(1,990,327)	(1,990,327)	-	(1,990,327)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	351,026	351,026	(1,144,302)	(793,276)
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	32,727	32,727	8,112	40,839
As at 31 March 2015	**50,702,701**	**19,752,411**	**3,770,496**	**562,718**	**415,653**	**62,593,948**	**137,797,927**	**12,278,883**	**150,076,810**

Figures in brackets indicate deductions.

The notes as set out in pages 187 to 270 form an integral part of these financial statements.

Company In LKR '000s	Stated capital	Other capital reserve	Available for sale reserve	Revenue reserve	Total equity
As at 1 April 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
Issue of rights	23,097,897	-	-	-	23,097,897
Exercise of share options	170,521	-	-	-	170,521
Direct cost of issue of shares	-	-	-	(148,486)	(148,486)
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**
Profit for the year	-	-	-	11,138,813	11,138,813
Other comprehensive income	-	-	(296,763)	5,415	(291,348)
Total comprehensive income	-	-	(296,763)	11,144,228	10,847,465
Exercise of share options	953,887	-	-	-	953,887
Share based payments	-	347,092	-	-	347,092
Final dividend paid - 2013/14	-	-	-	(1,485,620)	(1,485,620)
Interim dividends paid - 2014/15	-	-	-	(1,990,327)	(1,990,327)
As at 31 March 2015	**50,702,701**	**562,718**	**164,680**	**32,373,320**	**83,803,419**

Figures in brackets indicate deductions.
The notes as set out in pages 187 to 270 form an integral part of these financial statements.

INDEX TO THE NOTES

1. CORPORATE INFORMATION

1.1. Reporting entity

John Keells Holdings PLC. is a public limited liability Company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at 117, Sir Chittampalam A Gardiner Mawatha, 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.

1.2. Consolidated financial statements

The financial statements for the year ended 31 March 2015, comprise "the Company" referring to John Keells Holdings PLC. as the holding Company and "the Group" referring to the companies that have been consolidated therein.

1.3. Approval of financial statements

The financial statements for the year ended 31 March 2015 were authorised for issue by the Board of Directors on 26 May 2015.

1.4. Principal activities and nature of operations of the holding company

John Keells Holdings PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries, jointly controlled entities and associates.

1.5. 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.

1.6. Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

1.7. 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 flow, 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 in compliance with the Companies Act No. 7 of 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

2.2 Presentation and functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR), 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.

The following subsidiaries are using different functional currencies other than Sri Lankan Rupees (LKR);

British Pound (GBP)
John Keells Computer Services (UK) Ltd.
Canadian Dollar (CAD)
John Keells BPO Solutions Canada Inc.
Indian Rupee (INR)
John Keells BPO Solutions India (Pvt) Ltd.
Serene Holidays (Pvt) Ltd.
Singapore Dollar (SGD)
John Keells Singapore (Pte) Ltd.
United States Dollar (USD)
Fantasea World Investments (Pte) Ltd.
John Keells BPO Holdings (Pvt) Ltd.
John Keells BPO International (Pvt) Ltd.
John Keells BPO Solutions US Inc.
John Keells Holdings Mauritius (Pvt) Ltd.
John Keells Maldivian Resort (Pte) Ltd.
Mack Air Services Maldives (Pte) Ltd.
Tranquility (Pte) Ltd.
Travel Club (Pte) Ltd.
Waterfront Properties (Pvt) Ltd.

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, '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 2.4 below.

The indicative US Dollar financial statements on pages 278 and 279 do not form a part of the Financial Statements prepared in accordance with SLFRS/LKAS.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2015. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

Subsidiaries that are 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 above criteria.

Name	% Holding
Trans-ware Logistics (Pvt) Ltd.	50.00
Mack Air Services Maldives (Pte) Ltd.	49.00
Tea Smallholder Factories PLC.	37.62

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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

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

The consolidated statement of cash flows includes the cash flows of the Company and its subsidiaries.

2.4 Summary of significant accounting policies

These accounting policies have been applied consistently by Group entities.

2.4.1 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:

2.4.1.1 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.

2.4.1.2 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.

2.4.1.3 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.

2.4.1.4 Turnover based taxes

Companies in the Group pay Turnover based taxes including value added tax in accordance with the respective statutes.

2.4.1.5 Dividend

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

2.4.1.6 Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and 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 the income statement.

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

2.4.1.7 Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

2.4.1.8 Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, 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.

2.4.1.9 Other income

Other income is recognised on an accrual basis.

2.4.2 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's and Group's performance.

2.4.2.1 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.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.4.3 Tax

2.4.3.1 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.

2.4.3.2 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 the taxable profit or loss; and
- In respect of deductible 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.

No deferred tax asset or liability has been recognised in the

Companies which are enjoying the BOI Tax Holiday period, as there are no qualifying assets or liabilities beyond the BOI period.

2.4.3.3 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 an asset or service 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
- Where 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.

2.4.4 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.4.5 Fair value measurement

The Group measures financial instruments and certain non-financial assets at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

• Disclosures for valuation methods, significant estimates and assumptions	notes 24.3, 26.2
• Quantitative disclosures of fair value measurement hierarchy	note 22
• Investment in unquoted equity shares	note 30.2
• Financial instruments (including those carried at amortised cost)	note 21

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and building and investment properties, and significant liabilities, such as insurance contracts. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4.6 Property, plant and equipment

2.4.6.1 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.

2.4.6.2 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.

2.4.6.3 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.

2.4.6.4 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
Returnable Containers	10

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

2.4.6.5 Borrowing costs

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 asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4.7 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 fulfilment 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.

2.4.7.1 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.

2.4.7.2 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.

2.4.8 Lease rentals paid in advance

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term. Details of the pre-paid lease rentals are given in note 25 to the Financial Statements.

2.4.9 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 least every 3 years 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.

2.4.10 Intangible assets

2.4.10.1 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.

2.4.10.2 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 to income statement in the year in which the expenditure is incurred.

2.4.10.3 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 amortization 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 amortization 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.

2.4.10.4 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.

2.4.10.5 Purchased software

Purchased software is recognised as an intangible asset and is amortised on a straight line basis over its useful life.

2.4.10.6 Software license

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

2.4.10.7 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 intangible assets is as follows.

Intangible assets - Acquired	Useful life	Intangible assets - Internally generated	Useful life
PVIB	12	Developed software	5
Purchased software	5	**Impairment testing** Annually for assets not yet in use and more frequently when indicators of impairment arise. Assets in use, when indicators of impairment arise. The amortization method is reviewed at each financial year end.	
Software license	5		
Impairment testing When indicators of impairment arises. The amortization 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.

2.4.11 Business combinations & goodwill

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

2.4.12 Equity accounted investees

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate 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
Union Assurance General Ltd.	Sri Lanka

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures entered into by the Group, which have been accounted for using the equity method are;

Name	Country of Incorporation
DHL Keells (Pvt) Ltd.	Sri Lanka
NDO Lanka (Pvt) Ltd.	Sri Lanka
Sentinel Realty (Pvt) Ltd.	Sri Lanka

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of the associates and joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

The accounting policies of associate companies and joint ventures 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 4.

Equity method of accounting has been applied for associate and Joint ventures 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.

2.4.13 Foreign currency translation Foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lanka Rupees (LKR), which is the 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.

2.4.13.1 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.

2.4.13.2 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 Lanka 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.

2.4.14 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 recognized 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:

2.4.15 Impairment of goodwill

Goodwill is tested for impairment annually (as at 31 December) 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.

2.4.16 Financial instruments - initial recognition and subsequent measurement

2.4.16.1 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 market place (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.

2.4.16.2 Financial assets - subsequent measurement

The subsequent measurement of financial assets depends on their classification. For purposes of subsequent measurement financial assets are classified into four categories:

• Financial assets at fair value through profit or loss
• Loans and receivables
• Held-to-maturity investments
• Available for sale financial assets

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 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 are 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 amortization 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 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 in other comprehensive income under 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 recognized 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.

2.4.16.3 Financial assets - 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.

2.4.16.4 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.

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 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.

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) is removed from other comprehensive income. 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.

2.4.16.5 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.

2.4.16.6 Financial liabilities - subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. For purposes of subsequent measurement financial liabilities are classified in two categories:

- Loans and borrowings
- Financial guarantee contracts

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) amortization 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 amortization is included in finance costs in the income statement.

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.

2.4.16.7 Financial liabilities - 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.

2.4.16.8 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 21.

2.4.16.9 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.

2.4.17 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

2.4.18 Cash and cash equivalents

Cash and cash equivalents 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.

2.4.19 Employee share option plan - Equity-settled transactions

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 1 April 2013 onwards.

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.4.20 Employee defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in other comprehensive income this was previously recognized in income statement.

2.4.21 Employee 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 Group 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.

2.4.22 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.

2.4.23 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 instalments.

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 instalments.

2.4.24 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 (where applicable) cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18).

Contingent assets are disclosed, where inflow of economic benefit is probable.

2.5 Changes in accounting policies

The accounting policies adopted by the Group are consistent with those used in the previous year except for the following SLFRSs with effect from current year.

- Consolidated Financial Statements (SLFRS 10),
- Joint Arrangements (SLFRS 11)
- Disclosure of Interests in Other Entities (SLFRS 12),
- Fair Value Measurement (SLFRS 13) .

2.5.1 SLFRS 10 Consolidated Financial Statements

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities.

SLFRS 10 replaces the parts of previously existing LKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. SLFRS 10 changes the definition of control such that an investor controls an investee has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in SLFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

SLFRS 10 has no change on the consolidation of investments held by the Group except for impact shown under note 9.

2.5.2 SLFRS 11 Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities Non-monetary Contributions by Venturers. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under SLFRS 11 must be accounted for using the equity method.

The application of this new standard impacted the financial position of the Group by replacing proportionate consolidation of the joint ventures with the equity method of accounting.

The effect of SLFRS 11 is described in more detail in note 9, which includes quantification of the effect on the financial statements.

2.5.3 SLFRS 12 Disclosure of Interests in Other Entities

SLFRS 12 requires that an entity disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- that it has control of another entity,
- that it has joint control over an arrangement or significant influence over another entity,
- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

An entity must disclose, for example, significant judgements and assumptions made in determining that:

- it does not control another entity even though it holds more than half of the voting rights of that entity
- it controls another entity even though it holds less than half of the voting rights of that entity
- it is an agent or principal as defined by SLFRS 10
- it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
- it has significant influence even though it holds less than 20 per cent of the voting rights of another entity

The Group does not have any interest in unconsolidated structured entities.

2.5.4 SLFRS 13 Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The application of SLFRS 13 has not materially impacted the fair value measurements carried out by the Group except for the new disclosure requirements which have been made in notes 22.4,24.3 and 26.2.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group companies.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group companies uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities,

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group's management determine the policies and procedures for fair value measurement of Land and Buildings and unquoted AFS financial assets.

2.6 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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements of the Group requires 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.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

• Financial risk management and policies	note 23
• Sensitivity analysis disclosures	note 23
• Capital management	note 23.4

3.1 Judgments, estimates and assumptions

Consolidation of entities in which the Group holds less than a majority of voting rights (de facto control).

The Group considers that it controls some subsidiaries even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of those subsidiaries with equity interest. The remaining equity shares in those subsidiaries are widely held by many other shareholders, and there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

3.2 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 recognized 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 2015.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was a 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 26.1.

3.3 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 amounts for the different cash generating units, are further explained in note 27.2.

3.4 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 15.

3.5 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 39.

3.6 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 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 18 in the financial statements.

The Group has contingent liabilities amounting to LKR 1,679 million (2014 – LKR 1,072 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 50 in the financial statement.

3.7 Employee benefit liability

The employee benefit liability of the Group is based on the actuarial valuation carried out by 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 42.

3.8 Valuation of insurance contract

liabilities and investment contract liabilities – Union Assurance PLC. (UA PLC) 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 being 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 the Company issues and reinsurance contracts that the company holds.

Contracts where the company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features ("DPF").

3.9 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 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 in '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 unrealized 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.

3.10 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.

4 SIGNIFICANT ACCOUNTING POLICIES THAT ARE SPECIFIC TO THE BUSINESS OF EQUITY ACCOUNTED INVESTEES

4.1 Nations Trust Bank PLC

4.1.1 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.

4.1.2 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.

4.1.3 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:

4.1.4 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.

4.1.5 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.

4.1.6 Net trading income

Results arising from trading activities include all gains and losses from changes in fair value.

4.2 South Asia Gateway Terminals (Pvt) Ltd.

4.2.1 Revenue recognition

Stevedoring revenue is recognised on the berthing time of the vessel. Storage revenue is recognised on the issue of delivery advice.

4.3 Union Assurance General Ltd.

4.3.1 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.

4.3.2 Insurance contract liabilities - general

Insurance provision comprises of reserves for the net unearned premium, reserves 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.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRSs 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 SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

5.1 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 2018. However the effective date has been deferred subsequently.

5.2 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under SLFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SLFRS 15 provide a more structured approach to measuring and recognising revenue.
The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under SLFRS 15. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of SLFRS 15 and plans to adopt the new standard on the required effective date.

6 DEFERRING APPLICATION OF IFRIC 15 -AGREEMENTS FOR THE CONSTRUCTION ON 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"), the Institute of Chartered Accountants of Sri Lanka has decided to grant an option for entities to defer application of IFRIC 15 until SLFRS 15 Revenue from Contracts with Customers 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.

7 OPERATING SEGMENT INFORMATION

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 offers 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 splendour 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.

Financial Services

The financial services operating segment offers 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. Transfer prices between operating segments are carried out in the ordinary course of business.

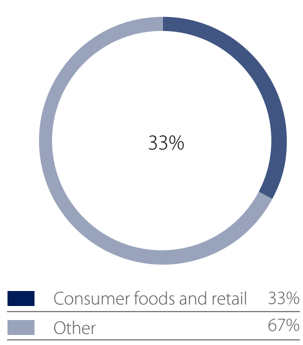
For the year ended 31st March	Transportation 2015	Transportation 2014	Leisure 2015	Leisure 2014	Property 2015	Property 2014
In LKR '000s		Restated		Restated		
7 OPERATING SEGMENT INFORMATION						
7.1 Business Segments						
External revenue	13,132,235	14,196,308	23,246,050	22,548,460	5,689,160	4,172,329
Inter segment revenue	431,615	422,187	44,275	63,101	198,102	255,751
Total segment revenue	13,563,850	14,618,495	23,290,325	22,611,561	5,887,262	4,428,080
Elimination of inter segment revenue						
Net revenue						
Segment results	304,238	468,211	5,425,961	5,464,242	1,527,750	832,910
Finance cost	(53,088)	(65,744)	(231,617)	(477,839)	(122,249)	(71,576)
Finance income	128,648	172,820	319,420	449,847	242,019	113,852
Change in fair value of investment property	-	-	-	-	4,823	390,636
Share of results of associates	2,130,541	2,015,713	12,262	(191)	-	-
Eliminations / adjustments	(25,000)	1,209	(20,651)	(2,204)	(136,554)	26,936
Profit / (loss) before tax	2,485,339	2,592,209	5,505,375	5,433,855	1,515,789	1,292,758
Tax expense	(150,316)	(135,041)	(650,007)	(609,826)	(88,730)	(1,855)
Profit/ (loss) for the year	2,335,023	2,457,168	4,855,368	4,824,029	1,427,059	1,290,903
Purchase and construction of PPE 1	84,414	413,994	1,707,795	1,500,197	199,529	11,667
Addition to IA 2	6,000	6,803	248,332	-	-	-
Depreciation of PPE 1	96,801	77,365	1,440,358	1,304,229	10,490	22,628
Amortisation of IA 2	817	1,207	-	-	-	-
Amortisation of LRPA3	-	-	712,940	678,634	-	-
Gratuity provision and related costs	11,245	10,483	90,999	76,622	1,069	942

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

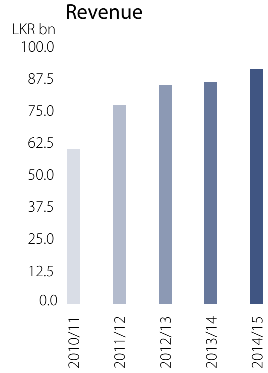
LKR 91.58 bn

Revenue

Contribution from



Revenue

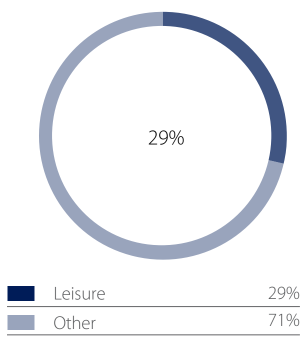


Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
					Restated				Restated
29,757,094	25,413,808	9,077,133	9,474,976	7,212,451	7,246,020	3,468,096	3,654,525	91,582,219	86,706,426
337,800	361,485	108,548	100,792	173,906	288,225	478,977	346,336	1,773,223	1,837,877
30,094,894	25,775,293	9,185,681	9,575,768	7,386,357	7,534,245	3,947,073	4,000,861	93,355,442	88,544,303
								(1,773,223)	(1,837,877)
								91,582,219	86,706,426
2,486,755	1,664,034	972,866	930,894	352,617	333,265	(767,588)	287,547	10,302,599	9,981,103
(67,849)	(152,042)	(215)	(2,219)	(11,947)	(78,285)	(181,209)	(369,301)	(668,174)	(1,217,006)
74,869	106,073	119,932	105,391	31,735	19,277	3,779,319	2,011,765	4,695,942	2,979,025
8,975	71,796	-	-	-	-	34,868	7,860	48,666	470,292
-	-	1,153,336	958,070	-	60,585	-	54,946	3,296,139	3,089,123
(4,585)	(361,955)	1,221,460	651	(2,541)	(19,124)	368,012	372,383	1,400,141	17,896
2,498,165	1,327,906	3,467,379	1,992,787	369,864	315,718	3,233,402	2,365,200	19,075,313	15,320,433
(693,973)	(322,681)	(448,264)	(356,445)	(90,269)	(70,709)	(1,208,217)	(865,549)	(3,329,776)	(2,362,106)
1,804,192	1,005,225	3,019,115	1,636,342	279,595	245,009	2,025,185	1,499,651	15,745,537	12,958,327
708,555	1,360,650	103,726	193,448	96,248	114,582	99,208	204,298	2,999,475	3,798,836
1,486	4,690	-	4,594	6,996	10,467	17,676	19,661	280,490	46,215
779,190	731,020	152,408	158,474	171,012	155,382	117,064	119,412	2,767,323	2,568,510
11,616	11,192	188,263	189,759	10,494	12,108	23,008	25,049	234,198	239,315
-	-	-	-	-	-	1,175	1,175	714,115	679,809
73,118	68,399	41,624	43,362	19,006	17,656	49,312	44,740	286,373	262,204

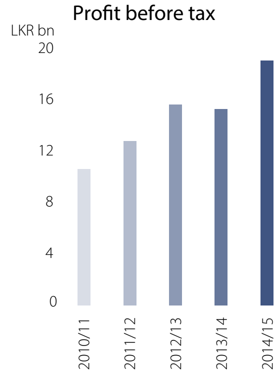
LKR 19.08 bn

Profit before tax

Contribution from



Profit before tax



	As at 31st March	Transportation 2015	Transportation 2014	Leisure 2015	Leisure 2014	Property 2015	Property 2014
	In LKR '000s		Restated		Restated		
7.2	Business segments						
	Property, plant and equipment	503,117	619,309	32,758,685	30,400,017	1,836,385	1,865,702
	Lease rentals paid in advance	-	2,841	8,667,094	9,053,372	-	-
	Investment property	425,000	400,000	1,778,900	1,758,250	4,571,836	4,331,065
	Intangible assets	5,750	6,803	402,036	-	-	-
	Non-current financial assets	41,296	61,202	4,739,670	4,746,305	102,633	76,491
	Other non-current assets	6,037	10,113	13,899	18,497	25,804,080	19,591,073
	Segment non-current assets	981,200	1,100,268	48,360,284	45,976,441	32,314,934	25,864,331
	Investments in equity accounted investees	11,153,883	11,111,738	334,192	381,169	-	-
	Deferred tax assets						
	Goodwill						
	Eliminations / adjustments						
	Total non-current assets						
	Inventories	102,673	890,092	300,391	324,628	1,764,234	2,717,709
	Trade and other receivables	1,485,618	2,308,137	2,947,519	2,630,659	2,852,536	3,393,614
	Short term investments	2,417,409	3,015,461	7,338,354	9,496,990	3,477,734	1,907,786
	Cash in hand and at bank	128,287	552,999	2,184,796	1,978,935	1,285,332	1,992,056
	Segment current assets	4,133,987	6,766,689	12,771,060	14,431,212	9,379,836	10,011,165
	Other current assets *						
	Eliminations / adjustments						
	Total current assets						
	Total assets						
	Insurance contract liabilities	-	-	-	-	-	-
	Interest-bearing loans and borrowings	-	32,524	7,597,031	8,867,008	360,057	2,698,076
	Employee benefit liabilities	64,749	101,557	492,510	438,674	36,198	35,457
	Other deferred liabilities	-	-	77,926	68,426	-	-
	Other non-current liabilities	-	-	67,919	63,751	595,461	185,682
	Segment non-current liabilities	64,749	134,081	8,235,386	9,437,859	991,716	2,919,215
	Deferred tax liabilities						
	Eliminations / adjustments						
	Total non-current liabilities						
	Trade and other payables	788,206	2,368,650	3,273,014	3,248,541	2,100,506	1,628,495
	Short term borrowings	1,153,137	1,968,937	2,664,655	4,277,956	11,478,414	7,713,039
	Interest-bearing loans and borrowings	-	5,333	1,243,738	1,856,337	1,686,388	250,219
	Bank overdrafts	120,565	261,488	629,053	621,277	498,452	106,111
	Segment current liabilities	2,061,908	4,604,408	7,810,460	10,004,111	15,763,760	9,697,864
	Income tax liabilities						
	Other current liabilities *						
	Eliminations / adjustments						
	Total current liabilities						
	Total liabilities						
	Total segment assets	5,115,187	7,866,957	61,131,344	60,407,653	41,694,770	35,875,496
	Total segment liabilities	2,126,657	4,738,489	16,045,846	19,441,970	16,755,476	12,617,079

* Balance mainly comprises of tax refunds / other tax payables.

Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
					Restated				Restated
6,517,850	6,605,713	1,222,723	1,446,743	307,939	404,158	1,288,843	1,252,597	44,435,542	42,594,239
-	-	-	-	-	-	43,029	44,203	8,710,123	9,100,416
94,457	85,482	-	-	-	-	3,000,300	2,943,936	9,870,493	9,518,733
40,968	51,116	1,237,546	1,363,670	18,991	31,166	63,282	68,615	1,768,573	1,521,370
129,850	112,427	17,657,947	18,562,035	29,050	38,173	1,659,248	2,155,829	24,359,694	25,752,462
281,061	277,584	64,707	150,618	6,243	9,122	19,628	20,477	26,195,655	20,077,484
7,064,186	7,132,322	20,182,923	21,523,066	362,223	482,619	6,074,330	6,485,657	115,340,080	108,564,704
-	-	4,857,415	3,556,323	-	-	-	-	16,345,490	15,049,407
								108,585	131,683
								950,884	950,884
								(5,152,221)	(5,321,876)
								127,592,818	119,374,802
2,602,934	2,265,042	6,196	7,037	602,420	538,496	243,793	330,060	5,622,641	7,073,064
1,891,132	1,727,075	531,051	2,263,283	1,664,841	2,142,718	498,312	1,393,696	11,871,009	15,859,182
993,708	450,334	11,639,146	7,776,089	841,128	669,839	43,534,137	35,514,143	70,241,616	58,830,642
262,966	434,185	265,880	601,219	218,528	367,695	151,527	154,878	4,497,316	6,081,967
5,750,740	4,876,636	12,442,273	10,647,628	3,326,917	3,718,748	44,427,769	37,392,777	92,232,582	87,844,855
								2,398,142	2,601,091
								(4,137,698)	(8,239,535)
								90,493,026	82,206,411
								218,085,844	201,581,213
-	-	23,931,966	20,273,009	-	-	-	-	23,931,966	20,273,009
217,972	368,671	-	-	43,128	73,973	1,337,508	2,606,000	9,555,696	14,646,252
436,219	418,929	115,039	212,303	85,093	91,314	264,903	248,658	1,494,711	1,546,892
24,908	20,464	-	-	-	-	1,147	1,334	103,981	90,224
118,441	143,086	-	-	-	-	146	-	781,967	392,519
797,540	951,150	24,047,005	20,485,312	128,221	165,287	1,603,704	2,855,992	35,868,321	36,948,896
								1,625,394	1,328,479
								(4,656,804)	(4,722,936)
								32,836,911	33,554,439
3,571,821	3,193,438	1,244,157	5,324,436	1,244,100	877,648	530,702	543,902	12,752,506	17,185,110
-	-	-	-	26,690	-	22,074	82,074	15,344,970	14,042,006
151,264	190,701	-	-	29,403	26,029	1,348,418	1,335,778	4,459,211	3,664,397
553,576	1,139,325	80,093	174,837	19,582	368,166	51,063	199,546	1,952,384	2,870,750
4,276,661	4,523,464	1,324,250	5,499,273	1,319,775	1,271,843	1,952,257	2,161,300	34,509,071	37,762,263
								1,592,079	908,100
								3,251,881	2,380,149
								(4,180,908)	(7,341,828)
								35,172,123	33,708,684
								68,009,034	67,263,123
12,814,926	12,008,958	32,625,196	32,170,694	3,689,140	4,201,367	50,502,099	43,878,434	207,572,662	196,409,559
5,074,201	5,474,614	25,371,255	25,984,585	1,447,996	1,437,130	3,555,961	5,017,292	70,377,392	74,711,159

In LKR '000s	Sri Lanka 2015	Sri Lanka 2014 Restated	Asia (excluding Sri Lanka) 2015	Asia (excluding Sri Lanka) 2014 Restated	Others 2015	Others 2014	Group Total 2015	Group Total 2014 Restated
7.3 Geographical segments, based on the location of assets								
Segment assets	182,375,759	168,997,691	21,902,671	3,294,232	3,294,232	3,873,277	207,572,662	196,409,559
Segment liabilities	61,006,204	62,811,250	9,338,343	11,835,839	32,845	64,070	70,377,392	74,711,159
Investments in equity accounted investees	16,345,490	15,049,407	-	-	-	-	16,345,490	15,049,407
Segment revenue	78,007,496	73,688,955	9,117,936	8,592,226	4,456,787	4,425,245	91,582,219	86,706,426
Segment results	8,344,847	8,051,782	1,147,832	1,032,935	809,920	896,386	10,302,599	9,981,103
Purchase and construction of property, plant and equipment	2,753,930	3,440,819	245,545	357,812	-	205	2,999,475	3,798,836
Purchase and construction of intangible assets	280,490	46,215	-	-	-	-	280,490	46,215
Depreciation of property, plant and equipment	2,335,260	2,223,575	429,270	340,774	2,793	4,161	2,767,323	2,568,510
Amortisation of intangible assets	234,198	239,315	-	-	-	-	234,198	239,315
Amortisation of lease rental paid in advance	16,986	16,985	697,129	662,824	-	-	714,115	679,809
Gratuity provision and related costs	283,097	260,229	3,276	1,975	-	-	286,373	262,204

8 BUSINESS COMBINATIONS AND CHANGES IN NON-CONTROLLING INTEREST

8.1 Acquisitions in 2014/15

Investment in Waterfront Properties (Pvt) Ltd.

John Keells Holdings PLC (JKH) further invested LKR 525mn in Waterfront Properties (Pvt) Ltd., a subsidiary of JKH, which is involved in developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated Resort.

Investment in John Keells Properties Ja-ela (Pvt) Ltd.

John Keells Holdings PLC (JKH) further invested LKR 100mn in John Keells Properties Ja-ela (Pvt) Ltd., a subsidiary of JKH which is involved in property development and management of mall operations.

8.2 Disposals in 2014/15

Disposal of Union Assurance General Ltd.

In compliance with the requirements of the Regulation of Insurance Industry Act No 3 of 2011, Union Assurance PLC (UAPLC), a subsidiary of the Group has completed the segregation of its long term and general insurance business by the transfer of the general insurance business to a newly formed company, Union Assurance General Ltd. (UAGL) on 1 January 2015. Immediately after the aforesaid segregation, UAPLC disposed 78% of its stake in UAGL to Fairfax Asia Ltd.

In LKR '000s	Value recognised on disposal
ASSETS	
Property, plant and equipment	112,944
Other non current financial assets	5,338,016
Trade and other receivables	2,471,880
Deferred tax assets	29,204
Deferred acquisition cost	167,017
Cash in hand and at bank	274,694
LIABILITIES	
Insurance contract liability	(3,653,048)
Trade and other payables	(1,158,820)
Deferred revenue	(130,328)
Employee benefit liabilities	(106,561)
Current tax liabilities	(141,518)
Bank overdraft	(70,842)
Total identifiable net assets	3,132,638
Transferred to investments in equity accounted investees	(689,718)
Profit on disposal of general insurance business	1,221,460
Cash consideration received	3,664,380
Cash and cash equivalents disposed	(203,852)
Net cash inflow on disposal of non current investments	3,460,528

8.3 Acquisitions 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) 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 is now in progress.

Investment in British Overseas (Pvt) Ltd.

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 LKR 57mn was paid to the non-controlling interest shareholders. The carrying value of the net assets of British Overseas (Pvt) Ltd., at the additional acquisition date was LKR 40.7 mn, and the carrying value of the additional interest acquired was LKR 4 mn. The difference between the consideration and the carrying value of the interest acquired of LKR 53 mn has been recognised in retained earnings within equity.

8.4 Disposals in 2013/14

Disposal of Central Hospitals (Pvt) Ltd.

In January 2014, the Group disposed of its interest in one of its associates, namely Central Hospitals (Pvt) Ltd. for LKR 1.68bn. The resultant gain of LKR 655mn has been reflected in the consolidated income statement.

Disposal of Information Systems Associates.

In February 2014, the Group divested it's voting shares in one of its joint ventures, namely Information Systems Associates for LKR 384mn. The resultant gain of LKR 98mn has been reflected in the consolidated income statement.

9 IMPACT OF ADOPTION OF SLFRS 10 AND 11

Investments in subsidiaries (adoption of SLFRS 10)

Under LKAS 27 Consolidated and Separate Financial Statements (prior to the adoption of SLFRS 10), the Group's interest in DHL Keells (Pvt) Ltd. (50%) was classified as a subsidiary and the company's assets, liabilities, revenue, income and expenses were fully consolidated (line by line) in the Group's financial statements. Upon adoption of SLFRS 10, the Group has identified the entity as being a jointly controlled entity, has consolidated its interest in this entity using the equity method as required and accordingly the comparatives have been restated.

Investments in joint ventures (adoption of SLFRS 11)

Under LKAS 31 Investment in Joint Ventures (prior to the adoption of SLFRS 11), the Group's interest was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the financial statements. These jointly controlled entities were namely NDO Lanka (Pvt) Ltd. (60%), Information Systems Associates (49%) and Sentinel Realty (Pvt) Ltd. (40.16%). Upon adoption of SLFRS 11, the Group has consolidated its interests in these entities using the equity method as required and accordingly the comparatives have been restated.

The effect of adopting these two new standards namely SLFRS 10 and SLFRS 11 to the comparative year is given below;

Impact on the income statement

In LKR '000s	For the year ended 31st March 2014
Decrease in the reported revenue (rendering of services)	(2,549,275)
Decrease in the cost of sales	1,939,774
Decrease in gross profit	(609,501)
Decrease in other operating income	5,709
Decrease in distribution expenses	94,355
Decrease in administrative expenses	307,784
Decrease in other operating expenses	3,064
Decrease in results from operating activities	(198,589)
Decrease in finance cost	7,120
Decrease in finance income	(12,573)
Increase in share of results of equity accounted investees	125,260
Net impact on profit before tax	(78,782)
Decrease in tax expense	25,663
Net impact on profit after tax	(53,119)

Impact on the statement of financial position

In LKR '000s	As at 31.03.2014
Decrease in property, plant and equipment	(129,374)
Increase in equity accounted investments	252,045
Decrease in other non-current financial assets	(19,050)
Decrease in deferred tax assets	(15,134)
Decrease in other non current assets	(2,186)
Decrease in trade and other receivables	(417,217)
Decrease in amounts due from related parties	(17,855)
Decrease in short term investments	(193,109)
Decrease in other current assets	(235,805)
Decrease in cash in hand and at bank	(118,446)
Decrease in non-controlling interest	195,040
Decrease in employee benefit liability	39,539
Decrease in trade and other payables	500,758
Decrease in amounts due to related parties	32,724
Decrease in income tax liabilities	15,748
Increase in other current liabilities	(4,890)
Decrease in bank overdraft	117,212
Net impact on equity	-

10 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interest (NCI) is provided below

As at 31st March In LKR '000s	Consumer Foods & Retail 2015	 2014
Summarised income statement for the period ending 31 March		
Revenue	30,571,846	26,189,258
Operating cost	(28,091,749)	(24,533,814)
Finance cost	(80,132)	(155,408)
Finance income	62,591	90,864
Change in fair value of investment property	8,975	71,796
Profit before tax	2,471,531	1,662,696
Tax expense	(680,567)	(315,049)
Profit for the year	1,790,964	1,347,647
Other comprehensive income	26,771	(21,737)
Total comprehensive income	1,817,735	1,325,910
Profit/(loss) allocated to material NCI	308,434	184,325
Dividend paid to NCI	206,400	77,866
Summarised statement of financial position as at 31 March		
Current assets	6,061,026	4,955,487
Non-current assets	13,922,206	14,025,654
Total assets	19,983,232	18,981,141
Current liabilities	5,030,420	4,781,044
Non-current liabilities	1,455,343	1,407,756
Total liabilities	6,485,763	6,188,800
Accumulated balances of material NCI	1,908,954	1,796,968
Summarised cash flow information for year ending 31 March		
Cash flows from operating activities	3,094,950	1,286,564
Cash flows from/(used in) investing activities	(553,180)	(1,539,222)
Cash flows from/(used in) financing activities	(1,383,090)	(482,000)
Net increase / (decrease) in cash and cash equivalents	1,158,680	(734,658)

10.1 Names of material partly-owned subsidiaries and effective holding % owned by

Consumer foods & retail

Ceylon Cold Stores PLC. - 18.64% (2014- 18.64%)

JayKay Marketing Services (Pvt) Ltd. - 18.64% (2014- 18.64%)

Keells Food Products PLC. - 9.83% (2014- 9.83%)

10.2 The above information is based on amounts before inter-company eliminations.

10.3 Considering the Group balances, none of the individual partly-owned subsidiaries have material non-controlling interest. However, the above information has been presented on the aggregated interests in similar entities namely, the Consumer Foods and Retail (CFR) segment, based on the nature and risks of the products and services.

For the year ended 31st March In LKR '000s	Group 2015	Group 2014 Restated	Company 2015	Company 2014
11 REVENUE				
11.1 Revenue				
Gross revenue	91,811,553	87,041,039	926,336	808,504
Turnover tax	(229,334)	(334,613)	-	-
Net revenue	91,582,219	86,706,426	926,336	808,504

For the year ended 31st March In LKR '000s	Group 2015 Sale of goods	Group 2015 Rendering of services	Group 2015 Total revenue	Group 2014 (Restated) Sale of goods	Group 2014 (Restated) Rendering of services	Group 2014 (Restated) Total revenue
11.2 Business segment analysis						
Transportation	12,673,385	458,850	13,132,235	13,812,524	383,784	14,196,308
Leisure	-	23,246,050	23,246,050	-	22,548,460	22,548,460
Property	5,175,333	513,827	5,689,160	3,607,805	564,524	4,172,329
Consumer Foods & Retail	29,681,441	75,653	29,757,094	25,358,010	55,798	25,413,808
Financial Services	-	9,077,133	9,077,133	-	9,474,976	9,474,976
Information Technology	4,789,859	2,422,592	7,212,451	4,921,822	2,324,198	7,246,020
Others	2,517,817	950,279	3,468,096	2,675,750	978,775	3,654,525
Group revenue	54,837,835	36,744,384	91,582,219	50,375,911	36,330,515	86,706,426

For the year ended 31st March In LKR '000s	Group 2015	Group 2014 Restated
11.3 Geographical segment analysis (by location of customers)		
Sri Lanka	78,007,496	73,688,955
Asia (excluding Sri Lanka)	9,117,936	8,592,226
Europe	3,415,503	3,112,264
Others	1,041,284	1,312,981
Total Group external revenue	91,582,219	86,706,426

For the year ended 31st March In LKR '000s	Company 2015	 2014
12 DIVIDEND INCOME		
Income from investments in related parties	8,843,908	6,527,675
	8,843,908	6,527,675

For the year ended 31st March In LKR '000s	Group 2015	 2014 Restated	Company 2015	 2014
13 OTHER OPERATING INCOME				
Exchange gains	168,716	314,717	-	-
Profit on sale of property, plant and equipment	48,542	-	804	6
Profit on sale of non current investments	1,221,460	178,281	47,900	-
Profit on sale of investments in associates	-	655,048	-	688,235
Promotional income and commission fee	982,653	746,028	-	-
Write back of dealer deposits	28,238	41,363	-	-
Sundry income	627,284	556,263	22,345	31,920
	3,076,893	2,491,700	71,049	720,161

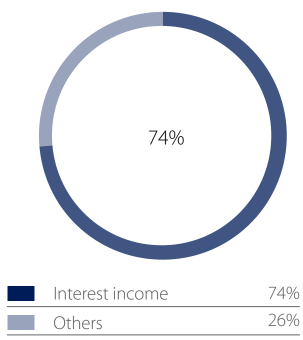
For the year ended 31st March In LKR '000s	Group 2015	 2014 Restated	Company 2015	 2014
14 OTHER OPERATING EXPENSES				
Nations Building Tax	865,364	763,066	18,903	16,551
Loss on sale of non current investments	-	12,403	-	-
Loss on sale of property, plant and equipment	-	40,957	-	-
Other overheads	2,225,798	2,239,013	18,016	17,866
	3,091,162	3,055,439	36,919	34,417

For the year ended 31st March In LKR '000s	Group 2015	 2014 Restated	Company 2015	 2014
15 NET FINANCE INCOME				
Finance income				
Interest income	5,985,668	5,501,998	2,427,665	1,880,364
Dividend income on				
Financial assets at fair value through profit or loss	101,617	83,952	-	-
Available-for-sale financial assets	56,458	122,932	55,972	121,741
Investment related expenses	(27,329)	(62,540)	-	-
Net gains or losses on				
Financial assets at fair value through profit or loss	709,379	46,479	-	-
Available-for-sale financial assets	1,018,535	78,054	1,010,417	-
Exchange gains	278,169	-	278,169	-
Total finance income	8,122,497	5,770,875	3,772,223	2,002,105
Finance cost				
Interest expense on borrowings	668,174	1,169,163	100,890	204,251
Exchange loss	-	47,843	-	47,843
Total finance cost	668,174	1,217,006	100,890	252,094
Net finance income	7,454,323	4,553,869	3,671,333	1,750,011

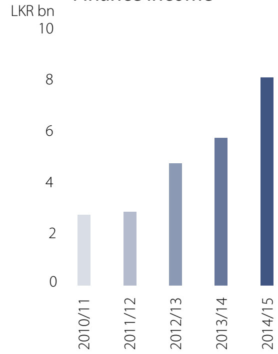
LKR 8.12 bn

Finance income

Contribution from



Finance income



16 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	2015	2014
Revenue	5,788,214	5,320,877
Cost of sales	(2,730,511)	(2,104,742)
Gross profit	3,057,703	3,216,135
Operating expenses including distribution and administration expenses	(1,598,295)	(1,891,676)
Net finance income	3,075,368	2,311,335
Profit attributable to shareholders	(735,776)	(602,737)
Change in insurance contract liabilities	3,799,000	3,033,057

	Group		Company	
For the year ended 31st March	2015	2014	2015	2014
In LKR '000s		Restated		
17 PROFIT BEFORE TAX				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive Directors	393,540	379,875	170,297	155,894
Remuneration to non executive Directors	48,212	36,110	21,010	15,180
Costs of defined employee benefits				
Defined benefit plan cost	286,373	262,204	24,907	23,182
Defined contribution plan cost - EPF and ETF	702,507	674,545	27,029	24,831
Staff expenses	9,633,062	8,964,746	524,317	419,273
Auditors' remuneration				
Audit	48,483	44,135	6,469	5,901
Non-audit	4,256	3,840	1,272	1,474
Depreciation of property, plant and equipment	2,767,323	2,568,510	30,434	23,477
Amortisation of intangible assets	234,198	239,315	23,008	25,050
Amortisation of lease rentals paid in advance	714,115	679,809	-	-
Impairment losses	10,561	195,471	311,913	220,525
Operating lease payments	1,040,168	1,018,473	-	-
(Profit)/loss on sale of property, plant and equipment and intangible assets	(91,935)	40,957	-	-
Donations	29,207	13,328	11,755	7,755

		Group		Company	
For the year ended 31st March		2015	2014	2015	2014
In LKR '000s	Note		Restated		
18 TAX EXPENSE					
Current income tax					
Current tax charge	18.1	2,294,508	1,681,989	424,466	274,737
Under/(over) provision of current tax of previous years		137,386	133,373	92,772	144,990
Irrecoverable economic service charge	18.3	247	31,001	-	-
10% Withholding tax on inter company dividends		603,747	322,719	-	-
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	18.4	293,888	193,024	-	-
	18.2	3,329,776	2,362,106	517,238	419,727

For the year ended 31st March In LKR '000s	Group 2015	Group 2014 Restated	Company 2015	Company 2014
18.1 Reconciliation between current tax charge and the accounting profit				
Profit before tax	19,075,313	15,320,433	11,656,051	8,316,900
Dividend income from Group companies	10,709,344	8,591,454	-	-
Share of results of equity accounted investees	(3,296,139)	(3,089,123)	-	-
Other consolidation adjustments	(178,683)	413,149	-	-
Profit after adjustment	26,309,835	21,235,913	11,656,051	8,316,900
Exempt profits	(4,153,308)	(3,993,103)	(679,562)	(375,939)
Income not liable for income tax	(1,078,827)	(820,926)	(1,058,317)	(688,235)
Resident dividend	(9,962,993)	(7,552,337)	(8,899,879)	(6,649,416)
Adjusted accounting profit chargeable to income taxes	11,114,707	8,869,547	1,018,293	603,310
Disallowable expenses	8,196,638	4,673,393	895,585	551,475
Allowable expenses	(6,000,971)	(6,968,691)	(387,428)	(107,923)
Utilisation of tax losses	(127,615)	(254,383)	-	-
Qualifying payment deductions	(225,884)	(231,620)	(10,500)	(65,662)
Taxable income	12,956,875	6,088,246	1,515,950	981,200
Income tax charged at				
Standard rate of 28%	1,297,461	883,508	424,466	274,737
Other concessionary rates	508,331	452,580	-	-
Current tax share of equity accounted investments	488,716	345,901	-	-
Current tax charge	2,294,508	1,681,989	424,466	274,737
18.2 Reconciliation between tax expense and the product of accounting profit				
Adjusted accounting profit chargeable to income taxes	11,114,707	8,869,547	1,018,294	603,310
Tax effect on chargeable profits	2,249,501	1,829,600	285,123	168,927
Tax effect on non deductible expenses	331,711	179,212	228,825	134,335
Tax effect on deductions claimed	(490,208)	(596,954)	(96,323)	(16,790)
Net tax effect of unrecognised deferred tax assets for the year	(20,317)	259,479	6,841	(11,735)
Net tax effect of unrecognised deferred tax assets for prior years	(30,107)	(160,278)	-	-
Under/(over) provision for previous years	137,386	133,373	92,772	144,990
Other income based taxes				
Irrecoverable economic service charge	247	31,001	-	-
10% Withholding tax on inter company dividends	603,747	322,719	-	-
Deferred tax on withholding tax of inter company dividend	30,000	-	-	-
Current tax share of equity accounted investments	488,716	345,901	-	-
Deferred tax share of equity accounted investments	29,100	18,053	-	-
Tax expense	3,329,776	2,362,106	517,238	419,727

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 2015	Group 2014
18.3 Economic service charge (ESC)		
Irrecoverable economic service charge	247	31,001
	247	31,001

For the year ended 31st March In LKR '000s		Group 2015	Group 2014 Restated
18.4	**Deferred tax expense**		
	Income statement		
	Deferred tax expense arising from;		
	Accelerated depreciation for tax purposes	206,769	359,890
	Revaluation of investment property to fair value	1,798	(34,830)
	Retirement benefit obligations	(18,581)	(71,304)
	Benefit arising from tax losses	42,131	(73,095)
	Others	32,671	(5,690)
		264,788	174,971
	Deferred tax share of equity accounted investments	29,100	18,053
	Deferred tax charged directly to income statement	293,888	193,024
	Other comprehensive income		
	Deferred tax expense arising from;		
	Actuarial losses on defined benefit obligations	8,258	(2,790)
	Revaluation of land and building to fair value	18,290	-
		26,548	(2,790)
	Deferred tax share of equity accounted investments	(3,731)	-
	Total deferred tax charged/(credited) directly to OCI	22,817	(2,790)

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 18.7 and 18.8.

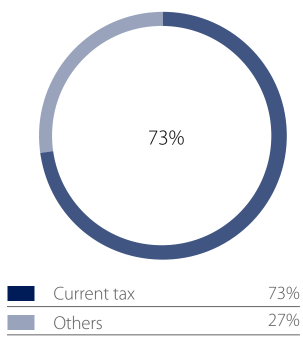
Temporary differences associated with the undistributed reserves in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised, amounts to LKR 2,986 mn (2014 LKR 3,351 mn). The deferred tax effect on undistributed reserves of subsidiaries and joint ventures have not been 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 2015	Group 2014	Company 2015	Company 2014
18.5	**Tax losses carried forward**				
	Tax losses brought forward	7,914,453	7,324,164	1,230,471	1,230,471
	Adjustments on finalisation of liability	(215,132)	(283,939)	-	-
	Tax losses arising during the year	225,808	1,128,611	-	-
	Utilisation of tax losses	(352,660)	(254,383)	-	-
		7,572,469	7,914,453	1,230,471	1,230,471

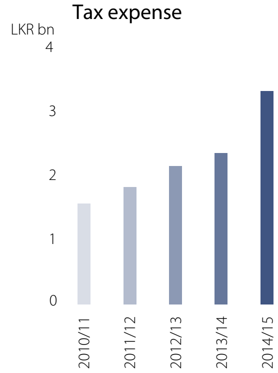
LKR 3.33 bn

Tax expense

Contribution from



Tax expense



	Year of investment	Cost of approved investment LKR '000	Relief claimed LKR '000	Liability to additional tax on disposal of Investment
18.6 Details of investment relief				
John Keells Holdings PLC. (JKH)	1999/2000	579,036	579,036	-
Ceylon Cold Stores PLC. (CCS)	2011/2012	256,702	256,702	-
	2012/2013	167,091	125,318	-
	2013/2014	72,801	36,400	-
Keells Food Products PLC. (KFP)	2012/2013	457,732	343,299	-
Trans Asia Hotels PLC (TAH)	2011/2012	81,522	81,522	-

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 at Section 218 of the Inland Revenue Act, No. 10 of 2006. The company has fully claimed the relief.

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 and amendments thereto. TAH has fully claimed the relief. CCS and KFP have carried forward the unclaimed investment relief to set off in future years.

18.7 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 concession	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 Keells Office Automation (Pvt) Ltd.	- do -	- do -	- do -
Cinnamon Hotel Management Ltd. (formerly known as Keells Hotel Management Services 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 -
John Keells Properties Ja-Ela (Pvt) Ltd.	New Undertaking engaged in construction of commercial buildings	- do -	9 years from 1st year of profit or 2 years from operations
Sancity Hotels and Properties Ltd.	Construction and operation of a tourist hotel	- do -	12 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 -

Company / Sector	Basis	Exemptions or concessions	Period
Leisure sector	Promotion of tourism	12%	Open-ended
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 -
Mackinnons Mackenzie Shipping (Pvt) Ltd.	Provision of services to foreign ships	- do -	- do -
South Asia Gateway Terminals (Pvt) Ltd.	Operation of any port terminal in Sri Lanka	Exempt	- do - (exemption will continue even after the expiry of the BOI exemption as stated below)

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Board of Investment Law			
Beruwala Holiday Resorts (Pvt) Ltd.	Construction and operation of a tourist hotel	Exempt	8 years from 1st year of profit or 2 years from operations
Saffron Aviation (Pvt) Ltd.	Domestic airline	- do -	8 years from 1st year of profit or 2 years from operations
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.	Integrated super luxury tourist resort	- do -	10 years from 1st year of profit or 3 years from operations
Asian Hotels and Properties PLC.	Construction and operation of office,apartment complex and a hotel	2% of turnover	15 years from 1st April 2014
John Keells Logistics (Pvt) Ltd.	Integrated supply chain management	10%	2 years from April 2014

Country of incorporation	Company	Current tax rate
18.8 Income tax rates of off-shore subsidiaries		
India	John Keells BPO Solutions 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 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 2015	2014 Restated
19	EARNINGS PER SHARE			
19.1	Basic earnings per share			
	Profit attributable to equity holders of the parent		14,348,193	11,721,806
	Weighted average number of ordinary shares	19.3	993,314	929,781
	Basic earnings per share		14.44	12.61
19.2	Diluted earnings per share			
	Profit attributable to equity holders of the parent		14,348,193	11,721,806
	Adjusted weighted average number of ordinary shares	19.3	1,013,870	950,772
	Diluted earnings per share		14.15	12.33
19.3	Amount used as denominator			
	Ordinary shares at the beginning of the year		990,289	857,243
	Bonus element on right issue		-	28,897
	Effect of share options exercised and right issue		3,025	43,641
	Weighted average number of ordinary shares in issue before dilution		993,314	929,781
	Number of shares outstanding under the share option scheme and warrants		105,108	105,897
	Number of shares that would have been issued at fair value		(84,552)	(84,906)
	Adjusted weighted average number of ordinary shares		1,013,870	950,772

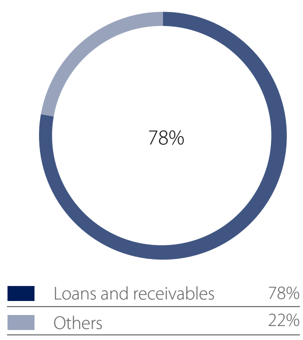
For the year ended 31st March In LKR '000s		LKR	2015	LKR	2014
20	DIVIDEND PER SHARE				
	Equity dividend on ordinary shares declared and paid during the year				
	Final dividend*	1.50	1,485,620	1.50	1,286,460
	Interim dividend	2.00	1,990,327	2.00	1,980,258
	Total dividend	3.50	3,475,947	3.50	3,266,718

*Previous years' final dividend paid in the current year.

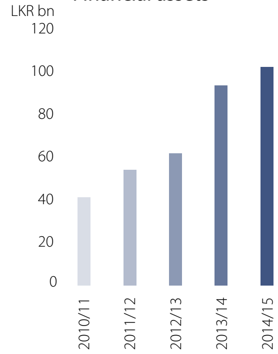
LKR 102.21 bn

Financial assets

Contribution from



Financial assets



21 FINANCIAL INSTRUMENTS

21.1 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Group	Financial assets by categories										Financial liabilities by categories	
	Loans and receivables		Financial assets at fair value through profit or loss		Available-for-sale financial assets		Held-to-maturity investments		Total		Financial liabilities measured at amortised cost	
As at 31st March	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
In LKR '000s		Restated								Restated		Restated
Financial instruments in non-current assets/non-current liabilities												
Non-current financial assets	3,215,789	2,485,232	24,919	23,683	5,898,900	5,529,440	10,569,080	13,030,423	19,708,688	21,068,778	-	-
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	4,899,576	9,968,646
Financial instruments in current assets/current liabilities												
Trade and other receivables/ payables	10,269,689	12,135,042	-	11,531	-	-	-	-	10,269,689	12,146,573	11,267,339	14,236,381
Amounts due from/due to related parties	185,085	334,096	-	-	-	-	-	-	185,085	334,096	26,488	14,142
Short term investments	61,468,200	49,305,036	3,838,985	2,786,717	1,079,892	912,230	1,153,591	1,355,595	67,540,668	54,359,578	-	-
Cash in hand and at bank	4,510,526	5,799,053	-	-	-	-	-	-	4,510,526	5,799,053	-	-
Short term borrowings	-	-	-	-	-	-	-	-	-	-	12,622,740	9,751,976
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	4,459,213	3,664,399
Bank overdrafts	-	-	-	-	-	-	-	-	-	-	1,952,383	2,753,537
Total	79,649,289	70,058,459	3,863,904	2,821,931	6,978,792	6,441,670	11,722,671	14,386,018	102,214,656	93,708,078	35,227,739	40,389,081

21.1 Financial assets and liabilities by categories (Contd.)

For financial assets both at fair value through profit and 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 LKR 12,581 mn (2014 - LKR 15,413 mn) for the Group.

The Group has designated financial assets amounting to LKR 430 mn (2014 - LKR 334 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date.

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.

21.2 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Company	**Financial assets by categories**				**Financial liabilities by categories**	
	Loans and receivables		**Available-for-sale financial assets**		**Financial liabilities measured at amortised cost**	
As at 31 st March	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
In LKR '000s						
Financial instruments in non-current assets/non-current liabilities						
Non-current financial assets	1,391,884	73,059	241,235	2,053,263	-	-
Interest-bearing loans and borrowings	-	-	-	-	1,325,508	2,591,379
Financial instruments in current assets/ current liabilities						
Trade and other receivables / payables	85,566	69,194	-	-	333,822	225,449
Amounts due from/ due to related parties	258,270	695,470	-	-	2,726	4,939
Short term investments	43,292,579	35,406,695	-	-	-	-
Cash in hand and at bank	43,931	51,627	-	-	-	-
Interest-bearing loans and borrowings	-	-	-	-	1,345,276	1,329,103
Bank overdrafts	-	-	-	-	32,692	190,333
Total	45,072,230	36,296,045	241,235	2,053,263	3,040,024	4,341,203

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.

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:
Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date.

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.

22 FAIR VALUE HIERARCHY

22.1 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) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group held the following financial instruments carried at fair value in the statement of financial position:

FINANCIAL ASSETS

	Level 1		Level 2		Level 3	
As at 31 st March	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
In LKR '000s						
Financial assets held for trading	1,326,906	2,476,631	-	-	-	-
Designated at fair value through profit or loss	2,107,151	-	429,847	333,769	-	-
Foreign exchange forward contracts	-	-	-	11,531	-	-
Available for sale	3,670,400	4,330,782	3,048,759	1,663,312	259,633	447,576
Total	7,104,457	6,807,413	3,478,606	2,008,612	259,633	447,576

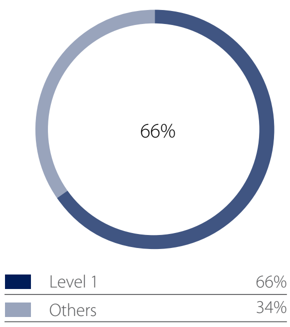
22.2 Financial assets and liabilities by fair value hierarchy - Company

	Level 1		Level 3	
As at 31 st March	**2015**	**2014**	**2015**	**2014**
In LKR '000s				
Available for sale	-	1,624,710	241,235	428,553

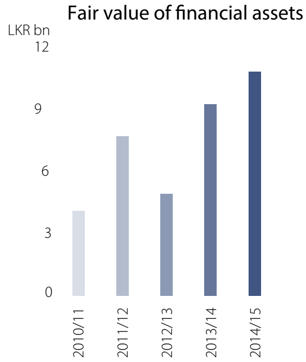
LKR 10.84 bn

Fair value of financial assets

Contribution from



Fair value of financial assets



22.3 Reconciliation of fair value measurements of level 3 financial instruments

The Group and Company carries 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:

In LKR '000s	Available-for-sale financial assets Group	Company
As at 1 April 2014	447,576	428,553
Sales	(12,266)	(12,266)
Impairment	-	-
Purchases	-	-
Total gains and losses recognised in OCI	(175,677)	(175,052)
As at 31 March 2015	259,633	241,235

Fair valuation carried at 31 March 2015 for all unquoted equity shares classified as Level 3 within the fair value hierarchy using discounted cash flow valuation methodology.

Fair value would not significantly vary if one or more of the inputs were changed.

22.4 Non financial assets - Group

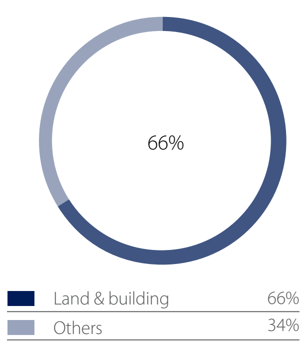
As at 31 st March In LKR '000s	Level 1 2015	2014	Level 2 2015	2014	Level 3 2015	2014
Assets measured at fair value						
Land and buildings	-	-	-	-	28,508,863	26,121,731
Buildings on leasehold land	-	-	-	-	10,179,676	9,969,333
Investment property	-	-	-	-	4,608,941	4,440,227

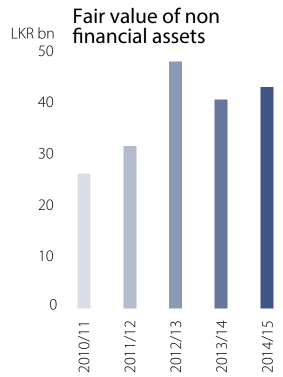
In determining the fair value, highest and best use of the property including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

LKR 43.30 bn

Fair value of non financial assets

Contribution from





23 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 other financial instruments 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.

23.1 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.

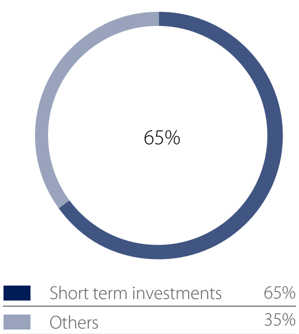
The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to 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 fulfil their obligations.

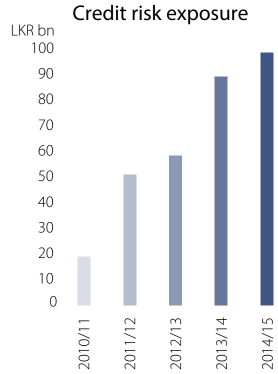
LKR 98.52 bn

Credit risk exposure

Contribution from



Credit risk exposure



23.1.1 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 31st March In LKR '000s		2015 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
Group								
Government securities	23.1.2	11,148,295	-	-	37,494,803	-	48,643,098	49%
Corporate debt securities	23.1.3	5,430,430	-	-	753,218	-	6,183,648	6%
Deposits with bank	23.1.4	1,644,700	-	-	25,858,590	-	27,508,290	28%
Loans to executives	23.1.5	538,211	-	161,119	-	-	699,330	1%
Loans to life policyholders	23.1.6	682,095	-	-	-	-	682,095	1%
Trade and other receivables	23.1.7	-	-	9,873,475	-	-	9,873,475	10%
Reinsurance receivables	23.1.8	-	-	89,854	-	-	89,854	0%
Premium receivable	23.1.9	-	-	145,241	-	-	145,241	0%
Amounts due from related parties	23.1.10	-	-	-	-	185,085	185,085	0%
Cash in hand and at bank	23.1.11	-	4,510,526	-	-	-	4,510,526	5%
Total credit risk exposure		19,443,731	4,510,526	10,269,689	64,106,611	185,085	98,520,642	100%
Financial assets at fair value through profit or loss	23.3.3.1	-	-	-	3,434,057	-		
Available-for-sale investments	23.3.3.2	259,957	-	-	-	-		
Total equity risk exposure		259,957	-	-	3,434,057	-		
Total		19,703,688	4,510,526	10,269,689	67,540,668	185,085		
Company								
Government securities	23.1.2	-	-	-	22,993,018	-	22,993,018	51%
Corporate debt securities	23.1.3	268,306	-	-	-	-	268,306	1%
Deposits with bank	23.1.4	1,059,116	-	-	20,299,561	-	21,358,677	47%
Loans to executives	23.1.5	64,462	-	17,980	-	-	82,442	0%
Trade and other receivables	23.1.7	-	-	67,586	-	-	67,586	0%
Amounts due from related parties	23.1.10	-	-	-	-	258,270	258,270	1%
Cash in hand and at bank	23.1.11	-	43,931	-	-	-	43,931	0%
Total credit risk exposure		1,391,884	43,931	85,566	43,292,579	258,270	45,072,230	100%
Available-for-sale investments	23.3.3.2	241,235	-	-	-	-		
Total equity risk exposure		241,235	-	-	-	-		
Total		1,633,119	43,931	85,566	43,292,579	258,270		

2014 Other non current financial assets Restated	Cash in hand and at bank Restated	Trade and other receivables Restated	Short term investments Restated	Amounts due from related parties Restated	Total Restated	% of allocation Restated
11,667,274	-	-	14,939,822	-	26,607,096	30%
5,447,783	-	-	-	-	5,447,783	6%
516,562	-	-	36,943,125	-	37,459,687	42%
795,551	-	167,793	-	-	963,344	1%
556,256	-	-	-	-	556,256	1%
-	-	9,976,271	-	-	9,976,271	11%
-	-	545,680	-	-	545,680	1%
-	-	1,456,829	-	-	1,456,829	2%
-	-	-	-	334,096	334,096	0%
-	5,799,053	-	-	-	5,799,053	6%
18,983,426	5,799,053	12,146,573	51,882,947	334,096	89,146,095	100%
-	-	-	2,476,631	-		
2,085,352	-	-	-	-		
2,085,352	-	-	2,476,631	-		
21,068,778	5,799,053	12,146,573	54,359,578	334,096		
-	-	-	9,372,816	-	9,372,816	26%
-	-	-	-	-	-	-
-	-	-	26,033,879	-	26,033,879	72%
63,059	-	16,854	-	-	79,913	0%
-	-	52,340	-	-	52,340	0%
10,000	-	-	-	695,470	705,470	2%
-	51,627	-	-	-	51,627	0%
73,059	51,627	69,194	35,406,695	695,470	36,296,045	100%
2,053,263	-	-	-	-		
2,053,263	-	-	-	-		
2,126,322	51,627	69,194	35,406,695	695,470		

23.1.2 Government securities

As at 31 March 2015 as shown in table above, 50% (2014-30%) 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

23.1.3 Corporate debt securities

As at 31 March 2015, corporate debt securities comprise 6% (2014 - 6%) of the total investments in debt securities, out of which 80% (2014 – 83%) were rated "A+" or better, or guaranteed by a banking institution with a rating of "A+" or better.

Company's corporate debt securities amounting to LKR 268 mn (2014 - LKR nil) invested in institution with rating of "AA-".

	Group			
As at 31 March	**2015**		**2014**	
Fitch ratings	**In LKR '000s**	**Rating % of total**	**In LKR '000s**	**Rating % of total**
AA+	-	-	475,000	9%
AA	698,192	11%	690,015	12%
AA-	2,065,816	33%	1,239,665	24%
A+	2,198,843	36%	2,090,318	38%
A	251,381	4%	159,284	3%
A-	763,297	12%	582,600	10%
BBB+	22,469	1%	36,601	1%
Not rated	183,650	3%	174,300	3%
Total	6,183,648	100%	5,447,783	100%

23.1.4 Deposits with bank

Deposits with bank mainly consist of fixed and call deposits .

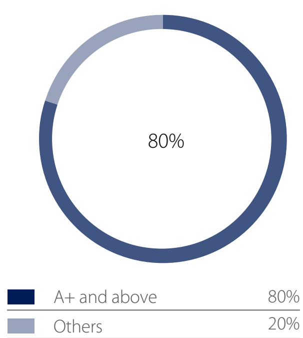
As at 31 March 2015, fixed and call deposits comprise 99% (2014- 94%) and 100% (2014- 100%) for the Group and Company respectively were rated "A+" or better.

	Group				Company			
As at 31st March	**2015**		**2014 (Restated)**		**2015**		**2014**	
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	253,220	1%	254,722	1%	-	-	-	-
AA+	8,607,634	31%	9,107,031	24%	7,536,580	35%	7,153,329	28%
AA	1,209,219	4%	7,895,587	21%	1,209,219	6%	4,727,804	18%
AA-	16,886,019	62%	17,840,361	48%	12,612,878	59%	14,152,746	54%
A+	232,307	1%	-	-	-	-	-	-
A	319,891	1%	2,361,986	6%	-	-	-	-
Total	27,508,290	100%	37,459,687	100%	21,358,677	100%	26,033,879	100%

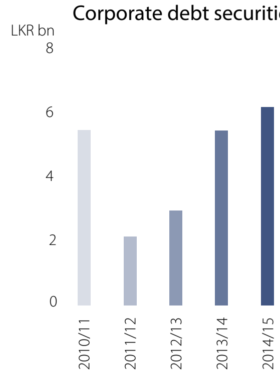
LKR 6.18 bn

Corporate debt securities

Contribution from



Corporate debt securities



23.1.5 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.

23.1.6 Loans to life policyholders

The surrender value of insurance policies considered as the collateral for the loans given to life policy holders by Union Assurance PLC.

23.1.7 Trade and other receivables

As at 31st March In LKR '000s		Group 2015 In LKR '000s	Group 2014 Restated In LKR '000s	Company 2015 In LKR '000s	Company 2014 In LKR '000s
Neither past due nor impaired		6,715,696	5,914,006	47,017	33,300
Past due but not impaired					
	0-30 days	1,260,056	2,248,993	10,340	7,892
	31–60 days	866,170	1,316,516	1,684	1,780
	61–90 days	316,115	219,400	-	-
	>91 days	715,438	277,356	8,545	9,368
Impaired		706,906	303,615	3,817	3,817
Gross carrying value		10,580,381	10,279,886	71,403	56,157
Less: impairment provision					
Individually assessed impairment provision		(607,537)	(286,352)	(3,817)	(3,817)
Collectively assessed impairment provision		(99,369)	(17,263)	-	-
Total		9,873,475	9,976,271	67,586	52,340

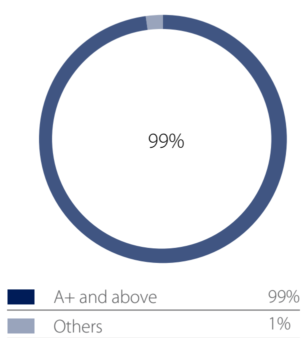
The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness, as collateral.

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. 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.

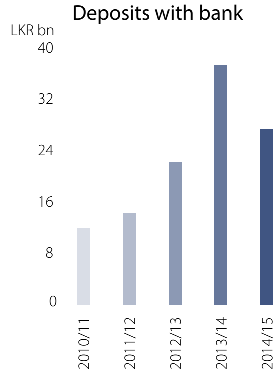
LKR 27.51 bn

Deposits with bank

Contribution from



Deposits with bank



23.1.8 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.

23.1.9 Premium receivable

UA 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.

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.

23.1.10 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 balances from affiliate companies.

23.1.11 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.

23.2 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 2015	Group 2014 Restated	Company 2015	Company 2014
23.2.1 Net debt/(cash)				
Short term investments	67,540,668	54,359,578	43,292,579	35,406,695
Cash in hand and at bank	4,510,526	5,799,053	43,931	51,627
Adjustments to liquid assets	(4,893,704)	(2,838,274)	-	-
Total liquid assets	67,157,490	57,320,357	43,336,510	35,458,322
Interest-bearing loans and borrowings	4,899,576	9,968,646	1,325,508	2,591,379
Short term borrowings	12,622,740	9,751,976	-	-
Interest-bearing loans and borrowings	4,459,213	3,664,399	1,345,276	1,329,103
Bank overdrafts	1,952,383	2,753,537	32,692	190,333
Total liabilities	23,933,912	26,138,558	2,703,476	4,110,815
Net debt / (cash)	(43,223,578)	(31,181,799)	(40,633,034)	(31,347,507)

23.2.2 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 as at 31 March 2015 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
Interest-bearing loans and borrowings	4,459,213	2,618,199	1,039,703	668,393	504,901	91,000	9,381,409
Trade and other payables	11,267,339	-	-	-	-	-	11,267,339
Amounts due to related parties	26,488	-	-	-	-	-	26,488
Short term borrowings	12,622,740	-	-	-	-	-	12,622,740
Bank overdrafts	1,952,383	-	-	-	-	-	1,952,383
	30,328,163	2,618,199	1,039,703	668,393	504,901	91,000	35,250,359

The table below summarises the maturity profile of the Group's financial liabilities as 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 Restated
Interest-bearing loans and borrowings	3,664,399	4,363,356	3,506,231	982,320	1,061,476	91,512	13,669,294
Trade and other payables	14,236,381	-	-	-	-	-	14,236,381
Amounts due to related parties	14,142	-	-	-	-	-	14,142
Short term borrowings	9,751,976	-	-	-	-	-	9,751,976
Bank overdrafts	2,753,537	-	-	-	-	-	2,753,537
	30,420,435	4,363,356	3,506,231	982,320	1,061,476	91,512	40,425,330

23.2.2 Liquidity risk management (Contd.)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2015 based on contractual undiscounted payments.

Company	Within 1 year	Between 1-2 years	Total
Interest-bearing loans and borrowings	1,345,276	1,348,128	2,693,404
Trade and other payables	333,822	-	333,822
Amounts due to related parties	2,726	-	2,726
Bank overdrafts	32,692	-	32,692
	1,714,516	1,348,128	3,062,644

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2014 based on contractual undiscounted payments.

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Total
Interest-bearing loans and borrowings	1,329,103	1,320,629	1,306,999	3,956,731
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	1,320,629	1,306,999	4,377,452

23.3 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 analyses in the following sections relate to the position as at 31 March in 2015 and 2014

The analyses 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 statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments,

- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at 31 March 2015 and 2014.

23.3.1 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**	
	Rupee borrowings	**Other currency borrowings**	**Group**	**Company**
2015	+30	+07	(16,369)	(1,870)
	-30	-07	16,369	1,870
2014				
	+125	+06	(86,750)	(2,352)
	-125	-06	99,939	2,352

23.3.2 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 Board of Directors.

23.3.2.1 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. Currently these financial instruments are categorised under trade and other receivables.

For the year ended 31st March	**Increase/ (decrease) in basis points USD**	**Effect on profit before tax LKR '000s**	
		Group	**Company**
2015	+2%	(23,677)	-
	-2%	23,677	-
2014	+3%	(13,960)	-
	-3%	13,960	-

The assumed spread of the exchange rate is based on the current observable market environment.

23.3.2.2 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.

		Group		Company	
	Increase/(decrease) in exchange rate USD	Effect on profit before tax In LKR '000	Effect on equity In LKR '000	Effect on profit before tax In LKR '000	Effect on equity In LKR '000
2015	+2%	481,123	217,727	309,923	-
	-2%	(481,123)	(217,727)	(309,923)	-
2014	+3%	556,123	299,630	358,984	-
	-3%	(556,123)	(299,630)	(358,984)	-

The assumed spread of the exchange rate is based on the current observable market environment.

23.3.3 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.

23.3.3.1 Financial assets at fair value through profit or 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	2015		2014	
	In LKR '000	%	In LKR '000	%
Banks finance and insurance	1,919,688	56%	968,256	39%
Beverage food and tobacco	380,447	11%	324,148	13%
Construction and engineering	67,600	2%	60,185	2%
Diversified holdings	466,865	14%	564,189	23%
Manufacturing	358,007	10%	337,722	14%
Motors	13,899	1%	11,141	0%
Power and energy	140,961	4%	114,547	5%
Telecommunications	78,182	2%	73,785	3%
Other services	8,408	0%	22,658	1%
	3,434,057	100%	2,476,631	100%

23.3.3.2 Available-for-sale investments

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

23.3.3.3 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 and Company's profit before tax and 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 In LKR '000	Effect on equity In LKR '000	Effect on profit before tax In LKR '000	Effect on equity In LKR '000
2015	+14%	480,768	55	-	-
	-14%	(480,768)	(55)	-	-
2014	+5%	123,832	81,889	-	81,236
	-5%	(123,832)	(81,889)	-	(81,236)

23.4 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 in order to support its business and maximise shareholder value.

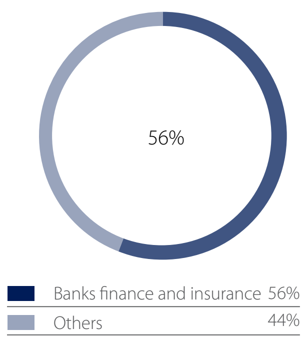
The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	Group 2015	Group 2014	Company 2015	Company 2014
Debt / Equity	15.9%	19.5%	3.2%	5.5%

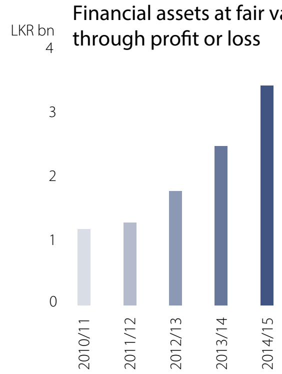
LKR 3.4 bn

Financial assets at fair value through profit or loss

Contribution from



Financial assets at fair value through profit or loss

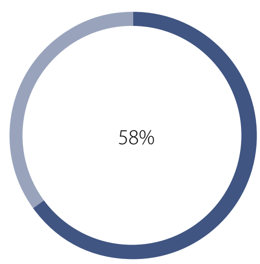


As at 31st March In LKR '000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings	Motor vehicles Freehold
24 PROPERTY, PLANT AND EQUIPMENT					
24.1 Group					
Cost or valuation					
At the beginning of the year (Restated)	26,846,777	11,549,193	7,637,952	9,088,251	600,169
Additions	251,766	264,950	443,520	937,835	94,398
Acquisition/(disposal) of subsidiary	-	-	-	(609,711)	-
Disposals	(25,000)	(3,910)	(263,914)	(383,014)	(109,310)
Revaluations	2,304,335	176,701	51,189	-	-
Transfers (from revaluation adjustment)	(231,115)	(324,118)	(264,412)	-	-
Impairment/derecognition	-	(4,142)	(21,396)	(13,290)	-
Transfers	54,803	144,983	14,895	(164,928)	-
Exchange translation difference	-	51,824	7,625	16,076	1,075
At the end of the year	29,201,566	11,855,481	7,605,459	8,871,219	586,332
Accumulated depreciation and impairment					
At the beginning of the year (Restated)	(725,046)	(1,579,860)	(3,095,282)	(5,089,557)	(360,657)
Charge for the year	(184,109)	(404,934)	(559,907)	(980,488)	(60,939)
(Acquisition)/disposal of subsidiary	-	-	-	496,767	-
Disposals	1,225	1,046	237,635	340,202	81,627
Revaluations	231,115	324,118	264,412	-	-
Impairment / derecognition	-	3,014	20,720	11,312	-
Transfers	(15,888)	-	60,993	115,902	24,927
Exchange translation difference	-	(19,189)	(4,030)	(9,095)	(436)
At the end of the year	(692,703)	(1,675,805)	(3,075,459)	(5,114,957)	(315,478)
Carrying value					
As at 31 March 2015	28,508,863	10,179,676	4,530,000	3,756,262	270,854
As at 31 March 2014 (Restated)	26,121,731	9,969,333	4,542,670	3,998,694	239,512

LKR 49.56 bn

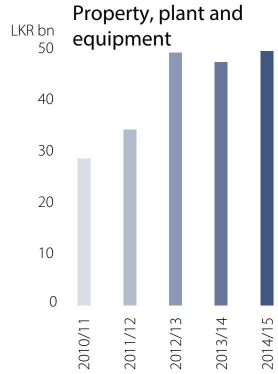
Property, plant and equipment

Contribution from



Land and buildings	58%
Other	42%

Property, plant and equipment



	Motor vehicles Leasehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2015	Total 2014 Restated
	13,292	808,618	3,709,730	663,823	286,893	61,204,698	61,320,963
	-	2,533	333,771	34,063	636,639	2,999,475	3,798,836
	-	-	-	-	-	(609,711)	-
	-	(11,188)	(322,294)	(244,782)	(1,387)	(1,364,799)	(1,260,742)
	-	-	-	-	-	2,532,225	77,319
	-	-	-	-	-	(819,645)	(18,037)
	-	-	(4,719)	-	-	(43,547)	(227,893)
	-	-	1,242	696	(570,576)	(518,885)	(2,616,620)
	-	-	1,085	-	4,106	81,791	130,872
	13,292	799,963	3,718,815	453,800	355,675	63,461,602	61,204,698
	(3,946)	(378,325)	(2,311,713)	(254,020)	-	(13,798,406)	(12,160,687)
	(2,911)	(85,480)	(434,794)	(53,761)	-	(2,767,323)	(2,568,510)
	-	-	-	-	-	496,767	-
	-	6,119	303,282	196,734	-	1,167,870	991,562
	-	-	-	-	-	819,645	18,037
	-	-	4,194	-	-	39,240	2,473
	-	-	162	-	-	186,096	765
	-	-	(10,146)	-	-	(42,896)	(82,046)
	(6,857)	(457,686)	(2,449,015)	(111,047)	-	(13,899,007)	(13,798,406)
	6,435	342,277	1,269,800	342,753	355,675	49,562,595	
	9,346	430,293	1,398,017	409,803	286,893	47,406,292	

In LKR '000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2015	2014
24.2 Company					
Cost					
At the beginning of the year	3,598	653,926	69,004	726,528	655,784
Additions	-	5,763	33,000	38,763	70,988
Disposals	-	-	(30,992)	(30,992)	(244)
At the end of the year	3,598	659,689	71,012	734,299	726,528
Accumulated depreciation and impairment					
At the beginning of the year	(3,042)	(553,778)	(46,986)	(603,806)	(580,475)
Charge for the year	(159)	(24,089)	(6,186)	(30,434)	(23,477)
Disposals	-	-	25,992	25,992	146
At the end of the year	(3,201)	(577,867)	(27,180)	(608,248)	(603,806)
Carrying value					
As at 31 March 2015	**397**	**81,822**	**43,832**	**126,051**	
As at 31 March 2014	556	100,148	22,018	122,722	

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 open market prices, adjusted for any difference in the nature, location or condition of the specific property. The most recent revaluation was done on 31 March 2015. Refer note 24.3 for details of revaluations.

24.3 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	Significant unobservable inputs	Sensitivity of fair value to un-observable inputs
Land of					
Ahungalla Holiday Resorts (Pvt) Ltd.	Open market value method	31 March 2015	S Fernando Chartered Valuation Surveyor	Estimated price per perch LKR 200,000	Positively correlated sensitivity
Beruwala Holiday Resorts (Pvt) Ltd.	Open market value method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 450,000-LKR 550,000	Positively correlated sensitivity
Resort Hotels Ltd.	Open market value method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 105,000	Positively correlated sensitivity
Land and building of					
Asian Hotels and Properties PLC.	Open market value method/ investment method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 8,000,000- LKR 9,500,000 Estimated price per square foot LKR 2,000-LKR 9,000	Positively correlated sensitivity Positively correlated sensitivity
Ceylon Cold Stores PLC.	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 100,000-LKR 125,000 Estimated price per square foot LKR 500- LKR 3,500	Positively correlated sensitivity Positively correlated sensitivity

Property	Method of valuation	Effective date of valuation	Property valuer	Significant unobservable inputs	Sensitivity of fair value to un-observable inputs
Kandy Walk Inn Ltd.	Open market value method/ direct capital comparison method	31 March 2015	S Fernando Chartered Valuation Surveyor	Estimated price per perch LKR 850,000 Estimated price per square foot LKR 858-LKR 7,000	Positively correlated sensitivity Positively correlated sensitivity
Keells Food Products PLC.	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 5,000-LKR 250,000 Estimated price per square foot LKR 400-LKR 7,000	Positively correlated sensitivity Positively correlated sensitivity
Keells Realtors Ltd. (Ferguson Road, Colombo 15. Lot A IN SP 2016)	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 1,500 Estimated price per square foot LKR 1,000	Positively correlated sensitivity Positively correlated sensitivity
Mackinnons Keells Ltd.	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 5,000,000 Estimated price per square foot LKR 1,500	Positively correlated sensitivity Positively correlated sensitivity
Tea Smallholder Factories PLC.	Contractors method	31 March 2015	K T D Tissera Chartered Valuation Surveyor	Estimated price per perch LKR 2,500-LKR 6,250 Estimated price per square foot LKR 700-LKR 1,000	Positively correlated sensitivity
Transware Logistics (Pvt) Ltd.	Investment method	31 March 2015	K T D Tissera Chartered Valuation Surveyor	Estimated rental value per square foot per month LKR 40	Positively correlated sensitivity
Trinco Holiday Resorts (Pvt) Ltd.	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 150,000 Estimated price per square foot LKR 1,000-LKR 7,000	Positively correlated sensitivity Positively correlated sensitivity
Trinco Walk Inn Ltd.	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 105,000	Positively correlated sensitivity
Union Assurance PLC.	Investment method	31 December 2013	P B Kalugalagedara, Chartered Valuation Surveyor	Discount rate 6.00%	Negatively correlated sensitivity
Whittall Boustead (Pvt) Ltd. 199, Union Place, Colombo 2	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 4,250,000 Estimated price per square foot LKR 1,000-LKR 2,000	Positively correlated sensitivity Positively correlated sensitivity
Whittall Boustead (Pvt) Ltd. 148, Vauxhall Street, Colombo 2	Open market value method/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 4,000,000 Estimated price per square foot LKR 1,000-LKR 4,000	Positively correlated sensitivity Positively correlated sensitivity
Whittall Boustead (Pvt) Ltd. "Ulex Villa", Badulla Road, Nuwara-Eliya	Direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 1,150,000 Estimated price per square foot LKR 500-LKR 1,400	Positively correlated sensitivity Positively correlated sensitivity
Wirawila Walk Inn Ltd.	Investment method	31 March 2015	S Fernando Chartered Valuation Surveyor	Discount rate 8.00%	Negatively correlated sensitivity

Property	Method of valuation	Effective date of valuation	Property valuer	Significant unobservable inputs	Sensitivity of fair value to un-observable inputs
Buildings on leasehold land of					
Ceylon Holiday Resorts Ltd. - Bentota Beach Hotel	Direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per square foot LKR 1,000-LKR 3,500	Positively correlated sensitivity
Habarana Lodge Ltd.	Direct capital comparison method	31 March 2015	S Fernando Chartered Valuation Surveyor	Estimated price per square foot LKR 500-LKR 10,250	Positively correlated sensitivity
Habarana Walk Inn Ltd.	Direct capital comparison method	31 March 2015	S Fernando Chartered Valuation Surveyor	Estimated price per square foot LKR 2,000-LKR 6,500	Positively correlated sensitivity
Hikkaduwa Holiday Resort (Pvt) Ltd.	Direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per square foot LKR 1,000-LKR 5,500	Positively correlated sensitivity
Jaykay Marketing Services (Pvt) Ltd.	Investment method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Discount rate 6.00%	Negatively correlated sensitivity
John Keells Warehousing (Pvt) Ltd.	Contractors method	31 March 2015	K T D Tissera Chartered Valuation Surveyor	Estimated price per square foot LKR 2,000-LKR 2,500	Positively correlated sensitivity
Rajawella Hotels Company Ltd.	Direct capital comparison method	31 March 2015	S Fernando Chartered Valuation Surveyor	Estimated price per square foot LKR 4,250	Positively correlated sensitivity
Trans Asia Hotels PLC.	Direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per square foot LKR 350-LKR 7,000	Positively correlated sensitivity
Yala Village (Pvt) Ltd.	Direct capital comparison method	31 March 2015	S Fernando Chartered Valuation Surveyor	Estimated price per square foot LKR 1,000-LKR 6,750	Positively correlated sensitivity

As at 31st March In LKR '000s	Group 2015	 2014
24.4 The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;		
Cost	12,203,504	11,920,218
Accumulated depreciation and impairment	(2,032,096)	(1,802,784)
Carrying value	10,171,408	10,117,434

24.5 Group land and buildings with a carrying value of LKR 6,959 mn (2014 - LKR 7,905 mn) have been pledged as security for term loans obtained, details of which are disclosed in note 41.3.

24.6 Group property, plant and equipment with a cost of LKR 4,212 mn (2014 - LKR 4,087 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 LKR 577 mn (2014 - LKR 569 mn).

As at 31st March In LKR '000s		Group 2015	2014
25	LEASE RENTALS PAID IN ADVANCE		
	At the beginning of the year	9,096,488	9,513,671
	Addition for the year	167,000	-
	Amortisation for the year	(714,115)	(679,809)
	Exchange gain / (loss)	159,660	262,626
	At the end of the year	8,709,033	9,096,488

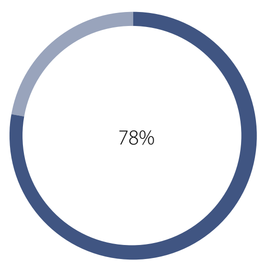
Prepaid lease rentals paid to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term.

	Property As at 31st March In LKR '000s	Land extent (in acres)	Lease period	Amount 2015	2014
25.1	Details of lease rentals paid in advance				
	John Keells Warehousing (Pvt) Ltd. Muthurajawela	6.00	50 years from 19-09-2001	39,113	40,202
	Rajawella Hotels Ltd. Kandy	10.00	95 years and 10 months from 02-02-2000	33,354	33,768
	Tea Smallholder Factories PLC. Karawita Tea Factory	4.98	50 years from 15-08-1997	2,826	2,912
	Tranquility (Pte) Ltd. Chaaya Island Dhonveli, Republic of Maldives	18.62	18 years from 26-08-2010	6,756,921	7,111,035
	Trans Asia Hotels PLC. Colombo	7.65	99 years from 07-08-1981	806,260	818,664
	Travel Club (Pte) Ltd. Chaaya Reef Ellaidhoo, Republic of Maldives	13.75	14 years from 27-11-2006	867,385	1,022,294
	Yala Village (Pvt) Ltd. Kirinda	11.00	30 years from 27-11-1997	64,619	67,613
	Fantasea World Investment (Pte) Ltd. Chaaya Lagoon Hakuraa Huraa, Republic of Maldives	13.42	25 years from 27-08-2022	138,555	-
				8,709,033	9,096,488

LKR 8.71bn

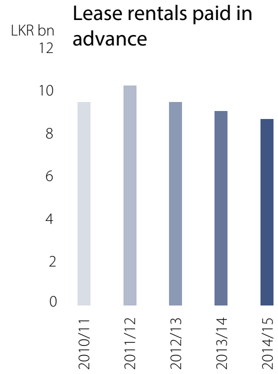
Lease rentals paid in advance

Contribution from



Chaaya Island Dhonveli, Republic of Maldives	78%
Others	22%

Lease rentals paid in advance



As at 31st March In LKR '000s	Group 2015	2014
26 INVESTMENT PROPERTY		
At the beginning of the year	4,440,227	9,294,936
Additions	3,101	22,604
Transfers	116,947	(5,347,605)
Change in fair value during the year	48,666	470,292
At the end of the year	4,608,941	4,440,227
Freehold property	4,482,941	4,322,096
Leasehold property	126,000	118,131
	4,608,941	4,440,227

26.1 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 location and category. Investment property is appraised in accordance with SLFRS 13, 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.

26.2 Description of valuation techniques used and key inputs to valuation on investment properties:

Property	Method of valuation	Effective date of valuation	Property valuer	Significant unobservable inputs	Sensitivity of fair value to un-observable inputs
Freehold property					
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	Investment method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Discount rate 6.25%	Negatively correlated sensitivity
Ceylon Cold Stores PLC. Inner Harbour Road, Trincomalee	Open market value/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 550,000 Estimated price per square foot LKR 50	Positively correlated sensitivity Positively correlated sensitivity
John Keells Properties Ja-Ela (Pvt) Ltd. Kapuwatte	Investment method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Discount rate 6.50%	Negatively correlated sensitivity
Keells Realtors Ltd. Ferguson Road, Colombo 15.	Open market value/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 1,500,000 Estimated price per square foot LKR 1,000	Positively correlated sensitivity Positively correlated sensitivity
John Keells PLC. 17/1, Temple Road, Ekala, Ja-Ela.	Open market value	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 225,000	Positively correlated sensitivity
Facets (Pvt) Ltd. Ahungalla.	Investment method	31 March 2015	S Fernando Chartered Valuation Surveyor	Discount rate 9.00%	Negatively correlated sensitivity
Leasehold property					
Tea Smallholder Factories PLC. Stores Complex, Peliyagoda	Open market value/ direct capital comparison method	31 March 2015	P B Kalugalagedara, Chartered Valuation Surveyor	Estimated price per perch LKR 600,000 Estimated price per square foot LKR 1,000	Positively correlated sensitivity Positively correlated sensitivity

Rental income earned from investment property by the Group amounts to LKR 480 mn (2014 - LKR 470 mn) and direct operating expenses incurred by the Group amounted to LKR 159 mn (2014 - LKR 148 mn).

As at 31st March	Software							Group		Company	
	Developed	Purchased	Licenses	WIP	PVIB	Goodwill	Other	2015	2014	2015	2014
In LKR '000s										Software licenses	
27 INTANGIBLE ASSETS											
Cost/carrying value											
At the beginning of the year	63,553	95,714	234,128	2,687	2,249,000	950,884	49,500	3,645,466	3,599,249	150,379	130,718
Additions	250,357	6,652	18,511	4,970	-	-	-	280,490	46,215	17,676	19,661
Transfers	153,703	42,793	19,346	-	-	-	-	215,842	-	-	-
Disposal	(25,906)	-	-	-	-	-	-	(25,906)	-	-	-
Impairment	-	-	(6,855)	-	-	-	-	(6,855)	-	-	-
Exchange translation difference	-	-	-	-	-	-	-	-	-	-	-
At the end of the year	441,707	145,159	265,130	7,657	2,249,000	950,884	49,500	4,109,037	3,645,464	168,055	150,379
Accumulated amortisation and impairment											
At the beginning of the year	(36,421)	(78,174)	(121,536)	-	(937,081)	-	-	(1,173,212)	(933,895)	(81,764)	(56,714)
Amortisation	(9,804)	(4,841)	(32,137)	-	(187,416)	-	-	(234,198)	(239,315)	(23,008)	(25,050)
Disposal	17,229	-	-	-	-	-	-	17,229	-	-	-
Impairment	-	-	601	-	-	-	-	601	-	-	-
Exchange translation difference	-	-	-	-	-	-	-	-	-	-	-
At the end of the year	(28,996)	(83,015)	(153,072)	-	(1,124,497)	-	-	(1,389,580)	(1,173,210)	(104,772)	(81,764)
Carrying value											
As at 31 March 2015	412,711	62,144	112,058	7,657	1,124,503	950,884	49,500	2,719,457		63,283	
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	

27.1 **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 estimated 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 2015
27.2 Goodwill	
Goodwill acquired through business combinations have been allocated to 7 cash generating units (CGU's) for impairment testing as follows;	
Airlines 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 CGUs 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.

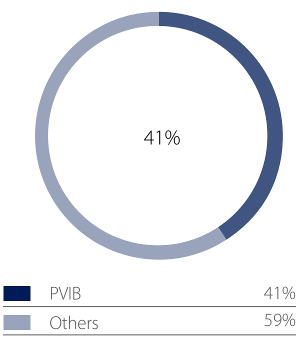
Volume growth

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.

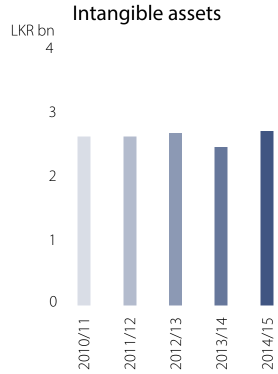
LKR 2.72 bn

Intangible assets

Contribution from



Intangible assets



As at 31st March In LKR '000s		Company 2015	2014
28 INVESTMENTS IN SUBSIDIARIES			
28.1 Carrying value			
Investments in subsidiaries			
Quoted	28.2	20,043,167	19,945,767
Unquoted	28.3	12,770,078	11,942,742
		32,813,245	31,888,509

As at 31st March In LKR '000s	Group 2015 Number of shares	Group 2015 Effective holding %	Company 2015 Number of shares	Company 2015 Effective holding %	Company 2015	Company 2014
28.2 Cost						
Group quoted investments						
Asian Hotels and Properties PLC.	347,824,192	78.56	347,824,192	78.56	5,254,670	5,230,775
Ceylon Cold Stores PLC.	77,321,204	81.36	67,109,128	70.61	1,352,824	1,313,771
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	424,876	406,315
Keells Food Products PLC.	23,350,658	89.65	19,110,399	74.94	1,033,365	1,027,563
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	1,600,636	1,598,161
Union Assurance PLC.	81,989,124	95.65	75,643,275	88.25	3,211,190	3,203,576
					20,043,167	19,945,767

As at 31st March In LKR '000s	Group 2015	Group 2014	Company 2015	Company 2014
Market Value				
Group quoted investments				
Asian Hotels and Properties PLC.	21,912,924	20,452,062	21,912,924	20,452,062
Ceylon Cold Stores PLC.	23,041,719	10,879,094	20,011,942	9,442,254
John Keells Hotels PLC.	16,725,258	14,619,981	16,725,258	14,619,981
John Keells PLC.	4,860,800	3,698,435	4,860,800	3,698,435
Keells Food Products PLC.	2,528,876	1,284,286	2,069,656	1,051,072
Tea Smallholder Factories PLC.	445,797	395,010	445,797	395,010
Trans Asia Hotels PLC.	17,306,085	14,710,172	9,144,720	7,773,012
Union Assurance PLC.	12,831,298	8,444,880	12,776,149	7,791,257
	99,652,757	74,483,920	87,947,246	65,223,083

As at 31st March	Group		Company			
	2015		2015			2014
In LKR '000s	Number of shares	Effective holding %	Number of shares	Effective holding %		
28.3 Group unquoted investments						
Ahungalla Holiday Resorts (Pvt) Ltd.	13,200,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	219,725,653	79.78	-	-	677	238
British Overseas (Pvt) Ltd.	61	61.00	61	61.00	57,001	57,001
Ceylon Holiday Resorts Ltd.	12,119,739	79.24	-	-	845	238
Cinnamon Hotels Management Ltd.	1,000,000	100.00	1,000,000	100.00	64,965	34,871
Facets (Pvt) Ltd.	15,000	100.00	15,000	100.00	-	-
Fantasea World Investments (Pte) Ltd.	7,299	80.32	-	-	715	275
Habarana Lodge Ltd.	12,981,548	78.99	-	-	1,464	510
Habarana Walk Inn Ltd.	4,321,381	79.34	-	-	646	238
Hikkaduwa Holiday Resorts (Pvt) Ltd.	107,596,700	79.24	-	-	646	238
InfoMate (Pvt) Ltd.	2,000,000	100.00	2,000,000	100.00	23,895	21,483
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	-	-	42,525	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	105,507	99,932
John Keells Computer Services (UK) Ltd.	100	100.00	100	100.00	9	9
John Keells Foods India (Pvt) Ltd.	8,999,990	89.65	-	-	-	-
John Keells Holdings Mauritius (Pvt) Ltd.	2,303,225	100.00	2,303,225	100.00	38,007	38,007
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	1,997,122	1,993,647
John Keells Logistics (Pvt) Ltd.	19,999,998	100.00	19,999,998	100.00	204,699	202,124
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	80.32	-	-	4,509	1,517
John Keells Office Automation (Pvt) Ltd.	500,000	100.00	500,000	100.00	19,310	10,227
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.	95,436,000	100.00	95,436,000	100.00	954,360	854,360
John Keells Residential Properties (Pvt) Ltd.	92,519,998	100.00	92,519,998	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	12,971	4,794
John Keells Teas Ltd.	12,000	100.00	12,000	100.00	4,463	1,673
John Keells Warehousing (Pvt) Ltd.	12,000,000	86.90	-	-	1,062	372
Kandy Walk Inn Ltd.	6,165,484	79.03	-	-	983	376
Keells Consultants (Pvt) Ltd.	16,000	100.00	16,000	100.00	2,065	1,658
Keells Realtors Ltd.	7,500,000	100.00	3,000,000	40.00	30,000	30,000
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	1,332,709	1,328,131
Mack Air (Pvt) Ltd.	499,998	100.00	499,998	100.00	32,595	20,296
Mack Air Services Maldives (Pvt) Ltd.	4,900	49.00	4,700	47.00	2,021	2,021

As at 31st March In LKR '000s	Group 2015 Number of shares	Group 2015 Effective holding %	Company 2015 Number of shares	Company 2015 Effective holding %	Company 2015	Company 2014
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	6,000	73.33	-	-
Mackinnons Travels (Pvt) Ltd.	499,996	100.00	499,996	100.00	14,459	14,139
Mortlake (Pvt) Ltd.	300	100.00	300	100.00	327,240	327,240
Nexus Networks (Pvt) Ltd.	-	-	-	-	-	338
Nuwara Eliya Holiday Resorts (Pvt) Ltd.	19,936,680	80.32	-	-	-	-
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.	637,499	80.32	-	-	980	336
Trans-ware Logistics (Pvt) Ltd.	11,000,007	50.00	11,000,007	50.00	114,577	111,100
Travel Club (Pte) Ltd.	29,059	80.32	-	-	819	134
Trinco Holiday Resorts (Pvt) Ltd	8,120,005	80.32	-	-	634	376
Trinco Walk Inn Ltd.	3,000,007	80.32	-	-	-	-
Walkers Tours Ltd.	4,925,577	98.51	4,925,577	98.51	143,140	135,717
Waterfront Properties (Pvt) Ltd.	1,377,820,908	90.88	593,005,497	46.20	5,930,055	5,344,697
Whittall Boustead (Pvt) Ltd.	9,918,880	100.00	7,258,263	73.18	124,389	112,948
Whittall Boustead (Travel) Ltd.	750,000	100.00	675,000	90.00	43,345	41,716
Wirawila Walk Inn Ltd.	1,576,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	75.33	-	-	677	238
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	80.32	-	-	-	-
					12,770,078	11,942,742

As at 31st March	Group				Company			
	Number of shares	Effective holding %	2015	2014	Number of shares	Effective holding %	2015	2014
In LKR '000s				Restated				
29 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES								
29.1 Investments in joint ventures								
NDO Lanka (Pvt) Ltd.	7,800,000	60.00	63,041	63,041	7,800,000	60.00	-	63,041
Sentinel Realty (Pvt) Ltd.	5,828,800	40.16	58,288	58,288	5,828,800	40.16	-	-
DHL Keells (Pvt) Ltd.	1,000,000	50.00	10,000	10,000	1,000,000	50.00	10,000	10,000
29.2 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	19.72	325,483	325,483	3,254,832	19.72	325,483	325,483
Union Assurance General Ltd.	68,902,870	21.04	689,718	-	-	-	-	-
Maersk Lanka (Pvt) Ltd.	30,000	30.00	150	150	30,000	30.00	150	150
Saffron Aviation (Pvt) Ltd.	24,887,160	40.00	248,872	248,872	24,887,160	40.00	-	248,872
Saffron Aviation (Pvt) Ltd. - Preference shares	13,437,000	-	134,370	21,280	13,437,000	-	134,370	21,280
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 net profit accruing to the Group net of dividend	-	-	3,939,446	3,607,997	-	-	-	-
Share of net assets of equity accounted investees	-	-	1,968,400	1,806,574	-	-	-	-
			16,345,490	15,049,407			8,827,422	9,026,245

29.3 Summarised financial information of equity accounted investees Group share of;

As at 31st March	South Asia Gateway Terminals (Pvt) Ltd. 2015	2014	Other associates 2015	2014	Joint ventures 2015	2014
In LKR '000s						
Revenue	4,561,807	4,632,458	4,615,498	4,115,376	1,623,364	1,697,508
Operating expenses including cost of sales	(2,801,432)	(2,803,315)	(3,308,636)	(2,995,955)	(1,476,936)	(1,571,970)
Net finance income/(expense)	52,720	43,966	26,698	(28,667)	3,056	(278)
Profit for the year	1,813,095	1,873,109	1,333,560	1,090,754	149,484	125,260
Group share of;						
Total assets	6,357,057	6,917,884	49,245,831	44,363,400	642,628	658,363
Total liabilities	(654,625)	(928,936)	(43,642,944)	(40,257,715)	(332,423)	(403,321)
Net assets	5,702,432	5,988,948	5,602,887	4,105,685	310,205	255,042
Goodwill	4,674,278	4,674,278	55,712	25,642	-	-
Less unrealised profits	-	-	(24)	(188)	-	-
	10,376,710	10,663,226	5,658,575	4,131,139	310,205	255,042
Contingent liabilities	-	-	-	-	-	-
Capital and other commitments	-	-	29,602,849	25,477,783	-	-
Dividend received from	2,251,895	2,430,254	144,799	381,199	50,000	75,000

The Group and the Company have neither contingent liabilities nor capital and other commitments towards its associates and joint ventures.

Market Value

As at 31st March In LKR '000s	Group 2015	Group 2014	Company 2015	Company 2014
Nations Trust Bank PLC.	6,902,065	4,474,965	4,616,765	2,993,287
	6,902,065	4,474,965	4,616,765	2,993,287

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.

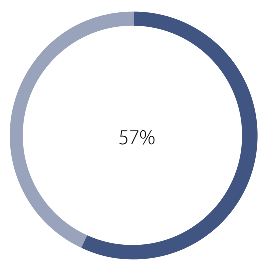
	As at 31st March In LKR '000s	Note	Group 2015	Group 2014 Restated	Company 2015	Company 2014
30	NON CURRENT FINANCIAL ASSETS					
	Other quoted equity investments	30.1	324	1,637,776	-	1,624,710
	Other unquoted equity investments	30.2	259,633	447,576	241,235	428,553
	Other non equity investments	30.3	19,448,731	18,983,426	1,391,884	73,059
			19,708,688	21,068,778	1,633,119	2,126,322

	As at 31st March In LKR '000s	Group 2015 Number of shares	Group 2015	Group 2014	Company 2015 Number of shares	Company 2015	Company 2014
30.1	Other quoted equity investments						
	Access Engineering PLC.	-	-	900,000	-	-	900,000
	Expo Lanka Holdings PLC.	-	-	724,710	-	-	724,710
	Other equity instruments	-	324	13,066	-	-	-
			324	1,637,776		-	1,624,710

LKR 19.71 bn

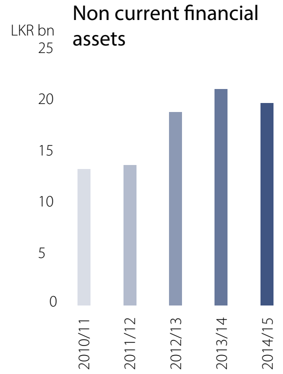
Non current financial assets

Contribution from



Government securities	57%
Other	43%

Non current financial assets



As at 31st March In LKR '000s	Group Number of shares	Group 2015	Group 2014 Restated	Company Number of shares	Company 2015	Company 2014
30.2 Other unquoted equity investments						
Asia Power (Pvt) Ltd.	657,172	231,920	419,238	657,172	231,920	419,238
Other equity instruments	-	27,713	28,338	-	9,315	9,315
		259,633	447,576		241,235	428,553

As at 31st March In LKR '000s	Note	Group 2015	Group 2014 Restated	Company 2015	Company 2014
30.3 Other non equity investments					
Bank deposits		1,534,365	516,562	1,059,116	-
Debentures		5,430,430	5,447,783	268,306	-
Government securities		11,148,295	11,667,274	-	-
Loans to executives	30.4	538,211	795,551	64,462	63,059
Loans to life policyholders		682,095	556,256	-	-
Loans to subsidiaries	49.7	-	-	-	10,000
Deposits		115,335	-	-	-
		19,448,731	18,983,426	1,391,884	73,059

As at 31st March In LKR '000s	Group 2015	Group 2014 Restated	Company 2015	Company 2014
30.4 Loans to executives				
At the beginning of the year	963,344	867,647	79,913	59,098
Loans granted / transfers	384,919	634,568	32,150	49,985
Recoveries	(648,933)	(538,871)	(29,621)	(29,170)
At the end of the year	699,330	963,344	82,442	79,913
Receivable within one year	161,119	167,793	17,980	16,854
Receivable between one and five years	538,211	795,551	64,462	63,059
	699,330	963,344	82,442	79,913

As at 31st March In LKR '000s	Group ASSETS 2015	 2014 Restated	 LIABILITIES 2015	 2014
31 DEFERRED TAX				
At the beginning of the year	131,683	200,498	1,328,479	1,222,210
Charge and release	32,219	(26,444)	323,555	145,737
Acquisition/disposal of subsidiary	-	-	29,204	-
Transfers / exchange translation difference	(55,317)	(42,371)	(55,844)	(39,468)
At the end of the year	108,585	131,683	1,625,394	1,328,479
The closing deferred tax asset and liability balances relate to the following;				
Revaluation of land and building to fair value	(642)	(1,525)	377,935	372,870
Revaluation of investment property to fair value	(4,704)	(2,340)	34,511	7,838
Accelerated depreciation for tax purposes	(56,302)	(399,491)	1,612,293	1,109,484
Employee benefit liability	79,388	122,900	(185,595)	(154,088)
Losses available for offset against future taxable income	92,465	403,957	(364,031)	(131,242)
Others	(1,620)	8,182	150,281	123,617
	108,585	131,683	1,625,394	1,328,479

31.1 The Group has tax losses amounting to LKR 7,661 mn (2014 - LKR 7,914 mn) that are available indefinitely to offset against future taxable profits of the companies in which the tax losses arose.

31.2 Deferred tax liability amounting to LKR 180 mn (2014 - LKR 150 mn) for the Group recognised on the impact pertaining to the current year on declared dividend of subsidiaries and the Group's share of distributable reserves of associate companies.

As at 31st March In LKR '000s	Note	Group 2015	 2014 Restated	Company 2015	 2014
32 OTHER NON-CURRENT ASSETS					
Pre paid staff cost		141,038	233,221	13,807	16,108
Work-in-progress	32.1	25,435,340	19,226,498	-	-
Non current advances		253,651	249,954	-	-
		25,830,029	19,709,673	13,807	16,108

32.1 Work-in-progress - Waterfront Properties (Pvt) Ltd.	2015	2014
Freehold property*	8,258,633	8,258,633
Leasehold property*	3,062,325	3,062,325
Other constructions in progress	7,930,916	1,386,275
Contractor advances	6,183,466	6,519,265
	25,435,340	19,226,498

* The freehold and leasehold property are located at Glennie Street and Justice Akbar Mawatha, Colombo 2.

Details of Freehold Property

Freehold property:	Land	Extent: 7A- 0R -16.63P

Details of Leasehold Property

Leased property:	Land	Extent: 3A- 0R -6.35P
Lessor:	Board of Investment of Sri Lanka	
Period:	99 years from 12/02/2014	
Lease commitment:	Upfront Lease rental paid LKR 3.03 bn	

Details of the Waterfront Integrated Resort Project

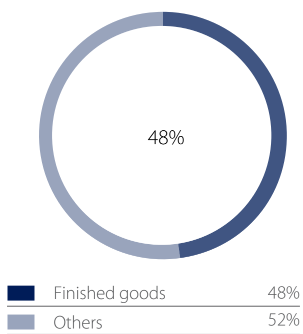
The Company is engaged in the development and construction of an integrated complex with an approximate area of 4,500,000 square feet, comprising of offices, residential units, service apartments, a hotel and conference centre, retail and associate facilities and a car park.

	As at 31st March In LKR '000s	Group 2015	 2014
33	INVENTORIES		
	Raw materials	339,787	266,289
	Finished goods	2,664,639	3,113,022
	Produce stocks	220,433	305,959
	Other stocks	604,051	644,152
	WIP-Apartments	1,760,006	2,636,598
		5,588,916	6,966,020

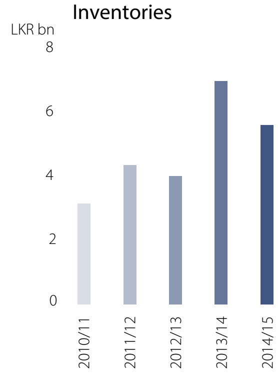
	As at 31st March In LKR '000s	Note	Group 2015	 2014 Restated	Company 2015	 2014
34	TRADE AND OTHER RECEIVABLES					
	Trade and other receivables		9,873,475	9,976,271	67,586	52,340
	Reinsurance receivables	34.1	89,854	545,680	-	-
	Premiums receivable	34.2	145,241	1,456,829	-	-
	Loans to executives	30.4	161,119	167,793	17,980	16,854
			10,269,689	12,146,573	85,566	69,194

LKR 5.59 bn
Inventories

Contribution from



Inventories



As at 31st March In LKR '000s		Group 2015	2014
34.1	**Reinsurance receivables**		
	Reinsurance receivables on outstanding claims	61,069	394,331
	Reinsurance receivables on settled claims net of dues	28,785	154,330
	Less: Impairment	-	(2,981)
	Total assets arising from reinsurance contracts	89,854	545,680
34.2	**Premiums receivable**		
	Premium receivable	145,241	1,464,435
	Less: Impairment	-	(7,606)
		145,241	1,456,829

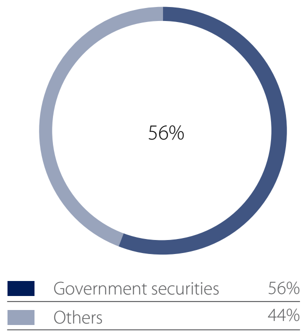
As at 31st March In LKR '000s		Group 2015	2014 Restated	Company 2015	2014
35	**OTHER CURRENT ASSETS**				
	Prepayments and non cash receivables	1,186,907	1,692,581	85,608	117,155
	Tax refunds	1,211,235	908,510	39,141	39,141
		2,398,142	2,601,091	124,749	156,296

As at 31st March In LKR '000s		Note	Group 2015	2014 Restated	Company 2015	2014
36	**SHORT TERM INVESTMENTS**					
	Quoted equities at market value	36.1	3,434,057	2,476,631	-	-
	Debentures		753,218	-	-	-
	Bank deposits (more than 3 months and less than 1 year)		13,066,852	18,684,234	10,022,703	15,865,099
	Government securities (more than 3 months and less than 1 year)		7,675,539	5,836,693	5,523,571	4,646,256
			24,929,666	26,997,558	15,546,274	20,511,355
	Bank deposits (less than 3 months)		12,791,738	18,258,891	10,276,858	10,168,780
	Government securities (less than 3 months)		29,819,264	9,103,129	17,469,447	4,726,560
	Reported in statement of cash flow		42,611,002	27,362,020	27,746,305	14,895,340
			67,540,668	54,359,578	43,292,579	35,406,695

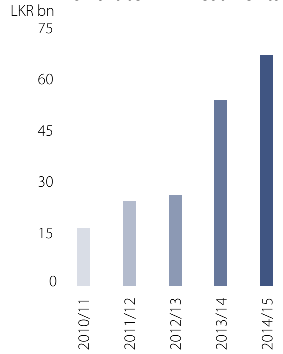
LKR 67.54 bn

Short term investments

Contribution from



Short term investments



As at 31st March In LKR '000s	Number of shares 2015	Number of shares 2014	Cost 2015	Cost 2014	Market value 2015	Market value 2014
Group						
36.1 Quoted equities at market value						
Access Engineering PLC.	1,092,524	-	33,114	-	20,976	-
Aitken Spence Hotel Holdings PLC.	490,393	456,100	34,934	32,397	32,856	31,927
Aitken Spence PLC.	650,690	546,057	76,931	66,191	64,744	53,459
Asian Hotels and Properties PLC.	-	276,761	-	20,483	-	16,274
C T Holdings PLC.	-	196,094	-	27,947	-	26,473
Cargills (Ceylon) PLC.	174,976	129,235	26,229	19,585	23,972	17,641
Carsons Cumberbatch PLC.	229,714	176,053	100,513	78,557	84,167	64,259
Central Finance Company PLC.	285,871	272,911	54,445	51,944	71,497	49,397
Ceylon Tobacco Company PLC.	66,536	98,970	66,812	95,953	66,503	104,512
Chevron Lubricants Lanka PLC.	367,677	490,096	80,777	90,964	144,460	129,532
Colombo Dockyard PLC.	281,715	344,505	60,500	76,807	46,624	60,185
Commercial Bank of Ceylon PLC. (Non voting)	645,924	484,025	47,645	29,321	84,745	46,950
Commercial Bank of Ceylon PLC.	2,211,789	2,154,721	238,932	233,480	365,830	265,031
DFCC Bank PLC.	754,147	507,612	110,931	64,107	152,941	73,045
Dialog Axiata PLC.	6,333,740	6,722,152	59,765	55,026	65,871	60,499
Diesel and Motor Engineering PLC.	22,062	22,062	33,340	33,340	13,899	11,141
Distilleries Company of Sri Lanka PLC.	809,459	703,230	152,251	130,399	194,675	142,756
Expolanka Holdings PLC.	-	7,617,700	-	99,444	-	66,274
Hatton National Bank PLC.	2,485,784	1,201,943	329,781	208,505	486,923	230,145
Hayleys PLC.	-	109,529	-	32,720	-	31,216
Hemas Holdings PLC.	622,975	1,245,950	20,271	40,541	45,913	46,972
HNB Assurance PLC.	336,266	336,266	23,645	23,645	28,583	21,958
John Keells Holdings PLC.	1,167,695	1,049,095	238,112	210,246	232,838	238,145
Lanka Floortiles PLC.	-	455,200	-	61,211	-	34,459
Lanka ORIX Finance Company PLC.	275,379	253,320	20,820	18,941	21,094	18,999
Lanka Tiles PLC.	-	128,000	-	9,938	-	9,690
National Development Bank PLC.	1,254,091	1,024,855	228,799	177,024	311,014	183,039
Nestle Lanka PLC.	19,138	15,582	34,167	26,804	43,922	31,131
Peoples Leasing and Finance PLC.	5,758,261	-	110,384	-	127,257	-
Piramal Glass PLC.	2,680,100	2,680,100	21,501	21,501	15,278	9,112
Sampath Bank PLC.	1,070,229	437,622	215,917	86,643	269,804	79,691
Softlogic Holdings PLC.	1,117,806	1,117,806	32,416	32,416	14,755	11,849
Sri Lanka Telecom PLC.	270,573	288,200	13,334	13,844	12,311	13,286
Textured Jersey Lanka PLC.	1,941,200	1,941,200	31,534	31,534	46,783	30,671
The Bukit Darah PLC.	207,907	193,851	145,125	135,217	140,961	114,547
The Lion Brewery Ceylon PLC.	85,610	71,887	37,735	27,128	51,375	28,108
Tokyo Cement Company (Lanka) PLC.	640,777	640,777	7,817	7,817	35,179	23,196
Tokyo Cement Company (Lanka) PLC. (Non voting)	3,109,810	3,484,910	78,326	94,365	116,307	101,062
			2,766,803	2,465,985	3,434,057	2,476,631

Above list mainly comprises of the investments made by Union Assurance PLC (UA PLC) under the unit linked equity tracker fund, which invests in the companies that comprise the Milanka Price Index.

As at 31st March	2015		2014	
	Number of shares In '000s	Value of shares LKR '000s	Number of shares In '000s	Value of shares LKR '000s
37 STATED CAPITAL				
Fully paid ordinary shares;				
At the beginning of the year	990,289	49,748,814	857,243	26,480,396
Share options exercised	7,197	953,887	1,058	170,521
Issue of rights	-	-	131,988	23,097,897
At the end of the year	997,486	50,702,701	990,289	49,748,814

The number of shares in issue as at 31-03-2015, includes global depository receipts (GDRs) of 1,122,069 (2014 - 1,122,069). Further information on the composition of shares in issue is given under the share information section of the Annual Report.

25,575,211 shares (2014 - 26,230,780) have been reserved to be issued under the employee share option plan as at 31 March 2015.

As at 31st March In LKR '000s	Note	Group 2015	Group 2014	Company 2015	Company 2014
38 OTHER COMPONENTS OF EQUITY					
Revaluation reserve	38.1	19,752,411	17,770,505	-	-
Foreign currency translation reserve	38.2	3,770,496	3,179,071	-	-
Other capital reserve	38.3	562,718	215,626	562,718	215,626
Available for sale reserve	38.4	415,653	679,488	164,680	461,443
		24,501,278	21,844,690	727,398	677,069

38.1 Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

38.2 Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

38.3 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.

38.4 Available for sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

39 SHARE-BASED PAYMENT PLANS

Employee Share Option Plan

Under the John Keells Group's Employees share option plan (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.

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.

39 SHARE-BASED PAYMENT PLANS (Contd.)

As at 31st March In LKR '000s	Group 2015	Group 2014	Company 2015	Company 2014
Total expense arising from share-based payment transactions	347,092	215,626	111,092	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;

As at 31st March	Group 2015 No.	Group 2015 WAEP	Group 2014 No.	Group 2014 WAEP	Company 2015 No.	Company 2015 WAEP	Company 2014 No.	Company 2014 WAEP
Outstanding at the beginning of the year	7,273,616	253.16	-	-	2,284,208	253.16	-	-
Granted during the year	7,428,128	229.93	7,415,303	253.16	2,306,366	229.93	2,288,823	253.16
Forfeited during the year	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-
Expired during the year	(685,851)	245.60	(141,687)	253.16	(82,032)	245.30	(4,615)	253.16
Outstanding at the end of the year	14,015,893	241.22	7,273,616	253.16	4,508,542	241.42	2,284,208	253.16
Exercisable at the end of the year	1,818,404	253.16	-	-	571,052	253.16	-	-

The following information were used and results were generated using binomial model for ESOP granted.

As at 31st March	2015 Plan No 8 award 2	2014 Plan No 8 award 1
Dividend yield (%)	1.42	2.07
Expected volatility (%)	19.34	27.50
Risk free interest rate (%)	8.70	11.26
Expected life of share options (Years)	5.00	5.00
Weighted average share price at the date of exercise of these options (LKR)	229.93	253.16
Weighted average remaining contractual life for the share options outstanding (Years)	3.00	3.00
Weighted average fair value of options granted during the year (LKR)	61.93	81.54
Exercise price for options outstanding at the end of the year (LKR)	229.93	253.16

As at 31st March In LKR '000s	Group 2015	2014
40 INSURANCE CONTRACT LIABILITIES		
Insurance contract liabilities	23,532,872	19,995,478
Unclaimed benefits	399,094	277,531
	23,931,966	20,273,009

The insurance contract liabilities relate solely to Union Assurance PLC (UA PLC), a subsidiary of the Group.

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 PLC. 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 2014 was conducted by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd., who recommended a sum of LKR 710 mn to be transferred from conventional life insurance fund to the shareholders fund for the year 2014. Subsequent to the transfer the conventional life fund stands as LKR 19,956 mn, including the liability in respect of bonuses and dividends declared up to and including for the year 2014.

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 LKR 40 mn to be transferred from the non unit fund of the linked long term fund to shareholders fund for the year 2014. Subsequent to the transfer the fund stands at LKR 122 mn as at 31 December 2014.

In establishing the valuation, a reserve of LKR 648 mn for conventional life insurance fund and LKR 115 mn for non unit fund of linked long term business have been created by the actuary to counter any further fluctuations in interest rates and distributions.

In the opinion of the consultant actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2014 is adequate to cover the liabilities of the funds and the solvency margin requirement prescribed under Section 26 of the Regulation of Insurance Industry Act No 43 of 2000.

As at 31st December In LKR '000s	2014	2013
Conventional life insurance		
Balance as at 1 January	17,408,645	15,250,319
Increase in life insurance fund before surplus transfer to share holders	3,534,879	2,739,389
Transfer to shareholders	(710,000)	(522,000)
Net change in unclaimed benefits	75,441	(59,063)
Balance as at 31 December - Conventional life insurance	20,308,965	17,408,645
Non unit fund of linked life insurance contracts		
Balance as at 1 January	109,371	106,021
Increase in non unit fund of linked life insurance before surplus transfer to share holders	58,063	90,797
Transfer to shareholders	(40,000)	(90,000)
Net change in unclaimed benefits	(523)	2,553
Balance as at 31 December - Non unit fund of linked life insurance	126,911	109,371
	20,435,876	17,518,016

As at 31st March In LKR '000s	Group 2015	Group 2014	Company 2015	Company 2014
41 INTEREST-BEARING LOANS AND BORROWINGS				
41.1 Movement				
At the beginning of the year	13,633,045	14,906,700	3,920,482	5,067,045
Loans obtained	1,014,970	3,067,078	-	-
Repayments	(5,405,012)	(4,638,230)	(1,311,510)	(1,295,326)
Amortization of transaction cost	13,629	13,629	13,629	13,629
Exchange difference	102,157	283,868	48,183	135,134
At the end of the year	9,358,789	13,633,045	2,670,784	3,920,482
Repayable within one year	4,459,213	3,664,399	1,345,276	1,329,103
Repayable after one year				
Repayable between one and five years	4,808,576	9,877,134	1,325,508	2,591,379
Repayable after five years	91,000	91,512	-	-
	4,899,576	9,968,646	1,325,508	2,591,379
	9,358,789	13,633,045	2,670,784	3,920,482

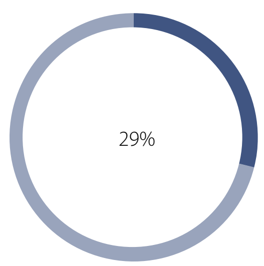
Group interest bearing borrowing includes finance lease obligations amounting to LKR 76 mn (2014 - LKR 108 mn), details of which are disclosed in note 41.2

As at 31st March In LKR '000s	Group 2015	Group 2014
41.2 Finance leases		
At the beginning of the year	107,974	142,897
Leases obtained	-	15,460
Repayments	(30,449)	(41,902)
Adjustments / transfers	(1,851)	(8,481)
At the end of the year	75,674	107,974
Finance lease obligations repayable within one year		
Minimum lease payments	43,496	44,613
Finance charges	(11,052)	(12,366)
Present value of minimum lease payments	32,444	32,247
Finance lease obligations repayable between one and five years		
Minimum lease payments	47,018	88,686
Finance charges	(3,788)	(12,959)
Present value of minimum lease payments	43,230	75,727

LKR 9.36 bn

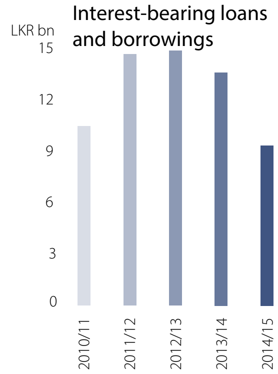
Interest-bearing loans and borrowings

Contribution from



International Finance Corporation	29%
Others	71%

Interest-bearing loans and borrowings



In LKR '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2015	2014
41.3 Security and repayment terms							
John Keells Holdings PLC.	International Finance Corporation	Term Loan	6 months LIBOR + 2.75%, 331 mn shares of Asian Hotels and 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 commencing from December 2009	47,320,400	2,670,784	3,920,482
Company					47,320,400	2,670,784	3,920,482
Group companies							
British Overseas (Pvt) Ltd.	HNB	Term loan	AWPLR Floating Mortgage Bond	Quarterly instalments which commenced on June 2012	-	-	5,200
	HNB	Term loan	AWPLR + 1% Mortgage Bond over the land	Repayment in April 2015 and May 2015	-	-	928,000
	Commercial Bank	Term loan	AWPLR + 1% Corporate guarantee from John Keells Holdings PLC.	5 equal monthly instalments commencing November 2014	-	-	165,000
Beruwala Holiday Resorts (Pvt) Ltd.	HNB	Term loan	01 month SLIBOR Primary floating mortgage bond over hotel property	72 monthly instalments which commenced on July 2013	3,148,991	681,599	799,684
	SCB	Term Loan	03 month LIBOR + 3.25% Corporate guarantee from John Keells Hotels PLC.	16 Quarterly instalments which commenced on March 2014	-	478,423	522,800
	Sampath Bank	Term Loan	3 Month LIBOR + 4.0% Corporate guarantee from John Keells Hotels PLC.	20 Quarterly instalments which commenced on May 2013	-	173,567	222,190

In LKR '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2015	2014
Ceylon Cold Stores PLC.					2,580,823		
	DFCC	Project loan	AWPR -0.5%, Kaduwela land, building and machinery of soft drink plant	48 monthly instalments which commenced on August 2011		19,166	76,667
	DFCC	Project loan	AWDR + 2.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly instalments which commenced on January 2012		91,171	143,268
	DFCC	Project loan	AWPR + 2.25%, Kaduwela land, building and machinery of soft drink plant	60 monthly instalments which commenced on October 2012		75,000	105,000
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	138,555	170,406	725,506
Habarana Lodge Ltd.	HNB	Term loan	AWPLR	Repayment over 5 years which commenced on April 2012	-	-	240,400
	Sampath Bank	Term loan	3 months LIBOR + 4% Corporate guarantee from John Keells Hotels PLC.	20 Quarterly instalments which commenced on June 2013	-	172,932	221,538
	Habib Bank	Term loan	1 months LIBOR + 3.25% Corporate guarantee from John Keells Hotels PLC.	60 Quarterly instalments which commenced on July 2013	-	78,703	100,638
Hikkaduwa Holiday Resorts (Pvt) Ltd.	DFCC	Term loan	AWPLR + 1% Lease rights of land and movable plant,machinery and equipment	72 monthly instalments which commenced on November 2013	1,000,000	715,907	833,495
	Sampath Bank	Term Loan	3 month LIBOR+4% Corporate guarantee from John Keells Hotels PLC.	20 Quarterly instalments which commenced on July 2013	-	373,660	470,520
John Keells Hotels PLC.	Habib Bank	Term Loan	AWPLR -0.5%	24 monthly instalments which commenced on July 2013	-	33,441	133,441
John Keells Logistics (Pvt) Ltd.	HSBC	Term Loan	1 month Cost of Funds + 3.5% p.a.	30 monthly instalments which commenced on August 2014	-	-	20,000

In LKR '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2015	2014
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 instalments which commenced on March 2008	6,756,921	-	182,980
	HSBC	Term loan	3 months LIBOR + 3.0% Letter of comfort from John Keells Hotels PLC.	48 equal monthly instalments which commenced on November 2011	-	77,846	206,942
John Keells Properties Ja-Ela (Pvt) Ltd.	Commercial Bank	Term loan	AWPLR + 1.5%	In 60 instalments-commencing from April 14	-	320,076	400,095
	Commercial Bank	Term loan	AWPLR	In 60 instalments commencing from April 15- 1 year grace period	-	150,000	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	-	1,576,369	1,300,000
Keells Food Products PLC.	DFCC	Project loan	11.5% fixed interest Corporate guarantee from John Keells Holdings PLC.	60 equal monthly instalments after a grace period of 1 Year which commenced on December 2013	-	183,898	234,436
Kandy Walk Inn Ltd.	HSBC	Term loan	1 month LIBOR +3.5%	60 monthly instalments after a 12 month grace period which commenced on October 2013	-	368,675	485,744
Tea Smallholder Factories PLC.	People's Bank	Term loan	9% per annum Mortgage of Peliyagoda warehouse and lease rights of land	83 monthly payments commencing November 2013	-	-	1,325
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 instalments which commenced on November 2009	867,385	-	436,443
	HSBC -Male	Term loan	3 months LIBOR+ 2.65%	8 quarterly instalments which commenced on August 2014		270,236	-
Trinco Holiday Resorts (Pvt) Ltd.	Sampath Bank	Term loan	3 month LIBOR+4% Corporate guarantee from John Keells Hotels PLC.	20 quarterly instalments which commenced on April 2014	-	123,720	151,351
	Sampath Bank	Term loan	AWPLR - 0.3%	83 monthly instalments which commenced on June 2014	-	224,908	-

In LKR '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	Carrying value of collaterals	2015	2014
Yala Village (Pvt) Ltd.	People's Bank	Term loan	AWPLR on regular monthly promissory note issued by Yala Village (Pvt) Ltd.	72 monthly instalments which commenced on December 2012	-	-	175,283
	Sampath Bank	Term loan	Fixed rate 2.8% Corporate guarantee by John Keells Hotels PLC.	20 Quarterly instalments which commenced on April 2013	-	131,295	166,643
	Habib Bank	Term loan	AWPLR - 0.5%	60 monthly instalments which commenced on August 2014	-	121,333	-
						9,283,115	13,525,071
JK BPO Solution India (Pvt) Ltd.	DLF Assets (Pvt) Ltd.	Finance lease			-	72,531	100,004
Tea Smallholder Factories PLC.	Central Finance PLC.	Hire Purchase			-	3,143	7,970
						75,674	107,974
						9,358,789	13,633,045

As at 31st March In LKR '000s	Group 2015	Group 2014 Restated	Company 2015	Company 2014
42 EMPLOYEE BENEFIT LIABILITIES				
At the beginning of the year	1,502,246	1,348,197	146,862	134,075
Current service cost	121,126	113,902	8,752	8,434
Transfers	-	-	21	(4,034)
Acquisition/(disposal) of subsidiary	(106,561)	-	-	-
Interest cost on benefit obligation	165,247	148,302	16,155	14,748
Payments	(144,335)	(159,416)	(5,919)	(5,047)
(Gain)/Loss arising from changes in assumptions	(43,015)	51,981	(5,415)	(1,314)
Exchange translation difference	3	(720)	-	-
At the end of the year	1,494,711	1,502,246	160,456	146,862
The expenses are recognised in the income statement in the following line items;				
Cost of sales	126,063	124,705	10,810	9,932
Selling and distribution expenses	16,747	17,463	-	-
Administrative expenses	143,563	120,036	14,097	13,250
	286,373	262,204	24,907	23,182

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:

	2015	2014
Discount rate	10%	11%
Future salary increases	6% - 8%	6% - 10%

42.1 Sensitivity of assumptions used

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

	Group		Company	
	2015	2014	2015	2014
In LKR '000s		Restated		
Effect on the defined benefit obligation liability;				
Increase by one percentage point in discount rate	(78,689)	(55,032)	(4,968)	(6,961)
Decrease by one percentage point in discount rate	68,807	45,751	5,292	7,615
Effect on the defined benefit obligation liability;				
Increase by one percentage point in salary increment rate	73,713	78,560	5,919	8,234
Decrease by one percentage point in salary increment rate	(82,359)	(86,608)	(5,637)	(7,650)

42.2 Maturity analysis of the payments

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

	Group		Company	
	2015	2014	2015	2014
In LKR '000s		Restated		
Within the next 12 months	248,927	240,817	25,222	4,702
Between 1 and 2 years	387,355	329,232	53,354	20,856
Between 2 and 5 years	385,286	411,883	60,741	84,771
Between 5 and 10 years	329,977	333,725	16,225	18,748
Beyond 10 years	143,166	186,589	4,914	17,785
Total expected payments	1,494,711	1,502,246	160,456	146,862

The Group and Company's weighted average duration of defined benefit obligation is 5.46 (2014 - 5.80) years and 3.51 (2014 - 5.50) years respectively.

	Group	
As at 31st March	2015	2014
In LKR '000s		
43 OTHER DEFERRED LIABILITIES		
Government grants	1,412	1,924
Deferred revenue	101,885	87,616
	103,297	89,540

As at 31st March In LKR '000s	Group 2015	Group 2014
44 OTHER NON-CURRENT LIABILITIES		
Advances received	603,191	249,434
Deposits	178,776	143,085
	781,967	392,519

As at 31st March In LKR '000s	Note	Group 2015	Group 2014 Restated	Company 2015	Company 2014
45 TRADE AND OTHER PAYABLES					
Trade and other payables		10,744,017	9,849,421	333,822	225,449
Reinsurance payables		223,650	689,844	-	-
Insurance provision - general	45.1	-	3,515,637	-	-
Advances and deposits		299,672	181,479	-	-
		11,267,339	14,236,381	333,822	225,449

As at 31st March In LKR '000s	Group 2015	Group 2014
45.1 Insurance provision - general		
Reserve for net unearned premiums	-	2,374,024
Reserve for gross outstanding claims	-	1,141,613
	-	3,515,637

As at 31st March In LKR '000s	Group 2015	Group 2014 Restated	Company 2015	Company 2014
46 INCOME TAX LIABILITIES				
At the beginning of the year	908,100	980,613	-	-
Charge for the year	1,943,178	1,469,461	517,238	419,727
Payments and set off against refunds	(1,259,199)	(1,541,974)	(253,998)	(419,727)
At the end of the year	1,592,079	908,100	263,240	-

As at 31st March In LKR '000s	Group 2015	Group 2014
47 SHORT TERM BORROWINGS		
Bank loans	12,622,740	9,751,976
	12,622,740	9,751,976

As at 31st March In LKR '000s	Group 2015	Group 2014 Restated	Company 2015	Company 2014
48 OTHER CURRENT LIABILITIES				
Non refundable deposits	2,201,887	1,497,197	2,566	2,566
Other tax payables	1,049,994	882,952	12,317	6,250
	3,251,881	2,380,149	14,883	8,816

49 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 2015	Group 2014 Restated	Company 2015	Company 2014
49.1 Amounts due from related parties					
Subsidiaries	49.7	-	-	119,457	414,568
Equity accounted investees	49.8	185,085	334,096	138,813	280,902
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		185,085	334,096	258,270	695,470
49.2 Amounts due to related parties					
Subsidiaries		-	-	2,726	4,939
Equity accounted investees		26,488	14,142	-	-
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		26,488	14,142	2,726	4,939

For the year ended 31st March In LKR '000s	Note	Group 2015	Group 2014 Restated	Company 2015	Company 2014
49.3 Transactions with related parties					
Subsidiaries					
(Purchases) / Sales of goods		-	-	(1,280)	(2,899)
(Receiving) / Rendering of services	49.7	-	-	582,664	455,919
Rent received / (paid)		-	-	(34,759)	(63,049)
Equity accounted investees					
Joint ventures					
(Receiving) / Rendering of services	49.8	54,770	273,001	212,739	176,559
Associates					
(Purchases) / Sales of goods		24,063	6,531	-	-
(Receiving) / Rendering of services		43,769	33,961	6,228	3,929
Interest received / (paid)	49.4	57,975	168,299	69	44,104
Key management personnel		-	-	-	-
Close family members of KMP		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		232,437	222,286	50,077	47,368

For the year ended 31st March In LKR '000s	Group 2015	Group 2014	Company 2015	Company 2014
49.4 Transactions with related parties - Associates				
Interest received / (Interest paid)				
Nations Trust Bank PLC.	57,975	168,299	69	44,104

The Group and Company held interest bearing deposits of LKR 205 mn (2014 - LKR 2,346 mn) and LKR nil (2014 - LKR nil) respectively, at Nations Trust Bank PLC as at 31 March 2015.

49.5 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 note no 28 and 29 for effective equity holding percentages of Group investments.

Non-recurrent related party transactions

There were no other non-recurrent Related Party Transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2014 audited financial statements, which required additional disclosures in the 2014/15 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no other recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2014 audited financial Statements, which required additional disclosures in the 2014/15 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

49.6 Compensation of key management personnel

Key management personnel include members of the Board of Directors of John Keells Holdings PLC and its subsidiary companies.

For the year ended 31st March In LKR '000s	Group 2015	Group 2014	Company 2015	Company 2014
Short-term employee benefits	441,752	415,985	191,307	171,074
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	148,941	98,665	67,113	43,578
	590,693	514,650	258,420	214,652

Directors' interest in the employee share option plan of the Company

As at 31 March 2015, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

1,258,096	Ordinary Shares at a price of LKR 213.13 each, exercisable before 08.12.2015
1,273,365	Ordinary Shares at a price of LKR 172.49 each, exercisable before 06.12.2016
324,706	Ordinary Shares at a price of LKR 253.16 each, exercisable before 30.06.2018

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

	Company			
	Amounts due from		Transactions with related parties - Subsidiaries (Receiving) / Rendering of services	
As at 31st March In LKR '000s	2015	2014	2015	2014
49.7 Subsidiaries				
Asian Hotels and Properties PLC.	2,950	1,613	26,111	23,578
Ceylon Cold Stores PLC.	5,268	4,512	44,302	45,238
Cinnamon Hotel Management Ltd.	65,626	-	151,343	40,519
InfoMate (Pvt) Ltd.	1,179	1,403	14,111	15,457
JayKay Marketing Services (Pvt) Ltd.	6,754	3,788	43,257	40,112
John Keells Logistics Lanka (Pvt) Ltd.	4,241	2,373	-	-
John Keells Office Automation (Pvt) Ltd.	1,717	2,453	16,708	17,857
John Keells PLC.	1,833	1,431	15,525	16,680
Keells Food Products PLC.	2,058	2,166	20,158	20,527
Lanka Marine Services Ltd.	1,009	360,157	8,105	8,096
Transware Logistics (Pvt) Ltd.	9,405	71	3,071	294
Union Assurance PLC.	5,592	9,474	33,123	26,845
Walkers Tours Ltd.	1,165	1,682	28,168	22,777
Other subsidiaries	10,660	23,445	178,682	177,939
	119,457	414,568	582,664	455,919
Loan - Non-current				
Transware Logistics (Pvt) Ltd.	-	10,000	-	-
	-	10,000	-	-
	119,457	424,568	582,664	455,919

		Company			
		Amounts due from		Transactions with related parties - Subsidiaries (Receiving) / Rendering of services	
	As at 31st March	2015	2014	2015	2014
	In LKR '000s				
49.8	Equity accounted investees				
	Joint ventures				
	DHL Keells (Pvt) Ltd.	49,768	29,773	208,675	176,559
	NDO India (Pvt) Ltd.	535	2,371	-	-
	Associates				
	Maersk Lanka (Pvt) Ltd.	-	156,060	-	-
	Nations Trust Bank PLC.	88,040	91,602	-	-
	Saffron Aviation (Pvt) Ltd.	210	838	1,302	-
	South Asia Gateway Terminals (Pvt) Ltd.	260	258	2,762	-
		138,813	280,902	212,739	176,559

50 CONTINGENT LIABILITIES

50.1 John Keells Holdings PLC (JKH)

The contingent liability of the Company as at 31 March 2015, 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 2015 is estimated at LKR 123 mn. (2014 - LKR 123 mn)

50.2 Lanka Marine Services (Pvt) Ltd. (LMS)

The contingent liability of LMS as at 31 March 2015, 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 Tax Appeals Commission determined that the assessments raised are time barred. A case stated has been filed with the Court of Appeal on 13th October 2014, based on an application made by the CGIR.

• 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 taxes, 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 taxes as provided in the Inland Revenue Act. Appeals were lodged against the balance taxes assessed and penalties charged by the Department of 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 2009/10, 2010/11 and 2011/12
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 31st March 2015 is estimated at LKR 923 mn. (2014 - LKR 923 mn)

50.3 Mackinnons Travels (Pvt) Ltd. (MTL)

The contingent liability of MTL as at 31 March 2015, relates to the following;

• VAT Assessments received for years of assessments 2009/10 and 2010/11
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 at 31st March 2015 is estimated at LKR 26 mn. (2014 - LKR 26 mn)

50.4 Union Assurance PLC (UAPLC)

The contingent liability of UAPLC as at 31 March 2015, relates to the following;

• Income Tax Assessments received for years of assessments 2010/11 and 2011/12
The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2010/ 11 and 2011/12, assessing the Life insurance business to pay income taxes of LKR 132million and LKR 475 million respectively. The company has filed valid appeals against these assessments.

Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010 /11 and 2011/12 and therefore, the above assessments have no rationale or basis in law.

		Group		Company	
	For the year ended 31st March	**2015**	**2014**	**2015**	**2014**
	In LKR '000s				
51	CAPITAL AND OTHER COMMITMENTS				
	Capital commitments approved but not provided for	62,791,267	67,094,794	-	-
	Guarantees	10,008,750	10,998,127	12,083,750	8,981,399
		72,800,017	78,092,921	12,083,750	8,981,399

As at 31st March In LKR '000s	Group 2015	2014
52 LEASE COMMITMENTS		
Lease rentals due on non-cancellable operating leases;		
Within one year	381,744	207,059
Between one and five years	849,291	798,623
After five years	2,471,998	2,486,095
	3,703,033	3,491,777

52.1 Details of leases

Company	Lessor	Leased properties
Ceylon Cold Stores PLC.	CISCO Speciality Packaging (Pvt) Ltd.	Pet Bottle Plant
Ceylon Holiday Resorts Ltd.	Sri Lanka Tourist Board	Land occupied.
Hikkaduwa Holiday Resort (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.

52.2 Extent of lease hold land is given in the Group real estate portfolio in the Supplementary section of the Annual Report.

53 ASSETS PLEDGED

Assets pledged for facilities obtained is given in note 41.3 to the financial statements.

54 EVENTS AFTER THE REPORTING PERIOD

Super Gains Tax

An imposition of a Super Gains Tax has been recommended for the approval of Parliament per a Bill dated 27 March 2015. Since the Bill had not been approved by the parliament as at the reporting date, being 31 March 2015, the Group has not provided for the potential liability in the Financial Statements for the year ended 31 March 2015.

Final dividend

The Board of Directors of the Company has declared a final dividend of LKR 1.50 per share for the financial year ended 31 March 2015. 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 15 June 2015.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2015.

Subdivision of shares

The Board of Directors of the Company also resolved to recommend the increase in the number of shares in issue by way of a share subdivision of the Company's shares whereby seven (7) existing shares will be sub divided into eight (8). Accordingly, the price and quantity of the 2015 and 2016 Warrants too will be adjusted to reflect the aforementioned subdivision of shares. The proposed subdivision is subject to the approval of the Colombo Stock Exchange and shareholders of the Company at an extraordinary general meeting.

SUPPLEMENTARY INFORMATION

EXECUTING OUR

STRATEGIES

WITH

PRECISION

For the year ended 31 March In LKR '000s	Transportation 2015	Transportation 2014	Leisure 2015	Leisure 2014	Property 2015	Property 2014	Consumer Foods & Retail 2015	Consumer Foods & Retail 2014	Financial Services 2015	Financial Services 2014
Direct economic value generated										
Revenue	13,567	14,583	25,626	24,721	6,004	4,484	30,664	26,261	9,190	9,581
Finance income	140	182	2,094	2,548	433	236	93	109	3,546	2,897
Share of results of associates	2,131	2,016	12	-	-	-	-	-	1,153	958
Profit on sale of assets and other income	32	116	124	179	77	86	1,177	552	1,417	150
Valuation gain on investment property	-	-	-	-	(10)	391	9	72	-	-
	15,870	16,897	27,856	27,448	6,504	5,197	31,943	26,994	15,306	13,586
Economic value distributed										
Operating costs	12,938	14,180	16,258	14,137	7,008	4,189	25,347	20,903	9,424	9,498
Employee wages and benefits	386	390	3,794	3,574	210	322	3,007	2,676	1,284	1,219
Payments to providers of funds	65	77	2,790	3,386	471	327	394	339	102	46
Payments to Government	149	143	1,206	1,117	117	22	1,919	1,484	833	936
Community investments	18	5	51	37	3	6	20	18	25	2
	13,556	14,795	24,099	22,251	7,809	4,866	30,687	25,420	11,668	11,701
Economic value retained										
Depreciation	97	77	1,434	1,311	21	38	779	731	152	158
Amortisation	1	1	713	679	-	-	12	11	188	190
Profit after dividends	2,215	2,023	1,609	3,208	(1,326)	293	465	833	3,300	1,536
Retained for reinvestment / growth	2,313	2,101	3,756	5,198	(1,305)	331	1,256	1,575	3,640	1,884

Information Technology		Other includes plantation services		Total		Eliminations/ Adjustments		Group Total			
2015	2014	2015	2014	2015	2014	2015	2014	2015	%	2014	%
7,395	7,543	3,996	4,084	96,442	91,257	(4,860)	(4,551)	91,582	86.30	86,706	88.00
36	24	12,697	8,661	19,039	14,657	(10,916)	(8,888)	8,123	7.65	5,769	5.86
-	61	-	55	3,296	3,090	-	-	3,296	3.11	3,090	3.14
84	109	165	228	3,076	1,420	-	1,072	3,076	2.90	2,492	2.53
-	-	50	8	49	471	-	(1)	49	0.04	470	0.47
7,515	7,737	16,908	13,036	121,902	110,895	(15,776)	(12,368)	106,126	100.00	98,527	100.00
5,580	5,790	(5,360)	(3,282)	71,195	65,415	(2,212)	327	68,983	65.00	65,742	66.73
1,425	1,360	1,074	777	11,180	10,318	-	-	11,180	10.53	10,318	10.47
16	83	12,619	10,077	16,457	14,335	(10,916)	(8,888)	5,541	5.22	5,447	5.53
157	132	1,220	877	5,601	4,711	-	-	5,601	5.28	4,711	4.78
9	3	108	24	234	95	-	-	234	0.22	95	0.09
7,187	7,368	9,661	8,473	104,667	94,874	(13,128)	(8,561)	91,539	86.25	86,313	87.60
171	155	113	97	2,767	2,567	-	-	2,767	2.61	2,567	2.61
10	12	24	26	948	919	-	-	948	0.90	919	0.93
147	202	7,103	4,440	13,519	12,535	(2,647)	(3,807)	10,872	10.24	8,728	8.86
328	369	7,240	4,563	17,234	16,021	(2,647)	(3,807)	14,587	13.75	12,214	12.40

1870

The foundation was laid for the corporate journey of John Keells Holdings PLC., 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 Limited.

1960

The firm amalgamated with Keell and Waldock Limited, another long established produce, share and freight broking company thus changing its name to John Keell Thompson White Limited.

1973

The company acquired a controlling stake in Walkers Tours and Travels (Ceylon) Limited, one of the country's leading inbound tour operators.

1974

The firm became a Rupee quoted public company and took the name of John Keells Limited.

1986

A newly incorporated John Keells Holdings Limited (JKH) acquired a controlling stake in John Keells Limited 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 in a joint venture with the IFC and Central Finance Company Limited. Fortune magazine named JKH "One of the ten best Asian stocks to buy". South Asia Gateway Terminals (SAGT) the largest private sector investment in Sri Lanka at that time commenced operations to own, operate and develop the Queen Elizabeth Quay at the port of Colombo.

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 Limited. JKH was admitted as a full member of the World Economic Forum.

2003 – 2004

JKH acquired Asian Hotels and Properties, an acquisition that brought with it 40 per cent of the five star room capacity in Colombo.

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. With the sale of Keells Plantations, the Group exited from the ownership of plantations. 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 Limited was renamed as John Keells Holdings PLC.

2007 – 2008

The Group's first "Cinnamon" resort in the Maldives, "Cinnamon Island Alidhoo", commenced operations. The International Finance Corporation (IFC), a member of the World Bank group, signed a long term funding arrangement amounting to USD 75 million to support the Group's expansion plans.

2008 – 2009

JKH acquired a further 8.4 per cent in SAGT and also increased stakes in UA, CCS, JKL and KFPL. The stake in AMW was divested. JKH further 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. Rebranding and re-launching of Chaaya Tranz formerly known as Coral Gardens Hotel Hikkaduwa took place. The Group acquired 6.3 million shares of Nations Trust Bank through the conversion of warrants and effectively maintained its stake. JKH also acquired 5.6 million shares of Union Assurance PLC and increased its stake to 95.6 per cent. Ceylon Cold Stores added "KIK" as its cola brand in its portfolio of soft drinks. JKH's property arm commenced construction of "OnThree20", a 475 unit apartment complex in the heart of Colombo. Walkers Tours and Whitall Boutstead became the only destination management companies to obtain both ISO 9001 and ISO 14001 certifications.

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

The market capitalisation of JKH exceeded USD 2 billion for the first time in history. JKH announced the development of the luxury mixed use integrated resort project, "Waterfront". JKH was ranked first in the LMD Magazine's "Most Respected Entities in Sri Lanka" for the eighth consecutive time and Business Today Magazine's list of Sri Lanka's Top 25 companies and was also recognized as one of the 15 great places to work in Sri Lanka through a survey conducted by the Great Place to Work Institute. Union Assurance launched Sri Lanka's first ever fully fledged customer portal for life policy holders. Divested the stakes in Central Hospital (Private) Limited and Information Systems Associates (ISA). JKH concluded a 2 for 13 Rights Issue with warrants attached that raised Rs.23.10 billion, making it the largest secondary issuance in the Colombo Stock Exchange.

2014 – 2015

Please refer Year at a Glance section of the JKH Annual Report.

31st March LKR Millions	2015*	2014*	2013*	2012*
OPERATING RESULTS				
Group revenue	91,582	86,706	83,262	75,924
EBIT	19,743	16,537	16,677	14,192
Finance cost	(668)	(1,217)	(1,081)	(1,416)
Share of results of equity accounted investees	3,296	3,089	3,440	2,809
Profit before tax	19,075	15,320	15,595	12,778
Tax expense	(3,330)	(2,362)	(2,162)	(1,827)
Profit after tax	15,746	12,958	13,433	10,951
Extra-ordinary item	-	-	-	-
Profit for the year	15,746	12,958	13,433	10,951
Attributable to:				
Equity holders of the parent	14,348	11,721	12,113	9,689
Non-controlling interests	1,397	1,237	1,320	1,262
	15,746	12,958	13,433	10,951
CAPITAL EMPLOYED				
Stated capital	50,703	49,749	26,480	25,111
Capital reserves and other components of equity	24,501	21,845	20,635	13,226
Revenue reserves	62,594	51,304	42,704	33,001
	137,798	122,898	89,819	71,338
Non-controlling interest	12,279	11,421	11,152	8,624
Total equity	150,077	134,319	100,971	79,962
Total debt	23,934	26,139	20,107	20,054
	174,011	160,458	121,078	100,016
ASSETS EMPLOYED				
Property, plant and equipment (PP&E)	49,564	47,406	49,200	34,246
Non-current assets other than PP&E	78,030	71,969	59,787	52,397
Current assets	90,493	82,206	49,934	47,412
Liabilities net of debt	(44,076)	(41,123)	(37,843)	(34,039)
	174,011	160,458	121,078	100,016
CASH FLOW				
Net cash flows from operating activities	20,855	8,041	14,568	16,476
Net cash flows from / (used in) investing activities	(1,255)	(19,710)	(16,199)	(9,003)
Net cash flows from / (used in) financing activities	(4,838)	25,446	(1,320)	496
Net increase / (decrease) in cash and cash equivalents	14,762	13,777	(2,951)	7,969
KEY INDICATORS				
Basic earnings per share (LKR)	14.4	12.6	13.8	11.1
Interest cover (no. of times)	29.6	13.6	15.4	10.0
Net assets per share** (LKR)	138.15	123.21	90.05	71.52
Enterprise value	155,675	193,614	203,615	166,143
EV / EBITDA	7.0	10.0	10.0	13.1
ROE (%)	11.0	11.0	15.0	14.7
Debt / equity ratio (%)	15.9	19.5	19.9	25.0
TSR (%)	(12.0)***	(0.4)***	21.7	57.5
Dividend payout (LKR 'millions)	3,476	3,267	2,982	2,314
Current ratio (no. of times)	2.6	2.4	2.0	2.0
Market price per share unadjusted (LKR)	199.4	227.0	247.0	206.0
Market price per share diluted (LKR)	199.4	227.0	239.0	199.3
USD closing rate	133.45	130.70	126.75	128.10
USD average rate	131.24	130.09	129.91	112.56

* 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 2015.

*** Includes the proportionate impact arising from the ownership of warrants.

	2011	2010	2009	2008	2007	2006
	60,500	47,980	41,023	41,805	32,855	29,463
	11,425	7,908	7,986	8,197	6,115	4,850
	(796)	(1,370)	(1,695)	(1,618)	(1,314)	(525)
	2,641	2,556	2,340	2,243	1,701	958
	10,629	6,538	6,291	6,579	4,801	4,325
	(1,566)	(986)	(1,326)	(1,054)	(852)	(819)
	9,063	5,552	4,965	5,525	3,949	3,506
	-	-	-	-	-	-
	9,063	5,552	4,965	5,525	3,949	3,506
	8,245	5,201	4,733	5,119	3,540	3,064
	818	351	232	406	409	442
	9,063	5,552	4,965	5,525	3,949	3,506
	24,612	23,322	22,525	22,464	22,246	9,205
	9,560	7,574	7,437	6,019	3,137	2,815
	25,415	18,936	15,545	14,914	13,087	10,011
	59,587	49,832	45,507	43,397	38,470	22,031
	7,608	6,430	4,960	4,770	3,696	3,630
	67,195	56,262	50,467	48,167	42,166	25,661
	14,641	17,453	21,596	12,667	15,363	5,327
	81,836	73,715	72,063	60,834	57,529	30,988
	28,628	29,989	29,965	28,381	19,688	18,423
	47,436	34,104	33,456	19,128	17,730	8,850
	34,228	34,566	28,718	23,440	27,759	11,478
	(28,456)	(24,944)	(20,076)	(10,115)	(7,648)	(7,763)
	81,836	73,715	72,063	60,834	57,529	30,988
	8,501	9,485	4,146	6,914	2,523	2,664
	(4,469)	(5,823)	(3,972)	(4,359)	(10,088)	(2,848)
	(6,791)	(636)	2,332	(6,262)	18,422	(1,027)
	(2,759)	3,026	2,506	(3,707)	10,857	(1,211)
	9.6	6.1	5.5	5.9	4.4	3.8
	14.4	5.8	4.7	5.1	4.7	9.2
	59.74	49.96	45.62	43.51	38.57	22.09
	175,672	109,548	42,815	76,713	95,962	64,389
	13.1	10.9	4.3	7.8	13.0	10.7
	15.1	10.9	10.6	12.3	11.4	14.6
	21.8	31.0	42.8	26.3	36.4	20.8
	202.3	(44.2)	13.5	23.0	32.8	37.5
	1,844	1,883	3,176	1,412	1,197	1,075
	1.8	2.1	1.8	1.9	1.2	1.2
	285.6	184.0	62.8	119.8	155.0	157.8
	45.2	86.2	80.9	68.6	54.4	43.9
	110.40	114.00	115.53	107.78	109.20	102.70
	112.13	115.02	109.83	110.30	105.51	101.16

Income statement

(For information purposes only)

For the year ended 31st March In USD'000s	Group 2015	Group 2014	Company 2015	Company 2014
Continuing operations				
Sale of goods	392,057	364,959	-	-
Rendering of services	294,209	298,441	6,941	6,186
Revenue	686,266	663,400	6,941	6,186
Cost of sales	(496,001)	(479,816)	(3,549)	(3,192)
Gross profit	190,265	183,584	3,392	2,994
Dividend income	-	-	66,271	53,788
Other operating income	23,057	19,064	532	5,510
Selling and distribution expenses	(24,074)	(23,429)	-	-
Administrative expenses	(75,599)	(77,493)	(10,087)	(7,940)
Other operating expenses	(23,163)	(23,377)	(277)	(263)
Results from operating activities	90,486	78,349	59,831	54,089
Finance cost	(5,007)	(9,311)	(756)	(1,929)
Finance income	60,865	44,154	28,267	15,318
Change in insurance contract liabilities	(28,468)	(23,206)	-	-
Change in fair value of investment property	365	3,598	-	-
Share of results of equity accounted investees	24,699	23,635	-	-
Profit before tax	142,940	117,219	87,342	67,478
Tax expense	(24,951)	(18,073)	(3,876)	(3,211)
Profit for the year	117,989	99,146	83,466	64,267
Attributable to:				
Equity holders of the parent	107,518	89,685		
Non-controlling interests	10,471	9,461		
	117,989	99,146		
Exchange rate	133.45	130.70	133.45	130.70

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.

Statement of financial position

(For information purposes only)

As at 31st March	Group 2015	Group 2014	Company 2015	Company 2014
In USD'000s				
ASSETS				
Non-current assets				
Property, plant and equipment	371,394	362,711	945	938
Lease rentals paid in advance	65,261	69,598	-	-
Investment property	34,537	33,973	-	-
Intangible assets	20,378	18,915	474	525
Investments in subsidiaries	-	-	245,884	243,982
Investments in equity accounted investees	122,484	115,145	66,148	69,061
Non-current financial assets	147,686	161,200	12,238	16,269
Deferred tax assets	814	1,008	-	-
Other non-current assets	193,556	150,801	103	123
	956,110	913,351	325,792	330,898
Current assets				
Inventories	41,880	53,298	-	-
Trade and other receivables	76,955	92,935	641	529
Amounts due from related parties	1,387	2,556	1,935	5,321
Other current assets	17,970	19,901	935	1,196
Short term investments	506,112	415,911	324,410	270,900
Cash in hand and at bank	33,799	44,369	329	395
	678,103	628,970	328,250	278,341
Total assets	1,634,213	1,542,321	654,042	609,239
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	379,938	380,634	379,938	380,634
Revenue reserves	469,044	392,530	242,588	189,021
Other components of equity	183,599	167,136	5,451	5,180
	1,032,581	940,300	627,977	574,835
Non-controlling interest	92,011	87,383	-	-
Total equity	1,124,592	1,027,683	627,977	574,835
Non-current liabilities				
Insurance contract liabilities	179,333	155,111	-	-
Interest-bearing loans and borrowings	36,715	76,271	9,933	19,827
Deferred tax liabilities	12,180	10,164	-	-
Employee benefit liabilities	11,201	11,494	1,202	1,124
Other deferred liabilities	774	685	-	-
Other non-current liabilities	5,860	3,003	-	-
	246,063	256,728	11,135	20,951
Current liabilities				
Trade and other payables	84,428	108,924	2,501	1,725
Amounts due to related parties	198	108	20	38
Income tax liabilities	11,930	6,948	1,973	-
Short term borrowings	94,588	74,613	-	-
Interest-bearing loans and borrowings	33,415	28,037	10,081	10,169
Other current liabilities	24,368	18,211	112	67
Bank overdrafts	14,631	21,069	243	1,454
	263,558	257,910	14,930	13,453
Total equity and liabilities	1,634,213	1,542,321	654,042	609,239
Exchange rate	133.45	130.70	133.45	130.70

Summary indicator	Unit	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP growth	Per cent	4.0	5.9	5.4	6.2	7.7	6.8	6.0	3.5	8.0	8.2	6.3	7.3	7.4
GDP (current prices)	Rs. billion	1,582	1,822	2,091	2,453	2,939	3,578	4,411	4,835	5,604	6,543	7,579	8,674	9,785
GDP (current prices)	USD billion	16.53	18.88	20.66	24.41	28.27	32.34	40.72	42.07	49.57	59.18	59.40	67.20	74.9
GDP per capita (USD) growth	Per cent	0.03	0.09	0.09	0.20	0.15	0.14	0.25	0.02	0.17	0.18	0.03	0.12	0.11
GDP per capita (market prices)	Rs '000	83.2	94.7	107.4	124.7	147.8	178.8	218.2	236.4	271.3	313.6	372.8	423.5	473.3
GDP per capita (market prices)	USD	870	948	1,030	1,241	1,421	1,617	2,014	2,057	2,400	2,836	2,922	3,280	3,625.0
Inflation (CCPI 2006/07=100) annual average	Per cent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.5	6.2	6.7	7.6	6.9	3.3
Current account balance	USD billion	(0.2)	(0.1)	(0.6)	(0.7)	(1.5)	(1.4)	(1.4)	(0.2)	(1.1)	(4.6)	(4.0)	(2.6)	(2.0)
Current account % of GDP	Per cent	(1.4)	(0.4)	(3.1)	(2.7)	(5.3)	(4.2)	(9.5)	(0.5)	(2.2)	(7.8)	(6.7)	(3.9)	(2.7)
Population	Million	19.0	19.3	19.5	19.7	19.9	20.0	20.2	20.5	20.7	20.9	20.3	20.5	20.7
Exchange rate (annual average)	Rs/USD	95.7	96.5	101.2	100.5	104.0	110.6	108.3	114.9	113.1	110.6	127.6	129.1	130.6
Exchange rate change (annual average)	Per cent	7.0	0.9	4.8	(0.7)	3.4	6.4	(2.1)	6.1	(1.6)	(0.0)	0.2	0.0	0.0
12m T-Bill yield (year-end)	Per cent	9.9	8.0	7.7	10.4	13.0	20.0	19.1	9.3	7.6	9.3	11.7	8.3	6.0
Prime lending rate (year-end)	Per cent	12.2	9.3	10.2	12.2	15.2	18.0	18.5	10.9	9.3	10.8	14.4	10.1	6.3
M2b money supply growth	Per cent	13.4	15.3	19.6	19.1	17.8	16.6	8.5	18.6	15.8	19.1	17.6	16.7	13.4
Exports	USD billion	4.7	5.1	5.8	6.3	6.7	7.7	8.1	7.1	8.6	10.6	9.8	10.4	11.1
Imports	USD billion	6.1	6.7	8.0	8.9	10.3	11.3	14.1	10.2	13.5	20.3	19.2	18.0	19.4
Balance of payments	Per cent of GDP	2.0	2.7	(1.0)	2.1	0.7	1.6	(3.5)	6.5	1.9	(1.9)	0.3	1.5	1.9
Budget deficit	Per cent of GDP	(8.5)	(7.3)	(7.5)	(7.0)	(7.0)	(6.9)	(7.0)	(9.9)	(8.0)	(6.9)	(6.5)	(5.9)	(6.0)
Unemployment rate	Per cent	8.8	8.4	8.3	7.2	6.5	6.0	5.4	5.8	4.9	4.2	4.0	4.4	4.3
All share index (year-end)	Points	815	1,062	1,507	1,922	2,722	2,541	1,503	3,386	6,636	6,074	5,643	5,913	7,299
Tourist arrivals	No.' 000	393	501	566	549	560	494	438	448	654	856	1,006	1,275	1,527

Sri Lanka's economic growth rose in 2014 increasing to 7.4 per cent from the 7.2 per cent reported in 2013, mainly on account of increased local domestic activity, passive levels of inflation, notable growth in foreign exchange earnings and a steady currency during the year.

GDP growth was largely driven by the industrial and services sectors of the economy while the agricultural sector was adversely impacted due to the drought conditions which prevailed in most harvesting regions. A key reason for headline inflation to decline to 2.1 per cent by end 2014 from mid-single digit levels during most months of 2013 was the slump in oil prices and the subsequent decline in most commodity prices, facilitating the continuation of the loose monetary policy stance adopted by the Central Bank of Sri Lanka (CBSL).

The CBSL eased in January 2014 by reducing the standing lending facility rate (SLFR) by 50 basis points. In September, the CBSL limited access to its standing deposit facility (SDF), citing the need to encourage banks to lend their excess reserves to productive sectors of the economy. These measures eventually saw the pickup in credit growth to the private sector, facilitating a Rs.240 billion growth in absolute terms in the last five months of 2014. Key market rates declined sharply during the year with the average weighted prime lending rate (AWPR) and the average weighted deposit rate (AWDR) falling over 350 basis points to 6.26 per cent and by 317 basis points to 6.20 per cent respectively during the calendar year.

Broad money supply growth moderated to 13.4 per cent in 2014 from 16.7 per cent YOY growth in 2013 with net domestic asset growth declining to 10.5 per cent from 18.3 per cent recorded in 2013, due to the subdued private sector credit growth and demand conditions that continued from 2013 to the first half of the year. Credit to public corporations which saw a decline in the first seven months of the year, subsequently picked up strongly in the remaining months of the year to post a growth of 22.1 per cent in 2014 compared to a 24.8 per cent growth in the previous year.

Sri Lanka's balance of payments (BOP) continued to improve in 2014 recording a surplus of USD1.4 billion, increasing from a surplus of USD985 million in 2013, with the current account deficit narrowing to USD2 billion in 2014 from the deficit of USD2.5 billion in 2013. The external trade deficit which was narrowing in the first half of the year weakened in the second half, mainly due to the significant pickup in import expenditure in the latter half of the year, resulting in a widening of the trade deficit to 4.7 per cent during the year. Export earnings grew 7.0 per cent in line with growth in expenditure of imports which increased 7.9 per cent.

Sri Lanka successfully raised USD1.5 billion in international capital markets. The reserves position improved to USD8.2 billion by end 2014 with the Rupee depreciating by only 0.3 per cent in 2014 against the US dollar, despite significant volatility in international foreign exchange markets. The Rupee further strengthened against other major currencies such as the Euro (13.2 per cent) and the Japanese Yen (13.5 per cent). Tourist arrivals rose 19.8 per cent in 2014 to 1.53 million with tourism income increasing sharply to USD2.43 billion in 2014 from USD1.72 billion in 2013. Foreign direct investments grew 17.3 per cent in 2014 to USD1.69 billion.

Sri Lanka's budget deficit for 2014 widened slightly to 6.0 per cent of GDP in 2014 from 5.9 per cent seen in 2013. Total Government revenue as a percentage of GDP declined to 12.3 per cent of GDP compared to 13.3 per cent of GDP recorded in 2013. Recurrent expenditure as a percentage of GDP declined to 13.5 per cent from 13.9 per cent in 2013 due to a decline in interest payments on domestic debt. Capital expenditure continued on its downward growth trajectory as it came in at 5.0 per cent of GDP, its lowest level in 10 years.

THE YEAR THAT WAS

The GDP growth for the full year of 2014 came in at 7.4 per cent. The three major sub sectors of GDP; agriculture, industry and services recorded growth rates of 0.3 per cent, 11.4 per cent and 6.5 per cent respectively.

The agricultural sector growth was 0.3 per cent compared to a healthy growth of 4.7 per cent in 2013. The tea industry performed at a healthy level in the first half of the calendar year with high tea prices as well as a near record level of volume production. However, prices dipped during the latter half of the year, mainly on account of the decline in demand from oil exporting nations coupled with the devaluation of certain major currencies. Tea prices at the Colombo Tea Auction continued to be high in 2014 barring the last two quarters of the year. Prices in the first half of the year were supported by a global supply shortage of orthodox black tea in the first quarter and improvement in export demand in the second quarter. Earnings from tea exports grew 5.6 per cent in 2014 to USD1.63 billion. While sectors like coconut, other food crops and fishing recorded a significant improvement, paddy and rubber contracted during the calendar year.

The Industrial sector grew at a higher pace than the 9.9 per cent growth recorded in 2013. The key driver of this sector continued to be the construction sub-sector while the textile, wearing apparel and leather, food, beverages and tobacco sub-sectors provided a positive contribution to overall growth. Growth in the construction sub-sector accelerated to 20.2 per cent in 2014 from the 14.4 per cent growth seen a year ago.

The Services sector, the most significant component of GDP maintained its growth momentum in 2014 as the sector grew 6.5 per cent in 2014, in line with the growth of 6.4 per cent a year earlier. Wholesale and retail trade, transport and communication and banking, insurance and real estate sub-sectors were key drivers of overall growth, with wholesale and retail trade recording a growth of 8 per cent in 2014.

Domestic consumption demand in real terms accelerated to 7.6 per cent in 2014 while the total domestic demand in real terms increased to 8.7 per cent from 4.9 per cent a year ago, with growth in investment in real terms increasing to 11.5 per cent in 2014. Growth in nominal private investment accelerated to 13.8 per cent from 9.5 per cent a year earlier. Aggregate domestic and national savings grew by 19.3 per cent and 18.1 per cent respectively during the year, resulting in the narrowing of the savings to investment gap to 2.7 per cent of GDP from 3.7 per cent of GDP registered in 2013.

Headline inflation maintained its single digit levels for the sixth consecutive year with annual average inflation reducing to 3.3 per cent from the 6.9 per cent in 2013. During the first half of the year, headline inflation was on a declining trend from mid-single digit levels at end 2013 largely due to base effects, despite increases in food prices. Improved food supply in the second half of the year coupled with downward adjustments in administrated prices resulted in headline inflation declining to 2.1 per cent by end 2014.

Earnings from textiles and garment exports, a key component of industrial exports, increased 9.4 per cent in 2014. Overall import expenditure growth was driven by a sharp increase in consumer goods which grew 21.1 per cent in 2014 as a result of a high level of vehicle and food and beverage imports. Expenditure on intermediate goods increased by 8 per cent due to higher importation of petroleum products and textiles. Despite the decline in international fuel prices in the second half of the year, Sri Lanka had higher import volumes as a result of increased thermal power generation, resulting in a 6.7 per cent increase in expenditure on imports of fuel in 2014 from a year ago. Growth in expenditure on investment goods continued to decline, contracting by 2.4 per cent due to a reduction in imports of building materials, machinery and equipment sub-categories.

31st March Owning company and location	Buildings in (Sq. Ft)	Land in acres Freehold	 Leasehold	Net book value 2015 LKR '000s	 2,014 LKR '000s
PROPERTIES IN COLOMBO					
John Keells Office Automation (Pvt) Ltd.					
No.90 ,Union Place, Colombo 2.	9,100	-	-	2,212	4,347
John Keells PLC.					
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	0.08	-	1,250	1,250
Keells Realtors Ltd.					
427 & 429, Ferguson Road, Colombo 15.	27,750	1.22	-	278,344	279,186
Mackinnon Keells Ltd.					
Leyden Bastian Road, York Street, Colombo 01.	31,656	0.45	-	403,760	409,890
Union Assurance PLC.					
No 20, St. Michaels' Road, Colombo 03.	57,916	0.58	-	839,335	849,658
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	-	2,180,942	2,035,500
	237,564	5.89	-	4,052,843	3,926,831
PROPERTIES OUTSIDE COLOMBO					
Ceylon Cold Stores PLC.					
Kaduwela.	299,798	27.35	-	1,071,862	1,086,006
Trincomalee.	23,840	1.06	-	94,457	85,482
Facets (Pvt) Ltd.					
Ahungalla.		6.31	-	342,000	315,000
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	-	-	60,651	70,922
John Keells PLC.					
17/1, Temple Road, Ekala, Ja-Ela.	-	3.77	-	135,878	120,781
JK Properties Ja-Ela (Pvt) Ltd.					
No 525, Colombo Road, Kapuwatta, Ja-Ela.	143,714	6.60	-	1,591,000	1,491,500
John Keells Warehousing (Pvt) Ltd.					
Muthurajawela.	141,276	-	6.00	324,113	317,895
Keells Food Products PLC.					
41, Temple Road, Ekala, Ja-Ela.	51,728	3.00	3.26	389,753	359,404
Tea Smallholder Factories PLC.					
Broadlands.	56,478	4.14	-	63,000	61,805
Halwitigala.	48,747	9.61	-	49,000	48,478
Hingalgoda.	63,676	17.00	-	82,000	78,000
Karawita.	80,364	-	4.98	83,826	86,010
Kurupanawa.	51,410	11.80	-	55,000	51,643
Neluwa.	48,888	5.27	-	56,000	48,214
New Panawenna.	44,568	10.59	-	42,000	41,287
Pasgoda.	40,091	7.24	-	32,000	32,371
Peliyagoda.	31,629	-	0.98	126,000	118,131
Raxawa.			-	-	24,300
Transware-Logistics (Pvt) Ltd.					
Tudella, Ja-Ela.	63,670	18.67	-	420,232	395,232
Union Assurance PLC.					
No 06,Rajapihilla Road, Kurunegala.	27,904	0.20	-	164,000	164,000
Whittall Boustead Ltd.					
150, Badulla Road, Nuwara Eliya.	4,343	0.46	-	88,083	88,083
	1,270,783	133.06	15.22	5,270,855	5,084,544

31st March Owning company and location	Buildings in (Sq. Ft)	Land in acres Freehold	 Leasehold	Net book value 2015 LKR '000s	 2,014 LKR '000s
HOTEL PROPERTIES					
Asian Hotels and Properties PLC.					
Cinnamon Grand Premises, Colombo 2.	648,793	7.91	-	15,502,733	13,869,092
Crescat Boulevard, Colombo 2.	145,196	-	-	2,156,608	2,146,264
Ahungalla Holiday Resort (Pvt) Ltd.					
Ahungalla.	-	6.50	-	148,850	148,850
Beruwala Holiday Resorts (Pvt) Ltd.					
Cinnamon Bey, Beruwala.	336,110	11.39	-	3,148,991	3,092,474
Ceylon Holiday Resorts Ltd.					
Bentota Beach Hotel, Bentota.	236,524	2.32	11.02	638,614	662,087
Fantasea World Investments (Pte) Ltd.					
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	150,412	-	13.42	899,359	771,482
Habarana Lodge Ltd.					
Cinnamon Lodge, Habarana.	202,999	-	25.47	681,800	649,874
Habarana Walk Inn Ltd.					
Chaaya Village, Habarana.	121,767	-	9.34	293,455	333,889
Hikkaduwa Holiday Resort (Pvt) Ltd.					
Chaaya Tranz, Hikkaduwa.	233,965	0.29	4.36	1,224,718	1,193,280
Kandy Walk Inn Ltd.					
Cinnamon Citadel, Kandy.	160,550	5.79	-	1,224,254	948,936
Nuwara Eliya Holiday Resort (Pvt) Ltd.					
Nuwara Eliya.		2.66	-	199,367	-
Resort Hotels Ltd.					
Medway Estate, Nilaveli.	4,485	44.37	-	700,980	667,600
Rajawella Hotels Company Ltd.					
Mahaberiatenna, Kandy.	3,700	-	10.00	38,347	34,531
Trans Asia Hotels PLC.					
Cinnamon Lake Side, Colombo 2.	448,791	-	7.65	5,033,024	5,046,478
Tranquility (Pte) Ltd.					
Chaaya Island Dhonveli, Republic of Maldives.	246,358	-	18.62	7,134,834	7,520,797
Travel Club (Pte) Ltd.					
Chaaya Reef Ellaidhoo, Republic of Maldives.	170,877	-	13.75	1,197,720	1,392,095
Trinco Holiday Resorts (Pvt) Ltd.					
Chaaya Blu, Trincomalee.	120,910	13.24	-	938,445	902,695
Trinco Walk Inn Ltd.					
Club Oceanic, Trincomalee.		14.64	-	163,650	152,335
Wirawila Walk Inn Ltd.					
Randunukelle Estate, Wirawila.	-	25.15	-	86,888	69,998
Yala Village (Pvt) Ltd.					
Cinnamon Wild, Tissamaharama.	110,248	-	11.00	472,659	492,721
	3,341,685	134.26	124.63	41,885,296	40,095,478
Improvements to Keells Super outlets on leased hold properties				797,519	520,926
Consolidated Value of Land and Buildings	4,850,032	273.22	139.85	52,006,513	49,627,779

Senior management personnel of the Group, hold positions of membership on the following professional and governance bodies and participate 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. Thus the members of Group Executive Committee hold positions such as:

1. EFC
2. Sri Lanka Institute of Directors
3. Chartered Institute of Logistics & Transport
4. Standing Committee A of the Chamber of Commerce and several other sub committees of the Chamber of Commerce
5. The National Labour Advisory Committee

Industry Group	Memberships
Transportation	Accredited Agent of International Air Transport Association
	Air Promoters Group (APG)
	American Chamber of Commerce
	Association of Licensed Bunker Operators of Sri Lanka (ALBOSL)
	Bombay Chamber of Commerce
	Certificate of Corporate Partnership with The Chartered Institute of Logistics & Transport (CILT)
	Civil Aviation Authority
	Employers Federation of Ceylon (EFC)
	European Chamber of Commerce of Sri Lanka
	Freight Forwarders Association of India (FFFAI)
	International Air Transport Association Agents Association of Sri Lanka
	International Air Transportation Agents Association (IATA)
	International Bunker Industry Association (IBIA)
	Italian Business Council
	Lanka Association of Ship Owners (LASO)
	Logistics and Transportation Faculty Industry Committee of the University of Moratuwa
	Ship Chandlers Association of Sri Lanka
	Sri Lanka - Belgium Business Association
	Sri Lanka - India Business Association
	Sri Lanka - Korea Business Association
	Sri Lanka Airline Cargo Association (SLACA)

Industry Group	Memberships
Transportation	Sri Lanka Association of Airline Representatives
	Sri Lanka France Business Council
	Sri Lanka Freight Forwarders Association (SLAFFA)
	Sri Lanka Tourism Board
	Travel Agents Association of Sri Lanka
	World Cargo Alliance (WCA) Membership
Information Technology	American Chamber of Commerce
	Employers' Federation of Ceylon (EFC)
	European Chamber of Commerce
	Gold partnership of Microsoft
	Leading Edge Alliance
	Ministerial Advisory Committee on IT/BPO exports convened by the EDB
	Nordic Business Council
	Sri Lanka Association of Software and Service Companies (SLASSCOM)
	Sri Lanka Germany Business Council
	Sri Lanka Institute of Directors
Consumer Food and Retail	Ceylon Chamber of Commerce
	Consumer Goods Forum
	Employers' Federation of Ceylon (EFC)
	Export Development Board
	Lanka Confectionery Manufacturers Association
	National Chamber of Commerce

Industry Group	Memberships
Consumer Food & Retail	National Chamber of Exporters
	Sri Lanka Association of Testing Laboratories
	Sri Lanka - Maldives Bilateral Business Council

Industry Group	Memberships
Leisure	American Chamber of Commerce
	Bentota/Beruwela Hotelier's Association
	Bird Friendly Concept Network
	Business with Britain
	Ceylon Chamber of Commerce
	Ceylon Hotel School Graduates Association
	Chef Guild of Sri Lanka
	Compost Production Membership -Ministry of Agriculture
	Cultural Triangle Hoteliers Association
	Dutch Burger Union
	Employers' Federation of Ceylon
	European Business Council
	European Chamber of Commerce of Sri Lanka
	Field Ornithology Group of Sri Lanka
	Friends of Sri Lanka Association, UK
	Indian Association of Tour Operators
	Indo-Lanka Chamber of Commerce
	International Association of Travel & Tourism Professionals
	Japan Association of Travel Agents
	Kandy Hoteliers Association
	La Chaine des Rotisseurs
	Maldives Association of Tourism Industry
	Natural Disaster Management of Palugaswewa Division
	Pacific Asia Travel Association
	Pacific Asia travel association (Sri Lanka) chapter (PATA)
	Responsible Tourism Partnership
	Signature Travel Network
	SKAL International Colombo
	SL Africa and Middle east business council

Industry Group	Memberships
Leisure	Sri Lanka - Australia Business Council
	Sri Lanka - British Business Council
	Sri Lanka - Canada Business Council
	Sri Lanka – China Business Council
	Sri Lanka - France Business Council
	Sri Lanka - Germany Business Council
	Sri Lanka - Italy Business Council
	Sri Lanka - Japan Business Council
	Sri Lanka - Japan Business Council
	Sri Lanka - Malaysia Business Council
	Sri Lanka - Maldives Bilateral Business Council
	Sri Lanka - Netherland Business Council
	Sri Lanka - New Zealand Business Council
	Sri Lanka – Pakistan Business Council
	Sri Lanka - Poland Business Council
	Sri Lanka - Russia Business Council
	Sri Lanka - Singapore Business Council
	Sri Lanka – Vietnam Business Council
	Sri Lanka Association of Inbound Tour Operators
	Sri Lanka Association Of Professional Conference Exhibition & Event Organizers
	Sri Lanka- Benelux Business Council
	Sri Lanka Conventions Bureau
	Sri Lanka Institute of Directors
	Sri Lanka Institute of Tourism and Hotel Management
	Sri Lanka Tourism Development Authority
	Sri Lanka Tourism Promotions Bureau
	SWITCH-ASIA
	The Hotels Association of Sri Lanka
	Tourism Development Committee of Hambantota District under Hambantota District Chamber of Commerce
	Tourist Hotels Association of Sri Lanka
	Travel Agents Association of India
	Travel Trade Sports Club
	Wild Life and Nature Protection Society

Industry Group	Memberships
Property	Ceylon Chamber of Commerce
	Chamber of Construction Industry of Sri Lanka
	Employers' Federation of Ceylon
Financial Services	American Chamber of Commerce in Sri Lanka
	Association of Insurers and Reinsurers of Developing Countries
	Colombo Stock Brokers Association
	Colombo Stock Exchange
	Insurance Association of Sri Lanka
	National Chamber of Commerce
Other	Ceylon Chamber of Commerce
	Colombo Brokers Association
	Colombo Rubber Traders Association
	Colombo Stock Exchange
	Colombo Tea Traders' Association
	Colombo Tea Traders Association
	Employers' Federation of Ceylon
	European Chamber of Commerce

Industry Group	Memberships
Other	Federation of Information Technology in Sri Lanka (FITIS)
	Harvard Business Review
	Harvard Management Communications Ltd
	International Tea Committee
	Lanka Business Coalition on HIV & AIDS
	National Chamber of Commerce
	National Chamber of Commerce of Sri Lanka
	Nuwara Eliya Golf Club
	Planters' Association of Ceylon
	Rubber Dealers' License – Director of Rubber Development Department
	SAP Services Partner in Sri Lanka
	Sri Lanka Association of Software and Service Companies (SLASSCOM)
	Sri Lanka Institute of Directors
	Sri Lanka Tea Board
	Sri Lanka Tea Factory Owners Association
	Tea Research Board of Sri Lanka
	World Economic Forum
	United Nations Global Compact

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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 JKH printed Annual Report – 2014/15 ('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.dnv.com/moreondnv/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 Annual Report – 2014/15.
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 Annual Report – 2014/15 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 February to May–2015.

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 Annual Report prepared by John Keells Holdings 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 2014 to 31st March 2015 and reported in this Annual Report;
- Review of the policies, initiatives, practices and performance described in the non-financial - qualitative and quantitative information (sustainability performance) reported in the printed Annual Report – 2014/15 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 the 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 fulfil the criterion related to GRI G4 - "In accordance" – Core as declared by JKH.

The reporting aspect boundary is based on the internal and external materiality assessment covering the operations of 46 companies under the direct control of the Group in seven industry groups (i.e. Transportation, Leisure, Property, Consumer Foods & Retail, Financial Services, Information Technology and Others including Plantations) in Sri Lanka, Maldives and India, including the selected supply chain activities as set out in the Report. The Report excludes 9 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 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 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;

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- 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 John Keells Group businesses 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 JKH and visited the Head office and four sites i.e., Ceylon Cold Stores Ranala, Cinnamon Citadel Kandy, Keells Super outlet Kalubowila and John Keells Logistics Peliyagoda – warehouse supplier to Keells Super;
- Conducted interviews with key representatives including data owners and decision-makers from different functions of the John Keells Group;
- Performed sample-based reviews of the mechanisms for implementing 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 John Keells Holdings PLC Annual Report 2014/2015 and referenced information in the Report, 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 are of the opinion that the reported disclosures on General Standard Disclosures generally meets the reporting requirement for "In accordance" – Core based on GRI G4.
- **Specific Standard Disclosure:** We are of the opinion that the following reported disclosures on Specific Standard Disclosures meets the reporting requirement for "In accordance" – Core based on GRI G4 covering Generic Disclosures of Management Approach and performance indicator for identified material aspects:

Economic

- Economic Performance - G4-EC1, EC3;
- Indirect Economic Impact - G4-EC7;
- Procurement Practices - G4-EC9;

Environmental

- Energy - G4-EN3;
- Water – G4- EN8;
- Emissions - G4- EN15, EN16;
- Effluents and Waste - G4-EN22, EN23, EN24;
- Compliance - G4-EN29
- Supplier Environmental Assessment - G4-EN32 ;

Social

Labour Practices 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 process of stakeholder identification and engagement is well established to identify sustainability challenges and concerns through different channels and includes engagements with key stakeholders across the seven industry groups in a formal and systematic manner. The stakeholder engagement frequency, modes of engagement and concerns are identified and reported. In our view, the level at which the Report adheres to this principle is **"Good".**

Materiality: The process of materiality assessment was carried out based on requirements of GRI G4 in 2014. The material issues identified were reviewed to identify changes if any based on external environment and ongoing stakeholder engagement process. JKH has confirmed that there were no change in identified material aspects and aspect boundary. The materiality of the aspects is explained in the report along with the management approach and monitoring systems. In our view, the level at which the Report adheres to this principles is **"Acceptable".**

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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 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 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's 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:

- JKH may carry out a comprehensive sectorial study to further identify and manage the emerging issues of respective sectors and future reports may further bring out the sectorial impacts of material aspects;
- further review and strengthen the existing management systems to effectively manage the environmental and health and safety aspects across entities to achieve sustained performance across sectors.

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

Rathika De Silva	Vadakepatth Nandkumar	Balasubramoniam, Sivasubramaniam
Country Head	Project Manager,	Assurance Reviewer,
DNV Business Assurance Lanka (Private) Limited, Sri Lanka	Regional Sustainability Manager, DNV GL Business Assurance India Private Limited, India.	DNV GL Business Assurance India Private Limited, India.

27th May 2015, Colombo, Sri Lanka.

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Licensed Assurance Provider
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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, associates and joint venture 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 subsidiary, associate and joint venture companies in capturing its financial performance. 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.
Tel: 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
No. 4, Leyden Bastian Road, Colombo 1.
Tel: 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.
Tel: 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.
Tel: 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 (Resigned w.e.f. 26/ 2/ 2015), D C Alagarathnam, Capt N Keppetipola (Resigned w.e.f. 26/ 2/ 2015), K N J Balendra, P Sondergaard, P M English, T Hougaard, S S Jakobsen, Mr R M W B C Rajapaksa (Appointed w.e.f. 28/4/2014), Capt. A S Wijesekera (Appointed w.e.f. 26/ 2/ 2015), I A Gunasekera (Appointed w.e.f. 26/ 2/ 2015)
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.
Tel: 2304304 / 4798600
Directors: S C Ratnayake - Chairman
R M David, Y B A Khan (Appointed w.e.f. 25/6/2014), S P Wall (Appointed w.e.f. 25/6/2014), M A Monteiro (Resigned w.e.f. 25/6/2014), G E A P Berczely (Resigned w.e.f. 25/6/2014)
Stated capital: Rs. 20,000,020

John Keells Logistics (Pvt) Ltd. (PV 318) (100%)
Integrated supply chain management
Incorporated in 2006
No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.
Tel: 2475574
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.
Tel: 7671671
Directors: R M David, H C K Hewamallika
J R Gunarathne, C Besset (Appointed w.e.f. 3/9/2014), G G G Col (Resigned w.e.f. 3/9/2014)
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.
Tel: 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.
Tel: 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.
Tel: 2475200
Directors: S C Ratnayake - Chairman
R M David
Stated capital: Rs. 90,000

Trans-ware Logistics (Pvt) Ltd. (PV 3134) (50%)*
Renting of storage space
Incorporated in 1994
No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.
Tel: 2475508/2475536
Directors: S C Ratnayake - Chairman
A D Gunawardene, R M David, A A Miskon (Alt.N A Latif), Y K Boo, T 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.
Tel: 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.
Tel: 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.
Tel: 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.
Tel: 2318600
Directors: S C Ratnayake- Chairman
A D Gunawardene, R S Fernando (Appointed w.e.f. 23/6/2014), R M David (Resigned w.e.f. 23/6/2014)
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
Tel: +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

Cinnamon Hotel Management Ltd. (PB 7) (100%)
Operator & marketer of resort hotels
Incorporated in 1974
No.117, Sir Chittampalam A. Gardiner Mawatha, Colombo - 02.
Tel: 2306600, 2421101-8
Directors: S C Ratnayake – Chairman
A D Gunewardene, J E P Kehelpannala, B J S M Senanayake
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.
Tel: 2306600
Directors: S C Ratnayake – Chairman
A D. Gunewardene, J R F Peiris, J E P Kehelpannala, R T Wijesinha, B J S M Senanyake, N B Weerasekera, T L F W Jayasekara
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.
Tel: 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.
Tel: 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

Capitol Hotel Holdings Ltd. (PB 5013) (19.72%)**
Developer of City Business Hotels
Incorporated in 2012
No.117, Chittampalam A. Gardiner Mawatha, Colombo - 02.
Tel: 2306000
Directors: A D Gunewardene, S Rajendra, M S Weerasekera, W R K Wannigama, D A Kannangara, M D R Gunatilleke (Appointed w.e.f. 9/5/2014), L C H Leow (Appointed w.e.f. 21/5/2014), A J Pathmarajah (Appointed w.e.f. 21/5/2014)
Stated capital: Rs. 1,168,800,100

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.
Tel: 2491000
Directors: S C Ratnayake - Chairman
A D Gunewardene, J R F Peiris, N L Gooneratne, C J L Pinto, J C Ponniah, E H Wijenaike
Stated capital: Rs. 1,112,879,750

Resort Hotels - Sri Lanka

Beruwala Holiday Resorts (Pvt) Ltd. (PV 69678) (79.78%)
Owner & operator of "Cinnamon Bey" in Beruwala
Incorporated in 2009
Moragolla Beruwala.
Tel: 2306600, 034 2297000
Directors: S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
B J S M Senanayake
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.
Tel: 034 2275176 / 034 2275266
Directors: S C Ratnayake - Chairman,
A D Gunewardene, J E P Kehelpannala,
B J S M Senanayake
Stated capital: Rs. 744,517,303

Hikkaduwa Holiday Resorts (Pvt) Ltd. (PV 71747) (79.24%)
Owner & operator of "Chaaya Tranz" in Hikkaduwa
Incorporated in 2010
P.O Box 1, Galle Road, Hikkaduwa.
Tel: 091 2298000
Directors: S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala,
B J S M Senanayake
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.
Tel: 066 2270011-2/ 066 2270072
Directors: S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala,
B J S M Senanayake
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.
Tel: 066 2270046-7/ 066 2270077
Directors: S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala,
B J S M Senanayake
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.
Tel: 2306600, 2421101-8
Directors: S C Ratnayake – Chairman
A D Gunewardene, J E P Kehelpannala,
D C Alagaratnam, B J S M Senanayake
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.
Tel: 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
Stated capital: Rs. 115,182,009

Nuwara Eliya Holiday Resorts (Pvt) Ltd.*
(PV98357) (80.32%)
Owner of real estate
Incorporated in 2014
No.117, Chittampalam A. Gardiner Mawatha,
Colombo - 02.
Tel: 2306000
Directors: S C Ratnayake – Chairman
A D Gunewardene

Rajawella Hotels Company Ltd. (PB 92)
(80.32%)*
Owner of real estate
Incorporated in 1992
No.117,Chittampalam A. Gardiner Mawatha,
Colombo - 02.
Tel: 2306000
Directors: S C Ratnayake – Chairman
A D Gunewardene, J R Gunaratne
Stated capital: Rs. 34,301,762

Resort Hotels Ltd. (PB 193) (79.24%)*
Owner of real estate
Incorporated in 1978
No.117,Chittampalam A. Gardiner Mawatha,
Colombo - 02.
Tel: 2306780, 2421101-8
Directors: S C Ratnayake – Chairman
A D Gunewardene
Stated capital: Rs. 7,189,150

Trinco Holiday Resorts (Pte) Ltd. (PV 69908)
(80.32%)
Owner & Operator of "Chaaya Blu" in Trincomalee
Incorporated in 2009
Alles Garden, Uppuvelli, Sampathiv Post.
Tel: 026 2222307 / 026 2221611
Directors: S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala,
B J S M Senanayake
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.
Tel: 026 2222307 / 011 2306600
Directors: S C Ratnayake – Chairman
A D Gunewardene, J E P Kehelpannala,
B J S M Senanayake
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.
Tel: 2306780, 2421101-8
Directors: S C Ratnayake – Chairman
A D Gunewardene, D C Alagaratnam
Stated capital: Rs. 18,374,150

Ahungalle Holiday Resorts (Pvt) Ltd.
(PV 85046) (80.32%)*
Owner of real estate
Incorporated in 2012
No.117,Chittampalam A. Gardiner Mawatha,
Colombo - 02.
Tel: 2306000
Directors: S C Ratnayake – Chairman
A D Gunewardene, J E P Kehelpannala
B J S M Senanayake
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.
Tel: 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
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.
Tel: 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
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.
Tel: 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
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.
Tel: 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
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.
Tel: 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
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.
Tel: 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.
Tel: 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.
Tel: 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.
Tel: 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.
Tel: 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) Ltd. (PV 75050) (100%)
Developer of "On320" Project
Incorporated in 2010
No.117,Chittampalam A. Gardiner Mawatha,
Colombo - 02.
Tel: 2300065
Directors: S C Ratnayake – Chairman,
A D Gunewardene , S Rajendra , J R F Peiris
(Appointed w.e.f. 1/12/2014)
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.
Tel: 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.
Tel: 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.
Tel: 2306000 /2397263
Directors: S C Ratnayake – Chairman
A D Gunewardene, S Rajendra
Stated capital: Rs. 75,000,000

Waterfront Properties (Pvt) Ltd. (PV 82153) (90.52%)
Developer of hotels, apartments & Shopping Malls
Incorporated in 2011
No.117, Chittampalam A. Gardiner Mawatha,
Colombo - 02
Tel: 2306000
Directors : S C Ratnayake - Chairman
A D Gunewardene , S Rajendra, J R F Peiris,
D C Alagaratnam
Stated capital: Rs. 13,252,859,080

Whittall Boustead (Pvt) Ltd. - Real Estate Division. (PV 31) (100%)*
Renting of office space
Incorporated in1958
No. 148, Vauxhall Street,Colombo 2.
Tel: 2397263 /2327805
Directors: S C Ratnayake – Chairman,
A D Gunewardene, R M David , S Rajendra
Stated capital: Rs. 99,188,800

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.
Tel: 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.
Tel: 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.
Tel: 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 and "Nexus Mobile" loyalty card programme.
Incorporated in 1980
No.117, Chittampalam A. Gardiner Mawatha,
Colombo - 02.
Tel: 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

FINANCIAL SERVICES

John Keells Stock Brokers (Pvt) Ltd. (PV 89) (90.04%)
Share broking services
Incorporated in 1979
No. 186, Vauxhall street, Colombo 02.
Tel: 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.
Tel: 4313131
Directors: K N J Balendra - Chairman
M E Wickremesinghe, A R Rasiah, D Weerakoon,
M Jafferjee, K De Soysa, D P De Silva,
N S Panditharatne, K O V S M S Wijesinghe,
C H S K Piyaratna, R N K Fernando, J G A Cooray
C L K P Jayasuriya
Stated capital: Rs. 5,101,368,736

Union Assurance PLC. (PQ 12) (95.65 %)
Life insurance underwriters
Incorporated in 1987
No.20, St. Michaels' Road, Colombo 3.
Tel: 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,
A D Pereira (Appointed w.e.f. 28/05/2014)
Stated capital: Rs. 1,138,433,000

Union Assurance General Ltd. (PV 99666PB) (21.06%)**
General insurance underwriters Incorporated in 2014
No.20, St. Michaels' Road, Colombo 3.
Tel: 2428000
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,
A D Pereira (Appointed w.e.f. 28/05/2014)
Stated capital: Rs. 3,000,000,000

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.
Tel: 441753725283
Directors: A D Gunewardene - Chairman
G S Dewaraja (Resigned w.e.f. 31/01/2015),
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.
Tel: 2300770-77
Directors: A D Gunewardene - Chairman
S C Ratnayake, G S Dewaraja (Resigned w.e.f. 31/01/2015), 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.
Tel: 2300770-77
Directors: A D Gunewardene - Chairman
G S Dewaraja (Resigned w.e.f. 31/01/2015),
R S Fernando, D C Alagaratnam (Appointed w.e.f. 02/2/2015)
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.
Tel: 2313000, 2431576, 2445760
Directors: A D Gunewardene - Chairman
G S Dewaraja (Resigned w.e.f. 31/01/2015),
R S Fernando, D C Alagaratnam (Appointed w.e.f. 02/2/2015)
Stated capital: Rs. 5,000,000

IT Enabled Services

InfoMate (Pvt) Ltd. (PV 921) (100%)
Incorporated in 2005
No.4, Leyden Bastian Road, Colombo 1.
Tel: (94) 112149700
Directors: S C Ratnayake, M J S Rajakariar,
R S Fernando
Stated capital: Rs. 20,000,000

John Keells BPO Holdings (Pvt) Ltd. (C 60882) (100%)*
Holding company of BPO operations group companies
Incorporated in 2006
IFS Court, 28, Cybercity, Ebene, Mauritius.
Tel: (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.
Tel: (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 (Pvt) Ltd. (PV 3458) (100%)*
BPO operations in Sri Lanka
Incorporated in 2006
No.4, Leyden Bastian Road, Colombo 1.
Tel: (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.
Tel: +1 727 518 0000
Director: M P 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 (Pvt) Ltd. (C 070139) (100%)*
Investment holding company
Incorporated in 2007
IFS Court, 28, Cybercity, Ebene, Mauritius.
Tel: (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 (Pvt Ltd.
(U72300DL2006PTC153130) (100%)
BPO operations in India (Formerly known as Quatrro Business Support Services (Pvt) Ltd.)
Incorporated in 2006
Basement-24, C Block, Community Centre, Janakpuri, New Delhi.
Tel: +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.
Tel: 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%)
Manager eight bought leaf tea factories
Incorporated in 1979
No.117,Chittampalam A. Gardiner Mawatha, Colombo - 02.
Tel: 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.
Tel: 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.
Tel: 2335870 / 2149994
Directors: S C Ratnayake – Chairman (Alt. Mr 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.
Tel: 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.
Tel: 2306000 /2421101-9
Directors: S C Ratnayake - Chairman,
A D Gunewardene - Deputy Chairman, J R F Peiris,
E F G Amerasinghe, T Das, Dr I Coomaraswamy,
A R Gunasekera (Resigned w.e.f. 30.06.2014),
M A Omar, D.A.Cabraal, A.N.Fonseka, P Perera
(Appointed w.e.from 01.07.2014).
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
Tel: 2304673000
Directors: S C Ratnayake, A D Gunewardene,
Z H Miamut, B.Pooja
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.
Tel: 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.
Tel: 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.
Tel: 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.
Tel: 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.
Tel: 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.
Tel: 2475308
Directors: S C Ratnayake - Chairman
A D Gunewardene, R M David, D C Alagaratnam
Stated capital: Rs. 3,000

This Report is prepared "In Accordance - Core" of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

GENERAL STANDARD DISCLOSURES					
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***
STRATEGY AND ANALYSIS					
G4-1	Page 9	Yes, 287 - 289	1		7
ORGANISATIONAL PROFILE					
G4-3	Page 4	Yes, 287 - 289	22		
G4-4	Pages 5	Yes, 287 - 289	22		
G4-5	Page 4	Yes, 287 - 289	22		
G4-6	Page 4	Yes, 287 - 289	22		
G4-7	Page 4	Yes, 287 - 289	22		
G4-8	Page 4	Yes, 287 - 289	22		
G4-9	Page 4, Pages 6 - 7	Yes, 287 - 289	22		
G4-10	Page 74	Yes, 287 - 289	11, 12		3
G4-11	Page 74	Yes, 287 - 289	11, 12		3
G4-12	Page 75, 84, 91, 100, 107, 115, 120, 125 Pages 14 - 15 of www.keells.com/sustainability - Disclosure of Management Approach	Yes, 287 - 289	21		
G4-13	Page 8	Yes, 287 - 289	22		
G4-14	Page 51	Yes, 287 - 289	13		2
G4-15	Page 50	Yes, 287 - 289	4		7
G4-16	Pages 284 - 286	Yes, 287 - 289			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Pages 290 - 296, Page 50	Yes, 287 - 289			
G4-18	Page 50, Pages 55 - 56	Yes, 287 - 289	22, 23		6, 7
G4-19	Page 56	Yes, 287 - 289	3		6
G4-20	Page 55	Yes, 287 - 289	22, 23		6
G4-21	Page 55	Yes, 287 - 289	22, 23		6
G4-22	Page 50	Yes, 287 - 289	22, 23		
G4-23	Page 50	Yes, 287 - 289	22, 23		
STAKEHOLDER ENGAGEMENT					
G4-24	Pages 51 - 53	Yes, 287 - 289	3		6
G4-25	Page 51	Yes, 287 - 289	3		6
G4-26	Pages 52 - 53	Yes, 287 - 289	3		6
G4-27	Page 54	Yes, 287 - 289			6
REPORT PROFILE					
G4-28	Pages 3, 50	Yes, 287 - 289	22, 23		
G4-29	Page 50	Yes, 287 - 289	22, 23		
G4-30	Page 50	Yes, 287 - 289	22, 23		7
G4-31	Page 54	Yes, 287 - 289	22, 23		
G4-32	Pages 3, 50, 287 - 289, 296 - 299	Yes, 287 - 289	22, 23		7
G4-33	Pages 50, 14, 287 - 289	Yes, 287 - 289	24		7
GOVERNANCE					
G4-34	Pages 23 - 24	Yes, 287 - 289	2		7
ETHICS AND INTEGRITY					
G4-56	Pages 4, 39	Yes, 287 - 289	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 organisation. In these circumstances, the organisation 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 4 - 5				Yes, 287 - 289			1
G4-EC1	Page 69				Yes, 287 - 289			1
G4-EC3	Page 75				Yes, 287 - 289			1
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 16 - 18				Yes, 287 - 289			4
G4-EC7	Pages 149 - 150, 153 , 164 - 165, 167				Yes, 287 - 289			4
MATERIAL ASPECT: PROCUREMENT PRACTICES								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 4 - 5				Yes, 287 - 289			1
G4-EC9	Page 76				Yes, 287 - 289			1
CATEGORY: ENVIRONMENTAL								
MATERIAL ASPECT: ENERGY								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 8				Yes, 287 - 289	13, 14	3	2
G4-EN3	Page 71				Yes, 287 - 289	15, 16	3	2
MATERIAL ASPECT: WATER								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 8				Yes, 287 - 289	13, 14	4	2
G4-EN8	Page 72				Yes, 287 - 289	15, 16	4	2
MATERIAL ASPECT: BIODIVERSITY								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 7				Yes, 287 - 289	13, 14	6	2
G4-EN11	Page 94				Yes, 287 - 289	15, 16	6	2
CATEGORY: ENVIRONMENTAL								
MATERIAL ASPECT: EMISSIONS								
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 8				Yes, 287 - 289	13, 14	3	2
G4-EN15	Page 72				Yes, 287 - 289	15, 16	3	2
G4-EN16	Page 72				Yes, 287 - 289	15, 16	3	2

MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 5-8	Yes, 287 - 289	13, 14	3	2
G4-EN22	Page 73	Yes, 287 - 289	15, 16	3	2
G4-EN23	Page 73	Yes, 287 - 289	15, 16	3	2
G4-EN24	Page 86	Yes, 287 - 289	15, 16	3	2
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 8	Yes, 287 - 289	13, 14		2
G4-EN29	Page 76	Yes, 287 - 289	15, 16		2
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 14 -15	Yes, 287 - 289	15		
G4-EN32	Page 75, www.keells.com/ sustainability - Disclosure of Management Approach Pages 14 - 15	Yes, 287 - 289	15		
CATEGORY: SOCIAL					
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK					
MATERIAL ASPECT: EMPLOYMENT					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 1 - 2	Yes, 287 - 289	9, 10		3
G4-LA1	Pages 74 - 75	Yes, 287 - 289	11, 12		3
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 3	Yes, 287 - 289	9, 10		3, 7
G4-LA6	Page 75	Yes, 287 - 289	11, 12		3, 7
MATERIAL ASPECT: TRAINING AND EDUCATION					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 2 - 3	Yes, 287 - 289	9, 10		3
G4-LA9	Page 74	Yes, 287 - 289	11, 12		3
G4-LA11	Page 74	Yes, 287 - 289	11, 12		3
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 1 - 2	Yes, 287 - 289	9, 10	2	3
G4-LA12	Page 74	Yes, 287 - 289	11, 12	2	3
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 14 - 15	Yes, 287 - 289	11		
G4-LA14	Page 75, www.keells.com/ sustainability - Disclosure of Management Approach Pages 14 - 15	Yes, 287 - 289	11		
SUB-CATEGORY: HUMAN RIGHTS					
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 3, 14 - 15	Yes, 287 - 289	9, 10	2	3
G4-HR4	Page 74 - 75	Yes, 287 - 289	11, 12	2	3
MATERIAL ASPECT: CHILD LABOUR					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9, 11	Yes, 287 - 289	5, 6	2	3
G4-HR5	Page 7	Yes, 287 - 289	7, 8	2	3

MATERIAL ASPECT: FORCED OR COMPULSORY LABOUR					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 9, 11	Yes, 287 - 289	5, 6	2	3
G4-HR6	Page 7	Yes, 287 - 289	7, 8	2	3
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 14 - 15	Yes, 287 - 289	7		
G4-HR10	Page 75, www.keells.com/sustainability - Disclosure of Management Approach Pages 14 - 15	Yes, 287 - 289	7		
SUB-CATEGORY: SOCIETY					
MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-DMA	Pages 144 - 145, www.keells.com/sustainability - Disclosure of Management Approach Pages 16 - 18	Yes, 287 - 289			4
G4-SO1	Pages 149 - 150, 153, 157, 164 - 165, 167	Yes, 287 - 289			4
MATERIAL ASPECT: ANTI-CORRUPTION					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 10 - 11	Yes, 287 - 289	17, 18		
G4-SO3	www.keells.com/sustainability - Disclosure of Management Approach Page 11	Yes, 287 - 289	19, 20		
SUB-CATEGORY: SOCIETY					
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Page 11	Yes, 287 - 289	17, 18		
G4-SO8	Page 76	Yes, 287 - 289	19, 20		
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 12 - 13	Yes, 287 - 289			5
G4-PR1	Page 75, www.keells.com/sustainability - Disclosure of Management Approach Pages 12 - 13	Yes, 287 - 289			5
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 12 - 13	Yes, 287 - 289			5
G4-PR3	Page 108	Yes, 287 - 289			5
MATERIAL ASPECT: MARKETING COMMUNICATIONS					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 12 - 13	Yes, 287 - 289			5
G4-PR7	Pages 76, 108	Yes, 287 - 289			5
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	www.keells.com/sustainability - Disclosure of Management Approach Pages 12 - 13	Yes, 287 - 289			5
G4-PR9	Page 76	Yes, 287 - 289			5

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 2012/13, 2013/14 and 2014/15.

ASSET TURNOVER
Revenue including associate company revenue divided by average total assets.

BETA
Covariance 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 attributable to equity holders of the parent 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.

COMMON EARNINGS LEVERAGE (CEL)
Profit attributable to equity holders of the parent divided by profit after tax.

CONTINGENT LIABILITIES
A condition or situation existing as at the date of the Report 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 and outstanding unexpired warrants.

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 paid 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 a percentage of the share price (diluted) at the end of the period.

EARNINGS PER SHARE (BASIC)
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.

ENTERPRISE VALUE (EV)
Market capitalisation plus net debt/(net cash).

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 shareholders' 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 attributable to equity holders of the parent divided by total revenue including share of associates.

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.

PRICE TO CASH EARNINGS
Diluted market price per share divided by diluted cash earnings per share.

PUBLIC HOLDING
Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK RATIO
Cash plus short term investments plus receivables, divided by current liabilities.

RECURRING EBIT/RECURRING PROFIT AFTER TAX/RECURRING PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
Profit as applicable adjusted for changes in fair value of investment property and one-off disposal gains or losses accruing through the sale of investments not held under the private equity portfolio of JK Capital.

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, other components of equity 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.

Notice is hereby given that the Thirty Sixth Annual General Meeting of John Keells Holdings PLC will be held on 26th June 2015 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 2015 with the Report of the Auditors thereon.
- to re-elect as Director, Mr. A D Gunewardene, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. A D Gunewardene is contained in the Board of Directors section of the Annual Report.
- to re-elect as Director, Dr. I Coomaraswamy, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Dr. I Coomaraswamy is contained in the Board of Directors section of the Annual Report.
- to re-elect as a Director, Ms. M P Perera, who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Ms. M P Perera 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 76 years and that he be re-elected a Director of the Company."
- to re-elect as Director, Mr. E F G Amerasinghe 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. E F G Amerasinghe, who is 70 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
29 May 2015

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.

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. MOHAMED ASHROFF OMAR	or failing him
MR. DAMIEN AMAL CABRAAL	or failing him
MR. ANTHONY NIHAL FONSEKA	or failing him
MS. MARIE PREMILA PERERA	

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Sixth Annual General Meeting of the Company to be held on 26th June 2015 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. A D Gunewardene, who retires in terms of Article 84 of the Articles of Association of the Company		
To re-elect as Director, Dr. I Coomaraswamy, who retires in terms of Article 84 of the Articles of Association of the Company		
To re-elect as Director, Ms. M P Perera, 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-elect as Director, Mr. E F G Amerasinghe 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 Fifteen

…………………………….
Signature/s of Shareholder/s

NOTE:

INSTRUCTIONS AS TO COMPLETION OF THE 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
M A Omar
M P Perera

Senior Independent Director
E F G Amerasinghe

Audit Committee
A N Fonseka - Chairman
D A Cabraal
I Coomaraswamy
M P Perera

Human Resources and Compensation Committee
E F G Amerasinghe - Chairman
D A Cabraal
I Coomaraswamy
A N Fonseka
M A Omar

Nominations Committee
T Das - Chairman
E F G Amerasinghe
D A Cabraal
M A Omar
M P Perera
S C Ratnayake

Related Party Transaction Review Committee
A N Fonseka - Chairman
E F G Amerasinghe
D A Cabraal
M P Perera
S C Ratnayake

Registered Office of the Company
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6000
Internet : www.keells.com
Email : jkh@keells.com

Secretaries
Keells Consultants (Private) 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 6166
Facsimile : +94 11 230 6160
Email : investor.relations@keells.com

Sustainability, Enterprise Risk Management and Group Initiatives
186 Vauxhall Street
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 and Young
Chartered Accountants
P.O. Box 101
Colombo, Sri Lanka

Bankers for the Group
Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon
Deutsche Bank A.G.
DFCC Bank
DFCC Vardhana Bank
Habib Bank
Hatton National Bank
Hongkong & Shanghai Banking Corporation
MCB Bank
National Savings Bank
Nations Trust Bank
NDB Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Depository for GDRs
Citibank N.A.
New York

Designed and produced by emagewise
Printed by Gunaratne Offset Ltd
Photography by Dhanush de Costa

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