

# GOING FORWARD





# ENHANCING VALUE

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## FINANCIAL STATEMENTS

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# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 40th Annual Report of your Company which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Capital Management Review, Industry Group Review and all the other relevant information for the year ended 31 March 2019. Disclosures which appear in the Share Information section form a part of the Annual Report of the Board of Directors as it is a requirement of the Companies Act No. 07 of 2007.

## Principal Activities

John Keells Holdings PLC (the Company), 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 (the Group), and provides function based services to its subsidiaries, joint ventures 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. There were no significant changes to the principal activities of the Company or its subsidiaries during the year.

## Corporate Vision and Values

A culture of innovation, integrity, excellence, caring and trust has been developed within the Group. By being aligned with these values the Directors and employees conduct their activities to achieve the vision, "Building businesses that are leaders in the region".

## 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 9 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 are provided in Note 7 to the Financial Statements.

## Future Developments

Information on future developments are contained in the Chairman's Message and Management Discussion and Analysis sections of this Annual Report.

## Financial Statements

Financial Statements of the Company and Group for the year ended 31 March

John Keells Holdings PLC		
For the year ended 31 March	2019	2018
In LKR '000s		
Profit after tax	12,002,216	21,222,229
Other adjustments	994	(4,083)
Balance brought forward from the previous year	60,106,601	47,213,561
Amount available for appropriation	72,109,811	68,431,707
1st interim dividend of LKR. 2.00 per share (2018-LKR. 2.00) paid out of dividend received	(2,775,057)	(2,775,002)
2nd interim dividend of LKR. 2.00 per share (2018-LKR. 2.00) paid out of dividend received	(2,636,336)	(2,775,047)
Final dividend declared of LKR. 1.00 per share (2018-LKR. 2.00) to be paid out of dividend received*	(1,318,173)	(2,775,057)
Re-purchase of shares	(11,100,229)	-
Balance to be carried forward to the next year	54,280,016	60,106,601

\*In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements.

## Financial Results and Appropriations Revenue

Revenue generated by the Company amounted to LKR. 1,722 Mn (2018 – LKR. 1,348 Mn), whilst Group revenue amounted to LKR. 135,456 Mn (2018 – LKR. 121,215 Mn). Contribution to Group revenue, from the different business segments, is provided in Note 7 to the Financial Statements.

## Profit and Appropriations

The profit after tax of the Company was LKR. 12,002 Mn (2018 – LKR. 21,222 Mn) whilst the Group profit attributable to equity holders of the parent for the year was LKR. 15,254 Mn (2018 - LKR. 21,021 Mn).

The Company's total comprehensive income net of tax was LKR. 11,977 Mn (2018 - LKR. 21,152 Mn), and the Group total comprehensive income attributable to parent was LKR. 23,208 Mn (2018 - LKR. 28,619 Mn).

2019, which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) with the inclusion of the signatures of the Chairman, Deputy Chairman/Group Finance Director and Group Financial Controller, are given from pages 216 to 302 and form a part of the Integrated Annual Report.

## Dividend and Reserves

As required by Section 56(2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained certificates from the auditors, prior to declaring all dividends. A final dividend will be paid on 14 June 2019 to those shareholders on the register as of 3 June 2019.

## Accounting Policies

All the significant accounting policies adopted by the Company and Group are mentioned in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review except for SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments standards the Group adopted with effect from 1 April 2018. For all periods up to and including the year ended 31 March 2019, the Group prepared its

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

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).

## Capital Expenditure

The Company's and Group's capital expenditure on property, plant and equipment amounted to LKR. 80 Mn (2018 - LKR. 86 Mn) and LKR. 12,020 Mn (2018 - LKR. 18,922 Mn), respectively, and all other related information and movements have been disclosed in Note 21 to the Financial Statements.

Additions of intangible assets of the Company and Group during the year amounted to LKR. 62 Mn (2018 - LKR. 33 Mn) and LKR. 1,810 Mn (2018 - LKR. 218 Mn), respectively, and all other related movements are disclosed in Note 24 to the Financial Statements.

## Valuation of Land, Buildings and Investment Properties

All land and buildings owned by Group companies were revalued as at 31 December 2018 and the carrying value amounted to LKR. 75,948 Mn (2018 - LKR. 70,741 Mn). All information related to revaluation is given in Note 21.3 to the Financial Statements.

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.

The Group revalued all its investment properties as at 31 December 2018, and the carrying value amounted to LKR. 13,985 Mn (2018- LKR. 12,427 Mn). All information related to revaluation of the investment properties is provided in Note 23 to the Financial Statements.

Details of the Group's real estate as at 31 March 2019, are disclosed in the Group Real Estate Portfolio in the Supplementary Information section of the Annual Report.

## Investments

Detailed description of the long term investments held as at the reporting date,

is given in Notes 25, 26 and 27 to the Financial Statements.

## Stated Capital

Stated Capital as at 31 March 2019 for the Company amounted to LKR. 62,806 Mn (2018 - LKR. 62,802 Mn). The movement and composition of the Stated Capital is disclosed in the Statement of Changes in Equity and in Note 33.1 to the Financial Statements.

## Revenue Reserves

Revenue reserves as at 31 March 2019 for the Company and Group amounted to LKR. 55,598 Mn (2018 - LKR. 62,882 Mn) and LKR. 82,834 Mn (2018 - LKR. 87,266 Mn), respectively. The movement of the revenue reserve is disclosed in the Statement of Changes in Equity.

## Share Information

The distribution and composition of shareholders and the information relating to earnings, dividends, net assets, market value per share and share trading is given in the Share Information section of the Annual Report. As additional disclosures, the Company's Board of Directors' (including their close family members) shareholdings, options available under the employee share option (ESOP) plans as at 31 March 2019, market capitalisation, public holding percentage and number of public shareholders are given in the Share Information section of the Annual Report.

## 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.

## Equitable Treatment of Shareholders

The Company has at all times ensured that all shareholders are treated equitably.

## The Board of Directors

The Board of Directors of the Company as at 31 March 2019 and their brief profiles are given in the Board of Directors section of the Annual Report.

## Retirement and Re-Election of Directors

In accordance with Article 84 of the Articles of Association of the Company, J G A Cooray and S S H Wijayasuriya retire

by rotation, and, being eligible, offer themselves for re-election.

In accordance with Article 91 of the Articles of Association of the Company, R Coomaraswamy is eligible for re-election.

## Review of The Performance of The Board

The performance of the board has been appraised through a formalised process, where each individual Director anonymously comments on the dynamics of the Board. The process is described in the Corporate Governance Commentary section of the Annual Report.

## Board Committees

Information relating to members of the Audit Committee, Human Resources and Compensation Committee, Nominations Committee, Related Party Transactions Review Committee and Project Risk Assessment Committee, including reports of each of the committees, where applicable, and attendance of Directors for each of the committee meetings, are disclosed in the Corporate Governance Commentary section of the Annual Report.

## Interests Register and Interests in Contracts

The Company has maintained an Interests Register as contemplated by 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.

The Directors have all made a general disclosure relating to share dealings and indemnities and remuneration 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. The Interest Register is available at the registered head office of the Company, in keeping with the requirements of the section 119 (1) (d) of the Companies Act No 7 of 2007.

**Share Dealings**

Particulars of the Company interest register are disclosed in the Share Information section of the Annual Report.

There were no share dealings to be reported, for subsidiaries which are public companies, or private companies, which have not dispensed with the requirement to maintain an interest register for the period from 1 April 2018 to 31 March 2019.

**Indemnities and Remuneration**

The Board approved the payment of remuneration of the following Executive Directors for the period of 1 April 2018 to 31 March 2019 comprising of;

An increment from 1 July 2018 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 2017/2018, and long term incentive plan including employee share options in John Keells Holdings PLC.

**John Keells Holdings PLC**

- S C Ratnayake (retired w.e.f. 31 December 2018)
- K N J Balendra
- J G A Cooray

**Asian Hotels and Properties PLC**

- R J Karunarajah (resigned w.e.f. 24 May 2019)
- S Rajendra

**Ceylon Cold Stores PLC**

- D P Gamlath

**Union Assurance PLC**

- A D Pereira

**Cinnamon Hotel Management Ltd**

- J R Gunaratne
- M H Singhawansa (appointed w.e.f. 1 July 2018)

**Walkers Tours Ltd**

- I N Amaratunga (appointed w.e.f. 1 January 2019)
- V Leelananda (retired w.e.f. 31 December 2018)

All approvals relating to indemnities and remuneration have been recommended by the Human Resources and Compensation Committee, taking into consideration inputs from market surveys, expert opinions and the specific management complexities associated with the John Keells Group and in keeping with the Group remuneration policy.

The contracts and standard director fees of the following Non-Executive Directors have been approved/renewed by the Board. The director fees are commensurate with the market complexities associated with the John Keells Group.

**John Keells Holdings PLC**

- R Coomaraswamy (appointed w.e.f. 1 October 2018)

**Asian Hotels and Properties PLC**

- J Durairatnam (appointed w.e.f. 8 September 2018)
- A S De Zoysa (appointed w.e.f. 8 September 2018)

**Ceylon Cold Stores PLC**

- M Hamza

**John Keells PLC**

- J R Gunaratne (appointed w.e.f. 1 July 2018)

**John Keells Hotels PLC**

- M H Singhawansa (appointed w.e.f. 1 July 2018)

**Union Assurance PLC**

- S C Ratnayake (retired w.e.f. 31 December 2018)
- D H Fernando (appointed w.e.f. 3 August 2018)
- K N J Balendra (appointed w.e.f. 1 January 2019)
- S A Appleyard (appointed w.e.f. 1 January 2019)

**Trans Asia Hotels PLC**

- E H Wijenaike

Fees payable to Non-Executive Nominee Directors of John Keells Holdings PLC was paid to John Keells Holdings PLC and not to individual Directors.

**Directors' Remuneration**

Details of the remuneration and other benefits received by the Directors are

set out in Note 42.7 to the Financial Statements.

**Related Party Transactions**

The Company's transactions with Related Parties, given in Note 42 to the Financial Statements, have complied with Colombo Stock Exchange Listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

**Employee Share Option Plan (ESOP)**

At the beginning of the year, the employee share option plan consisted of the eighth and ninth plans approved by the shareholders on 28 June 2014 and 24 June 2016 respectively.

The Board of Directors of the Company also resolved to recommend to the shareholders, a tenth ESOP Plan (Plan 10), whereby the maximum number of options offered under the Plan will not exceed 1.50% of the total issued shares of the Company. From the total number of options offered under Plan 10, a maximum of 0.50% of the total issued shares may be offered every year, over three (3) years commencing in July 2019 and ending in June 2022. The proposed ESOP Plan is subject to the approval of the Colombo Stock Exchange and the shareholders of the Company at an extraordinary general meeting.

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 Stock Exchange, are given under the Share Information section of the Annual Report.

The highest, lowest and the closing prices of the Company shares were LKR. 164.80, LKR. 126.00 and LKR. 156.00, respectively.

**The Group's compensation policy**

The Group re-visited its long-term compensation philosophy based on feedback obtained from employees

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

through surveys and also a study conducted by an internationally renowned HR consulting firm on behalf of the Group. Based on the findings, the compensation and benefits schemes of the Group were revised to reflect the view that employee share option schemes are not as effective for middle level management where a higher proportion of cash compensation is preferred. This also aligns with the belief that employees at such levels have a relatively limited ability to influence the overall performance of the Group, although having a material impact on their own businesses. As such, going forward, the ESOP scheme would be applicable only for senior levels of management where the quantum granted each year will be proportionately revised downwards to reflect the changes stated above.

In order to align the interests of Group employees in the capacity of Vice President and above levels, the existing Short-Term Incentive plans were revised and a long-term cash-based incentive plan, linked to the 5 year strategic plans, was announced. Given that the members of the Group Executive Committee (GEC) are enablers of the operating model of the Group, the GEC was, by plan, excluded from the long-term cash based incentive scheme to better align their interest with shareholder interest.

## 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.

During the year under review, the Group migrated to a state-of-the-art cloud based human resource information platform from the on-premise system used by the Group during the previous ten years. This platform will seamlessly manage the entire employee life cycle from recruitment and onboarding, to performance management and succession planning, compensation and learning and development, through to off-boarding.

Details of the Group's human resource initiatives are detailed in the Human Capital section of the Capital Management Review section of the Annual Report.

The number of persons employed by the Company and Group as at 31 March 2019 was 195 (2018 - 180) and 14,280 (2018 - 13,619), 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 the terms of payment as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items in accordance with these agreed terms. As at 31 March 2019, the trade and other payables of the Company and Group amounted to LKR. 347 Mn (2018 - LKR. 332 Mn) and LKR. 19,745 Mn (2018 - LKR. 16,077 Mn), 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. The entire sourcing process, from supplier identification to contracting, and supplier management for products and services was conducted through the electronic platform, during the year under review. This platform provided numerous benefits ranging from shortening of contracting life cycles, increased visibility of the sourcing process, accurate analytics and saving of paper.

## Ratios and Market price information

The ratios relating to equity, debt and market price information as required by the listing requirements of the Colombo Stock Exchange are given under the Share Information section of this report.

## Corporate Governance

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework by effectively implementing systems and structures required to ensuring best practices in Corporate Governance. The table from page 190 to 192 shows the manner in which the Company has complied

with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The Corporate Governance Commentary is given from page 164 to 193.

## 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 is the Group's fourth Integrated Annual Report, which presents a comprehensive discussion on its financial and non-financial performance, in a bid to provide its stakeholders with holistic information relating to its value creation proposition through the six forms of capital reported under the International <IR> Framework. The Group has sought independent third-party assurance from DNV GL, represented in Sri Lanka by DNV Business Assurance Lanka (Pvt) Ltd, in relation to the non-financial information contained in this report. In addition, the report also adheres to the Global Reporting Initiative (GRI) Standards: Core option.

## Research and Development

The Group has an active approach to research and development and recognises the contribution that it can make to intellectual property and the Group's operations. Significant expenditure has taken place over the years and substantial efforts will continue to be made to introduce intellectual property rights, develop new products and processes and improve the operational efficiency of existing products and processes.

## Environmental Protection

The Group complies with the relevant environmental laws, regulations and endeavours to comply with best practices applicable in the country of operation.



### Corporate Social Responsibility (CSR)

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 towards its stakeholders and to bring about sustainable development in the focus areas. The CSR initiatives, including completed and on-going projects, are detailed in the Group Consolidated Review section in the Annual Report.

In quantifying the Group's contribution to CSR initiatives and activities, no account has been taken of in-house costs or management time.

### Donations

Total donations made by the Company and the Group during the year amounted to LKR. 0.5 Mn (2018 - LKR. 0.5 Mn) and LKR. 5 Mn (2018 - LKR. 8 Mn), respectively. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

### 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 43 to the Financial Statements covering contingent liabilities.

### Compliance with Laws and Regulations

To the best of knowledge and belief of the Directors, the Company and the Group have not engaged in any activity, which contravenes laws and regulations of the country.

### Enterprise Risk Management and Internal Controls

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risk 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 are presented by the Business Unit to its respective Audit Committee for review and in the case of John Keells Holdings PLC, by the Enterprise Risk Management Division to the John Keells Holdings PLC Audit Committee. The Corporate Governance section to this Report elaborates on these practices and the Group's risk factors.

### Internal Controls and Assurance

The Board, through the involvement of the Group Business Process Review Division, takes steps to gain assurance on the effectiveness over the financial, operational and risk management control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls 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.

### 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 47 to the Financial Statements.

### Going Concern

The Directors are satisfied that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

### Appointment and Remuneration of Independent 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 Independent Auditors' Report is found in the Financial Statements 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 3 firms of Chartered Accountants across the Group, namely, Ernst & Young, KPMG and PricewaterhouseCoopers. Details of audit fees are set out in Note 17 to 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

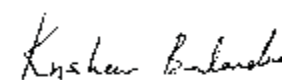
The Board of Directors approved the consolidated financial statements on 24 May 2019. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 24 May 2019.

### Annual General Meeting

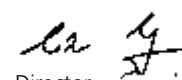
The Annual General Meeting will be held at the Ceylon Chamber of Commerce, 50, Nawam Mawatha, Colombo 3, on Friday, 28 June 2019 at 10.00 a.m. The notice of meeting appears in the Supplementary Information section of the Annual Report.

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

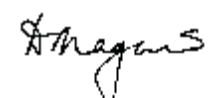
By Order of the Board



Director



Director



Keells Consultants (Pvt) Ltd.  
Secretaries

24 May 2019

# THE STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

The financial statements comprise of:

- income statement and statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the financial performance of the Company and its subsidiaries for the financial year; and
- a statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year: and

The Directors are required to confirm that the financial statements:

have been prepared:

- using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

are

- 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
- provide 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.

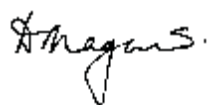
Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring a final dividend of LKR. 1.00 per share for this year, to be paid on 14 June 2019.

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

## Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in Note 43 to the Financial Statements covering contingent liabilities.

By order of the Board



Keells Consultants (Pvt) Ltd.  
Secretaries  
24 May 2019

# INDEPENDENT AUDITORS' REPORT



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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JOHN KEELLS HOLDINGS PLC

### Report on the audit of the Financial Statements

#### Opinion

We have audited the financial statements of John Keells Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year

then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

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

#### Key audit matters

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

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

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

#### Key Audit Matter

##### Valuation of land and buildings

As at 31 March 2019, land and buildings (including buildings on leasehold land) carried at fair value, classified as Property, Plant and Equipment and Investment Property amounted to LKR 75.95 Bn and LKR 13.99 Bn respectively. The fair value of such property was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in notes 21.3 and 23 to the financial statements.

#### How our audit addressed the key audit matter

Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following;

- We assessed the competency, capability and objectivity of the external valuers engaged by the Group
- We read the external valuer's report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property
- We engaged our internal specialised resources to assessing the reasonableness of the valuation technique, per perch price and value per square foot
- We have also assessed the adequacy of the disclosures made in note 21.3 and 23 to the financial statements relating to the valuation technique and estimates used by the external valuers.

# INDEPENDENT AUDITORS' REPORT

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Insurance Contract Liabilities</b> The Group has significant insurance contract liabilities of LKR 32.8 Bn which represents 25% of the Group's total liabilities.</p> <p>The valuation of the insurance contract liabilities in relation to the life business required the application of significant assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus and expenses and assessing the completeness and accuracy of the information used in the underlying valuations. Changes in such significant assumptions used in the valuation of the insurance contract liabilities directly impacts the change in insurance contract liabilities in the income statement.</p>	<p>Our audit procedures focused on the valuations performed by the external actuary engaged by the subsidiary company of the Group and included the following;</p> <ul style="list-style-type: none"> <li>• We involved the component auditor of the subsidiary company to perform the audit procedures to assess the reasonableness of the assumptions and test the controls on a sample basis over the process of estimating the insurance contract liabilities.</li> <li>• We engaged our internal expert to assess the reasonableness of the assumptions used in the valuations of the insurance contract liabilities</li> <li>• We assessed the adequacy of the disclosures and the movement in the insurance contract liabilities.</li> </ul>
<p><b>Revenue Recognition</b> During the year, the Group adopted SLFRS 15 - Revenue from Contracts with Customers (the New Revenue Standard) which specifies how and when an entity should recognise revenue along with the need to provide users of financial statements with more informative, relevant disclosures.</p> <p>Due to the Group's involvement in diversified industries and wide spectrum of businesses such as Consumer Foods, Retail, Leisure, Property and Transportation, the Group was required to consider relevant clarifications and guidance specifically relating to point of revenue recognition i.e. at a point in time or over the period, agent vs principal relationships in adoption of the new revenue standard.</p> <p>As more fully described in note 13 to the financial statements the process of adoption involved consideration of relevant legal aspects, industry practices, use of management critical judgments and estimates.</p> <p>Considering all of the above matters, we determined the Group's adoption of the New Revenue Standard during the current year audit as a key audit matter.</p>	<p>Our audit procedures focused on the Group's adoption of the New Revenue Standard and included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• We assessed the process followed by the Group to ensure all revenue streams are considered in its assessment and that the related contracts reviewed are representative of specified revenue streams &amp; contractual terms.</li> <li>• We perused Management's correspondence with legal officers and other consultants to assess the reasonability of the final conclusions reached on matters such as point and amount of revenue recognition for adoption of the new revenue standard.</li> <li>• We involved internal specialists in assessing the management's conclusions over revenue recognition relating to industry specific contractual terms/practices such as for Property, Retail sectors.</li> <li>• We also assessed the adequacy of enhanced disclosures made in note 13 to the financial statements.</li> </ul>

**Other information included in the 2018/19 Annual Report**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

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

**Responsibilities of management and those charged with governance**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance

with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on other legal and regulatory requirements

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

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



24 May 2019  
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# INCOME STATEMENT

For the year ended 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
Continuing operations					
Revenue from contracts with customers		124,818,922	111,343,239	1,721,687	1,347,707
Revenue from insurance contracts		10,637,226	9,871,833	-	-
<b>Total revenue</b>	13	135,456,148	121,215,072	1,721,687	1,347,707
Cost of sales		(107,668,833)	(91,932,377)	(839,306)	(632,347)
<b>Gross profit</b>		27,787,315	29,282,695	882,381	715,360
Dividend income	14	-	-	7,187,071	8,574,886
Other operating income	15.1	1,925,698	2,084,111	266,834	8,213,099
Selling and distribution expenses		(5,939,294)	(4,226,827)	-	-
Administrative expenses		(12,411,130)	(12,488,091)	(1,263,484)	(1,134,661)
Other operating expenses	15.2	(3,705,496)	(3,190,163)	(98,354)	(72,925)
<b>Results from operating activities</b>		7,657,093	11,461,725	6,974,448	16,295,759
Finance cost	16	(2,722,289)	(520,797)	(184,544)	(72,019)
Finance income	16	12,051,601	11,268,141	6,351,370	6,291,920
Change in insurance contract liabilities	35.2	(3,422,893)	(2,449,379)	-	-
Change in contract liability due to transfer of one off surplus	35	-	3,381,934	-	-
Change in fair value of investment property	23	324,653	896,380	-	-
Share of results of equity accounted investees (net of tax)	26.3	4,727,345	3,596,430	-	-
<b>Profit before tax</b>	17	18,615,510	27,634,434	13,141,274	22,515,660
Tax expense	20.1	(2,378,114)	(4,514,629)	(1,139,058)	(1,293,431)
<b>Profit for the year</b>		16,237,396	23,119,805	12,002,216	21,222,229
Attributable to:					
Equity holders of the parent		15,254,126	21,021,031		
Non-controlling interests		983,270	2,098,774		
		16,237,396	23,119,805		
		LKR.	LKR.		
Earnings per share					
Basic	18.1	11.13	15.15		
Diluted	18.2	11.13	15.15		
Dividend per share	19	6.00	6.00		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 224 to 302 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
Profit for the year		16,237,396	23,119,805	12,002,216	21,222,229
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		6,133,985	1,101,842	-	-
Net gain on cash flow hedges		(169,713)	265,815	-	-
Net gain/(loss) on financial instruments at fair value through other comprehensive income		(140,413)	731,605	-	(66,510)
Share of other comprehensive income of equity accounted investees (net of tax)		839,565	511,589	-	-
Net other comprehensive income to be reclassified to Income Statement in subsequent periods		6,663,424	2,610,851	-	(66,510)
Other comprehensive income not to be reclassified to Income Statement in subsequent periods					
Net gain / (loss) on equity instruments at fair value through other comprehensive income		(25,937)	-	(25,937)	-
Revaluation of land and buildings		2,250,474	9,169,124	-	-
Re-measurement gain / (loss) on defined benefit plans	37.2	29,050	(22,762)	994	(4,083)
Share of other comprehensive income of equity accounted investees (net of tax)		303,712	17,199	-	-
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		2,557,299	9,163,561	(24,943)	(4,083)
Tax on other comprehensive income	20.1	(405,806)	(4,106,764)	-	-
Other comprehensive income for the period, net of tax		8,814,917	7,667,648	(24,943)	(70,593)
Total comprehensive income for the period, net of tax		25,052,313	30,787,453	11,977,273	21,151,636
Attributable to :					
Equity holders of the parent		23,207,536	28,618,650		
Non-controlling interests		1,844,777	2,168,803		
		25,052,313	30,787,453		

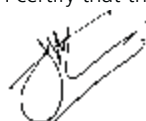
Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 224 to 302 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	GROUP		COMPANY	
		2019	2018	2019	2018
In LKR '000s					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	21	97,688,488	87,259,873	160,542	127,878
Lease rentals paid in advance	22	14,412,888	13,004,939	-	-
Investment property	23	13,985,379	12,427,058	-	-
Intangible assets	24	3,405,692	2,010,191	93,712	44,484
Investments in subsidiaries	25	-	-	77,245,896	67,967,918
Investments in equity accounted investees	26	25,169,094	22,335,347	10,286,492	10,165,655
Non-current financial assets	27	35,186,305	32,878,254	281,269	267,111
Deferred tax assets	20.4	1,252,978	171,503	-	-
Other non-current assets	28	77,274,785	53,599,347	27,113	20,724
		268,375,609	223,686,512	88,095,024	78,593,770
<b>Current assets</b>					
Inventories	29	9,547,014	6,689,541	-	-
Trade and other receivables	30	14,420,945	12,273,372	106,120	70,730
Amounts due from related parties	42.1	225,634	139,640	181,226	404,364
Other current assets	31	5,515,708	4,390,258	78,435	198,977
Short term investments	32	52,756,625	64,386,093	41,594,883	49,157,472
Cash in hand and at bank		12,955,209	10,882,856	3,570,428	496,591
		95,421,135	98,761,760	45,531,092	50,328,134
<b>Total assets</b>		363,796,744	322,448,272	133,626,116	128,921,904
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Stated capital	33	62,806,482	62,802,327	62,806,482	62,802,327
Revenue reserves		82,834,219	87,265,501	55,598,189	62,881,658
Other components of equity	33.2	58,646,116	49,852,263	2,400,739	1,952,125
		204,286,817	199,920,091	120,805,410	127,636,110
<b>Non-controlling interest</b>		26,071,923	24,944,488	-	-
<b>Total equity</b>		230,358,740	224,864,579	120,805,410	127,636,110
<b>Non-current liabilities</b>					
Insurance contract liabilities	35	32,833,058	30,230,539	-	-
Interest-bearing loans and borrowings	36	21,276,504	18,521,034	559,382	-
Deferred tax liabilities	20.4	7,756,673	7,089,179	-	-
Employee benefit liabilities	37	2,085,826	1,971,420	157,009	208,788
Other non-current liabilities	38	11,928,805	6,895,771	-	-
		75,880,866	64,707,943	716,391	208,788
<b>Current liabilities</b>					
Trade and other payables	39	19,744,821	16,077,499	346,926	332,191
Amounts due to related parties	42.2	92,532	5,168	12,537	5,377
Income tax liabilities	20.3	1,504,819	2,078,807	225,587	671,634
Short term borrowings	40	9,970,906	3,128,508	4,000,010	-
Interest-bearing loans and borrowings	36	3,204,613	2,062,465	293,500	-
Other current liabilities	41	2,978,728	3,513,214	5,646	5,327
Bank overdrafts		20,060,719	6,010,089	7,220,109	62,477
		57,557,138	32,875,750	12,104,315	1,077,006
<b>Total equity and liabilities</b>		363,796,744	322,448,272	133,626,116	128,921,904

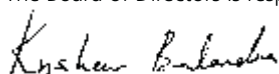
I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



K M Thanthirige

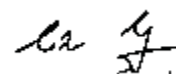
Group Financial Controller

The Board of Directors is responsible for these financial statements.



K N J Balendra

Chairman



J G A Cooray

Deputy Chairman/Group Finance Director

The accounting policies and notes as set out in pages 224 to 302 form an integral part of these financial statements.

24 May 2019

Colombo



# STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	GROUP		COMPANY	
		2019	2018	2019	2018
In LKR '000s					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before working capital changes	A	9,995,954	17,230,043	(140,535)	(162,151)
(Increase) / Decrease in inventories		(2,857,473)	(1,083,829)	-	-
(Increase) / Decrease in trade and other receivables		4,205,287	770,174	12,360	108,921
(Increase) / Decrease in other current assets		(1,393,662)	(1,160,879)	120,542	(99,535)
(Increase) / Decrease in other non-current assets		(23,675,438)	(11,906,507)	(6,389)	(4,470)
Increase / (Decrease) in trade, other payables and other non-current liabilities		8,787,720	4,070,175	6,611	(307,588)
Increase / (Decrease) in other current liabilities		(515,428)	578,591	319	(11,114)
Increase / (Decrease) in insurance contract liabilities		2,602,519	(1,469,739)	-	-
Cash generated from operations		(2,850,521)	7,028,029	(7,092)	(475,937)
Finance income received		12,051,601	11,069,018	4,298,933	5,338,590
Finance cost paid		(1,598,646)	(520,797)	(190,040)	(70,187)
Dividend received		3,088,196	2,942,698	7,261,856	8,273,468
Tax paid		(3,486,777)	(4,204,461)	(1,585,105)	(1,257,330)
Gratuity paid		(334,143)	(302,309)	(106,622)	(50,815)
Net cash flows from operating activities		6,869,710	16,012,178	9,671,930	11,757,789
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>					
Purchase and construction of property, plant and equipment		(12,019,852)	(10,319,886)	(80,269)	(85,673)
Purchase of intangible assets	24	(1,809,775)	(217,562)	(62,190)	(32,544)
Addition to investment property	23	(1,233,668)	(4,397,290)	-	-
Purchase of lease rights	22	(582,176)	-	-	-
Acquisition of business, net of cash acquired		-	(78,584)	-	-
Investment in equity accounted investee		(420,561)	(1,804,500)	-	-
Investment in subsidiaries		-	-	(1,222,611)	-
Increase in interest in subsidiaries		-	-	(7,839,937)	(17,366,523)
Increase in interest in equity accounted investees		-	(1,629,147)	-	(1,131,089)
Proceeds from sale of property, plant and equipment and intangible assets		222,749	262,819	206	19,507
Proceeds from sale of non-current investments		-	285,114	301,474	874,690
Proceeds from sale of financial instruments - fair valued through profit or loss		535,147	944,936	-	-
Purchase of financial instruments - fair valued through profit or loss		(637,994)	(1,128,585)	-	-
(Purchase) / Disposal of short term investments (net)		7,877,555	5,871,794	9,355,139	5,421,442
(Purchase) / Disposal of non-current financial assets (net)		(2,510,360)	(4,462,133)	(54,085)	(7,871)
Grants received for investing activities		-	32,560	-	-
Net cash flows from/(used in) investing activities		(10,578,935)	(16,640,464)	397,727	(12,308,061)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		3,077	9,016	3,077	9,016
Repurchase of shares		(11,100,229)	-	(11,100,229)	-
Changes in non-controlling interest		310,554	(173,574)	-	-
Dividend paid to equity holders of parent		(8,186,450)	(8,324,983)	(8,186,450)	(8,324,983)
Dividend paid to shareholders with non-controlling interest		(732,298)	(882,760)	-	-
Proceeds from long term borrowings	36.1	3,797,498	5,832,308	898,125	-
Repayment of long term borrowings		(1,934,720)	(2,795,723)	(24,458)	-
Proceeds from (repayment of) other financial liabilities (net)		6,842,398	1,748,270	4,000,010	-
Net cash flows from / (used in) financing activities		(11,000,170)	(4,587,446)	(14,409,925)	(8,315,967)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(14,709,395)	(5,215,732)	(4,340,268)	(8,866,239)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING</b>		42,427,873	47,643,605	31,122,950	39,989,189
<b>CASH AND CASH EQUIVALENTS AT THE END</b>		27,718,478	42,427,873	26,782,682	31,122,950
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
Favourable balances					
Short term investments (less than 3 months)	32	34,823,988	37,555,106	30,432,363	30,688,836
Cash in hand and at bank		12,955,209	10,882,856	3,570,428	496,591
Unfavourable balances					
Bank overdrafts		(20,060,719)	(6,010,089)	(7,220,109)	(62,477)
<b>Total cash and cash equivalents</b>		27,718,478	42,427,873	26,782,682	31,122,950

Cash and cash equivalents in the statement of cash flows, consist of cash in hand, cash at banks and short term deposits with a maturity of three months or less, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 224 to 302 form an integral part of these financial statements

## STATEMENT OF CASH FLOWS

For the year ended 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
<b>A Profit before working capital changes</b>					
Profit before tax		18,615,510	27,634,434	13,141,274	22,515,660
Adjustments for:					
Finance income		(12,051,601)	(11,268,141)	(6,351,370)	(6,291,920)
Dividend income		-	-	(7,187,071)	(8,574,886)
Finance costs		2,722,289	520,797	184,544	72,019
Share based payment expense	34	475,629	517,374	144,665	170,759
Change in fair value of investment property	23	(324,653)	(896,380)	-	-
Share of results of equity accounted investees	26.3	(4,727,345)	(3,596,430)	-	-
Profit on sale of non-current investments	15.1	-	(28,575)	(234,845)	(8,183,167)
Depreciation of property, plant and equipment	21.1, 21.2	3,657,780	3,236,226	36,870	32,555
Provision for impairment losses	15.2	174,700	23,445	46,600	40,712
(Profit) / loss on sale of property, plant and equipment and intangible assets	15.1, 15.2	58,546	(67,475)	9,999	(354)
Amortisation of lease rental paid in advance	22.1	478,292	458,459	-	-
Amortisation of intangible assets	24	415,951	325,531	12,962	18,861
Amortisation of other deferred liabilities		-	(1,805)	-	-
Employee benefit provision and related costs		477,599	371,908	55,837	37,610
Accumulated unrecognised (gain)/loss (net)		-	(31,392)	-	-
Unrealised (gain) / loss on foreign exchange (net)		23,257	32,067	-	-
		9,995,954	17,230,043	(140,535)	(162,151)

## STATEMENT OF CHANGES IN EQUITY

COMPANY	Stated capital	Other capital reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total equity
In LKR '000s					
As at 1 April 2017	62,790,080	1,402,656	102,220	49,988,495	114,283,451
Profit for the year	-	-	-	21,222,229	21,222,229
Other comprehensive income	-	-	(66,510)	(4,083)	(70,593)
Total comprehensive income	-	-	(66,510)	21,218,146	21,151,636
Exercise of share options	9,016	-	-	-	9,016
Share based payments	3,231	513,759	-	-	516,990
Final dividend paid - 2016/17	-	-	-	(2,774,934)	(2,774,934)
Interim dividends paid - 2017/18	-	-	-	(5,550,049)	(5,550,049)
As at 31 March 2018	62,802,327	1,916,415	35,710	62,881,658	127,636,110
Profit for the year	-	-	-	12,002,216	12,002,216
Other comprehensive income	-	-	(25,937)	994	(24,943)
Total comprehensive income	-	-	(25,937)	12,003,210	11,977,273
Exercise of share options	3,077	-	-	-	3,077
Share repurchase - 2018/19	-	-	-	(11,100,229)	(11,100,229)
Share based payments	1,078	474,551	-	-	475,629
Final dividend paid - 2017/18	-	-	-	(2,775,057)	(2,775,057)
Interim dividends paid - 2018/19	-	-	-	(5,411,393)	(5,411,393)
As at 31 March 2019	62,806,482	2,390,966	9,773	55,598,189	120,805,410

\* Fair value through other comprehensive income

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 224 to 302 form an integral part of these financial statements.

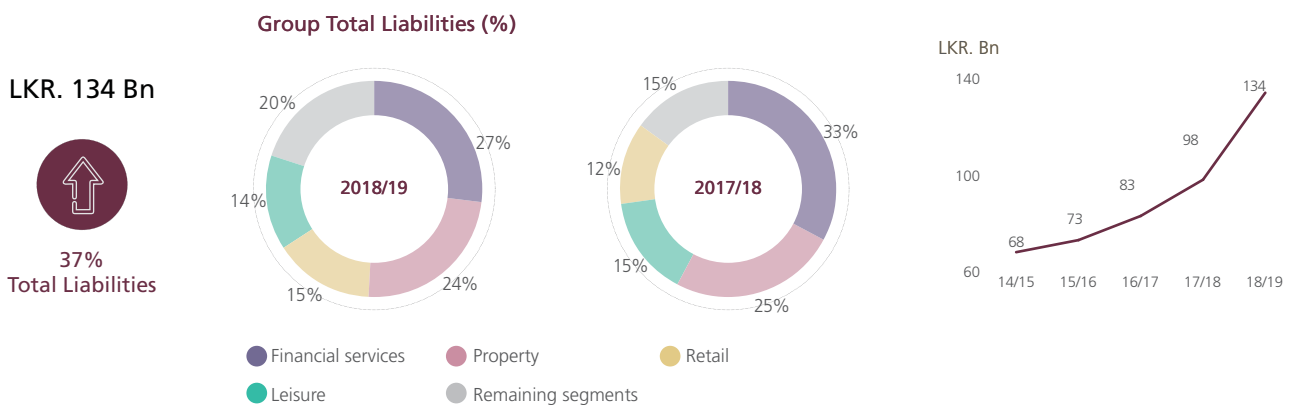
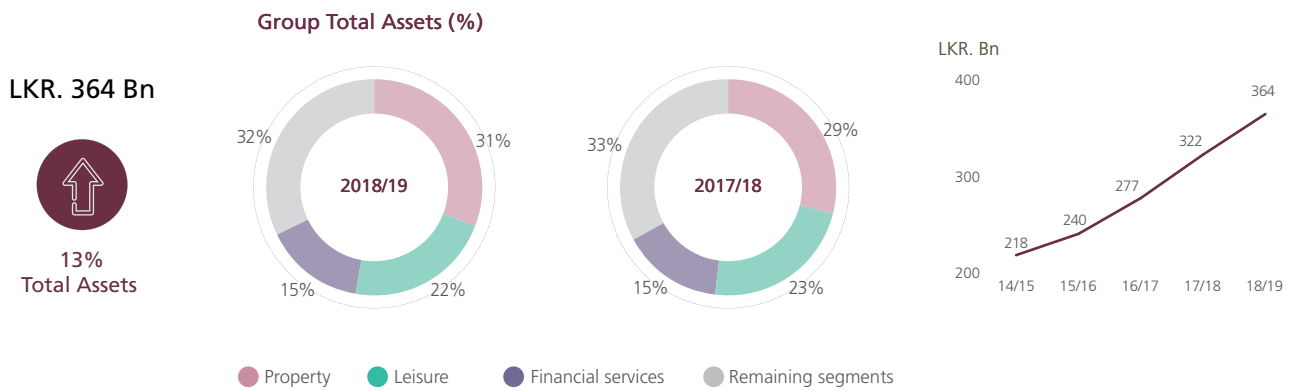
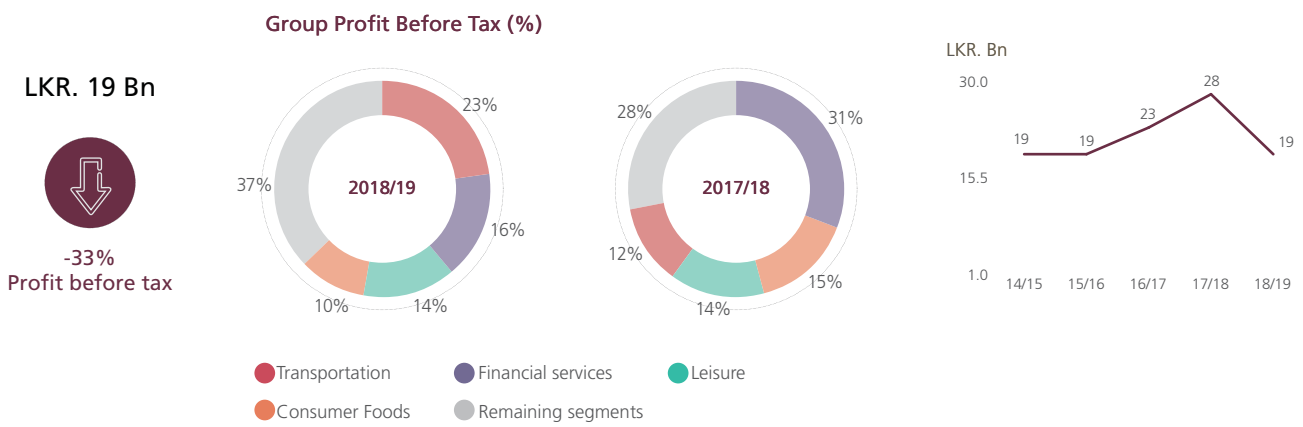
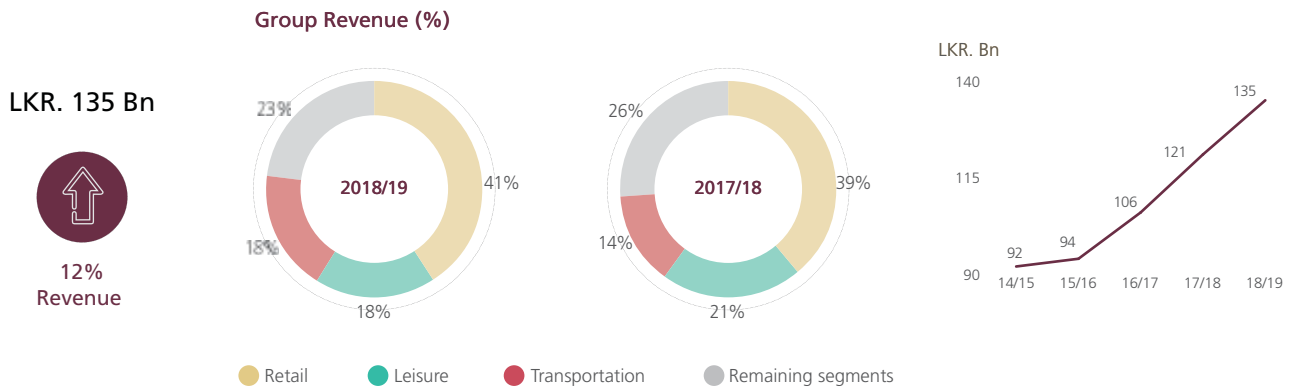
## STATEMENT OF CHANGES IN EQUITY

GROUP In LKR '000s	Attributable to equity holders of the parent										Total equity
	Stated capital	Restricted regulatory reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other capital reserve of financial assets at FVOCI*	Fair value reserve	Revenue reserve	Total controlling interests	Non controlling interests	
As at 1 April 2017	62,790,080	-	28,994,792	8,303,895	312,529	1,402,656	(362,304)	77,193,184	178,634,832	15,695,543	194,330,375
Profit for the year	-	-	-	-	-	-	-	21,021,031	21,021,031	2,098,774	23,119,805
Other comprehensive income	-	-	5,150,294	1,131,696	253,403	-	1,027,363	34,863	7,597,619	70,029	7,667,648
Total comprehensive income	-	-	5,150,294	1,131,696	253,403	-	1,027,363	21,055,894	28,618,650	2,168,803	30,787,453
Transfer of one - off surplus	-	3,123,554	-	-	-	-	-	(3,123,554)	-	-	-
Exercise of share options	9,016	-	-	-	-	-	-	-	9,016	-	9,016
Share based payments	3,231	-	-	-	-	513,759	-	-	516,990	-	516,990
Final dividend paid - 2016/17	-	-	-	-	-	-	-	(2,774,934)	(2,774,934)	-	(2,774,934)
Interim dividends paid - 2017/18	-	-	-	-	-	-	-	(5,550,049)	(5,550,049)	-	(5,550,049)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	499,883	499,883	(1,382,643)	(882,760)
Acquisition, disposal and changes in non-controlling interest	-	-	626	-	-	-	-	(34,923)	(34,297)	8,462,785	8,428,488
As at 31 March 2018	62,802,327	3,123,554	34,145,712	9,435,591	565,932	1,916,415	665,059	87,265,501	199,920,091	24,944,488	224,864,579
Impact of adopting SLFRS 9 (equity accounted investees)	-	-	-	-	-	-	-	(328,435)	(328,435)	-	(328,435)
Profit for the year	-	-	-	-	-	-	-	15,254,126	15,254,126	983,270	16,237,396
Other comprehensive income	-	-	1,783,752	6,503,998	(163,286)	-	(192,890)	21,836	7,953,410	861,507	8,814,917
Total comprehensive income	-	-	1,783,752	6,503,998	(163,286)	-	(192,890)	15,275,962	23,207,536	1,844,777	25,052,313
Transfer to the statutory reserve fund	-	385,640	-	-	-	-	-	(385,640)	-	-	-
Exercise of share options	3,077	-	-	-	-	-	-	-	3,077	-	3,077
Share repurchase - 2018/19	-	-	-	-	-	-	-	(11,100,229)	(11,100,229)	-	(11,100,229)
Share based payments	1,078	-	-	-	-	474,551	-	-	475,629	-	475,629
Final dividend paid - 2017/18	-	-	-	-	-	-	-	(2,775,057)	(2,775,057)	-	(2,775,057)
Interim dividends paid - 2018/19	-	-	-	-	-	-	-	(5,411,393)	(5,411,393)	-	(5,411,393)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	254,108	254,108	(986,406)	(732,298)
Acquisition, disposal and changes in non-controlling interest	-	-	2,088	-	-	-	-	39,402	41,490	269,064	310,554
As at 31 March 2019	62,806,482	3,509,194	35,931,552	15,939,589	402,646	2,390,966	472,169	82,834,219	204,286,817	26,071,923	230,358,740

\* Fair value through other comprehensive income  
Figures in brackets indicate deductions.

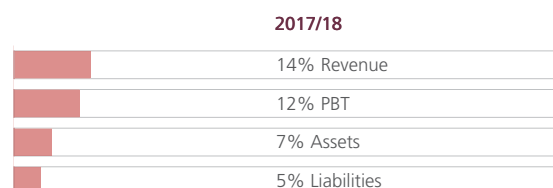
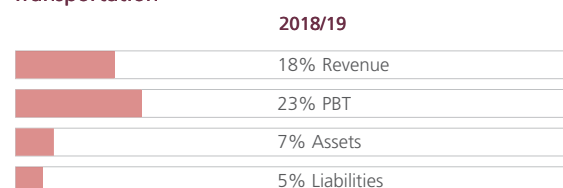
The accounting policies and notes as set out in pages 224 to 302 form an integral part of these financial statements.

# FINANCIAL HIGHLIGHTS

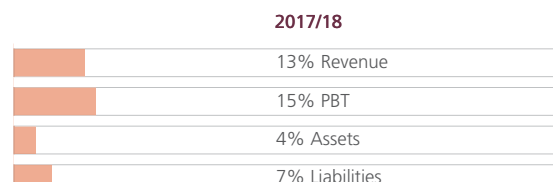
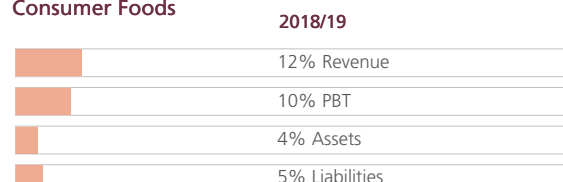


# GROUP CONTRIBUTION HIGHLIGHTS

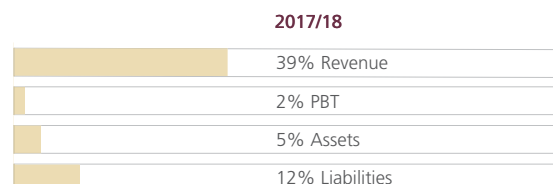
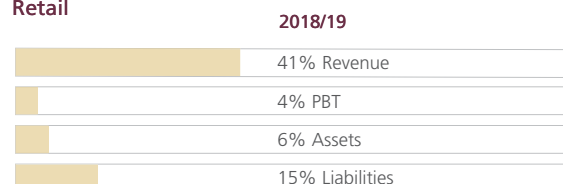
## Transportation



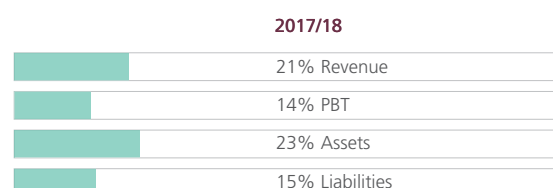
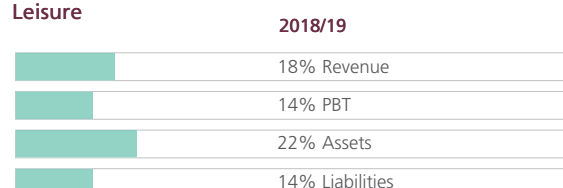
## Consumer Foods



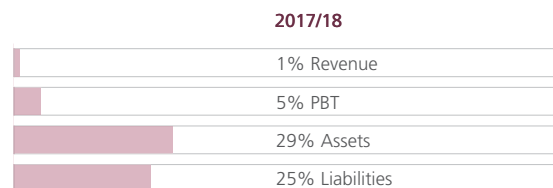
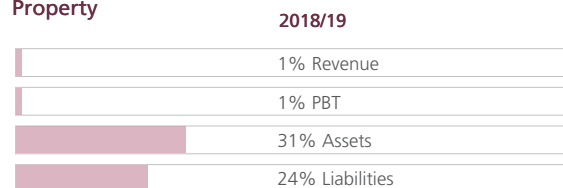
## Retail



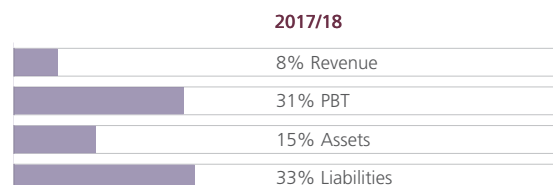
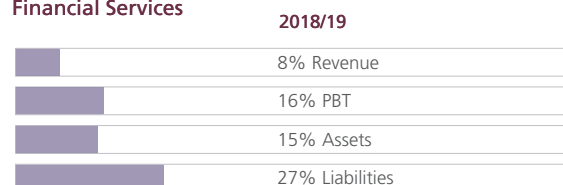
## Leisure



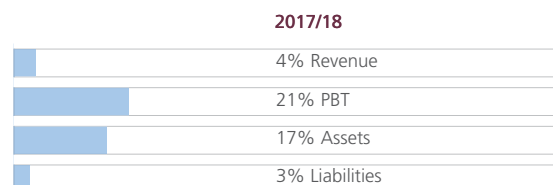
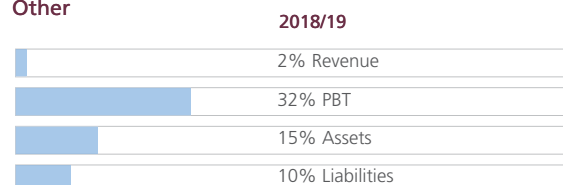
## Property



## Financial Services



## Other



# NOTES TO THE FINANCIAL STATEMENTS

## CORPORATE AND GROUP INFORMATION

### 1. Corporate information

#### 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 No. 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.

#### Consolidated financial statements

The financial statements for the year ended 31 March 2019, comprise of “the Company” referring to John Keells Holdings PLC as the holding Company and “the Group” referring to the companies that have been consolidated therein.

#### Approval of financial statements

The financial statements for the year ended 31 March 2019 were authorised for issue by the Board of Directors on 24 May 2019.

#### 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.

#### 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.

#### Statements of compliance

The financial statements which comprise of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes 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. Group information

#### 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.

## BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

### 3. 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 fair value through other comprehensive income financial assets that have been measured at fair value.

#### Presentation of functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR.), which is the currency in the primary economic environment in which the holding Company operates.

The following subsidiaries are using functional currencies other than Sri Lankan Rupees (LKR.).

Country of incorporation	Functional Currency	Name of the Subsidiary
India	Indian Rupee (INR)	Serene Holidays (Pvt) Ltd.
Singapore	Singapore Dollar (SGD)	John Keells Singapore (Pte) Ltd.
Republic of Maldives	United States Dollar (USD)	Fantasea World Investments (Pte) Ltd. John Keells Maldivian Resort (Pte) Ltd. Mack Air Services Maldives (Pte) Ltd. Tranquility (Pte) Ltd. Travel Club (Pte) Ltd.
Mauritius	United States Dollar (USD)	John Keells BPO Holdings (Pvt) Ltd. John Keells BPO International (Pvt) Ltd.
Sri Lanka	United States Dollar (USD)	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 on ‘Presentation of Financial Statements’.

All values are rounded to the nearest Sri Lankan Rupees thousand (LKR. ‘000) except when otherwise indicated.

The significant accounting policies are discussed with relevant individual notes.

The indicative US Dollar financial statements under Supplementary Information section of the Annual Report do not form a part of the financial statements prepared in accordance with SLFRS/LKAS.

#### 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.

Amendments to the financial statements due to changes in accounting standards are discussed in Note 6.

#### 4. Summary of significant accounting policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group.

Other significant accounting policies not disclosed with individual notes.

Following accounting policies, which have been applied consistently by the Group, are considered to be significant but not covered in any other sections

##### Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the 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 the normal operating cycle
- Held primarily for the purpose of trading
- 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.

All other liabilities are classified as non-current.

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

##### Foreign currency translation, foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lankan Rupees (LKR.), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary 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 of the item.

##### Foreign operations

The statement of financial position and income statement of overseas subsidiaries, joint ventures and associates which are deemed to be foreign operations are translated to Sri Lankan Rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

#### 5. Significant accounting judgements, estimates and assumptions

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Significant accounting judgements, estimates and assumptions (Contd.)

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

- a) Valuation of land and buildings and investment property
- b) Impairment of non-financial assets
- c) Share based payments
- d) Taxes
- e) Employee benefit liability
- f) Valuation of insurance contract liabilities
- g) Provision for expected credit losses of trade receivables and contract assets

## 6. Changes in accounting standards and standards issued but not yet effective

### 6.1 Changes in accounting standard

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

There are other amendments and interpretations applied for the first time in 2018/19 financial year, which do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the impact assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's consolidated financial statements.

#### SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of accounting for financial instruments which are classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied SLFRS 9 retrospectively, with the initial application date of 1 April 2018. The Group has taken an exception not to restate comparative information for prior periods with respect to classification and measurement requirements.

### 6.2 Standards issued but not yet effective

The following SLFRS has been issued by the Institute of Chartered Accountants of Sri Lanka, effective in the future and therefore has not been applied in preparing these financial statements. This SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

The Group intends to adopt this standard, if applicable, when it becomes effective.

Accounting Standard	Summary of the Requirements	Possible Impact on Consolidated Financial Statements
SLFRS 16 - Leases  [Effective on or after 1 January 2019 (early adoption permitted)]	SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.	The Group will apply the standard from its mandatory adoption date which financial reporting period starting from 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The standard will affect primarily the accounting for the Group's operating leases and lease commitments. The Group will elect to apply the standard to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4. The Group will elect to use the exemptions applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has rent agreements with several parties where the lease term ends within 12 months.



Accounting Standard	Summary of the Requirements	Possible Impact on Consolidated Financial Statements												
	The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.	<p>Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).</p> <p>The Group has performed a detailed impact assessment of SLFRS 16 as at the reporting date.</p> <table border="1"> <thead> <tr> <th>Assets</th> <th>LKR '000</th> </tr> </thead> <tbody> <tr> <td>Right-of-use assets</td> <td>26,245,373</td> </tr> <tr> <td>Lease rentals paid in advance</td> <td>(12,979,597)</td> </tr> <tr> <td colspan="2"><b>Liabilities</b></td> </tr> <tr> <td>Lease liabilities</td> <td>13,265,776</td> </tr> <tr> <td><b>Net impact to equity</b></td> <td><b>Nil</b></td> </tr> </tbody> </table> <p>The Group expects that net profit after tax will decrease by approximately LKR. 351 Mn for 2019/20 financial year as a result of adopting the new rules. EBITDA used to measure segment results is expected to increase by approximately LKR. 2,156 Mn, as the operating lease payments were part of EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability will be excluded from this measure in the future.</p> <p>Operating cash flows will increase and financing cash flows decrease by approximately LKR. 1,165 Mn as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.</p>	Assets	LKR '000	Right-of-use assets	26,245,373	Lease rentals paid in advance	(12,979,597)	<b>Liabilities</b>		Lease liabilities	13,265,776	<b>Net impact to equity</b>	<b>Nil</b>
Assets	LKR '000													
Right-of-use assets	26,245,373													
Lease rentals paid in advance	(12,979,597)													
<b>Liabilities</b>														
Lease liabilities	13,265,776													
<b>Net impact to equity</b>	<b>Nil</b>													

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

- Revised Conceptual Framework for Financial Reporting
- Presentation of Financial Statements & Accounting Policies and Changes in Accounting Estimates and Errors (Amendments to LKAS 1 & LKAS 8)
- Improving the definition of a business (amendments to SLFRS 3)
- Annual Improvements Cycle - 2015-2017
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to LKAS 19)

## GROUP BUSINESS, OPERATIONS AND MANAGEMENT

### 7. Operating segment information

#### Accounting policy

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 risks and returns 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 in the Supplementary section of the Annual report.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Operating segment information (Contd.)

The Group amended the reporting structure of its businesses, where the Consumer Foods and Retail segment was segregated into two separate segments. Additionally, the Group's Office Automation business, which was previously under the Information Technology segment was classified under the Retail segment, given the nature of its operations. The Information Technology segment is included under Other, including Plantation Services segment and the comparatives have been reconstituted accordingly.

Hence for management purposes, the Group has now organised its business units into seven reportable operating segments based on their products and services as follows:

### Transportation

This operating segment provides an array of transportation related services, which comprise of a container terminal in the Port of Colombo, a marine bunkering business, domestic airline, joint venture/associations with leading shipping, logistics and air

transportation multinationals as well as travel and airlines services in Sri Lanka and the Maldives.

### Consumer Foods

Consumer foods segment focuses on manufacturing of a wide range of soft drinks, dairy products, ice creams and processed foods which competes in three major categories namely beverages, frozen confectionery and convenience foods.

### Retail

Retail segment focuses on modern organised retailing through a chain of supermarkets and distribution of printers, copiers, smart phones and other office automation equipment.

### Leisure

The leisure segment comprises of five-star city hotels, a lean luxury hotel, resort hotels spread across prime tourist locations in Sri Lanka, as well as destination management business in Sri Lanka.

## 7.1 Business segments

	Transportation		Consumer Foods		Retail	
For the year ended 31 March In LKR '000s	2019	2018	2019	2018	2019	2018
Disaggregation of revenue - Timing of revenue recognition						
Goods transferred at a point in time	22,877,707	15,834,106	16,586,967	15,986,636	55,764,663	47,164,093
Services transferred over time	2,423,223	1,847,898	-	-	82,555	394,086
<b>Total segment revenue</b>	<b>25,300,930</b>	<b>17,682,004</b>	<b>16,586,967</b>	<b>15,986,636</b>	<b>55,847,218</b>	<b>47,558,179</b>
Elimination of inter segment revenue						
External revenue						
<b>Segment results</b>	<b>760,216</b>	<b>1,008,706</b>	<b>2,083,890</b>	<b>2,464,360</b>	<b>1,251,528</b>	<b>1,913,996</b>
Finance cost	(124,963)	(57,178)	(215,584)	(1,767)	(581,203)	(64,475)
Finance income	135,030	133,797	56,131	121,651	24,936	34,802
Change in fair value of investment property	-	-	25,433	21,559	-	-
Share of results of equity accounted investees	3,435,160	2,208,836	-	-	-	-
Eliminations / adjustments	31,671	(25,039)	(3,212)	(9,575)	(2,912)	(2,179)
<b>Profit / (loss) before tax</b>	<b>4,237,114</b>	<b>3,269,122</b>	<b>1,946,658</b>	<b>2,596,228</b>	<b>692,349</b>	<b>1,882,144</b>
Tax expense	(63,260)	(184,998)	(584,900)	(755,876)	(220,013)	(545,897)
<b>Profit/ (loss) for the year</b>	<b>4,173,854</b>	<b>3,084,124</b>	<b>1,361,758</b>	<b>1,840,352</b>	<b>472,336</b>	<b>1,336,247</b>
Purchase and construction of PPE*	299,665	475,296	1,881,488	3,121,211	4,997,625	2,835,176
Addition to IA*	1,078	558	550	386	339,716	27,014
Addition to LRPA*	582,176	-	-	-	-	-
Depreciation of PPE*	190,845	109,998	744,419	578,729	829,535	563,002
Amortisation of IA*	2,146	2,006	2,839	4,205	43,269	9,937
Amortisation of LRPA*	-	-	3,026	11,180	-	-
Employee benefit provision and related costs	19,479	16,243	86,834	76,591	58,026	40,931

In addition to segment results, information such as finance costs / income, tax expenses has been allocated to segments for better presentation.

\* PPE - Property, plant and equipment, IA - Intangible assets, LRPA - Lease rentals paid in advance

### Property

Property segment concentrates primarily on property development, renting of commercial office spaces and management of the Group's real estate.

### Financial Services

The segment engages in a broad range of financial services including insurance, commercial banking, debt trading, fund management, leasing and stock broking.

### Others

This reportable segment represents companies in the plantation industry, Information technology, management and holding as well as several auxiliary companies.

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 the Financial Services segment, other segments' financing activities are managed on a group basis and are not allocated to operating segments. Pricing between operating segments comply with the arms length principals relating to transfer pricing in the ordinary course of business.

Leisure		Property		Financial Services		Others		Group Total	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
-	-	-	-	-	-	2,171,257	2,679,634	97,400,594	81,664,469
23,885,701	25,063,493	946,883	1,447,372	10,830,517	10,062,082	3,150,514	3,087,849	41,319,393	41,902,780
23,885,701	25,063,493	946,883	1,447,372	10,830,517	10,062,082	5,321,771	5,767,483	138,719,987	123,567,249
								(3,263,839)	(2,352,177)
								135,456,148	121,215,072
2,563,625	3,752,508	37,470	685,996	2,754,184	7,100,609	(354,050)	(268,396)	9,096,863	16,657,779
(265,883)	(215,924)	(37,176)	(33,829)	(1,172,102)	(337)	(325,378)	(147,287)	(2,722,289)	(520,797)
400,007	460,814	173,379	100,114	153,956	157,086	6,459,901	6,349,196	7,403,340	7,357,460
52,399	-	106,454	613,033	-	-	140,368	261,787	324,654	896,379
55,893	63,066	(32,904)	2,574	1,269,196	1,321,954	-	-	4,727,345	3,596,430
(177,059)	(151,140)	(56,681)	(98,287)	-	-	(6,210)	(66,597)	(214,403)	(352,817)
2,628,982	3,909,324	190,542	1,269,601	3,005,234	8,579,312	5,914,631	6,128,703	18,615,510	27,634,434
(395,578)	(566,411)	(101,456)	(218,144)	1,040,783	(10,082)	(2,053,690)	(2,233,221)	(2,378,114)	(4,514,629)
2,233,404	3,342,913	89,086	1,051,457	4,046,017	8,569,230	3,860,941	3,895,482	16,237,396	23,119,805
4,346,180	3,111,043	178,092	9,108,123	158,540	39,992	158,262	231,107	12,019,852	18,921,948
85,171	-	32,649	-	1,263,218	148,495	87,393	41,109	1,809,775	217,562
-	-	-	-	-	-	-	-	582,176	-
1,615,572	1,733,890	74,180	45,358	75,066	71,066	128,163	134,183	3,657,780	3,236,226
52,250	59,089	742	773	295,647	221,923	19,058	27,598	415,951	325,531
453,958	413,778	20,133	32,327	-	-	1,175	1,174	478,292	458,459
169,917	130,819	4,858	3,975	30,063	26,848	108,422	76,501	477,599	371,908

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Operating segment information (Contd.)

### 7.2. Business segments

	Transportation		Consumer Foods		Retail	
AS at 31 March	2019	2018	2019	2018	2019	2018
In LKR '000s						
Property, plant and equipment	1,038,231	876,075	9,322,821	8,071,509	10,375,534	6,283,252
Lease rentals paid in advance	582,176	-	143,237	146,263	-	-
Investment property	7,662	118,000	254,034	228,601	-	-
Intangible assets	11,556	12,624	247,900	6,242	341,148	44,700
Non-current financial assets	142,837	139,889	181,764	170,347	151,432	141,423
Other non-current assets	22,508	20,268	53,241	46,852	1,185,653	813,484
Segment non-current assets	1,804,970	1,166,856	10,202,997	8,669,814	12,053,767	7,282,859
Investments in equity accounted investees	11,993,153	10,760,644	-	-	-	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non-current assets						
Inventories	1,290,816	717,600	1,740,779	1,445,001	5,889,251	3,874,804
Trade and other receivables	2,509,977	2,178,988	2,806,119	2,276,076	2,615,831	2,213,106
Short term investments	310,960	133,943	89,476	1,031,410	10,064	9,745
Cash in hand and at bank	3,542,220	2,880,564	291,851	293,290	478,037	363,680
Segment current assets	7,653,973	5,911,095	4,928,225	5,045,777	8,993,183	6,461,335
Other current assets						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest-bearing loans and borrowings	-	-	1,458,333	1,958,333	27,443	27,483
Employee benefit liabilities	80,255	75,411	465,817	457,406	211,578	164,244
Other non-current liabilities	-	10,760	137,590	172,921	21,022	36,925
Segment non-current liabilities	80,255	86,171	2,061,740	2,588,660	260,043	228,652
Deferred tax liabilities						
Eliminations / adjustments						
Total non-current liabilities						
Trade and other payables	1,909,280	1,289,228	1,796,864	1,609,317	7,877,326	6,785,427
Short term borrowings	3,485,908	3,088,538	-	-	2,494,393	-
Interest-bearing loans and borrowings	-	-	523,147	533,495	-	6,088
Bank overdrafts	767,891	260,280	1,000,085	210,653	7,616,440	3,655,537
Segment current liabilities	6,163,079	4,638,046	3,320,096	2,353,465	17,988,159	10,447,052
Income tax liabilities						
Other current liabilities						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	9,458,943	7,077,951	15,131,222	13,715,591	21,046,950	13,744,194
Total segment liabilities	6,243,334	4,724,217	5,381,836	4,942,125	18,248,202	10,675,704

Inter company investments made by the Group of companies have not been considered for the calculation of segment assets.

Leisure		Property		Financial Services		Others		Group Total	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
48,150,299	43,858,172	4,437,594	4,071,495	2,089,459	2,006,816	1,350,725	1,349,064	76,764,663	66,516,383
12,206,110	11,356,004	227,978	230,543	-	-	38,330	39,505	13,197,831	11,772,315
4,338,796	4,119,798	28,752,959	27,830,177	-	-	1,753,332	1,094,511	35,106,783	33,391,087
348,675	315,102	5,327	2,191	1,410,850	206,363	169,069	72,617	2,534,525	659,839
6,231,552	5,670,565	607,685	634,176	33,285,655	30,999,887	346,930	350,421	40,947,855	38,106,708
42,016	32,091	76,337,994	53,068,496	109,713	85,909	48,017	39,469	77,799,142	54,106,569
71,317,448	65,351,732	110,369,537	85,837,078	36,895,677	33,298,975	3,706,403	2,945,587	246,350,799	204,552,901
1,279,836	545,216	1,788,120	1,807,074	10,107,985	9,222,413	-	-	25,169,094	22,335,347
								1,252,978	171,503
								738,596	738,596
								(5,135,858)	(4,111,835)
								268,375,609	223,686,512
313,126	333,244	17,020	15,348	16,771	14,624	304,621	311,024	9,572,384	6,711,645
4,025,035	3,404,368	832,313	57,923	1,336,770	921,287	541,338	1,675,274	14,667,383	12,727,022
3,325,555	5,389,308	619,988	954,858	7,497,116	7,319,257	41,982,898	50,581,937	53,836,057	65,420,458
1,472,607	1,737,255	1,200,592	3,970,514	661,322	535,402	5,246,170	1,134,106	12,892,799	10,914,811
9,136,323	10,864,175	2,669,913	4,998,643	9,511,979	8,790,570	48,075,027	53,702,341	90,968,623	95,773,936
								5,515,708	4,390,258
								(1,063,196)	(1,402,434)
								95,421,135	98,761,760
								363,796,744	322,448,272
-	-	-	-	32,833,058	30,230,539	-	-	32,833,058	30,230,539
8,828,076	8,127,078	16,128,195	13,608,177	-	-	571,382	12,000	27,013,429	23,733,071
786,638	694,772	55,650	45,603	143,928	141,964	341,961	400,783	2,085,827	1,980,183
209,754	154,622	11,560,605	6,520,687	-	-	507	527	11,929,478	6,896,442
9,824,468	8,976,472	27,744,450	20,174,467	32,976,986	30,372,503	913,850	413,310	73,861,792	62,840,235
								7,756,673	7,089,179
								(5,737,599)	(5,221,471)
								75,880,866	64,707,943
2,479,694	2,114,734	2,360,443	1,919,764	2,828,106	1,708,655	740,366	774,406	19,992,079	16,201,531
1,069,368	1,017,946	-	-	-	-	4,012,084	12,074	11,061,753	4,118,558
1,249,235	1,300,868	1,138,731	222,014	-	-	293,500	-	3,204,613	2,062,465
1,739,491	877,192	1,366,179	749,299	408,698	252,566	7,233,934	76,563	20,132,718	6,082,090
6,537,788	5,310,740	4,865,353	2,891,077	3,236,804	1,961,221	12,279,884	863,043	54,391,163	28,464,644
								1,504,819	2,078,807
								2,978,728	3,513,214
								(1,317,571)	(1,180,915)
								57,557,139	32,875,750
								133,438,005	97,583,693
80,453,771	76,215,907	113,039,450	90,835,721	46,407,656	42,089,545	51,781,430	56,647,928	337,319,422	300,326,837
16,362,256	14,287,212	32,609,803	23,065,544	36,213,790	32,333,724	13,193,734	1,276,353	128,252,955	91,304,879

# NOTES TO THE FINANCIAL STATEMENTS

## 7 Operating segment information (Contd.)

### 7.3 Disaggregation of revenue

For the year ended 31 March In LKR '000s	GROUP					
	2019			2018		
	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
Transportation	22,877,707	1,468,741	24,346,448	15,834,106	1,334,607	17,168,713
Consumer Foods	16,207,641	-	16,207,641	15,620,748	-	15,620,748
Retail	55,667,194	82,555	55,749,749	47,164,094	277,105	47,441,199
Leisure	-	23,857,951	23,857,951	-	25,039,582	25,039,582
Property	-	711,319	711,319	-	1,230,665	1,230,665
Financial Services	-	10,829,492	10,829,492	-	10,056,203	10,056,203
Others	2,171,257	1,582,291	3,753,548	2,679,634	1,978,328	4,657,962
Group external revenue	96,923,799	38,532,349	135,456,148	81,298,582	39,916,490	121,215,072

### 7.4 Disaggregation of revenue - Based on the geographical location of customers

For the year ended 31 March In LKR '000s	GROUP	
	2019	2018
Sri Lanka	96,973,978	92,133,099
Asia (excluding Sri Lanka)	15,791,970	13,261,691
Europe	12,168,695	11,034,245
Others	10,521,505	4,786,037
Group external revenue	135,456,148	121,215,072

### 7.5 Business segment analysis - Based on the geographical location of assets

In LKR '000s	Sri Lanka		Asia (excluding Sri Lanka)		Group Total	
	2019	2018	2019	2018	2019	2018
Group external revenue	130,084,857	114,485,216	5,371,291	6,729,856	135,456,148	121,215,072
Segment revenue	133,348,696	116,837,393	5,371,291	6,729,856	138,719,987	123,567,249
Segment results	8,734,724	15,997,865	362,139	891,352	9,096,863	16,889,217
Segment assets	309,978,928	275,789,003	27,340,494	24,537,834	337,319,422	300,326,837
Segment liabilities	116,285,272	81,047,795	11,967,683	10,257,084	128,252,955	91,304,879
Purchase and construction of property, plant and equipment	9,287,922	17,840,321	2,731,930	1,081,628	12,019,852	18,921,949
Purchase and construction of intangible assets	1,809,775	217,562	-	-	1,809,775	217,562
Purchase of lease rights	582,176	-	-	-	582,176	-
Depreciation of property, plant and equipment	3,234,914	2,859,956	422,866	376,270	3,657,780	3,236,226
Amortisation of intangible assets	415,951	325,531	-	-	415,951	325,531
Amortisation of lease rental paid in advance	39,777	60,079	438,515	398,380	478,292	458,459
Employee benefit provision and related costs	477,599	371,434	-	474	477,599	371,908
Investments in equity accounted investees	25,169,094	22,335,347	-	-	25,169,094	22,335,347

## 8. Basis of consolidation and material partly owned subsidiaries

### Accounting policy

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of reporting period. 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.

#### Control over an 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

#### Consolidation of entities in which the Group holds less than a majority of voting rights

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 under Supplementary section of the annual report.

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on above criteria.

	% of Effective Holding
Rajawella Holdings Ltd.	49.85
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.

#### Transactions eliminated on consolidation

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

#### Loss of control

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

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position.

#### Non-controlling interest (NCI)

Non-controlling interest, which represents the portion of profit or loss and net assets not held by the Group, is shown as a component of profit for the year in the Consolidated Income Statement and Statement of Comprehensive Income and as a component of equity in the Consolidated Statement of Financial Position, separately from equity attributable to the shareholders of the parent.

The Consolidated Statement of Cash Flow includes the cash flows of the Company and its subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 Basis of consolidation and material partly owned subsidiaries (Contd.)

### 8.1 Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below.

In LKR '000s	CONSUMER FOODS		RETAIL		LEISURE	
	2019	2018	2019	2018	2019	2018
Summarised income statement for the year ended 31 March						
Revenue	17,460,880	16,768,231	55,847,218	47,558,179	25,879,890	26,793,664
Operating cost	(14,664,088)	(13,557,810)	(54,595,690)	(45,644,182)	(22,797,185)	(21,389,257)
Finance cost	(215,584)	(1,767)	(581,203)	(64,475)	(265,883)	(215,924)
Finance income	56,131	121,651	24,936	34,802	400,007	460,814
Change in fair value of investment property	25,433	21,559	-	-	218,999	397,600
Profit before tax	2,662,772	3,351,864	695,261	1,884,324	3,435,828	6,046,897
Tax expense	(584,900)	(755,876)	(218,104)	(546,583)	(396,070)	(538,572)
Profit for the year	2,077,872	2,595,988	477,157	1,337,741	3,039,758	5,508,325
Other comprehensive income	3,100,565	63,388	16,007	(42,386)	3,132,916	1,029,264
Total comprehensive income	5,178,437	2,659,376	493,164	1,295,355	6,172,674	6,537,589
Profit/(loss) allocated to NCI						
	234,645	325,612	61,636	196,104	349,329	520,966
Dividend paid to NCI						
	289,212	283,325	154,517	154,517	350,105	580,460
Summarised statement of financial position as at 31 March						
Current assets	4,928,225	5,045,777	8,993,183	6,461,335	9,136,323	10,864,175
Non-current assets	10,202,997	8,669,814	12,053,767	7,282,859	71,317,448	65,351,732
Total assets	15,131,222	13,715,591	21,046,950	13,744,194	80,453,771	76,215,907
Current liabilities	3,320,096	2,353,465	17,988,159	10,447,052	6,537,787	5,310,740
Non-current liabilities	2,061,740	2,588,660	260,043	228,652	9,824,468	8,976,472
Total liabilities	5,381,836	4,942,125	18,248,202	10,675,704	16,362,255	14,287,212
Accumulated balances of NCI						
	2,817,397	1,895,821	720,927	514,549	12,654,080	12,414,526
Summarised statement of cash flows for the year ended 31 March						
Cash flows from/(used in) operating activities	3,796,062	2,541,277	(99,174)	952,961	4,053,132	7,455,908
Cash flows from/(used in) investing activities	(5,944,099)	(3,354,857)	(5,316,530)	(2,786,504)	(4,296,281)	(3,696,335)
Cash flows from/(used in) financing activities	709,362	1,538,318	1,569,309	(1,303,956)	(1,893,214)	(3,031,700)
Net increase / (decrease) in cash and cash equivalents	(1,438,675)	724,738	(3,846,395)	(3,137,499)	(2,136,363)	727,873

The above information is based on amounts before inter-company eliminations.



Names of material partly-owned subsidiaries and effective holding % owned by non-controlling interest:

Material partly-owned subsidiary	Effective holding % of Non-Controlling Interest	
	2018/19	2017/18
<b>Consumer Foods</b>		
Ceylon Cold Stores PLC.	18.64%	18.64%
Keells Food Products PLC.	11.37%	11.37%
The Colombo Ice Company (Pvt) Ltd.	18.64%	18.64%
<b>Retail</b>		
JayKay Marketing Services (Pvt) Ltd.	18.64%	18.64%
<b>Leisure</b>		
Ahungalle Holiday Resorts (Pvt) Ltd.	19.68%	19.68%
Asian Hotels and Properties PLC.	21.44%	21.44%
Beruwala Holiday Resorts (Pvt) Ltd.	20.22%	20.22%
Ceylon Holiday Resorts Ltd.	20.40%	20.40%
Cinnamon Holidays (Pvt) Ltd.	19.68%	19.68%
Fantasea World Investments (Pte) Ltd.	19.68%	19.68%
Habarana Lodge Ltd.	21.01%	21.01%
Habarana Walk Inn Ltd.	20.66%	20.66%
Hikkaduwa Holiday Resorts (Pvt) Ltd.	20.40%	20.40%
International Tourists and Hoteliers Ltd.	20.22%	20.22%
John Keells Hotels PLC.	19.68%	19.68%
John Keells Maldivian Resorts (Pte) Ltd.	19.68%	19.68%
Kandy Walk Inn Ltd.	20.97%	20.97%
Nuwara Eliya Holiday Resorts (Pvt) Ltd.	19.68%	19.68%
Rajawella Hotels Company Ltd.	19.68%	19.68%
Resort Hotels Ltd.	20.75%	20.75%
Serene Holidays (Pvt) Ltd.	1.26%	1.26%
Tranquility (Pte) Ltd.	19.68%	19.68%
Trans Asia Hotels PLC.	17.26%	17.26%
Travel Club (Pte) Ltd.	19.68%	19.68%
Trinco Holiday Resorts (Pvt) Ltd.	19.68%	19.68%
Trinco Walk Inn Ltd.	19.68%	19.68%
Walkers Tours Ltd.	1.49%	1.49%
Wirawila Walk Inn Ltd.	19.68%	19.68%
Yala Village (Pvt) Ltd.	24.67%	24.67%

#### *Accounting judgements, 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.

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 attached to the Consumer Foods, Retail and Leisure segments, based on the nature and risks of the products and services.

## 9 Business combinations and acquisitions of non-controlling interests

### *Accounting policy*

#### 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 acquiree 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, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement, in accordance with SLFRS 9.

# NOTES TO THE FINANCIAL STATEMENTS

## 9 Business combinations and acquisitions of non-controlling interests (Contd.)

Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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 may be 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 in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Impairment of goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### 9.1 Investment in subsidiaries 2018/19

#### Waterfront Properties (Pvt) Ltd

John Keells Holdings PLC (JKH) further invested LKR. 6,750 Mn (2018 - LKR. 9,406 Mn) in Waterfront Properties (Pvt) Ltd, a subsidiary of JKH, involved in the developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated complex.

#### J K Land (Pvt) Ltd

John Keells Holdings PLC (JKH) further invested LKR. 1,090 Mn (2018 - LKR. 6,178 Mn) in J K Land (Pvt) Limited, through which it has invested LKR. 1,054 Mn in John Keells Property Developments (Pvt) Ltd, a fully owned subsidiary of the Group focused on property development.

#### Glennie Properties (Pvt) Ltd

John Keells Holdings PLC (JKH) has invested LKR. 164 Mn in Glennie Properties (Pvt) Ltd, a fully owned subsidiary of the Group focused on property development.

#### Logipark International (Pvt) Ltd

John Keells Holdings PLC (JKH) has invested LKR. 1,059 Mn in Logipark International (Pvt) Ltd, a fully owned subsidiary of the Group which is focused on providing an Integrated Supply Chain Management System for both local and international players.

#### The Colombo Ice Company (Pvt) Ltd

Ceylon Cold Stores PLC further invested LKR. 450 Mn (2018 - LKR. 989 Mn) in The Colombo Ice Company (Pvt) Ltd, a BOI registered subsidiary of the Group. The principal activity of The Colombo Ice Company (Pvt) Ltd is to manufacture, market and distribute frozen confectionery products.

#### Ceylon Holiday Resorts Ltd

John Keells Hotels PLC increased its shareholding in Ceylon Holiday Resorts Ltd with an investment of LKR. 817 Mn by subscribing to the rights issue in May 2018 in order to facilitate refurbishment and re-development of the hotel.

#### Union Assurance PLC

The Group reduced its effective holding in Union Assurance PLC by 2.36% to fulfill the minimum public holding requirement for listing on the 'Diri Savi' board.

### 9.2 Investment in equity accounted investees 2018/19

#### Fairfirst Insurance Ltd

Disposal of the shareholding in Union Assurance PLC resulted in a deemed disposal of the Group's effective share holding in Fairfirst Insurance Ltd from 20.66% to 19.80%.

#### Indra Hotels and Resorts Kandy (Pvt) Ltd

Lean luxury segment of Cinnamon Hotels and Resorts, Cinnamon red will expand to Kandy with the construction of Cinnamon red Kandy. John Keells Hotels PLC has invested LKR. 421 Mn. resulting in an acquisition of an effective shareholding of 32%.

## 10. 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 investments in debt and equity investments and may enter into derivative transactions. The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group is exposed to market risk, credit risk and liquidity risk.

### 10.1 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, investments in debt and equity investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

#### 10.1.1 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).

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Financial risk management objectives and policies (Contd.)

Following table shows the maximum risk positions.

As at 31 March		2019						
In LKR '000s								
	Notes	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
<b>Group</b>								
Government securities	10.1.2	25,938,402	-	-	4,214,528	-	30,152,930	27%
Corporate debt securities	10.1.3	5,681,130	-	-	825,243	-	6,506,373	6%
Deposits with banks	10.1.4	456,468	-	-	44,921,025	-	45,377,493	40%
Loans to executives	10.1.5	1,024,353	-	258,326	-	-	1,282,679	1%
Loans to life policyholders	10.1.6	1,300,907	-	-	-	-	1,300,907	1%
Preference Shares	10.1.7	288,525	-	-	-	-	288,525	0%
Interest rate swap	10.1.8	391,308	-	-	-	-	391,308	0%
Trade and other receivables	10.1.9	-	-	13,412,588	-	-	13,412,588	12%
Reinsurance receivables	10.1.10	-	-	455,210	-	-	455,210	0%
Premium receivable	10.1.11	-	-	294,821	-	-	294,821	0%
Amounts due from related parties	10.1.12	-	-	-	-	225,634	225,634	0%
Cash in hand and at bank	10.1.13	-	12,955,209	-	-	-	12,955,209	13%
<b>Total credit risk exposure</b>		<b>35,081,093</b>	<b>12,955,209</b>	<b>14,420,945</b>	<b>49,960,796</b>	<b>225,634</b>	<b>112,643,677</b>	<b>100%</b>
Financial assets at fair value through P&L	10.3.3.1	-	-	-	2,795,829	-	-	-
Financial assets at fair value through OCI	10.3.3.2	105,212	-	-	-	-	-	-
<b>Total equity risk exposure</b>		<b>105,212</b>	<b>-</b>	<b>-</b>	<b>2,795,829</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>35,186,305</b>	<b>12,955,209</b>	<b>14,420,945</b>	<b>52,756,625</b>	<b>225,634</b>		
<b>Company</b>								
Government securities	10.1.2	-	-	-	-	-	-	-
Corporate debt securities	10.1.3	-	-	-	-	-	-	-
Deposits with banks	10.1.4	116,123	-	-	41,594,883	-	41,711,006	92%
Loans to executives	10.1.5	103,622	-	25,174	-	-	128,796	0%
Trade and other receivables	10.1.9	-	-	80,946	-	-	80,946	0%
Amounts due from related parties	10.1.12	-	-	-	-	181,226	181,226	0%
Cash in hand and at bank	10.1.13	-	3,570,428	-	-	-	3,570,428	8%
<b>Total credit risk exposure</b>		<b>219,745</b>	<b>3,570,428</b>	<b>106,120</b>	<b>41,594,883</b>	<b>181,226</b>	<b>45,672,402</b>	<b>100%</b>
Financial assets at fair value through OCI	10.3.3.2	61,524	-	-	-	-	-	-
<b>Total equity risk exposure</b>		<b>61,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>281,269</b>	<b>3,570,428</b>	<b>106,120</b>	<b>41,594,883</b>	<b>181,226</b>		

2018						
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
24,901,319	-	-	3,440,812	-	28,342,131	24%
4,828,338	-	-	1,188,991	-	6,017,329	5%
172,748	-	-	55,939,666	-	56,112,414	48%
934,297	-	222,885	-	-	1,157,182	1%
1,048,966	-	-	-	-	1,048,966	1%
275,114	-	-	-	-	275,114	0%
598,097	-	-	-	-	598,097	1%
-	-	11,448,660	-	-	11,448,660	10%
-	-	333,249	-	-	333,249	0%
-	-	268,578	-	-	268,578	0%
-	-	-	-	139,640	139,640	0%
-	10,882,856	-	-	-	10,882,856	10%
32,758,879	10,882,856	12,273,372	60,569,469	139,640	116,642,216	100%
-	-	-	3,816,624	-	-	-
119,375	-	-	-	-	-	-
119,375	-	-	3,816,624	-	-	-
32,878,254	10,882,856	12,273,372	64,386,093	139,640	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
105,510	-	-	49,157,472	-	49,262,982	98%
86,140	-	23,549	-	-	109,689	0%
-	-	47,181	-	-	47,181	0%
-	-	-	-	404,364	404,364	1%
-	496,591	-	-	-	496,591	1%
191,650	496,591	70,730	49,157,472	404,364	50,320,807	100%
75,461	-	-	-	-	-	-
75,461	-	-	-	-	-	-
267,111	496,591	70,730	49,157,472	404,364	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Financial risk management objectives and policies (Contd.)

### 10.1.2 Government securities

As at 31 March 2019 as shown in previous table 27% (2018 - 24%) of the Group financial assets comprise of investments in government securities consisting 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.

### 10.1.3 Corporate debt securities

As at 31 March 2019, corporate debt securities comprise 6% (2018 - 5%) of the total investments in debt securities, out of which 66% (2018 - 69%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

GROUP				
As at 31 March	2019		2018	
Fitch ratings	In LKR '000s	%	In LKR '000s	%
AA+	211,420	3%	-	-
AA	283,746	5%	284,753	5%
AA-	1,002,828	15%	518,442	9%
A+	917,417	14%	1,464,969	24%
A	1,895,025	29%	1,891,125	31%
A-	1,331,899	21%	1,126,015	19%
BBB+	864,038	13%	732,025	12%
Total	6,506,373	100%	6,017,329	100%

### 10.1.4 Deposits with banks

Deposits with bank mainly consist of fixed and call deposits.

As at 31 March 2019, fixed and call deposits, which comprise 96% (2018 - 87%) each for the Group and the Company, respectively, were rated "A+" or better.

As at 31 March	GROUP				COMPANY			
	2019		2018		2019		2018	
Fitch ratings	In LKR '000s	%	In LKR '000s	%	In LKR '000s	%	In LKR '000s	%
AAA	402,739	1%	387,619	1%	-	-	-	-
AA+	21,782,391	48%	23,575,985	42%	20,449,442	49%	19,866,538	41%
AA	157,927	0%	4,021,056	7%	54,543	0%	4,070,587	8%
AA-	15,478,890	34%	19,006,484	34%	14,037,445	34%	17,369,327	35%
A+	5,515,912	13%	1,727,461	3%	5,515,911	13%	1,512,538	3%
A	385,969	0%	6,802,124	12%	-	-	6,002,314	12%
A-	1,653,665	4%	591,685	1%	1,653,665	4%	441,678	1%
Total	45,377,493	100%	56,112,414	100%	41,711,006	100%	49,262,982	100%

### 10.1.5 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans given to staff at assistant manager level and above. The respective business units have obtained the necessary promissory notes as collateral for the loans granted.

### 10.1.6 Loans to life policyholders

The surrender values of insurance policies are considered as the collateral for the loans given to life policy holders by Union Assurance PLC. System controls are in place to automatically convert a policy to lapse stage when the policy loan amount together with the interest is reaching the surrender value of the policy.

### 10.1.7 Preference Shares

Cumulative preference share investment which has a lien over assets, redeemable at the option of share holder.

### 10.1.8 Interest rate swap

The Group has entered into an interest rate swap that is a cash flow hedge. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships. Refer Note 12.3.

## 10.1.9 Trade and other receivables

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Neither past due nor impaired	5,771,789	6,242,130	70,403	10,055
Past due but not impaired				
0-30 days	5,700,688	2,688,856	1,255	4,166
31-60 days	948,464	987,250	3,334	17,748
61-90 days	240,657	307,675	644	4,331
> 91 days	750,990	1,222,749	5,310	10,881
Allowance for expected credit losses	579,858	691,590	4,682	-
Gross carrying value	13,992,446	12,140,250	85,628	47,181
Allowance for expected credit losses	(579,858)	(691,590)	(4,682)	-
<b>Total</b>	<b>13,412,588</b>	<b>11,448,660</b>	<b>80,946</b>	<b>47,181</b>

The Group has obtained customer deposits from major customers by reviewing their past performance and credit worthiness, as collateral.

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 10.1.10 Reinsurance receivables

The Union Assurance PLC operates a policy to manage its reinsurance counterparty exposures by limiting the reinsurers that may be used and applying strict limits to each reinsurer.

## 10.1.11 Premium receivable

Only designated institutions are employed as intermediary parties by Union Assurance PLC

Agreements have been signed with the intermediaries, committing them to settle dues within a specified time period.

## 10.1.12 Amounts due from related parties

The Group's amounts due from related parties mainly consists of associates and joint ventures.

The Company balance consists of the balances from affiliate companies.

## 10.1.13 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 and the nature of the transaction and agreement governing the exposure.

## 10.2 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 from 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 10 Financial risk management objectives and policies (Contd.)

### 10.2.1 Net debt/(cash)

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Short term investments	52,756,625	64,386,093	41,594,883	49,157,472
Cash in hand and at bank	12,955,209	10,882,856	3,570,428	496,591
Adjustments to liquid assets	(15,583,658)	(12,028,016)	-	-
Total liquid assets	50,128,176	63,240,933	45,165,311	49,654,063
Interest-bearing loans and borrowings (Non-current)	21,276,504	18,521,034	559,382	-
Short term borrowings	9,970,906	3,128,508	4,000,010	-
Interest-bearing loans and borrowings (Current)	3,204,613	2,062,465	293,500	-
Bank overdrafts	20,060,719	6,010,089	7,220,109	62,477
Total liabilities	54,512,742	29,722,096	12,073,001	62,477
Net debt / (cash)	4,384,566	(33,518,837)	(33,092,310)	(49,591,586)

### 10.2.2 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 - Group

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2019 based on contractual undiscounted (principal plus interest) payments.

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	3,322,211	4,844,343	2,819,896	15,789,811	868,732	-	27,644,993
Trade and other payables	19,744,822	-	-	-	-	-	19,744,822
Amounts due to related parties	92,532	-	-	-	-	-	92,532
Short term borrowings	10,002,601	-	-	-	-	-	10,002,601
Bank overdrafts	20,060,719	-	-	-	-	-	20,060,719
	53,222,885	4,844,343	2,819,896	15,789,811	868,732	-	77,545,667

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2018 based on contractual undiscounted (principal plus interest) payments.

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	2,327,985	1,680,425	1,400,490	14,585,385	1,084,159	128,618	21,207,062
Trade and other payables	16,077,499	-	-	-	-	-	16,077,499
Amounts due to related parties	5,168	-	-	-	-	-	5,168
Short term borrowings	3,128,508	-	-	-	-	-	3,128,508
Bank overdrafts	6,010,090	-	-	-	-	-	6,010,090
	27,549,250	1,680,425	1,400,490	14,585,385	1,084,159	128,618	46,428,327



### Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities on contractual undiscounted (principal plus interest) payments.

In LKR '000s	2019			Total	2018
	Within 1 year	Between 1-2 years	Between 2-3 years		Within 1 year
Interest-bearing loans and borrowings	326,335	299,142	285,830	911,307	-
Trade and other payables	346,926	-	-	346,926	332,191
Amounts due to related parties	12,537	-	-	12,537	5,377
Short term borrowings	4,031,695	-	-	4,031,695	
Bank overdrafts	7,220,109	-	-	7,220,109	62,477
	11,937,602	299,142	285,830	12,522,574	400,045

### 10.3 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 comprises 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 2019 and 2018.

The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligations, provisions, and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analyses:

- \* The sensitivity of the Statement of Financial Position item mainly relates to derivatives and 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 at 31 March 2018 and 2019.

#### 10.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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 the Company's profit before tax (through the impact on floating rate borrowings).

For the year ended 31 March	Increase/ (decrease) in basis points		GROUP	COMPANY
			Effect on profit before tax	
	Rupee borrowings	Other currency borrowings	LKR '000s	
2019	+71	+22	(191,196 )	(30,408)
	-71	-22	191,196	30,408
2018	+116	+96	(203,405)	-
	-116	-96	203,405	-

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

## 10 Financial risk management objectives and policies (Contd.)

### 10.3.2 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 from 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 the Board of Directors.

#### 10.3.2.1 Effects of currency transaction on forward contract

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 31 March	GROUP	
	Increase/(decrease) in exchange rate USD	Effect on profit before tax LKR '000s
2019	+15%	(97,248)
	-15%	97,248
2018	+3%	(49,614)
	-3%	49,614

The assumed spread of the exchange rate is based on the current observable market environment.

#### 10.3.2.2 Effects of currency translation

For purposes of the consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees (LKR.). Therefore, period-to-period changes in average exchange rates may cause currency translation effects that have a significant impact on, for example, revenue, segment results (Earnings Before Interest

and Taxes –EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

The Group's exposure to foreign currency changes for all other currencies is not material.

For the year ended 31 March	Increase/(decrease) in exchange rate USD	GROUP		COMPANY
		Effect on profit before tax LKR '000s	Effect on equity LKR '000s	Effect on profit before tax LKR '000s
2019	+15%	396,230	9,531,171	3,359,434
	-15%	(396,230)	(9,531,171)	(3,359,434)
2018	+3%	243,361	1,440,806	500,683
	-3%	(243,361)	(1,440,806)	(500,683)

#### Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

### 10.3.3 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.

#### 10.3.3.1 Financial assets at fair value through Profit and loss

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

As at 31 March	GROUP			
	2019		2018	
	LKR '000s	%	LKR '000s	%
Banks finance and insurance	1,759,255	64%	2,160,179	57%
Beverage food and tobacco	121,116	5%	96,964	3%
Construction and engineering	38,555	1%	123,427	3%
Diversified holdings	400,785	14%	488,139	13%
Manufacturing	402,602	14%	717,644	19%
Motors	6,722	0%	10,255	0%
Other services	11,623	0%	16,428	0%
Telecommunications	55,171	2%	203,588	5%
	2,795,829	100%	3,816,624	100%

The above list comprises of the investments made by Union Assurance PLC.

#### 10.3.3.2 Financial assets at fair value through OCI

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

#### 10.3.3.3 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 profit before tax and equity due to changes in the fair value of the listed equity securities.

For the year ended 31 March	GROUP		
	Change in year-end market price index	Effect on profit before tax LKR '000s	Effect on equity LKR '000s
2019	13%	195,708	-
	-13%	(195,708)	-
2018	7%	267,164	-
	-7%	(267,164)	-

## 10.4 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 businesses 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 shares.

As at 31 March	GROUP		COMPANY	
	2019	2018	2019	2018
Debt / Equity	23.6%	13.2%	10.0%	0.0%

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Fair value measurement and related fair value disclosures

### Fair value measurement

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

- Investment in unquoted equity shares - Note 27.1
- Property, plant and equipment under revaluation model - Note 21.3
- Investment properties - Note 23
- Financial Instruments (including those carried at amortised cost) - Note 12

### Accounting policy

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are 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 equity instruments, and for non-recurring measurement, such as assets held for sale in discontinued operations.

The services of external valuers are obtained for valuation of significant assets, such as land and building and investment properties. 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 individual assets.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

### 11.1 Fair value measurement hierarchy - Group

The Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
As at 31 March In LKR '000s								
<b>FINANCIAL ASSETS</b>								
Non-Listed Equity Investments	-	-	273	150	104,705	119,031	104,978	119,181
Listed Equity Investments	2,796,063	3,816,968	88,407	92,621	-	-	2,884,470	3,909,589
Quoted Debt Instruments	8,634,965	7,764,716	108,830	30,591	-	-	8,743,795	7,795,307
Unquoted Debt Instruments	-	-	5,344	19,105	-	-	5,344	19,105
Interest Rate SWAPs	-	-	391,308	598,097	-	-	391,308	598,097
<b>Total</b>	<b>11,431,028</b>	<b>11,581,684</b>	<b>594,162</b>	<b>740,564</b>	<b>104,705</b>	<b>119,031</b>	<b>12,129,895</b>	<b>12,441,279</b>
<b>NON FINANCIAL ASSETS</b>								
Assets measured at fair value								
Land and buildings	21.1				58,273,324	56,359,091	58,273,324	56,359,091
Buildings on leasehold land	21.1				17,675,171	14,382,337	17,675,171	14,382,337
Investment property	23				13,985,379	12,427,058	13,985,379	12,427,058
<b>Total</b>					<b>89,933,874</b>	<b>83,168,486</b>	<b>89,933,874</b>	<b>83,168,486</b>

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements. 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.

There has been no transfer between level 1 and level 2 in the current year.

### 11.2 Fair value measurement hierarchy - Company

FINANCIAL ASSETS	Level 3	
	2019	2018
As at 31 March In LKR '000s		
Non-listed equity investments	61,524	75,461

### 11.3 Reconciliation of fair value measurements of level 3 financial instruments

The Group and Company carries unquoted equity shares 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	Non-listed equity investments	
	Group	Company
As at 1 April 2018	119,031	75,461
Purchase of unquoted equity shares	12,000	12,000
Disposal of unquoted equity shares	(389)	-
Remeasurement recognised in OCI	(25,937)	(25,937)
As at 31 March 2019	104,705	61,524

Fair valuation done as at 31 March 2019 for all unquoted equity shares are classified as Level 3 within the fair value hierarchy using fair valuation methodology. Fair value would not significantly vary if one or more of the inputs were changed.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Financial instruments and related policies

### Accounting policy

Financial instruments — Initial recognition and subsequent measurement

#### Initial recognition and measurement

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

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

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

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

#### Subsequent measurement

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

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

#### Debt instruments

##### Financial assets at amortised cost

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

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

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

The Group's financial assets at amortised cost includes trade receivables and short term investments.

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

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

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

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

#### Equity Instruments

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

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

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

The Group elected to classify irrevocably its non-listed equity investments under this category.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

### Financial assets - derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Impairment of financial assets

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

### Financial Liabilities

#### Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

#### Loans and borrowings

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

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

#### Derecognition

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

#### Offsetting of financial instruments

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

#### Derivative financial instruments and hedge accounting - Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Financial instruments and related policies (Contd.)

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.

#### 12.1 Financial assets and liabilities by categories in accordance with SLFRS 9 - Group

	Financial assets at amortised cost		Financial assets at fair value through OCI / AFS*	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
Financial instruments in non-current assets / non-current liabilities				
Non-current financial assets	27,116,064	24,973,100	7,590,526	7,183,319
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets / current liabilities				
Trade and other receivables / Payables	14,420,945	12,273,372	-	-
Amounts due from / Due to related parties	225,634	139,640	-	-
Short term investments / Short term borrowings	48,542,096	60,945,281	4,214,529	3,440,812
Cash in hand and at bank / Bank overdrafts	12,955,209	10,882,856	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
<b>Total</b>	<b>103,259,948</b>	<b>109,214,249</b>	<b>11,805,055</b>	<b>10,624,131</b>

\* AFS - Available for sale financial assets

#### 12.2 Financial assets and liabilities by categories in accordance with SLFRS 9 - Company

	Financial assets at amortised cost		Financial assets at fair value through profit or loss	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
Financial instruments in non-current assets/non-current liabilities				
Non-current financial assets	219,745	191,650	61,524	75,461
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets/current liabilities				
Trade and other receivables / payables	106,120	70,730	-	-
Amounts due from / due to related parties	181,226	404,364	-	-
Short term investments / Short term borrowings	41,594,883	49,157,472	-	-
Cash in hand and at bank	3,570,428	496,591	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
<b>Total</b>	<b>45,672,402</b>	<b>50,320,807</b>	<b>61,524</b>	<b>75,461</b>



For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

Financial assets at fair value through profit or loss		Derivative financial instruments		Total		Financial liabilities measured at amortised cost	
2019	2018	2019	2018	2019	2018	2019	2018
88,407	123,738	391,308	598,097	35,186,305	32,878,254	-	-
-	-	-	-	-	-	21,276,504	18,521,034
-	-	-	-	14,420,945	12,273,372	19,744,821	16,077,499
-	-	-	-	225,634	139,640	92,532	5,168
-	-	-	-	52,756,625	64,386,093	-	-
-	-	-	-	12,955,209	10,882,856	9,970,906	3,128,508
-	-	-	-	-	-	3,204,613	2,062,465
-	-	-	-	-	-	20,060,719	6,010,089
88,407	123,738	391,308	598,097	115,544,718	120,560,215	74,350,095	45,804,763

Total		Financial liabilities measured at amortised cost	
2019	2018	2019	2018
281,269	267,111	-	-
-	-	559,382	-
-	-	-	-
106,120	70,730	346,926	332,191
181,226	404,364	12,537	5,377
41,594,883	49,157,472	4,000,010	-
3,570,428	496,591	-	-
-	-	293,500	-
-	-	7,220,109	62,477
45,733,926	50,396,268	12,432,464	400,045

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 are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Financial instruments and related policies (Contd.)

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.

### 12.3 Derivative financial instruments

	GROUP	
	Contract notional amount In USD '000s	Fair value In LKR '000s
As at 31 March		2019
Cash-flow hedges		2018
Interest rate swaps	75,000	391,308
		598,097

#### Accounting judgements, estimates and assumptions

##### 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 judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

## NOTES TO THE INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

### 13. Revenue

#### Accounting policy

#### 13.1 Total revenue

##### 13.1.1 Revenue from contract with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

##### Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

##### Services transferred over time

Under SLFRS 15, the Group determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

##### 13.1.2 Revenue from insurance contracts

Revenue from insurance contracts comprise of gross written premiums net of premium ceded to reinsurers.

#### 13.2 Disaggregation of revenue

The Group presented disaggregated revenue with Group's reportable segments based on timing of revenue recognition and geographical region in the operating segment information section.

	Note	GROUP		COMPANY	
		2019	2018	2019	2018
For the year ended 31 March In LKR '000s					
Timing of revenue recognition					
Goods transferred at a point in time		96,923,799	81,974,902	-	-
Services transferred over time		27,895,123	29,368,337	1,721,687	1,347,707
Total revenue from contracts with customers	13.1.1	124,818,922	111,343,239	1,721,687	1,347,707
Revenue from insurance contracts	13.1.2	10,637,226	9,871,833	-	-
Total revenue		135,456,148	121,215,072	1,721,687	1,347,707

### 13.3 Reconciliation of revenue

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

### 13.4 Contract balances

#### Contract assets

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditional on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables.

#### Contract liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties, and loyalty points not yet redeemed.

Contract liabilities of the Group have been disclosed in other non current liabilities, trade and other payables and other current liabilities in Note 38, 39 and 41 respectively.

### 13.5 Performance obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

#### Transportation

This operating segment provides an array of transportation related services, which primarily include a marine bunkering business, shipping, logistics and air transportation multinationals as well as travel and airline services. In providing airline services, net revenue is recognised at a point in time upon the sale of tickets as the entity is deemed as the agent. Total transaction price is comprised of cost and commission which is equal to the total ticketing service fee.

In providing Marine Services, the principal activity of the entity is to supply bunker services to their customers, in exchange for a bunker fee. The performance obligation can be termed as bunkering services. Revenue is recognised at a point in time, upon supply of the bunker to the vessels. Transaction price shall comprise of cost and mark up which is equal to total bunkering fee.

#### Consumer Foods

Consumer Foods segment focuses on manufacturing of a wide range of beverages, frozen confectionary, processed meat and dairy products. Revenue is recognised at the point in time when the control of the asset is transferred to the customer, which is generally upon delivery of the goods. Revenue is measured based on actual sales, and therefore the output method is used for revenue recognition.

#### Retail

The Retail segment focuses on modern organised retailing through a chain of supermarkets. The office automation business comprises of distribution of printers, copiers, smart phones and other office automation equipment.

Revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

Customers who purchase from outlets may enter the entity's customer loyalty programme and earn points that are redeemable against future purchases of the entity's products. The entity will allocate a portion of the transaction price to the loyalty programme based on relative standalone selling price.

#### Leisure

Leisure segment comprises of city hotels, resort hotels, as well as destination management business.

The revenue for providing the services are usually recognised at or after the guests' departure, over the period of stay or at the point of arrival of guests. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method. Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue.

In providing destination management services, the entity acts as the principal. Customer receives and consumes the benefits of the entity's performance, as and when the service is performed. Therefore, revenue is recognised at gross over the period, based on the output method. The timing and the amount of cashflow will vary according to the agreements.

Transaction price shall comprise of supplier fee and company mark-up, summing up to be the Gross Service fee. The advance payments are recognised as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

#### Property

Property segment concentrates primarily on property development, renting of office, retail space and management of the Group's real estate.

At inception of the contract, the entity determines whether it satisfies the performance obligation over time or at a point in time. Timing and amount of cashflow will be determined according to the agreement.

#### Financial Services

Financial Services provides a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing. The services under one contract can be identified as one performance obligation.

Entity determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the entity recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The output method will provide a faithful depiction in recognising revenue.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Revenue (Contd.)

### Others

Others represents companies in the Plantation Industry, Information Technology, Management and Investments companies. The main streams of revenue; Management fees, BPO service fees and Consultancy fees, are recognised over a period of time, depending on service level agreements.

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will

be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

### Remaining performance obligations

The Group applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 March 2019.

## 14. Dividend income

### Accounting policy

### Dividend

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

For the year ended 31 March In LKR '000s	COMPANY	
	2019	2018
Dividend income from investments in subsidiaries and equity accounted investees	7,187,071	8,574,886

## 15. Other operating income and other operating expenses

### Accounting policy

### Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

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

Any losses arising from guaranteed rentals are accounted for, in the year of incurring the same. A provision is recognised if the projection indicates a loss.

### Other income and expenses

Other income and expenses are recognised on an accrual basis.

## 15.1 Other operating income

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Promotional income and commission fee	1,389,652	1,386,312	-	-
Exchange gains	-	161,874	-	-
Profit on sale of property, plant and equipment	-	67,475	-	354
Profit on sale of non current investments	-	28,575	234,845	8,183,167
Write back of dealer deposits	9,278	9,216	-	-
Sundry income	526,768	430,659	31,989	29,578
	1,925,698	2,084,111	266,834	8,213,099

The profit on sale of non current investments mainly comprises of LKR. 224 Mn at the Company level which relates to the profit from divestment of shares held in Union Assurance PLC.

The profit of LKR. 8,183 Mn reported in comparative year relating to share restructure/repurchase at the Company level relates to rationalise the Group's shareholding structure. The exercise was carried out in the 2017/18 financial year to restructure the

shareholding of the Group companies which had multiple layers of ownership. The exercise was executed via a model which consisted of both share and cash transfers within the Company and its unquoted subsidiaries.

It should also be noted that the capital gains were eliminated at the Group consolidation level.

## 15.2 Other operating expenses

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Nation building tax	1,323,895	1,182,224	34,820	27,407
Loss on sale of property, plant and equipment	58,546	-	9,999	-
Impairment losses on non financial assets	174,700	23,445	46,600	40,712
Heat, light and power	789,600	623,328	-	-
Exchange losses	270,387	-	-	-
Other overheads	1,088,368	1,361,166	6,935	4,806
	3,705,496	3,190,163	98,354	72,925

## 16 Net finance income

*Accounting policy*

## Finance income

Finance income comprises of interest income on funds invested dividend income, gains on the disposal of fair value through OCI financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any 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.

## Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value

through OCI 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.

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Net finance income</b>				
<b>Finance income</b>				
Interest income	9,781,964	10,278,389	4,227,570	5,707,729
Dividend income on				
Financial assets at fair value through profit or loss	133,973	134,965	-	-
Financial assets at fair value through OCI	21,790	76,364	17,969	76,364
Investment related direct expenses	(66,338)	(59,182)	-	-
Gain on disposal of				
Financial assets at fair value through profit or loss	46,851	319,175	-	-
Financial assets at fair value through OCI	6,745	10,602	-	-
Exchange gains	2,126,616	507,828	2,105,831	507,827
<b>Total finance income</b>	<b>12,051,601</b>	<b>11,268,141</b>	<b>6,351,370</b>	<b>6,291,920</b>
<b>Finance cost</b>				
Interest expense on borrowings	(1,550,188)	(520,797)	(184,544)	(72,019)
Fair value loss on financial assets at fair value through profit or loss	(1,172,101)	-	-	-
<b>Total finance cost</b>	<b>(2,722,289)</b>	<b>(520,797)</b>	<b>(184,544)</b>	<b>(72,019)</b>
<b>Net finance income</b>	<b>9,329,312</b>	<b>10,747,344</b>	<b>6,166,826</b>	<b>6,219,901</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 17 Profit before tax

### Accounting policy

#### Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of

the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company’s and Group’s performance.

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Profit before tax				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	372,220	366,959	133,084	192,881
Remuneration to non executive directors	46,380	47,037	17,280	17,360
Costs of defined employee benefits				
Defined benefit plan cost	381,970	371,908	34,458	37,610
Defined contribution plan cost - EPF and ETF	965,095	872,819	82,117	79,033
Other long term employee benefits cost	95,629	-	21,379	-
Staff expenses	13,384,639	11,458,870	629,606	609,705
Share based payments	475,629	517,374	144,665	170,759
Auditors’ remuneration				
Audit	45,265	42,266	6,332	5,974
Non-audit	24,767	18,162	8,164	6,758
Depreciation of property, plant and equipment	3,657,780	3,236,226	36,870	32,555
Amortisation of intangible assets	415,951	325,531	12,962	18,861
Amortisation of lease rentals paid in advance	478,292	458,459	-	-
Impairment losses	174,700	23,445	46,600	40,712
Operating lease payments	787,077	746,369	-	-
Sub lease payments	56,210	36,083	-	-
(Profit) / loss on sale of property, plant and equipment and intangible assets	58,546	(67,475)	9,999	(354)
Donations	4,949	8,256	505	505

**18. Earnings per share***Accounting policy*

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

holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

**18.1 Basic earnings per share**

		GROUP	
For the year ended 31 March In LKR '000s	Note	2019	2018
Profit attributable to equity holders of the parent		15,254,126	21,021,031
Weighted average number of ordinary shares	18.3	1,370,193	1,387,497
Basic earnings per share		11.13	15.15

**18.2 Diluted earnings per share**

Profit attributable to equity holders of the parent		15,254,126	21,021,031
Adjusted weighted average number of ordinary shares	18.3	1,370,348	1,387,969
Diluted earnings per share		11.13	15.15

**18.3 Amount used as denominator**

		GROUP	
For the year ended 31 March In '000s		2019	2018
Ordinary shares at the beginning of the year		1,387,529	1,387,468
Re-purchase of ordinary shares		(17,339)	-
Effect of share options exercised		3	29
Weighted average number of ordinary shares in issue before dilution		1,370,193	1,387,497
Effects of dilution from:			
Employee share option plans		155	472
Adjusted weighted average number of ordinary shares		1,370,348	1,387,969

**19. Dividend per share**

		COMPANY			
For the year ended 31 March	2019		2018		
	LKR	In LKR '000s	LKR	In LKR '000s	
Equity dividend on ordinary shares declared and paid during the year					
Final dividend (Previous years' final dividend paid in the current year)	2.00	2,775,057	2.00	2,774,934	
Interim dividends	4.00	5,411,393	4.00	5,550,049	
Total dividend	6.00	8,186,450	6.00	8,324,983	

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Taxes

### Accounting policy

#### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the 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.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanisms.

The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act.

#### 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 the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

- Where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of 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 Board of Investment (BOI) tax holiday period, if there are no qualifying assets or liabilities beyond the tax holiday period.

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the 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 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.



## 20.1 Tax expense

		GROUP		COMPANY	
		2019	2018	2019	2018
For the year ended 31 March In LKR '000s					
Income statement					
Current tax charge	20.5	2,456,600	3,240,376	1,139,058	1,293,431
(Over)/Under provision of current tax of previous years		(49,920)	(63,223)	-	-
Irrecoverable economic service charge	20.7	8,842	-	-	-
Withholding tax on inter company dividends		801,201	681,700	-	-
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	20.2	(838,609)	655,776	-	-
	20.6	2,378,114	4,514,629	1,139,058	1,293,431
Other comprehensive income					
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	20.2	405,806	4,106,764	-	-
	20.2	405,806	4,106,764	-	-

## 20.2 Deferred tax expense

		GROUP	
		2019	2018
For the year ended 31 March In LKR '000s			
Income statement			
Deferred tax expense arising from;			
Accelerated depreciation for tax purposes		216,654	366,581
Revaluation of investment property to fair value		31,757	169,372
Retirement benefit obligations		(6,691)	(21,490)
Benefit arising from tax losses		(1,125,255)	(83,300)
Others		44,926	224,613
Deferred tax charged / (credited) directly to Income Statement		(838,609)	655,776
Other comprehensive income			
Deferred tax expense arising from;			
Actuarial losses on defined benefit obligations		3,027	(4,849)
Revaluation of land and building to fair value		366,820	4,111,613
Net gain/loss on financial assets at fair value through OCI		35,959	-
Deferred tax charged/(credited) directly to OCI		405,806	4,106,764

Deferred tax has been computed at 28% for all standard rate companies (including listed companies) and at rates as disclosed in Notes 20.9 and 20.10.

Temporary differences associated with the undistributed reserves in subsidiaries for which a deferred tax liability has not been recognised, amounts to LKR. 3,161 Mn (2018 - LKR. 1,878 Mn). The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Taxes (Contd.)

Union Assurance PLC (UA), a subsidiary of the Group was liable for income tax, in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto, till 31 March 2018.

From 1 April 2018 onwards, the gains and profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 which introduces an approach based on surplus distribution and net investment income of the shareholders' fund.

Up to the period ended 31 March 2018, UA had not recognised a deferred tax asset against tax losses due to uncertainty regarding availability of taxable profits.

With the introduction of the new tax base in terms of Section 67 of the Inland Revenue Act No. 24 of 2017, the company will have taxable income from the year ending 31 December 2018 based on the company's historical experience and future plans. Accordingly, UA will be eligible to claim its brought forward tax losses against its taxable income within a period of 6 years.

Accordingly, during the year ended 31 March 2019, UA recognised a deferred tax asset amounting to LKR 1,572 Mn arising from brought forward tax losses as at 31 March 2018 after assessing the availability of future taxable profits for utilisation.

In terms of Section 67 of the Inland Revenue Act No. 24 of 2017, UA is of the view that there will not be material temporary differences arising, which will result in a deferred tax liability.

## 20.3 Income tax liabilities

	GROUP		COMPANY	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
At the beginning of the year	2,078,807	2,395,379	671,634	635,532
Charge for the year	2,415,522	3,177,153	1,139,058	1,293,431
Payments and set off against refunds	(2,989,510)	(3,505,765)	(1,585,105)	(1,257,329)
Acquisitions / (disposal) of subsidiary	-	12,040	-	-
At the end of the year	1,504,819	2,078,807	225,587	671,634

## 20.4 Deferred tax

	GROUP			
	ASSETS		LIABILITIES	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
At the beginning of the year	171,503	143,548	7,089,179	2,334,456
Charge and release	1,069,146	80,952	653,400	4,810,947
Transfers / exchange translation adjustments	12,329	(52,997)	14,094	(56,224)
At the end of the year	1,252,978	171,503	7,756,673	7,089,179
The closing deferred tax asset and liability balances relate to the following;				
Revaluation of land and building to fair value	(23,123)	-	4,690,015	4,346,318
Revaluation of investment property to fair value	(1,233)	(11,198)	251,723	210,000
Accelerated depreciation for tax purposes	189,362	36,308	2,885,524	2,531,165
Employee benefit liability	44,606	80,702	(287,853)	(248,105)
Losses available for offset against future taxable income	1,112,573	62,718	(243,276)	(172,040)
Net gain/loss on fair value through OCI	(35,959)	-	-	-
Others	(33,248)	2,973	460,540	421,841
	1,252,978	171,503	7,756,673	7,089,179

The Group has tax losses amounting to LKR. 8,824 Mn (2018 - LKR. 10,408 Mn) that are available to offset against future taxable profits of the companies in which the tax losses arose.

A deferred tax liability for the Group amounting to LKR. 460 Mn (2018 – LKR. 430 Mn) has been recognised based on the impact of declared dividends of subsidiaries and the Group's portion of distributable reserves of equity accounted investees.

#### *Accounting judgements, estimates and assumptions*

The Group is subject to income tax and other taxes including VAT. Significant judgement was required to determine the total provision for current, deferred and other taxes due to uncertainties that exist with respect to the interpretation of the applicability of tax law 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 contingent liabilities amounting to LKR. 1,321 Mn (2018 – LKR. 1,371 Mn). These have been arrived at after discussing with independent legal and tax experts and based on information available. All assumptions are revisited as of the reporting date.

Further details of contingent liabilities are disclosed in Note 43 in the financial statements.

## 20.5 Reconciliation between current tax charge and the accounting profit

	GROUP		COMPANY	
	2019	2018	2019	2018
For the year ended 31 March In LKR '000s				
Profit before tax	18,615,510	27,634,434	13,141,274	22,515,660
Dividend income from Group companies	8,830,125	11,269,163	-	-
Share of results of equity accounted investees (net of tax)	(4,727,345)	(3,596,430)	-	-
Other consolidation adjustments	521,175	14,820,285	-	-
Profit after adjustment	23,239,465	50,127,452	13,141,274	22,515,660
Exempt profits	(171,029)	(1,460,681)	-	(929,053)
Income not liable for income tax	(636,011)	(15,163,860)	(255,344)	(8,197,016)
Resident dividend	(8,523,301)	(9,453,819)	(7,205,040)	(8,651,250)
Adjusted accounting profit chargeable to income taxes	13,909,124	24,049,092	5,680,890	4,738,341
Disallowable expenses	10,977,226	9,391,906	713,712	589,297
Allowable expenses	(8,429,866)	(6,041,067)	(2,323,426)	(703,149)
Utilisation of tax losses	(2,476,212)	(262,591)	-	-
Current year tax losses not utilised	220,558	270,466	-	-
Qualifying payment deductions	(1,497)	(5,388)	(3,111)	(5,093)
Taxable income	14,199,333	27,402,418	4,068,065	4,619,396
Income tax charged at:				
Standard rate of 28%	1,968,902	2,796,298	1,139,058	1,293,431
Other concessionary rates	487,698	444,078	-	-
Current tax charge	2,456,600	3,240,376	1,139,058	1,293,431

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Taxes (Contd)

### 20.6 Reconciliation between tax expense and the product of accounting profit

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Adjusted accounting profit chargeable to income taxes	13,909,124	24,049,092	5,680,890	4,738,341
Tax effect on chargeable profits	2,866,054	3,324,785	1,590,649	1,326,735
Tax effect on non deductible expenses	517,569	441,725	160,488	84,380
Tax effect on deductions claimed	(743,747)	(385,504)	(615,603)	(123,697)
Net tax effect of unrecognised deferred tax assets for the year	33,174	171,562	3,524	6,013
Net tax effect of unrecognised deferred tax assets for prior years	(39,992)	9,128	-	-
Under/(over) provision for previous years	(49,920)	(63,223)	-	-
Deferred tax due to carried forward tax losses	(1,043,722)	-	-	-
Deferred tax due to rate differentials	(1,345)	164,456	-	-
Other income based taxes:			-	-
Irrecoverable economic service charge	8,842	-	-	-
Withholding tax on inter-company dividends	801,201	681,700	-	-
Deferred tax on withholding tax of affiliated companies dividends	30,000	170,000	-	-
Tax expense	2,378,114	4,514,629	1,139,058	1,293,431

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.

### 20.7 Economic Service Charge (ESC)

For the year ended 31 March In LKR '000s	GROUP	
	2019	2018
Irrecoverable Economic Service Charge (ESC)	8,842	-
	8,842	-

### 20.8 Tax losses carried forward

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Tax losses brought forward	10,407,718	9,146,951	1,230,471	1,230,471
Adjustments on finalisation of liability	(7,934)	492,233	-	-
Tax losses arising during the year	900,305	1,031,125	-	-
Utilisation of tax losses	(2,476,212)	(262,591)	-	-
	8,823,877	10,407,718	1,230,471	1,230,471

## 20.9 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 28% except for the following companies which enjoy full or partial exemptions and concessions.

Company / Sector	Basis	Exemptions or concessions	Period
<b>Exemptions / concessions granted under the Inland Revenue Act</b>			
John Keells Properties Ja-Ela (Pvt) Ltd.	New undertaking engaged in construction of commercial buildings	Exempt	9 years from 1st April 2015
Saffron Aviation (Pvt) Ltd.	Domestic airline	- do -	8 years from 1st year of profit or 2 years from operations
Sancity Hotels & Properties Ltd. (Subsidiary of Capitol Hotel Holdings (Pvt) Ltd.)	Construction and operation of a tourist hotel	- do -	12 years from 1st year of profit or 2 years from operations
John Keells Information Technology (Pvt) Ltd.	Information technology services	14%	Open ended
John Keells International (Pvt) Ltd.	Exporting services	- do -	- do -
Lanka Marine Services (Pvt) Ltd.	Qualified export profits	- do -	- do -
Leisure sector	Promotion of tourism	- do -	- do -

### Exemptions / concessions granted under the Board of Investment Law

Asian Hotels and Properties PLC	Construction and operation of office, apartment complex and a hotel	2% of turnover	15 years from 1st April 2014
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
British Overseas (Pvt) Ltd.	Infrastructure development	- do -	9 years from 1st April 2013
John Keells Residential Properties (Pvt) Ltd.	Real estate developer	- do -	8 years from 1st April 2011
South Asia Gateway Terminals (Pvt) Ltd.	Port services at "Queen Elizabeth" quay	- do -	20 years from 1st September 1999
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
Infomate (Pvt) Ltd.	IT enabled services	20%	Concessionary rate of 20% until closure of business
John Keells Logistics (Pvt) Ltd (Sites covered by the BOI agreement)	Warehousing	- do -	- do -
Waterfront Properties (Pvt) Ltd.	Integrated super luxury tourist resort	Exempt	10 years from 1st year of profit or 3 years from operations

## 20.10 Income tax rates of off-shore subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Pvt) Ltd.	30.9%
	Serene Holidays (Pvt) Ltd.	25%
Mauritius	John Keells BPO Holdings (Pvt) Ltd.	3% (Effective)
	John Keells BPO International (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)

# NOTES TO THE FINANCIAL STATEMENTS

## 21. Property, plant and equipment

### Accounting policy

#### Basis of recognition

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

#### Basis of measurement

Property, plant and equipment except for land and buildings 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 under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing assets by professional valuers at least every 5 years, except for properties held for rental and occupied mainly by group companies, which are revalued by professional valuers at least every 3 years.

### Derecognition

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

### Depreciation

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

The estimated useful life of assets is as follows:

Assets	Years
Buildings (other than hotels)	50
Hotel buildings	up to 60
Plant and machinery	10 – 20
Equipment	2– 15
Furniture and fittings	2– 15
Motor vehicles	4 – 10
Returnable Containers	10
Vessels	10-25

### 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.

### 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.

#### Impairment of property plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. Property, plant and equipment (Contd.)

### 21.1 Property, plant and equipment - Group

As at 31 March In LKR '000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
<b>Cost or valuation</b>				
At the beginning of the year	57,303,425	16,942,315	9,892,045	10,602,630
Additions	155,329	1,996,317	2,623,403	2,243,264
Acquisition / (disposal) of subsidiary	-	-	-	-
Disposals	(49,700)	(30,716)	(172,059)	(1,085,286)
Revaluations	2,095,884	149,680	-	4,910
Transfers (from revaluation adjustment)	(292,747)	(194,961)	-	-
Impairment / derecognition	-	(174,700)	-	-
Transfers	109,935	1,676,095	1,752,459	87,043
Exchange translation difference	-	407,449	67,840	94,975
At the end of the year	59,322,126	20,771,479	14,163,688	11,947,536
<b>Accumulated depreciation and impairment</b>				
At the beginning of the year	(944,334)	(2,559,978)	(4,657,232)	(5,959,842)
Charge for the year	(397,215)	(592,712)	(853,404)	(1,134,066)
(Acquisition) / disposal of subsidiary	-	-	-	-
Disposals	-	79,051	138,502	912,368
Transfers (from revaluation adjustment)	292,747	194,961	-	-
Transfers	-	-	-	37,118
Exchange translation difference	-	(217,630)	(43,547)	(61,860)
At the end of the year	(1,048,802)	(3,096,308)	(5,415,681)	(6,206,282)
<b>Carrying value</b>				
As at 31 March 2019	58,273,324	17,675,171	8,748,007	5,741,254
As at 31 March 2018	56,359,091	14,382,337	5,234,813	4,642,788

### 21.2 Property, plant and equipment - Company

As at 31 March In LKR '000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Capital work in progress	Total 2019	Total 2018
<b>Cost</b>						
At the beginning of the year	3,768	285,346	83,162	-	372,276	332,552
Additions	-	33,478	-	46,791	80,269	85,673
Disposals	-	(74,960)	(33,000)	-	(107,960)	(45,949)
At the end of the year	3,768	243,864	50,162	46,791	344,585	372,276
<b>Accumulated depreciation and impairment</b>						
At the beginning of the year	(3,578)	(218,665)	(22,155)	-	(244,398)	(238,639)
Charge for the year	(89)	(24,862)	(11,919)	-	(36,870)	(32,555)
Disposals	-	74,258	22,967	-	97,225	26,796
At the end of the year	(3,667)	(169,269)	(11,107)	-	(184,043)	(244,398)
<b>Carrying value</b>						
As at 31 March 2019	101	74,595	39,055	46,791	160,542	
As at 31 March 2018	190	66,681	61,007	-		127,878



Motor vehicles		Returnable containers	Others	Vessels	Capital work in progress	Total 2019	Total 2018
Freehold	Leasehold						
686,819	51,195	986,269	4,837,731	777,100	3,414,495	105,494,024	81,420,427
109,886	-	7,488	744,903	65,488	4,073,774	12,019,852	18,921,948
-	-	-	-	-	-	-	(497,801)
(92,917)	-	(64,156)	(232,268)	-	(4,458)	(1,731,560)	(1,458,176)
-	-	-	-	-	-	2,250,474	9,169,124
-	-	-	-	-	-	(487,708)	(366,482)
-	-	-	-	-	-	(174,700)	-
-	-	-	42,102	-	(3,709,938)	(42,304)	(1,777,856)
7,728	-	-	4,332	-	25,415	607,739	82,840
711,516	51,195	929,601	5,396,800	842,588	3,799,288	117,935,817	105,494,024
(411,300)	(12,543)	(594,767)	(2,956,950)	(137,205)	-	(18,234,151)	(17,024,054)
(60,949)	(7,581)	(64,632)	(496,043)	(51,178)	-	(3,657,780)	(3,236,226)
-	-	-	-	-	-	-	450,505
63,352	-	53,891	208,522	-	-	1,455,686	1,262,832
-	-	-	-	-	-	487,708	366,482
-	-	-	-	-	-	37,118	10,648
(6,676)	-	-	(6,197)	-	-	(335,910)	(64,338)
(415,573)	(20,124)	(605,508)	(3,250,668)	(188,383)	-	(20,247,329)	(18,234,151)
295,943	31,071	324,093	2,146,132	654,205	3,799,288	97,688,488	
275,519	38,652	391,502	1,880,781	639,895	3,414,495		87,259,873

### 21.3 Revaluation of land and buildings

Accounting judgements, estimates and assumptions  
The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data

is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The most recent revaluation was carried out on 31 December 2018.

The changes in fair value are recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Property, plant and equipment (Contd.)

#### 21.3 Revaluation of land and buildings (Contd.)

Details of Group's land, building and other properties stated at valuation are indicated below;

Property	Name of the Chartered Valuation Surveyor	Method of valuation	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
<b>Land and Building</b>						
Asian Hotels & Properties PLC.	P B Kalugalagedara	OMV / DCC	LKR 16,000,000 - LKR 18,500,000	LKR 2,000 - LKR13,000	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd.	-do-	DCC	LKR 750,000 - LKR 950,000	LKR 3,000 - LKR10,500	-	Positive
Ceylon Cold Stores PLC.	-do-	DCC	LKR 150,000 - LKR 175,000	LKR 500 - LKR 5,000	-	Positive
Kandy Walk Inn Ltd.	S Fernando	OMV	LKR 650,000 - LKR 1,150,000	LKR 1,000 - LKR 9,000	-	Positive
Keells Food Products PLC.	P B Kalugalagedara	OMV	LKR 450,000	LKR 400 - LKR 2,000	-	Positive
Keells Realtors Ltd.	-do-	OMV	LKR 1,750,000	LKR 500 - LKR 1,500	-	Positive
Mackinnons Keells Ltd.	-do-	DCC	LKR 9,000,000	LKR1,500	-	Positive
Nuwara Eliya Holiday Resort (Pvt) Ltd.	S Fernando	DCC	LKR 475,000	-	-	Positive
John Keells Thudella Properties (Pvt) Ltd.	P P T Mohideen	DCC	LKR 264,000	-	-	Positive
Tea Smallholder Factories PLC.	K T D Tissera	DCC	LKR 5,000 - LKR 22,000	LKR 750 - LKR 2,000	-	Positive
Trinco Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	DCC	LKR 300,000	LKR 1,000 - LKR 6,500	-	Positive
Union Assurance PLC.	-do-	DCC	LKR 6,000,000 / LKR 15,000,000	LKR 500 - LKR 4,250	-	Positive
Vauxhall Land Developments (Pvt) Ltd.	-do-	OMV	LKR 14,500,000	-	-	Positive
<b>Buildings on leasehold land</b>						
Ceylon Holiday Resorts Ltd.	P B Kalugalagedara	OMV	-	LKR 1,800 - LKR 3,500	-	Positive
Keells Food Products PLC.	-do-	DCC	-	LKR 1,000 - LKR 9,250	-	Positive
Habarana Lodge Ltd.	S Fernando	DCC	-	LKR 500 - LKR 10,000	-	Positive
Habarana Walk Inn Ltd.	-do-	DCC	-	LKR 2,000 - LKR 6,850	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	DCC	-	LKR 2,500 - LKR 5,400	-	Positive
Jaykay Marketing Service(Pvt) Ltd.	-do-	IM	-	-	6%	Negative
John Keells Warehousing (Pvt) Ltd.	K T D Tissera	DCC	-	LKR 1,500 - LKR 2,500	-	Positive
Rajawella Holdings Ltd.	P B Kalugalagedara	DCC	-	LKR 2,000 - LKR 10,000	-	Positive
Trans Asia Hotels PLC.	-do-	DCC	-	LKR 400 - LKR 7,600	-	Positive
Yala Village (Pvt ) Ltd.	-do-	DCC	-	LKR 2,500 - LKR 7,500	-	Positive

Effective date of valuation was 31 December 2018.

**Summary description of valuation methodologies;****Open market value method (OMV)**

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

**Direct capital comparison method (DCC)**

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

**Contractors method (CM)**

The replacement cost (contractor's) method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current building costs and often the land price will be established by comparison.

**Investment method (IM)**

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

#### 21.4 The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;

	GROUP	
	2019	2018
As at 31 March In LKR '000s		
Cost	37,148,898	31,903,882
Accumulated depreciation and impairment	(1,281,019)	(2,877,180)
Carrying value	35,867,879	29,026,702

Group land and buildings with a carrying value of LKR. 4,072 Mn (2018 - LKR. 4,817 Mn ) have been pledged as security for term loans obtained, details of which are disclosed in Note 36.3.

Group property, plant and equipment with a cost of LKR. 6,322 Mn (2018 - LKR. 5,560 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. 587 Mn (2018 – LKR. 611 Mn).

The amount of borrowing costs capitalised during the year ended 31 March 2019 was LKR. 1,141 Mn (2018 - LKR. 127 Mn).

**22. Leases***Accounting Policy***Leases**

The determination of whether an arrangement 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 prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with SLFRS 1.

**Lease rentals paid in advance**

Prepaid lease rentals paid to acquire land use rights, are amortised over the lease term and assessed for impairment whenever there is an indication that the asset may be impaired.

**22.1 Lease rentals paid in advance**

	GROUP	
	2019	2018
As at 31 March In LKR '000s		
At the beginning of the year	13,004,939	13,206,058
Addition for the year	582,176	-
Transfers	-	(17,258)
Amortisation for the year	(478,292)	(458,459)
Exchange gain / (loss)	1,304,065	274,598
At the end of the year	14,412,888	13,004,939

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

# NOTES TO THE FINANCIAL STATEMENTS

## 22. Leases (Contd.)

### 22.2 Details of lease rentals paid in advance

Property	Land extent (in acres)	Lease period	Total	
			2019 In LKR '000s	2018 In LKR '000s
Fantasea World Investment (Pte) Ltd. Cinnamon Hakuraa Huraa Maldives	18.90	33 years from 27-08-2014	351,937	323,726
John Keells Warehousing (Pvt) Ltd. Muthurajawela	6.00	50 years from 19-09-2001	34,757	35,846
John Keells Logistics (Pvt) Ltd. Muthurajawela	9.23	30 years from 13-06-2018	582,176	-
Rajawella Holdings Ltd. Digana	517.09	99 years from 02-12-1996	1,444,124	1,464,257
Tea Smallholder Factories PLC. Karawita Tea Factory	4.98	50 years from 15-08-1997	2,484	2,569
The Colombo Ice Company (Pvt) Ltd. Avisawella	9.30	50 Years from 18-07-2016	143,237	146,263
Tranquility (Pte) Ltd. Cinnamon Dhonveli Maldives	17.16	38 Years from 26-08-2010	9,784,448	9,027,806
Trans Asia Hotels PLC. Colombo	7.65	99 years from 07-08-1981	756,644	769,048
Travel Club (Pte) Ltd. Ellaidhoo Maldives by Cinnamon	13.75	24 years from 04-08-2006	1,260,483	1,179,786
Yala Village (Pvt) Ltd. Kirinda	11.25	30 years from 27-11-1997	52,598	55,638
			14,412,888	13,004,939

## 23. Investment property

### Accounting policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are revaluated at least every 3 years by an accredited external, independent valuer. The most recent revaluation was carried out on 31 December 2018.

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 for using accounting policy for property, plant and equipment.

	GROUP	
As at 31 March In LKR '000s	2019	2018
<b>Carrying value</b>		
At the beginning of the year	12,427,058	5,366,180
Additions	1,233,668	4,397,290
Transfers	-	1,767,208
Change in fair value during the year	324,653	896,380
At the end of the year	13,985,379	12,427,058
Freehold property	13,522,700	12,019,147
Leasehold property	462,679	407,911
	13,985,379	12,427,058
Rental income earned	602,883	567,885
Direct operating expenses incurred	197,299	191,467

*Accounting judgements, estimates and assumptions*

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties in similar locations and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 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 re-development requirements have been considered.

Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The changes in fair value are recognised in the Income Statement. 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.

## Description of valuation techniques used and key inputs to valuation of investment properties:

Property	Name of the Chartered Valuation Surveyor	Method of valuation*	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
<b>Freehold property</b>						
Ahungalla Holiday Resort (Pvt) Ltd.	S Fernando	DCC	LKR 235,000 - LKR 385,000	-	-	Positive
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	P B Kalugalagedara	IM	-	-	6.25%	Negative
Ceylon Cold Stores PLC. Inner Harbour Road, Trincomalee	P B Kalugalagedara	DCC	LKR 1,250,000	LKR 1,000 - LKR 2,250	-	Positive
Facets (Pvt) Ltd.	S Fernando	DCC	LKR 435,000	-	-	Positive
Glennie Properties (Pvt) Ltd.	P B Kalugalagedara	OMV	LKR 14,000,000	-	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd.	P B Kalugalagedara	DCC	LKR 1,000,000	LKR 5,400	-	Positive
John Keells PLC. 17/1, Temple Road, Ekala, Ja-Ela.	P B Kalugalagedara	OMV	LKR 600,000	-	-	Positive
John Keells Property Development (Pvt) Ltd.	P B Kalugalagedara	OMV	LKR 11,000,000	-	-	Positive
Keells Realtors Ltd. Ferguson Road, Colombo 15.	P B Kalugalagedara	OMV	LKR 1,500,000 - LKR 2,250,000	LKR 1,000	-	Positive
Trinco Walk Inn Ltd.	P B Kalugalagedara	DCC	LKR160,000	-	-	Positive
Whittall Boustead (Pvt) Ltd. 'Ulex Villa' No.150, Badulla Road, Nuwara Eliya.	P B Kalugalagedara	DCC	LKR 2,000,000	LKR 500 - LKR 1500	-	Positive
Wirawila Walk Inn Ltd.	S Fernando	DCC	LKR 21,875	-	-	Positive
Vauxhall Land Developments (Pvt) Ltd.	P B Kalugalagedara	OMV	LKR 14,500,000	-	-	Positive
<b>Leasehold property</b>						
Tea Smallholder Factories PLC.						
Stores Complex, Peliyagoda	P B Kalugalagedara	DCC	LKR 2,250,000	LKR 1,075	-	Positive
Bengamuwa Village, Pasgoda	K D Tissera	CM	LKR 12,500	LKR 500 - LKR 1,000	-	Positive

\* Summary description of valuation methodologies can be found in property plant and equipment Note no 21.3.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. Intangible assets

### Accounting policy

#### Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

#### Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. 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.

#### Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and treated as accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives and goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

#### Present value of acquired in-force business (PVIB)

The present value of future profits on a portfolio of long term life insurance contracts as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent actuary. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

The PVIB is amortised over the average useful life of the related contracts in the portfolio. The amortisation charge and any impairment losses would be recognised in the Consolidated Income Statement as an expense.

#### Purchased software

Purchased asset, when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,

### 24.1 Intangible assets

As at 31 March In LKR '000s	Software			
	Developed	Purchased	Licenses	WIP
<b>Cost/carrying value</b>				
At the beginning of the year	570,584	404,698	687,512	7,440
Additions	3,094	540,185	406,170	69,088
Transfers	-	42,773	-	-
Disposal	(14,840)	(2,240)	(964)	-
At the end of the year	558,838	985,416	1,092,718	76,528
<b>Accumulated amortisation and impairment</b>				
At the beginning of the year	(237,377)	(182,509)	(590,508)	-
Amortisation	(53,173)	(74,253)	(58,892)	-
Transfers	-	(37,587)	-	-
Disposal	12,676	896	963	-
At the end of the year	(277,874)	(293,453)	(648,437)	-
<b>Carrying value</b>				
As at 31 March 2019	280,964	691,963	444,281	76,528
As at 31 March 2018	333,207	222,189	97,004	7,440

- 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.

#### Contractual relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and amortised over the contract period.

A summary of the policies applied to the Group's intangible assets is as follows.

Intangible assets	Useful life	Type	Impairment testing
PVIB	12	Acquired	When indicators of impairment exists. The amortisation method is reviewed at each financial year end
Purchased software	5		
Software license	5		
Contractual relationships	5 - 10		
Developed software	5	Internally generated	Annually for assets not yet in use and more frequently when indicators of impairment arise. For assets in use, when indicators of impairment arise. The amortisation method is reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

	GROUP				COMPANY			
	PVIB	Goodwill	Contractual relationships	Other	2019		2018	
					Total	Total	Total	Total
	2,249,000	738,596	-	49,500	4,707,330	4,489,768	530,371	497,827
	-	-	791,238	-	1,809,775	217,562	62,190	32,544
	-	-	-	-	42,773	-	-	-
	-	-	-	-	(18,044)	-	-	-
	2,249,000	738,596	791,238	49,500	6,541,834	4,707,330	592,561	530,371
	(1,686,745)	-	-	-	(2,697,139)	(2,371,608)	(485,887)	(467,026)
	(187,416)	-	(42,217)	-	(415,951)	(325,531)	(12,962)	(18,861)
	-	-	-	-	(37,587)	-	-	-
	-	-	-	-	14,535	-	-	-
	(1,874,161)	-	(42,217)	-	(3,136,142)	(2,697,139)	(498,849)	(485,887)
	374,839	738,596	749,021	49,500	3,405,692		93,712	
	562,255	738,596	-	49,500		2,010,191		44,484

# NOTES TO THE FINANCIAL STATEMENTS

## 24. Intangible assets (Contd.)

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.

### 24.2 Intangible assets - Goodwill

	GROUP
As at 31 March	2019
In LKR '000s	Net carrying value
Goodwill acquired through business combinations have been allocated to following cash generating units (CGU's) for impairment testing,	
Airlines Services	5,054
Cinnamon Hotels and Resorts	166,248
Consumer Foods	299,293
Financial Services	265,360
Logistics, Ports and Shipping	2,641
	738,596

The recoverable amounts of all CGUs have been determined based on the fair value, less cost to sell or the value in use (VIU) calculation.

#### Accounting judgements, estimates and assumptions

##### Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

##### 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 industry growth rates of one to four years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.



## 25. Investment in subsidiaries

### Accounting policy

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately

recognised in the income statement. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

### 25.1 Carrying value

As at 31 March In LKR '000s	Note	COMPANY	
		2019	2018
Investment in subsidiaries			
Quoted	25.2	20,115,878	20,066,449
Unquoted	25.3	57,130,018	47,901,469
		77,245,896	67,967,918

### 25.2 Group quoted investments

As at 31 March	GROUP		COMPANY		2019 In LKR '000s	2018 In LKR '000s
	Number of shares	Effective holding %	Number of shares	Effective holding %		
Cost						
Asian Hotels and Properties PLC.	347,824,190	78.56	347,824,190	78.56	5,350,028	5,324,044
Ceylon Cold Stores PLC.	77,321,326	81.36	67,155,930	70.61	1,618,486	1,563,192
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	478,227	468,923
Keells Food Products PLC.	22,937,250	88.63	20,364,054	79.86	1,232,659	1,223,691
Tea Smallholder Factories PLC.	11,286,000	37.62	11,286,000	37.62	65,308	64,452
Trans Asia Hotels PLC.	184,107,284	82.74	97,284,256	48.64	1,613,714	1,609,523
Union Assurance PLC.	53,035,715	90.00	53,035,715	90.00	2,655,316	2,710,484
					20,115,878	20,066,449

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Market Value				
Asian Hotels and Properties PLC.	14,573,834	17,460,774	14,573,834	17,460,774
Ceylon Cold Stores PLC.	44,459,762	73,455,148	38,614,592	63,798,021
John Keells Hotels PLC.	8,771,989	10,877,266	8,771,989	10,877,266
John Keells PLC.	2,536,070	3,122,536	2,536,070	3,122,536
Keells Food Products PLC.	2,862,569	2,979,549	2,541,434	2,645,291
Tea Smallholder Factories PLC.	271,993	383,724	271,993	383,724
Trans Asia Hotels PLC.	14,065,796	17,490,192	7,432,517	9,242,004
Union Assurance PLC.	15,889,500	8,115,370	15,889,500	8,115,370
	103,431,513	133,884,559	90,631,929	115,644,986

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Investment in subsidiaries (Contd.)

### 25.3 Group unquoted investments

As at 31 March	GROUP		COMPANY			2018
	2019		2019		2018	
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Ahungalla Holiday Resorts (Pvt) Ltd.	13,275,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	219,725,653	79.78	-	-	3,526	2,553
British Overseas (Pvt) Ltd.	61	61.00	61	61.00	-	-
Ceylon Holiday Resorts Ltd.	18,260,784	79.60	-	-	3,590	3,285
Cinnamon Hotel Management Ltd.	1,000,000	100.00	1,000,000	100.00	301,533	227,578
Cinnamon Hotel Management International (Pvt) Ltd.	50,000	100.00	-	-	-	-
Cinnamon Holidays (Pvt) Ltd.	20,000	80.32	-	-	-	-
Facets (Pvt) Ltd.	15,000	100.00	15,000	100.00	-	-
Fantasea World Investments (Pte) Ltd.	7,299	80.32	-	-	3,451	2,444
Glennie Properties (Pvt) Ltd.	16,386,140	100.00	16,386,140	100.00	163,861	-
Habarana Lodge Ltd.	12,981,548	78.99	-	-	4,384	3,867
Habarana Walk Inn Ltd.	4,321,381	79.34	-	-	2,561	2,123
Hikkaduwa Holiday Resorts (Pvt) Ltd.	107,596,700	79.60	-	-	2,147	1,557
InfoMate (Pvt) Ltd.	2,000,000	100.00	2,000,000	100.00	35,125	32,374
International Tourists and Hoteliers Ltd.	38,490,901	79.78	-	-	-	-
JayKay Marketing Services (Pvt) Ltd.	202,239,025	81.36	-	-	162,329	137,367
J K Packaging (Pvt) Ltd.	1,450,000	100.00	1,450,000	100.00	-	-
J K Thudella Properties (Pvt) Ltd.	45,346,760	100.00	-	-	-	-
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 Solutions Lanka (Pvt) Ltd.	32,843,578	100.00	-	-	-	-
John Keells Foods India (Pvt) Ltd.	8,999,990	88.63	-	-	-	-
John Keells Information Technology (Pvt) Ltd. (formerly known as John Keells Computer Services (Pvt) Ltd.)	9,650,000	100.00	9,650,000	100.00	120,496	118,672
John Keells International (Pvt) Ltd.	199,160,000	100.00	199,160,000	100.00	666,463	662,788
John Keells Land (Pvt) Ltd.	1,704,721,023	100.00	1,704,721,023	100.00	17,047,210	15,957,048
John Keells Logistics (Pvt) Ltd.	19,999,998	100.00	19,999,998	100.00	222,247	215,284
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	80.32	-	-	15,853	13,396
John Keells Office Automation (Pvt) Ltd.	500,000	100.00	500,000	100.00	59,850	50,541
John Keells Properties (Pvt) Ltd.	101,804	100.00	101,804	100.00	815	815
John Keells Properties Ja-Ela (Pvt) Ltd.	95,436,000	100.00	-	-	-	-
John Keells Property Developments (Pvt) Ltd.	105,405,680	100.00	-	-	-	-
John Keells Residential Properties (Pvt) Ltd.	2,081,698	100.00	2,081,698	100.00	20,817	20,817
John Keells Singapore (Pte) Ltd.	160,000	80.00	160,000	80.00	4,209	4,209
John Keells Stock Brokers (Pvt) Ltd.	1,500,000	90.04	360,000	24.00	68,186	58,234
John Keells Teas Ltd.	12,000	100.00	12,000	100.00	16,886	14,561
John Keells Warehousing (Pvt) Ltd.	12,000,000	86.90	-	-	4,640	3,662
Kandy Walk Inn Ltd.	6,165,484	79.03	-	-	3,696	2,998
Keells Consultants (Pvt) Ltd.	928	100.00	928	100.00	1,660	1,196
Keells Realtors Ltd.	7,500,000	95.81	5,100,000	40.00	119,124	119,124
Keells Shipping (Pvt) Ltd.	50,000	100.00	50,000	100.00	-	502
Lanka Marine Services (Pvt) Ltd.	34,805,470	99.44	34,805,470	99.44	1,384,291	1,371,833
Logipark International (Pvt) Ltd.	60,407,698	100.00	60,407,698	100.00	1,058,750	-
Mack Air (Pvt) Ltd.	89,260	100.00	89,260	100.00	30,382	20,943

As at 31 March	GROUP		COMPANY			
	2019		2019		2018	
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Mack Air Services Maldives (Pvt) Ltd.	4,900	49.00	4,700	47.00	2,021	2,021
Mack International Freight (Pvt) Ltd.	13,000,000	100.00	13,000,000	100.00	214	-
Mackinnons Keells Ltd.	31,966,951	100.00	31,966,951	100.00	670,166	670,166
Mackinnon Mackenzie and Company (Shipping) Ltd.	139,092	100.00	139,092	100.00	65,789	65,789
Mackinnon Mackenzie and Company of (Ceylon) Ltd.	1,244	100.00	1,244	100.00	29,122	29,122
Mackinnons Travels (Pvt) Ltd.	499,996	100.00	499,996	100.00	27,420	23,533
Mortlake (Pvt) Ltd.	43	100.00	43	100.00	20,000	20,000
Nuwara Eliya Holiday Resorts (Pvt) Ltd.	31,606,252	80.32	-	-	-	-
Rajawella Holdings Ltd.	13,063,936	49.85	11,573,339	45.18	801,707	801,707
Rajawella Hotels Company Ltd.	3,157,384	80.32	-	-	-	-
Resort Hotels Ltd.	151,107	79.60	-	-	-	-
Serene Holidays (Pvt) Ltd.	800,000	98.35	-	-	-	-
The Colombo Ice Company (Pvt) Ltd.	169,999,999	81.36	-	-	-	-
Tranquility (Pte) Ltd.	637,499	80.32	-	-	5,076	4,459
Trans-ware Logistics (Pvt) Ltd.	5,539,929	100.00	5,539,929	100.00	58,983	105,583
Travel Club (Pte) Ltd.	29,059	80.32	-	-	2,801	2,352
Trinco Holiday Resorts (Pvt) Ltd.	8,120,005	80.32	-	-	3,118	2,275
Trinco Walk Inn Ltd.	3,000,007	80.32	-	-	-	-
Vauxhall Land Developments (Pvt) Ltd.	1,305,314,694	60.28	-	-	-	-
Walkers Tours Ltd.	3,737,634	98.51	3,737,634	98.05	174,565	156,848
Waterfront Properties (Pvt) Ltd.	3,906,673,896	96.78	3,175,749,469	81.29	31,844,341	25,094,567
Whittall Boustead (Pvt) Ltd.	5,341,105	100.00	5,341,105	100.00	1,623,663	1,604,485
Whittall Boustead (Travel) Ltd.	22,452,271	100.00	22,452,271	100.00	270,631	267,040
Wirawila Walk Inn Ltd.	1,706,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	75.33	-	-	2,319	1,751
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	80.32	-	-	-	-
					57,130,018	47,901,469

## 26. Investment in equity accounted investees

### Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate companies incorporated in Sri Lanka of the Group which have been accounted for under the equity method of accounting are:

- Capitol Hotel Holdings (Pvt) Ltd.
- Fairfirst Insurance Ltd.
- Indra Hotels and Resorts Kandy (Pvt) Ltd.
- Maersk Lanka (Pvt) Ltd.
- Nations Trust Bank PLC.
- Saffron Aviation (Pvt) Ltd.
- South Asia Gateway Terminals (Pvt) Ltd.

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 incorporated in Sri Lanka entered into by the Group, which have been accounted for using the equity method, are:

- Braybrooke Residential Properties (Pvt) Ltd.
- DHL Keells (Pvt) Ltd.
- Sentinel Reality (Pvt) Ltd.

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 associate and joint venture 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 26. Investment in equity accounted investees (Contd.)

The income statement reflects the Group's share of the results of operations of the associate or joint venture. 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 venture. 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 below.

Equity method of accounting has been applied for associates and joint ventures 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.

As at 31 March	GROUP				COMPANY			
	Number of shares	Effective Holding %	2019 In LKR '000s	2018 In LKR '000s	Number of shares	Effective Holding %	2019 In LKR '000s	2018 In LKR '000s
<b>26.1 Investments in joint ventures</b>								
Braybrooke Residential Properties (Pvt) Ltd.	102	50.00	1,804,500	1,804,500	-	-	-	-
DHL Keells (Pvt) Ltd.	1,000,000	50.00	10,000	10,000	1,000,000	50.00	10,000	10,000
Sentinel Reality (Pvt) Ltd.	6,037,500	40.16	60,924	60,924	-	-	-	-
<b>26.2 Investments in associates</b>								
<b>Quoted</b>								
Nations Trust Bank PLC.- Voting shares	72,278,880	29.63	1,699,620	1,561,355	48,347,078	19.82	1,198,265	1,105,779
Nations Trust Bank PLC.- Non voting shares	19,022,183	47.65	1,663,848	1,627,535	14,851,521	37.20	1,188,479	1,160,128
<b>Unquoted</b>								
Capitol Hotel Holdings (Pvt) Ltd.	3,254,832	19.47	325,483	325,483	3,254,832	19.47	325,483	325,483
Fairfirst Insurance Ltd.	68,902,870	19.80	689,718	689,718	-	-	-	-
Indra Hotels and Resorts Kandy (Pvt) Ltd.	52,570,025	32.00	420,561	-	-	-	-	-
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	-	-
Saffron Aviation (Pvt) Ltd. - Preference shares	21,774,750	-	217,748	217,748	21,774,750	-	217,748	217,748
South Asia Gateway Terminals (Pvt) Ltd.	159,826,750	42.19	7,346,367	7,346,367	159,826,750	42.19	7,346,367	7,346,367
Cumulative profit accruing to the Group net of dividend			6,373,231	4,908,661				
Share of net assets of equity accounted investees			4,308,072	3,534,034				
			25,169,094	22,335,347			10,286,492	10,165,655

Group's shareholding in Nations Trust Bank PLC. (NTB)  
The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) has by letter dated 12 October 2017 informed NTB that the Monetary Board of the CBSL has permitted the Group to retain its current shareholding in voting shares in the Bank till 31 December

2020 and to reduce it to 15 per cent with effect from that date. The Monetary Board has also required NTB to limit the voting rights of the Group to 10 per cent with effect from 31 March 2018. NTB will continue to be an associate company of the Group. As at 31 March 2019, the Group has an economic interest of 32.16% in NTB.

	GROUP		COMPANY	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
Market Value				
Quoted shares of Nations Trust Bank PLC.				
Voting shares	6,497,871	5,709,065	4,346,402	3,818,773
Non voting shares	1,527,481	1,466,881	1,192,577	1,145,264
	8,025,352	7,175,946	5,538,979	4,964,037

### 26.3 Summarised financial information of equity accounted investees

	South Asia Gateway Terminals (Pvt) Ltd.		Other associates		Joint ventures		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
As at 31 March In LKR '000s								
Group share of;								
Revenue	6,688,598	5,901,220	9,031,584	8,039,374	2,019,181	1,932,883	17,739,363	15,873,477
Operating expenses including cost of sales	(3,858,010)	(3,826,709)	(6,725,599)	(5,709,288)	(1,797,382)	(1,667,191)	(12,380,991)	(11,203,188)
Net finance income	81,222	59,240	2,455	25,337	27,905	16,144	111,582	100,721
Tax expense	(3,912)	(310,328)	(659,014)	(783,697)	(79,683)	(80,555)	(742,609)	(1,174,580)
Share of results of equity accounted investees	2,907,898	1,823,423	1,649,426	1,571,726	170,021	201,281	4,727,345	3,596,430
Other comprehensive income	832,203	159,448	294,310	370,622	16,764	(1,282)	1,143,277	528,788
Group share of;								
Total assets	9,093,504	7,067,218	118,035,323	99,866,059	3,007,778	800,343	130,136,605	107,733,620
Total liabilities	(2,681,409)	(1,694,649)	(106,406,232)	(88,039,687)	(623,120)	(407,187)	(109,710,761)	(90,141,523)
Net assets	6,412,095	5,372,569	11,629,091	11,826,372	2,384,658	393,156	20,425,844	17,592,097
Goodwill	4,674,278	4,674,278	55,712	55,712	13,260	13,260	4,743,250	4,743,250
	11,086,373	10,046,847	11,684,803	11,882,084	2,397,918	406,416	25,169,094	22,335,347
Contingent liabilities	-	-	-	-	-	-	-	-
Capital commitments	-	-	273,019	128,355	8,099,056	-	8,372,075	128,355
Other commitments and Guarantees	-	-	61,297,752	55,678,928	-	-	61,297,752	55,678,928
Dividend received	2,700,712	2,251,731	562,063	540,967	-	150,000	3,262,775	2,942,698

The share of results of equity accounted investees in the Income Statement and the Statement of Other Comprehensive Income are shown net of all related taxes.

The Group and the Company have neither contingent liabilities nor capital and other commitments towards its associates and joint ventures.

# NOTES TO THE FINANCIAL STATEMENTS

## 26. Investment in equity accounted investees (Contd.)

Significant accounting policies that are specific to the business of equity accounted investees

Nations Trust Bank PLC. (Bank)

Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### Interest income and expense

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The Bank ceases the recognition of interest income on assets when it is probable that the economic benefit associated will not continue to flow to the Bank. Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is also recognised using the contractual interest rate in interest income.

### Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to the following three categories:

- Fee income earned from services that are provided over a certain period of time Fees earned for the provision of services are recognised as revenue as the services are provided. These fees include commission income and asset management fees, custody and other management and advisory fees.
- Fee income from providing financial services are earned on the execution of a significant act Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the lending transactions or other securities 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.
- Fee income forming an integral part of the corresponding financial instrument Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The

recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

### Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established which is generally when the shareholders approve the dividend.

### Net trading income

Results arising from trading activities include all gains and losses from changes in fair value.

### Rental income

Rental income is recognised on a straight line basis

### Other income

Other income is recognised on an accrual basis

### South Asia Gateway Terminals (Pvt) Ltd.

#### Stevedoring revenue

Stevedoring revenue is recognised on the berthing time of the vessel.

### Storage revenue

Storage revenue is recognised on the issue of delivery advice.

South Asia Gateway Terminals (Pvt) Ltd uses United States Dollar (USD) as its functional currency.

### Fairfirst Insurance Ltd.

#### Revenue from insurance contracts

##### General insurance business-gross written premium

Gross written premiums (GWP) comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium

#### Insurance contract liabilities - general

Non-life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR/ IBNER) and the provision for unearned premium and the provision for premium deficiency.

## 27. Non current financial assets

	Note	GROUP		COMPANY	
		2019	2018	2019	2018
As at 31 March In LKR '000s					
Quoted equity investments		234	344	-	-
Unquoted equity investments	27.1	104,978	119,031	61,524	75,461
Non equity investments	27.2	35,081,093	32,758,879	219,745	191,650
		35,186,305	32,878,254	281,269	267,111

## 27.1 Unquoted equity investments

As at 31 March In LKR '000s	GROUP			COMPANY		
	Number of shares	2019	2018	Number of shares	2019	2018
Asia Power (Pvt) Ltd.	388,527	49,524	75,461	388,527	49,524	75,461
Other equity instruments	-	55,454	43,570	-	12,000	-
		104,978	119,031		61,524	75,461

## 27.2 Non equity investments

As at 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
Bank deposits		216,230	105,510	116,123	105,510
Debentures		5,681,130	4,828,338	-	-
Preference shares		288,525	275,114	-	-
Government securities		25,938,402	24,901,319	-	-
Loans to executives	27.3	1,024,353	934,297	103,622	86,140
Loans to life policyholders		1,300,907	1,048,966	-	-
Cash flow hedge		391,308	598,097	-	-
Deposits with non bank institutions		240,238	67,238	-	-
		35,081,093	32,758,879	219,745	191,650

## 27.3 Loans to executives

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
At the beginning of the year	1,157,182	917,663	109,689	90,321
Loans granted / transfers	734,773	761,627	107,646	50,851
Acquisition / disposal of subsidiaries	-	5,010	-	-
Recoveries	(609,276)	(527,118)	(88,539)	(31,483)
At the end of the year	1,282,679	1,157,182	128,796	109,689
Receivable within one year	258,326	222,885	25,174	23,549
Receivable after one year	1,024,353	934,297	103,622	86,140
	1,282,679	1,157,182	128,796	109,689

## 28. Other non current assets

As at 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
Pre paid staff cost		317,078	260,589	27,113	20,724
Work-in-progress - Waterfront project	28.1	75,810,180	52,554,047	-	-
Non current advances		1,147,527	784,711	-	-
		77,274,785	53,599,347	27,113	20,724

# NOTES TO THE FINANCIAL STATEMENTS

## 28. Other non current assets (Contd.)

### 28.1 Work-in-progress - Waterfront project

As at 31 March In LKR '000s	GROUP	
	2019	2018
Freehold property*	11,127,057	9,887,194
Leasehold property*	4,518,412	3,616,534
Other constructions in progress	55,354,766	33,051,125
Contractor advances	4,809,945	5,999,194
	75,810,180	52,554,047

\* The freehold and leasehold property are located at Glennie Street and Justice Akbar Mawatha, Colombo 2.

Other non-current assets, represents the construction work in progress, which mainly consists of freehold land, advance paid on obtaining lease land and other project cost incurred. Freehold land included under other non-current asset is carried at cost. Lease prepaid in advance consist of the prepayment made to obtain the lease land rights for 99 years. Other project cost includes advances paid to contractors, directly attributable cost incurred on the project and the capitalised borrowing cost.

#### 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, a hotel and conference centre, retail and associate facilities and a car park.

Details of property	Leasehold		Freehold
	BOI*	UDA**	
Extent:	3A-OR-19.35P	13P	7A-OR-16.63P
Period:	99 years from 12-02-2014	99 years from 01-08-2018	-
Lease commitment:	Upfront Lease rental of LKR. 3,030 Mn	Upfront Lease rental of LKR. 75.5 Mn	-

\* Board of Investment

\*\* Urban Development Authority

### 28.2 Total project cost - Waterfront project

The total project cost will be allocated based on the following percentages under each asset category, as estimated at this juncture of time. The final project cost allocation will be done in an absolute manner, once the project is close to completion.

Asset category	Type	Cost percentage
Property, plant and equipment	Hotel	49%
Investment Property	Commercial buildings	27%
Inventory	Residential apartments	24%
		100%

## 29. Inventories

### Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- 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

As at 31 March In LKR '000s	GROUP	
	2019	2018
<b>Inventories</b>		
Raw materials	587,057	509,381
Finished goods	7,120,299	4,953,602
Produce stocks	298,700	309,974
Other stocks	1,540,958	916,584
	9,547,014	6,689,541



### 30. Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. During the year, LKR. 580 Mn was recognised as provision for expected credit losses on trade receivables.

As at 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
Trade and other receivables		13,412,588	11,448,660	80,946	47,181
Reinsurance receivables		455,210	333,249	-	-
Premiums receivable		294,821	268,578	-	-
Loans to executives	27.3	258,326	222,885	25,174	23,549
		14,420,945	12,273,372	106,120	70,730

### 31. Other current assets

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Prepayments and non cash receivables	2,831,209	2,710,819	60,539	136,394
Tax refunds	2,684,499	1,679,439	17,896	62,583
	5,515,708	4,390,258	78,435	198,977

### 32. Short term investments

As at 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
Quoted equities at market value	32.1	2,795,829	3,816,624	-	-
More than 3 months and less than 1 year					
Debentures		672,216	698,760	-	-
Bank deposits		12,359,020	21,486,559	11,162,520	18,468,636
Government securities		2,105,572	829,044	-	-
		17,932,637	26,830,987	11,162,520	18,468,636
Less than 3 months					
Debentures		153,027	490,231	-	-
Bank deposits		32,562,005	34,453,107	30,432,363	30,688,836
Government securities		2,108,956	2,611,768	-	-
Reported in statement of cash flows		34,823,988	37,555,106	30,432,363	30,688,836
		52,756,625	64,386,093	41,594,883	49,157,472

# NOTES TO THE FINANCIAL STATEMENTS

## 32. Short term investments (Contd.)

### 32.1 Quoted equities at market value

As at 31 March	Number of shares		Cost		Market value	
	2019	2018	2019 In LKR '000s	2018 In LKR '000s	2019 In LKR '000s	2018 In LKR '000s
Access Engineering PLC.	2,965,739	6,020,811	74,852	154,813	38,555	123,427
Aitken Spence Hotel Holdings PLC.	490,393	490,393	34,934	34,934	11,622	16,428
Central Finance Company PLC.	595,987	590,800	54,964	54,445	50,361	59,021
Chevron Lubricants Lanka PLC.	426,400	244,400	29,039	16,129	26,693	25,540
Commercial Bank of Ceylon PLC. (Non voting)	-	742,932	-	53,777	-	77,265
Commercial Bank of Ceylon PLC.	2,345,720	448,081	227,297	45,728	216,812	60,849
DFCC Bank PLC.	462,480	462,480	78,099	78,099	32,374	54,018
Dialog Axiata PLC.	6,062,610	14,752,754	64,326	156,531	55,170	203,588
Diesel and Motor Engineering PLC.	22,062	22,062	33,340	33,340	6,722	10,257
Distilleries Company of Sri Lanka PLC.	6,060,198	1,223,767	109,720	9,068	87,873	29,016
Hatton National Bank PLC.	4,408,558	4,370,865	761,494	753,626	698,097	918,679
Hayleys Fabric PLC.	-	7,254,039	-	119,349	-	90,675
Hemas Holdings PLC.	2,128,892	2,053,563	175,658	169,330	159,667	256,490
HNB Assurance PLC.	-	336,266	-	23,645	-	28,246
John Keells Holdings PLC.	358,470	-	52,430	-	55,921	-
Melstacorp PLC.	2,703,454	3,980,221	154,085	218,745	97,324	231,649
National Development Bank PLC.	1,464,387	1,082,026	234,937	195,141	137,945	144,018
Nations Trust Bank PLC.	329,718	-	29,783	-	29,642	-
Nestle Lanka PLC.	74,551	31,601	126,697	52,958	121,116	55,270
Peoples Leasing and Finance PLC.	4,516,116	4,516,116	79,105	79,105	60,516	71,355
Piramal Glass PLC.	21,233,003	22,777,934	128,847	137,670	74,316	132,112
Sampath Bank PLC.	2,740,544	2,302,134	650,406	528,853	493,572	690,640
Seylan Bank PLC.	847,412	819,383	62,659	60,816	39,937	56,088
Textured Jersey Lanka PLC.	7,914,037	8,894,237	272,671	312,283	240,587	283,726
The Lion Brewery Ceylon PLC.	-	129,327	-	70,737	-	67,948
Tokyo Cement Company (Lanka) PLC.	3,162,793	685,432	59,858	6,968	61,007	37,013
Tokyo Cement Company (Lanka) PLC. (Non voting)	-	2,028,407	-	42,564	-	93,306
			3,495,201	3,408,654	2,795,829	3,816,624

The above list comprises of the investments made by Union Assurance PLC.

## 33. Stated capital and other components of equity

### Accounting policy

The ordinary shares of John Keells Holdings PLC are quoted in the Colombo Stock Exchange and the Global Depository Receipts are listed on the Luxembourg Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer Note 34 for further details.

### 33.1 Stated capital

As at 31 March	COMPANY			
	2019		2018	
	Number of shares In '000s	Value of shares In LKR '000s	Number of shares In '000s	Value of shares In LKR '000s
Fully paid ordinary shares				
At the beginning of the year	1,387,529	62,802,327	1,387,468	62,790,080
Share options exercised	20	4,155	61	12,247
Share repurchase	(69,376)	-	-	-
At the end of the year	1,318,173	62,806,482	1,387,529	62,802,327

The number of shares in issue as at 31 March 2019 was 1,318 Mn which include global depository receipts (GDRs) of 1,320,942 (2018 - 1,320,942). Further information on the composition of shares in issue is given under the share information section of the annual report. A quantum of 45,736,456 shares

(2018 - 44,893,817) have been reserved to be issued under the employee share option plan as at 31 March 2019.

The Company repurchased 69,376,433 of its Ordinary Shares during the 2018/19 financial year amounting to 5 per cent of the total number of issued shares of the Company, at LKR 160.00 per share.

### 33.2 Other components of equity

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Revaluation reserve	35,931,552	34,145,712	-	-
Foreign currency translation reserve	15,939,589	9,435,591	-	-
Other capital reserve	2,390,966	1,916,415	2,390,966	1,916,415
Restricted regulatory reserve	3,509,194	3,123,554	-	-
Cash flow hedge reserve	402,646	565,932	-	-
Fair value reserve of financial assets at FVOCI / AFS	472,169	665,059	9,773	35,710
	58,646,116	49,852,263	2,400,739	1,952,125

Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

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.

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.

#### Restricted regulatory reserve

##### Union Assurance PLC (UA)

Based on the direction issued by the IRCSL dated 20 March 2018, UA has transferred LKR. 3,382 Mn attributable to non-participating and non unit fund of unit linked business from the life policyholder fund to the life shareholder fund (SHF). The distribution of the one-off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving

approval from the IRCSL. The one-off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL.

##### Nations Trust Bank PLC (NTB)

Statutory reserve fund is maintained as per the requirement in terms of Section 20 of the Banking Act No 30 of 1988. Accordingly, a sum equivalent to 5% of profit after tax is (LKR. 386 Mn) transferred to the reserve fund until the reserve fund is equal to 50% of the Bank's Stated Capital. Thereafter, a further 2% of profits will be transferred until the said reserve fund is equal to the Bank's stated Capital.

Cash flow hedge reserve includes the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

Fair value reserve of financial assets at FVOCI includes changes in fair value of financial instruments designated as financial assets at FVOCI.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. Share-based payment plans

### Accounting Policy

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 expense or credit to the income statement 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 (further details are given in Note 18.2).

### Employee share option scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to executives of the Group generally with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

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.

### Share-based payment plans

	GROUP		COMPANY	
	2019	2018	2019	2018
For the year ended 31 March In LKR '000s				
Total expense arising from share-based payment transactions	475,629	517,374	144,665	170,759

### 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;

	GROUP				COMPANY			
	2019		2018		2019		2018	
As at 31 March	No.	WAEP	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	44,893,817	166.69	35,465,363	164.43	16,320,171	168.10	12,379,456	166.43
Granted during the year	10,381,395	154.10	10,402,204	173.25	3,048,027	154.10	3,100,564	173.25
Transfers	-	-	-	-	753,927	161.88	1,221,229	167.13
Exercised during the year	(21,054)	146.14	(56,232)	146.24	(21,054)	146.14	(10,176)	146.48
Expired during the year	(9,517,702)	188.70	(917,518)	162.31	(3,869,204)	190.82	(370,902)	159.01
Outstanding at the end of the year	45,736,456	159.26	44,893,817	166.69	16,231,867	159.80	16,320,171	168.10
Exercisable at the end of the year	26,310,276	160.44	25,054,358	171.59	10,140,831	171.53	10,753,779	171.78

**Accounting judgements, estimates and assumptions**

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 expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information were used and results was generated using binomial model for ESOP.

As at 31 March	COMPANY				
	2019 Plan no 9 award 3	2018 Plan no 9 award 2	2017 Plan no 9 award 1	2016 Plan no 8 award 3	2015 Plan no 8 award 2
Dividend yield (%)	3.76	3.99	2.18	1.44	1.42
Expected volatility (%)	17.77	17.54	21.05	19.19	19.34
Risk free interest rate (%)	10.09	11.48	11.91	8.13	8.70
Expected life of share options (Years)	5.00	5.00	5.00	5.00	5.00
Weighted average share price at the grant date (LKR.)	154.10	173.25	142.83	171.25	229.93
Weighted average remaining contractual life for the share options outstanding (Years)	3.00	3.00	3.00	3.00	3.00
Weighted average fair value of options granted during the year (LKR.)	51.37	56.27	56.29	64.62	61.93
Exercise price for options outstanding at the end of the year (LKR.)	154.10	173.25	142.83	171.25	229.93
Exercise price for options outstanding at the end of the year (LKR.) [adjusted as at 31 March 2019]	154.10	173.25	142.83	149.84	176.04

**35. Insurance contract liabilities***Accounting policy***Insurance contract liabilities**

The long term and unit linked insurance business provisions are based on the recommendation of the independent external 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 actuary.

**35.1 Insurance contract liabilities**

As at 31 March In LKR '000s	GROUP	
	2019	2018
Insurance contract liabilities	32,535,048	29,595,566
Unclaimed benefits	298,010	634,973
	32,833,058	30,230,539

**Life insurance contract liabilities**

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act, No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non participating liabilities are discounted using the risk free yields. The value of participating policy liabilities

is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non guaranteed benefits, and discount the cash flows using the fund based yield of the participating insurance fund. The Liability is de-recognised when the contract expenses is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Insurance contract liabilities (Contd.)

### Liability adequacy test (LAT)

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 adequate 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.

Any deficiency is recognised in the income statement by setting up a provision for liability adequacy.

### Accounting judgements, estimates and assumptions

#### Product classification

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that 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 risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, 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 expired. 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.

#### Discretionary participating features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

#### Valuation of life insurance contract liabilities

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;

- Non participating liabilities are discounted using risk free yield curve provided by the IRCSL and the participating liabilities are based on the fund yield of the life fund.
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IRCSL.
- Surrender rates based on actual experience.

The amount of policyholder dividend to be paid is determined annually by the company. The dividend includes life policyholders share of net income that is required to be allocated by the insurance contract.

Mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates were the assumptions used for the valuation of insurance contract liabilities. For those contracts that insure risk related to longevity, prudent allowance is made for

expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made for future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders.

#### Valuation of life insurance fund

The valuation of the conventional life insurance fund as at 31 December 2018 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of LKR. 1,085 Mn was transferred from the conventional life insurance fund to the shareholders fund for the year 2018. Subsequent to the transfer the conventional life fund stood at LKR. 30,557 Mn.

Similarly, the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of LKR. 15 Mn was transferred from the non unit fund to the shareholders fund for the year 2018. Subsequent to the transfer the non unit fund stood at LKR. 43 Mn.

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 2018 is adequate to cover the liabilities of the funds.

#### One - off surplus arising from change in policy liability valuation

Based on the letter issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) (previously known as IBSL) dated 30 December 2016, all insurance companies were instructed to maintain the one - off surplus arising from change in policy liability valuation, separately within the long-term insurance fund / insurance contract liabilities. Accordingly, the one - off surplus was identified separately within the insurance contract liabilities as "Surplus created due to changes in valuation method from NPV to GPV".

Based on the directions issued by the IRCSL dated 20 March 2018 and subsequent approval, UA PLC. has transferred LKR. 3,382 Mn attributable to non - participating and non unit fund of unit linked business from life policyholder fund through the income statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

#### Movement in Life Insurance fund

As at 31 December In LKR '000s	2018	2017
<b>Conventional life insurance fund</b>		
Balance as at 1 January	26,912,057	27,703,410
Increase in life insurance fund before surplus transfer to share holders	5,106,818	5,950,069
Transfer to shareholders	(1,084,874)	(3,438,283)
Transfer of one-off surplus from non participating fund	-	(3,393,900)
Effect of taxation on surplus/bonus transferred to policyholders	(26,428)	-
Net change in unclaimed benefits	(350,253)	90,761
Balance as at 31 December	30,557,320	26,912,057
<b>Non unit fund of linked life insurance contracts</b>		
Balance as at 1 January	37,556	186,272
Increase in non unit fund of linked life insurance before surplus transfer to share holders	8,929	39,259
Transfer to shareholders	(15,126)	(203,717)
Transfer of one-off surplus from non participating fund	-	11,966
Net change in unclaimed benefits	11,202	3,776
Balance as at 31 December	42,561	37,556
	30,599,881	26,949,613

**Liability adequacy test (LAT) - Life insurance contract liabilities**  
As at 31 December 2018, liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited who concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was required to be made for any premium deficiency.

#### 35.2 Change in life insurance contract liabilities

The results of Union Assurance PLC's (UA) life business segment is consolidated 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Insurance contract liabilities (Contd.)

### Summarised financial information

For the year ended 31 March In LKR '000s	2019	2018
Revenue from Insurance contracts	10,637,226	9,871,833
Cost of sales	(5,190,123)	(4,808,512)
Gross profit	5,447,103	5,063,321
Operating expenses including distribution and administration expenses	(2,547,119)	(2,634,554)
Net finance income	3,484,369	4,060,855
Profit attributable to shareholders of UA	(2,961,460)	(7,422,177)
Change in contract liability due to transfer of one off surplus	-	3,381,934
Change in insurance contract liabilities	3,422,893	2,449,379

Union Assurance PLC follows a risk mitigation approach for inherent uncertainty regarding the occurrence, amount or timing of insurance contract liabilities.

Following table describes headline risks and responses.

Headline risk	Risk response
Investment return on underlying items failing below guaranteed minimum rates	Management discretion to determine amount and timing of policy holders bonuses (within limits)
Insufficient fees to cover cost of guarantees and expenses	Hedging programme
Differences in duration and yield of assets and liabilities	<ul style="list-style-type: none"> <li>• Matching of assets and liabilities cash flows</li> <li>• Investing in investment grade assets</li> </ul>
Policy holder behavioural risk	Surrender penalty

## 36. Interest-bearing loans and borrowings

### 36.1 Movement

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
At the beginning of the year	20,583,499	17,121,490	-	-
Cash movement				
Loans obtained	3,797,498	5,832,308	898,125	-
Repayments	(1,992,028)	(2,817,099)	(24,458)	-
Non cash movement				
Accrued Interest	57,308	21,376	-	-
Exchange rate adjustments	2,034,840	425,424	(20,785)	-
At the end of the year	24,481,117	20,583,499	852,882	-
Repayable within one year	3,204,613	2,062,465	293,500	-
Repayable after one year	21,276,504	18,521,034	559,382	-
	24,481,117	20,583,499	852,882	-

Group interest bearing borrowings include finance lease obligations amounting to LKR. 27 Mn (2018 - LKR. 34 Mn), details of which are disclosed in the following note.



## 36.2 Finance leases

	GROUP	
	2019	2018
As at 31 March In LKR '000s		
At the beginning of the year	33,571	10,134
Leases obtained	-	37,903
Repayments	(10,732)	(18,860)
Adjustments / transfers	4,604	4,394
At the end of the year	27,443	33,571
Finance lease obligations repayable within one year		
Minimum lease payments	10,732	10,732
Finance charges	(3,606)	(4,644)
Present value of minimum lease payments	7,126	6,088
Finance lease obligations repayable after one year		
Minimum lease payments	23,689	34,661
Finance charges	(3,372)	(7,178)
Present value of minimum lease payments	20,317	27,483

## 36.3 Security and repayment terms

As at 31 March	Nominal Interest rate	Repayment terms	Details of collaterals	2019 In LKR '000s	2018 In LKR '000s
<b>Company</b>					
John Keells Holdings PLC.	1 month LIBOR based plus margin	36 monthly instalments commencing from March 2019	-	852,882	-
<b>Group companies</b>					
Beruwala Holiday Resorts (Pvt) Ltd.	1 month SLIBOR based plus margin	74 monthly instalments commencing from April 2013	LKR. 3,845 Mn Primary floating mortgage bond over hotel property	49,683	309,683
	6 month LIBOR based plus margin	20 quarterly instalments commencing from July 2013	-	-	15,590
	1 month LIBOR based plus margin	16 quarterly instalments commencing from March 2018	Corporate guarantee of John Keells Hotel PLC of USD 2 Mn	180,933	169,346
Fantasea World Investment (Pte) Ltd.	3 month LIBOR based plus margin	22 quarterly instalments after 18 months grace period commencing from December 2018	Primary mortgage over Cinnamon Hakuraa Huraa Maldives	945,676	-
Habarana Lodge Ltd.	6 month LIBOR based plus margin	20 quarterly instalments commencing from July 2013	-	-	15,590
	1 month LIBOR based plus margin	8 quarterly instalments commencing from March 2018	-	31,581	46,770
Hikkaduwa Holiday Resorts (Pvt) Ltd.	1 month AWPLR based plus margin	72 monthly instalments commencing from November 2013	Primary mortgage over lease rights of LKR. 940 Mn and LKR. 60 Mn over movable plant, machinery and equipment	11,828	208,495
	3 month LIBOR based plus margin	20 quarterly instalments commencing from October 2013	-	-	62,360
	1 month LIBOR based plus margin	16 quarterly instalments commencing from April 2018	-	135,097	-

## NOTES TO THE FINANCIAL STATEMENTS

### 36. Interest-bearing loans and borrowings (Contd.)

#### 36.3 Security and repayment terms (Contd.)

As at 31 March	Nominal Interest rate	Repayment terms	Details of collaterals	2019 In LKR '000s	2018 In LKR '000s
John Keells Properties Ja-Ela (Pvt) Ltd.	1 month COF based plus margin	60 monthly instalments commencing from December 2016	General terms and conditions for LKR. 450 Mn signed relating to the term loan	337,080	376,360
Keells Food Products PLC.	3 month AWDR plus margin	60 monthly instalments commencing from December 2013 with 1 year grace period	-	-	33,495
	1 month COF plus margin	60 month equal capital installment commencing from February 2019	-	23,147	-
The Colombo Ice Company (Pvt) Ltd.	COF based plus margin	60 monthly instalments commencing from February 2016 with 1 year grace period	Corporate guarantee of Ceylon Cold Stores PLC. for LKR. 3.8 Bn	1,958,333	2,458,333
Trans Asia Hotels PLC.	Fixed rate (annually reviewed)	16 quarterly instalments commencing from September 2016	-	165,479	292,313
Tranquility (Pte) Ltd.	3 month LIBOR plus margin	20 quarterly instalments after 1 year grace period commencing from July 2017	Primary mortgage over Cinnamon Dhonveli Maldives	2,460,686	2,572,350
Travel Club (Pte) Ltd.	1 month LIBOR based plus margin	12 quarterly instalments commencing from September 2017	-	146,208	233,850
Trinco Holiday Resorts (Pvt) Ltd.	6 month LIBOR based plus margin	20 quarterly instalments commencing from April 2014	-	-	36,306
	3 month AWPLR based minus margin	83 monthly instalments commencing from July 2014	Letter of comfort from John Keells Hotels PLC.	165,000	187,800
	1 month LIBOR based plus margin	8 quarterly instalments commencing from May 2018	-	36,529	54,097
Waterfront Properties (Pvt) Ltd.	1 month LIBOR based plus margin	13 quarterly instalments commencing from September 2019	Freehold and leasehold land of LKR. 11.4 Bn. Additionally, as a part of the sponsor support, John Keells Holdings PLC. has pledged 3,175 Mn of its shares in Waterfront Properties (Pvt) Ltd.	16,929,845	13,453,831
Yala Village (Pvt) Ltd.	1 month AWPLR based minus margin	30 monthly instalments commencing from July 2014	-	-	11,667
	6 month LIBOR based plus margin	20 quarterly instalments commencing from July 2013	-	-	11,692
	1 month LIBOR based plus margin	8 quarterly instalments commencing from April 2018	Corporate guarantee of John Keells Hotels PLC. for USD. 1.5 Mn	23,687	-
				24,453,674	20,549,928
John Keells Office Automation (Pvt) Ltd.	Monthly interest	Finance Lease	-	27,443	33,571
				24,481,117	20,583,499

### 37. Employee benefit liabilities

#### Accounting Policy

#### Employee contribution plans - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

#### Employee defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or

losses arising are recognised immediately in other comprehensive income.

#### Other long term employee benefit

A new Long-Term Incentive Plan (LTI) has been launched for senior employees of the Group. The overall incentive will be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five year strategic plan in place.

The liability recognised with respect to other long term employee benefits is measured as the present value of the estimated future cash outflows expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date.

### 37.1 Employee benefit liabilities

	Note	GROUP		COMPANY	
		2019	2018	2019	2018
As at 31 March In LKR '000s					
Employee defined benefit plan - gratuity	37.2	1,990,197	1,971,420	135,630	208,788
Other long term employee benefit	37.3	95,629	-	21,379	-
At the end of the year		2,085,826	1,971,420	157,009	208,788

### 37.2 Employee defined benefit plan - gratuity

	GROUP		COMPANY	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
At the beginning of the year	1,971,420	1,880,287	208,788	217,910
Current service cost	196,458	173,128	12,535	13,640
Acquisitions	-	7,535	-	-
Transfers	-	-	2,634	24,272
Acquisition / (disposal) of subsidiary	-	(8,763)	-	-
Interest cost on benefit obligation	185,512	198,780	21,923	23,970
Payments	(334,143)	(302,309)	(109,256)	(75,087)
(Gain) / loss arising from changes in assumptions	(29,050)	22,762	(994)	4,083
At the end of the year	1,990,197	1,971,420	135,630	208,788
The expenses are recognised in the income statement in the following line items;				
Cost of sales	200,862	190,969	9,458	12,017
Selling and distribution expenses	28,139	31,863	-	-
Administrative expenses	152,969	149,076	25,000	25,593
	381,970	371,908	34,458	37,610

# NOTES TO THE FINANCIAL STATEMENTS

## 37. Employee benefit liabilities (Contd.)

### 37.3 Other long term employee benefits

	GROUP		COMPANY	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
Current service cost	95,629	-	21,379	-
At the end of the year	95,629	-	21,379	-

Accounting judgements, estimates and assumptions

#### Employee benefit liability

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. 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.

The principal assumptions used in determining the cost of employee benefits were:

	2019	2018
As at 31 March In LKR '000s		
Discount rate	9.5% - 11.00%	9.00% - 10.5%
Future salary increases	6.00% - 10.00%	6.00% - 10.00%

### 37.4 Sensitivity of assumptions used

A one percentage change in the assumptions would have the following effects to employee defined benefit plan - gratuity.

	GROUP		COMPANY	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
Discount rate:				
1% Increase	(81,343)	(73,010)	(7,309)	(6,682)
1% Decrease	88,653	101,525	8,061	7,281
Salary Increment rate:				
1% Increase	92,332	90,843	8,298	7,709
1% Decrease	(86,203)	(77,137)	(7,649)	(7,219)

### 37.5 Maturity analysis of the payments

The following payments are expected on employee benefit plan - gratuity in future years.

	GROUP		COMPANY	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
Within the next 12 months	186,302	273,562	6,858	74,985
Between 1 and 2 years	254,958	223,855	8,197	4,949
Between 2 and 5 years	741,680	650,931	16,675	51,316
Between 5 and 10 years	737,708	741,218	90,501	75,516
Beyond 10 years	69,549	81,854	13,399	2,022
Total expected payments	1,990,197	1,971,420	135,630	208,788
Weighted average duration (years) of defined benefit obligation	5.76	5.87	9.97	8.29

**38. Other non current liabilities***Accounting policy*

Group classifies all non financial non current liabilities under other non current liabilities which include non refundable advances and deposits.

As at 31 March In LKR '000s	GROUP	
	2019	2018
Advances received	1,669,093	1,931,661
Contract liabilities	9,891,511	4,599,786
Deposits	137,589	172,921
Other deferred liabilities	230,612	191,403
	11,928,805	6,895,771

**39. Trade and other payables***Accounting policy*

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year.

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Trade and other payables	18,844,876	15,533,778	346,926	332,191
Contract Liabilities	74,266	51,521	-	-
Reinsurance payables	661,912	375,410	-	-
Advances and deposits	163,767	116,790	-	-
	19,744,821	16,077,499	346,926	332,191

Trade and other payables are non-interest bearing and settled within one year. Reinsurance payables are settled within one year. For further explanation on the Group's liquidity risk management process refer Note 10.2.2.

**40. Short term borrowings***Accounting policy*

Short term borrowings are the interest bearing borrowings of the Group which fall due within 12 months from the end of the financial year. These are obtained for working capital requirements.

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Bank borrowings	9,970,906	3,128,508	4,000,010	-
	9,970,906	3,128,508	4,000,010	-

**41. Other current liabilities***Accounting policy*

Group classifies all non financial current liabilities under other current liabilities.

As at 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
Non refundable deposits	372,639	834,038	2,566	2,566
Contract Liabilities	961,112	1,071,773	-	-
Other tax payables	1,644,977	1,607,403	3,080	2,761
	2,978,728	3,513,214	5,646	5,327

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Related party transactions

Terms and conditions of transactions with related parties  
The Group and the Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiaries, joint venture and associate companies have been disclosed in the Group Directory under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

### Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2018

audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### Recurrent related party transactions,

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2018 audited financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

## 42.1 Amounts due from related parties

	Note	GROUP		COMPANY	
		2019	2018	2019	2018
As at 31 March In LKR '000s					
Subsidiaries	42.5	-	-	127,763	300,185
Equity accounted investees	42.5	225,634	139,640	53,463	104,179
Key management personnel		-	-	-	-
		225,634	139,640	181,226	404,364

## 42.2 Amounts due to related parties

	Note	GROUP		COMPANY	
		2019	2018	2019	2018
As at 31 March In LKR '000s					
Subsidiaries	42.6	-	-	12,534	4,892
Equity accounted investees	42.6	92,532	5,168	3	485
Key management personnel		-	-	-	-
		92,532	5,168	12,537	5,377

## 42.3 Transactions with related parties

For the year ended 31 March In LKR '000s	Note	GROUP		COMPANY	
		2019	2018	2019	2018
<b>Subsidiaries</b>					
Purchases of goods		-	-	6,647	8,948
Rendering of services	42.5	-	-	1,324,003	878,686
Receiving of services	42.6	-	-	67,491	59,314
Rent paid		-	-	45,657	38,537
Dividend received		-	-	4,037,503	5,632,188
<b>Equity accounted investees</b>					
Sale of goods		41,071	8,475	-	-
Rendering of services	42.5	685,209	642,105	341,263	348,635
Receiving of services		950,072	315,937	374	191
Interest received	42.4	695,730	246,709	551,605	124,336
Interest paid	42.4	2,442	1,724	1	2
Dividend received		-	-	3,149,568	2,942,698
<b>Key management personnel (KMP)</b>					
Sale of goods		-	-	-	-
<b>Close family members of KMP</b>					
Sale of goods		-	-	-	-
<b>Companies controlled / jointly controlled / significantly Influenced by KMP and their close family members</b>					
Sale of goods		-	-	-	-
<b>Post employment benefit plan</b>					
Contributions to the provident fund		262,026	259,884	62,139	67,260

## 42.4 Transactions with related parties - Associates

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Nations Trust Bank PLC.</b>				
Interest received	695,730	246,709	551,605	124,336
Interest paid	2,442	1,724	1	2

The Group and the Company held interest bearing deposits of LKR. 573 Mn (2018 - LKR. 6,802 Mn) and LKR. Nil Mn (2018 - LKR.6,002 Mn) respectively, at Nations Trust Bank PLC as at 31 March 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Related party transactions (Contd.)

### 42.5 Related party transactions and balances

For the year ended/As at 31 March In LKR '000s	COMPANY			
	Rendering of services		Amounts due from	
	2019	2018	2019	2018
<b>Subsidiaries</b>				
Asian Hotels and Properties PLC.	58,117	50,411	8,099	5,809
Ceylon Cold Stores PLC.	87,880	69,791	-	35
Cinnamon Hotel Management Ltd.	121,436	100,272	6,924	12,896
InfoMate (Pvt) Ltd.	34,794	26,694	1,909	1,835
JayKay Marketing Services (Pvt) Ltd.	363,457	153,730	34,210	25,153
John Keells Logistics (Pvt) Ltd.	32,454	18,807	3,837	3,236
John Keells Office Automation (Pvt) Ltd.	34,619	28,211	2,573	7,994
John Keells PLC.	22,118	18,373	1,395	1,430
Keells Food Products PLC.	31,835	26,004	2,667	3,700
Lanka Marine Services Ltd.	13,384	12,525	5	1,228
Mack Air (Pvt) Ltd.	17,165	12,668	1,380	2,205
Mackinnons Keells Ltd.	2,636	2,754	-	103
Mackinnons Travels (Pvt) Ltd.	14,223	13,015	-	-
Rajawella Holdings Ltd.	4,532	3,162	1,312	5
Trans Asia Hotels PLC.	35,948	29,721	-	-
Union Assurance PLC.	110,300	52,023	40,203	19,904
Walkers Tours Ltd.	49,781	38,995	4,429	188,929
Waterfront Properties (Pvt) Ltd.	50,362	49,374	4,994	4,007
Whittall Boustead (Pvt) Ltd.	61,896	22,843	3,768	2,869
Other subsidiaries	177,066	149,313	10,058	18,847
	1,324,003	878,686	127,763	300,185
<b>Equity accounted investees</b>				
Joint ventures	308,749	296,663	49,928	100,514
Associates	32,514	51,972	3,535	3,665
	341,263	348,635	53,463	104,179



## 42.6 Related party transactions and balances

	COMPANY			
	Receiving of services		Amounts due to	
For the year ended/As at 31 March In LKR '000s	2019	2018	2019	2018
<b>Subsidiaries</b>				
Asian Hotels and Properties PLC.	9,687	6,101	-	-
InfoMate (Pvt) Ltd.	5,910	6,372	-	-
Mackinnons Travels (Pvt) Ltd.	18,955	22,487	2,399	2,019
Trans Asia Hotels PLC.	7,914	4,573	513	841
Whittall Boustead (Pvt) Ltd.	9,820	9,131	-	-
Other subsidiaries	15,205	10,650	9,622	2,032
	67,491	59,314	12,534	4,892
<b>Equity accounted investees</b>				
Joint ventures	231	191	-	-
Associates	143	-	3	485
	374	191	3	485

## 42.7 Compensation of key management personnel

Key management personnel include members of the Board of Directors of John Keells Holdings PLC and its subsidiary companies.

	GROUP		COMPANY	
	2019	2018	2019	2018
For the year ended 31 March In LKR '000s				
Short-term employee benefits	470,278	464,567	169,879	237,442
Post employment benefits	7,408	8,436	2,235	3,294
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	122,823	163,799	61,831	109,007
	600,509	636,802	233,945	349,743

## Directors' interest in the employee share option plan of the Company

As at 31 March 2019, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

Expiry date	COMPANY				
	2019		2018		
	Adjusted exercise price LKR	Number of shares outstanding at the end of period	Number of shares exercisable at the end of period	Number of shares outstanding at the end of period	Number of shares exercisable at the end of period
30.06.2019	176.04	446,796	446,796	2,038,537	1,717,508
24.06.2020	149.84	502,522	376,890	1,675,073	1,115,408
14.08.2021	142.83	600,000	300,000	1,575,000	862,500
02.07.2022	173.25	725,000	181,250	1,740,000	660,000
21.06.2023	154.10	880,000	-	-	-

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

# NOTES TO THE FINANCIAL STATEMENTS

## OTHER DISCLOSURES

### 43. Contingent liabilities

#### *Accounting policy*

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of: the amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37), or the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18). Contingent assets are disclosed where inflow of economic benefit is probable.

The contingent liabilities of the Company and the Group as at 31 March 2019, relates to the following:

#### **John Keells Holdings PLC (JKH)**

The contingent liability of the Company as at 31 March 2019, relates to the following;

Goods and Services tax (GST) & Value Added tax (VAT) assessments for the taxable periods from 1 April 2002 to 31 March 2003.

The Company settled the VAT Assessments and a similar settlement is being discussed for GST Assessments with the Inland Revenue Department.

Income tax assessment relating to year of assessment 2006/07. The Company has lodged appeals against the assessment and is contesting it under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2019 is estimated at LKR. 70 Mn.

#### **Ceylon Cold Stores PLC (CCS)**

The contingent liability of CCS as at 31 March 2019, relates to the following;

Income tax assessments relating to years of assessment 2011/12 to 2013/2014. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2019 is estimated at LKR. 36.5 Mn.

#### **Ceylon Holiday Resorts Ltd (CHR)**

The contingent liability of CHR as at 31 March 2019, relates to the following;

Income tax assessments relating to years of assessment 2012/13 to 2015/16. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2019 is estimated at LKR. 19.6 Mn.

#### **Lanka Marine Services (Pvt) Ltd (LMS)**

The contingent liability of LMS as at 31 March 2019, relates to the following:

Assessment of Turnover tax levied by the Western Provincial Council for the period from 1 January 2003 to 31 December 2004. The company has lodged appeals against the assessment and is contesting these under appellate procedure.

Income tax assessment relating to years of assessment from 2001/02 to 2015/16. The company has lodged appeals against the assessments and is contesting these under the appellate procedure.

Apart from the procedural grounds of appeal, the substantive issue under dispute is the position taken by the company that the sale of bunker to foreign ships is an export and is entitled to the exemptions/concessions attached thereto.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2019 is estimated at LKR. 1,117 Mn.

#### **Mackinnons Travels (Pvt) Ltd (MTL)**

The contingent liability of MTL as at 31 March 2019, relates to the following;

Value Added Tax assessments relating to the periods from 1 April 2009 to 31 March 2011. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31 March 2019 is estimated at LKR. 26 Mn.

**Trans Asia Hotels PLC (TAH)**

The contingent liability of the TAH as at 31 March 2019, relates to the following;

Income tax assessments relating to years of assessments 2012/13 to 2015/2016. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2019 is estimated at LKR. 41.1 Mn.

**Walkers Tours Limited (WTL)**

The contingent liability of the WTL as at 31 March 2019, relates to the following;

Economic Service Charge assessment relating to the year of assessment 2014/15. The company has lodged an appeal against the assessment and is contesting it under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2019 is estimated at LKR. 10.5 Mn.

**Union Assurance PLC (UA)**

Income Tax Assessments received for years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16

The assessments were raised for the above years of assessments by making life insurance income liable to pay income taxes of LKR. 13 Mn, LKR. 132 Mn, LKR. 411 Mn, LKR. 175 Mn, LKR. 862 Mn and LKR. 832 Mn respectively. The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

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 from 2010/11 to 2015/16 and accordingly have concluded that the above assessments have no rationale or basis in law.

**44. Capital and other commitments**

	GROUP		COMPANY	
	2019	2018	2019	2018
As at 31 March In LKR '000s				
Capital commitments approved but not provided for	82,642,798	64,859,651	-	-
Guarantees	2,824,709	299,044	117,000	117,000
	85,467,507	65,158,695	117,000	117,000

**45. Lease commitments**

	GROUP	
	2019	2018
As at 31 March In LKR '000s		
Lease rentals due on non-cancellable operating leases;		
Within one year	1,093,204	965,899
Between one and five years	2,708,745	2,472,142
After five years	8,508,357	8,252,530
	12,310,306	11,690,571

# NOTES TO THE FINANCIAL STATEMENTS

## 45. Lease commitments (Contd.)

Company	Lessor	Leased properties
Details of leases		
Ceylon Cold Stores PLC.	CISCO Speciality Packaging (Pvt) Ltd.	Pet Bottle Plant
Ceylon Holiday Resorts Ltd.	Sri Lanka Tourist Board	Land occupied.
Hikkaduwa Holiday Resorts (Pvt) Ltd.	Sri Lanka Tourist Board	Land occupied.
Fantasea World Investment (Pte) Ltd.	Government of Maldives	Land occupied.
Habarana Lodge Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Habarana Walk Inn Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Jaykay Marketing Services (Pvt) Ltd.	Land owners	Land occupied.
John Keells Logistics (Pvt) Ltd.	Sri Lanka Land Reclamation and Development Corporation	Land occupied.
Keells Food Products PLC.	Pannala Divisional Secretariat	Land occupied.
The Colombo Ice Company (Pvt) Ltd.	Board of Investment of Sri Lanka	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.

Extent of lease hold land is given in the Group real estate portfolio in the Supplementary Information section of the Annual Report.

## 46. Assets pledged

Assets pledged for facilities obtained are given in Note 36.3 to the financial statements.

## 47. Events after the reporting period

### Final dividend

The Board of Directors of the Company has declared a final dividend of LKR 1.00 per share for the financial year ended 31 March 2019. 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 14 June 2019.

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 2019.

### Employee Share Options (ESOP)

The Board of Directors of the Company also resolved to recommend to the shareholders, Tenth ESOP Plan (Plan 10), whereby the maximum number of options offered under the Plan will not exceed 1.50% of the total issued shares of the Company. From the total number of options offered under Plan 10, a maximum of 0.50% of the total issued shares may be offered every year, over three (3) years commencing in July 2019 and ending in June 2022. The proposed ESOP Plan is subject to the approval of the Colombo Stock Exchange and the shareholders of the Company at an Extraordinary General Meeting.

### Damage to hotel property

On 21 April 2019, the Taprobane restaurant of Cinnamon Grand Colombo, the hotel owned by Asian Hotels and Properties PLC (AHPL), was damaged due to a terrorist bombing attack which was part of the series of attacks carried out in the country on Easter Sunday. AHPL, in consultation with the insurance experts, is in the process of assessing the full extent of the loss due to damage to the property and with regard to claims on business interruption. AHPL has already taken necessary steps to claim the insured loss arising from this incident. The hotel continued operations for in-house guests throughout the period and resumed most operations at restaurants on 30 April 2019.

# EVOLVING ENTERPRISES

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# HISTORY OF JOHN KEELLS GROUP

## 1870-1970

**1870** – 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 other London based tea brokers, thereby evolving into a private liability company by the name of E. John, Thompson, White & Company Ltd

**1960** – Amalgamated with Keell and Waldock Ltd., another long established produce, share and freight broking company. The company changed its name to John Keell Thompson White Ltd

## 1971-1990

**1973** – Walkers Tours and Travels (Ceylon) Ltd, a leading inbound tour operator, was acquired

**1974** – The firm became a Rupee quoted public company with its name changed to John Keells Ltd

**1986** – A newly incorporated John Keells Holdings (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

## 1991-2000

**1991** – Acquired the Whittalls Group of Companies, thus gaining control of Ceylon Cold Stores, Ceylon Holiday Resorts, and Union Assurance. The acquisition was one of the largest deals of the time

**1994** – JKH became the first Sri Lankan company to obtain a listing overseas, by way of issuing Global Depository Receipts (GDRs) on the Luxembourg Stock Exchange

**1996** – Velidhu Resort Hotel, an 80-roomed island resort in the Maldives, was acquired. This marked the Group's first major overseas investment

**1999** – Nations Trust Bank (NTB) was established, in a joint venture with the International Finance Corporation (IFC) and Central Finance Co. Ltd. The South Asia Gateway Terminal (SAGT) commenced operations to own, operate, and develop the Queen Elizabeth Quay at the Port of Colombo

**2000** – JKH became the first Sri Lankan company to obtain the SL-AAA credit rating from Fitch Ratings. The firm was admitted as a full member of the World Economic Forum and was also rated among the best 300 small companies in the world by Forbes Global magazine

## 2001-2007

**2003** – JKH acquired Asian Hotels and Properties, thereby gaining control of 40 per cent of the five-star room capacity in Colombo

**2004** – John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. The Group's CSR arm, the John Keells Social Responsibility Foundation was established as a non-profit organisation

**2005** – The Group launched its hotel brands "Cinnamon Hotels and Resorts" and "Chaaya Hotels and Resorts". JKH entered into a MoU to develop a third resort in the Maldives and also acquired 80 per cent of the Yala Village Hotel. Keells Plantations was sold off, marking the Group's exit from the ownership of plantations

JKH also entered into the BPO space through a joint venture with Raman Roy Associates

**2006** – The Group acquired a lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives. The Group also increased its stake in SAGT by 8 per cent to 34 per cent. John Keells Holdings Ltd was renamed John Keells Holdings PLC

**2007** – Cinnamon Island Alidhoo commenced operations. The Group signed a long-term funding arrangement amounting to USD 75 million with IFC

## 2008-2010

**2008** – 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

**2009** – JKH's market capitalisation surpassed USD 1 billion. The Trans Asia Hotel was re-branded and re-launched as Cinnamon Lakeside. The Group released its first standalone Sustainability Report, in full compliance with the Global Reporting Initiative (GRI-G3) framework

**2010** – The head lease of Alidhoo Island was divested while the head lease of Dhonveli Island was acquired for a period of 18 years. Construction of "OnThree20", a 475-unit apartment complex in the heart of Colombo commenced. Walkers Tours and Whittall Boustead became the only destination management companies to obtain both ISO 9001 and ISO 14001 certifications. Ceylon Cold Stores added "KIK" as its cola brand in its portfolio of soft drinks. JKH also acquired 5.6 Mn shares of Union Assurance PLC and increased its stake to 95.6 per cent

## 2011-2014

**2011/12** – "The Emperor" apartment project at Crescat City, Colombo reached completion

**2012/13** – Cinnamon Bey, a 200 room five-star resort was launched. "K-Zone", a 140,000 sq. ft. mall was opened in Ja-Ela, Colombo. Keells Food Products PLC and Union Assurance PLC successfully raised Rs. 1.2 billion and Rs. 720 million respectively, via rights issues

**2013/14** – The market capitalisation of JKH exceeded USD 2 billion for the first time in the Group's history. The "Waterfront" integrated resort project was announced to the public. JKH was recognised as one of the top 15 great places to work in Sri Lanka through a survey conducted by the Great Place to Work Institute

**2014/15** – "Cinnamon red", the first lean luxury hotel in Sri Lanka, was launched. The "OnThree20" residential development project was successfully completed. Union Assurance was segregated as per a regulatory directive, and the General Insurance segment was divested. JayKay Marketing Services (Private) Limited merged with Nexus Networks (Private) Limited, with JMSL being the surviving entity. Divested stakes in Expo Lanka Holdings PLC and Access Engineering PLC

## 2015 - Present

**2015/16** – Waterfront Properties (Private) Limited raised the necessary debt funding for the "Cinnamon Life" project, by way of the largest syndicated debt facility obtained by a local firm. A controlling stake in Rajawella Holdings Ltd (RHL) was acquired for Rs. 1.04 billion. SAGT was ranked number one in South Asia and number four in the world for terminal productivity by the Journal of Commerce, USA. The Group raised Rs. 8 billion by converting 50 million warrants, "7th Sense" on Gregory's Road, a high end, niche, residential development was completed

**2016/17** – "John Keells X: Open Innovation Challenge 2016" was launched, creating a unique platform for disruptive and innovative solutions. John Keells Research filed its first patent for a novel energy source material that was developed through a research project undertaken in collaboration with the National Metallurgical Lab of the Council for Scientific and Industrial Research (CSIR-NML) in India. The second residential tower of the "Cinnamon Life" project, "The Suites at Cinnamon Life", comprising of 196 apartment units was launched. SAGT was awarded "The Best Terminal in South Asia" by the Singapore based Global Ports Forum

**2017/18** – The construction of the ice cream plant in Seethawaka neared completion. JMSL launched a new store format for its "Keells" supermarkets. NTB launched "FriMi", the country's first digital bank, enabling the opening of a bank account through a smart device. JKH launched Tri-Zen, an 891 apartment joint venture residential development

# DECADE AT A GLANCE

31 March	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010*
LKR Mn										
<b>OPERATING RESULTS</b>										
Group revenue	135,456	121,215	106,273	93,710	91,852	86,706	85,408	75,924	60,500	47,980
EBIT	21,338	28,155	23,324	20,192	19,226	16,537	16,677	14,192	11,425	7,908
Finance cost	(2,722)	(521)	(436)	(994)	(668)	(1,217)	(1,081)	(1,416)	(796)	(1,370)
Share of results of equity accounted investees (net of tax)	4,727	3,596	3,303	2,781	2,778	3,089	3,440	2,809	2,641	2,556
Profit before tax	18,616	27,634	22,888	19,198	18,557	15,320	15,595	12,778	10,629	6,538
Tax expense	(2,378)	(4,515)	(4,771)	(3,406)	(2,812)	(2,362)	(2,162)	(1,827)	(1,566)	(986)
Profit after tax	16,237	23,120	18,117	15,792	15,745	12,958	13,433	10,951	9,063	5,552
<b>Attributable to:</b>										
Equity holders of the parent	15,254	21,021	16,275	14,070	14,348	11,721	12,113	9,689	8,245	5,201
Non-controlling interests	983	2,099	1,842	1,722	1,397	1,237	1,320	1,262	818	351
	16,237	23,120	18,117	15,792	15,745	12,958	13,433	10,951	9,063	5,552
<b>CAPITAL EMPLOYED</b>										
Stated capital	62,806	62,802	62,790	58,702	50,703	49,749	26,480	25,111	24,612	23,322
Other components of equity	58,646	49,852	38,652	28,715	24,501	21,845	20,635	13,226	9,560	7,574
Revenue reserves	82,834	87,266	77,193	67,565	62,594	51,304	42,704	33,001	25,415	18,936
	204,286	199,920	178,635	154,982	137,798	122,898	89,819	71,338	59,587	49,832
Non-controlling interest	26,072	24,944	15,696	13,499	12,279	11,421	11,152	8,624	7,608	6,430
Total equity	230,358	224,864	194,331	168,481	150,077	134,319	100,971	79,962	67,195	56,262
Total debt	54,513	29,722	22,766	20,750	23,934	26,139	20,107	20,054	14,641	17,453
	284,871	254,586	217,097	189,231	174,011	160,458	121,078	100,016	81,836	73,715
<b>ASSETS EMPLOYED</b>										
Property, plant and equipment (PP&E)	97,688	87,260	64,396	52,737	49,563	47,406	49,200	34,246	28,628	29,989
Non-current assets other than PP&E	170,687	136,427	107,912	93,376	78,030	71,969	59,787	52,397	47,436	34,104
Current assets	95,421	98,762	104,964	94,863	90,493	82,206	49,934	47,412	34,228	34,566
Liabilities net of debt	(78,925)	(67,862)	(60,175)	(51,745)	(44,075)	(41,123)	(37,843)	(34,039)	(28,456)	(24,944)
	284,871	254,587	217,097	189,231	174,011	160,458	121,078	100,016	81,836	73,715
<b>CASH FLOWS</b>										
Net cash flows from operating activities	6,870	16,012	21,020	20,513	20,855	8,041	14,568	16,476	8,501	9,485
Net cash flows from / (used in) investing activities	(10,579)	(16,640)	(17,670)	(9,567)	(1,255)	(19,710)	(16,199)	(9,003)	(4,469)	(5,823)
Net cash flows from / (used in) financing activities	(11,000)	(4,587)	(4,105)	(7,717)	(4,838)	25,446	(1,320)	496	(6,791)	(636)
Net increase / (decrease) in cash and cash equivalents	(14,709)	(5,215)	(755)	3,229	14,762	13,777	(2,951)	7,969	(2,759)	3,026
<b>KEY INDICATORS</b>										
Basic earnings per share (Rs.)	11.13	15.20	11.9	10.5	12.6	10.5	10.7	9.5	8.2	5.2
Interest cover (no. of times)	7.8	54	52.8	51.5	27.7	13.6	15.4	10.0	14.4	5.8
Net assets per share** (Rs.)	155.0	151.7	135.5	117.6	104.5	93.2	68.1	54.1	45.2	37.8
Enterprise value (EV)	210,020	187,926	136,022	124,182	155,675	124,182	203,615	166,143	175,672	109,548
EV / EBITDA	8.1	5.8	5.0	5.0	6.6	10.0	10.0	13.1	13.1	10.9
ROE (%)	7.5	11.1	9.8	9.6	11.0	11.0	15.0	14.7	15.1	10.9
Debt / equity ratio (%)	23.7	13.2	11.7	12.3	15.9	19.5	19.9	25.0	21.8	31.0
Dividend payout (Rs. Mn)	8,186	8,325	7,280	8,038	3,476	3,267	2,982	2,314	1,844	1,883
Current ratio (no. of times)	1.7	3.0	3.7	4.0	2.6	2.4	2.0	2.0	1.8	2.1
Market price per share unadjusted (Rs.)	156.0	159.6	137.9	148.0	199.4	227.0	247.0	206.0	285.6	184.0
Market price per share diluted (Rs.)	156.0	159.6	137.9	129.5	192.7	173.8	238.2	152.6	34.6	66.0
Revenue growth rate (%)	11.8	14.1	13.4	1.6	5.9	4.1	9.7	25.5	26.1	17.0
USD closing rate (Rs.)	175.5	155.9	151.9	147.7	133.5	130.7	126.8	128.1	110.4	114.0
USD average rate (Rs.)	168.6	153.6	148.0	139.2	131.2	130.1	129.9	112.6	112.1	115.0

\* Figures are derived from financial statements prepared in accordance with previous SLASs. The figures for the subsequent years are derived from financial statements prepared in accordance with SLFRS/LKAS.

\*\* 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 2019.

# ECONOMIC VALUE STATEMENT

	Transportation		Consumer Foods		Retail		Leisure		Property	
For the year ended 31 March LKR. Mn	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Direct economic value generated</b>										
Revenue	25,307	17,687	17,461	16,768	55,847	47,558	25,880	26,794	1,144	1,610
Finance income	140	136	783	868	25	35	1,157	2,253	369	364
Share of results of equity accounted investees	3,435	2,209	-	-	-	-	56	63	(33)	3
Profit on sale of assets and other income	(9)	92	276	51	1,506	1,515	(142)	439	-	783
Valuation gain on IP	-	-	26	22	-	-	53	-	106	613
	28,873	20,124	18,546	17,709	57,378	49,108	27,004	29,549	1,586	3,373
<b>Economic value distributed</b>										
Operating costs	26,566	17,831	9,930	8,732	51,205	42,062	14,336	13,085	958	1,820
Employee wages and benefits	718	548	2,418	2,326	3,275	2,547	4,601	4,496	310	261
Payments to providers of funds	495	616	2,080	1,913	733	1,565	3,096	5,807	70	427
Payments to government	157	148	2,227	2,608	857	1,196	980	1,161	67	53
Community investments	7	5	14	20	17	20	33	34	2	1
	27,943	19,148	16,669	15,599	56,087	47,390	23,046	24,583	1,407	2,562
<b>Economic value retained</b>										
Depreciation	191	110	744	579	830	563	1,616	1,734	37	37
Amortisation	2	2	6	16	43	10	506	473	20	32
Profit after dividends	737	864	1,127	1,515	418	1,145	1,836	2,759	122	742
Retained for reinvestment / growth	930	976	1,877	2,110	1,291	1,718	3,958	4,966	179	811

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS). This report has been prepared in accordance with the GRI Standards: Core option



Financial Services		Others		Total		Eliminations/ Adjustments		Group Total				
2019	2018	2019	2018	2019	2018	2019	2018	2019	%	2018	%	
10,832	10,065	5,366	5,828	141,837	126,310	(6,381)	(5,095)	135,456	87.68	121,215	87.17	
4,810	4,083	13,705	14,962	20,989	22,701	(8,937)	(11,433)	12,052	7.80	11,268	8.10	
1,269	1,321	-	-	4,727	3,596	-	-	4,727	3.06	3,596	2.59	
37	66	2,454	9,145	4,122	12,091	(2,196)	(10,007)	1,926	1.25	2,084	1.50	
-	-	140	261	325	896	-	-	325	0.21	896	0.64	
16,948	15,535	21,665	30,196	172,000	165,594	(17,514)	(26,535)	154,486	100.00	139,059	100.00	
10,384	5,920	5,417	13,668	118,796	103,118	(7,777)	(11,769)	111,019	71.86	91,349	65.69	
1,063	1,007	1,931	2,091	14,316	13,276	-	-	14,316	9.27	13,276	9.55	
2,628	1,615	8,948	9,040	18,050	20,983	(6,255)	(10,037)	11,795	7.63	10,946	7.87	
2	6	1,351	1,475	5,641	6,647	-	-	5,641	3.65	6,647	4.78	
1	-	21	45	95	125	-	-	95	0.06	125	0.09	
14,078	8,548	17,668	26,319	156,898	144,149	(14,032)	(21,806)	142,866	92.47	122,343	87.98	
75	71	165	142	3,658	3,236	-	-	3,658	2.37	3,236	2.33	
296	222	21	29	894	784	-	-	894	0.58	784	0.56	
2,499	6,694	3,811	3,706	10,550	17,425	(3,482)	(4,729)	7,068	4.58	12,696	9.13	
2,870	6,987	3,997	3,877	15,102	21,445	(3,482)	(4,729)	11,620	7.53	16,716	12.02	

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## Income Statement

for information purposes only

	GROUP		COMPANY	
For the year ended 31 March In USD '000s	2019	2018	2019	2018
Continuing operations				
Revenue from contracts with customers	711,422	525,817	9,813	8,645
Revenue from Insurance contracts	60,628	251,701	-	-
<b>Total Revenue</b>	<b>772,050</b>	<b>777,518</b>	<b>9,813</b>	<b>8,645</b>
Cost of sales	(613,672)	(589,688)	(4,784)	(4,056)
<b>Gross profit</b>	<b>158,378</b>	<b>187,830</b>	<b>5,029</b>	<b>4,589</b>
Dividend income	-	-	40,964	55,002
Other operating income	10,976	13,368	1,521	52,682
Selling and distribution expenses	(33,852)	(27,112)	-	-
Administrative expenses	(70,739)	(80,103)	(7,201)	(7,278)
Other operating expenses	(21,120)	(20,463)	(561)	(468)
<b>Results from operating activities</b>	<b>43,643</b>	<b>73,520</b>	<b>39,752</b>	<b>104,527</b>
Finance cost	(15,516)	(3,341)	(1,052)	(462)
Finance income	68,690	72,278	36,200	40,359
Change in insurance contract liabilities	(19,509)	(15,711)	-	-
Change in contract liability due to transfer of one of surplus	-	21,693	-	-
Change in fair value of investment property	1,850	5,750	-	-
Share of results of equity accounted investees (net of tax)	26,944	23,069	-	-
<b>Profit before tax</b>	<b>106,102</b>	<b>177,258</b>	<b>74,900</b>	<b>144,424</b>
Tax expense	(13,554)	(28,958)	(6,492)	(8,297)
<b>Profit for the year</b>	<b>92,548</b>	<b>148,300</b>	<b>68,408</b>	<b>136,127</b>
Attributable to:				
Equity holders of the parent	86,944	134,838		
Non-controlling interests	5,604	13,462		
	<b>92,548</b>	<b>148,300</b>		
Earnings per share				
Basic	0.06	0.10		
Diluted	0.06	0.10		
Dividend per share	0.03	0.04		

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. The exchange rate prevailing at year end, which was USD/LKR. 175.45 (2018 - 155.90), has been used to convert the income statement.

## Statement of Financial Position

for information purposes only

As at 31 March In USD '000s	GROUP		COMPANY	
	2019	2018	2019	2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	556,788	559,717	915	820
Lease rentals paid in advance	82,148	83,418	-	-
Investment property	79,711	79,712	-	-
Intangible assets	19,411	12,894	534	285
Investments in subsidiaries	-	-	440,273	435,971
Investments in equity accounted investees	143,455	143,267	58,629	65,206
Non-current financial assets	200,549	210,893	1,603	1,713
Deferred tax assets	7,142	1,100	-	-
Other non-current assets	440,438	343,806	155	133
	1,529,642	1,434,807	502,109	504,128
<b>Current assets</b>				
Inventories	54,414	42,909	-	-
Trade and other receivables	82,194	78,726	605	454
Amounts due from related parties	1,286	896	1,033	2,594
Other current assets	31,437	28,161	447	1,276
Short term investments	300,693	412,996	237,075	315,314
Cash in hand and at bank	73,327	69,807	20,350	3,185
	543,351	633,495	259,510	322,823
<b>Total assets</b>	<b>2,072,993</b>	<b>2,068,302</b>	<b>761,619</b>	<b>826,951</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Stated capital	357,974	402,837	357,974	402,837
Revenue reserves	473,977	559,753	316,889	403,346
Other components of equity	332,408	319,771	13,681	12,520
	1,164,359	1,282,361	688,544	818,703
<b>Non-controlling interest</b>	<b>148,600</b>	<b>160,003</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,312,959</b>	<b>1,442,364</b>	<b>688,544</b>	<b>818,703</b>
<b>Non-current liabilities</b>				
Insurance contract liabilities	187,136	193,910	-	-
Interest-bearing loans and borrowings	121,268	118,801	3,188	-
Deferred tax liabilities	44,210	45,473	-	-
Employee benefit liabilities	11,888	12,645	895	1,339
Other non-current liabilities	67,990	44,232	-	-
	432,492	415,061	4,083	1,339
<b>Current liabilities</b>				
Trade and other payables	112,538	103,127	1,977	2,131
Amounts due to related parties	527	33	71	34
Income tax liabilities	8,577	13,334	1,286	4,308
Short term borrowings	56,830	20,067	22,799	-
Interest-bearing loans and borrowings	18,265	13,229	1,673	-
Other current liabilities	16,978	22,535	32	34
Bank overdrafts	113,827	38,552	41,154	402
	327,542	210,877	68,992	6,909
<b>Total equity and liabilities</b>	<b>2,072,993</b>	<b>2,068,302</b>	<b>761,619</b>	<b>826,951</b>

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. The exchange rate prevailing at year end, which was USD/LKR. 175.45 (2018 - 155.90), has been used to convert the statement of financial position.

# GROUP REAL ESTATE PORTFOLIO

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres		Net book value	
			Freehold	Leasehold	2019 LKR '000s	2018 LKR '000s
<b>PROPERTIES IN COLOMBO</b>						
John Keells PLC.						
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	-	0.08	-	1,249	1,249
Keells Realtors Ltd.						
427 & 429, Ferguson Road, Colombo 15.	2	27,750	1.22	-	400,282	348,870
Mackinnon Keells Ltd.						
Leyden Bastian Road, York Street, Colombo 01.	1	31,656	0.45	-	673,193	606,608
Union Assurance PLC.						
No 20, St. Michaels' Road, Colombo 03.	1	57,916	0.58	-	1,595,122	1,600,000
Vauxhall Developments (Private) Limited						
No.199 ,Union Place, Colombo 2 and 148, Vauxhall Street, Colombo 2.	7	209,484	6.62	-	8,390,057	8,400,876
No.188, 188/1, 188/2, 190, 192 Vauxhall Street, Colombo 2 and 42, Dawson Street, Colombo 2	-	-	2.09	-	5,008,850	5,015,309
No. 186, 186/3 Vauxhall Street, Colombo 2			3.73		8,333,254	8,344,000
Glennie Properties (Pvt) Ltd.						
No.82, Glennie Street, Colombo 02.	-	-	0.08	-	169,680	-
John Keells Property Developments						
No. 12, 12/1, 12/2, 12/2A, 12/3, Tickell Road, Borella	-	-	0.62	-	1,087,680	-
	11	326,806	15.47	-	25,659,367	24,316,912
<b>PROPERTIES OUTSIDE COLOMBO</b>						
Ceylon Cold Stores PLC.						
Kaduwela.	21	313,024	27.35	-	1,438,357	1,348,994
Trincomalee.	3	19,071	1.06	-	254,035	228,601
Facets (Pvt) Ltd.						
Ahungalla.		-	6.31	-	438,800	428,700
J K Thudella Properties (Pvt) Ltd.						
Thudella, Ja-Ela.	10	64,670	17.77	-	458,737	557,611
John Keells Logistics (Pvt) Ltd.						
Muthurajawela.	-	-	-	9.23	582,176	-
John Keells PLC.						
17/1, Temple Road, Ekala, Ja-Ela.	-	-	3.77	-	362,350	286,850
John Keells Properties Ja-Ela (Pvt) Ltd						
No 525, Colombo Road, Kapuwatta, Ja-Ela.	1	144,631	6.60	-	1,911,978	1,872,500
John Keells Warehousing (Pvt) Ltd.						
Muthurajawela.	3	126,743	-	6.00	346,110	345,846
Keells Food Products PLC.						
41, Temple Road, Ekala, Ja-Ela.	6	51,768	3.00	1.00	321,094	278,036
Gonawala, Pannala	4	32,454	-	4.08	244,592	211,793
Rajawella Holdings Ltd.						
Mahaberiattenna, Kandy.	4	59,032	-	517.09	2,008,621	2,003,013
Tea Smallholder Factories PLC.						
Broadlands.	8	56,478	4.14	-	73,452	69,000
Halwittigala.	7	48,747	9.61	-	65,535	62,500
Hingalgoda.	12	63,676	17.00	-	89,424	86,000
Karawita.	8	80,364	-	4.98	121,366	116,069
Kurupanawa.	7	51,410	11.80	-	76,504	76,500
Neluwa.	13	48,888	5.27	-	72,268	70,000
New Panawenna.	7	44,568	10.59	-	55,693	51,000
Pasgoda.	7	40,091	-	7.24	75,000	58,911
Peliyagoda.	2	31,629	-	0.98	387,679	349,000

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres		Net book value	
			Freehold	Leasehold	2019 LKR '000s	2018 LKR '000s
<b>PROPERTIES OUTSIDE COLOMBO</b>						
The Colombo Ice Company (Pvt) Ltd. Avisawella	4	151,954	-	9.30	1,588,136	146,263
Union Assurance PLC. No 06, Rajapihilla Road, Kurunegala.	1	27,904	0.20	-	268,688	270,209
Whittall Boustead Ltd. 150, Badulla Road, Nuwara Eliya.	1	4,343	0.46	-	159,586	134,500
	129	1,461,445	124.93	559.90	11,400,181	9,051,896
<b>HOTEL PROPERTIES</b>						
Asian Hotels and Properties PLC.						
Cinnamon Grand Premises, Colombo 2.	4	648,793	8.03	-	28,277,278	26,973,981
Crescat Boulevard, Colombo 2.	1	145,196	-	-	2,597,398	2,621,000
Ahungalla Holiday Resort (Pvt) Ltd.						
Ahungalla	-	-	6.51	-	289,900	279,600
Beruwala Holiday Resorts (Pvt) Ltd.						
Cinnamon Bey, Beruwala.	5	460,515	11.39	-	3,842,677	3,650,025
Ceylon Holiday Resorts Ltd.						
Bentota Beach by Cinnamon	8	309,479	2.32	11.02	204,540	181,295
Fantasea World Investments (Pte) Ltd.						
Cinnamon Hakuraa Huraa, Maldives.	12	150,412	-	18.90	1,081,068	1,166,697
Habarana Lodge Ltd.						
Cinnamon Lodge, Habarana.	79	202,999	-	25.48	769,883	743,800
Habarana Walk Inn Ltd.						
Habarana Village by Cinnamon	84	121,767	-	9.34	323,079	320,921
Hikkaduwa Holiday Resort (Pvt) Ltd.						
Hikka Tranz by Cinnamon	5	233,965	0.29	4.36	1,206,458	1,211,391
Kandy Walk Inn Ltd.						
Cinnamon Citadel, Kandy.	6	173,900	6.57	-	1,671,011	1,616,915
Nuwara Eliya Holiday Resort (Pvt) Ltd						
Nuwara Eliya.	-	-	2.66	-	272,640	313,900
Resort Hotels Ltd.						
Medway Estate, Nilaveli.	1	4,485	41.73	-	892,180	867,900
Trans Asia Hotels PLC.						
Cinnamon Lake Side, Colombo 2.	2	448,791	-	7.65	6,114,352	6,021,627
Tranquility (Pte) Ltd.						
Cinnamon Dhonveli, Maldives.	144	246,358	-	17.16	10,751,188	9,978,261
Travel Club (Pte) Ltd.						
Ellaidhoo Maldives by Cinnamon	114	170,877	-	13.75	2,244,430	1,759,032
Trinco Holiday Resorts (Pvt) Ltd.						
Trinco Blu by Cinnamon	9	120,910	13.24	-	1,234,024	1,129,389
Trinco Walk Inn Ltd.						
Club Oceanic, Trincomalee.	-	-	14.64	-	282,082	265,514
Wirawila Walk Inn Ltd.						
Randunukelle Estate, Wirawila.	-	-	25.15	-	88,128	86,880
Yala Village (Pvt) Ltd.						
Cinnamon Wild, Yala.	76	113,509	-	11.25	488,207	496,638
	550	3,551,956	132.53	118.91	62,630,523	59,684,766
Improvements to Keells outlets on leased hold properties	97	1,059,038	-	71.13	4,656,689	3,119,855
Consolidated value of land and buildings, lease rentals paid in advance and investment property	787	6,399,245	272.93	749.94	104,346,760	96,173,429

# SRI LANKAN ECONOMY

Summary Indicator	Units	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP growth (2010 base)	Per cent			8.4	9.1	3.4	5.0	5.0	4.5	3.4	3.2
GDP growth (2002 base)	Per cent	3.5	8.0	8.2	6.3	7.2	7.4	5.7			
GDP (current prices: 2010 base)	Rs. billion		6,414	7,219	8,732	9,592	10,361	10,951	11,996	13,418	14,450
GDP (current prices: 2002 base)	Rs. billion	4,835	5,604	6,543	7,579	8,674	9,785	10,660			
GDP (current prices: 2010 base)	USD billion		56.7	65.3	68.4	74.3	79.4	80.6	82.4	88.0	88.9
GDP (current prices: 2002 base)	USD billion	42.1	49.6	59.2	59.4	67.2	74.9	78.4			
GDP per capita (USD) growth : 2010 base	Per cent			14.0%	7.1%	7.7%	5.9%	0.5%	1.1%	5.6%	0.0%
GDP per capita (USD) growth : 2002 base	Per cent	2.1%	16.7%	18.3%	3%	12%	11%	8%			
GDP per capita (market prices: 2010 base)	Rs 000		310	346	428	466	499	522	566	626	667
GDP per capita (market prices: 2002 base)	Rs 000	236	271	314	371	422	471	508			
GDP per capita (market prices: 2010 base)	USD		2,744	3,129	3,351	3,609	3,821	3,842	3,886	4,104	4,102
GDP per capita (market prices: 2002 base)	USD	2,057	2,400	2,836	2,908	3,265	3,608	3,894			
Inflation (CCPI 2013=100) annual average	Per cent							2.2	4	6.6	4.3
Inflation (CCPI 2006/07=100) annual average	Per cent	3.5	6.2	6.7	7.6	6.9	3.3	0.9	3.7		
Inflation (NCPI 2013=100) annual average	Per cent							3.8	4	7.7	2.1
Current account balance	USD billion	-0.2	-1.1	-4.6	-4.0	-2.5	-2.0	-1.9	-1.7	-2.3	-2.8
Current account % of GDP*	Per cent	-0.5	-1.9	7.1	-5.8	-3.4	-2.5	-2.3	-2.1	-2.6	-3.2
Population	Million	20.5	20.7	20.9	20.4	20.6	20.8	21.0	21.2	21.4	21.7
Exchange rate (annual average)	Rs/USD	114.9	113.1	110.6	127.6	129.1	130.6	135.9	145.6	152.5	162.5
Exchange rate change (annual average)	Per cent	6.1	-1.6	-2.2	15.4	1.2	1.1	4.1	7.1	4.7	6.6
12m T-Bill yield (year-end)	Per cent	9.3	7.6	9.3	11.7	8.3	6.0	7.3	10.2	8.9	11.2
Prime lending rate (year-end)	Per cent	10.9	9.3	10.8	14.4	10.1	6.3	7.5	11.5	11.6	12.1
M2b money supply growth	Per cent	18.6	15.8	19.1	17.6	16.7	13.4	17.8	18.4	16.7	13.0
Exports	USD billion	7.1	8.6	10.6	9.8	10.4	11.1	10.5	10.3	11.4	11.9
Imports	USD billion	10.2	13.5	20.3	19.2	18.0	19.4	18.9	19.2	21.0	22.2
Balance of payments*	Per cent of GDP	6.5	1.6	-1.6	0.2	1.3	1.7	-1.8	-0.6	2.3	1.2
Budget deficit*	Per cent of GDP	-9.9	-7.0	-6.2	-5.6	-5.4	-5.7	-7.6	-5.3	-5.5	-5.3
Unemployment rate	Per cent	5.8	4.9	4.2	4.0	4.4	4.3	4.7	4.4	4.2	4.4
All share index (year-end)	Points	3386	6636	6074	5643	5913	7299	6895	6228	6369	6052.4
Tourist arrivals	No.' 000	447.9	654.5	856.0	1,006	1,275	1,527	1,798	2,051	2,116	2,334

\* Uses rebased GDP (2010 base) from 2010 onwards

The Sri Lankan economy continued its moderate growth trajectory in 2018, recording a 3.2 per cent YoY growth in real Gross Domestic Product (GDP), against 3.4 per cent recorded in 2017. While a recovery was seen in agricultural activities due to favourable weather conditions, a contraction in the industrial sector - mainly due to a decline in construction activities - led to the slowdown in economic growth. As such, the Agriculture and Services sub-sectors recorded growth rates of 4.8 per cent and 4.7 per cent respectively, while the Industrial sector recorded a modest growth of 0.9 per cent.

The Agricultural sector bounced back in 2018 driven by favourable weather conditions which led to a substantial increase in the contribution to GDP from the growing of rice, fruits, oleaginous fruits (coconut, king coconut, oil palm) and spices during the year. Conversely, the contribution of tea production towards GDP saw a decline of 0.8 per cent, due to unfavourable weather conditions during May and June 2018. The industry also faced adverse wage related trade union actions, which disrupted tea production. Rubber production also saw a decline owing to high cost of production and

poor management of plantations, resulting in an overall decline of 0.6 per cent.

Industrial sector growth was significantly lower than the 4.1 per cent growth reported in the previous year. This slowdown was mainly due to the contraction in construction and mining activities, which accounted for a significant share of 35.1 per cent of Industrial activities.

The Service sector, the most significant component of GDP, registered a growth of 4.7 per cent YoY in 2018, significantly higher than the 3.6 per cent growth in 2017. This growth in Services activities was primarily driven by the robust growth in financial services (YoY growth of 8.2 per cent) and was further supported by the continuous expansion observed in wholesale and retail trade activities (YoY growth of 4.0 per cent).

Headline inflation, as measured by the YoY change of the Colombo Consumers Price Index (CCPI), remained largely within the band of 4.0 per cent - 6.0 per cent during the first nine months of the year and declined to levels below 4.0 per cent thereafter. As such, headline inflation reached an annual average

of 4.3 per cent in 2018, significantly lower than the inflation of 6.6 per cent recorded in 2017. This drop in the inflation rate was driven primarily by favourable weather which resulted in relatively steady food prices. Implementation of the fuel pricing mechanism amidst fairly favourable global oil prices also aided in keeping overall inflation subdued throughout the year, despite a sharp depreciation seen in the value of the Rupee in 2018.

The Central Bank of Sri Lanka (CBSL) signalled an end to its tight monetary policy stance in April 2018. Accordingly, considering the favourable developments in inflation and the sub-par performance of the economy, the CBSL reduced the Standing Lending Facility Rate (SLFR) by 25 basis points to 8.50 per cent. Thereafter, a neutral policy stance was maintained considering the impacts on the external sector due to key global developments and the continued monetary policy normalisation in the United States. However, a large and persistent liquidity deficit in the money market necessitated the CBSL to inject liquidity by reducing the Statutory Reserve Ratio (SRR) applicable on all Rupee deposit liabilities of commercial

banks by 150 basis points in mid-November 2018. Further, the Standing Deposit Facility Rate (SDFR) was increased by 75 basis points and the SLFR by 50 basis points in order to maintain the CBSL's neutral policy stance. The SRR was reduced by a further 100 basis points in March 2019 in response to the continued high liquidity deficit in the market.

In line with the moderation of overall economic growth, domestic consumption demand in real terms recorded a YoY growth of 1.6 per cent in 2018 [2017: 1.8 per cent]. This moderation can be attributed to the tighter fiscal policies implemented within the year. Meanwhile, investment expenditure grew by 6.6 per cent YoY in real terms [2017: 8.2 per cent].

Growth in aggregate domestic and national savings slowed down further in 2018, to 5.6 per cent and 4.5 per cent YoY respectively. This is partly attributed to a slower growth in private savings and an increase in Government dis-savings during the year. Meanwhile, due to the relatively higher growth in investment spending, the national savings-investment gap broadened to 3.1 per cent of GDP in 2018 [2017: 2.6 per cent].

Key market interest rates saw a slight increase during the year with the Average Weighted Prime Lending Rate (AWPLR) rising by 31 basis points to 11.94 per cent by end-2018 from 11.33 per cent by end-2017. The Average Weighted Deposit Rate (AWDR) also saw a reduction of 26 basis points to 8.81 per cent by end-2018.

Broad money supply moderated in the year 2018, largely due to the decline of Net Foreign Assets (NFA) of the banking system. The growth of the broad money supply decelerated to 13.0 per cent in 2018 in comparison to the 16.7 per cent growth in 2017. Meanwhile, credit to the private sector saw an absolute increase of Rs. 762.1 billion, relatively larger than the Rs. 613.4 billion rise in the previous year. Net credit to the Government saw an increase of 16.0 per cent, while credit to public corporations showed a significant increase of 40.7 per cent, reflecting the increased reliance on bank financing by most State Owned Business Enterprises (SOBEs). It should be noted that Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB) accounted for approximately 72 per cent of the overall expansion.

On the external front, Sri Lanka's trade deficit widened considerably during 2018, with the balance of payments recording a deficit of USD 1.1 billion from the USD 2.1 billion surplus recorded in the previous year. The current account deficit expanded to 3.2 per cent of GDP in 2018 while the trade deficit expanded to USD 10.3 billion [2017: USD 9.6 billion]. Earnings from exports which rebounded strongly in 2017, continued to

maintain its growth momentum in 2018, growing by 4.7 per cent, to reach USD 11.9 billion by end-2018. This was largely supported by the restoration of the GSP+ facility and conducive external trade policies. Exports of seafood and petroleum products were the main contributors to export growth, recording increases of 10.5 per cent and 43.2 per cent YoY respectively.

Meanwhile, overall import expenditure expanded by 6.0 per cent YoY in 2018 recording the highest ever import bill of USD 22.2 billion. This was induced by higher fuel, personal vehicle and gold imports and led to an offsetting of the improvement in the export performance. A 9.2 per cent growth in expenditure on Intermediate goods contributed to the overall increase in imports, driven by the substantial increase in fuel imports by 21.1 per cent YoY. This growth was mainly due to the significant increase in average import prices of both refined petroleum products and crude oil, as well as a moderate growth of import volumes of these items.

Expenditure on consumer goods increased by 10.6 per cent, however, import expenditure on food and beverages declined by 12.8 per cent due to the reduction in import volumes of rice. Expenditure on non-food consumer goods increased significantly due to the increased demand for personal vehicles, which recorded a growth of 116.3 per cent during the first 8 months of the year. This was due to the revision of taxes in the 2018 Budget. Accordingly, import expenditure on non-food consumer goods increased substantially by 26.8 per cent YoY. However, towards the latter part of the year, the Government tightened its external policy stance and introduced measures to reduce vehicle and gold imports to mitigate the adverse impacts of growing import demand.

A significant improvement in tourism earnings was observed in 2018 with tourist arrivals increasing 10.3 per cent, to record the highest annual tourist arrivals during a year. As a result, the earnings from tourism grew by 11.6 per cent, to record an absolute increase of USD 456 million compared to the previous year's USD 407 million. Workers' remittances continued to moderate in 2018, owing to geopolitical uncertainties in the Middle Eastern region along with a shift in labour migration patterns. As a result, workers' remittances reduced by 2.1 per cent and stood at USD 7 billion as at end-2018.

The Rupee depreciated by a sharp 19 per cent against the US dollar in 2018 compared to a 2.0 per cent depreciation recorded the previous year. The policy rate hikes of the US Federal Reserve resulted in significant outflows from the Rupee denominated Government securities market, leading to a net outflow of USD 990 million in 2018. Downward pressure

on the Rupee was exacerbated by the political uncertainty faced during the last quarter of the year, which also resulted in a sovereign credit downgrading by major rating agencies and a temporary pause of the IMF Extended Fund Facility programme. The programme was subsequently revived in early 2019. These developments, couple with weak investor sentiment contributed to significant outflows being recorded at the Colombo Stock Exchange (CSE).

Foreign Direct Investments recorded an all-time high of USD 2.1 billion in 2018, a notable increase of 11.8 per cent from the USD 1.9 billion in 2017. FDI inflows in 2018 were mainly received by the Hambantota International Port Group (Private) Limited. The remainder was channelled largely to projects related to ports, telecommunications, housing and property development and hotels, while FDI inflows to the manufacturing sector remained moderate.

Proceeds from two ISBs issued by the Government totalling USD 2.4 billion in April 2018 supplemented the build-up of gross official reserves to reach a record high level of USD 9.9 billion by end-April 2018.

However, external sector vulnerabilities required the CBSL to intervene in the currency market to prevent excessive depreciation, causing reserves to fall to USD 6.9 billion by end 2018.

Having reached a primary surplus in 2017 for the first time since 1992, the Government stayed on track to achieve the same feat in 2018, recording a primary surplus of Rs. 91.4 billion. The Government budget deficit also recorded a decline to 5.3 per cent of GDP in 2018, down from 5.5 per cent of GDP in 2017. However, the revenue-to-GDP ratio declined to 13.3 per cent in 2018 from 13.6 per cent in 2017 due to lower than expected tax revenue collections from key items such as a Value Added Taxes (VAT) and Excise duties. Recurrent expenditure increased marginally owing to higher interest payments. However, the effects of this were neutralised by the reduction of public investments. As such total Government expenditure and net lending as a percentage of GDP declined to 18.6 per cent in 2018 [2017: 19.2 per cent].

The Colombo Stock Exchange (CSE) witnessed net foreign outflows of USD 55 million in 2018, a significant drop when compared to the net inflows of USD 279 million in 2017. The All Share Price Index (ASPI) recorded a decline in 2018, falling by 5.0 per cent over the year, while market capitalisation also declined to Rs. 2.8 trillion in 2018 from Rs. 2.9 trillion in 2017. Meanwhile, the Government securities market recorded a net outflow of USD 990 million during the year, compared to a net inflow of USD 441 million in 2017.

# GLOSSARY

## 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.

## ASSET TURNOVER

Revenue including equity accounted investees 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 profits of equity accounted investees plus dividends from equity accounted investees 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 crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

## CURRENT RATIO

Current assets 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 expense and tax (includes other operating income). Note that EBIT includes interest income, fair value gains and losses on investment property, depreciation and amortization, and share of results of equity accounted investees.

## EBITDA

Earnings before interest expense, tax, depreciation and amortisation. Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees.

## EBIT MARGIN

EBIT divided by revenue inclusive of share of equity accounted investees.

## 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 interest expense.

## 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 the period multiplied by the market price at the end of the period.

## NET ASSETS

Total assets minus current liabilities, long term liabilities, and 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, excluding short term investments of the life fund of UA, restricted regulatory fund at UA and customer advances at the Property Development sector.

## NET PROFIT MARGIN

Profit after tax attributable to equity holders of the parent divided by total revenue equity accounted investees.

## 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 EBITDA/ RECURRING EBIT/ RECURRING PAT/RECURRING PAT TO EQUITY HOLDERS OF THE PARENT

Profit, as applicable, adjusted for the one-off impacts discussed under the Group Consolidated Review section of the Report: Page 36.

## RETURN ON ASSETS

Profit after tax divided by the average total assets.

## RETURN ON CAPITAL EMPLOYED (ROCE)

EBIT as a percentage of average capital employed.

## RETURN ON EQUITY (ROE)

Profit attributable to shareholders as a percentage of average shareholders' funds.

## SCOPE 1 AND SCOPE 2

The GHG Protocol has established a classification of GHG emissions called 'Scope': Scope 1, Scope 2 and Scope 3. The GHG emissions standard published by the International Organization for Standardization (ISO), 'ISO 14064', represents these classifications of Scope with the following terms:

1. Direct GHG emissions = Scope 1
2. Energy indirect GHG emissions = Scope 2

## 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 and overdrafts.

## TOTAL EQUITY

Shareholders' funds plus non-controlling interest.

## WORKING CAPITAL

Current assets minus current liabilities.



# INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING



## Scope and Approach

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of John Keells Holdings PLC ('JKH' or 'the Company', Company Registration Number PQ 14) to carry out an independent assurance engagement for the non-financial - qualitative and quantitative information, including sustainability performance, reported in JKH's Annual Report 2018/19 ('the Report') in its printed format for the financial year ending 31st March 2019. The sustainability disclosures in this Report are prepared by JKH considering the key requirements of the International Integrated Reporting Council's (IIRC's) <IR> Framework and in accordance with the GRI Standards Core option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards').

We performed our verification (Type 2, Moderate level) activities based on AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) with 2018 Addendum, DNV GL's assurance methodology VeriSustain<sup>TM</sup><sup>1</sup>, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised\* and GRI Guidelines. Our assurance engagement was planned and carried out in February 2019 – May 2019.

The intended user of this assurance statement is the Management of JKH. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement.

The reporting Topic Boundaries of sustainability performance are based on internal and external materiality assessment carried out by the Company and covers JKH's operations in Sri Lanka

and Maldives. The Report does not include performance data and information related to the activities of non-operational entities, investment entities and companies holding only land, over which JKH does not exercise operational and management control. This is as set out in the Report in the section 'Scope and Boundary'. The reported data on economic performance, and other financial data are based on audited financial statements issued by the Company's statutory auditors.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

## Responsibilities of the Management of JKH and of the Assurance Providers

The Management of JKH has the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing this assurance work, DNV GL's responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

DNV GL provides a range of other services to JKH, none of which in our opinion, constitute a conflict of interest with this assurance work.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility

for any decision a person or an entity may make based on this Assurance Statement.

## Basis of our Opinion

As part of the assurance a multi-disciplinary team of sustainability and assurance specialists performed work at JKH's Corporate Office, and we visited sample operations in Sri Lanka. We undertook the following activities:

- Review of JKH's approach to stakeholder engagement and materiality determination process and the outcome as presented in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues disclosed within the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Site visits to sample operations of the Group: (i) Hikka Tranz by Cinnamon at Hikkaduwa (Cinnamon Hotels and Resorts), (ii) Colombo Ice Company at Avissawella (Ceylon Cold Stores), and (iii) Keells, Kesbewa outlet at Colombo (JayKay Marketing Services) (iv) Tea Factory at Neluwa Medagama (Plantation Services) - to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting Assessments;
- Review of supporting evidence for key claims and data in the Report;
- Review of the processes for gathering and consolidating the specified performance data related to identified material topics and, for a sample, checking the data consolidation in context to the Principle of Completeness as per VeriSustain.

<sup>1</sup> The VeriSustain protocol is available on [www.dnvgl.com](http://www.dnvgl.com)

\* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

# INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

DNV·GL

- An independent assessment of JKH's reporting against the GRI Standards and the reporting requirements for the GRI Standards: Core option of reporting.

## Opinion

On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe JKH's adherence to the Reporting Principles of the <IR> Framework and GRI Standards including the requirements of the Core option of reporting (GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016) and disclosures related to the following GRI Standards which have been chosen by JKH to bring out its performance against its identified material topics:

## Economic

- GRI 201: Economic Performance 2016 – 201-1, 201-3;
- GRI 203: Indirect Economic Impacts 2016 – 203-1;
- GRI 204: Procurement Practices 2016 – 204-1;
- GRI 205: Anti-corruption 2016 – 205-1;

## Environmental

- GRI 302: Energy 2016 – 302-1, 302-2;
- GRI 303: Water and Effluents 2018 – 303-3, 303-4;
- GRI 304: Biodiversity 2016 - 304-1;
- GRI 305: Emissions 2016 – 305-1, 305-2;
- GRI 306: Effluents and Waste 2016 – 306-2, 306-3;
- GRI 307: Environmental Compliance 2016 – 307-1;
- GRI 308: Supplier Environmental Assessment 2016 – 308-1;

## Social

- GRI 401: Employment 2016 – 401-1;
- GRI 403: Occupational Health and Safety 2018 – 403-9;
- GRI 404: Training and Education 2016 – 404-1, 404-3;

- GRI 405: Diversity and Equal Opportunity 2016 – 405-1;
- GRI 408: Child Labor 2016 – 408-1;
- GRI 409: Forced or Compulsory Labor 2016 – 409-1;
- GRI 413: Local Communities 2016 – 413-1;
- GRI 414: Supplier Social Assessment 2016 – 414-1;
- GRI 416: Customer Health and Safety 2016 - 416-1;
- GRI 417: Marketing and Labeling 2016 – 417-1, 417-3;
- GRI 419: Socioeconomic Compliance 2016 – 419-1.

## Observations

Without affecting our assurance opinion, we also provide the following observations evaluating the Report's adherence to the AA1000AS principles:

## Inclusivity

*The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.*

The Report brings out the processes carried out by JKH towards identifying and constantly engaging with its key stakeholders through formal and informal channels of engagement to identify key challenges and opportunities to be addressed on a regular basis in line with its sustainability action plans i.e., the inputs from ongoing engagement with stakeholders are used in continuous improvement of management systems and value creation processes. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity.

## Materiality

*The process of determining the issues that is most relevant to an organization and its stakeholders.*

JKH carries out a materiality analysis to help define key issues which are significant to its business and stakeholders and create value over the short, medium and long term. Key sustainability topics have been identified and prioritized by the Company through an independent external survey and internal materiality assessments. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality, or that JKH has missed out key material issues related to the Group.

## Responsiveness

*The extent to which an organization responds to stakeholder issues.*

The Report brings out the disclosures related to the identified material topics based on the <IR> Framework and its Content Elements including business model, capitals, key targets and objectives and action plan for value creation. Further, the Report also discloses the management approach towards identified material topics through policies, strategies, management systems and governance mechanisms based on the requirements of the GRI Standards for its Core option of reporting. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

## Impact

*The level to which an organisation monitors, measures and is accountable for how its actions affect its broader ecosystems*

The Report describes how the various businesses of JKH identify their most material impacts and devise action plans to minimize any adverse impacts on stakeholders. Further, the Report describes how JKH monitors and measures the effects of its operations and value chain activities towards sustainable development. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Impact.

### Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and the process for gathering information developed by JKH for its sustainability performance reporting to be appropriate, and the qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data and its reliability. Nothing has come to our attention that the information provided to us was inconsistent, inaccurate and unreliable, or that the Report is not a faithful description of JKH's reported sustainability activities for the reporting period.

#### Reliability

*The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.*

The majority of data and information verified at Corporate Office and at sampled sites visited were found to be fairly accurate and reliable. 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. JKH uses a software to capture and analyze data related to its sustainability performance on its material topics from all sites of operations on a quarterly basis. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

#### Additional principles as per DNV GL VeriSustain

##### Completeness

*How much of all the information that has been identified as material to the organisation and its stakeholders is reported?*

The Report brings out the key requirements of the <IR> framework and GRI Standards in terms of scope, boundary and time, ie., JKH's business model, strategy, governance systems and monitoring mechanisms for value creation, for the Company's major business areas. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

#### Neutrality


*The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.*

The disclosures within the Report, related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation along with key concerns and challenges faced during the period. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

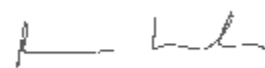
For DNV GL AS



Kiran Radhakrishnan  
Lead Verifier - Sustainability Services



Vadakepatth Nandkumar  
Head – Sustainability and Supply Chain Operations  
Region – India and Sri Lanka



Prasun Kundu  
Assurance Reviewer  
Global Service Responsible - Social Accountability.

17th May 2019, Colombo, Sri Lanka.



**AA1000**  
Licensed Assurance Provider  
000-10

# GROUP DIRECTORY

GRI 102-45

## TRANSPORTATION

### Ports and Shipping

#### Mackinnon Mackenzie & Co (Shipping) Ltd. (PB 359) (100%)

*Shipping agency representation & logistics services*

Incorporated in 1973

4, Leyden Bastian Road, Colombo 1

T. 2475423

Directors: J R Gunaratne, A Z Hashim

K C Subasinghe

Stated capital: LKR. 5,000,000

#### Maersk Lanka (Pvt) Ltd. (PV 2550) (30%)\*\*

*Shipping agency representation & freight forwarding services*

Incorporated in 1992

Level 16, "Park Land", 33, Park Street, Colombo 02.

T. 0114794800

Directors: W T Ellawala, R M David,

F Dedenis, S Bandara

Z Mukhi (Appointed w.e.f (25/03/2016)

Stated capital: LKR.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.

T. 24575509

Directors: K N J Balendra - Chairman

J G A Cooray, D C Alagaratnam,

J R Gunaratne, S Rajendra, R M W B C

Rajapaksa, A Z Hashim, C Kuo Cheng, S S

Jakobsen, J M Bevis, A M Garrett, J R Graham,

K D W Ratnayaka, A Hewavitharana

Stated capital: LKR. 3,788,485,900

## Logistics

#### DHL Keells (Pvt) Ltd. (PV 1307) (50%)\*\*

*International express courier services*

Incorporated in 1986

No. 148, Vauxhall Street, Colombo 2.

T. 2304304 / 4798600

Directors: K N J Balendra - Chairman

A Z Hashim, Y B A Khan, S P Wall

Stated capital: LKR. 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.

T. 2475574

Directors: J R Gunaratne, A Z Hashim

Stated capital: LKR. 200,000,000

#### Logipark International (Pvt) Ltd.(PV 201610) (100%)

*Integrated Supply Chain Management*

Incorporated in 2018

No. 117, Sir Chittampalam A. Gardiner

Mawatha, Colombo 02.

T. 2475574

Directors: J R Gunaratne

K C Subasinghe, A Z Hashim

Stated capital: LKR. 1,058,750,000

#### Mack International Freight (Pvt) Ltd. (PV 831) (100%)

*International freight forwarding and clearing & forwarding*

Incorporated in 1980

No. 11, York Street, Colombo 1

T. 7671671

Directors: J R Gunaratne, K C Subasinghe

A Z Hashim

Stated capital: LKR.130,000,000

#### 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

T. 2475410-421

Directors: K N J Balendra - Chairman

A Z Hashim

Stated capital: LKR. 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

T. 2475509

Directors: J R Gunaratne, K C Subasinghe

A Z Hashim

Stated capital: LKR. 90,000

#### Saffron Aviation (Pvt) Ltd. (PV 84728) (40%)

*Domestic air line operations*

Incorporated in 2012

No.11, York Street, Colombo 01

T. 2475502

Directors: J G A Cooray - Chairman

J R Gunaratne, A Z Hashim

B A B Goonetilleke, K Balasundaram, F Omar

Stated capital: LKR. 622,179,000

#### Trans-ware Logistics (Pvt) Ltd. (PV 3134) (100%)\*

*Renting of storage space*

Incorporated in 1994

No 11, York Street, Colombo 01

T. 2475545/539

Directors: D C Alagaratnam, K C Subasinghe

A Z Hashim, N N Mawilmada

Stated capital: LKR. 220,000,080

## Air Lines

#### Mack Air (Pvt) Ltd. (PV 868) (100%)

*General sales agents for airlines in Sri Lanka*

Incorporated in 1980

No. 11, York Street, Colombo 1

T. 2475375/2475335

Directors: J R Gunaratne, K C Subasinghe

A Z Hashim

Stated capital: LKR. 12,500,000

#### Mackinnons Travels (Pvt) Ltd. (PV 1261) (100%)

*IATA accredited travel agent and travel related services*

Incorporated in 1971

No. 186, Vauxhall Street, Colombo 2

T. 2318600

Directors: J R Gunaratne, K C Subasinghe

A Z Hashim

Stated capital: LKR. 5,000,000

#### Mack Air Services Maldives (Pte) Ltd. (CI 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

T. +9603334708 - 09

Directors: J R Gunaratne, K C Subasinghe

A Z Hashim, S Hameed, A Shihab

Stated capital: LKR. 677,892

## CONSUMER FOODS

#### Ceylon Cold Stores PLC. (PQ 4) (81.36%)

*Manufacture & marketing of beverages and frozen confectionery and the holding company of JayKay Marketing Services (Pvt) Ltd.*

Incorporated in 1926

No.117, Chittampalam A Gardiner

Mawatha, Colombo - 02

T. 2318798

Directors: K N J Balendra- Chairman

J G A Cooray, D P Gamlath, M Hamza

S T Ratwatte, R S W Wijeratnam

Stated capital: LKR. 918,200,000

#### The Colombo Ice Company. (PV 113758) (81.36%)\*

*Manufacturing and marketing of frozen confectionery*

Incorporated in 2016

No.117, Sir Chittampalam A, Gardiner

Mawatha, Colombo - 02

T. 2306000

Directors: J R Gunaratne, D P Gamlath

Stated capital: LKR.1,700,000,000

#### John Keells Foods India (Pvt) Ltd.

(U15122MH2008FTC180902) (88.63%)\*

*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

T. 0091 1142591823, 0091

1126148048,26151853, 26147365

Fax: +91-11-2614 5222

Directors J R Gunaratne, D P Gamlath

Stated capital: LKR.220,294,544

(INR 90,000,000)

#### Keells Food Products PLC. (PQ 3) (88.63%)

*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

T. 2236317/ 2236364

Directors: K N J Balendra- Chairman

J G A Cooray, D P Gamlath, S De Silva

A E H Sanderatne, I Samarajiva

P D Samarasinghe

Stated capital: LKR.1,294,815,000

**RETAIL****JayKay Marketing Services (Pvt) Ltd. (PV 33) (81.36%)**

*Owns and Operates the "Keells" chain of supermarkets and "Nexus Mobile" loyalty card programme.*

Incorporated in 1980  
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02  
T. 2316800  
Directors: J G A Cooray- Chairman, J R Gunaratne, K C Subasinghe  
Stated capital: LKR.1,198,000,000

**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  
T. 2313000, 2431576, 2445760  
Directors: D C Alagaratnam J R Gunaratne, K C Subasinghe  
Stated capital: LKR. 5,000,000

**LEISURE****Hotel Management****Cinnamon Hotel Management Ltd. (PB 7) (100%)**

*Operator & marketer of hotels and resorts*  
Incorporated in 1974  
No.117 Chittampalam A. Gardiner Mawatha, Colombo - 02  
T. 2306600, 2421101-8  
Directors: J R Gunaratne, J E P Kehelpannala R J Karunarajah, M H Singhawansa  
Stated capital: LKR. 19,520,000

**Cinnamon Hotel Management International (Private) Ltd. (PV 131788) (100%)\***

*Operator & marketer of overseas hotels and resorts*  
Incorporated in 2018  
No.117 Chittampalam A. Gardiner Mawatha, Colombo - 02  
Directors: J R Gunaratne, K C Subasinghe J E P Kehelpannala, R J Karunaraj M H Singhawansa  
Stated capital: LKR. 500,000

**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  
T. 2306600  
Directors: K N J Balendra – Chairman J G A Cooray, J R Gunaratne J E P Kehelpannala, M H Singhawansa, N B Weerasekera, T L F W Jayasekera A K Moonesinghe  
Stated capital: LKR.9,500,246,939

**Sentinel Realty (Pvt) Ltd. (PV 80706) (42.41%)\*\***

*Investment company for Hotel Development land*

Incorporated in 2011  
No.117, Chittampalam A Gardiner Mawatha Colombo - 02  
T. 2306000  
Directors: B A B Goonettileke - Chairman S Rajendra, J R Gunaratne, K Balasundaram  
Stated capital: LKR. 132,288,080

**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  
T. 2437437 /2497206  
Directors: K N J Balendra - Chairman Managing Director J G A Cooray, J R Gunaratne, S Rajendra R J Karunarajah, C J L Pinto, J Durairatnam A S De Zoysa  
Stated capital: LKR.3,345,118,012

**Capitol Hotel Holdings Ltd. (PB 5013) (19.47%)\*\***

*Developer of City Business Hotels*

Incorporated in 2012  
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02  
T. 2306000  
Directors: M S Weerasekera - Chairman J R Gunaratne, W R K Wannigama D A Kannangara , M D R Gunatilleke L C H Leow, A J Pathmarajah, R J Karunarajah  
Stated capital: LKR. 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.  
T. 2491000  
Directors: K N J Balendra - Chairman J G A Cooray, J R Gunaratne, R J Karunarajah N L Goonaratne, C J L Pinto, E H Wijenaik J C Ponniah  
Stated capital: LKR.1,112,879,750

**Resort Hotels - Sri Lanka****Ahungalla Holiday Resorts (Pvt) Ltd. (PV 85046) (80.32%)\***

*owner of real estate*  
Incorporated in 2012  
No.117, Chittampalam A Gardiner Mawatha Colombo - 02  
T. 2306000  
Directors: J R Gunaratne, K C Subasinghe M H Singhawansa  
Stated capital: LKR. 133,490,000

**Beruwala Holiday Resorts (Pvt) Ltd. (PV 69678) (79.78%)**

*Owner & operator of "Cinnamon Bey" in Beruwala*

Incorporated in 2009  
Moragolla Beruwala.  
T. 2306600, 034 2297000  
Directors: J R Gunaratne, K C Subasinghe M H Singhawansa  
Stated Capital: LKR. 2,338,150,000

**Ceylon Holiday Resorts Ltd\*- Bentota Beach Hotel. (PB 40) (79.60%)**

*Owner & operator of "Bentota Beach by Cinnamon" in Bentota*

Incorporated in 1966  
Galle Road, Bentota  
T. 034 2275176 / 034 2275266  
Directors: J R Gunaratne, K C Subasinghe M H Singhawansa  
Stated capital: LKR. 2,378,973,307

**Habarana Lodge Ltd. (PB 38) (78.99%)**

*Owner & operator of "Cinnamon Lodge" in Habarana*

Incorporated in 1978  
P.O Box 2, Habarana  
T. 066 2270011-2/ 066 2270072  
Directors: J R Gunaratne, K C Subasinghe M H Singhawansa  
Stated capital: LKR.341,555,262

**Habarana Walk Inn Ltd. (PB 33) (79.34%)**

*Owner & operator of "Habarana Village by Cinnamon" in Habarana*

Incorporated in 1973  
P.O Box 1, Habarana  
T. 066 2270046-7/ 066 2270077  
Directors: J R Gunaratne, K C Subasinghe M H Singhawansa  
Stated capital: LKR. 126,350,000

**Hikkaduwa Holiday Resorts (Pvt) Ltd. (PV 71747) (79.60%)**

*Owner & operator of "Hikka Tranz by Cinnamon" in Hikkaduwa*

Incorporated in 2010  
P.O Box 1, Galle Road, Hikkaduwa  
T. 091 2298000  
Directors: J R Gunaratne, K C Subasinghe M H Singhawansa  
Stated capital: LKR.1,062,635,460

**Indra Hotel and Resorts (Pvt) Ltd. (PV 124247) (32.13%)\***

*Owner of Cinnamon Red Kandy*

Incorporated in 2017  
No. 273, Katugastota Road, Kandy  
T. 081 2234346  
Directors: Y S H I K Silva, Y S H R S Silva Y S H H K Silva, J R Gunaratne K C Subasinghe  
Stated capital: LKR.1,051,400,493

**International Tourists and Hoteliers Ltd. (PB 17) (79.78%)\***

*Owner of real estate*  
Incorporated in 1973  
No.117, Chittampalam A Gardiner Mawatha Colombo - 02  
T. 2306600, 2421101-8  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR. 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  
T. 081 2234365-6/ 081 2237273-4  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR. 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  
T. 2306000  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated Capital: LKR. 323,074,820

**Rajawella Hotels Company Ltd. (PB 92) (80.32%)\***

*Owner of real estate*  
Incorporated in 1992  
No.117, Chittampalam A Gardiner Mawatha Colombo - 02  
T. 2306000  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR. 35,411,762

**Resort Hotels Ltd. (PB 193) (79.60%)\***

*Owner of real estate*  
Incorporated in 1978  
No.117, Chittampalam A Gardiner Mawatha Colombo - 02  
T. 2306780, 2421101-8  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR. 8,299,150

**Trinco Holiday Resorts (Pvt) Ltd.(PV 69908) (80.32%)**

*Owner & Operator of "Trinco Blu by Cinnamon" in Trincomalee*  
Incorporated in 2009  
Alles Garden, Uppuveli, Sampathiv Post  
T. 026 2222307 / 026 2221611  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated Capital: LKR.357,000,000

**Trinco Walk Inn Ltd. (PB 168) (80.32%)\***

*Owner of Real Estate*  
Incorporated in 1984  
Alles Garden, Uppuveli,Sampathiv Post, Trincomalee  
T. 026 2222307 / 011 2306600  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR.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  
T. 2306780, 2421101-8  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR. 20,204,150

**Yala Village (Pvt) Ltd. (PV 2868) (75.33%)\***

*Owner & operator of "Cinnamon Wild" in Yala*  
Incorporated in 1999  
P.O Box 1, Kirinda, Tissamaharama  
T. 047 2239449-52  
Directors: M A Perera - Chairman  
K N J Balendra - Deputy Chairman  
J R Gunaratne, M H Singhawansa, J A Davis  
Stated capital: LKR.319,427,600

**Resort Hotels - Maldives**

**Fantasea World Investments (Pte) Ltd. (C 143/97) (80.32%)**

*Owner & operator of "Cinnamon Hakuraa Huraa" in Maldives*  
Incorporated in 1997  
2nd Floor, H.Maizan Building,  
Sosun Magu, Male, Republic of Maldives  
T. 00960 6720014 / 00960 6720064 / 00960 6720065  
Directors: J E P Kehelpannala - Managing Director  
J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR. 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  
T. 00960 3329083 / 00960 3304601 / 00960 3313738  
Directors: J E P Kehelpannala - Managing Director  
J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR.3,978,671,681

**Tranquility (Pte) Ltd. (C 344/2004) (80.32%)**

*Owner and operator of "Cinnamon Dhoinveli" in Maldives*  
Incorporated in 2004  
2nd Floor, H. Maizan Building  
Sosun Magu, Male, Republic of Maldives  
T. 00960 6640055 / 00960 6640012

Directors: J E P Kehelpannala - Managing Director

J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR.552,519,608

**Travel Club (Pte) Ltd. (C 121/92) (80.32%)**

*Operator of "Ellaidhoo" in Maldives*  
Incorporated in 1992  
2nd Floor, H. Maizan Building  
Sosun Magu, Male, Republic of Maldives  
T. 00960 6660839 / 00960 6660663 / 00960 6660664  
Directors: J E P Kehelpannala - Managing Director  
J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR. 143,172,000

**Destination Management**

**Cinnamon Holidays (Pvt) Ltd. (PV 101005) (80.32%)**

*Service providers of Inbound and outbound Tours*  
Incorporated in 2015  
No.117, Chittampalam A Gardiner Mawatha Colombo - 02  
T. 2306000  
Directors: J R Gunaratne, K C Subasinghe  
M H Singhawansa  
Stated capital: LKR.200,000

**Serene Holidays (Pvt) Ltd. (U63040MH2006PTC164985) (98.35%)**

*Tour operators*  
Incorporated in 2006  
110, Bldg 2, Rolex Shopping Centre Premises  
CHS Ltd, STN Road, NR Prashant Hotel,  
Goregoan (W)  
Mumbai, Mumbai City, Maharashtra, 400062  
T. 091-22 42105210 99  
Directors: J R Gunaratne, K C Subasinghe  
K O Agrawal  
Stated capital: LKR.6,492,000

**Walkers Tours Ltd. (PB 249) (98.05%)**

*Inbound tour operators*  
Incorporated in 1969  
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02  
T. 2306306  
Directors: J G A Cooray - Chairman  
J R Gunaratne, I N Amaratunga  
Stated capital: LKR. 51,374,200

**Whittall Boustead (Travel) Ltd. (PB 112) (100%)**

*Inbound tour operators*  
Incorporated in 1977  
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02  
T. 2306746  
Directors:  
J R Gunaratne, K C Subasinghe  
I N Amaratunga  
Stated capital: LKR. 250,410,000

**PROPERTY****Property Development****Asian Hotels and Properties PLC - Crescat Boulevard, The Monarch, The Emperor (PQ 2) (78.56%)**

*Developer of 'Crescat Residencies', 'The Monarch' & 'The Emperor' Residential Towers  
Developer and manager of 'Crescat Boulevard' shopping Mall*

Incorporated in 1993

No.89, Galle Road, Colombo 3

T. 0112152100

Directors: K N J Balendra - (Chairman/  
Managing Director)

J G A Cooray, J R Gunaratne, S Rajendra  
R J Karunarajah, C J L Pinto, J Durairatnam  
A S De Zoysa

Stated capital: LKR. 3,345,118,012

**British Overseas (Pvt) Ltd. (PV 80203) (61%)**

*Developer of "7th Sense" Residential Tower*

Incorporated in 2011

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: S Rajendra, J R Gunaratne

K C Subasinghe, N N Mawilmada

S P G N Rajapakse

Stated capital: LKR.1,000

**Braybrooke Residential Properties (Pvt) Ltd (PV19165) (50%) \*\***

*Investor of Braybrooke Residential Towers (Pvt) Ltd*

Incorporated in 1998

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: Y S H R S Silva - Chairman

D C Alagaratnam, S Rajendra

K C Subasinghe, N N Mawilmada,

Y S H I K Silva, A D B Thatlwatte

C P Palansuriya

Stated capital: LKR.1,403,970,000

**Braybrooke Residential Towers (Pvt) Ltd (PV128387) (50%) \*\***

*Developer of 'TRI-ZEN' Residential Towers*

Incorporated in 2017

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: Y S H R S Silva - Chairman

K N J Balendra, J G A Cooray, S Rajendra

N N Mawilmada, Y S H I K Silva

A D B Thatlwatte, C P Palansuriya

Stated capital: LKR. 3,636,900,000

**Glennie Properties (Pvt) Ltd. (PV 84278) (100%)\***

*Property Development*

Incorporated in 2012

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: D C Alagaratnam, K C Subasinghe

N N Mawilmada

Stated capital: 163,861,400

**J K Land (Pvt) Ltd.(PV 84272) (100%) \***

*Investment Company for Property Sector*

Incorporated in 2012

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: S Rajendra, K C Subasinghe

N N Mawilmada

Stated capital: LKR. 17,047,210,230

**J K Thudella Properties (Pvt) Ltd. (PV 129825) (100%) \***

*Owner of Real Estates*

Incorporated in 2018

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: S Rajendra, J R Gunaratne

N N Mawilmada,

Stated capital: LKR. 453,467,620

**John Keells Properties Ja-Ela (Pvt) Ltd. (PV 76068) (100%)**

*Developer & Manager of ' K-Zone Ja-Ela' Shopping Mall*

Incorporated in 2010

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: S Rajendra, K C Subasinghe

N N Mawilmada

Stated capital: LKR.954,360,000

**John Keells Residential Properties (Pvt) Ltd. (PV 75050) (100%)**

*Developer of "On320" Residential Towers*

Incorporated in 2010

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: S Rajendra, K C Subasinghe

N N Mawilmada

Stated capital: LKR. 925,200,000

**John Keells Property Development (Pvt) Ltd.(PV 130036) (100%)\***

*Property Development*

Incorporated in 2018

No.117, Sir Chittampalam A Gardiner

Mawatha, Colombo 02

T. 0112152100

Directors : S Rajendra, K C Subasinghe

N N Mawilmada

Stated capital: LKR. 1,054,056,800

**Keells Realtors Ltd. (PB 90) (95.81%)\***

*Owner of Real Estates*

Incorporated in 1977

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: S Rajendra, K C Subasinghe

N N Mawilmada,

Stated capital: LKR.75,000,000

**Mackinnons Keells Ltd. (PB 8) (100%)\***

*Rental of office spaces*

Incorporated in 1952

No. 4, Layden Bastian Road, Colombo 1

T. 2152100

Directors: S Rajendra, J R Gunaratne

N N Mawilmada

Stated capital: LKR.327,800,000

**Rajawella Holdings Ltd (PB27) (49.85%)**

*Operates an 18 hole, Donald Street Designed Golf Course in Digana*

Incorporated in 1991

P O Box 7, Rajawella, Kandy

T. 0112152100

Directors: K N J Balendra - Chairman

J G A Cooray, S Rajendra, N N Mawilmada

C B Thornton (Alt. C J Holloway)

G R Bostock Kirk (Alt. E C Oxlade)

S E Captain (R S Captain)

Stated Capital: 784,690,140

**Vauxhall Land Developments (Pvt) Ltd. (PV125587) (60.28%)\***

*Owner of Real Estates*

Incorporated in 2017

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: K N J Balendra - Chairman

J G A Cooray, S Rajendra, G R Chambers

H A S Crawford

Stated capital: LKR. 21,699,602,860

**Waterfront Properties (Pvt) Ltd. (PV 82153) (96.98%)**

*Developer of Hotels, Apartments, offices & Shopping Malls*

Incorporated in 2011

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: K N J Balendra - Chairman

J G A Cooray, D C Alagaratnam

S Rajendra

Stated capital: LKR.39,066,738,955

**Whittall Boustead (Pvt) Ltd - Real Estate Division. (PV 31) (100%)\***

*Renting of office space*

Incorporated in 1958

No.186, Vauxhall Street, Colombo - 02

T. 0112152100

Directors: S Rajendra, K C Subasinghe

N N Mawilmada,

Stated capital: LKR.99,188,800

**FINANCIAL SERVICES****Fairfirst Insurance Ltd (PB 5180) (19.80%)\*\***

*General insurance underwriters*

Incorporated in 2014

No 33, St Michael's Road, Colombo 03

Directors: R Athappan - Chairman

A D Pereira, C Ratnaswami, A S Wijesinha

C D Wijegunawardene, S Malhotra, S Jha

Stated Capital: LKR.3,131,949,000

**John Keells Stock Brokers (Pvt) Ltd. (PV 89) (90.04%)**

*Share broking services*

Incorporated in 1979

No. 186,Vauxhall street, Colombo 02

T. +94(0) 11 230 6250, +94(0) 11 234 2066-7

J R Gunaratne, A D Pereira, R S Cader

Stated capital: LKR. 57,750,000

**Nations Trust Bank PLC. (PQ 118) (29.90%)\*\***

*Commercial banking and leasing operations*  
Incorporated in 1999

No. 242, Union Place, Colombo 2.

T. 4313131

Directors: J G A Cooray - Chairman  
K O V S M S Wijesinghe, R S Cader  
R N K Fernando, M Jafferjee, D P De Silva  
J C A D'Souza, R D Rajapaksa, N I R De Mel  
S Maheshwari, S I Sebastian  
C H A W Wickramasuriya, A R Fernando  
Stated capital: LKR.9,408,134,000

## Union Assurance PLC. (PQ 12) (90%)

*Providers for Life insurance solutions*

Incorporated in 1987

No.20, St. Michaels' Road, Colombo 3  
T. 2990990

Directors: K N J Balendra - Chairman  
D C Alagaratnam, S Rajendra, A D Pereira  
H A J De Silva Wijeyeratne  
D H Fernando, S A Appleyard  
Stated capital: LKR.1,000,000,000

## IT Services

### John Keells Information Technology (Pvt) Ltd. (PV 652) (100%)

*Software services*

Incorporated in 1998

No. 148, Vauxhall Street, Colombo 2.  
T. 2300770-77

Directors: J G A Cooray - Chairman  
J R Gunaratne, R Shanmuganathan  
Stated capital: LKR. 96,500,000

## IT Enabled Services

### InfoMate (Pvt) Ltd. (PV 921) (100%)

*IT enabled services*

Incorporated in 2005

No.4, Leyden Bastian Road, Colombo 1  
T. (94) 112149700

Directors: D C Alagaratnam, J R Gunaratne  
R Shanmuganathan  
Stated capital: LKR.20,000,000

### John Keells BPO Holdings Private Ltd. (C 60882) (100%)\*

*Holding company of AuxiCogent group companies*

Incorporated in 2006

IFS Court, 28, Cybercity, Ebene, Mauritius  
T. (230) 467 3000

Directors: J R Gunaratne, K C Subasinghe  
R Shanmuganathan, P Bissoonauth  
Z H Niamut  
Stated capital: LKR.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  
T. (230) 467 3000

Directors: J R Gunaratne, K C Subasinghe  
R Shanmuganathan, P Bissoonauth  
Z H Niamut  
Stated capital: LKR.1,616,700,008

### John Keells BPO Solutions Lanka (Private) Ltd. (PV 3458) (100%)\*

*BPO operations in Sri Lanka*

Incorporated in 2006

No.4, Leyden Bastian Road, Colombo 1  
T. (94) 2300770-77

Directors: J R Gunaratne, K C Subasinghe  
R Shanmuganathan  
Stated capital: LKR.335,797,260

## Plantation Services

### John Keells PLC. (PQ 11) (86.90 %)

*Produce Broking and Real Estate Ownership*

Incorporated in 1960

No 186, Vauxhall street, Colombo 02  
T. 2306000

Directors: K N J Balendra - Chairman  
J G A Cooray, J R Gunaratne  
A K Gunawardhana, C N Wijewardene  
B A I Rajakarier  
Stated capital: LKR.152,000,000

### John Keells (Teas) Ltd. (PV 522) (100%)

*Manager seven bought leaf tea factories*

Incorporated in 1979

No.117, Chittampalam A, Gardiner  
Mawatha, Colombo - 02  
T. 2306518

Directors: J R Gunaratne, K C Subasinghe  
A Z Hashim  
Stated capital: LKR. 120,000

### John Keells Warehousing (Pvt) Ltd. (PV 638) (86.90%)

*Warehousing of Tea and Rubber*

Incorporated in 2001

No.93, 1st Avenue, Muthurajawela, Hendala,  
Wattala  
T. 4819560

Directors: J R Gunaratne, K C Subasinghe  
A Z Hashim  
Stated capital: LKR.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  
T. 2149994 / 2335880

Directors: K N J Balendra - Chairman  
J G A Cooray, J R Gunaratne, E H Wijenaike  
A S Jayatilleke, M H D Silva, S K L Obeyesekere  
A K Gunaratne  
Stated capital: LKR.150,000,000

## Centre & Others

### Facets (Pvt) Ltd. (PV1048) (100%)\*

*Owner of real estate*

Incorporated in 1974

No.117, Sir Chittampalam A Gardiner  
Mawatha, Colombo - 02  
T. 2306000

Directors: D C Alagaratnam, J R Gunaratne  
Stated capital: LKR.150,000

### 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  
T. 2475308

Directors: D C Alagaratnam, K C Subasinghe  
R Gunaratne,  
Stated capital: LKR.14,500,000

### John Keells Holdings PLC. (PQ 14)

*Group holding company & function based services*

Incorporated in 1979

No.117, Chittampalam A Gardiner Mawatha  
Colombo - 02  
T. 2306000

Directors: K N J Balendra - Chairman  
J G A Cooray - Deputy Chairman  
M A Omar, D A Cabraal, A N Fonseka  
M P Perera, S S H Wijayasuriya  
R Coomaraswamy  
Stated capital: LKR. 62,806,482,130

### 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  
T. 2306000 / 2421101-9

Directors: J G A Cooray- Chairman,  
D C Alagaratnam  
Stated capital: LKR. 1,991,600,000

### John Keells Singapore (Pte) Ltd. (199200499C) (80%)\*

*International trading services*

Incorporated in 1992

No.16 Collyer Quay, Level 21  
Office Suit No.21-38, Singapore 049318  
T. 65 63296409/ 65 68189150/ 65 96346593

Directors: J G A Cooray - Chairman  
D C Alagaratnam, J R Gunaratne  
K C Subasinghe, R Ponnampalam  
Stated capital: LKR.9,638,000

### Keells Consultants (Pvt) Ltd. (PB 3) (100%)

*Company secretarial services to the group*

Incorporated in 1974

No.117, Chittampalam A Gardiner Mawatha  
Colombo - 02  
T. 2421101-9

Directors: D C Alagaratnam, J R Gunaratne  
N W Tambiah  
Stated capital: LKR.160,000

### Mortlake (Pvt) Ltd. (PV 756) (100%)\*

*Investment company*

Incorporated in 1962

No. 148, Vauxhall Street, Colombo 2.  
T. 2475308

Directors: J R Gunaratne, K C Subasinghe  
Stated capital: LKR. 3,000



# GRI CONTENT INDEX



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
GRI 101: Foundation 2016							
GRI 102: General Disclosures 2016							
Organizational Profile							
	102-1 Name of the organisation	3				22	
	102-2 Activities, brands, products, and services	8, 58				22	
	102-3 Location of headquarters	3				22	
	102-4 Location of operations	3				22	
	102-5 Ownership and legal form	3				22	
	102-6 Markets served	3, 8				22	
	102-7 Scale of the organisation	8, 18, 19				22	
	102-8 Information on employees and other workers	48 - 51				11,12	3
	102-9 Supply chain	13 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a> 87, 96, 106, 123, 133, 143, 155		21			
	102-10 Significant changes to the organization and its supply chain	20 - 26				22	
	102-11 Precautionary Principle or approach	201				13	2
	102-12 External initiatives	196				4	7
	102-13 Membership of associations	158 - 163					
Strategy							
	102-14 Statement from senior decision-maker	9 - 16				1	7
Ethics and integrity							
	102-16 Values, principles, standards, and norms of behaviour	164				2	
Governance							
	102-18 Governance structure	168				2	7
Stakeholder engagement							
	102-40 List of stakeholder groups	196 - 198				3	6
	102-41 Collective bargaining agreements	50				11,12	3
	102-42 Identifying and selecting stakeholders	2 - 3 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				3	6
	102-43 Approach to stakeholder engagement	196 - 198				3	6
	102-44 Key topics and concerns raised	198 - 199					

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GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Reporting practice							
	102-45 Entities included in the consolidated financial statements	318 - 322					
	102-46 Defining report content and topic Boundaries	195 - 196, 199				22,23	6,7
	102-47 List of material topics	Page 2 - 3 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a> , 200				3	6
	102-48 Restatements of information	196				22,23	
	102-49 Changes in reporting	199				22,23	
	102-50 Reporting period	4					
	102-51 Date of most recent report	196					
	102-52 Reporting cycle	196				22,23	7
	102-53 Contact point for questions regarding the report	332				22,23	
	102-54 Claims of reporting in accordance with the GRI Standards	4, 14, 193, 306				22,23	7
	102-55 GRI content index	323 - 330					
	102-56 External assurance	315 - 317				22,23	7
Material Topics							
GRI 200: Economic Standard Series							
Economic Performance							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	306 - 307					1
	201-3 Defined benefit plan obligations and other retirement plans	51					1
Indirect Economic Impacts							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	52					4

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Procurement Practices							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	52					
Anti-corruption							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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GRI 205: Anticorruption 2016	205-1 Operations assessed for risks related to corruption	52				19,20	
GRI 300: Environment Standard Series							
Energy							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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GRI 302: Energy 2016	302-1 Energy consumption within the organisation	43 - 44				3	2
	302-4 Reduction of energy consumption	44				3	2
Water and Effluents							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
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GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 7 - 8 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	303-2 Management of water discharge-related impacts	Page 7 - 8 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	303-3 Water withdrawal	45				4	2
	303-4 Water discharge	46				3	2
<b>Biodiversity</b>							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	118				6	2
<b>Emissions</b>							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
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GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	43				3	2
	305-2 Energy indirect (Scope 2) GHG emissions	43				3	2
<b>Effluents and Waste</b>							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	46				3	2
	306-3 Significant spills	85				3	2

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Environmental compliance							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	43				15,16	2
	308-1 Supplier Environmental Assessment	52				15	
GRI 400: Social Standard Series							
Employment							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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GRI 401: Employment 2016	401-1 New employee hires and employee turnover	48, 50				11,12	3
Occupational Health and Safety							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	403-2 Hazard identification, risk assessment, and incident investigation	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	403-3 Occupational health services	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	403-4 Worker participation, consultation, and communication on occupational health and safety	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	403-5 Worker training on occupational health and safety	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					

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			Part Omitted	Reason	Explanation		
	403-6 Promotion of worker health	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	403-9 Work-related injuries	Page 11 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a> 51				11,12	3,7
<b>Training and Education</b>							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	50				11,12	3
	404-3 Percentage of employees receiving regular performance and career development reviews	48				11,12	3
<b>Diversity and equal opportunity</b>							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	48 - 49				11,12	3
<b>Freedom of association and collective bargaining</b>							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
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GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	50 - 51				11,12	3

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Child Labour							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
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GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	48				7,8	3
Local communities							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
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GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	27, 52 - 57					
Forced or Compulsory Labor							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	48				7,8	3
Supplier social assessment							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	52				7,11	

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Marketing and Labelling							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	52					5
	417-3 Incidents of non-compliance concerning marketing communications	52					5
Socioeconomic Compliance							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 2 - 5 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>				22,23	6
	103-2 The management approach and its components	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
	103-3 Evaluation of the management approach	Page 6 - 16 of <a href="https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf">https://www.keells.com/resource/Management_Approach_Disclosures_2018_19.pdf</a>					
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	52				19,20	5



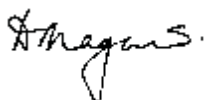
# NOTICE OF MEETING

Notice is hereby given that the Fortieth Annual General Meeting of John Keells Holdings PLC will be held on 28 June 2019 at 10:00 a.m. at The Auditorium (Ground Floor), The Ceylon Chamber of Commerce, 50, Navam Mawatha, Colombo 2.

The business to be brought before the meeting will be:

1. to read the notice convening the meeting.
2. to receive and consider the Annual Report and Financial Statements for the Financial Year ended 31 March 2019 with the Report of the Auditors thereon.
3. to re-elect as Director, Mr. J G A Cooray, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. J G A Cooray is contained in the Board of Directors section of the Annual Report.
4. to re-elect as Director, Dr. S S H Wijayasuriya, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Dr. S S H Wijayasuriya is contained in the Board of Directors section of the Annual Report.
5. to re-elect as Director, Dr. R Coomaraswamy, who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Dr. R Coomaraswamy is contained in the Board of Directors section of the Annual Report.
6. to re-appoint Auditors and to authorise the Directors to determine their remuneration.
7. 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  
24 May 2019

## 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 herein.
- 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 member and his/her proxy holder are both present at the meeting, only the member's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

# 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

K N J Balendra - Chairman/CEO  
J G A Cooray - Deputy Chairman/Group  
Finance Director  
D A Cabraal  
R Coomaraswamy  
A N Fonseka  
M A Omar  
M P Perera  
S S H Wijayasuriya

## Senior Independent Director

A N Fonseka

## Audit Committee

A N Fonseka - Chairman  
D A Cabraal  
M P Perera

## Human Resources and Compensation Committee

D A Cabraal - Chairman  
M A Omar  
S S H Wijayasuriya

## Nominations Committee

M A Omar - Chairman  
K N J Balendra  
M P Perera  
S S H Wijayasuriya  
R Coomaraswamy

## Related Party Transaction Review Committee

M P Perera - Chairperson  
K N J Balendra  
D A Cabraal  
A N Fonseka

## Project Risk Assessment Committee

S S H Wijayasuriya - Chairman  
K N J Balendra  
J G A Cooray  
M P Perera

## 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 & Young  
Chartered Accountants  
P.O. Box 101  
Colombo, Sri Lanka

## Bankers for the Company

Bank of Ceylon  
Citibank N.A.  
Commercial Bank of Ceylon  
Deutsche Bank A.G.  
DFCC Bank  
Habib Bank  
Hatton National Bank  
Hongkong and 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

# PROXY FORM

I/We ..... of  
 ..... being a member/s of John Keells Holdings PLC hereby appoint  
 ..... of  
 ..... or failing him/her

- MR. KRISHAN NIRAJ JAYASEKARA BALENDRA or failing him
- MR. JOSEPH GIHAN ADISHA COORAY or failing him
- MR. MOHAMED ASHROFF OMAR or failing him
- MR. DAMIEN AMAL CABRAAL or failing him
- MR. ANTHONY NIHAL FONSEKA or failing him
- MS. MARIE PREMILA PERERA or failing her
- DR. SHRIDHIR SARIPUTTA HANSA WIJAYASURIYA or failing him
- DR. RADHIKA COOMARASWAMY

as my/our proxy to represent me/us and vote on my/our behalf at the Fortieth Annual General Meeting of the Company to be held on 28 June 2019 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. J G A Cooray, who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Dr. S S H Wijayasuriya, who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Dr. R Coomaraswamy, who retires in terms of Article 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... Two Thousand and Nineteen.

.....  
 Signature/s of Shareholder/s

NOTE: INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

**INSTRUCTIONS AS TO COMPLETION OF PROXY**

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : .....

Address : .....

.....

.....

Jointly with : .....

Share Folio No. : .....





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