



WHAT WE DID

FINANCIAL INFORMATION



ANNUAL REPORT OF THE BOARD OF DIRECTORS

The directors have pleasure in presenting the 30th annual report of your company together with the audited financial statements of John Keells Holdings PLC, and the audited consolidated financial statements of the group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

John Keells Holdings PLC, the group's holding company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the John Keells group, and provides function based services to its subsidiaries and associates.

The companies within the group and its business activities are described in the Group Directory under the Supplementary Information section of the comprehensive Annual Report.

REVIEW OF BUSINESS SEGMENTS

A review of the financial and operational performance and future business developments of the group, sectors, and its business units are described in the management discussion and analysis section of the annual report. These reports together with the audited financial statements reflect the state of the affairs of the company and the group.

Segment wise contribution to group revenue, results, assets and liabilities is provided in note 34 to the financial statements.

In April 2008, the group invested in a 44% equity stake in Quattro Finance & Accounting Solutions (Pvt) Ltd (QF&A), the India based Financial and Accounting (F&A) business of the Quattro Group. QF&A in turn acquired the Chicago based Financial Process Outsourcing LLC, a niche player in the F&A outsourcing vertical, focusing on small and medium enterprises.

Also in April, John Keells Foods India (Pvt) Ltd (JKFI) was incorporated as a fully owned subsidiary of Keells Food Products PLC (KFPL) to manufacture and market processed meats. The proceeds of the rights issue recently concluded by KFPL will be utilized to fund KFPL's expansion plans in India through JKFI.

The group divested its stake in Associated Motorways PLC in July for a profit of Rs. 1,026 mn.

In September 2008, Asian Development Bank exercised their put option in respect of their share in South Asia Gateway Terminals Ltd. (SAGT) and John Keells Holdings PLC (JKH) acquired its pro rata entitlement of 4.22% of SAGT. On a similar basis, in March 2009 International Finance Corporation exercised their put option in respect of their share in SAGT and JKH again acquired its pro rata entitlement of 4.22%.

In November 2008, the group purchased the remaining shares of John Keells Air Services India (Pvt) Ltd (formally known as Matheson Keells Air Services (Pvt) Ltd) and John Keells Logistics India (Pvt) Ltd

(formally known as Matheson Keells Enterprises (Pvt) Ltd), which are now fully owned subsidiaries of the group.

The offer by JKH for the repurchase, on a pro rata basis of 1 share for every 25 shares, was finalized and paid in November 2008. The total value of shares repurchased amounted to Rs. 2,295 mn.

In February 2009, JKH acquired, on the Colombo Stock Exchange, 37% of Union Assurance PLC (UA), 20.2% of Ceylon Cold Stores PLC (CCS) and 10.9% of John Keells PLC (JKP). Resulting from the above acquisitions, the group's effective shareholding in UA, CCS and JKP increased to 73.9%, 80.5% and 86.9% respectively. The purchase of this additional stake in UA has made it a subsidiary of the group from an associate previously.

In compliance with SLAS 25, the transaction was recorded based on the fair value balance sheet of UA (also refer note 5 in the notes to the financial statements), resulting in a negative goodwill of Rs. 614 mn, which is accounted in the income statement under other operating income.

A mandatory offer for the remaining shares of UA not held by JKH was made under Section 31 of the Company Take-Overs and Mergers Code 1995 on 26 March 2009. The company received acceptances for the purchase of 2.5%, representing 943,918 ordinary shares by the expiry of the offer on 4 May 2009. Through purchases of UA shares on the Stock Exchange of 4.2% and the mandatory offer, the group's effective holding in UA has now increased to 80.6%.

In March 2009, Fitch Ratings affirmed the National Long-term rating for JKH at 'AAA(lka)'. Fitch also affirmed the National Long-term rating on JKH's senior unsecured notes at 'AAA(lka)'. JKH's rating reflected the diversified nature of its businesses, the currently strong financial profile driven in part by its high cash position, continued strong operating cash generating ability and the dominant market share of its subsidiaries.

Lanka Marine Services (Pvt) Ltd (LMS)

In July 2008, judgement was delivered by the Supreme Court of Sri Lanka in a Fundamental Rights application regarding the privatization of LMS. In terms of the judgement, the State Grant, transferring title to the Bloemendhal Facility, the agreement with the Board of Investment (BOI) in Sri Lanka and the Common User Facilities Agreement were declared as null and void and LMS was required to vacate the premises at Bloemendhal Road.

As reported in the interim financial statement for the 9 months ended 31 December 2008, a total of Rs. 904 mn was charged to the consolidated income statement in the current year, consisting of Rs. 186 mn relating to additional customs duty, asset impairment / write off and other costs associated with the vacating of the LMS premises; Rs. 46mn relating to stock losses; Rs. 519 mn relating to

additional taxes and Rs. 153 mn relating to payment to employees. No further expenses in this regard was charged in the last quarter of 2008/09. The return of LMS land has been retrospectively adjusted by restating the initial entries in the books of LMS and the group as per SLAS 10. The Urgent Issues Task force (UITF) of the Institute of Chartered Accountants of Sri Lanka was approached in October to grant a ruling on the accounting treatment and the Ruling received from the UITF, matches with the accounting treatment adopted by LMS and the group.

Further, as reported in the interim financial statement for the 9 months ended 31 December 2008, the contingent liability was estimated at Rs. 1,308 mn and this related to VAT refunds, income tax assessments, business turnover tax, excise duties and penalties. These were largely disputed on the basis that LMS' business activity is that of an export. Since 1 January 2009, LMS also received assessments for periods, which in the opinion of expert advisors were statutorily time barred. All the contingent liabilities have now been revisited, carefully scrutinised and discussed with legal and tax experts. Based on the opinions received from such experts and on the basis of information currently known, the group is of the view that the contingent liability exposure as at 31 March 2009 is Rs. 695 mn, as disclosed in note 36 to the financial statements.

LMS continues to provide its customers with all grades of bunker fuels, as in the past, using a combination of floating storage and the shared land storage facility run by the SLPA.

REVENUE

Revenue generated by the company amounted to Rs. 587 mn (2008 - Rs. 604 mn), whilst group revenue amounted to Rs. 41,023 mn (2008 - Rs. 41,805 mn). Contribution to group revenue, from the different business segments is provided in note 34 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit after tax of the holding company was Rs. 4,363 mn (2008 - Rs. 3,803 mn) whilst the group profit attributable to equity holders of the parent for the year was Rs. 4,742 mn (2008 - Rs. 5,119 mn).

Results of the company and of the group are given in the income statement.

The final dividend of Rs. 1.00 (2008 - Rs. 1.00) per share for the financial year 2007/08 paid on 27 June 2008 together with the interim dividends of Rs. 1.00 per share, each, paid on 24 October 2008 and 20 February 2009 respectively (2008 - Total interim dividends of Rs. 4.00, including a one off extraordinary dividend of Rs. 2.00), results in a total dividend pay out of Rs. 3.00 (2008 - Rs. 5.00) per share during the year amounting to Rs. 1,883 mn (2008 - Rs. 3,176 mn).

Dividend per share has been computed based on the amount of dividends recognized as distribution to the equity holders during the period.

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 have obtained a certificate from the auditors, prior to declaring a final dividend of Rs. 1.00 per share for this year. The final dividend will be paid on 10 June 2009 to those shareholders on the register as on 29 May 2009.

Detailed description of the results and appropriations are given below.

For the year ended 31 March <i>In Rs. '000s</i>	2009	2008
Profit earned before interest after providing for all known liabilities, bad and doubtful debts and depreciation on property, plant and equipment	4,541,408	5,899,629
Interest paid	(1,695,139)	(1,618,255)
	2,846,269	4,281,374
Profit on sale of investments	1,063,971	55,155
Change in fair value of investment property	40,573	-
Profit accruing to the company and subsidiaries	3,950,813	4,336,529
Share of results of associates	2,349,941	2,242,713
Profit before tax	6,300,754	6,579,242
Provision for taxation including deferred tax	(1,326,590)	(1,054,742)
Profit after tax	4,974,164	5,524,500
Profit attributable to minority shareholders	(232,346)	(405,566)
Amount available to the group's shareholders	4,741,818	5,118,934
Re-purchase of ordinary shares	(2,295,000)	-
Other adjustments	143,188	(108,740)
Balance brought forward from the previous year	8,759,740	6,929,182
Amount available for appropriation	11,349,746	11,939,376
1st interim dividend of Rs. 1.00 per share (2008 - Rs.1.00) paid out of dividend received.	(636,085)	(635,742)
2nd interim dividend of Rs. 1.00 per share (2008 - Rs. 2.00) paid out of dividend received.	(611,354)	(1,271,896)
3rd interim dividend paid out of dividend received in 2008.	-	(635,995)
	10,102,307	9,395,743
Final dividend declared of Rs. 1.00 per share (2008 - Rs. 1.00) to be paid out of dividend received. *	(611,353)	(636,003)
Balance to be carried forward next year	9,490,954	8,759,740

* The final dividend declared for this financial year has not been recognised as at the balance sheet date in compliance with SLAS 12 (Revised 2005) - Events after the Balance Sheet Date.

ACCOUNTING POLICIES

Details of accounting policies have been discussed in note 1 of the financial statements. There have been no changes in the accounting policies adopted by the group during the year under review.

DONATIONS

Total donations made by the company and group during the year amounted to Rs. 0.9 mn (2008 - Rs. 0.8 mn) and Rs. 13 mn (2008 - Rs. 22 mn), respectively. Of these, the donations to approved charities were Rs. 0.4 mn (2008 - Rs. 0.1 mn) at company and Rs. 3.1 mn (2008 - Rs. 10 mn) at group. The amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

The John Keells Social Responsibility Foundation, which operates with funds contributed by each of the companies in the group, handles most of the group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development. The CSR initiatives, including completed and on-going projects, are detailed in the Sustainability Report in the comprehensive Annual Report.

In quantifying the group's contribution to charities no account has been taken of 'in-house' costs or management time.

PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 228 mn (2008 - Rs. 289 mn) and Rs. 29,965 mn (2008 - Rs. 28,381 mn) for the company and group respectively. Property, plant and equipment balances of the group for the previous financial years were restated to reflect the restatement of the LMS land entries.

Capital expenditure for the company and group amounted to Rs. 63 mn (2008 - Rs. 20 mn) and Rs. 3,920 mn (2008 - Rs. 6,111 mn), respectively.

Details of property, plant and equipment and their movements are given in note 2 to the financial statements.

MARKET VALUE OF PROPERTIES

All land and buildings owned by group companies were revalued last year, with the exception of Trinco Walk Inn Ltd., International Tourist and Hoteliers Ltd. and Wirawila Walk Inn Ltd, which were revalued in the current financial year.

All properties classified as investment property were valued in accordance with the requirements of SLAS 40 (2005). Valuations

were carried out by P B Kalugalgedera, Chartered Valuation Surveyor, G.J. Sumanasena, Incorporated Valuer and A.Y.Daniel & Son, Incorporated Valuer.

The carrying value of investment property of the company and group amounted to Rs. 899 mn (2008 - Rs. 832 mn) and Rs. 2,329mn (2008 - Rs. 2,288 mn) respectively. 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 SLAS 40 (2005).

Details of the revaluation of property, plant and equipment and investment property are provided in notes 2.4 and 4.1 to the financial statements.

Details of group properties as at 31 March 2009 are disclosed in the Group Real Estate Portfolio section of the comprehensive Annual Report.

INVESTMENTS

Investments of the company and the group in subsidiaries, associates, joint ventures and other external equity investments amounted to Rs. 27,739 mn (2008 - Rs. 23,768 mn) and Rs. 13,188 mn (2008 - Rs. 10,120 mn), respectively.

In 2007 the group divested a major portion of its equity interest in the quick service restaurant business retaining only a 26% and 21.8% interest in Gamma Pizzakraft Lanka (Pvt) Ltd. (formerly known as Keells Restaurants (Pvt) Ltd.) and French Restaurants (Pvt) Ltd. (formerly known as Crescat Restaurants (Pvt) Ltd.) respectively. The remaining shares were divested in March 2009. Group profits on the disposal amounted to Rs. 32 mn and Rs. 6 mn respectively.

Detailed description of the long term investments held as at the balance sheet date, are given in note 6 to the financial statements.

STATED CAPITAL

The authorised capital and par value concept in relation to share capital were abolished by the Companies Act No 07 of 2007. The total amounts received by the company in respect of the issue of shares are now referred to as stated capital. The total stated capital of the company as at 31 March 2009 was Rs. 22,525 mn (2008 - Rs. 22,464 mn) as given in note 12 to the financial statements.

Options in respect of 858,443 shares (2008 - 4,094,227 shares) were exercised during the year under the employee share option plan, for a total consideration of Rs. 61 mn (2008 - Rs. 276 mn).

SHARE INFORMATION

The distribution and composition of shareholders and the information relating to earnings, dividend, net assets, market value per share and share trading is given in the Share Information section of the comprehensive Annual Report.

Given below, as additional disclosure, are the John Keells Holding's Board of directors' shareholdings in group companies as at 31 March 2009.

John Keells Holdings PLC (JKH)

S C Ratnayake - 3,227,747 (2008 - 3,227,747)
 A D Gunewardene - 3,527,668 (2008 - 4,018,568)
 G S A Gunesequera - 1,524,574 (2008 - 1,348,374)
 J R F Peiris - 189,628 (2008 - 3,428)
 E F G Amerasinghe - 4,136 (2008 - 4,136)
 T Das - Nil (2008 - Nil)
 S Enderby - Nil (2008 - Nil)
 P D Rodrigo - Nil (2008 - Nil)
 S S Tiruchelvam - Nil (2008 - Nil)

Options available under the employee share option plan of JKH.

S C Ratnayake - 1,745,781 (2008 - 1,931,981)
 A D Gunewardene - 1,573,624 (2008 - 1,759,824)
 G S A Gunesequera - 1,074,411 (2008 - 1,260,611)
 J R F Peiris - 1,401,417 (2008 - 1,587,617)

Asian Hotels and Properties PLC

S C Ratnayake - 10,000 (2008 - 10,000)

Ceylon Cold Stores PLC

S C Ratnayake - 760 (2008 - 760)
 A D Gunewardene - 7,000 (2008 - 7,000)
 G S A Gunesequera - 3,812 (2008 - 3,812)
 J R F Peiris - 150 (2008 - 150)

John Keells Hotels PLC

S C Ratnayake - 468,984 (2008 - 468,984)
 A D Gunewardene - 62,480 (2008 - 62,480)
 G S A Gunesequera - 70,033 (2008 - 70,033)

Keells Food Products PLC

S C Ratnayake - 4,250 (2008 - 2,500)
 G S A Gunesequera - 2,832 (2008 - 1,666)

Nations Trust Bank PLC

A D Gunewardene - 3,253,666 (2008 - 3,281,933)
 G S A Gunesequera - 3,626 (2008 - 3,626)

Tea Smallholder Factories PLC

G S A Gunesequera - 1,000 (2008 - 1,000)

Trans Asia Hotels PLC

S C Ratnayake - 100 (2008 - 100)
 A D Gunewardene - 100 (2008 - 100)
 G S A Gunesequera - 100 (2008 - 100)
 J R F Peiris - 100 (2008 - 100)

Union Assurance PLC

A D Gunewardene - 3,746 (2008 - 3,746)

Further, warrants held at Nations Trust Bank PLC are as follows.

A D Gunewardene

Warrants 2010 - 2,115,256 (2008 - 2,115,822)
 Warrants 2011 - 1,057,627 (2008 - 1,057,911)

G S A Gunesequera

Warrants 2010 - 906 (2008 - 906)
 Warrants 2011 - 453 (2008 - 453)

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 comprehensive Annual Report.

RESERVES

Total reserves as at 31 March 2009 for the company and group amounted to Rs. 6,528 mn (2008 - Rs. 6,343 mn) and Rs. 23,057 mn (2008 - Rs. 20,933 mn), respectively. The total value of shares repurchased by JKH amounting to Rs. 2,295 mn, has been charged against retained earnings in the statement of changes in equity.

The movement and composition of the capital and revenue reserves is disclosed in the statement of changes in equity.

DIRECTORS

The Board of directors of the company as at 31 March 2009 and their brief profiles are given in the Board of Directors section of the comprehensive Annual Report.

R S Capitain resigned from the Board with effect from 6 May 2008.

M V Muhsin resigned from the Board with effect from 1 March 2009.

As announced on 6 April 2009, G S A Gunasekera has advised the board of exercising his option for early retirement on reaching the age of 55 years with effect from 30 June 2009.

In accordance with Article 84 of the Articles of Association of the company, P D Rodrigo and S S Tiruchelvam retire by rotation and being eligible offer themselves for re-election.

The Company has also received notice of the resolution to propose the re-election of T Das who is over 70 years of age and who retires in terms of section 210 of the Companies Act. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act No 7 of 2008 shall not apply to T Das who is 70 years and that he be re-elected a director of the company

The group directory details the names of persons holding office as directors of the company and all its subsidiary and associate companies, as at 31 March 2009 and the names of persons who were appointed or who ceased to hold office as directors during the period.

BOARD COMMITTEES

The following members serve on the Board Audit, Remuneration and Nomination Committees;

Audit Committee

P D Rodrigo - Chairman
E F G Amerasinghe
S Enderby
S S Tiruchelvam

The report of the Audit Committee is given under the Board Committee reports section of the comprehensive Annual Report.

Remuneration Committee

E F G Amerasinghe - Chairman
M V Muhsin (resigned w.e.f. 1 March 2009)
P D Rodrigo
S S Tiruchelvam

The report of the Remuneration Committee is given under the Board Committee reports section of the comprehensive Annual Report and the remuneration policy is given in the Corporate Governance report.

Nominations Committee

T Das - Chairman
S Enderby
M V Muhsin (resigned w.e.f. 1 March 2009)
S C Ratnayake
S S Tiruchelvam

The report of the Nominations Committee is given under the Board Committee reports section of the comprehensive Annual Report.

INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act No 7 of 2007.

In compliance with the requirements of the Companies Act No. 7 of 2007, this Annual Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies which have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

Particulars of entries in the JKH interests register**Interests in contracts**

The directors have all made a general disclosure to the Board of directors as permitted by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any director.

a) Share dealings:

NAME OF DIRECTOR	NATURE OF SHARE DEALING
A D Gunewardene	Sale of 490,900 shares
G S A Gunesekera	Gift of 10,000 shares to son Purchase of 186,200 shares
J R F Peiris	Purchase of 186,200 shares

b) Indemnities and remuneration

- The board approved the payment of remuneration of the executive directors of the company, namely, S C Ratnayake, Chairman/CEO, A D Gunewardene, Deputy Chairman/President, G S A Gunasekera, President and J R F Peiris, Group Finance Director for the period 1 April 2008 to 31 March 2009 comprising of:
 - Increments from 1 July 2008 based on individual performance ratings matrices obtained in terms of the performance management system of the company;
 - Short term variable incentives based on individual performance, organization performance and role responsibility for the said financial year;

as recommended by the Remuneration Committee having conducted market surveys, spoken to experts and having taken into consideration the specific management complexities associated with the John Keells group and in keeping with the group remuneration policy.

- The Supreme Court on 21 July 2008 ordered JKH, LMS, S C Ratnayake (current Chairman) and V Lintotawela, (former Chairman) to pay costs in a sum of Rs 250,000 in respect of case no SC (FR) 209/2007.

The company in agreement with LMS, its subsidiary, has agreed to share the same equally amongst LMS and JKH in the proportion of 1:3.

The company paid the sum of Rs. 187,500 awarded as costs to be paid by JKH its current Chairman S C Ratnayake and V Lintotawela (former Chairman) in Fundamental Rights case number SC (FR) 209/2007 regarding the privatisation of LMS

**Particulars of entries in interests register of subsidiaries
Asian Hotels & Properties PLC****a) Share dealings**

NAME OF DIRECTOR	NATURE OF SHARE DEALING
B M A Amaersekera	Sale of 100 shares

b) Indemnities and remuneration

The board approved the payment to the executive director of the company, R Karunarahaj of an increment from 1 July 2008 as provided by his contract previously approved by the board and based on his performance.

Ceylon Cold Stores PLC**a) Indemnities and remuneration**

The Board approved the payment to the executive director of the company J R Guneratne and M D De Silva of remuneration, comprising of:

- Increments from 1 July 2008 based on individual performance ratings matrices
- Short term variable incentives based on individual performance, organization performance and role responsibility for the said financial year;

as recommended by the Remuneration Committee of JKH the holding company of Ceylon Cold Stores PLC in keeping with the group remuneration policy.

Keells Hotel Management Services Ltd.**Indemnities and remuneration**

The board approved the payment to the executive director of the company J E P Kehelpannala of remuneration, comprising of

- Increments from 1 July 2008 based on individual performance ratings matrices;
- Short term variable incentives based on individual performance, organization performance and role responsibility for the said financial year;

as recommended by the Remuneration Committee of JKH in keeping with the group remuneration policy.

Walkers Tours Ltd.**Indemnities and remuneration**

The board approved payment to the executive director of the company V Leelananda of remuneration comprising of:

- Increment from 1 July 2008 based on individual performance rating obtained by V Leelananda in terms of the performance management system of the John Keells Group.
- Short term variable incentive for the period 1 April 2008 to 31 March 2009 based on individual performance, organisation performance rating and the career level of V Leelananda in terms of the variable pay plan of JKH; and

as recommended by the Remuneration Committee of JKH in keeping with the group remuneration policy.

DIRECTORS' REMUNERATION

Details of the remuneration and other benefits received by the directors are set out in note 30 of the financial statements.

EMPLOYEE SHARE OPTION PLAN

At the beginning of the year, the employee share option plan consisted of the second, third and fourth plans approved by the shareholders on 29 June 2001, 28 June 2004 and 13 December 2007 respectively.

Under the second plan, the company was authorized to issue up to five per cent of the issued share capital, with an annual limit of up to two per cent, of non-transferable call share options. Options granted under this plan had to be exercised within five years of such grant. Under the third plan, the company was authorised to issue up to five per cent of the issued share capital within an annual limit of up to two per cent of non-transferable call share options and the options granted under this plan have to be exercised within five years of such grant. Under the fourth plan, the company was authorised to issue

EMPLOYEE SHARE OPTION PLAN AS AT 31ST MARCH 2009									
	Date of grant	Shares granted	Expiry date	Option grant price	Shares ** adjusted	Exercised	Lapsed/ cancelled	Outstanding	Current price **
PLAN 2									
Award 3	23.1.2004	2,994,209	22.1.2009	104.25	5,129,406	2,907,721	2,221,685	-	70.81
PLAN 3									
Award 1	29.3.2005	5,503,850	28.3.2010	136.00	9,746,823	2,249,994	476,051	7,020,778	92.72
Award 2	10.4.2006	6,645,575	09.4.2011	157.25	10,301,859	502,319	973,599	8,825,941	120.74
Award 3	28.5.2007	10,551,062	27.5.2012	146.00	10,551,062	-	817,220	9,733,842	146.00
		22,700,487			30,599,744	2,752,313	2,266,870	25,580,561	
PLAN 4									
	25.3.2008	5,405,945	24.3.2013	120.00	5,405,945	-	160,400	5,245,545	120.00
Total		31,100,641			41,135,095	5,660,034	4,648,955	30,826,106	

** Adjusted for bonus issues and right issues

nontransferable call share options, not exceeding in aggregate 0.85% of the shares in issue of the company as at the date of granting the award and have to be exercised within five years of such grant.

The options outstanding for all the awards of plan 3 and plan 4 are valid for exercise as at 31 March 2009, plan 2 having expired during the year.

Details of the options granted, options exercised, the grant price and the options cancelled / outstanding as at the date of the directors' report have been tabulated above.

CORPORATE GOVERNANCE

Directors' declarations

The directors declare that:

- a) The company complied with all applicable laws and regulations in conducting its business.
- b) The directors have declared all material interests in contracts involving the company and refrained from voting on matters in which they were materially interested.
- c) The company has made all endeavours to ensure the equitable treatment of shareholders.
- d) The business is a going concern with supporting assumptions or qualifications as necessary and.
- e) We have conducted a review of internal controls covering financial operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The corporate governance report is given under the Profile and Discussion section of the comprehensive Annual Report.

SUSTAINABILITY

In order to renew and reinvigorate the group's efforts to address and balance the economic, social and environmental responsibilities with business priorities, a sustainability committee was formed during the year. The committee will lead group wide efforts in identifying emerging issues, developing coherent and effective strategies and policies and overseeing their implementation. The committee is supported by a sustainability function at the corporate centre and initiatives will be rolled out throughout the group through a project named "Building an equitable and sustainable tomorrow".

The separate sustainability report included this year is a product of this initiative and the group will continue to report periodically as per the GRI framework and review policies, practices and targets pertaining to sustainability through the feedback received via regular and ongoing stakeholder engagements.

EMPLOYMENT

The group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Employee ownership in the company is facilitated through the employee share option plan.

Details of the group's human resource initiatives are detailed in the employees' section of the sustainability report.

The number of persons employed by the company and group as at 31 March 2009 was 142 (2008 - 143) and 10,501 (2008 - 9,992), respectively.

There have been no material issues pertaining to employees and industrial relations of the company.

SUPPLIER POLICY

The Group applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers, and endeavors to pay for all items properly charged in accordance with these agreed terms. As at 31 March 2009 the trade and other payables of the company and group amounted Rs. 393 mn (2008 - Rs. 314 mn) and Rs. 6,505 mn (2008 - Rs. 7,869 mn), respectively.

ENVIRONMENTAL PROTECTION

The group complies with the relevant environmental laws, regulations and endeavors to comply with best practices applicable in the country of operation. A summary of selected group activities in the above area is contained in the Sustainability Report.

RESEARCH AND DEVELOPMENT

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

STATUTORY PAYMENTS

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the group. Risk assessment and evaluation for each business unit takes place as an integral part of the annual strategic planning cycle and the principle risks and mitigating actions in place are reviewed regularly by the Board and the Audit Committee. The Board, through the involvement of the risk review and control department takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives reports on the results of internal control reviews and the head of the group risk review and control department has direct access to the chairman of the Audit Committee.

The risk management report is given under the Management Discussion and Analysis section of the comprehensive Annual Report

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date, which would have any material effect on the company or on the group other than those disclosed in note 41 to the financial statements.

GOING CONCERN

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

AUDITORS

Messrs Ernst & Young, Chartered Accountants, are willing to continue as Auditors of the company, and a resolution proposing their reappointment will be tabled at the annual general meeting.

The Auditors Report is found in the Financial Reports section of the comprehensive 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 5 firms of Chartered Accountants across the group, namely, Ernst & Young, KPMG Ford Rhodes Thornton and Co, PricewaterhouseCoopers, Someswaran Jayawickrama and Co. and Deloitte Haskins & Sells. Details of audit fees are set out in note 30 of the financial statements. The Auditors, do not have any relationship (other than that of an Auditor) with the company or any of its subsidiaries.

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

ANNUAL REPORT

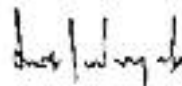
The Board of directors approved the consolidated financial statements on 21 May 2009. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 29 May 2009.

ANNUAL GENERAL MEETING

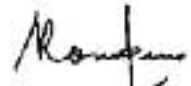
The annual general meeting will be held at the Institute of Chartered Accountants of Sri Lanka, 30, Malalasekera Mawatha, Colombo 7, on Friday, 26 June 2009 at 10.00 a.m. The notice of meeting appears in the Supplementary Information section of the comprehensive Annual Report.

This annual report is signed for and on behalf of the Board of directors.

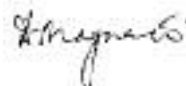
By Order of the Board



Director



Director



Keells Consultants Ltd.
Secretaries

21 May 2009

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:

- a balance sheet, 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
- an income statement, which presents a true and fair view of the profit and loss of the company and its subsidiaries for the financial year; which comply with the requirements of the act.

The directors are required to ensure that, in preparing these financial statements:

- the appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- all applicable Accounting Standards, as relevant, have been followed;
- judgements and estimates have been made which are reasonable and prudent.

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, and to ensure that the financial statements presented comply with the requirements of the act.

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 they may consider to be appropriate to enable them to give their independent audit opinion.

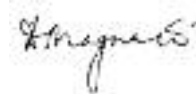
Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of directors have confirmed that the company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act no 7 of 2007, and has obtained a certificate from the auditors, prior to declaring a final dividend of Rs 1.00 per share for this year, to be paid on 10 June 2009.

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

Compliance Report

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

By order of the Board



Keells Consultants Ltd
Secretaries

21 May 2009

REPORT OF THE AUDITORS



Chartered Accountants

221 De Soerap Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (011) 7452500
Fax Gen : (011) 7697469
Fax : (011) 5575150
evs@ln.ey.com

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

Report on the Financial Statements

We have audited the accompanying financial statements of John Keells Holdings PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at 31 March 2009, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2009 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2009 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

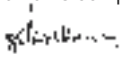
21 May 2009

Colombo.

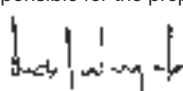
BALANCE SHEET

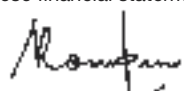
As at 31st March In Rs. '000s	Note	Group		Company	
		2009	2008 Re-stated	2009	2008
ASSETS					
Non-current assets					
Property, plant and equipment	2	29,965,422	28,381,329	227,877	289,430
Leasehold property	3	4,775,712	4,638,234	-	-
Investment property	4	2,329,015	2,288,442	899,000	832,158
Intangible assets	5	2,667,891	221,684	-	-
Investments in subsidiaries and joint ventures	6	5,115	5,115	19,693,717	17,452,415
Investments in associates	6	13,055,642	9,952,651	7,959,247	6,204,776
Other investments	6	8,751,603	327,416	814,112	94,957
Deferred tax assets	7	147,846	91,074	-	-
Other non-current assets	8	1,799,000	1,603,746	84,740	65,687
		<u>63,497,246</u>	<u>47,509,691</u>	<u>29,678,693</u>	<u>24,939,423</u>
Current assets					
Inventories	9	2,254,303	3,985,025	810	825
Investments held for sale	6	14,299	37,331	3,900	15,860
Trade and other receivables	10	9,027,653	6,753,452	777,843	263,336
Amounts due from related parties	35	22,129	17,485	200,560	227,481
Short term investments	11	15,347,437	10,455,366	11,431,363	6,984,736
Cash in hand and at bank		2,052,642	2,191,251	16,748	242,702
		<u>28,718,463</u>	<u>23,439,910</u>	<u>12,431,224</u>	<u>7,734,940</u>
Total assets		<u>92,215,709</u>	<u>70,949,601</u>	<u>42,109,917</u>	<u>32,674,363</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	12	22,525,108	22,464,267	22,525,108	22,464,267
Capital reserves	13	7,436,723	6,019,027	-	-
Revenue reserves	14	15,620,270	14,913,706	6,527,647	6,342,817
		<u>45,582,101</u>	<u>43,397,000</u>	<u>29,052,755</u>	<u>28,807,084</u>
Minority interest		<u>4,960,310</u>	<u>4,769,775</u>	<u>-</u>	<u>-</u>
Total equity		<u>50,542,411</u>	<u>48,166,775</u>	<u>29,052,755</u>	<u>28,807,084</u>
Non-current liabilities					
Non-interest bearing borrowings	15	21,000	21,000	-	-
Insurance provisions	16	11,025,614	-	-	-
Interest bearing borrowings	17	14,739,141	7,809,452	10,482,593	2,595,493
Deferred tax liabilities	18	777,236	736,045	-	-
Employee benefit liabilities	19	956,917	798,600	92,358	80,330
Other deferred liabilities	20	5,167	7,110	-	-
Other non-current liabilities		274,576	352,051	-	-
		<u>27,799,651</u>	<u>9,724,258</u>	<u>10,574,951</u>	<u>2,675,823</u>
Current liabilities					
Trade and other payables	21	6,505,477	7,869,039	393,311	313,634
Amounts due to related parties	35	16,471	24,953	5,619	9,996
Income tax liabilities	22	514,362	328,104	-	-
Short term borrowings	23	90,000	375,000	-	-
Current portion of interest bearing borrowings	17	1,817,511	1,059,752	777,650	300,000
Bank overdrafts		4,929,826	3,401,720	1,305,631	567,826
		<u>13,873,647</u>	<u>13,058,568</u>	<u>2,482,211</u>	<u>1,191,456</u>
Total equity and liabilities		<u>92,215,709</u>	<u>70,949,601</u>	<u>42,109,917</u>	<u>32,674,363</u>

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


M.J.S. Rajakariar
 Group Financial Controller

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


S.C. Ratnayake
 Chairman


J.R.F. Peiris
 Group Finance Director

The accounting policies and notes as set out in pages 80 to 127 form an integral part of these financial statements.
 21 May 2009

INCOME STATEMENT

For the year ended 31st March <i>In Rs. '000s</i>	Note	2009	Group 2008 <i>Re-stated</i>	2009	Company 2008
Revenue	24	41,022,520	41,805,343	587,312	603,665
Cost of sales		<u>(31,211,564)</u>	<u>(30,645,298)</u>	<u>(222,356)</u>	<u>(274,505)</u>
Gross profit		9,810,956	11,160,045	364,956	329,160
Dividend income	25	53,765	93,405	2,482,685	3,159,389
Other operating income	26	3,735,102	2,716,887	1,910,671	1,644,114
Distribution expenses		<u>(1,382,765)</u>	<u>(1,339,501)</u>	-	-
Administrative expenses		<u>(6,255,278)</u>	<u>(5,528,801)</u>	<u>(661,411)</u>	<u>(637,441)</u>
Other operating expenses	27	<u>(1,382,180)</u>	<u>(1,202,402)</u>	<u>(40,232)</u>	<u>(36,872)</u>
Finance expenses	28	<u>(1,695,139)</u>	<u>(1,618,255)</u>	<u>(913,009)</u>	<u>(583,794)</u>
Change in fair value of investment property	4	40,573	-	66,842	-
Share of results of associates		2,349,941	2,242,713	-	-
Profit on sale of non-current investments	29	<u>1,025,779</u>	<u>55,151</u>	<u>1,209,803</u>	<u>41,236</u>
Profit before tax	30	6,300,754	6,579,242	4,420,305	3,915,792
Tax expense	31	<u>(1,326,590)</u>	<u>(1,054,742)</u>	<u>(57,033)</u>	<u>(112,702)</u>
Profit for the year		<u>4,974,164</u>	<u>5,524,500</u>	<u>4,363,272</u>	<u>3,803,090</u>
Attributable to:					
Equity holders of the parent		4,741,818	5,118,934		
Minority interest		<u>232,346</u>	<u>405,566</u>		
		<u>4,974,164</u>	<u>5,524,500</u>		
Earnings per share		Rs.	Rs.		
Basic	32	7.58	8.06		
Diluted	32	7.58	8.00		
Dividend per share	33	3.00	5.00		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 80 to 127 form an integral part of these financial statements.

21 May 2009

CASH FLOW STATEMENT

For the year ended 31st March In Rs. '000s	Note	2009	Group 2008 <i>Re-stated</i>	2009	Company 2008
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	3,789,921	5,381,234	4,187,967	4,576,086
(Increase)/decrease in inventories		1,276,007	93,864	14	22
(Increase)/decrease in receivables and prepayments		787,668	213,624	(429,054)	526,884
(Increase)/decrease in other non-current assets		(110,067)	(1,044,779)	(19,052)	26,257
Increase/(decrease) in creditors and accruals		(1,952,124)	1,451,893	73,253	(154,269)
Increase/(decrease) in insurance provision		173,537	-	-	-
Cash generated from operations		3,964,942	6,095,836	3,813,128	4,974,980
Interest received		2,265,663	2,083,916	-	-
Finance expenses paid		(1,695,139)	(1,618,255)	(913,009)	(583,794)
Dividend received		1,090,588	1,491,552	-	-
Tax paid		(1,345,337)	(1,061,346)	(56,075)	(151,736)
Gratuity paid		(92,960)	(77,830)	(3,280)	(13,704)
Net cash flow from operating activities		4,187,757	6,913,873	2,840,764	4,225,746
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		(2,036,118)	(2,778,167)	(62,937)	(19,723)
Addition to investment property		-	(21,384)	-	(32,158)
Advances paid on investment		-	(615,358)	-	-
Addition to intangible assets		(23,140)	-	-	-
Acquisition of subsidiary	B	170,872	(331,410)	-	-
Increase in interest in subsidiaries		(716,348)	(1,952)	(2,020,901)	(3,022,226)
Increase in interest in associates		(2,728,160)	(858,036)	(2,728,161)	(209,643)
Investment in government securities		-	-	(731,587)	-
Proceeds from sale of property, plant and equipment		88,647	105,107	11,811	410
Proceeds from sale of non-current investments		1,915,261	137,706	1,915,261	53,032
Proceeds from / (repayment of) other investments		(684,696)	-	-	-
Grants received for investing activities		315	4,970	-	-
Net cash flow from / (used in) investing activities		(4,013,367)	(4,358,524)	(3,616,514)	(3,230,308)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares - company		60,841	218,373	60,841	218,373
Re-purchase of ordinary shares		(2,295,000)	-	(2,295,000)	-
Proceeds from minority on issue of rights in subsidiaries		5,109	86,900	-	-
Dividend paid to equity holders of parent		(1,883,442)	(3,176,302)	(1,883,442)	(3,176,302)
Dividend paid to minority shareholders		(223,657)	(205,304)	-	-
Proceeds from long term borrowings		8,380,950	1,139,239	8,070,950	-
Repayment of long term borrowings		(1,428,046)	(2,011,519)	(300,000)	(700,000)
Proceeds from/(repayment of) short term borrowings (net)		(285,000)	(2,313,311)	-	(500,000)
Net cash flow from/(used in) financing activities		2,331,755	(6,261,924)	3,653,349	(4,157,929)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2,506,145	(3,706,575)	2,877,599	(3,162,491)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		9,158,290	12,951,472	6,659,612	9,822,103
CASH AND CASH EQUIVALENTS AT THE END		11,664,435	9,244,897	9,537,211	6,659,612
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Cash in hand and at bank		2,052,642	2,191,251	16,748	242,702
Short term investments		15,347,437	10,455,366	11,431,363	6,984,736
Transfer to short term investments		(200,549)	-	-	-
Exchange gain included in short term investments		(605,269)	-	(605,269)	-
Unfavourable balances					
Bank overdrafts		(4,929,826)	(3,401,720)	(1,305,631)	(567,826)
Total cash and cash equivalents as previously reported		11,664,435	9,244,897	9,537,211	6,659,612
Effect of exchange rate changes		-	(86,607)	-	-
Cash and cash equivalents restated		11,664,435	9,158,290	9,537,211	6,659,612

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 80 to 127 form an integral part of these financial statements.

For the year ended 31st March In Rs. '000s	Group		Company	
	2009	2008 Re-stated	2009	2008
A Profit before working capital changes				
Profit before tax	6,300,754	6,579,242	4,420,305	3,915,792
Adjustments for:				
Interest income	(2,265,663)	(2,083,916)	-	-
Dividend income	(53,765)	(93,405)	-	-
Finance expenses	1,695,139	1,618,255	913,009	583,794
Change in fair value of investment property	(40,573)	-	(66,842)	-
Share of results of associates	(2,349,941)	(2,242,713)	-	-
(Profit) / loss on sale of non-current investments	(1,025,779)	(55,151)	(1,209,803)	(41,236)
Depreciation of property, plant and equipment	1,731,626	1,443,471	116,498	110,116
Impairment losses on property, plant & equipment and investments	100,943	3,283	60,263	-
(Profit) / loss on sale of property, plant and equipment	(37,590)	(69,346)	(3,820)	(94)
(Profit) / loss on sale of other investments	(38,192)	(4)	(37,037)	(4)
Amortisation / depreciation of non-current assets	307,583	178,420	-	-
Amortisation of other deferred liabilities	(2,258)	(1,622)	-	-
Gratuity provision and related costs	165,788	165,417	15,308	7,718
(Gain) / loss on foreign exchange	75,138	(5,051)	(19,914)	-
Surplus of insurance claim on property, plant and equipment	(42,676)	-	-	-
(Gain) / loss on revaluation of property, plant and equipment	-	(155)	-	-
Write back of dealer deposits	(89,167)	-	-	-
Negative goodwill on acquisitions	(641,377)	(56,625)	-	-
Unrealised profits	(69)	1,134	-	-
	<u>3,789,921</u>	<u>5,381,234</u>	<u>4,187,967</u>	<u>4,576,086</u>

B Acquisition of subsidiary

The fair value of assets acquired and liabilities assumed of Union Assurance PLC were as follows.

Property, plant and equipment	(974,816)
Intangible assets	(2,298,500)
Other non current assets	(454,671)
Other investments	(8,104,141)
Inventories	(3,481)
Trade and other receivables	(2,748,315)
Insurance provision	10,852,077
Deferred tax liabilities	13,085
Employee benefit liabilities	84,736
Income tax liabilities	20,907
Trade and other payables	695,398
Cash and cash equivalents	(1,286,600)
Total net assets	<u>(4,204,321)</u>
Net assets acquired - 41.15% of above	(1,730,429)
Negative goodwill	<u>614,701</u>
Cash consideration paid on acquisition of subsidiary	(1,115,728)
Cash and cash equivalents acquired	<u>1,286,600</u>
Net cash outflow on acquisition of subsidiary	<u>170,872</u>

Note : The assets and liabilities as at the acquisition date are stated at their provisional fair values and may be amended in accordance with SLAS 25 (Revised 2004) - Business Combination.

STATEMENT OF CHANGES IN EQUITY

GROUP

In Rs. '000s	Note	Attributable to equity holders of parent							Minority interest	Total Equity
		Stated capital	Revaluation reserve	Exchange translation reserve	Other capital reserves	Other revenue reserves	Accumulated profit	Total		
As at 1 April 2007		22,245,894	1,775,128	943,624	418,640	5,517,963	8,333,950	39,235,199	3,700,313	42,935,512
Prior period adjustment - LMS	40	-	-	-	-	-	(841,418)	(841,418)	(4,012)	(845,430)
Prior period adjustment - SAGT	40	-	-	-	-	-	69,319	69,319	-	69,319
As at 1 April 2007 (Re-stated)		22,245,894	1,775,128	943,624	418,640	5,517,963	7,561,851	38,463,100	3,696,301	42,159,401
Share issue expenses (incurred prior to 3 May 2007)		(58,036)	-	-	-	-	-	(58,036)	-	(58,036)
Share options exercised		276,409	-	-	-	-	-	276,409	-	276,409
Currency translation differences		-	-	6,837	-	-	-	6,837	(5,122)	1,715
Net gain / (loss) recognised directly in equity		-	2,858,238	-	-	-	-	2,858,238	882,131	3,740,369
Surplus on revaluation (Re-stated)		-	-	-	-	-	(628)	(628)	44,006	43,378
Acquisitions, disposals and changes in holding		-	58,722	(42,162)	-	-	(155,915)	(139,355)	-	(139,355)
Associate company share of net assets		-	-	-	-	-	-	-	-	-
Profit for the year (Re-stated)		-	-	-	-	-	5,118,934	5,118,934	405,566	5,524,500
Final dividend paid - 2006/07		-	-	-	-	-	(632,669)	(632,669)	-	(632,669)
Interim dividend paid - 2007/08		-	-	-	-	-	(2,543,633)	(2,543,633)	-	(2,543,633)
Subsidiary dividend to minority shareholders		-	-	-	-	-	47,803	47,803	(253,107)	(205,304)
As at 31 March 2008 (Re-stated)		22,464,267	4,692,088	908,299	418,640	5,517,963	9,395,743	43,397,000	4,769,775	48,166,775
Share options exercised		60,841	-	-	-	-	-	60,841	-	60,841
Re-purchase of ordinary shares		-	-	-	-	-	(2,295,000)	(2,295,000)	-	(2,295,000)
Currency translation differences		-	-	285,806	-	-	-	285,806	20,462	306,268
Net gain / (loss) recognised directly in equity		-	100,653	-	-	-	-	100,653	(55,283)	45,370
Surplus on revaluation		-	(8,460)	-	-	-	4,520	(3,940)	248,341	244,401
Acquisitions, disposals and changes in holding		-	(96,583)	-	-	-	80,202	(16,381)	(2,485)	(18,866)
Write off / transfers		-	830,038	299,117	7,125	-	29,276	1,165,556	-	1,165,556
Associate company share of net assets		-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	4,741,818	4,741,818	232,347	4,974,165
Final dividend paid - 2007/08		-	-	-	-	-	(636,003)	(636,003)	-	(636,003)
Interim dividend paid - 2008/09		-	-	-	-	-	(1,247,439)	(1,247,439)	-	(1,247,439)
Subsidiary dividend to minority shareholders		-	-	-	-	-	29,190	29,190	(252,847)	(223,657)
As at 31 March 2009		22,525,108	5,517,736	1,493,222	425,765	5,517,963	10,102,307	45,582,101	4,960,310	50,542,411

Details of other revenue reserves have been disclosed in Note 14. Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 80 to 127 form an integral part of these financial statements.

COMPANY

	Stated capital	General reserve	Dividend reserve	Investment equalisation reserve	Accumulated profit	Total equity
<i>In Rs. '000s</i>						
As at 1 April 2007	22,245,894	2,600,000	1,519,322	75,000	1,521,707	27,961,923
Share issue expenses (incurred prior to 3 May 2007)	(58,036)	-	-	-	-	(58,036)
Share options exercised	276,409	-	-	-	-	276,409
Profit for the year	-	-	-	-	3,803,090	3,803,090
Final dividend paid - 2006/07	-	-	-	-	(632,669)	(632,669)
Interim dividend paid - 2007/08	-	-	-	-	(2,543,633)	(2,543,633)
As at 31 March 2008	22,464,267	2,600,000	1,519,322	75,000	2,148,495	28,807,084
Share options exercised	60,841	-	-	-	-	60,841
Re-purchase of ordinary shares	-	-	-	-	(2,295,000)	(2,295,000)
Profit for the year	-	-	-	-	4,363,272	4,363,272
Final dividend paid - 2007/08	-	-	-	-	(636,003)	(636,003)
Interim dividend paid - 2008/09	-	-	-	-	(1,247,439)	(1,247,439)
As at 31 March 2009	22,525,108	2,600,000	1,519,322	75,000	2,333,325	29,052,755

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 80 to 127 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

John Keells Holdings PLC. is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the company is located at 130, Glennie Street, Colombo 2.

Ordinary shares of the company are listed on the Colombo Stock Exchange. Global depository receipts (GDRs) of John Keells Holdings PLC. are listed on the Luxembourg Stock Exchange.

In the annual report of the Board of directors and in the financial statements, "the company" refers to John Keells Holdings PLC. as the holding company and "the group" refers to the companies whose accounts have been consolidated therein. The financial statements for the year ended 31 March 2009 were authorised for issue by the directors on 21 May 2009.

John Keells Holdings PLC became the holding company of the group during the financial year ended 31 March 1986. The principle activities of the group are stated in the annual report of the Board of directors.

All values presented in the financial statements are in Sri Lanka rupees thousands (Rs. '000) unless otherwise indicated. The significant accounting policies are being discussed below.

1.1. GENERAL POLICIES

1.1.1. Statement of compliance

The balance sheet, statement of income, statement of changes in equity and the cashflow statement, together with the accounting policies and notes (the "financial statements") have been prepared in compliance with the Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Companies Act No. 7 of 2007.

1.1.2. Basis of preparation

The financial statements, presented in Sri Lanka rupees, have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

1.1.3. Use of estimates and judgements

The preparation of financial statements in conformity with SLAS, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and underlying assumptions are based on historical experience and various other factors that are

believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of SLAS that have a significant effect on the financial statements are mentioned below.

	Policy	Note
Property, plant & equipment		
Valuation and depreciation	1.5.1	2.4
Amortisation of leasehold property	1.5.2	3
Valuation of investment property	1.5.3	4.1
Valuation of intangible assets	1.5.4	5
Deferred tax	1.4.2	7,18
Impairment of assets	1.5.6	2,5,6
Insurance provision – life	1.6.3	16.1
Employee benefit liabilities	1.6.1	19

1.1.4. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

1.1.5. Comparative information

Previous years figures and phrases have been re-arranged, wherever necessary, to conform to the current year's presentation.

1.1.6. Events after the balance sheet date

All material post balance sheet events have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

1.2. CONSOLIDATION POLICY

1.2.1. Basis of consolidation

The consolidated financial statements include the financial statements of the company, its subsidiaries and other companies over which it has control and have been prepared in compliance with the group's accounting policies.

All intra group balances, transactions, income and expenses and profits and losses resulting from intra group transactions that are recognised in assets, are eliminated in full.

1.2.2. Acquisitions and divestments

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The results of subsidiaries, joint ventures and associates acquired or incorporated during the year have been included from the date of acquisition, or incorporation while results of subsidiaries, joint ventures and associates disposed have been included up to the date of disposal.

1.2.3. Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 51% of the voting rights or otherwise has a controlling interest.

Subsidiaries are consolidated from the date the parent obtains control until the date that control ceases.

Subsidiaries consolidated have been listed in the group directory.

The following subsidiaries have been incorporated outside Sri Lanka:

Name	Country of Incorporation
John Keells Air Services India (Pvt) Ltd	India
John Keells Foods India (Pvt) Ltd.	India
John Keells Logistics India (Pvt) Ltd	India
Serene Holidays (Pvt) Ltd.	India
Auxicogent Alpha (Pvt) Ltd	Mauritius
Auxicogent Holdings (Pvt) Ltd	Mauritius
Auxicogent International (Pvt) Ltd	Mauritius
Auxicogent Investments Mauritius (Pvt) Ltd	Mauritius
John Keells Hotels Mauritius (Pvt) Ltd	Mauritius
John Keells Holdings Mauritius (Pvt) Ltd	Mauritius
Keells Foods Products Mauritius (Pvt) Ltd	Mauritius
Fantasea World Investments (Pte) Ltd	Republic of Maldives
John Keells Maldivian Resorts (Pte) Ltd	Republic of Maldives
Mack Air Services Maldives (Pte) Ltd	Republic of Maldives
Tranquility (Pte) Ltd	Republic of Maldives
Travel Club (Pte) Ltd	Republic of Maldives
John Keells Singapore (Pte) Ltd	Singapore
John Keells Computer Services (UK) Ltd	United Kingdom
Auxicogent International US inc.	USA

The total profits and losses for the period, of the company and of its subsidiaries included in consolidation and all assets and liabilities of the company and of its subsidiaries included in

consolidation are shown in the consolidated income statement and balance sheet respectively.

Minority interests which represents the portion of profit or loss and net assets not held by the group, are shown as a component of profit for the period in the income statement and as a component of equity in the consolidated balance sheet, separately from parent shareholders' equity.

The consolidated cash flow statement includes the cash flows of the company and its subsidiaries.

1.2.4. Joint venture

A joint venture is a contractual arrangement, whereby the group and other parties undertake an economic activity that is subject to joint control. The group recognises its interest in the joint venture using the proportionate consolidation method. The group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with the similar items, line by line, in the consolidated financial statements.

Information Systems Associates (a joint venture) has been incorporated in United Arab Emirates.

1.2.5. Associates

Associates are those investments over which the group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the group.

The group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

Associate companies of the group which have been accounted for under the equity method of accounting are:

- Associated Motorways PLC (*divested interest in July 2008*)
- Maersk Lanka (Pvt) Ltd.
- Nations Trust Bank PLC.
- South Asia Gateway Terminals (Pvt) Ltd.
- Union Assurance PLC (*consolidated as a subsidiary from 20. 02 2009*)
- Quattro Business Support Services (Pvt) Ltd.
- Quattro Finance & Accounting Solutions (Pvt) Ltd.

All associates are incorporated in Sri Lanka, except for Quattro Business Support Services (Pvt) Ltd. and Quattro Finance & Accounting Solutions (Pvt) Ltd. which are incorporated in India.

The investments in associates are carried in the balance sheet at cost plus post acquisition changes in the group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After

application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes in the statement of changes in equity.

When the group's share of losses in an associate equals or exceeds the interest in the undertaking, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the group. Accounting policies that are specific to the business of associate companies are discussed in note 1.8.

1.2.6. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following 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 groups of cash-generating units that are expected to benefit from the synergies of the combination.

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.

1.2.7. Financial year

As per the group policy, results of all subsidiaries, joint ventures and associates with alternate year ends are treated as follows:

Subsidiaries: 12 month period drawn up to 31 March

Joint ventures and associates: 12 month period using the associate's or joint venture's year end

In the case of joint ventures and associates, where the reporting dates are different to group reporting dates, adjustments are made for any significant transactions or events upto 31 March.

1.3. FOREIGN CURRENCY TRANSLATION

1.3.1. Foreign currency transactions

The consolidated financial statements are presented in Sri Lanka rupees, which is the company's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the group operate.

All foreign exchange transactions are converted to Sri Lanka rupees, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to Sri Lanka rupee equivalents at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the income statement.

1.3.2. Foreign operations

The balance sheet and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the balance sheet date and at the average annual rate of exchange for the period respectively.

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

The exchange rates applicable during the period were as follows:

	Balance Sheet		Income Statement Average rate	
	2008/09	2007/08	2008/09	2007/08
	Rs.	Rs.	Rs.	Rs.
Singapore dollar	76.05	78.16	76.36	74.84
Pound sterling	165.59	215.01	188.37	220.74
US dollar	115.53	107.78	109.83	110.30
Indian rupee	2.27	2.72	2.42	2.75
UAE dharam	31.45	29.35	29.90	30.03

1.4. TAX

1.4.1. Current tax

Provision for income tax is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provisions of the relevant tax statutes.

1.4.2. Deferred tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognize and measure assets and liabilities with rules, that differ from those of the consolidated financial statements.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance sheet 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 balance sheet date.

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.

Deferred tax relating to items recognised directly in equity is recognised in equity.

1.5. VALUATION OF ASSETS AND THEIR BASES OF MEASUREMENT

1.5.1. Property, plant and equipment

Property, plant and equipment is stated at cost or fair value less accumulated depreciation and any accumulated impairment in value.

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.

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets are revalued at fair value. The group has adopted a policy of revaluing assets every 5 years, except for properties held for rental and occupied mainly by group companies, which are revalued every 3 years.

When an asset is revalued, any increase in the carrying amount is credited directly to a 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. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

Items of property, plant and equipment are derecognized 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.

a) Depreciation

Provision for depreciation is calculated by using a straightline 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 are as follows:

Assets	Years
Buildings (other than hotels)	50
Hotel buildings	60 - 75
Plant and machinery	10 - 20
Equipment	2 - 8
Furniture and fittings	2 - 15
Motor vehicles	4 - 10

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

b) Finance leases

Property, plant and equipment on finance leases, which effectively transfer to the group substantially all the risk and benefits incidental to ownership of the leased items, are capitalised and disclosed as finance leases at their cash price and depreciated over the period the group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the income statement over the period of lease.

The cost of improvements to buildings on leasehold land is capitalised, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

c) Operating leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases.

Lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

1.5.2. Leasehold property

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property are tested for impairment annually and is written down where applicable. The impairment loss if any, is recognised in the income statement.

1.5.3. Investment property

Properties held to earn rental income, and properties held for capital appreciation have been classified as investment property.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the balance sheet date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

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 investment property, when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property, when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

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 as per SLAS 18 (revised) Property, Plant and Equipment.

1.5.4. Intangible assets

An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

1.5.4.1 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. Subject 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.

1.5.5. Equity investments

All quoted and unquoted securities, which are held as non-current investments, are valued at cost. All quoted equities held as short term investments are stated at market values with the resultant gain or loss recognized in the income statement. The cost of investment is the cost of acquisition inclusive of brokerage and costs of transaction. The carrying amounts of long term investments are reduced to recognise a decline which is considered other than temporary, in the value of investments, determined on an individual investment basis.

In the company's financial statements, investments in subsidiaries, joint ventures and associate companies have been accounted for at cost, net of any impairment losses which are charged to the income statement. Income from these investments are recognised only to the extent of dividends received.

1.5.6. Impairment of assets

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

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment are recognised against the revaluation reserve 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 recognized impairment losses may no longer exist or may have decreased. Previously recognised impairment losses other than in respect of goodwill, are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognised to the extent of the carrying amount had no impairment losses been recognised previously.

1.5.7. Other non-current assets

Bottle depreciation of Ceylon Cold Stores PLC.

Returnable glass bottles are reflected under non-current assets at cost less depreciation. Depreciation is provided over its useful life of 5 years up to the net realisable value. The net realisable value of returnable glass bottles equals to the deposits received by the company or cost whichever is lower. The written down value of bottle breakages during the financial year is written off to the income statement.

Upon termination of dealership, the weighted average cost of bottles not returned less the deposit is written off to the income statement.

1.5.8. Inventories

Inventories are valued at the lower of cost and net realizable 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;
- Produce inventories - At since realised price;
- Other inventories - At actual cost.

1.5.9. Trade and other receivables

Trade and other receivables are stated at the amounts they are estimated to realise, net of provisions for bad and doubtful receivables.

A provision for doubtful debts is made when the debt exceeds 180 days, and collection of the full amount is no longer probable. Bad debts are written off when identified.

1.5.9.1. Reinsurance Receivable

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Reinsurance is recorded gross in the consolidated balance sheet unless a right to offset exists.

If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and recognises a loss in the statement of income. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the reinsurer.

1.5.9.2 Premiums Receivable

Collectibility of premiums and other debts are reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

1.5.10. Short-term investments

Treasury bills and other interest bearing securities held for resale in the near future to benefit from short-term market movements are accounted for at cost plus the relevant proportion of the discounts or premiums.

1.5.11. Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term deposits with a maturity of 3 months or less, net of outstanding bank overdrafts.

1.6. LIABILITIES AND PROVISIONS

1.6.1. Defined benefit plan - gratuity

The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date using the projected unit credit method.

1.6.2. Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund

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

1.6.3. Insurance provision - life

The Directors agree to the life insurance business provisions on the recommendation of the independent external actuary following his annual investigation of the life insurance business.

The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the independent external actuary.

1.6.4. Insurance - general

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

1.6.5. Grants and subsidies

Grants and subsidies are recognised at their fair value. When the grant or subsidy relates to an expense item, it is recognised as income over the period necessary to match it to the costs, which it is intended to compensate for, on a systematic basis. Grants and subsidies related to assets are deferred in the balance sheet and credited to the income statement over the useful life of the asset.

1.6.6. Provisions, contingent assets and contingent liabilities

Provisions are made for all obligations existing as at the balance sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

1.7. INCOME STATEMENT

1.7.1. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the group.

The following specific criteria are used for recognition of revenue:

- a) **Sale of goods**
Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.
- b) **Rendering of services**
Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.
- c) **General Insurance Business - Gross Written Premium**
Gross written premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. Earned premiums are computed on the 24th basis except for marine business, which is computed on a 60-40 basis.
- d) **Life Insurance Business - Gross Written Premium**
Premiums from traditional life insurance contracts, including participating contracts and non participating contracts, are recognised as revenue when cash is received from the policyholder.
- e) **Turnover based taxes**
Turnover based taxes include value added tax, economic service charge, turnover tax and tourism development levy. Companies in the group pay such taxes in accordance with the respective statutes.

1.7.2. Dividend
Dividend income is recognised on a cash basis.

1.7.3. Rental income
Rental income is recognised on an accrual basis over the term of the lease.

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

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

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

1.7.5. Other income
Other income is recognised on an accrual basis.

1.7.6. Expenditure recognition
Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the company and group's performance.

1.7.7. Borrowing costs
Borrowing costs are recognised as an expense in the period in which they are incurred, unless they are incurred in respect of qualifying assets in which case it is capitalised.

1.8. SIGNIFICANT ACCOUNTING POLICIES THAT ARE SPECIFIC TO THE BUSINESS OF ASSOCIATE COMPANIES

1.8.1. Nations Trust Bank PLC
Revenue recognition

(a) **Interest income from customer advances**
In terms of the provisions of the Sri Lanka Accounting Standard No. 23 on Revenue Recognition and Disclosures in the financial statements of banks and the guidelines issued by the Central Bank of Sri Lanka, interest receivable is recognised on an accrual basis. Interest ceases to be taken into revenue when the recovery of interest or principal is in arrears for over three (3) months and interest accrued until such advances being classified as nonperforming are also eliminated from interest income and transferred to interest in suspense. The interest income on non-performing advances is recognised on a cash basis.

(b) **Income on discounting of bills of exchange**
Income from discounting of bills of exchange is recognized on a cash basis.

(c) Income from Government and other discounted securities

Discounts on treasury bills, treasury bonds and commercial papers are recognised on a straight-line basis over the period to maturity as income. Premium on treasury bonds are accounted for on a similar basis. The discount and the premium are dealt within the income statement.

Income from all other interest-bearing investments is recognised as revenue on an accrual basis.

(d) Fees and commission income

Fees and commission income comprise mainly of fees receivable from customers for guarantees, factoring, credit cards and other services provided by the Bank together with foreign and domestic tariff. Such income is recognised as revenue as the services are provided.

(e) Profit or loss on sale of securities

Profit or loss arising from the sale of marketable securities is accounted for on a cash basis and is categorised under other income.

(f) Lease income

The bank follows the finance method of accounting for lease income.

1.8.2. South Asia Gateway Terminals (Pvt) Ltd.

(a) Revenue recognition

Stevedoring revenue is recognised on the berthing time of the vessel. Storage revenue is recognised on the issue of delivery advice.

1.9. EMPLOYEE SHARE OPTION PLAN

On 29 June 2001, shareholders approved a second plan, whereby the company could issue annually, nontransferable call share options, not exceeding in aggregate 2% of the total issued capital of the company as at the date of granting every award under this plan, to a total of 5% of the total issued share capital as at the date of the last award. Approvals of the CSE and the SEC have been obtained for this plan. On 22 January 2009 this plan expired, the total number of options granted under this plan, after allowing for bonus issues and rights issues, was 5,129,406 of which 2,907,721 had been exercised and 2,221,685 had lapsed.

On 28 June 2004, shareholders approved a third plan, whereby the company could issue annually non-transferable call share options, not exceeding in aggregate 2% of the total issued capital of the company as at the date of granting every award under this plan, to a total of 5% of the total issued share capital as at the date of the last award. Approvals of the CSE and SEC have been obtained for this plan. As at 31 March 2009, the total number of options granted under this

plan, after allowing for bonus issues and rights issues, was 30,599,744 of which 2,752,313 had been exercised, 2,266,870 had lapsed and 25,580,561 remain unexercised.

On 13 December 2007, shareholders approved a fourth plan, whereby the company could issue non-transferable call share options, not exceeding in aggregate 0.85% of the shares in issue of the company as at the date of granting the award. Approvals of the CSE and SEC have been obtained for this plan. As at 31 March 2009, the total number of options granted under this plan, was 5,405,945 of which 160,400 had lapsed and 5,245,545 remain unexercised.

As at 31 March 2009, the total number of options granted under the second, third and fourth plans, after allowing for bonus issues and rights issues, was 41,135,095. Of this total, 5,660,034 options had been exercised, 4,648,955 options had lapsed and 30,826,106 remain unexercised.

Of the 30,826,106 options unexercised and outstanding as at 31 March 2009 (2008 – 34,862,428), 7,020,778 are exercisable before 28 March 2010, 8,825,941 are exercisable before 9 April 2011, 9,733,842 are exercisable before 27 May 2012 and 5,245,545 are exercisable before 24 March 2013.

1.10. SEGMENT INFORMATION

1.10.1. Reporting segments

The group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risk and return are similar. The primary segments represent this business structure.

The secondary segments are determined based on the group's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

The activities of each of the reported business segments of the group are detailed in the group directory.

1.10.2. Segment information

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

2 **PROPERTY, PLANT AND EQUIPMENT**
2.1 **Group**

<i>In Rs. '000s</i>	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Others	Capital work in progress	Total 2009	Total 2008
Cost or valuation									
At the beginning									
of the year	-	-	-	-	-	-	-	-	26,784,796
Prior period adjustment - LMS	-	-	-	-	-	-	-	-	(725,861)
At the beginning									
of the year (<i>Re-stated</i>)	14,342,963	7,738,405	4,310,584	4,493,307	517,651	2,620,095	224,010	34,247,015	26,058,935
Additions	14,135	347,071	410,663	496,086	65,555	145,360	933,022	2,411,892	2,800,836
Acquisition of subsidiary	716,819	-	-	739,089	46,361	-	5,571	1,507,840	3,310,266
Disposals	(19,280)	-	(82,789)	(173,267)	(36,555)	(256,905)	(1,003)	(569,799)	(866,636)
Adjustment due to sale of non-current investments	-	-	-	-	-	-	-	-	(77,182)
Revaluations	78,940	(16,590)	-	-	-	-	-	62,350	2,796,695
Impairment	-	(28,800)	(53,732)	(12,436)	-	(12,122)	(14,536)	(121,626)	(1,786)
Reclassified as IP	-	-	-	-	-	-	-	-	238,263
Transfers	21,054	835,326	(54,177)	230,564	9,741	(10,117)	(956,012)	76,379	(12,376)
At the end of the year	<u>15,154,631</u>	<u>8,875,412</u>	<u>4,530,549</u>	<u>5,773,343</u>	<u>602,753</u>	<u>2,486,311</u>	<u>191,052</u>	<u>37,614,051</u>	<u>34,247,015</u>
Accumulated depreciation									
At the beginning of the year	(39,530)	(326,929)	(1,702,206)	(1,961,267)	(257,650)	(1,578,104)	-	(5,865,686)	(6,381,100)
Charge for the year	(113,808)	(367,595)	(285,072)	(577,945)	(62,013)	(325,193)	-	(1,731,626)	(1,443,471)
Acquisition of subsidiary	(7,424)	-	-	(483,409)	(42,191)	-	-	(533,024)	-
Disposals	573	-	50,123	152,671	22,821	245,229	-	471,417	830,876
Adjustment due to sale of non-current investments	-	-	-	-	-	-	-	-	21,689
Revaluations	47,747	-	-	-	-	-	-	47,747	1,098,729
Impairment	-	613	17,881	10,612	-	3,576	-	32,682	(1,497)
Transfers	1,088	-	13,774	(98,134)	1,150	11,983	-	(70,139)	9,088
At the end of the year	<u>(111,354)</u>	<u>(693,911)</u>	<u>(1,905,500)</u>	<u>(2,957,472)</u>	<u>(337,883)</u>	<u>(1,642,509)</u>	<u>-</u>	<u>(7,648,629)</u>	<u>(5,865,686)</u>
Carrying value									
As at 31 March 2009	15,043,277	8,181,501	2,625,049	2,815,871	264,870	843,802	191,052	29,965,422	
As at 31 March 2008 (<i>Re-stated</i>)	14,303,433	7,411,476	2,608,378	2,532,040	260,001	1,041,991	224,010	28,381,329	

2.2 Company

<i>In Rs. '000s</i>	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2009	Total 2008
Cost					
At the beginning of the year	31,795	599,394	29,114	660,303	641,570
Additions	239	13,206	49,492	62,937	19,723
Disposals	-	(2,421)	(11,976)	(14,397)	(990)
At the end of the year	<u>32,034</u>	<u>610,179</u>	<u>66,630</u>	<u>708,843</u>	<u>660,303</u>
Accumulated depreciation					
At the beginning of the year	(22,469)	(337,589)	(10,815)	(370,873)	(261,431)
Charge for the year	(1,455)	(108,075)	(6,968)	(116,498)	(110,116)
Disposals	-	1,085	5,320	6,405	674
At the end of the year	<u>(23,924)</u>	<u>(444,579)</u>	<u>(12,463)</u>	<u>(480,966)</u>	<u>(370,873)</u>
Carrying value					
As at 31 March 2009	8,110	165,600	54,167	227,877	
As at 31 March 2008	9,326	261,805	18,299	289,430	

<i>In Rs. '000s</i>	2009	Group 2008 <i>Re-stated</i>	2009	Company 2008
2.3 Land and building				
At cost	2,696,999	1,596,485	-	-
At valuation	<u>20,527,779</u>	<u>20,118,424</u>	-	-
Net book value	<u>23,224,778</u>	<u>21,714,909</u>	-	-
2.4 Carrying value				
At cost	9,240,716	14,103,863	227,877	289,430
At valuation	20,704,367	14,248,748	-	-
On finance lease	<u>20,339</u>	<u>28,718</u>	-	-
	<u>29,965,422</u>	<u>28,381,329</u>	<u>227,877</u>	<u>289,430</u>

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

Property	Method of valuation	Effective date of valuation	Property valuer
Buildings on leasehold land and other properties of Yala Village (Pvt) Ltd.	Land and building method	20 October 2005	R.G Wijesinghe, Consultant Valuer and Assessor.
Buildings on leasehold land and other properties of Tranquility (Pte) Ltd.	Open market value method	04 May 2007	Haleen Gouse Incorporated Valuer.
Land and building of Union Assurance PLC.	Investment method	31 Dec 2007	P.B Kalugalagedara, Chartered Valuation Surveyor.
Land and building of Whittall Boustead Ltd. Keells Food Products PLC. Ceylon Cold Stores PLC.	Open market value method	31 March 2008	P.B Kalugalagedara, Chartered Valuation Surveyor.
Land of Resort Hotels Ltd.	Land and building method	31 March 2008	R.G Wijesinghe, Consultant Valuer and Assessor.
Land and building of Kandy Walk Inn Ltd. Transware Logistics (Pvt) Ltd.	Land and building method	31 March 2008	R.G Wijesinghe, Consultant Valuer and Assessor.
Buildings on leasehold land of Ceylon Holiday Resorts Ltd. - Bentota Beach Hotel Habarana Lodge Ltd. Habarana Walk Inn Ltd.	Land and building method	31 March 2008	R.G Wijesinghe, Consultant Valuer and Assessor.
Land and building of Tea Smallholder Factories PLC. Plant and machinery of Tea Smallholder Factories PLC.	Land and building method Contractors test method	31 March 2008	G.J Sumanasena, Incorporated Valuer.
Buildings on leasehold land of Trans Asia Hotels PLC.	Land and building method	31 March 2008	A.Y.Daniel & Son, Incorporated Valuer.
Buildings on leasehold land and other properties of Ceylon Holiday Resorts Ltd. - Coral Gardens Hotel	Land and building method	31 March 2008	H.R de Silva, Chartered Valuation Surveyor (UK)

Property	Method of valuation	Effective date of valuation	Property valuer
Land and building of Asian Hotels and Properties PLC.	Contractors (cost) Summation basis	31 March 2008	A.Y.Daniel & Son, Incorporated Valuer.
Land of International Tourists & Hoteliers Ltd.	Land and building method	31 Dec 2008	R.G Wijesinghe, Consultant Valuer and Assessor.
Land and building of John Keells Holdings PLC. John Keells PLC. Mackinnons and Keells Financial Services Ltd. Keells Realtors Ltd. Whittall Boustead Ltd. JK Properties (Pvt) Ltd.	Open market value method	31 March 2009	P.B Kalugalagedara, Chartered Valuation Surveyor.
Land and building of Trinco walk Inn Ltd. and Wirawila Walk Inn Ltd.	Land and building method	31 March 2009	R.G Wijesinghe, Consultant Valuer and Assessor.

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

As at 31st March <i>In Rs. '000s</i>	2009	Group 2008 <i>Re-stated</i>
Cost	11,480,916	11,065,184
Accumulated depreciation	(1,837,400)	(1,570,018)
Carrying value	9,643,516	9,495,166

2.5 Finance leases

Property, plant and equipment include capitalised finance leases. The carrying value of these assets are as follows:

As at 31st March <i>In Rs. '000s</i>	Cost	Accumulated depreciation	2009	Group 2008
Motor vehicles	30,814	(10,475)	20,339	28,718

2.6 Exchange gain / (loss)

Additions to property, plant and equipment include exchange differences arising from the translation of balances to Sri Lanka rupees.

As at 31st March <i>In Rs. '000s</i>	2009	Group 2008
Buildings on leasehold land	292,068	88,475
Plant and machinery	30,561	7,361
Equipment, furniture and fittings	37,841	(40,471)
Motor vehicles	4,321	(52,073)
Other assets	7,524	4,770
Capital work in progress	3,459	-
	<u>375,774</u>	<u>8,062</u>

2.7 Group land and buildings with a carrying value of Rs. 1,459 mn (2008 - Rs. 1,348 mn) have been pledged as security for term loans obtained, details of which are disclosed in Note 17.3.

2.8 Group property, plant and equipment with a cost of Rs.2,436 mn (2008 - Rs. 1,476 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 Rs. 133 mn (2008 - Rs. 59 mn).

As at 31st March <i>In Rs. '000s</i>	2009	Group 2008
3 LEASEHOLD PROPERTY		
Cost	4,803,400	4,803,400
Accumulated amortisation	(229,207)	(115,014)
Exchange gain / (loss)	201,519	(50,152)
	<u>4,775,712</u>	<u>4,638,234</u>

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

3.1 Details of leasehold Property

Property	Land extent (in acres)	Lease period	Amount	
			2009	2008
John Keells Maldivian Resorts (Pte.) Ltd. Dhonveli Beach & Spa Resort, Republic of Maldives	36.96	15 years from 16-5-2006	2,303,241	2,205,367
John Keells Warehousing (Pvt) Ltd. Muthurajawela	6.00	50 years from 19-9-2001	44,558	45,647
Rajawella Hotels Ltd.	10.00	95 years and 10 months from 02-02-2000	35,833	36,294
Tea Smallholder Factories PLC. Karawita Tea Factory	4.99	50 years from 15-8-1997	11,382	12,893
Trans Asia Hotels PLC. Colombo	7.20	99 years from 7-8-1981	880,684	893,088
Travel Club (Pte) Ltd. Ellaidhoo Island Resort, Republic of Maldives	13.75	14 years from 4-8-2006	1,417,432	1,359,369
Yala Village (Pvt) Ltd.	10.00	30 years from 27-11-1997	82,582	85,576
			<u>4,775,712</u>	<u>4,638,234</u>

As at 31st March In Rs. '000s	Group		Company	
	2009	2008	2009	2008

4 INVESTMENT PROPERTY

At the beginning of the year	2,288,442	2,505,321	832,158	800,000
Additions	-	21,384	-	32,158
Reclassified as property, plant and equipment	-	(238,263)	-	-
Change in fair value during the year	40,573	-	66,842	-
At the end of the year	<u>2,329,015</u>	<u>2,288,442</u>	<u>899,000</u>	<u>832,158</u>

4.1 Valuation details of investment property

Investment properties were valued by qualified professional valuers as at 31-3-2009, details of which are as follows.

Property	Method of valuation	Valuer
Group		
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	Investment method	P.B. Kalugalagedera, Chartered Valuation Surveyor
Tea Smallholder Factories PLC. Stores Complex, Peliyagoda	Investment method	G.J. Sumanasena, Incorporated Valuer
Trans Asia Hotels PLC. Commercial Centre, Colombo 2	Accredited contractor basis	A.Y. Daniel & Son, Incorporated Valuer
Company		
John Keells Holdings PLC. Galaha Building, Colombo 2	Open market value	P.B. Kalugalagedera, Chartered Valuation Surveyor

Rental income earned from investment property by the group and company amount to Rs. 239 mn (2008 - Rs. 239 mn) and Rs. 48 mn. (2008 - Rs. 36 mn) respectively. Direct operating expenses incurred by the group and company amounted to Rs. 63 mn (2008 - Rs. 50 mn) and Rs. 8 mn (2008 - Rs. 3 mn) respectively.

As at 31st March In Rs. '000s	PVIB	Goodwill	Software	Other	2009	Group 2008 Re-stated
5 INTANGIBLE ASSETS						
Cost/carrying value						
At the beginning of the year	-	-	-	-	-	345,511
Prior period adjustment - LMS	-	-	-	-	-	(119,569)
At the beginning of the year (Re-stated)	-	210,320	26,831	-	237,151	225,942
Additions / transfers	-	137,100	25,426	-	162,526	11,676
Acquisition of subsidiary	2,249,000	-	-	49,500	2,298,500	-
Adjustment due to sale of non-current investments	-	-	-	-	-	(467)
At the end of the year	<u>2,249,000</u>	<u>347,420</u>	<u>52,257</u>	<u>49,500</u>	<u>2,698,177</u>	<u>237,151</u>
Accumulated amortisation						
At the beginning of the year	-	-	(15,467)	-	(15,467)	(6,750)
Amortisation	-	-	(14,819)	-	(14,819)	(8,717)
At the end of the year	-	-	(30,286)	-	(30,286)	(15,467)
Impairment	-	-	-	-	-	-
Net carrying value	<u>2,249,000</u>	<u>347,420</u>	<u>21,971</u>	<u>49,500</u>	<u>2,667,891</u>	<u>221,684</u>

Present value of acquired in-force business (PVIB)

SLAS 25 - Business Combinations, requires the acquirer to fair value the assets, liabilities, intangible assets and contingent liabilities of the acquiree company as at the acquisition date. Accordingly, 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. PVIB recognised at the acquisition date will be amortised over the life of the business acquired.

Based on the average residual period of the life insurance contracts in UA's portfolio as at the acquisition date, the annual amortisation charge to the consolidated income statement over the 12 years commencing from financial year 2009/10 is estimated to be Rs. 187.5 mn. In addition, the PVIB would be reviewed annually for any impairment in value.

Software

Software with a finite life is amortised over the period of the expected economic benefit.

Other intangible assets - Union Assurance PLC

Represents the cost of acquisition of the business from the four former branches, Aitken Spence Insurance Ltd. Carsons Insurance Ltd., ACW Insurance (Pvt) Ltd, and Whitall Boustead Ltd. This balance is not amortised but tested for impairment annually.

Goodwill

As from 1 April 2006, goodwill is no longer amortised but tested for impairment annually. Goodwill acquired through business combinations have been allocated to 8 cash generating units (CGU's) for impairment testing as follows:

	Net Carrying Value of Goodwill
Chaaya Hotels and Resorts	148,000
Financial Services	71,017
Consumer Foods and Retail	57,025
Cinnamon Hotels and Resorts	40,116
Logistics, Ports and Shipping	11,926
Property	13,874
Airlines	5,054
Destination Management	408
	<u>347,420</u>

The recoverable amount of all CGUs has been determined based on the fair value less cost to sell or the value in use calculation.

Key assumptions used in the VIU calculations**Gross margins**

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceeding the budgeted year adjusted for projected market conditions.

Discount rates

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

Inflation

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rate based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of the two years immediately preceeding the budgeted year and future industry growth rates. Cashflows beyond the five year period are extrapolated using a zero growth rate.

As at 31st March In Rs. '000s	Note	2009	Group 2008 <i>Re-stated</i>	2009	Company 2008
6 INVESTMENTS					
6.1 Carrying value					
Investments in subsidiaries					
Investments consolidated					
Quoted	6.2	-	-	15,360,742	13,126,857
Unquoted	6.3	-	-	4,281,378	4,273,961
Investments not consolidated					
Unquoted	6.4	5,115	5,115	5,115	5,115
		5,115	5,115	19,647,235	17,405,933
Investments in joint ventures	6.5	-	-	46,482	46,482
Investments in subsidiaries and joint ventures		5,115	5,115	19,693,717	17,452,415
Investments in associates	6.6	13,055,642	9,952,651	7,959,247	6,204,776
Other investments					
Other equity investments					
Quoted	6.7	4	30	-	-
Unquoted	6.8	113,387	125,194	82,525	94,957
		113,391	125,224	82,525	94,957
Other investments	6.11	8,638,212	202,192	731,587	-
		8,751,603	327,416	814,112	94,957
Investments held for sale	6.9	14,299	37,331	3,900	15,860
		21,826,659	10,322,513	28,470,976	23,768,008

At at 31st March <i>In Rs. '000s</i>	Number of shares	Group 2009	2008	Number of shares	Company 2009	2008
6.2 Group quoted investments						
Asian Hotels and Properties PLC.	185,530,612	5,564,807	5,564,807	185,530,612	5,564,807	5,564,807
Ceylon Cold Stores PLC.	17,381,649	788,476	190,599	15,060,722	775,440	177,562
Ceylon Cold Stores PLC. - Preference shares	118	1	1	118	1	1
John Keells Hotels PLC.	1,012,239,871	5,381,179	5,381,179	1,012,239,871	5,381,179	5,381,179
John Keells PLC.	13,208,696	394,830	294,174	13,208,696	394,830	294,174
Keells Food Products PLC.	7,180,063	248,058	77,648	5,581,307	202,397	51,003
Tea Smallholder Factories PLC.	5,643,000	63,466	63,466	5,643,000	63,466	63,466
Trans Asia Hotels PLC.	46,026,821	2,254,710	2,254,710	24,321,064	1,594,665	1,594,665
Union Assurance PLC.	29,297,528	1,418,631	-	25,275,050	1,383,957	-
		16,114,158	13,826,584		15,360,742	13,126,857

Market value of these quoted investments were Rs. 20,138 mn (2008 - Rs. 21,319 mn) and Rs. 17,703 mn (2008 - Rs. 19,240 mn) for the group and company respectively.

At at 31st March <i>In Rs. '000s</i>	Number of shares	Group 2009	2008	Number of shares	Company 2009	2008
6.3 Group unquoted investments						
Auxicogent Alpha (Pvt) Ltd.	7,350	792	792	-	-	-
Auxicogent Alpha (Pvt) Ltd. - Preference A	57,200,000	615,358	615,358	-	-	-
Auxicogent Holdings (Pvt) Ltd.	15,000,000	1,543,353	1,543,353	-	-	-
Auxicogent International (Pvt) Ltd.	1,500,000,000	1,615,204	1,615,204	-	-	-
Auxicogent International Lanka (Pvt) Ltd.	28,277,379	283,626	160,352	-	-	-
Auxicogent International US inc.	5,000	538	-	-	-	-
Auxicogent Investments Mauritius (Pvt) Ltd.	14,700	1,584	1,584	-	-	-
Auxicogent Investments Mauritius (Pvt) Ltd. - Preference A	57,200,000	615,358	615,358	-	-	-
Ceylon Holiday Resorts Ltd.	7,734,544	566,571	566,571	-	-	-
DHL Keells (Pvt) Ltd.	1,000,000	10,000	10,000	1,000,000	10,000	10,000
Elephant House Farms Ltd.	400,000	4,000	4,000	-	-	-
Facets (Pvt) Ltd.	15,000	450	-	15,000	-	-
Fantasea World Investments (Pte) Ltd.	7,297	433,708	433,708	-	-	-
Habarana Lodge Ltd.	12,981,548	695,082	695,082	-	-	-
Habarana Walk Inn Ltd.	4,321,381	311,981	311,981	-	-	-
InfoMate (Pvt) Ltd.	2,000,000	20,000	20,000	2,000,000	20,000	20,000
International Tourists and Hoteliers Ltd.	7,545,593	247,495	247,495	-	-	-
J K Packaging (Pvt) Ltd.	1,450,000	-	-	1,450,000	-	-
J K Properties (Pvt) Ltd.	24,000,000	192,169	240,000	24,000,000	192,169	240,000
Jaykay Marketing Services (Pvt) Ltd.	49,800,000	522,892	522,892	-	-	-
John Keells Air Services India (Pvt) Ltd.	186,120	3,271	-	94,921	-	-
John Keells Air Services India (Pvt) Ltd. Redeemable non voting preference shares	6,500,000	14,815	-	-	-	-
John Keells Computer Services (Pvt) Ltd.	9,650,000	96,500	96,500	9,650,000	96,500	96,500
John Keells Computer Services (UK) Ltd.	98	9	9	98	9	9
John Keells Foods India (Pvt) Ltd.	3,399,990	67,343	-	-	-	-

At at 31st March <i>In Rs. '000s</i>	Number of shares	Group		Number of shares	Company	
		2009	2008		2009	2008
John Keells Holdings Mauritius (Pvt) Ltd.	512,225	55,249	-	512,225	55,248	-
John Keells Hotels Mauritius (Pvt) Ltd.	9,100	980	-	-	-	-
John Keells International (Pvt) Ltd.	154,500,000	1,545,000	1,545,000	154,500,000	1,545,000	1,545,000
John Keells Logistics (Pvt) Ltd.	20,000,000	200,000	200,000	20,000,000	200,000	200,000
John Keells Logistics India (Pvt) Ltd.	1,231,371	14,546	-	627,999	-	-
John Keells Logistics India (Pvt) Ltd. - Redeemable non voting preference shares	3,400,000	59,329	41,098	2,600,000	41,097	41,097
John Keells Logistics Lanka (Pvt) Ltd.	2,500,000	69	69	2,500,000	69	69
John Keells Maldivian Resorts (Pte) Ltd.	31,321,738	3,172,350	3,172,350	-	-	-
John Keells Office Automation (Pvt) Ltd.	500,000	5,000	5,000	500,000	5,000	5,000
John Keells Singapore (Pte) Ltd.	160,000	4,209	4,209	160,000	4,209	4,209
John Keells Software Technologies (Pvt) Ltd.	800,000	-	-	800,000	-	-
John Keells Stock Brokers (Pvt) Ltd.	750,000	500	500	180,000	120	120
John Keells Teas Ltd.	12,000	120	120	12,000	120	120
John Keells Warehousing (Pvt) Ltd.	12,000,000	120,000	120,000	-	-	-
Kandy Walk Inn Ltd.	5,160,309	367,324	367,324	-	-	-
Keells Consultants Ltd.	15,700	1,299	1,299	15,700	1,299	1,299
Keells Food Products Mauritius (Pvt) Ltd.	9,850	1,028	-	-	-	-
Keells Hotel Management Services Ltd.	1,000,000	19,055	19,055	1,000,000	19,055	19,055
Keells Realtors Ltd.	7,500,000	75,000	75,000	3,000,000	30,000	30,000
Keells Shipping (Pvt) Ltd.	50,000	502	502	50,000	502	502
Lanka Marine Services Ltd.	34,805,470	1,325,218	1,325,218	34,805,470	1,325,218	1,325,218
Mack Air Ltd.	500,000	60	60	500,000	60	60
Mack Air Services Maldives (Pvt) Ltd.	4,900	2,035	2,035	4,700	2,021	2,021
Mackinnon & Keells Financial Services Ltd.	1,080,000	12,806	12,806	972,000	11,912	11,912
Mackinnon Mackenzie and Company (Shipping) Ltd.	500,000	14,200	14,200	-	-	-
Mackinnon Mackenzie and Company of Ceylon Ltd.	9,000	-	-	6,600	-	-
Mackinnons American Express Travel (Pvt) Ltd.	350,000	161	161	350,000	161	161
Mortlake Ltd.	300	327,240	327,240	300	327,240	327,240
Nexus Networks (Pvt) Ltd.	10,000	100	100	10,000	100	100
Rajawella Hotels Company Ltd.	2,000,000	20,000	20,000	-	-	-
Resort Hotels Ltd.	75,007	750	750	-	-	-
Serene Holidays (Pvt) Ltd.	1,050,000	34,153	6,385	-	-	-
Tranquility (Pte) Ltd.	637,500	1,106,270	553,750	-	-	-
Trans-ware Logistics (Pvt) Ltd.	11,000,000	111,100	111,100	11,000,000	111,100	111,100
Travel Club (Pte) Ltd.	29,059	302,640	302,640	-	-	-
Trinco Walk Inn Ltd.	3,000,000	95,940	95,940	-	-	-
Walkers Air Services Ltd.	750,000	7,503	7,503	750,000	7,503	7,503
Walkers Tours Ltd.	4,925,577	128,140	128,140	4,925,577	128,141	128,141
Whittall Boustead (Travel) Ltd.	750,000	40,984	40,984	675,000	40,935	40,935
Whittall Boustead Ltd.	9,918,880	133,382	133,382	7,258,264	106,590	106,590
Wirawila Walk Inn Ltd.	1,500,000	21,885	21,885	-	-	-
Yala Village (Pvt) Ltd.	16,210,800	200,000	200,000	-	-	-
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	100,000	100,000	-	-	-
		<u>17,488,226</u>	<u>16,656,044</u>		<u>4,281,378</u>	<u>4,273,961</u>

Directors' valuation of unquoted investments amount to Rs. 17,488 mn (2008 - Rs. 16,656 mn) and Rs. 4,281 mn (2008 - Rs. 4,274 mn) for the group and company respectively.

At at 31st March <i>In Rs. '000s</i>	Number of shares	Group		Number of shares	Company	
		2009	2008		2009	2008
6.4 Investments in subsidiaries not consolidated						
Keells Systems Integrators Ltd.	500,000	<u>5,115</u>	<u>5,115</u>	500,000	<u>5,115</u>	<u>5,115</u>
		<u>5,115</u>	<u>5,115</u>		<u>5,115</u>	<u>5,115</u>

Keells System Integrators Ltd. is a non-operating subsidiary, currently under liquidation, with a net asset value that equals the book value of investments.

At at 31st March <i>In Rs. '000s</i>	Number of shares	Group		Number of shares	Company	
		2009	2008		2009	2008
6.5 Investments in joint ventures						
Information Systems Associates	73	<u>46,482</u>	<u>46,482</u>	73	<u>46,482</u>	<u>46,482</u>
		<u>46,482</u>	<u>46,482</u>		<u>46,482</u>	<u>46,482</u>

The directors' valuation of the unquoted investments referred to in notes 6.4 and 6.5 amount to Rs. 52 mn (2008 - Rs. 52 mn)

At at 31st March <i>In Rs. '000s</i>	Number of shares	Group		Number of shares	Company	
		2009	2008 <i>Re-stated</i>		2009	2008
6.6 Investments in associates						
Quoted						
Associated Motorways PLC.	-	-	705,458	-	-	705,458
Nations Trust Bank PLC.	50,146,689	<u>965,863</u>	<u>965,863</u>	33,542,933	<u>612,730</u>	<u>612,730</u>
Union Assurance PLC.	-	-	275,886	-	-	268,232
Unquoted						
Maersk Lanka (Pvt) Ltd.	30,000	<u>150</u>	<u>150</u>	30,000	<u>150</u>	<u>150</u>
South Asia Gateway Terminals (Pvt) Ltd.	159,826,750	<u>7,375,263</u>	<u>4,647,103</u>	159,826,750	<u>7,346,367</u>	<u>4,618,206</u>
Quattro Business Support Services (Pvt) Ltd.	49,000	<u>12,689</u>	<u>12,689</u>	-	-	-
Quattro Business Support Services (Pvt) Ltd. - Preference A	12,593,506	<u>544,620</u>	<u>544,620</u>	-	-	-
Quattro Finance & Accounting Solutions (Pvt) Ltd.	77,326,071	<u>615,358</u>	<u>-</u>	-	-	-
Profit accruing to the group net of dividend		<u>2,769,604</u>	<u>2,174,317</u>		-	-
Adjustment on account of associate company share of net assets		<u>772,095</u>	<u>626,565</u>		-	-
		<u>13,055,642</u>	<u>9,952,651</u>		<u>7,959,247</u>	<u>6,204,776</u>

As at 31st March In Rs. '000s	2009	Group 2008 Re-stated
Summarised financial information of associates		
Group share of balance sheet		
Total assets	29,916,568	29,289,486
Total liabilities	(21,745,186)	(22,408,157)
Net assets	8,171,382	6,881,329
Goodwill	4,889,595	3,076,726
Unrealised profits on transactions with associates	(5,335)	(5,404)
	<u>13,055,642</u>	<u>9,952,651</u>
Group share of revenue and profit		
Revenue	11,246,505	9,623,341
Profit	2,349,941	2,242,713

Market value of quoted associate investments were Rs. 1,191 mn (2008 - Rs.3,663 mn) and Rs. 797 mn (2008 - Rs. 2,940 mn) for the group and company respectively. The directors' valuation of unquoted associate investments amounts to Rs 11,758 mn (2008- Rs 7,236 mn) and Rs 7,347 mn (2008 - Rs 4,618 mn) for the group and company respectively.

At at 31st March In Rs. '000s	Number of shares	Group 2009	2008
6.7 Other quoted equity investments			
Ceylon Hotels Corporation	500	4	30
		<u>4</u>	<u>30</u>

Market value of other quoted equity investments were Rs. 0.06 mn (2008 - Rs. 0.01 mn)

At at 31st March In Rs. '000s	Number of shares	Group		Number of shares	Company	
		2009	2008		2009	2008
6.8 Other unquoted equity investments						
ACW Insurance Co. Ltd.	450,000	1,269	1,269	-	-	-
Asia Power (Pvt) Ltd.	777,055	79,507	79,507	777,055	79,507	79,507
Facets (Pvt) Ltd.	-	-	450	-	-	450
Fitch Rating Lanka Ltd.	62,500	625	-	-	-	-
Pyramid Unit Trust	310,000	3,100	3,100	-	-	-
Rainforest Ecolodge (Pvt) Ltd.	2,500,000	25,000	25,000	-	-	-
Rajawella Holdings Ltd.	3,000,000	3,018	15,000	3,000,000	3,018	15,000
SLFFA Cargo Services Ltd.	64,642	716	716	-	-	-
Sri Lanka Hotel Tourism Training Institute.	15,004	150	150	-	-	-
Sri Lanka Port Management & Consultancy Services Ltd.	100	1	1	-	-	-
The York Company Ltd.	100	1	1	-	-	-
		<u>113,387</u>	<u>125,194</u>		<u>82,525</u>	<u>94,957</u>

At at 31st March <i>In Rs. '000s</i>	Number of shares	Group		Number of shares	Company	
		2009	2008		2009	2008
6.9 Equity investments held for sale						
Crescat Restaurants (Pvt) Ltd.	-	-	6,494	-	-	-
Gamma Pizzakraft Lanka (Pvt) Ltd.	-	-	16,538	-	-	11,960
KBSL Information Technologies Ltd.	390,000	<u>14,299</u>	14,299	390,000	<u>3,900</u>	3,900
		<u>14,299</u>	<u>37,331</u>		<u>3,900</u>	<u>15,860</u>
Total value of investments including subsidiaries		<u>46,837,313</u>	40,649,431		<u>27,739,389</u>	23,768,008
Group investments		<u>(33,648,866)</u>	(30,529,110)		-	-
Total value of investments		<u>13,188,447</u>	<u>10,120,321</u>		<u>27,739,389</u>	<u>23,768,008</u>

The director's valuation of other unquoted equity investments and equity investments held for sale, referred to in Note 6.8 and 6.9 amounts to Rs. 128 mn (2008 - Rs. 163 mn) and Rs. 86 mn (2008 - Rs. 111 mn) for the group and company respectively.

As at 31st March <i>In Rs. '000s</i>	Group		Company	
	2009	2008 <i>Re-stated</i>	2009	2008
6.10 Movement in equity investments				
At the beginning of the year	<u>10,120,321</u>	8,668,409	<u>23,768,008</u>	20,547,931
Prior period adjustment - SAGT	-	<u>66,131</u>	-	-
At the beginning of the year (<i>Re-stated</i>)	<u>10,120,321</u>	8,734,540	<u>23,768,008</u>	20,547,931
Additions	<u>2,728,160</u>	858,036	<u>4,749,062</u>	3,231,869
New acquisitions	<u>615,983</u>	-	-	-
Disposals and transfers	<u>(1,004,826)</u>	14,299	<u>(717,418)</u>	(11,792)
Net movement in fall in value of investments / impairment	<u>(12,008)</u>	-	<u>(60,263)</u>	-
Adjustment on account of associate company share of net assets	<u>145,530</u>	(136,164)	-	-
Share of results of associates net of dividend	<u>595,287</u>	649,610	-	-
At the end of the year	<u>13,188,447</u>	<u>10,120,321</u>	<u>27,739,389</u>	<u>23,768,008</u>
6.11 Other investments				
Asset backed securities	<u>193,500</u>	-	-	-
Bank deposits	<u>100,000</u>	-	-	-
Debentures	<u>1,395,000</u>	-	-	-
Government securities	<u>6,949,712</u>	202,192	<u>731,587</u>	-
	<u>8,638,212</u>	<u>202,192</u>	<u>731,587</u>	-

As at 31st March In Rs. '000s	2009	Group 2008
7 DEFERRED TAX ASSET		
At the beginning of the year	91,074	74,013
Credit / (release)	52,622	23,143
Adjustment due to sale of non-current investments	-	(1,752)
Transfers / exchange translation difference	4,150	(4,330)
At the end of the year	<u>147,846</u>	<u>91,074</u>
The closing deferred tax asset relates to the following:		
Accelerated depreciation for tax purposes	(87,221)	(73,763)
Employee benefit liability	53,228	50,160
Losses available for offset against future taxable income	168,771	102,374
Others	13,068	12,303
	<u>147,846</u>	<u>91,074</u>

The group has tax losses amounting to Rs. 3,329 mn (2008 - Rs. 2,648 mn) that are available indefinitely for offset against future taxable profits of the companies in which the tax losses arose.

Deferred tax assets amounting to Rs. 262 mn (2008 - 210 mn) for the group and Rs. 570 mn (2008 - Rs. 575 mn) for the company have not been recognized since the companies do not expect these assets to reverse in the foreseeable future.

As at 31st March In Rs. '000s	Note	2009	Group 2008	2009	Company 2008
8 OTHER NON-CURRENT ASSETS					
Bottle stocks		390,976	490,273	-	-
Loans and advances		-	649,485	-	-
Loans to executives	8.1	623,904	266,089	63,740	44,687
Loans to life policyholders		201,360	-	-	-
Loans to subsidiaries		-	-	21,000	21,000
Work-in-progress apartments		566,260	192,899	-	-
Others		16,500	5,000	-	-
		<u>1,799,000</u>	<u>1,603,746</u>	<u>84,740</u>	<u>65,687</u>
8.1 Loans to executives					
At the beginning of the year		364,096	400,145	58,540	72,116
New acquisitions		293,324	-	-	-
Loans granted / transfers		282,648	167,943	45,886	26,022
Loans recovered		(164,676)	(191,638)	(21,514)	(39,598)
Adjustment due to sale of non-current investments		-	(12,354)	-	-
At the end of the year		<u>775,392</u>	<u>364,096</u>	<u>82,912</u>	<u>58,540</u>
Receivable within one year		151,488	98,007	19,172	13,853
Receivable after one year		623,904	266,089	63,740	44,687
		<u>775,392</u>	<u>364,096</u>	<u>82,912</u>	<u>58,540</u>

As at 31st March In Rs. '000s	Group		Company	
	2009	2008	2009	2008
9 INVENTORIES				
Raw materials	173,480	188,313	-	-
Work-in-progress	278,551	776,382	-	-
Finished goods	1,269,941	2,399,708	-	-
Produce stocks	109,576	249,628	-	-
Other stocks	422,755	370,994	810	825
	<u>2,254,303</u>	<u>3,985,025</u>	<u>810</u>	<u>825</u>

Group inventories with a carrying value of Rs. 235 mn (2008 - Rs. 44 mn) have been pledged as security for term loans obtained, details of which are disclosed in note 17.3.

As at 31st March In Rs. '000s	Note	Group		Company	
		2009	2008	2009	2008
10 TRADE AND OTHER RECEIVABLES					
Trade and other receivables		5,341,629	5,466,539	744,530	235,342
Reinsurance receivables	10.1	943,528	-	-	-
Premium receivable	10.2	893,043	-	-	-
Refundable deposits and prepayments		79,142	-	-	-
Tax refunds		1,618,823	1,188,906	14,141	14,141
Loans to executives	8.1	151,488	98,007	19,172	13,853
		<u>9,027,653</u>	<u>6,753,452</u>	<u>777,843</u>	<u>263,336</u>

As at 31st March In Rs. '000s	Group	
	2009	2008
10.1 Reinsurance receivables		
Reinsurance receivables on outstanding claims	898,883	-
Reinsurance receivables on settled claims net of dues	46,335	-
Provision for bad debts	(1,690)	-
	<u>943,528</u>	<u>-</u>
10.2 Premium receivable		
Premium receivable	901,074	-
Less: Provision for bad debts	(8,031)	-
	<u>893,043</u>	<u>-</u>

As at 31st March In Rs. '000s	Note	Group		Company	
		2009	2008	2009	2008
11 SHORT TERM INVESTMENTS					
Asset backed securities		304,500	-	-	-
Bank deposits		145,626	2,971,070	11,074,292	325,000
Commercial papers		13,026,349	1,222,182	-	1,214,900
Government securities		1,820,452	6,262,114	357,071	5,444,836
Quoted equities at market value	11.1	50,510	-	-	-
		<u>15,347,437</u>	<u>10,455,366</u>	<u>11,431,363</u>	<u>6,984,736</u>

As at 31st March In Rs. '000s	Number of shares	Group cost		Group market value	
		2009	2008	2009	2008
11.1 Quoted equities at market value					
Aitken Spence Hotel Holdings PLC.	83,500	7,413	-	7,515	-
Aitken Spence PLC.	76,600	26,150	-	24,129	-
Central Finance Company PLC.	47,800	10,548	-	7,505	-
Hemas Holdings PLC.	81,150	6,708	-	4,889	-
Tokyo Cement Company (Lanka) PLC.	51,780	7,817	-	6,472	-
		<u>58,636</u>	<u>-</u>	<u>50,510</u>	<u>-</u>

As at 31st March	2009		2008	
	Number of shares in '000s	Value of shares in Rs. '000s	Number of shares in '000s	Value of shares in Rs. '000s
12 STATED CAPITAL				
Fully paid ordinary shares				
At the beginning of the year	635,994	22,464,267	552,940	22,245,894
Share options exercised	858	60,841	4,094	276,409
Bonus issue /share issue expenses	-	-	78,960	(58,036)
Re-purchase of ordinary shares	(25,500)	-	-	-
At the end of the year	<u>611,352</u>	<u>22,525,108</u>	<u>635,994</u>	<u>22,464,267</u>

The composition of shares in issue is given under the Share Information section of the Annual Report.

30,826,106 shares (2008 - 34,862,428) have been reserved to be issued under the employee share option plan as at 31 March 2009. The number of issued and fully paid shares is disclosed in the report of the Board of Directors.

As at 31st March In Rs. '000s	Note	Group	
		2009	2008
13 CAPITAL RESERVES			
Revaluation reserve	13.1	5,517,736	4,692,088
Exchange translation reserve	13.2	1,493,222	908,299
Other capital reserves	13.3	425,765	418,640
		<u>7,436,723</u>	<u>6,019,027</u>

- 13.1** Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and intangible assets.
- 13.2** Exchange translation reserve comprises the net exchange movement arising on the translation of net equity investments of overseas subsidiaries, joint ventures and associates into Sri Lankan rupees.
- 13.3** Other capital reserves comprises of capital redemption reserve funds arising from the redemption of preference shares of subsidiaries.

As at 31st March <i>In Rs. '000s</i>	Note	Group		Company	
		2009	2008	2009	2008
14 REVENUE RESERVES					
General reserves	14.1	3,870,775	3,870,775	2,600,000	2,600,000
Dividend reserve	14.2	1,572,188	1,572,188	1,519,322	1,519,322
Investment equalisation reserve	14.3	75,000	75,000	75,000	75,000
Other revenue reserves		5,517,963	5,517,963	4,194,322	4,194,322
Accumulated profit		10,102,307	9,395,743	2,333,325	2,148,495
		<u>15,620,270</u>	<u>14,913,706</u>	<u>6,527,647</u>	<u>6,342,817</u>

- 14.1** General reserve represents amounts set aside by the directors for future expansion, and to meet any contingencies.
- 14.2** Dividend reserve represents dividend received and available for distribution.
- 14.3** Investment equalisation reserve comprises amounts set aside by the directors for impairment of long term investments of the company.

As at 31st March <i>In Rs. '000s</i>		2009	Group 2008
15 NON-INTEREST BEARING BORROWINGS			
At the beginning of the year		21,000	30,000
Repayments		-	(9,000)
At the end of the year		<u>21,000</u>	<u>21,000</u>
Repayable within one year		-	-
Repayable after one year		<u>21,000</u>	<u>21,000</u>
		<u>21,000</u>	<u>21,000</u>

As at 31st March <i>In Rs. '000s</i>	Note	2009	Group 2008
16 INSURANCE PROVISIONS			
Provision - life	16.1	8,528,065	-
Provision - general	16.2	2,497,549	-
		<u>11,025,614</u>	<u>-</u>

As at 31st March In Rs. '000s	2009	Group 2008
16.1 Insurance provision - life		
Provision - life	8,371,689	-
Unclaimed benefits	<u>156,376</u>	-
	<u>8,528,065</u>	-

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products. The actuarial reserves have been established based on the following;

- Interest rates which vary by product and as required by regulations issued by the Insurance Board of Sri Lanka (IBSL).
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IBSL.
- Surrender rates based on the actual experience.

The amount of 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 or by insurance regulations.

The actuarial valuation of the life insurance business was conducted by M Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd, as at 31 December 2008.

As at 31st March In Rs. '000s	2009	Group 2008
16.2 Insurance provision - general		
Reserve for net unearned premiums	1,253,498	-
Reserve for net deferred acquisition cost	(14,429)	-
Reserve for gross outstanding claims	<u>1,258,480</u>	-
	<u>2,497,549</u>	-

As at 31st March In Rs. '000s	2009	Group 2008	2009	Company 2008
17 INTEREST BEARING BORROWINGS				
17.1 Movement				
At the beginning of the year	8,869,204	7,825,546	2,895,493	3,595,493
Additions	8,380,950	1,153,846	8,070,950	-
New acquisitions	-	1,961,985	-	-
Repayments	(1,428,046)	(2,002,519)	(300,000)	(700,000)
Adjustments / exchange difference	<u>734,544</u>	(69,654)	<u>593,800</u>	-
At the end of the year	<u>16,556,652</u>	<u>8,869,204</u>	<u>11,260,243</u>	<u>2,895,493</u>
Repayable within one year	1,817,511	1,059,752	777,650	300,000
Repayable after one year	<u>14,739,141</u>	<u>7,809,452</u>	<u>10,482,593</u>	<u>2,595,493</u>
	<u>16,556,652</u>	<u>8,869,204</u>	<u>11,260,243</u>	<u>2,895,493</u>

Group interest bearing borrowings include finance lease obligations amounting to Rs. 29 mn (2008 - Rs. 40 mn), details of which are disclosed in note 17.2

As at 31st March <i>In Rs. '000s</i>	2009	Group 2008
17.2 Finance leases		
At the beginning of the year	39,994	34,223
Additions	-	14,607
Repayments	<u>(10,841)</u>	<u>(8,836)</u>
At the end of the year	<u>29,153</u>	<u>39,994</u>
 Finance lease obligations repayable within 1 year		
Gross liability	11,861	8,408
Finance charges	<u>(3,218)</u>	<u>(2,009)</u>
Net lease obligation	<u>8,643</u>	<u>6,399</u>
 Finance lease obligations repayable between 1 and 5 years		
Gross liability	24,123	35,936
Finance charges	<u>(5,030)</u>	<u>(5,194)</u>
Net lease obligation	<u>19,093</u>	<u>30,742</u>
 Finance lease obligations repayable after 5 years		
Gross liability	1,417	2,853
Finance charges	<u>-</u>	<u>-</u>
Net lease obligation	<u>1,417</u>	<u>2,853</u>

17.3 Security and repayment terms

	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2009	2008
John Keells Holdings PLC.		Debentures	Fixed, semi fixed & floating	Bullet repayment at end of tenure of 4 years, Bi-annual repayments.	1,995,493	1,995,493
	DFCC	Term loan	AWPLR+0.25% revised quarterly	Quarterly installments over 5 years with a grace period of 6 months.	600,000	800,000
	HNB pension & retirement fund	Fixed rate note			-	100,000
	IFC		6 months LIBOR+2.75%, share certificates of Asian Hotels & Properties PLC and John Keells Hotels PLC	Bi-annual repayments commencing from December 2009	8,664,750	-
					<u>11,260,243</u>	<u>2,895,493</u>

17.3 Security and repayment terms

	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2009	2008
Group companies						
Asian Hotels and Properties PLC. Cinnamon Grand	Commercial Bank	Term loan	AWPLR, revised quarterly unsecured	13 quarterly installments with a grace period of 18 months	306,586	573,291
	HNB	Term loan	AWPLR + 0.75%	32 monthly installments with a grace period of 18 months	437,980	557,980
Ceylon Cold Stores PLC.	NDB	E Friendly loan	6.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing March 2008	13,540	16,996
	NDB	Project loan	10.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing Aug 2007	149,333	194,135
	DFCC	Project loan	10.5%, Kaduwela land, building and machinery of soft drink plant	48 monthly installments commencing Nov 2007	161,458	223,958
	DFCC	Term loan	18.25%, Kaduwela land, building and machinery of soft drink plant	48 monthly installments commencing July 2008	100,000	120,000
Ceylon Holiday Resorts Ltd.	NTB	Finance lease			3,666	5,082
DHL Keells (Pvt) Ltd.	SCB	Term loan	SLIBOR + .35%	24 monthly installments	53,684	-
Habarana Lodge Ltd.	NTB	Finance lease			2,142	2,541
Habarana Walk Inn Ltd.	NTB	Finance Lease			1,832	2,541
Jaykay Marketing Services (Pvt) Ltd.	HNB	Term loan	6 month TB rate+1.35%, negative pledge of stocks and debtors of Keells Super Mt. Lavinia, Nugegoda and Borella	60 monthly installments commencing March 2004	-	19,250
	HNB	Term loan	AWPLR +0.5%, stocks in trade of Keells Super	48 monthly installments	134,226	-

17.3 Security and repayment terms

	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2009	2008
John Keells Logistics (Pvt) Ltd.	NTB	Finance lease			9,251	12,173
	SCB	Term Loan	1 month SLIBOR+1% Negative pledge of assets.	12 quarterly installments commencing August 2010.	100,000	-
John Keells Maldivian Resorts (Pte) Ltd.	Sampath Bank	Term loan	3 months LIBOR + 1.3% for first two years and LIBOR + 1.5% thereafter, revised quarterly	30 quarterly installments commencing after a grace period of 18 months	1,201,512	1,293,360
John Keells Warehousing (Pvt) Ltd.	Deutsche Bank	Asset backed notes	21.98%, corporate guarantee of John Keells PLC.	Repayment over 10 years commencing May 2003	66,389	75,483
Kandy Walk Inn Ltd.	NTB	Finance lease			1,832	2,541
Keells Foods Products PLC.	HNB	Term loan			-	3,700
Tea Smallholder Factories PLC.	People's Bank	Term loan	9%	83 monthly installments	12,682	14,953
Trans Asia Hotels PLC.	Sampath Bank	Term loan	AWPLR, unsecured	48 monthly installments commencing November 2007	55,406	90,411
	UDA	Finance lease			8,598	10,034
Trinco Walk Inn Ltd.	NTB	Finance lease			1,832	2,541
Travel Club (Pte) Ltd.	BOC Maldives	Term loan	LIBOR + 2%	28 quarterly installments	982,005	916,130
Tranquility (Pte) Ltd.	BOC Maldives	Term loan	LIBOR + 1.5%, leased back security	5 years	1,642,310	1,833,925
Whittall Boustead Ltd.		Debenture	7.5%, unsecured		145	145
Yala Village (Pvt) Ltd.	NTB	Finance lease			-	2,541
Reversal of debenture to Union Assurance PLC.					(150,000)	-
					16,556,652	8,869,204

As at 31st March In Rs. '000s	Group	
	2009	2008 Re-stated
18 DEFERRED TAX LIABILITIES		
At the beginning of the year	736,045	591,867
New acquisitions	13,085	-
Charge	23,912	148,486
Transfers/ exchange translation difference	4,194	(4,308)
At the end of the year	<u>777,236</u>	<u>736,045</u>
The closing deferred tax liability balance relates to the following:		
Accelerated depreciation for tax purposes	611,374	685,953
Revaluation of land and building to fair value	305,206	184,217
Revaluation of investment property to fair value	43,617	36,427
Employee benefit liability	(121,566)	(112,331)
Losses available for offset against future taxable income	(91,804)	(83,799)
Deferred tax effect on consolidation adjustments & others	30,409	25,578
	<u>777,236</u>	<u>736,045</u>

18.1 Deferred tax for tax holiday companies

Sri Lanka Accounting Standard 14 Income Taxes does not specify the recognition and measurement of deferred tax for companies which enjoy tax holidays under local jurisdictions.

Section 17 of the Board of Investment Law No 4 of 1978, under which The Board of Investment (BOI) in Sri Lanka is set up, has given the Board the power to grant exemptions from the Inland Revenue Act. The Board on entering into agreement with entities in the group has stated that the provisions of the respective Inland Revenue Acts to the imposition, payment and recovery of income tax in respect of the profits and income of the enterprise shall not apply during the period of the tax exemption. For certain companies the BOI has given the option to pay tax as a percentage of turnover or at a concessionary rate after the expiration of the tax holiday period.

The Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka is at present interpreting the applicability of SLAS 14 to companies under BOI tax holidays and if deemed applicable will specify the method of computing and the timing of accounting for deferred tax during the tax holiday period.

The group awaits the ruling of the UITF to determine the accounting for deferred tax in relation to tax holiday companies.

As at 31st March In Rs. '000s	Group		Company	
	2009	2008	2009	2008
19 EMPLOYEE BENEFIT LIABILITIES				
At the beginning of the year	798,600	718,315	80,330	86,316
Charge	101,072	105,040	7,978	6,229
New acquisitions	84,736	-	-	-
Transfers	-	-	133	(4,173)
Interest cost	79,860	71,831	8,033	8,631
Payments	(92,960)	(77,830)	(3,280)	(13,704)
(Gain)/Loss arising from changes in assumptions or due to (over)/under provision in the previous year	(15,144)	(11,454)	(836)	(2,969)
Adjustment due to sale of non-current investments	-	(7,695)	-	-
Exchange translation difference	753	393	-	-
At the end of the year	<u>956,917</u>	<u>798,600</u>	<u>92,358</u>	<u>80,330</u>

The employee benefit liability of listed companies with more than 100 employees and Jaykay Marketing Services (Pvt) Ltd is based on the actuarial valuation carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries. The employee benefit liability of all other companies in the group are based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits.

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

Discount rate	10%
Future salary increases	10%

As at 31st March <i>In Rs. '000s</i>		2009	Group 2008
20 OTHER DEFERRED LIABILITIES			
At the beginning of the year		7,110	3,762
Grants received		315	4,970
Amortisation		<u>(2,258)</u>	<u>(1,622)</u>
At the end of the year		<u>5,167</u>	<u>7,110</u>
Amounts expected to be amortised within 1 year		512	2,078
Amounts expected to be amortised after 1 year		<u>4,655</u>	<u>5,032</u>
		<u>5,167</u>	<u>7,110</u>

Basis of amortisation			
Tea Smallholder Factories PLC.			
Sri Lanka Tea Board subsidy	10% p.a.	2,269	3,887
Yala Village (Pvt) Ltd.			
Ceylon Chamber of Commerce grant	10% p.a.	<u>2,898</u>	<u>3,223</u>
		<u>5,167</u>	<u>7,110</u>

As at 31st March <i>In Rs. '000s</i>		Group		Company	
	2009	2008	2009	2008	
21 TRADE AND OTHER PAYABLES					
Trade payables	1,821,385	3,813,965	-	-	
Reinsurance payables	426,955	-	-	-	
Advances and deposits	901,930	1,348,782	-	-	
Sundry creditors including accrued expenses	2,906,944	2,139,094	393,311	-	313,634
Other payables	<u>448,263</u>	<u>567,198</u>	<u>-</u>	<u>-</u>	
	<u>6,505,477</u>	<u>7,869,039</u>	<u>393,311</u>	<u>-</u>	<u>313,634</u>

	Group		Company	
	2009	2008	2009	2008
As at 31st March <i>In Rs. '000s</i>				
22 INCOME TAX LIABILITIES				
At the beginning of the year	328,104	188,250	-	4,766
Provision	1,127,766	744,550	57,033	136,419
New acquisitions	20,907	-	-	-
Payments and set off against refunds	(962,415)	(604,696)	(57,033)	(141,185)
At the end of the year	<u>514,362</u>	<u>328,104</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2009	2008	2009	2008
As at 31st March <i>In Rs. '000s</i>				
23 SHORT TERM BORROWINGS				
Loans	90,000	375,000	-	-
	<u>90,000</u>	<u>375,000</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2009	2008	2009	2008
For the year ended 31st March <i>In Rs. '000s</i>				
24 REVENUE				
24.1 Gross revenue				
Gross revenue	41,381,306	42,181,917	587,312	603,665
Turnover tax	(358,786)	(376,574)	-	-
Net revenue	<u>41,022,520</u>	<u>41,805,343</u>	<u>587,312</u>	<u>603,665</u>

Value added tax of Rs. 2,389 mn (2008 Rs. 2,287 mn) for the group and Rs. 101 mn (2008 Rs. 73 mn) for the company has been deducted in arriving at gross revenue.

	2009			2008		
	Sale of goods	Rendering of services	Group external revenue	Sale of goods	Rendering of services	Group external revenue
24.2 Business segment analysis						
Transportation	9,747,603	1,695,211	11,442,814	11,310,964	1,708,045	13,019,009
Leisure	-	9,662,348	9,662,348	-	9,791,701	9,791,701
Property	-	1,578,329	1,578,329	-	2,617,565	2,617,565
Consumer Foods & Retail	6,407,745	7,722,459	14,130,204	5,548,617	5,835,326	11,383,943
Financial Services	-	499,317	499,317	-	163,284	163,284
Information Technology	919,434	686,101	1,605,535	1,466,723	621,089	2,087,812
Others	-	2,103,973	2,103,973	-	2,742,029	2,742,029
Group revenue	<u>17,074,782</u>	<u>23,947,738</u>	<u>41,022,520</u>	<u>18,326,304</u>	<u>23,479,039</u>	<u>41,805,343</u>

	2009	Group 2008
24.3 Geographical segment analysis (by location of customers)		
Sri Lanka	34,523,248	34,967,270
Asia (excluding Sri Lanka)	4,763,686	4,900,930
Europe	1,623,358	1,544,748
Others	112,228	392,395
Total group external revenue	<u>41,022,520</u>	<u>41,805,343</u>

	2009	Group 2008	2009	Company 2008
For the year ended 31st March <i>In Rs. '000s</i>				
25 DIVIDEND INCOME				
Income from investments in related parties	-	-	2,429,788	3,067,373
Income from other investments	<u>53,765</u>	<u>93,405</u>	<u>52,897</u>	<u>92,016</u>
	<u>53,765</u>	<u>93,405</u>	<u>2,482,685</u>	<u>3,159,389</u>

	2009	Group 2008	2009	Company 2008
For the year ended 31st March <i>In Rs. '000s</i>				
26 OTHER OPERATING INCOME				
Interest income	2,265,663	2,083,916	1,842,793	1,633,980
Negative goodwill on acquisitions	641,377	56,625	-	-
Exchange gain	282,105	274,510	15,258	-
Insurance claims	64,859	-	-	-
Profit on sale of property, plant and equipment	37,590	69,346	3,820	94
Profit on sale of other investments	38,192	4	37,037	4
Sundry income	<u>405,316</u>	<u>232,486</u>	<u>11,763</u>	<u>10,036</u>
	<u>3,735,102</u>	<u>2,716,887</u>	<u>1,910,671</u>	<u>1,644,114</u>

Negative goodwill on acquisitions includes Rs. 614 mn resulting from the acquisition of Union Assurance PLC.

- 27 OTHER OPERATING EXPENSES**
Other operating expenses consists mainly of power and energy costs, repairs and maintenance expenditure of the group.

	2009	Group 2008	2009	Company 2008
For the year ended 31st March <i>In Rs. '000s</i>				
28 FINANCE EXPENSES				
Interest expense on borrowings				
Long term	1,213,837	961,825	886,410	505,326
Short term	<u>481,302</u>	<u>656,430</u>	<u>26,599</u>	<u>78,468</u>
	<u>1,695,139</u>	<u>1,618,255</u>	<u>913,009</u>	<u>583,794</u>

For the year ended 31st March <i>In Rs. '000s</i>	Group		Company	
	2009	2008	2009	2008
29 PROFIT ON SALE OF NON-CURRENT INVESTMENTS				
Associated Motorways PLC.	1,025,779	-	1,209,803	-
KBSL Information Technologies Ltd.	-	11,601	-	41,236
Unawatuna Walk Inn Ltd.	-	43,550	-	-
	<u>1,025,779</u>	<u>55,151</u>	<u>1,209,803</u>	<u>41,236</u>

For the year ended 31st March <i>In Rs. '000s</i>	Group		Company	
	2009	2008 <i>Re-stated</i>	2009	2008
30 PROFIT BEFORE TAX				
Profit before tax is stated after charging all expenses including the following:				
Remuneration to executive directors	215,819	191,431	121,620	100,026
Remuneration to non executive directors	21,952	23,142	11,073	12,476
Auditors' remuneration				
Audit	23,794	25,309	3,572	4,033
Non-audit	6,617	7,021	262	260
Costs of defined employee benefits				
Defined benefit plan cost	165,788	165,417	15,175	11,891
Defined contribution plan cost - EPF and ETF	385,852	350,233	43,525	40,980
Staff expenses	4,802,755	4,283,638	211,115	278,193
Depreciation	1,731,626	1,443,471	116,498	110,116
Amortisation of finite life intangible assets	14,819	8,717	-	-
Impairment losses	100,943	3,283	60,263	-
Operating lease payments	999,239	525,344	-	-
Donations	13,455	21,823	941	797
31 TAX EXPENSE				
Current income tax				
Current tax charge	797,276	948,573	55,682	136,419
(Over)/under provision of current tax of previous years	520,224	(5,157)	1,351	-
Economic service charge 31.2	(8,438)	(40,843)	-	(23,717)
10% Withholding tax on inter company dividends	102,287	184,203	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences 31.3	(84,759)	(32,034)	-	-
	<u>1,326,590</u>	<u>1,054,742</u>	<u>57,033</u>	<u>112,702</u>

For the year ended 31st March <i>In Rs. '000s</i>	Group		Company	
	2009	2008	2009	2008
31.1 Reconciliation between tax expense and the product of accounting profit				
Profit before tax	6,300,754	6,579,242	4,420,305	3,915,792
Dividend income from group companies	2,692,642	4,087,683	-	-
Share of results of associates	(2,349,941)	(2,242,713)	-	-
Other consolidation adjustments	(315,307)	(7,070)	-	-
	<u>6,328,148</u>	<u>8,417,142</u>	<u>4,420,305</u>	<u>3,915,792</u>
Exempt profits	(1,208,946)	(1,967,851)	(494,464)	-
Profits not charged to income tax	(1,361,684)	(821,735)	(1,246,839)	(41,241)
Resident dividend	(2,635,832)	(3,505,174)	(2,482,685)	(3,156,274)
Accounting profit / (loss) chargeable to income taxes	<u>1,121,686</u>	<u>2,122,382</u>	<u>196,317</u>	<u>718,277</u>
Tax effect on chargeable profits	391,885	727,456	68,710	250,664
Tax effect on non deductible expenses	179,809	79,730	88,941	21,243
Tax effect on deductions claimed	(121,105)	(36,746)	(51,844)	(34,580)
Net tax effect of unrecognised deferred tax assets for the year	64,923	53,398	-	-
Net tax effect of unrecognised deferred tax assets for prior years	(6,107)	(110,265)	(50,949)	(102,259)
Tax effect on rate differentials	(8,282)	(6,815)	-	-
Consolidation adjustments	-	11,974	-	-
(Over)/under provision for previous years	520,224	(5,157)	1,352	-
Other income based taxes				
Economic service charge	(203)	(32,790)	-	(23,717)
Social responsibility levy	10,139	8,190	823	1,351
Fringe benefit tax (indian companies)	2,271	2,209	-	-
10% WHT on inter company dividends	102,287	184,203	-	-
Current and deferred tax share of associates	190,749	179,355	-	-
	<u>1,326,590</u>	<u>1,054,742</u>	<u>57,033</u>	<u>112,702</u>
Income tax charged at				
Standard rate 35%	567,179	665,749	54,858	134,757
Concessionary Rate of 15%	46,061	80,722	-	-
Off-Shore dividend 10%	-	324	-	311
Off-Shore profits at varying rates	177	1,493	-	-
(Over)/under provision for previous years	520,224	(5,157)	1,352	-
	<u>1,133,641</u>	<u>743,131</u>	<u>56,210</u>	<u>135,068</u>
Deferred tax charge / (reversal)	(112,294)	(29,556)	-	-
Other income based taxes				
Economic service charge	(203)	(32,790)	-	(23,717)
Social responsibility levy	10,139	8,190	823	1,351
Fringe benefit tax (indian companies)	2,271	2,209	-	-
10% WHT on inter company dividends	102,287	184,203	-	-
Current and deferred tax share of associates	190,749	179,355	-	-
Total income tax expense	<u>1,326,590</u>	<u>1,054,742</u>	<u>57,033</u>	<u>112,702</u>

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

For the year ended 31st March <i>In Rs. '000s</i>	Group		Company	
	2009	2008	2009	2008
31.2 Economic service charge (ESC)				
ESC written-off/(written back)	(203)	(32,790)	-	(23,717)
Share of associate company ESC	(8,235)	(8,053)	-	-
	<u>(8,438)</u>	<u>(40,843)</u>	<u>-</u>	<u>(23,717)</u>

For the year ended 31st March <i>In Rs. '000s</i>	Group		Company	
	2009	2008 <i>Re-stated</i>	2009	2008
31.3 Deferred tax expense				
Income statement				
Deferred tax expense arising from				
Accelerated depreciation for tax purposes	(30,975)	(12,160)	-	-
Revaluation of investment property to fair value	7,190	-	-	-
Employee benefit liabilities	(21,817)	(22,364)	-	-
Benefit arising from tax losses	(76,327)	(4,849)	-	-
Others	9,635	9,817	-	-
	<u>(112,294)</u>	<u>(29,556)</u>	<u>-</u>	<u>-</u>
Share of associate company deferred tax	27,535	(2,478)	-	-
Deferred tax charge/(reversal)	(84,759)	(32,034)	-	-
Statement of changes in equity				
Deferred tax expense arising from				
Revaluation of land and building to fair value	83,584	154,899	-	-
Total deferred tax charge/(reversal)	<u>(1,175)</u>	<u>122,865</u>	<u>-</u>	<u>-</u>

Deferred tax has been computed at 35% for all standard rate companies (including listed companies) and at rates as disclosed in note 31.6 and 31.7.

Temporary differences associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognised, amounts to Rs. 1,663 mn (2008 Rs. 1,220 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. The deferred tax liability on temporary differences relating to undistributed profits of associates has not been recognized as there is no current intention of distributing retained earnings to the holding company.

However, the group has recognised the deferred tax impact pertaining to the current year on declared dividends of subsidiaries and associates amounting to Rs. 42 mn.

For the year ended 31st March <i>In Rs. '000s</i>	Group		Company	
	2009	2008	2009	2008
31.4 Tax losses carried forward				
Tax losses brought forward	2,648,021	2,579,686	1,240,548	1,439,750
Adjustments on finalization of liability	(19,917)	129,009	(10,078)	62,110
Tax losses arising during the year	806,777	437,338	-	-
Utilisation of tax losses	(215,529)	(463,695)	(105,808)	(261,312)
Adjustments due to acquisitions / disposals / mergers	109,382	(34,317)	-	-
	<u>3,328,734</u>	<u>2,648,021</u>	<u>1,124,662</u>	<u>1,240,548</u>

	Year of investment	Cost of approved investment	Relief claimed investments	Liability to additional tax on disposal of Investment
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31.5 Details of investment relief

Company	1999/2000	579,036	218,270	-
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The company is eligible for qualifying payment relief granted under section 31 (2) (s) of the Inland Revenue Act No 28 of 1979 and the transitional provisions in Section 218 of the Inland Revenue Act No 10 of 2006. The company had claimed qualifying payment relief of Rs. 39 mn for the year and the balance investment relief has been carried forward for set off in future years.

31.6 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 35% except for the following companies which enjoy full or partial exemptions and concessions.

Company / Sector	Basis	Exemptions/ concessions	Period
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Exemptions / concessions granted under the Inland Revenue Act

Ceylon Cold Stores PLC.	Off-Shore activities for payment in foreign currency	Exempt	Open-ended
John Keells Computer Services (Pvt) Ltd.	- do -	- do -	- do -
John Keells Office Automation (Pvt) Ltd.	- do -	- do -	- do -
Keells Hotel Management Services Ltd.	- do -	- do -	- do -
Walkers Tours Ltd.	- do -	- do -	- do -
John Keells Computer Services (Pvt) Ltd.	On-shore activities for payment in foreign currency	Exempt	Open-ended
Walkers Air Services (Pvt) Ltd.	- do -	- do -	- do -
Ceylon Cold Stores PLC.	Manufacture of dairy products	Exempt	Upto 31 March 2011
Leisure Sector	Promotion of tourism	15%	Open-ended
Mackinnons American Express Travels (Pvt) Ltd.	- do -	- do -	- do -
Consumer Foods and Retail sector	Qualified export profits	15%	Upto 31 March 2014

Exemptions / concessions granted under the Board of Investment Law

Asian Hotels and Properties PLC.	Construction and operation of office and apartment complex	Exempt	15 years from April 1996 with a 3 year extension on merger
Auxicogent International Lanka (Pvt) Ltd.	Business / knowledge process outsourcing centre	Exempt	8 years from 1st year of profit or 2 years from operations
InfoMate (Pvt) Ltd.	Provision of IT enabled services	Exempt	3 years from April 2007
John Keells International (Pvt) Ltd.	Regional operating headquarters	Exempt	3 years upto March 2009
John Keells Logistics (Pvt) Ltd.	Integrated supply chain management	Exempt	5 years from 1st year of profit or 2 years from operations
South Asia Gateway Terminals (Pvt) Ltd.	"Port Services" at Queen Elizabeth Quay	Exempt	20 years from September 1999
John Keells Warehousing (Pvt) Ltd.	Construction and operation of warehouse complex	15%	7 years from April 2003
Yala Village (Pvt) Ltd.	Construction and operation of safari-styled tourist hotel	15%	15 years from September 2003

Other miscellaneous concessions

Exemption on interest income earned from foreign currency denominated accounts.

Gains from sale of shares held for more than two years is excluded from chargeability to income tax.

Income / profits from offshore dividends and interest is exempt from income tax.

31.7 Income tax rates of off-shore subsidiaries

	Country of incorporation	Rate
Auxicogent Alpha (Pvt) Ltd.	Mauritius	3%(Effective)
Auxicogent Holdings (Pvt) Ltd.	Mauritius	3%(Effective)
Auxicogent International (Pvt) Ltd.	Mauritius	3%(Effective)
Auxicogent International US Inc.	USA	35%(Max)
Auxicogent Investments Mauritius (Pvt) Ltd.	Mauritius	3%(Effective)
Fantasea World Investments (Pte) Ltd.	Republic of Maldives	Nil
Information System Associates	United Arab Emirates	Nil
John Keells Air Services India (Pvt) Ltd.	India	33.99%(Effective)
John Keells Computer Services (UK) Ltd.	United Kingdom	30%
John Keells Foods India (Pvt)Ltd.	India	33.99%(Effective)
John Keells Holdings Mauritius (Pvt) Ltd.	Mauritius	3%(Effective)
John Keells Hotels Mauritius (Pvt.) Ltd.	Mauritius	3%(Effective)
John Keells Logistics India (Pvt) Ltd.	India	33.99%(Effective)
John Keells Maldivian Resorts (Pte) Ltd.	Republic of Maldives	Nil
John Keells Singapore (Pte) Ltd.	Singapore	17%
Keells Food Products Mauritius (Pvt.) Ltd.	Mauritius	3%(Effective)
Mack Air Services Maldives (Pte) Ltd.	Republic of Maldives	Nil
Serene Holidays (Pvt) Ltd.	India	33.99%(Effective)
Tranquility (Pte) Ltd.	Republic of Maldives	Nil
Travel Club (Pte) Ltd.	Republic of Maldives	Nil

Companies incorporated in India are subject to a Fringe Benefit Tax (FBT), charged on selected expenses at specified rates, against each item of expense. Applicable rates of FBT vary from 5% to 100% depending on the item of expense.

For the year ended 31st March		Group	
In Rs. '000s		2009	2008
32 EARNINGS PER SHARE			
32.1 Basic earnings per share			
Profit attributable to equity holders of the parent		<u>4,741,818</u>	<u>5,118,934</u>
Weighted average number of ordinary shares	32.3	<u>625,638</u>	<u>635,223</u>
Basic earnings per share		<u>7.58</u>	<u>8.06</u>
32.2 Diluted earnings per share			
Profit attributable to equity holders of the parent		<u>4,741,818</u>	<u>5,118,934</u>
Adjusted weighted average number of ordinary shares	32.3	<u>625,737</u>	<u>639,800</u>
Diluted earnings per share		<u>7.58</u>	<u>8.00</u>

For the year ended 31st March <i>In 000s</i>	2009	Group 2008
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32.3 Amount used as denominator

Ordinary shares at the beginning of the year	635,995	552,940
Bonus shares issued	-	78,960
Re-purchase of ordinary shares	(10,625)	-
Effect of share options exercised and rights issue of shares	268	3,323
Weighted average number of ordinary shares in issue before dilution	625,638	635,223
Number of shares outstanding under the share option scheme	33,403	30,941
Number of shares that would have been issued at fair value	(33,304)	(26,364)
Adjusted weighted average number of ordinary shares	625,737	639,800

For the year ended 31st March <i>In Rs. '000s</i>	Rs.	2009	Rs.	2008
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33 DIVIDEND PER SHARE**Equity dividend on ordinary shares****Declared and paid during the year**

Final dividend*	1.00	636,003	1.00	632,669
Interim dividend	2.00	1,247,439	4.00	2,543,633
Total dividend	3.00	1,883,442	5.00	3,176,302

*Previous years' final dividend paid in the current year.

34 SEGMENT INFORMATION
34.1 Primary segments (business segments)

	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
For the year ended 31st March																
In Rs. '000s																
Total revenue	11,716,649	13,204,489	10,295,476	10,471,506	1,777,147	2,771,080	14,482,803	11,673,728	501,144	163,284	1,771,418	2,295,228	2,636,937	3,318,869	43,181,574	43,898,184
Intra segment revenue	-	-	(615,641)	(607,835)	(2,736)	(2,521)	(310,736)	(256,445)	-	-	(6,538)	(9,414)	(50,678)	(63,663)	(986,329)	(939,878)
Segment revenue	11,716,649	13,204,489	9,679,835	9,863,671	1,774,411	2,768,559	14,172,067	11,417,283	501,144	163,284	1,764,880	2,285,814	2,586,259	3,255,206	42,195,245	42,958,306
Inter segment revenue	(273,835)	(185,480)	(17,487)	(71,970)	(196,082)	(150,994)	(41,863)	(93,340)	(1,827)	-	(159,345)	(198,002)	(482,286)	(513,177)	(1,172,725)	(1,152,963)
Revenue	11,442,814	13,019,009	9,662,348	9,791,701	1,578,329	2,617,565	14,130,204	11,383,943	499,317	163,284	1,605,535	2,087,812	2,103,973	2,742,029	41,022,520	41,805,343
Segment results	291,935	1,099,687	601,645	1,033,739	556,017	823,821	492,468	567,345	(104,589)	50,994	(2,833)	66,846	(81,106)	(29,050)	1,753,537	3,613,382
Eliminations/unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,826,063	2,286,251
Finance expenses	(53,016)	(46,886)	(490,496)	(760,312)	2,976	(61,395)	(215,319)	(192,445)	(23)	(44)	(3,569)	(7,816)	(935,692)	(549,357)	4,579,600	5,899,633
Change in fair value of investment property	-	-	9,261	-	31,312	-	-	-	-	-	-	-	-	-	40,573	-
Share of results of associates	1,958,547	1,866,008	-	-	-	-	-	-	448,238	347,814	(127,608)	(98,267)	70,764	127,158	2,349,941	2,242,713
Profit on sale of non current investments	-	-	-	-	-	-	-	-	-	-	-	-	1,025,779	55,151	1,025,779	55,151
Profit / (loss) before tax	2,296,963	3,055,097	133,374	363,906	535,435	840,850	278,337	387,323	485,899	421,911	(121,432)	89,729	2,692,178	1,420,426	6,300,754	6,579,242
Tax expense	(629,848)	(150,807)	(5,318)	(16,899)	(49,044)	(55,449)	(157,314)	(138,861)	(146,726)	(129,860)	(45,735)	(46,340)	(292,605)	(516,526)	(1,326,590)	(1,054,742)
Profit/ (loss) for the year	1,667,115	2,904,290	128,056	347,007	486,391	785,401	121,023	248,462	339,173	292,051	(167,167)	43,389	2,399,573	903,900	4,974,164	5,524,500
Attributable to:																
Equity holders of the parent	1,635,477	2,864,498	123,186	333,048	410,381	663,900	83,581	153,601	332,833	283,469	(167,167)	43,389	2,323,527	777,029	4,741,818	5,118,934
Minority interest	31,638	39,792	4,870	13,959	76,010	121,501	37,442	94,861	6,340	8,582	-	-	76,046	126,871	232,346	405,566
	1,667,115	2,904,290	128,056	347,007	486,391	785,401	121,023	248,462	339,173	292,051	(167,167)	43,389	2,399,573	903,900	4,974,164	5,524,500
Purchase of property, plant & equipment	107,884	244,087	1,625,695	1,580,135	11,944	60,888	478,513	753,688	3,942	290	64,213	118,573	119,701	43,175	2,411,892	2,800,836
Depreciation	96,070	83,631	1,002,677	821,516	10,450	26,928	362,607	311,702	9,351	2,670	46,185	26,320	204,286	170,704	1,731,626	1,443,471
Gratuity provision and related costs	16,309	21,392	58,309	44,713	1,548	2,248	47,558	56,300	2,854	1,726	14,169	17,896	25,041	21,142	165,788	165,417

In addition to segment results other information such as finance expenses, tax expenses have been allocated to segments for better presentation.

34.2 Primary segments (business segments)

	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
For the year ended 31st March																
In Rs. '000s		Re-stated														Re-stated
Property, plant and equipment	841,764	1,729,622	19,419,589	18,813,835	806,891	759,031	3,780,148	3,678,995	975,679	6,272	190,073	168,134	1,098,560	1,129,247	27,112,704	25,494,164
Lease hold property	-	-	4,719,771	4,579,694	-	-	-	-	-	-	-	-	55,941	58,540	4,775,712	4,638,234
Investment properties	-	-	1,140,016	1,130,755	2,410,750	2,378,928	-	-	-	-	-	-	1,929,000	1,793,095	5,479,766	5,302,778
Intangible assets	-	-	-	-	-	-	-	-	2,298,500	-	21,971	11,364	-	-	2,320,471	11,364
Other investments	715	715	25,067	227,275	11,405	12,445	3,100	3,100	7,907,250	-	-	-	804,076	88,881	8,751,603	327,416
Other non-current assets	61,541	58,800	60,798	46,281	578,008	199,348	485,165	580,288	495,317	10,106	38,223	649,908	79,948	1,799,000	1,603,746	
Intercompany lending	43,950	43,950	2,265,755	2,535,597	-	-	-	-	150,000	-	16,002	12,427	61,000	21,000	2,536,707	2,612,974
Segment non-current assets	947,970	1,833,087	27,630,986	27,333,437	3,807,054	3,349,752	4,268,413	4,262,383	11,826,746	16,378	266,289	841,833	4,028,525	3,144,778	52,775,963	39,990,676
Investments in associates	10,882,682	6,806,078	-	-	-	-	-	-	1,323,994	1,860,674	848,966	425,406	-	860,493	13,055,642	9,952,651
Investment in subsidiaries and joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,115	5,115
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	147,846	91,074
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	347,420	210,320
Eliminations/ adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,834,740)	(2,740,145)
Total non-current assets	129,730	1,535,431	224,609	228,330	282,544	740,125	1,399,447	1,148,694	4,083	-	112,817	74,538	124,081	268,292	2,277,311	3,995,410
Inventories	929,222	1,125,106	4,503,863	3,884,819	91,421	120,015	1,199,473	1,060,317	2,866,102	528,654	1,271,449	458,894	1,419,841	1,095,404	12,281,371	8,273,209
Trade & other receivables	-	-	-	-	-	6,494	-	-	-	-	-	-	14,299	30,837	14,299	37,331
Investments held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term investments	1,102,568	1,398,167	463,579	250,129	595,702	1,098,425	11,969	5,800	1,176,764	143,000	170,564	145,403	11,826,291	7,414,442	15,347,437	10,455,366
Cash in hand and at bank	276,050	633,877	802,535	746,475	119,816	(6,771)	68,086	87,893	471,690	3,763	104,180	249,984	138,617	445,589	1,980,974	2,160,810
Segment current assets	2,437,570	4,692,581	5,994,586	5,109,753	1,089,483	1,958,288	2,678,975	2,302,704	4,518,639	675,417	1,659,010	928,819	13,523,129	9,254,564	31,901,392	24,922,126
Tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,618,823	1,188,906
Eliminations/ adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,801,752)	(2,671,122)
Total current assets	85,950	124,252	3,368,539	4,700,738	(1,023,247)	(774,049)	380,300	421,831	-	-	-	-	10,548,230	2,674,710	14,889,141	7,809,452
Employee benefit liability	71,259	78,957	280,722	232,543	25,010	24,000	286,395	256,828	97,309	9,865	68,485	60,453	147,737	135,954	956,917	798,600
Other deferred liabilities	-	-	2,898	3,223	-	-	-	-	-	-	-	-	2,269	3,887	5,167	7,110
Other non current liabilities	-	-	-	-	-	-	274,576	352,051	-	-	-	-	-	-	274,576	352,051
Insurance provision	-	-	-	-	-	-	-	-	11,025,614	-	-	-	-	-	11,025,614	-
Segment non-current liabilities	281,461	177,080	7,468,518	8,330,946	(998,237)	(750,049)	941,271	1,030,710	11,122,923	9,865	68,485	60,453	10,698,236	2,814,551	29,582,657	11,673,556
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	777,236	736,045
Eliminations/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,560,242)	(2,685,343)
Total non-current liabilities	663,752	2,325,210	1,866,403	2,764,564	492,849	497,787	1,887,099	1,564,225	1,139,783	535,945	1,157,107	321,673	1,011,148	926,470	8,218,141	8,935,874
Trade & other payables	94,712	90,958	2,852,713	1,362,551	31,000	56,000	65,920	473,077	-	-	3,575	-	126,875	39,387	3,174,795	2,021,973
Short term borrowings	-	-	809,342	592,180	-	-	178,257	156,207	-	-	-	-	791,228	311,365	1,817,511	1,059,752
Current portion of interest bearing borrowings	38,684	-	2,542,908	1,753,845	36,946	81,868	849,883	618,730	887	12,353	49,852	1,712	1,315,892	694,619	4,929,826	3,401,720
Bank overdrafts	133,458	238,593	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment current liabilities	930,606	2,654,761	8,071,366	6,473,140	560,795	635,655	2,981,159	2,812,239	1,140,670	548,298	1,210,534	323,385	3,245,143	1,971,841	18,140,273	15,419,319
Income tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	514,362	328,104
Eliminations/ adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,780,988)	(2,688,855)
Total current liabilities	13,873,647	13,058,568	13,873,647	13,058,568	13,873,647	13,058,568	13,873,647	13,058,568	13,873,647	13,058,568	13,873,647	13,058,568	13,873,647	13,058,568	13,873,647	13,058,568
Total liabilities	41,673,298	22,782,826	41,673,298	22,782,826	41,673,298	22,782,826	41,673,298	22,782,826	41,673,298	22,782,826	41,673,298	22,782,826	41,673,298	22,782,826	41,673,298	22,782,826
Total segment assets	3,385,540	6,525,668	33,625,572	32,443,190	4,896,537	5,308,040	6,947,388	6,565,087	16,345,385	691,795	1,925,279	1,770,652	17,551,654	12,399,342	84,677,355	64,912,802
Total segment liabilities	1,212,067	2,831,841	15,539,884	14,804,086	(437,442)	(114,394)	3,922,430	3,842,949	12,263,593	558,163	1,279,019	383,838	13,943,379	4,786,392	47,722,930	27,092,875

34.3 Secondary segments (geographical segments, based on the location of assets)

	Sri Lanka		Asia (excluding Sri Lanka)		Others		Group Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Segment revenue	37,727,056	38,216,931	4,411,169	4,704,444	57,020	36,931	42,195,245	42,958,306
Segment results	1,602,889	3,162,263	176,524	492,142	(25,876)	(41,023)	1,753,537	3,613,382
Segment assets	67,565,095	49,125,318	15,996,705	14,321,458	1,115,555	1,466,026	84,677,355	64,912,802
Segment liabilities	34,872,680	16,453,744	11,976,805	10,586,619	873,445	52,512	47,722,930	27,092,875
Investment in associates	12,206,676	9,527,245	-	-	848,966	425,406	13,055,642	9,952,651
Purchase of property, plant and equipment	988,343	1,495,096	1,423,231	1,305,594	318	146	2,411,892	2,800,836
Depreciation	1,243,606	1,124,657	484,551	315,989	3,469	2,825	1,731,626	1,443,471
Gratuity provision and related costs	163,244	165,748	2,544	(331)	-	-	165,788	165,417
Impairment losses	100,943	3,283	-	-	-	-	100,943	3,283
Grants and subsidies amortised	2,258	1,622	-	-	-	-	2,258	1,622

35 RELATED PARTY TRANSACTIONS

The company carried out transactions in the ordinary course of business at commercial rates with related entities. The list of directors at each of the subsidiary and associate companies have been disclosed in the group directory.

As at 31st March In Rs. '000s	Group		Company	
	2009	2008	2009	2008
35.1 Amounts due from related parties				
Subsidiaries	-	-	199,755	227,276
Joint ventures	-	13,171	-	-
Associates	22,129	4,314	805	205
Companies under common control	-	-	-	-
Key management personnel (KMP)	-	-	-	-
Close family members of KMP	-	-	-	-
Companies controlled / jointly controlled / significantly influenced by KMP and their close family members	-	-	-	-
Post employment benefit plan	-	-	-	-
	22,129	17,485	200,560	227,481
35.2 Amounts due to related parties				
Subsidiaries	-	-	5,619	9,996
Joint ventures	16,471	-	-	-
Associates	-	692	-	-
Companies under common control	-	-	-	-
Key management personnel	-	-	-	-
Close family members of KMP	-	-	-	-
Companies controlled / jointly controlled / significantly influenced by KMP and their close family members	-	24,261	-	-
Post employment benefit plan	-	-	-	-
	16,471	24,953	5,619	9,996

For the year ended 31st March In Rs. '000s	Group		Company	
	2009	2008	2009	2008
35.3 Transactions with related parties				
Subsidiaries				
(Purchases) / sales of goods	-	-	(4,827)	(3,042)
(Receiving) / rendering of services	-	-	(449,567)	(436,845)
(Purchases) / sale of property plant & equipment	-	-	118	410
Loans (taken) / given	-	-	984,764	308,000
Interest (paid) / received	-	-	39,218	47,728
Rent (taken) / given	-	-	(3,540)	(17,330)
Guarantees (taken) / given	-	-	1,531	859
Joint Ventures				
(Receiving) / rendering of services	23,173	13,338	-	-
Associates				
(Purchases) / sales of goods	5,317	(396)	-	-
(Receiving) / rendering of services	(32,576)	(311,856)	(2,649)	(2,149)
Interest (paid) / received	526,863	1,345,788	304,916	365,161
Leases (taken) / given	-	(12,173)	-	-
Key management personnel				
(Receiving) / rendering of services	3,983	4,592	-	-
Close family members of KMP				
(Receiving) / rendering of services	1	1,893	-	-
Companies controlled / jointly controlled / significantly influenced by KMP and their close family members				
(Purchases) / sales of goods	(5,184)	(76,522)	-	-
(Receiving) / rendering of services	-	4,781	-	-
Post employment benefit plan				
Contributions to the provident fund	171,120	165,825	37,883	35,668

35.4 Terms and conditions of transactions with related parties

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

35.5 Compensation of key management personnel

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

For the year ended 31st March In Rs. '000s	Group		Company	
	2009	2008	2009	2008
Short-term employee benefits	237,771	214,573	132,693	112,502
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	1,429	-	-	-
Share based payments	-	-	-	-
	<u>239,200</u>	<u>214,573</u>	<u>132,693</u>	<u>112,502</u>

Directors' interest in the employee share option plan of the company

As at 31 March 2009, the executive members of the Board of directors held options to purchase ordinary shares under the employee share option plan as follows

- 1,504,648 Ordinary shares at a price of Rs. 92.72 each, exercisable before 28-3-2010
- 1,369,857 Ordinary shares at a price of Rs. 120.74 each, exercisable before 9-4-2011
- 1,380,403 Ordinary shares at a price of Rs. 146.00 each, exercisable before 27-5-2012
- 1,540,325 Ordinary shares at a price of Rs. 120.00 each, exercisable before 24-3-2013

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

36 CONTINGENT LIABILITIES

JOHN KEELLS HOLDINGS PLC (JKH)

The Contingent Liability of JKH as at 31 March 2009, relates to the following:-

- **GST & VAT assessments for the year of assessment 2002/03.** The company has filed appeals against these assessments and these are currently pending with the Board of Review of the Department of Inland Revenue.
- **Income tax assessment for the year of assessment 2006/07.** The company has filed an appeal against this assessment and is currently pending the hearing of the Commissioner General of Inland Revenue.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2009 is estimated at Rs. 123 mn.

LANKA MARINE SERVICES (PVT) LIMITED (LMS)

The contingent liability of LMS as at 31 March 2009, relates to the following:

- **Value Added Tax (VAT) refunds in dispute with the Department of Inland Revenue** - The company contends that the supply of bunkers to foreign ships constitutes an export that qualifies for zero rating and that it is entitled to a refund of VAT paid on inputs. The Department of Inland Revenue, which earlier accepted the company's claim, had later reversed its position. Opinions from independent tax consultants and independent legal counsel all support the company's position and the company is now pursuing its claim in accordance with the provisions in the Value Added Tax Act, No. 14 of 2002 for resolution of disputes. The appeals made by the company are currently with the Court of Appeal of Sri Lanka.
- **Income tax assessments relating to years of assessments 2001/02** - The company has appealed against these assessments, whereby refunds have been claimed on the basis that its business activity is that of an export, and this has been disputed by the Department of Inland Revenue. The appeal made by the company is currently with the Board of Review of the Department of Inland Revenue awaiting the case stated to be forwarded to the Court of Appeal of Sri Lanka.

- **Post privatisation turnover tax levied by the Western Provincial Council 2003 and 2004** - The company has also disputed this on the basis that its business activity is that of an export. The appeal made by the company is pending further review by the Western Provincial Council.
- **Excise Duty and VAT claimed by Sri Lanka Customs on a single gas oil procurement from Ceylon Petroleum Corporation** - The customs inquiry was held and consequently a show-cause letter was issued. However, the company made an application to the court of appeal to quash the order made by the inquiring officer. The matter is pending before the Court of Appeal.
- **Income Tax Assessments relating to years of assessments 2005/06 and 2006/07** – Assessments were received in August 2008, consequent to the Supreme Court judgement, whereby the original BOI concessions granted were annulled. Although the assessments were based on normal tax rates the company computed and paid income taxes at tax rates of 15 per cent, based on opinions from independent legal counsel and tax consultants, that the supply of bunkers to foreign vessels is an export and therefore income is liable for tax at 15 per cent as provided in the Inland Revenue Act. Appeals have been lodged against the balance taxes assessed and penalties charged by the Inland Revenue.
- **Income tax assessments relating to years of assessments 2002/03, 2003/04 and 2004/05** – Income tax assessments were received in January 2009, once again based on normal tax rates. It is the view of the company based on expert legal and tax advice that the subject years were statutorily time barred under Section 134 (5) (a) of the Inland Revenue Act and that penalties will not apply.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2009 is estimated at Rs. 695 mn.

TEA SMALLHOLDER FACTORIES PLC (TSFP)

The contingent liability of TSFP as at 31 March 2009, relates to the following:-

- **Income tax assessments in respect of for the years of assessment 2003/04 to 2007/08** – Management fees in excess of Rs. 1 million for the said years have been disallowed. The company has filed appeals against these assessments and these are currently pending with the Board of Review of the Department of Inland Revenue.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2009 is estimated at Rs. 20 mn.

37 CAPITAL COMMITMENTS

Group

Capital commitments approved and contracted as at the balance sheet date, not provided for in financial statements amounts to Rs. 2,157mn. Details are given below.

As at 31st March <i>In 000s</i>	2009	Group 2008
Asian Hotels and Properties PLC. - Crescat Division	2,102,506	3,782,710
Asian Hotels and Properties PLC.- Cinnamon Grand	40,497	32,105
Ceylon Cold Stores PLC.	14,366	30,971
Lanka Marine Services Ltd.	-	66,088
Trans Asia Hotels PLC.	-	4,848

Company

The company does not have significant capital commitments as at the balance sheet date.

As at 31st March In 000s	2009	Group 2008
38 LEASE COMMITMENTS		
Lease rentals due on non-cancellable operating leases:		
Within one year	803,894	1,052,888
Between one and five years	3,351,988	4,436,478
After 5 years	14,046,739	16,916,811
	<u>18,202,621</u>	<u>22,406,177</u>

38.1 Details of leases

Company	Lessor	Leased properties
Ceylon Cold Stores PLC.	Colombo Divisional Secretariat	Land occupied.
Ceylon Holiday Resorts Ltd. Bentota Beach Hotel Coral Gardens Hotel	Sri Lanka Tourist Board Sri Lanka Tourist Board	Land occupied. 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.
John Keells Maldivian Resorts (Pte) Ltd.	Government of Maldives & a sub lease with Yacht Tours Maldives (Pvt) Ltd.	Land occupied.
Jaykay Marketing Services (Pvt) Ltd.	R.J. S. Exports (Pvt) Ltd./Mr. Ramesh Abeywardena	Land occupied.
John Keells PLC.	Divisional Secretariat	Land occupied.
John Keells Singapore (Pte) Ltd.	Mengiwa (Pvt) Limited	Office space occupied.
Mack Air Services Maldives (Pte) Ltd	State Trading Organization PLC	Office space 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.

39 ASSETS PLEDGED**Share certificates pledged by John Keells Holdings PLC**

Pledged to	Share certificates of	No of shares
Bankers Trustee Company Limited	South Asia Gateway Terminals (Pvt) Ltd	99,447,756
International Finance Corporation	Asian Hotels and Properties PLC	185,530,612
International Finance Corporation	John Keells Hotels PLC	1,012,239,871

40 PRIOR PERIOD ADJUSTMENT**Lanka Marine Services (Pvt) Ltd (LMS)**

As was reported in the interim report for the six months ended 30 September 2009, the return of LMS land was retrospectively restated in the books of the company and group. The Urgent Issues Task force (UITF) of the Institute of Chartered Accountants of Sri Lanka was approached to confirm that the treatment adopted by the company and the group was correct. The Ruling received from the UITF, matches with the accounting treatment adopted by the company and the group. Accordingly, the handing over of the LMS land to the Sri Lanka Ports Authority (SLPA), based on the Supreme Court judgement on the LMS privatisation, has been treated as a prior period error (as per SLAS 10) in both the books of LMS and in the group accounts.

The "failure to use or misuse of reliable information" was a key criteria used by the UITF in confirming that the hand-over of the land should be treated as a prior period error. The underlying reasoning was based on the Supreme Court judgement which stated that no grant of land, in law, had taken place. Further, the Supreme Court ruled that the land grant was made without the advice of the provincial council as required in terms of the ninth schedule of the constitution of Sri Lanka and was not in compliance with the constitutional requirements and in reality, the land belongs to the SLPA as per the Act and John Keells Holdings PLC had no legal right to the land whatsoever.

Land and buildings of Rs. 726 mn was restated and written off against brought forward retained earnings as of 1 April 2007. Goodwill arising from the initial acquisition of Rs. 864 mn was also restated and written off against brought forward retained earnings as of 1 April 2007.

South Asia Gateway Terminals (Pvt) Ltd.

Rs. 69 mn classified as Calls in Advance was credited to retained earnings with retrospective effect.

41 POST BALANCE SHEET EVENTS

On 23 April 2009, the company purchased four million ordinary shares of John Keells Logistics Lanka (Pvt) Ltd., at a cost of Rs. 10 per share.

Further to the mandatory offer made by the company on 26 March 2009 to the remaining share holders of Union Assurance PLC, the company received acceptances for the purchase of 943,918 ordinary shares and accordingly at Rs. 72.00 per share, paid out Rs. 67.9 mn by the expiry date of the offer.

The Board of directors of the company has declared a final dividend of Rs.1.00 per share for the financial year ended 31 March 2009. As required by section 56 (2) of the Companies Act No 7 of 2007, the Board of directors has confirmed that the company satisfies the solvency test in accordance with section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the auditors, prior to declaring a final dividend which is to be paid on 10 June 2009.

In accordance with the Sri Lanka Accounting Standard 12 (revised 2005), Events after the Balance Sheet date, the final dividend has not been recognized as a liability in the financial statements as at 31 March 2009.

ECONOMIC VALUE STATEMENT

For the year ended 31st March <i>In Rs. Millions</i>	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services		Information Technology		Others		Total		Elimination /Adjustments		Group Total		
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Direct economic value generated																					
Revenue	11,717	13,204	10,296	10,472	1,777	2,771	14,483	11,674	501	163	1,771	2,295	2,637	3,319	43,182	43,898	(2,159)	(2,093)	41,023	41,805	90%
Interest income	115	155	219	230	91	146	11	21	142	23	17	75	1,874	1,670	2,469	2,320	(203)	(236)	2,266	2,084	4%
Dividend income	12	42	162	715	31	44	-	-	-	-	-	-	2,542	3,327	2,747	4,128	(2,693)	(4,035)	54	93	-
Share of results of associates	1,959	1,866	-	-	-	-	-	-	448	348	(128)	(98)	71	127	2,350	2,243	-	-	2,350	2,243	5%
Profit on sale of assets	(8)	19	(4)	55	10	235	-	26	-	-	1	1	1,297	102	1,296	438	(194)	(314)	1,102	124	1%
Valuation gain on IP	-	-	9	-	168	-	-	-	-	-	-	-	-	-	177	-	(136)	-	41	-	-
	<u>13,795</u>	<u>15,286</u>	<u>10,682</u>	<u>11,472</u>	<u>2,077</u>	<u>3,196</u>	<u>14,494</u>	<u>11,721</u>	<u>1,091</u>	<u>594</u>	<u>1,661</u>	<u>2,273</u>	<u>8,421</u>	<u>8,545</u>	<u>52,221</u>	<u>53,027</u>	<u>(5,385)</u>	<u>(6,678)</u>	<u>46,836</u>	<u>46,349</u>	<u>100%</u>
Economic value distributed																					
Operating costs	10,617	11,440	5,992	6,168	1,295	1,843	11,230	8,604	474	27	1,215	1,611	1,642	2,522	32,465	32,215	(2,470)	(1,722)	29,995	30,493	66%
Employee wages & benefits	656	454	1,923	1,753	74	142	1,674	1,455	113	71	488	548	616	582	5,544	5,505	-	-	5,544	5,005	11%
Payments to providers of funds	571	1,004	1,206	1,748	321	902	257	274	35	8	91	95	3,187	4,025	5,668	8,056	(2,090)	(3,262)	3,578	4,794	10%
Payments to government	672	289	687	607	44	91	697	871	154	138	52	80	475	377	2,781	2,453	-	-	2,781	2,453	5%
Community investments	7	8	8	11	1	5	5	8	2	3	2	4	13	10	38	49	-	-	38	49	-
	<u>12,523</u>	<u>13,195</u>	<u>9,816</u>	<u>10,287</u>	<u>1,735</u>	<u>2,983</u>	<u>13,863</u>	<u>11,212</u>	<u>778</u>	<u>247</u>	<u>1,848</u>	<u>2,338</u>	<u>5,933</u>	<u>7,516</u>	<u>46,496</u>	<u>47,778</u>	<u>(4,560)</u>	<u>(4,984)</u>	<u>41,936</u>	<u>42,794</u>	<u>92%</u>
Economic value retained																					
Depreciation	96	84	1,003	821	11	27	363	312	9	3	46	26	204	171	1,732	1,444	-	-	1,732	1,444	3%
Amortisation	-	-	112	112	-	17	179	27	-	-	16	9	3	4	310	169	-	-	310	169	1%
Profit after dividends	1,176	2,007	(249)	252	331	169	89	170	304	284	(249)	(100)	2,281	854	3,683	3,636	(825)	(1,694)	2,858	1,942	4%
Retained for reinvestment / growth	1,272	2,091	866	1,185	342	213	631	509	313	287	(187)	(65)	2,488	1,029	5,725	5,249	(825)	(1,694)	4,900	3,555	8%