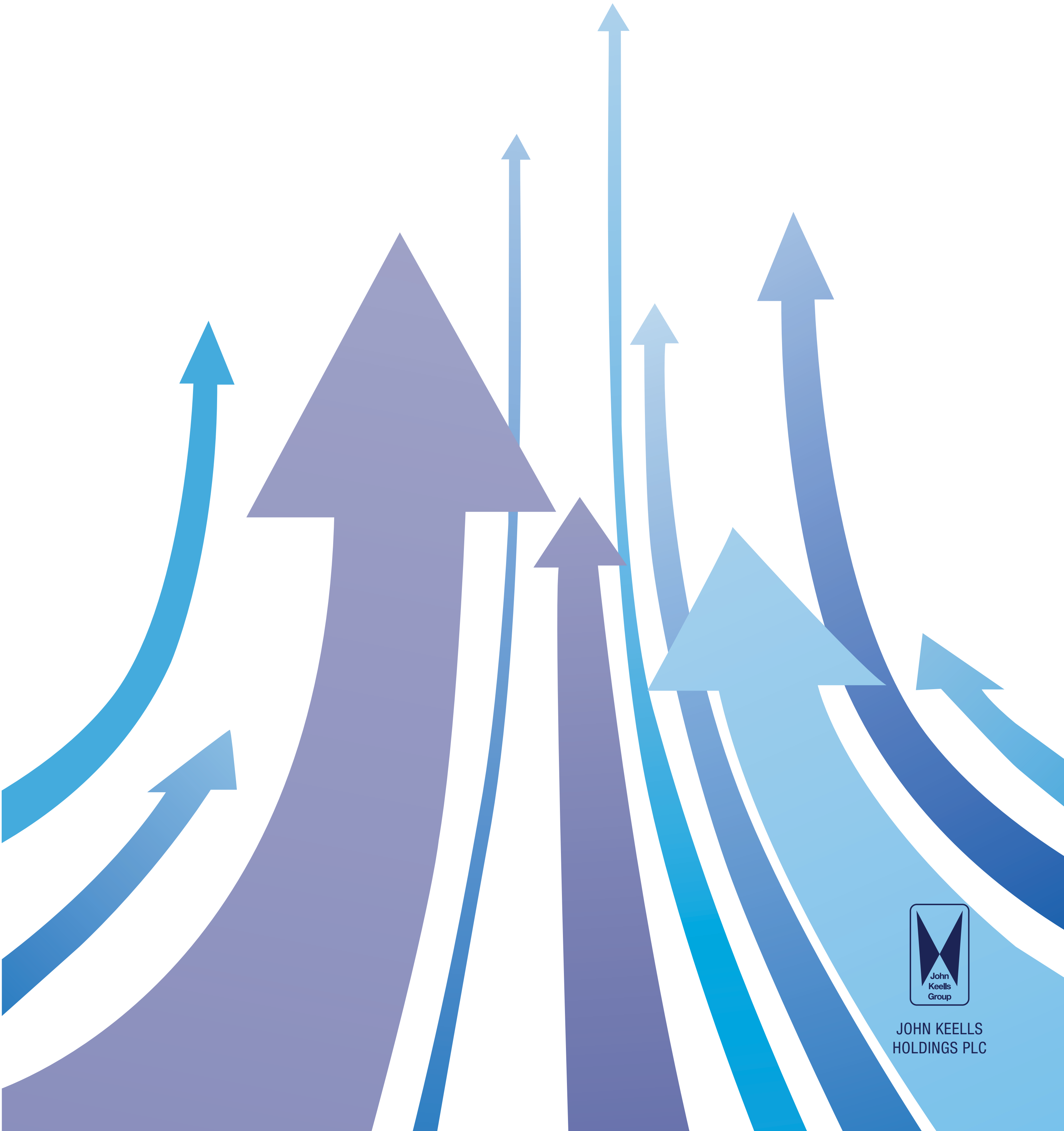
Keeping our eye on the next level

PROGRESSIVE

FINANCIAL, ENVIRONMENTAL AND SOCIAL PERFORMANCE

ANNUAL REPORT 2012/13



John Keells Group

JOHN KEELLS HOLDINGS PLC

Keeping our eye on the next level

PROGRESSIVE

THIS YEAR WE HAVE CHOSEN TO TITLE OUR ANNUAL FINANCIAL, ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT "PROGRESSIVE", BECAUSE THAT WAS THE WORD WE FELT BEST DESCRIBED OUR ATTITUDE TOWARDS THE FAST CHANGING WORLD WE FUNCTION IN TODAY. WE KNOW THAT KEEPING PACE IS NOT ENOUGH. WE HAVE TO STAY AHEAD. THIS WE DO BY LOOKING AT ACCEPTED IDEAS IN ORIGINAL WAYS; BY TAKING ON THE MANY CHALLENGES OF LEADERSHIP AND BY UNDERSTANDING THE SOCIAL, ECONOMIC AND FINANCIAL RESPONSIBILITIES WHICH ARE FUNDAMENTAL TO ANY WELL GOVERNED ORGANISATION. BEING "PROGRESSIVE" MEANS THAT OUR IMPROVEMENT IS CONTINUOUS, OUR ACCELERATION RELENTLESS ALONG THE AVENUES OF INDUSTRIES WE CHOOSE TO TRAVEL.

WE BELIEVE THAT WE ARE ON THE RIGHT TRACK AS WE HAVE SPENT YEARS BUILDING IN THE INDUSTRY EXPERIENCE AND SPECIALISED SKILLS THAT STRENGTHEN US NOW. YET WE ARE VERY CONSCIOUS OF THE DANGERS OF TAKING OUR SUCCESS FOR GRANTED. THAT IS WHY WE ARE NEVER SATISFIED WITH WHAT WE HAVE ACHIEVED. EVERY DAY WE SEEK NEW PROSPECTS FOR EXPANSION AND CONTINUOUS IMPROVEMENT IN A CONSTANT, RESTLESS SEARCH FOR WAYS IN WHICH TO DRIVE OUR COMPANY FURTHER AHEAD.

OUR FORWARD THINKING MODEL DEMANDS THAT WE CONSTANTLY SCALE GREATER HEIGHTS; THAT IS THE APPROACH THAT NOW SEES THE GATES OF OPPORTUNITY WIDE OPEN FOR US TO PROGRESS THROUGH TO A WHOLE NEW LEVEL OF VALUE.

Introduction to the Report

This 2012/13 Annual Report is a reflection of the integrated approach of management, encompassing a Triple Bottom Line performance for the period 1st April 2012 to 31st March 2013. This Report is the Group's second integrated Annual Report, covering not only the financials, but also the economic, environmental and social performance, as well as the overall corporate governance framework, the risk management process, the risks and opportunities identified by the company and an overview of the Group's strategic direction.

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

The information contained in this Report is in compliance with the laws and regulations pertaining to the financial reporting standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the laws and regulations of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date, the recommendations of the UK Corporate Governance Code (formerly known as Combined Code of 2010) to the extent they are practicable in the context of the nature of our diverse businesses and their risk profiles.

The financial statements in this report are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka and have been prepared on an accruals basis and under the historical cost convention unless otherwise specifically stated. For all periods up to and including the year ended 31st March 2012, the Group prepared its financial statements in accordance with the previous version of Sri Lanka Accounting Standards (SLAS) which were effective up to 31st March 2012. The financial statements for the year ended 31st March 2013 are the first annual financial statements prepared and presented in accordance with the new version of Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 1st April 2012.

With the convergence to SLFRS/LKAS, the financial statements pertaining to the year ended 31st March 2012 also have been restated in accordance with SLFRS/LKAS. These SLFRS/LKASs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are also based on a concept of "going concern" with understandability, relevance, materiality and reliability being the basic framework. Accounting policies and notes set out in the Financial Information section of this Report form an integral part of the financial statements.

With regard to the Group's sustainability performance, the data measurement techniques and the basis of calculation including assumptions and estimations applied in the compilation of such sustainability performance indicators are in accordance with standard industry practices and the indicator protocols provided under Global Reporting Initiative (GRI) GRI 3.1 Sustainability Reporting Guidelines. Such measurement techniques and assumptions have been specified under each relevant sustainability performance indicator and justification for any deviations in any particular case is clearly stated.

Group Highlights

About us

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

JKH was incorporated as a public limited liability company in 1979 and obtained a listing on the Colombo Stock Exchange in 1985. Having issued Global Depository Receipts (GDRs) in 1994 which were listed on the Luxemburg Stock Exchange, JKH became the first Sri Lankan company to be listed overseas.

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

The holding company of the Group - John Keells Holdings PLC is based at 130, Glennie Street, Colombo 2 and the Group has significant operations and businesses located across Sri Lanka as well as in the Maldives and India.

Our corporate vision

Building businesses that are leaders in the region

Our values

- Innovation - changing constantly, re-inventing and evolving
- Integrity - doing the right things always
- Excellence - constantly raising the bar
- Caring - fostering a great place to work
- Trust - building strong relationships based on openness and trust

Organisational Structure

John Keells Group

INDUSTRY GROUP	Transportation	Leisure	Property	Consumer Foods & Retail	Financial Services	Information Technology	Other including Plantation Services
SECTORS	Ports & Shipping	City Hotels	Property Development	Consumer Foods	Insurance	IT Services	Plantation Services
	Transportation	Sri Lankan Resorts	Real Estate	Retail	Banking and Leasing	Office Automation	Other
		Maldivian Resorts			Stock Broking	IT Enabled Services	
		Destination Management					
		Hotel Management					

PRIMARY BRANDS*

CENTRE FUNCTIONS

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

JOHN KEELLS FOUNDATION

Note: Market segments served by the industry groups are discussed in the Group Directory section of the Report.
Certifications and awards won by the industry groups are found in the Memberships, Certifications and Awards section of the Report.
** Brands owned by the companies are shown within the respective industry groups.*

Year at a Glance

Operating highlights and significant events

May 2012

- Union Assurance announced an industry first for innovative mobile solutions through the launch of a SMS gateway – "Union connect", designed to make life insurance transparent, convenient and accessible to policy holders.
- Opened a Keells Super outlet in Kalubowila.
- Cinnamon Lakeside Colombo topped the Brand Finance list as the "Most Valued Hospitality Brand" in Sri Lanka.

July 2012

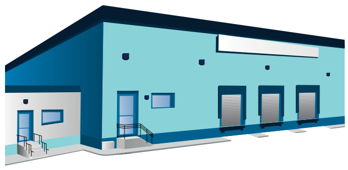
- Disposed a 40 per cent stake in John Keells Logistics Lanka and a 60 per cent stake in John Keells Logistics India to Norbert Dentressangle along with management control.

August 2012

- Keells Food Products PLC successfully raised Rs.1.02 billion via a rights issue in order to fund the acquisition and expansion of a new meat processing plant in Pannala.

September 2012

- The Group invested Rs.224 million during the financial year in the associate company Saffron Aviation (Pvt) Ltd which is the parent company of a domestic airline operating under the brand name "Cinnamon Air".
- Production commenced at the newly acquired meat processing facility in Pannala.
- JKH was ranked first in the LMD Magazine's "Most Respected Entities in Sri Lanka" survey for 2012 for the seventh time since the inception of the survey in 2005.



- Fitch Ratings reaffirmed John Keells Holdings PLC's National Long-Term rating at "AAA(lka)" with a "Stable" outlook.
- The rebranded "Cinnamon Citadel" was opened following an extensive refurbishment.
- Opened a Keells Super outlet in Havelock Road.

October 2012

- JKH secured the number one spot in the Business Today Magazine's "Top 20" rankings for the eighth time since 1999.
- Launched the 200 room five star resort hotel "Cinnamon Bey".
- Launched an online learning portal, hosting e-learning modules and an e-library for employees.

November 2012

- JKH was awarded the Golden Peacock Global Award for Sustainability.
- Walkers Tours launched Asia's first Carbon Neutral Fleet.
- John Keells BPO Alpha (Pvt) Ltd disposed its stake in Quatrro FPO Solutions (Pvt) Ltd.

December 2012

- John Keells Holdings PLC was adjudged the winner of the Gold Award in the "Overall Excellence in Financial Reporting" category at the 48th Annual Report Awards competition organised by the Institute of Chartered Accountants of Sri Lanka.

- Union Assurance PLC successfully concluded a one for seven rights issue in December 2012, and raised Rs.750 million at Rs.70 per share.

January 2013

- Opened a Keells Super outlet in Maharagama.

February 2013

- John Keells PLC, the tea and rubber broking arm of John Keells Holdings, initiated and deployed "e-Gavel", a tablet-based application, for capturing real-time tea auction information.
- The 140,000 square foot "K-Zone" mall along with a Keells Super outlet was opened in the suburban city of Ja-Ela, north of Colombo.

March 2013

- John Keells Foundation announced the first free corporate digital art gallery for Sri Lankan artists to showcase their work throughout the year.

Financial Achievements and Goals

		Achievement		
Indicator (%)	Goal	2012/13	2011/12	2010/11
EBIT growth	>20	18.4	24.6	44.5
EPS growth (fully diluted)	>20	24.3	17.1	55.5
Cash EPS growth (fully diluted)	>20	7.3	23.8	30.8
Return on capital employed (ROCE)	15	15.2	15.6	14.7
Return on equity (ROE)	18	15.1	14.8	15.1
Net debt (cash) to equity	50	(8.1)	(9.2)	(6.2)

Year at a Glance

Performance highlights

Year Ended 31 March		SLFRS/LKAS 2013	SLFRS/LKAS 2012	Change %	SLAS 2011
Earnings highlights and ratios					
Group revenue - consolidated	Rs. million	85,557	77,690	10	60,500
Group revenue - including associates	Rs. million	94,600	86,107	10	69,824
Group profit before interest and tax (EBIT)	Rs. million	16,856	14,236	18	11,425
Group profit before tax	Rs. million	15,775	12,820	23	10,629
Group profit after tax	Rs. million	13,590	10,978	24	9,063
Group profit attributable to shareholders	Rs. million	12,201	9,687	26	8,245
Dividends *	Rs. million	2,982	2,314	29	1,869
Diluted earnings per share	Rs.	14.22	11.44	24	9.77
Cash earnings per share	Rs.	14.97	13.95	7	11.27
Interest cover	No. of times	15.6	10.1	54	14.4
Return on equity (ROE)	%	15.1	14.8	2	15.1
Pre-tax return on capital employed (ROCE)	%	15.2	15.6	(3)	14.7
Financial position highlights and ratios					
Total assets	Rs. million	159,118	134,458	18	110,292
Total debt	Rs. million	20,117	20,054	0	14,641
Net debt (cash) **	Rs. million	(8,223)	(7,348)	(12)	(4,168)
Total shareholders' funds	Rs. million	89,819	71,338	26	59,587
No. of shares in issue	millions	857	844	2	630
Net assets per share ***	Rs.	104.78	83.22	26	69.51
Debt / equity	%	19.9	25.0	(20)	21.8
Net debt (cash) / equity **	%	(8.1)	(9.2)	12	(6.2)
Debt / total assets	%	12.6	14.9	(15)	13.3
Market / shareholder information					
Market price of share as at 31st March (actual)	Rs.	247.00	206.00	20	285.60
Market price of share as at 31st March (diluted)	Rs.	247.00	206.00	20	214.20
Market capitalisation	Rs. million	211,739	173,889	22	179,840
Enterprise value **	Rs. million	203,516	166,541	22	175,672
Total shareholder return	%	21.6	(2.5)	964	57.4
Price earnings ratio (PER) (diluted)	No. of times	17.4	18.0	(3)	21.9
Dividend payout	%	40.1	49.0	(18)	32.2
Dividend per share	Rs.	3.5	3.0	17	3.0
Dividend yield	%	1.4	1.3	7	1.4
Sustainability indicators					
Carbon footprint	MT	69,403	69,280	0	65,524
Carbon footprint per Rs. million of revenue	MT	0.81	0.89	(9)	1.08
Water consumption	m^3	1,660,870	1,830,547	(9)	Not tracked
Lost days as a percentage of total man days	%	0.032	0.045	(53)	0.058
Training per employee	Hours	46.00	40.00	15	30.00
Community engagement	No. of persons impacted	28,402	28,025	1	17,648
Waste recovered / recycled / reused as a percentage of non hazardous waste	%	43	37	16	Not tracked
Total energy consumption	GJ	654,655	649,696	4	631,769
Other					
Economic value generated	Rs. million	97,060	86,420	12	69,786
Economic value distributed	Rs. million	84,667	76,412	11	61,100
Employees	Rs. million	9,507	8,091	18	6,873
Government	Rs. million	3,910	3,595	9	3,194
Others	Rs. million	71,250	64,726	10	51,036
Economic value retained	Rs. million	12,393	10,008	24	8,686
Total employees (excluding associate companies)	Number	13,224	11,956	11	11,389

** Cash dividends paid during the year*
*** Customer advances in the Property Development sector and quoted market equities relating to UA life fund has been excluded*
**** Net assets per share has been calculated, for all periods, based on the number of shares in issue as at 31st March 2013.*

Chairman's Message

I am pleased to present the Integrated Annual Report and the Statement of Accounts for the Financial Year ended 31st March 2013. The integrated nature of the Report epitomises the Group's recognition of, and continued aspiration towards, the social, economic and financial responsibilities which are fundamental to a viable and well-governed entity. Our inherently "progressive" attitude ensures that our search for growth is continuous, our approach is socially responsible and our pursuit of improvement is relentless. I believe it is this "progressive" mind-set that has enabled the Group to continuously create value for all its stakeholders.

For the financial year 2012/13, Group profit before tax (PBT) was Rs.15.78 billion, this being a 23 per cent increase over the PBT of Rs.12.82 billion recorded in the previous year. The profit attributable to the equity holders of the parent was Rs.12.20 billion, a 26 per cent increase over the Rs.9.69 billion reported in the previous financial year.

It should be noted that the finance income of Rs.4.77 billion for the year includes Union Assurance PLC's life and general insurance funds' interest income of Rs.2.66 billion, which net of related costs has been reflected under the Financial Services operating segment results.

The recurring PBT for the financial year 2012/13, excluding fair value adjustments on investment property and capital gains on share disposals, was Rs.13.54 billion, an increase of 19 per cent over the recurring PBT of Rs.11.41 billion in the previous year. On a similar basis, the recurring profit attributable to equity holders of the parent was Rs.10.31 billion, representing an increase of 21 per cent over the Rs.8.54 billion recorded in the previous year.

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

- Group revenue increased by 10 per cent to Rs.85.56 billion
- Group profit before tax (PBT) increased by 23 per cent to Rs.15.78 billion
- Profit attributable to equity holders of the parent increased by 26 per cent to Rs.12.20 billion
- Net cash flow from operating activities decreased by 11 per cent to Rs.14.72 billion
- Return on capital employed (ROCE) was 15.2 per cent compared to 15.6 per cent in the previous year
- Return on equity (ROE) was 15.1 per cent compared to 14.8 per cent in the previous year
- Debt to equity ratio improved to 19.9 per cent from 25.0 per cent
- Interest cover increased to 15.6 times from 10.1 times
- Diluted earnings per share increased by 24 per cent to Rs.14.22
- Cash earnings per share increased by 7 per cent to Rs.14.97
- Total shareholder returns (TSR) at 21.6 per cent outperformed the All Share Price Index (ASPI) which increased by 5.8 per cent
- Carbon footprint per one million Rupees of revenue decreased by 9 per cent to 0.81 MT

In reviewing the portfolio of the Group, it is observed that the reliance on a single industry group, as was the case a few years ago, has reduced with Transportation and Leisure accounting for 21.9 per cent and 34.0 per cent of EBIT respectively. These two businesses collectively account for 55.9 per cent of EBIT which is marginally above the share of capital employed in these businesses which is 51.2 per cent of the total capital employed. It is pleasing to note that with the exception of Leisure and Property, all industry groups achieved ROCEs in excess of the Group's hurdle rate of 15 per cent. Leisure which accounts for 37.1 per cent of the total capital employed of the Group improved its ROCE to 14.0 per cent.

The Annual Report contains discussions on the macro-economic factors, the impact on our businesses as well as a detailed discussion and analysis of each of the industry groups. As such, I will focus on a high level summation of the performance of each industry group during the financial year 2012/13.

Transportation Industry Group

The Transportation industry group reported revenues of Rs.25.11 billion and a PAT of Rs.3.40 billion, contributing 26 per cent and 25 per cent to Group revenue and PAT respectively. The 2012/13 PAT increased by 9 per cent over the previous year. The performance was driven by the Ports and Shipping business, which in spite of a marginal decline in volumes resulting from relatively subdued global economic conditions and reduced trade volumes locally, witnessed improved profitability on account of efficiency improvements and cost reduction initiatives. The bunkering business performed well although profitability was impacted to an extent as a result of a strengthening Rupee during the second half of the year. During the year, the Group entered into a joint venture in respect to its freight forwarding businesses in India and Sri Lanka with Norbert Dentressangle S.A of France. The transaction involved the disposal of a 40 per cent stake in John Keells Logistics Lanka and a 60 per cent stake in John Keells Logistics India. Our associate operating under the brand name "Cinnamon Air" purchased two Cessna amphibian aircraft during the year. Cinnamon Air will have scheduled domestic flights departing from the country's

DILUTED EPS
Rs.14.22
+24%

Chairman's Message

main international airport, thus improving connectivity and adding to the tourism infrastructure of the country. Operations of the airline are expected to commence shortly.

Leisure Industry Group

The Leisure industry group achieved revenues of Rs.20.59 billion and a PAT of Rs.4.77 billion, contributing 22 per cent and 35 per cent to Group revenue and PAT respectively. With a PAT growth of 29 per cent in 2012/13, Leisure maintained its position as the largest contributor to Group PAT. Tourist arrivals into Sri Lanka grew by 17 per cent crossing one million arrivals for the calendar year 2012. In terms of the composition of arrivals, Western Europe and South Asia continued to be the dominant generating markets. The growth rate in arrivals from South Asia slowed down, while the newly emerging tourism markets of Eastern Europe and East Asia demonstrated significant growth momentum.

Growth in PAT was primarily driven by the performance of the City Hotels where both Cinnamon Grand and Cinnamon Lakeside increased market share. Construction of the 240 room select service business hotel to be operated by the Hotel Management arm of the Group is on schedule and is expected to commence operations during the second quarter of the financial year 2014/15. Sri Lankan Resorts extended its portfolio further with the opening of the 200 room Cinnamon Bey Beruwala, re-launching Cinnamon Citadel Kandy (formerly Chaaya Citadel Kandy) following an extensive refurbishment and re-branding Cinnamon Wild Yala (formerly Chaaya Wild Yala). Revenues of Sri Lankan Resorts increased during the year driven by an increase in average room rates, although occupancies were below expectations as witnessed across the industry. The hotel operating profits of Sri Lankan Resorts were negatively impacted by the increase in finance expenses arising primarily from the higher levels of debt utilised to fund the construction of Cinnamon Bey and the refurbishment of Cinnamon Citadel. Maldivian Resorts experienced growth on the back of improved occupancies and stable average room rates. The overall prospects for tourism in the country remain promising. Whilst we welcome the commencement of certain initiatives to market the destination, we reiterate our belief that a sustainable, focused marketing strategy with the full involvement of all stakeholders is required to ensure that the relevant visitor segments are attracted.

THE Property group embarked on its newest venture "7th Sense"

Property Industry Group

The Property industry group recorded revenues of Rs.3.17 billion and a PAT of Rs.1.19 billion, contributing 3 per cent and 9 per cent to Group revenue and PAT respectively. The 2012/13 PAT is a 28 per cent increase over the previous year. The 475 unit OnThree20 residential development is progressing on schedule. Revenues were recognised during the year, although lower than in the previous year on account of the revenue recognition cycle. The Property group embarked on its newest venture "7th Sense", a high-end residential development of 65 apartment units located in a prime residential area in Colombo. Construction has already commenced and the project is scheduled for completion by April 2015. Construction of the 140,000 square foot K-Zone mall in Kapuwatta, Ja-Ela, was completed in February 2013 and some tenants have already moved in. Progress continues to be made on our plans for a large scale development on one of our existing sites.

Consumer Foods and Retail Industry Group

Consumer Foods and Retail recorded revenues of Rs.24.27 billion and a PAT of Rs.2.05 billion, contributing 26 per cent and 15 per cent to Group revenue and PAT respectively. The 2012/13 PAT decreased by 14 per cent over the previous year. The 2012/13 PAT includes Rs.1.28 billion of non-recurring items as against Rs.1.31 billion in the previous year. The Consumer Foods sector encountered challenging market conditions during the year as a result of lower discretionary consumer spending coupled with adverse weather conditions in the country during the third quarter of the financial year. Ice cream volumes witnessed marginal growth, while the carbonated soft drink volumes were below expectations. Keells Food Products acquired a meat processing facility in the Pannala industrial zone. A total of Rs.1.02 billion was raised for this acquisition and further expansion of the facility via a two for one rights issue priced at Rs.60 per share.

The Retail business implemented a new way forward strategy which included a comprehensive programme to re-merchandise and refurbish outlets, coupled with the rolling out of many process initiatives and international best practices. Retail witnessed robust same store sales growth in addition to revenues emanating from the new outlets opened during the year. A value added tax of 12 per cent was imposed on retail businesses with turnover exceeding Rs.500 million per quarter with effect from January 2013. As there were no transitional provisions made available to allow for the claiming of input VAT on the closing stocks as at 31st December 2012, the Retail sector experienced a significant one-off negative impact in the fourth quarter.

Financial Services Industry Group

The Financial Services industry group recorded revenues of Rs.11.11 billion and a PAT of Rs.1.40 billion, contributing 12 per cent and 10 per cent to Group revenue and PAT respectively. The 2012/13 PAT increased by 20 per cent over the previous year. Union Assurance reported a strong performance in both life and non-life segments through the introduction of new products and a greater focus on enhancing distribution capabilities. During the year, Union Assurance raised Rs.750 million through a rights issue of one ordinary share for every seven shares held at a price of Rs.70 per share in order to strengthen the capital base. Despite challenging market conditions resulting in liquidity constraints in 2012, Nations Trust Bank grew its market share and continued its growth trend. The bank took further steps to strengthen its presence within the SME sector through branch expansions and successfully grew its SME lending portfolio, while maintaining a low impairment ratio.

Although the stock broking business recorded an improved market share during the year, volumes in the Colombo Stock Exchange declined significantly compared to the previous financial year. The stock broking business will continue with its strategy to focus on the foreign and institutional investor segments.

Information Technology Industry Group

The Information Technology industry group posted revenues of Rs.6.80 billion and a PAT of Rs.238 million, contributing 7 per cent and 2 per cent to Group revenue and PAT respectively. The 2012/13 PAT represented a 261 per cent increase compared to the previous year. In the Office Automation business, Samsung mobile phones continued to witness high volume growth, while the Toshiba copier business overcame increased competition to maintain market share. The performance of the Software Services business improved as a result of the acquisition of new customers through the adoption of an aggressive marketing strategy focusing on the flexibility of the product offering. Despite the relatively subdued global economy, the Business Process Outsourcing (BPO) business in India has developed a strong sales pipeline through the acquisition of new customers with the business now reaching a critical mass in terms of scale of operations. The Group divested its stake in the associate Quattro FPO Solutions (Pvt) Limited for a consideration of US Dollars 4.5 million.

"Our loyal and committed employees who demonstrate passion and a "progressive" attitude towards delivering value."

Other Including Plantation Services

The Plantation Services sector reported revenues of Rs.2.97 billion and a PAT of Rs.260 million, contributing 3 per cent and 2 per cent to Group revenue and PAT respectively. The PAT for 2012/13 increased by 77 per cent compared to the previous financial year. Plantation Services was positively impacted by the increase in tea prices following supply shortages in key black tea producing countries. In addition to the Plantation Services sector, Others comprise of the holding company and other investments. Overall, this segment reported revenue of Rs.3.55 billion and a PAT of Rs.548 million.

IFRS convergence

The financial statements for the year ended 31st March 2013 have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). This Annual Report is our first published under the new IFRS guidelines and the previous year's financials have been restated for comparative purposes. The Report also covers the key policy changes as required for first time adoption. The effect of the transition from the previous Sri Lanka Accounting Standards (SLASs) to SLFRSs has also been presented in the reconciliation statements and accompanying notes to the reconciliation.

Employees

The success of the JKH Group has been built around our loyal and committed employees who demonstrate passion and a "progressive" attitude towards delivering value. The emphasis on values, integrity and conduct is evidenced in the strong governance and performance management framework of the Group which is aimed at inculcating a performance oriented culture founded on ethical and transparent behaviour. The Governance and Our People sections of the Report explain the policies, procedures and systems in place.

Sustainability

Sustainability has been mainstreamed into our business model and this is our second integrated report which we have produced in conformance with best practice. Our Report has obtained the "GRI Application Level Check".

I am pleased to announce that this year too we have been able to make significant progress on the agenda items reported in last year's integrated Annual Report, with regard to energy management, Green Globe and LEED certifications, training and development and community engagement. This year, our carbon footprint is 69,403 MT, which has grown, in absolute terms, as a result of increased operational activities. However, the carbon footprint per every one million Rupees of revenue declined by 9 per cent to 0.81 MT. The Group's water footprint this year amounts to 1,660,870 cubic meters, while the total waste generated amounts to 7,868 MT, a 9 per cent and a 6 per cent reduction respectively. The Group has provided 46 hours of training per employee which is a 15 per cent increase in the number of training hours provided compared to last year. Continuous training and awareness on staff health and safety was carried out during the year, with special emphasis being placed on high risk areas and this has resulted in the number of occupational injuries being reduced by 15 per cent, compared to the last year.

Chairman's Message

In our pursuit of focused sustainable development, we will continue to maintain a constant focus on conserving energy and water, minimising our carbon footprint, disposing waste more responsibly, enhancing staff health and safety conditions and training, ensuring ethical business practices and the operation of a comprehensive enterprise-wide risk management process. The Group's robust sustainability and risk management process, through its enterprise-wide risk and sustainability systems, create awareness within the workforce, facilitates regular reporting, and establishes the basis for global benchmarking and review of key performance indicators. The Group's Sustainability Committee meets regularly.

During the year in review, the Group also carried out an independent stakeholder engagement under the AA1000 SE Standard and an internal Voice of Employees stakeholder study, which helped us further substantiate the material issues from a Group perspective and formulate policies and frameworks in addressing these concerns.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an integral part of our business and permeates throughout the organisation. Considering the diversity and geographical breadth of the businesses within the Group we recognise the responsibility we have in ensuring we make a positive difference in the communities that we operate in. At JKH, our CSR focus continues to be on six key areas: namely, Education, Health, Environment, Community and Livelihood Development, Arts and Culture and Disaster Relief.

The CSR initiatives of the Group are administered by the John Keells Foundation (Foundation), a company duly incorporated under the law and also registered as a "Voluntary Social Service Organisation" with the Ministry of Social Welfare. Whilst further details are available in the Social Responsibility section of this Report, some of the highlights of the Foundation's work during the year are:

THERE were over 5,800 volunteer instances during 2012/13

The John Keells Vision Project

Under this initiative a total of 613 cataract surgeries were conducted and 1,387 spectacles donated in the year under review. The John Keells Vision Project continued to extend its programmes in the Northern and Eastern provinces of the country and held eye camps in Nachchikuda, Mannar and Mullaitivu.

The Final Step

In collaboration with the career guidance unit of the University of Jaffna and the University Grants Commission, a university soft skills initiative was conducted in March 2013 at the University of Jaffna. The workshops received an overwhelming response with 521 students becoming eligible to receive certificates.

English Language Scholarship Programme

During the year, a total of 974 school children in 20 locations completed the "English for Teens" scholarship. A new advanced level course was introduced for students who achieved an Honor pass at the foundation tier. This new programme has commenced in 8 districts of the country.

HIV/AIDS Awareness Campaign

The Foundation, through this initiative, has targeted employees of the John Keells Group, communities around our business locations, other corporate entities, Most at Risk Persons (MARPs) and the general public. A total of 3,059 persons were educated during the financial year under review, bringing the total number of persons educated since the launch of the project to 12,774.

Arts and Culture

The 20th anniversary of the annual open air art fair (Kala Pola) was celebrated showcasing the artwork of 344 artists to approximately 30,000 visitors. A new website displaying the work by a number of local artists was launched with a view to promoting Sri Lankan art. An e-platform was also introduced as a common forum to enable artists to market their work throughout the year.

Our Volunteers

During 2012/13, there were over 5,800 volunteer instances for the activities conducted under the auspices of the Foundation and by the businesses themselves.

Conclusion

Your Board declared a final dividend of Rs.1.50 per share to be paid on 17th June 2013.

I wish to place on record my appreciation of the contribution made by Steven Enderby who stepped down from the Board and I welcome Ashroff Omar who joined the Board, in March 2013.

In conclusion, on behalf of the Board of Directors and all employees of the John Keells Group, I thank all our stakeholders for the support extended during the year. Whilst there is no doubt that the year ahead of us will be very challenging as a result of the external environment, I am confident that our "progressive" mind-set will enable us to meet these short term challenges in continuing to create sustained value.

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

Susantha Ratnayake
Chairman

28 May 2013

Keeping our eye on the next level

COMMITTED

GOOD GOVERNANCE SHAPES OUR FUTURE PERFORMANCE

Board of Directors

Susantha Ratnayake

Chairman-CEO

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 and has served on the JKH Board since 1992/93. He is also the Chairman of many of the listed and un-listed companies within the Group. He is the Chairman of the Ceylon Chamber of Commerce, Vice Chairman of the Employers' Federation of Ceylon and serves on several clusters of the National Council for Economic Development. He has over 35 years of management experience, all of which is within the John Keells Group.

Ajit Gunewardene

Deputy Chairman

Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of the Board for over 20 years. He is a Director of many companies in the John Keells Group and is the Chairman of Union Assurance PLC. He is a member of the board of SLINTEC, a company established for the development of nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology. He has also served as the Chairman of the Colombo Stock Exchange. Ajit has a degree in Economics and brings over 31 years of management experience.

Ronnie Peiris

Group Finance Director

Appointed to the John Keells Holdings PLC Board in May 2003, Ronnie Peiris has overall responsibility for the Group's Finance and Accounting including Taxation, the Information Technology, Corporate Finance and Treasury functions and Group Initiatives. He was previously the Managing Director of Anglo American Corporation (Central Africa) Limited in Zambia. Ronnie has over 40 years of finance and general management experience in Sri Lanka and abroad. He is a Fellow of the Chartered Institute of Management Accountants, UK; Association of Chartered Certified Accountants UK and the Society of Certified Management Accountants, Sri Lanka and holds an MBA from the University of Cape Town, South Africa. He is a member of the committee of the Ceylon Chamber of Commerce, Chairman of its Taxation Sub Committee and also serves on its Economic, Fiscal and Policy Planning Sub Committee. He is a Director of several companies in the John Keells Group and the outgoing President of the Sri Lanka Institute of Directors.

Franklyn Amerasinghe

* Director

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

Dr. Indrajit Coomaraswamy

** Director

Dr Indrajit Coomaraswamy was appointed to the John Keells Holdings PLC Board in February 2011. He was an official in the Central Bank of Sri Lanka from 1974-1989. He worked in the Economic Research, Statistics and Bank Supervision Divisions. During this time he was also seconded to the Ministry of Finance and Planning (1981-89). He was employed by the Commonwealth Secretariat from 1990-2008. During that time he held the positions, inter alia, of Director, Economic Affairs Division and Deputy-Director, Secretary-General's Office. He was subsequently Interim Director, Social Transformation Programme Division, Commonwealth Secretariat (Jan-July 2010). He completed his undergraduate degree at Cambridge University and obtained his Doctorate at the University of Sussex.

Tarun Das

** Director

Tarun Das has spent his professional career in the development and promotion of Indian Industry. Starting in November 1963 with the predecessor body of Confederation of Indian Industry (CII) he was the Director General and Chief Executive of CII from April 1967 to May 2004 and Chief Mentor from June 2004 to October 2009. His leadership of the organisation over three decades has led to strengthening business and strategic ties between India and the world. He is Member, Council of IITs, Ministry of Human Resources Development; Member, Kerala State Planning Board, Kerala Government; Member, Indo- UK Round Table, Ministry of External Affairs; Member, Advisory Group, Expert Committee on Prasar Bharati. He is the Founding Trustee, Council on Energy Environment and Water (CEEW);Vice President and Treasurer, World Wildlife Fund- India (WWF); Member, Board of Trustees, Public Interest Foundation (PIF); Trustee, Sasakawa India Leprosy Foundation (SILF); Member, Board of Governors, Rajiv Gandhi Indian Institute of Management, Shillong; Member, Board of Governors, Indian Council for Research on International Economic Relations (ICRIER); Member, Executive Committee of the Board, ICRIER; Member, Apex Council on India@75, Confederation of Indian Industry (CII); Trustee, India@75 Foundation; Member, Singapore India Partnership Foundation (SIPF); Founding Trustee, Aspen Institute India; Lifetime Trustee, The Aspen Institute, USA; Member, Board of Governors, East West Center. He is the Co-Chair of the US – India Strategic Dialogue; Co-Chair, Indo-US-Japan Strategic Dialogue; Co-Chair, India- Israel Forum; Member, India- Singapore Strategic Dialogue; Member, India-China Strategic Dialogue; Member, India- Turkey Forum. He is Member, International Advisory Board of ACE Insurance(USA); Member, India Advisory Board of VOITH (Germany); Member, India Advisory Board, JCB (UK).

Ranjit Gunasekara

** Director

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

Ashroff Omar

** Director

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

Sithie Tiruchelvam

** Director

Appointed to the Board in January 2007, Sithie Tiruchelvam, is a Lawyer of the Supreme Court of Ceylon, and specialises in corporate law, intellectual property law and labour law. She has obtained her LLB from the University of Ceylon in 1966, and was admitted to the Supreme Court as an Advocate in 1968. She is a Founding Partner of the law firm Tiruchelvam Associates. She has been listed as a leading lawyer in corporate and commercial matters by Chamber Asia Pacific. She currently serves on the board of Central Corporate & Consultancy Services (Pvt.) Limited, the Nadesan Centre for Human Rights through Law and the Family Rehabilitation Centre.

** Senior Independent Non-Executive*

*** Independent Non-Executive*

Group Executive Committee

Dilani Alagaratnam

President

Dilani Alagaratnam, President, Group HR, Legal & Secretarial, has overall responsibility for the Group Human Resources, Legal & Secretarial and Corporate Communication functions of John Keells Group. A lawyer by profession, she has been with John Keells Holdings PLC for 21 years and is a law graduate and a holder of a Masters Degree in Law. Currently she is the Chairperson of the Steering Committee on Human Resources and Education of the Ceylon Chamber of Commerce and member of the National Labour Advisory Committee.

Krishan Balendra

President

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

Romesh David

President

Romesh David has been with the Group for 33 years during which he has served in the Leisure, Domestic & International Trade, IT and Transportation sectors of the Group. He is a member of the Ports, Shipping, Aviation and Logistics Steering Committee of the Ceylon Chamber of Commerce and is currently the Chairman of the Chartered Institute of Logistics and Transport – Sri Lanka Branch. He serves on the Executive Committee of the Council for Business with Britain, the Advisory Council of the Sri Lanka Freight Forwarders Association and the Executive Committee of the Indo - Lanka Chamber of Commerce. He is a past Chairman of the Sri Lanka Freight Forwarders' Association and the Council for Business with Britain.

Sanjeeva Fernando

President

Sanjeeva Fernando is responsible for the IT industry group and Plantation Services sector. He possesses over 26 years of senior managerial experience in diverse businesses and capacities. He joined the John Keells Group in 1993 and has headed the Group's printing and packaging businesses, bunkering businesses and has served as head of the Transportation and Logistics sector overseeing the Group's airline, travel, freight forwarding, shipping & bunkering businesses in Sri Lanka, India and the Maldives. Sanjeeva was also given the responsibility of setting up and developing the Group's IT Enabled Services business (BPO) in Gurgaon, India and resided in India from 2007 until 2012 whilst overlooking the rest of the IT businesses in the Group. A printer by profession, Sanjeeva qualified from the London School of Printing and is a member of the London Institute of Printing.

Jitendra Gunaratne

President

Jitendra Gunaratne is responsible for the Consumer Foods sector. Prior to his appointment as President, he overlooked the Plantations and Retail sectors. His 32 years of management experience in the Group also covers Leisure and Property. Jitendra holds a Diploma in Marketing. He is the President of the Beverage Association of Sri Lanka and the Chairman of the Steering Committee for Food and Beverage of the Chamber of Commerce. He also serves as a member of the Advisory Committee on Consumer Affairs of the Ceylon Chamber of Commerce.

Suresh Rajendra

President

Suresh Rajendra is responsible for the Property group and oversees the Sustainability and the Enterprise Risk Management functions of John Keells Holdings PLC. He has over 20 years of experience in the fields of finance, property and real estate, travel and tourism, and business development acquired both in Sri Lanka and overseas. Prior to joining the Group, he was the Head of Commercial and Business Development for NRMA Motoring & Services in Sydney, Australia, Director/General Manager of Aitken Spence Hotel Managements (Pvt) Ltd. and also served on the boards of the hotel companies of the Aitken Spence Group. Suresh is a Fellow of the Chartered Institute of Management Accountants, UK.

Note : The Group Executive Committee is currently a nine member team including the three Executive Directors and the above members.

Group Operating Committee

Gihan Cooray

Executive Vice President

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

Sujiva Dewaraja

Executive Vice President

Sujiva heads the Information Technology sector. Since passing out as a Chartered Management Accountant in London in 1980, Sujiva's career has taken him from the UK to the Middle East, USA and back to Sri Lanka. Over the past 22 years, he has held board level positions within listed and unlisted subsidiaries of two of Sri Lanka's largest public companies, spanning multiple industries. He has held office in numerous Trade Chambers, Advisory Committees and Industry Bodies including SLASSCOM, of which he is currently the Chairman. He is a Fellow of Chartered Institute of Management Accountants, UK and an Associate of the Chartered Institute of Bankers, London (ACIB). He also completed his MBA in Pennsylvania, USA.

Roshanie Jayasundera-Moraes

Executive Vice President

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

Sanjeewa Jayaweera

Executive Vice President

Sanjeewa Jayaweera, Chief Financial Officer for the Consumer Foods & Retail industry group, has been with the Group for 20 years, during which he served in the Resort Hotels sector of the Leisure industry group and was the Sector Financial Controller for Resort Hotels from 1998 to 2005. Prior to joining the Group, Sanjeewa was based in the United Kingdom and worked for several years as an Audit Manager.

Jayantissa Kehelpannala

Executive Vice President

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

Vasantha Leelananda

Executive Vice President

Vasantha Leelananda is Head of the Destination Management sector and counts over 34 years in the leisure industry with the John Keells Group. He served as the Managing Director of Walkers Tours from 1997 to 2005 and heads the travel operations in Sri Lanka and India. Vasantha holds an MBA from the University of Leicester. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO), a board member of the Sri Lanka Convention Bureau from 2003 to 2007 and served as a board member of the Sri Lanka Institute of Tourism and Hotel Management from 2007 to 2010. He is a board member of the Responsible Tourism Partnership which is affiliated to the Travel Foundation UK and a board member of the American Chamber of Commerce (AMCHAM).

Chandrika Perera

Executive Vice President

Chandrika Perera was appointed as the Chief Financial Officer of the Leisure industry group in March 2005. She has been with the Group for 30 years. She held the position of Group Financial Controller from 1999 to 2005. A Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Society of Certified Management Accountants, Sri Lanka, she holds an MBA (finance) from the University of Southern Queensland. Chandrika serves as a committee member of the Accounting Standards Committee and the Business School of CA Sri Lanka and is also a member of the Steering Committee on Income Taxes.

Mano Rajakariar

Executive Vice President

Mano Rajakariar, has been the Group Financial Controller since April 2005. He has been with the Group for over 17 years in many capacities including serving as the Sector Financial Controller of the Plantations sector and heading the Shared Services implementation within the Group. He has over 25 years of experience in audit, finance and general management acquired both in Sri Lanka and overseas. Mano is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants, UK. He currently serves as a member of the Examinations Committee, the Financial Reporting Faculty, the National Conference Technical Committee and the Urgent Issues Task Force (UITF) of the CA Sri Lanka. Mano is also a member of the Financial and Regulatory Steering Committee of the Ceylon Chamber of Commerce.

Waruna Rajapaksa

Executive Vice President

Waruna Rajapaksa, Head of New Business Development and Group Initiatives, has over 27 years of experience in Sri Lanka and in the UK, primarily in management consultancy, project finance and audit. Prior to joining the Group in 2002, he worked for the Government at the Bureau of Infrastructure Investment, Informatics International Ltd (UK) and at

Group Operating Committee

Ernst & Young. Waruna is a Fellow member of the Chartered Institute of Management Accountants, UK, and an Associate member of the Institute of Chartered Accountants of Sri Lanka. He also holds an MBA from City University Cass Business School, London, UK. He is also a member of the Energy Committee of the Ceylon Chamber of Commerce.

Sunimal Senanayake

Executive Vice President

Sunimal Senanayake, Head of Human Resources of the Leisure group and Head of the Maldivian Resorts sector has over 30 years of experience in the leisure industry, both in hotels and inbound tourism. He served as the Managing Director of Walkers Tours Limited from 1991-1997. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and has held many positions in travel trade related associations and committees. He has also been a member of the Tourist Hotels Classification Committee and Chairman / Member of the Advisory Board of the Sri Lanka Institute of Tourism & Hotel Management.

Ramesh Shanmuganathan

Executive Vice President

Ramesh Shanmuganathan is the Group's Chief Information Officer and member of the Group Management Committee for the Information Technology industry group and has over 19 years of experience in the ICT industry both in Sri Lanka and the USA, with the last 12 years in C-level management. Prior to this he has served in the Group's IT sector as the CEO of Keells Business Systems Limited since 2001 and Head of Strategy / New Business Initiatives of John Keells Computer Services Ltd since 2004 until he assumed duties as the Group's CIO in January 2006. Ramesh is a Hayes-Fulbright Scholar and holds to his credit a MSc (Information Technology & Computer Science) with Phi Kappa Phi Honours from Rochester Institute of Technology (New York, USA), Master of Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura, Bachelor of Science in Electronics & Telecommunications Engineering with First Class Honours from University of Moratuwa. He is reading for his Doctor of Business Administration (DBA) at International School of Management, Paris at present. He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society. He has active memberships in several other professional institutions and is a visiting faculty member for several post-graduate programs. He is also the Chair of the SLASSCOM CIO Council and is actively involved with the ICTA and the Presidential Task Force on IT in steering IT to greater heights within the country.

Devika Weerasinghe

Executive Vice President

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

Suran Wijesinghe

Executive Vice President

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

Note: The Group Operating Committee is currently a 22 member team consisting of the Group Executive Committee and the above members.

Corporate Governance

"We believe that the creation and optimisation of sustainable stakeholder value, within a framework of compliance with the law, should be the objective of governance"

John Keells Group Corporate Governance Philosophy

The Group corporate governance philosophy, founded on a culture of performance, within a framework of compliance and conformance, has been institutionalised at all levels in the Group through a strong set of corporate values and the written Code of Conduct.

All employees, senior management and the Board of Directors are required to embrace this philosophy in the performance of their official duties and in other situations to uphold the Group's image and reputation.

The emphasis placed on the Group's values is exemplified through the principle that requires all nominees to the Group's recognition scheme to live the JKH values.

The Group's "Progressive" stance on corporate governance philosophy goes beyond mere conformance with regulations, towards performance enhancement, in enabling sustainable value creation. Towards this end, the John Keells Group has established an integrated governance mechanism which spans across the entire organisation structure in the form of strategic planning, resource allocation, accountability and assurance.

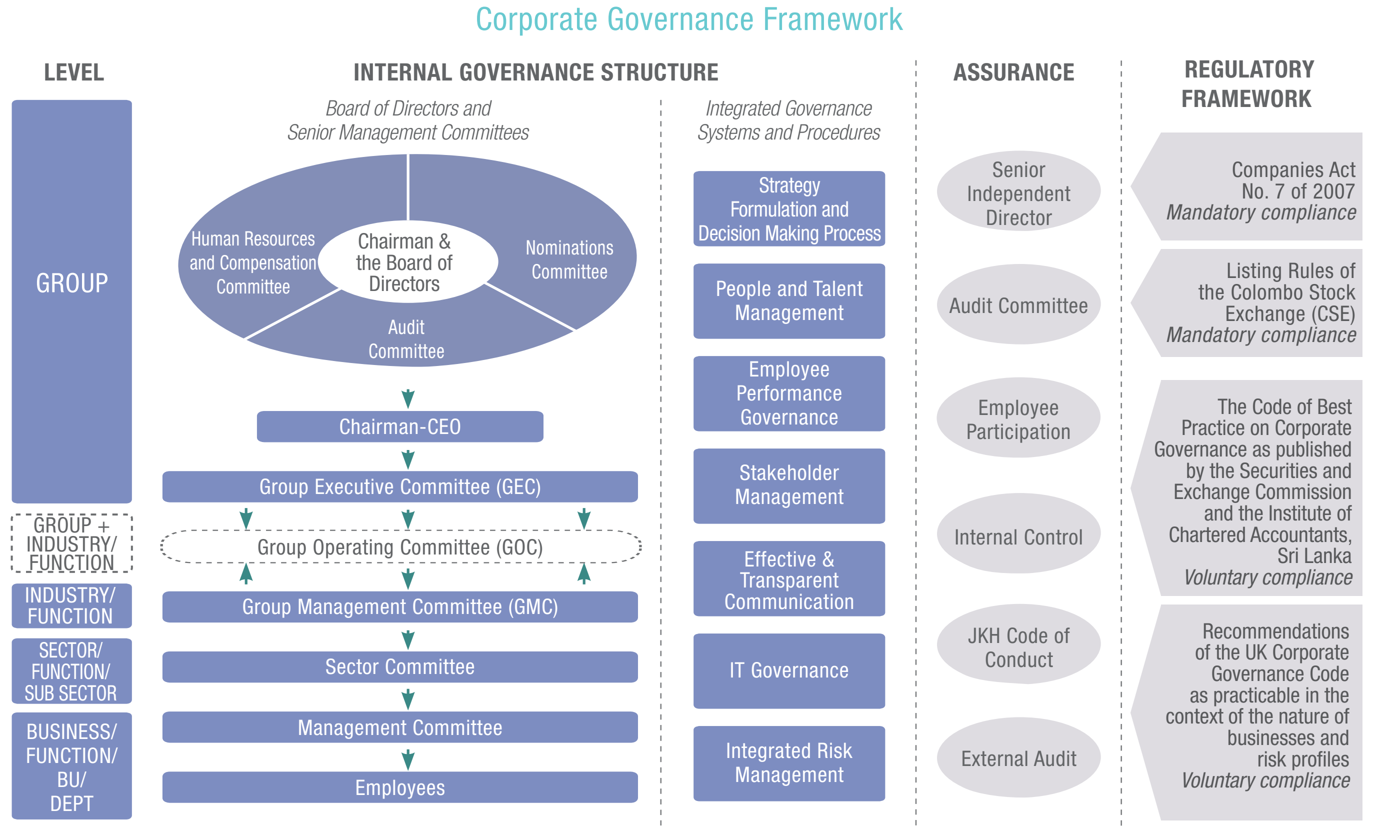
The corporate governance discussion within this Report comprises of;

- A discussion on the JKH Corporate Governance Framework and its elements
- Regulatory compliance checklists and JKH actions
- Board Committee Reports / Attendance of meetings / Independent Directors' interests

JKH Corporate Governance Framework

The Corporate Governance Framework of the Group entails 3 key components as summarised below and the ensuing discussion is sequenced to highlight the different elements that combine to ensure a robust and a sound governance framework.

1. Internal Governance Structure – components that are embedded within the Group in order to execute governance related initiatives, systems and processes.
2. Assurance – supervisory module of the Group Corporate Governance Framework.



- *All 3 Board sub committees are chaired by Independent Directors appointed by the Board*
- *Human Resources and Compensation Committee is attended by Chairman-CEO of JKH.*
- *Audit Committee is attended by Chairman-CEO of JKH, Group Finance Director, Group Financial Controller, Head of Group Business Process Review and External Auditors.*
- *GOC acts as the glue binding the various businesses within the Group towards identifying and extracting Group synergies.*

Corporate Governance

3. Regulatory Framework – regulatory structure within which the Group operates towards conforming to established governance related laws, regulations and best practices.

Internal Governance Structure

Introduction

The Internal Governance Structure encompasses two main pillars as illustrated in the corporate governance framework diagram.

1. Board of Directors and Senior Management Committees

   Executive authority is devolved and delegated through a committee structure ensuring that the Chairman-CEO, Presidents, Sector/Functional Heads and Profit Centre/Function Managers, are accountable for the total Group, industry/function groups, the sectors/functions and the business units/sub-functions respectively.

   Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency, healthy debate, freedom of decision making and expediency.

2. Integrated governance systems and procedures

   Promote good governance within the wider context of achieving sustainable success which is beyond mere conformance with the regulations.

The Chairmanship / Membership of Board Sub-Committees – 2012/13

	Year of Appointment to the Board	Chairmanship			Membership		
		Audit Committee	Human Resources and Compensation Committee	Nomination Committee	Audit Committee	Human Resources and Compensation Committee	Nomination Committee
Executive							
S Ratnayake - Chairman-CEO	1992/93						√
A Gunewardene - Deputy Chairman	1992/93						
R Peiris - Group Finance Director	2003/04						
Senior Independent Non-Executive							
F Amerasinghe	1999/00		√		√		
Independent Non-Executive							
I Coomaraswamy	2010/11				√	√	
T Das	2000/01			√			
S Enderby *	2005/06				√		√
R Gunasekara	2011/12	√				√	
A Omar **	2012/13						
S Tiruchelvam	2006/07					√	√

** Resigned with effect from 8th March 2013*
*** Appointed with effect from 1st March 2013*

Board of Directors and Senior Management Committees

Board of Directors and Board Sub-Committees

The Board of Directors, along with the Chairman, is the apex body responsible and accountable for the stewardship function of the Group. The Directors are collectively responsible for upholding and ensuring the highest standards of corporate governance and inculcating ethics and integrity across the Group.

The Board has delegated some of its functions to Board Committees, while retaining final decision rights pertaining to matters under the purview of these committees.

Accordingly, certain functions of the Board are delegated through the Board Committees, enabling the committee members to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The Company has 3 Board sub-committees.

1. Audit Committee
2. Human Resources and Compensation Committee
3. Nominations Committee

Board responsibilities

Notwithstanding the functioning of the Board Committees, the Board of Directors is collectively responsible for the decisions and actions taken by these Board sub-committees.

The John Keells Group Corporate Governance Framework expects the Board of Directors to:

- Ensure that no one person has unfettered powers of decision making.
- Recognise that the methods employed to achieve goals are as important as the goals themselves.
- Maintain strong governance practices which facilitate commercial advantages, especially through a lowering of cost of capital.
- Strengthen stakeholder confidence, particularly investors, both institutional and individual as well as the banks.

- Make business decisions and resource allocations, in an efficient and timely manner, within the sustainability framework of the John Keells Group whilst ensuring transparent and ethical dealings which are in compliance with the laws of the country and the standards of governance expected by the stakeholders.
- Encourage proactive discussions with the relevant regulatory bodies to facilitate the implementation of matters pertaining to governance and related business reforms in Sri Lanka and other jurisdictions where the Group has major business interests.
- Opt, when practical, for early adoption of best practices.

Non-Executive/Independent Directors and the Board balance

Collectively, the Non-Executive Directors (NEDs) bring a wealth of experience and add value through their knowledge, arising from domestic and/or international experience, and specialised functional know-how, ensuring adequate Board diversity in accordance with the principles of Corporate Governance. In order to avoid potential conflicts or bias, the Independent Directors adhere to best practices as illustrated below in addition to making a general disclosure of interests every year and also changes thereto.

Prior to Appointment

Nominees are requested to make known their various interests that could potentially be in conflict with the interests of the Company.

Once Appointed

Directors obtain Board clearance prior to:

- Accepting a new position.
- Engaging in any transaction that could create a potential conflict of interest.

All NEDs notify the Chairman - CEO of any changes to their current Board representations or interests.

During Board Meetings

Directors who have an interest in a matter under discussion:

- Excuse themselves from deliberations on the subject matter.
- Abstain from voting on the subject matter (abstentions, where applicable, from decisions, are duly minuted).

Report of the Senior Independent Director (SID)

The date of the first appointment of all the independent directors were under 9 years, with the exception of Messrs Amerasinghe and Das. In keeping with the requirements of regulators, the Board, after due consideration, recommended that the said two Directors be still considered Independent and be capable of acting independently and without bias, as members of the Board.

The Independent Directors decided that in order to facilitate their work, and specifically to enable a frank discussion on issues of specific concern to the Non-Executive Directors, that a quarterly meeting was appropriate. These meetings usually preceded the quarterly Board meetings and generated the interest anticipated. After each meeting, the Independent Directors had a wrap up meeting with the Chairman/CEO-JKH PLC and apprised him of any concerns or suggestions. The Independent Directors also showed that they were actively following the work of internal management committees whose minutes are circulated to the whole Board. The system ensures that there is great transparency and interaction between the Executives and the Non-Executive members of the Board.

The Ombudsperson has reported to me that there have been no issues which showed any mismanagement, unfair treatment or justified discontent on the part of any employee or ex-employee.

The Independent Directors would like to thank members of the Management Committees for their co-operation and particularly the members of the GEC and Executive Directors for their openness and co-operation.

Franklyn Amerasinghe
Senior Independent Director

28 May 2013

Corporate Governance

Chairman-CEO

The Group's Chairman also plays the role of the Chief Executive Officer, combining the two roles to achieve optimum results. The Chairman-CEO had structured direct discussions with the Non-Executive Directors during the year, subsequent to meetings convened by the SID with the NEDs. Issues arising from these discussions have been actioned in consultation with the persons concerned. The Board has, subject to pre-defined limits, delegated its executive authority to the Chairman-CEO who exercises this authority through the Group Executive Committee (GEC), which he heads and to which he provides leadership and direction.

Given the fact that the two roles are combined, duties performed by the Chairman-CEO are twofold as illustrated below;

Chairman's Role

- Leads the Board for its effectiveness
- Sets the tone for the governance and ethical framework
- Ensures that constructive working relations are maintained between the Executive and Non-Executive members of the Board
- Ensures with the assistance of the Board Secretary that;
  - Board procedures are followed
  - Information is disseminated in a timely manner to the Board

Chairman-CEO

Chief Executive Officer's Role

- Executes strategies and policies of the Board
- Guides and supervises Executive Directors towards striking a balance between their Board and Executive responsibilities
- Ensures that the operating model of the Group is aligned to the short term and long term strategies pursued by the Group
- Ensures that succession at the very senior level is planned

Appropriateness of combining the roles of Chairman and CEO

The appropriateness of combining the roles of Chairman-CEO was established after rigorous evaluation and debate internally and externally. The appropriateness continues to be discussed periodically, and in the minimum, once a year. On the basis of these discussions and the findings that emerged from a review by the Boston Consulting Group, the Board deems that combining the two roles is more appropriate for the Group at present, in meeting stakeholder objectives, being a large conglomerate operating in a dynamic business environment. As the head of the Group Executive Committee (GEC), the Chairman-CEO provides the overall direction and policy / execution framework for the Board's decisions via this structure. Experience has proved that this structure has enabled him to effectively balance his role as the Chairman of the Board and the CEO of the Company/Group.

Group Executive Committee (GEC)

The Group Executive Committee is the overlay structure that implements, under the leadership and direction of the Chairman-CEO, the policies and strategies determined by the Board, manages, through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of capital, technical and human resources.

Composition

As at 31st March 2013, the 9 member GEC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director and the Presidents of each business/function.

Key responsibilities

- Having responsibility for the performance of their respective businesses/verticals/functions
- Recommending to the Board new business opportunities
- Assisting the Chairman-CEO in succession planning and appointment of Presidents, Sector Heads, Functional Heads and other Senior Managers,
- Career management of senior executives (Assistant Vice President and above)

Enablers of the JKH Operating model

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. Towards this end, GEC members, particularly the Presidents, not only play a mentoring role, but are totally accountable for the business units and functions under their purview. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.

Succession planning by the GEC

The GEC oversees the succession planning process which is well tested and a pool of potential successors for key positions are identified and earmarked proactively for specific training and development as is necessary.

Group Operating Committee (GOC)

The GOC provides a platform to share learning on issues across industry groups, sectors, business units and functions. It is also the forum to discuss Group strategy, Group initiatives and Group best practices. The main purpose of this committee is to act as a glue, that binds the various businesses within the Group towards identifying and extracting Group synergies. The GOC also acts as a communication channel in disseminating Group level information to the sectors / business units.

Composition

As at 31st March 2013, the 22 member GOC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director, the Presidents and the Executive Vice Presidents.

Group Management Committee / Sector Committees / Management Committees

These committees operate under the oversight of the GEC and are dedicated and focused towards designing, implementing and monitoring the best practices in their respective industry groups, sectors, functions, strategic business units or even at departmental level where appropriate and material.

Key objective

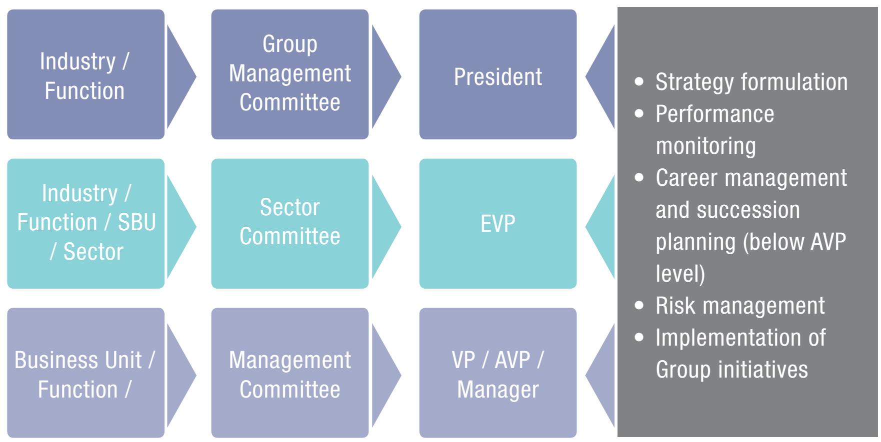
The underlying intention of forming these committees is to encourage the respective business units to take responsibility and accountability to the lowest possible level, via suitably structured committees and teams in a management by objectives setting.

Scope

The agendas of these committees are carefully structured to avoid duplication of effort and ensure that discussions and debate are complementary both in terms of a bottom-up and top-down flow of accountabilities and information. Illustrated is the structure of the three committees, where the responsibility and accountability of the effective functioning of these committees is vested upon the GEC, the Sector / Functional heads and the Profit Centre / Function Managers as applicable.

At the GMC level and above, the focus is more aligned to headline financial and non-financial indicators, strategic priorities, and risk management, the use of IT as a tool of competitive advantage, new business development, continuous process improvements and management of the human resources.

Responsibility for monitoring and achieving plans as well as ensuring compliance with Group policies and guidelines rests with the Presidents, Sector Heads, and the Chief Executive Officers of each Group company and heads of functions at the corporate centre, at the business unit and function levels.

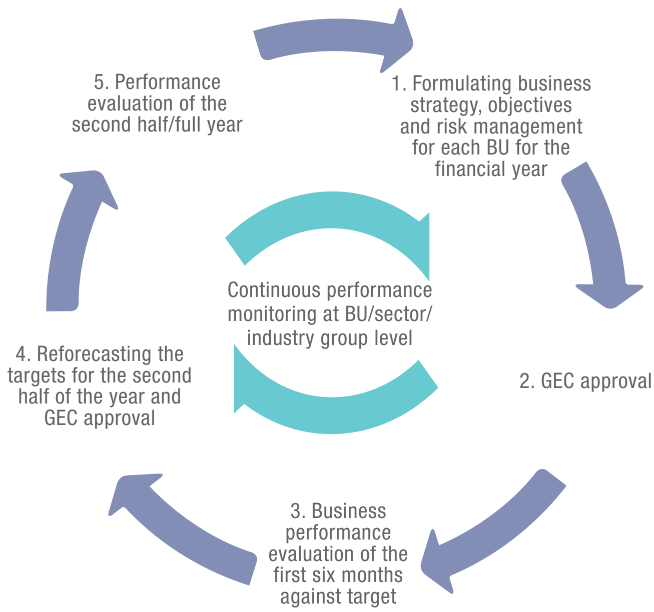


Integrated governance systems and procedures

Corporate Governance

Strategy formulation and decision making process

Strategy formulation and evaluation cycle



Step 1

Businesses of each industry group carry out a detailed analysis on the following aspects when formulating strategies for the financial year;

- customer and stakeholder needs and the expectations of the society as a whole
- organisation's capabilities to generate the required products and services
- opportunities and threats that arise from competitive environments
- risks associated within the operating landscape

Formulated strategies are presented to the GEC by the respective business units for approval and the approved strategies are then translated into financials where the annual plans, key performance indicators (KPI) and targets for each business unit are set.

Step 2

The GEC approves the strategies and plans after having evaluated the industry landscapes in which the businesses operate and the competencies possessed by the businesses. The GEC also ensures that the business units are equipped with the structures and resources required to achieve optimum results and also facilitates the achievement of Group synergies.

Step 3

Upon the completion of the first half of the financial year, the GEC evaluates the performance of the businesses against the plan with deviations being noted along with the identification of corrective action.

Step 4

A reforecast of the annual plan for the second half of the financial year is presented to the GEC for approval, having taken into consideration changes taking place at both macro and micro levels.

Step 5

Business performance during the second half of the financial year as well as the full financial year is evaluated against the reforecast plans and targets at the end of the financial year.

In addition to the periodic performance review by the GEC, frequent and detailed performance evaluations take place at regular intervals at business unit / sector / industry group levels. The outcome of such performance evaluations are a key determinant in awarding short term incentives to employees.

Project appraisal and decision making process

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

In this manner;

- several views, opinions and advice are obtained prior to making an investment decision
- a holistic view is taken on the commercial viability and potential of any project including operational, financial, funding, risk and tax implications
- all investment decisions are made through a committee structure where no single individual has unfettered decision making powers over investment decisions.

NO SINGLE individual has unfettered decision making powers

The Group's project appraisal and execution process flow is depicted below:

Project Origination → Feasibility Study → Review by the GEC → Due Diligence → Board/GEC Approval

Project origination - The project could originate within the Group from an operating committee such as the GEC, GOC, GMC or it could stem from a particular business unit, the Group's New Business Development division (NBD) or Corporate Finance (CF) functions. Alternatively, projects could also originate from external sources such as a public advertisement, Request for Proposal (RFP) or a call for an Expressions of Interest which could trigger a new investment opportunity.

Additionally, when and where required, special multi-disciplinary teams / committees / task forces are formed based on requirements / issues arising unexpectedly to manage the issues at hand more effectively. These teams mostly comprise of young, talented employees who work under the leadership of a much senior employee who carries substantial industry experience. Being part of these teams also provide valuable training and development experience to the members.

"Project teams mostly comprise of young, talented employees who work under the leadership of a much senior employee who carries substantial industry experience."

Feasibility study - If there is an interest in principle, the President under whom the project falls or a GEC appointed committee will engage the CF or NBD functions to work with other relevant persons in the Group in preparing a detailed feasibility report covering key business considerations within the framework of sustainability.

Review by the GEC - Following discussion at a GMC, where applicable, the feasibility report is then discussed by the GEC and, if found to meet the Group's strategic and financial objectives as well as fulfilling the criteria of the four filters of portfolio management as defined by the Group (refer Portfolio Movement and Evaluation section), will be forwarded to the Board (if the investment is beyond the authority limits of the GEC) for approval in principle to proceed to detailed due diligence and negotiation stage.

Due diligence - Once approval in principle is obtained, a multi-disciplined project team will proceed to the next phase of investigation which would focus on detailed operational, commercial, financial and legal due diligence. Discussions will also commence with regulatory and licensing authorities, financial institutions and possible partners as being relevant and deemed necessary. Social and environmental impacts will also be considered in ensuring the sustainability of the business and the communities impacted by it.

Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and public land. In the case of public land, every step would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained.

Where the project is part of a privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interest, request for proposals, pre-bid meetings and official approvals and correspondence.

Final approval by the Board / GEC - Subject to the project satisfying all the criteria as highlighted above, the final approval to proceed will be given by the Board. However, to ensure speedy decision making, the GEC is empowered to approve such proposals in terms of the decision rights with the Board being kept informed.

Unbiased decision making - Each Director / GEC member has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests in material matters and personal relationships which may influence his judgment. Such potential conflicts are reviewed by the Board / GEC from time to time.

EVERY step is taken to ensure compliance with the rules and regulations

Corporate Governance

People and talent management

The John Keells Group believes that shareholders' long term interests are well served by involving employees actively in safeguarding the Group corporate governance framework, where the employees are encouraged and empowered to positively contribute towards upholding the principles of Corporate Governance.

In this context, the Group engages employees at various levels in the internal governance structure. Policies, processes and systems have been put in place to ensure effective recruitment, development and retention of employees as the Group is committed to hiring and developing individuals who possess the required competencies.

Moreover, the Group provides a safe, secure and conducive environment for its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race or religion or other and promotes workplaces which are free from physical, verbal or sexual harassment, all of which compliment effective corporate governance.

Employee involvement and empowerment

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights are defined for each level in order to instill a sense of ownership, reduce bureaucracy and speed-up the decision making process.
- A bottom-up approach is taken in the preparation of annual and five year plans and the Group also ensures employee involvement and empowerment in the process. (Businesses that may not have a five year plan will however have a resource allocation plan).
- Employee relations are designed to enable, and facilitate, high accessibility by all employees to every level of management.

Employee performance governance

Employee performance governance practices at the John Keells Group are instrumental in attracting and retaining the employees of the correct caliber who can effectively contribute to the achievement of organisational objectives.

JKH Group's employee performance governance framework is illustrated below;

JKH Group compensation policy

Performance Management

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

Satisfaction

"More than just a workplace"
Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction

Compensation Policy

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

Internal Equity

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

External Equity

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

Pay for performance

At JKH, the employees are rewarded with a performance based scheme that is determined as follows:

Manager and above levels – given the relatively higher level of decision making authority, the performance is measured annually on well-defined individual as well as organisational objectives and metrics which reflect, and are positively correlated to, the Company's objectives, thereby aligning employee, management and stakeholder interests.

Assistant Manager and Executive level – measured only by the individual performance rating as it is difficult for these individuals to directly influence the performance of their respective business units.

Equity sharing

Share options have been offered to employees at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels. Such options are offered at the volume weighted market prices prevailing on the date of the offer.

As per the historical data, the financial benefit of the long term incentive scheme (ESOP) had been far greater than that of short term incentives and these long term incentives are instrumental in inculcating a sense of ownership in the JKH Group amongst the employees. The Group has proposed a new ESOP scheme, for shareholder approval as at the date of this Report, to further improve alignment with the businesses represented by the employee receiving the grant via the introduction of a performance condition based on the employee's achievement against pre-defined targets.

The equity sharing scheme at JKH has primarily paved the way for:

- Improved employee commitment and buy-in to management goals
- Alignment of interest between employees and shareholders
- Emergence of a more transparent governance mechanism

"The Group provides a safe, secure and conducive environment for its employees."

With effect from 1st January 2012 due to the adoption of SLFRSs/LKASs the cost of ESOPs need to be charged. There was no ESOP award in the current financial year.

Stakeholder management

The JKH Board views effective stakeholder management as a vital aspect in safeguarding the John Keells Group's corporate governance philosophy.

Employee relations

HR units are designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation is also maintained relating to work-related issues as well as matters pertaining to general interest that could affect employees and their families. The Group follows open-door policies for its employees and key stakeholders and this is promoted at all levels of the Group.

Dialogue with shareholders

The Company has a well-developed investor relations programme to address the information needs of investment institutions and analysts regarding the Company, its strategy, performance and competitive position. Additionaly the Group has opened up several channels to ensure sound communication with the shareholders.

Other stakeholders: Corporate social responsibility and sustainability

The Group recognises that it exists not only to maximise long term shareholder value but also to look after the rights and appropriate claims of many non-shareholder groups such as employees, consumers, clients, suppliers, lenders, environmentalists, host communities and governments.

The John Keells Foundation, the vehicle used by the Group in developing and implementing the Group's involvement in "the community" has geared itself to ensure that the social programmes of the Group are consistent with the principles of sustainable development.

This Integrated Report, combines the financial and sustainability reporting framework and achieved the "application level check" of B+ of the GRI requirements in line with GRI-G3 guidelines for the current financial year ending 31st March 2013.

Effective and transparent communication

Employee communication

The Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness.

The importance of communication - top-down, bottom-up, and lateral communication in gaining employee commitment to organisational goals and values has been conveyed extensively and intensively through various communiqués issued by the Chairman-CEO and the management.

Whilst employees have many opportunities to interact with senior management, the Group has also created formal channels for such communication through feedback as described below:

- **Skip level meetings** - Employees at Assistant Manager and all levels above can discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment.
- **360 degree evaluation** - opinion is obtained in the form of a 360 degree evaluation for employees at Manager and AVP and above levels.
- **Online Forum** - used as a means of knowledge sharing and gathering new suggestions for new business opportunities and improvements.

Corporate Governance

- **Direct email address to the Chairman -** enables employees to bring to the Chairman's notice any transgression of Group values when other established avenues have not yet yielded results.
- **Exit interviews -** mandated for all Executive and above level where all such reports are forwarded to the respective President and EVP for their comments which are subsequently discussed by GEC.
- **Young forum -** comprise of groups of young ladies and gentlemen at various levels within the Group that meet with the Executive Directors once every 2 months. This is an effective means of encouraging two way communication. The concept has now been further broad-based with each industry group/ sector having its own "young forums".
- **Voice of Employee survey -** Annual employee satisfaction survey being a dip stick survey.
- **Sri Lanka's Best Companies to Work For 2013 Study -** A study by Great Place to Work Initiative in partnership with LMD has selected the John Keells Group as one of the top 15 companies to work for in Sri Lanka for the year 2013. It was evident from the feedback that JKH employees trust the people they work for, have pride in what they do and enjoy the company of the people they work with.
- **Corporate communications -** The primary goal of corporate communications is to enhance and safeguard the "John Keells" corporate brand. Accordingly, it engages in activities to build the brand amongst both current and prospective employees in addition to creating awareness amongst the general public at large. Communiqués of the corporate communications team take the form of periodic news bulletins via the intranet, the group website and the Newsletter, amongst others.

Investor communication

The Investor Relations team of the Group is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties, towards developing an effective investor communication channel. The Investor Relations unit of JKH is responsible for;

- staying visible and building relationships
- focusing on the long-term view and strength of the Group's financial position
- responding to queries and clarifying on concerns of investors
- coordinating media relations and investor communications

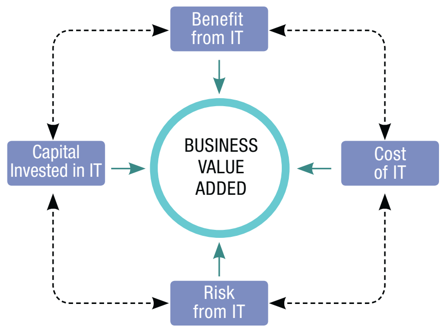
In addition to the above tasks, the Deputy Chairman and the Head of Investor Relations conduct regular road shows to existing and potential investors across the Asia Pacific, Europe and the USA and the matters discussed, and issues raised at these meetings are brought to the attention of the GEC and/or to the Board, as appropriate, and addressed.

The Senior Independent Director is also available to meet and/or discuss with shareholders regarding any concerns/conflicts that arise during the course of the financial year.

Information technology (IT) governance

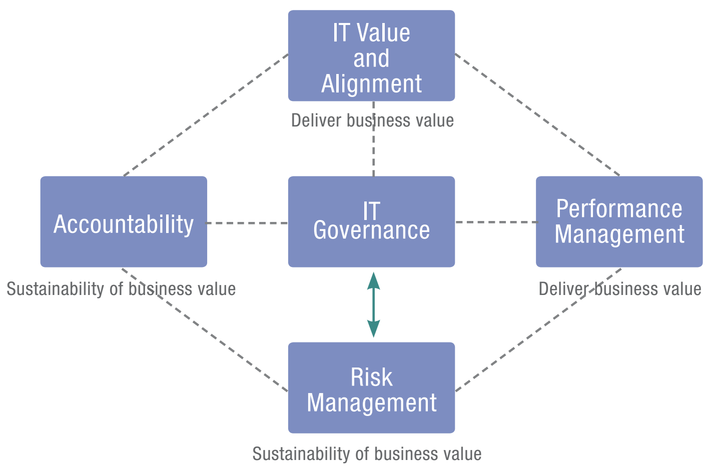
The JKH Group believes that "information technology" (IT) is a strategic asset and as such it needs to be managed to leverage competitive business benefits for the Group. To achieve the same, the information technology Governance within the JKH Group is built upon the following set of primary objectives:

- Leveraging IT as a strategic asset
- Creating an "agile IT governance model"
- Creating better alignment between business and IT
- Creating greater business value with the investments in IT
- Creating a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best practices in line with world-class organisations

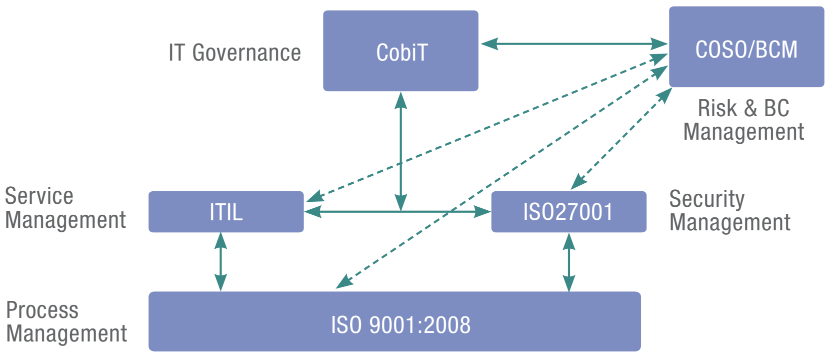


The basic philosophy of the IT governance is based on business value creation vis-à-vis capital, benefit, cost and risk.

The IT governance is based on the model depicted below in aligning IT value, accountability and performance; and risk management across the Group through well-defined governance structures, procedures, policies.



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



Based on the IT governance framework the Group IT strategy map is drawn as detailed below,

Drivers and Objectives	Architectural Views	Products and Results
▪ IT and business alignment	Contextual Business Model - Why?	▪ IT strategy ▪ Services catalogue ▪ IT blue print
▪ Business requirements ▪ Organisational consideration	Contextual Process Model - What?	▪ Change management ▪ TCO and business case
▪ Benefit / risk identification ▪ Partnership and collaboration	Logical System Model - How?	▪ Trade-offs and alternatives ▪ Priority refinement
▪ System requirements ▪ Standards and constraints	Component Model -With What?	▪ Solution enablement
▪ Governance ▪ Best practices	Operational Lifecycle Management	▪ Advocacy ▪ Congruent methodologies
Continuous Improvements		

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

Integrated Risk Management

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

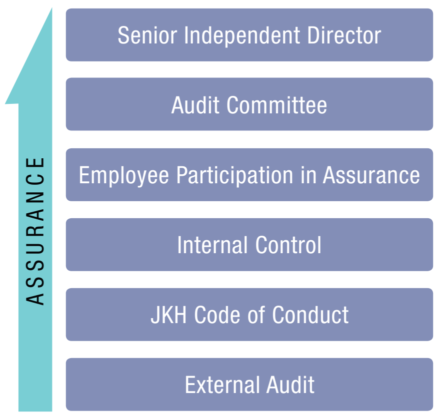
The steps taken towards promoting the Group's integrated risk management process are;

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

The detailed Risk Management report of the Annual Report describes the process of risk management as adopted by the Group and the identified key risks to the achievement of the Group's strategic business objectives. Further details on the risk management hierarchy can be found in the Sustainability Integration section of this Report.

Assurance

The "Assurance" element is the supervisory module of the Group corporate governance framework, where a range of assurance mechanisms such as monitoring and benchmarking are used, with effectiveness tests carried out, and corrective actions being proposed and implemented.



Senior Independent Director

Considering the combined role of the Chairman-CEO, the presence of the Senior Independent Director is important to ensure the adherence to corporate governance principles, and that governance within the Board is preserved as stakeholders have an independent party to voice their concerns on a confidential note.

Corporate Governance

The Senior Independent Director meets with other Non-Executive Directors, without the presence of the Chairman-CEO on an annual basis to evaluate the effectiveness of the Chairman-CEO or the Board as appropriate.

Audit Committee

Refer Audit Committee section.

Employee participation in Assurance

Whistleblower policy

The employees can report to the Chairman through a communication link named "Chairman Direct", on any concerns about unethical behavior and any violation of Group values. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a select committee under the direction of the Chairman.

Ombudsperson

The Ombudsperson entertains complaints from an individual employee or a group of employees of alleged violations of the published "Code of Conduct" if the complainant feels that the alleged violation has not been addressed satisfactorily.

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

The Chairman-CEO or the Senior Independent Director, as the case may be, will place before the Board;

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

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

> *"The Audit Committees also assess the effectiveness of the risk review process and systems of internal control on a regular basis."*

Securities trading policy

The Group's securities trading policy prohibits all employees and agents engaged by JKH who are aware of unpublished price sensitive information from trading in JKH shares or the shares of other companies in which the Group has a business interest.

The Board, GEC, GOC as well as certain identified employees in senior executive roles who are privy to JKH's results, in part or in full, prior to their availability to the public, are prohibited from trading during periods leading up to the release of quarterly and annual results, new investments, particularly mergers and acquisitions, announcements of scrip issues and dividend payments.

The Group adopts a zero tolerance policy against employees who are found to be violating this policy.

Monitoring of financial data

The actual financial performance is compared against the original plan on a monthly basis and a reforecast is done where necessary at Group Management Committee, Sector Committee, Management Committee and Departmental Committee levels.

The Presidents and Executive Vice Presidents, the CEOs of business units and managers of functions are able to view online, the information relevant to their areas of responsibility. The Chairman-CEO and the GEC are able to view key financial information for all Group companies on a real time basis via the Group ERP system.

Internal Control

Internal compliance

A quarterly self-certification programme requires the Presidents of the industry groups, Sector Heads and the Chief Financial Officers of industry groups or the heads of finance of sectors to confirm compliance with financial standards and regulations.

The Presidents of the industry groups, sector heads and the CEOs of business units are required to confirm operational compliance with statutory and other regulations and key control procedures, and also identify any significant deviations from the expected norms.

System of internal control

The Board has, through the involvement of the Group Business Process Review function, taken steps to obtain assurance that systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations.

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

JKH Code of Conduct

The objectives of the Code of Conduct are further affirmed by a strong set of corporate values which are well institutionalised at all levels within the Group and linked to the reward and recognition schemes.

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

JKH Code of Conduct

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

External Audit

Ernst & Young are the external auditors of the Holding Company as well as many of the Group companies. They also audit the consolidated financial statements. The individual Group companies also employ KPMG Ford, Rhodes, Thornton & Co, Pricewaterhouse Coopers, Deloitte and Touché, India and Luthra and Luthra, India.

The audits have been distributed in a manner that gives adequate coverage to the Group auditor. In addition to the normal audit services, Ernst & Young and the other external auditors, also provided certain non-audit services to the Group. However, the lead/ consolidator auditor would not engage in any services which are in the restricted category as defined by the CSE for external auditors. All such services have been provided with the full knowledge of the respective Audit Committees and are assessed to ensure that external auditor independence is not compromised.

The Board has agreed that, such non-audit services should not exceed the value of the total audit fees charged by the subject auditor within the relevant geographic territory. The external auditors also provide a certificate of independence on an annual basis.

The audit and non-audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

Regulatory Framework

Compliance

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

The Board of Directors has also taken all reasonable steps in ensuring that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Colombo Stock Exchange and other applicable authorities.

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

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

This Report has been prepared as per the rules and regulations stipulated by the Corporate Governance Listing Rules published by the Colombo Stock Exchange (revised in 2013) and also by the Companies Act No. 07 of 2007.

The Group has also given due consideration and adhered to the Code of Best Practice on Corporate Governance Reporting guidelines jointly set out by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission in preparation of this Corporate Governance Report, and where necessary, deviations have been explained as provided within the rules and regulations.

Outlook

Whilst JKH acknowledges the importance of compliance and conformance, it will place equal, or even greater, importance in maintaining a governance/operating model which contributes to meeting and/or exceeding performance expectations. It is in this light that, we will continuously create operating structures which are agile and flexible in aligning the Group to the constantly changing needs of the dynamic local, and global, environment.

As has been described in this section, our performance orientation is reflected in our Operating Model with special emphasis on areas such as formulation of strategy, regular review, empowerment of employees, attraction of the right skills, retention of talent, risk management and project appraisal, approval and implementation, just to name a few.

Going forward, this performance orientation will be founded on a base of Sustainable Development. The Sustainability Performance Highlights as described in page 49 evidence the importance attached by the Group in this regard.

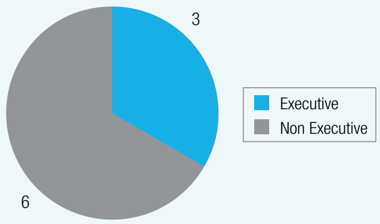
As was indicated in the Annual Report of 2011/12, we believe that there will emerge a new type of corporate information and control architecture in the form of more specialised Board Groups and Advisory Stakeholder Councils comprising of employees, lead customers, suppliers and various others. Our ever evolving governance structures will recognise, and incorporate, these emerging trends in our efforts to attract resources at the best prices.

JKH will continue to conduct its affairs, under a Stakeholder Model and in a spirit of Sustainable Development, with integrity, transparency, fairness and efficiency.

Corporate Governance

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

(Implemented on 1st April 2009 and includes amendments to date)

CSE Rule		Compliance Status	JKH Action
7.10	**Compliance**		
a./b./c.	Compliance with Corporate Governance Rules	✓	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1	**Non-Executive Directors (NED)**		
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	✓	6 out of the 9 Board members are NEDs. The JKH Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time, in line with needs. 
7.10.2	**Independent Directors**		
a.	2 or 1/3 of NEDs, whichever is higher shall be "independent"	✓	All Non-Executive Directors are Independent.
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	✓	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 6 Independent Non-Executive members have submitted signed confirmation of their independence.
7.10.3	**Disclosures relating to Directors**		
a./b.	Board shall annually determine the independence or otherwise of NEDs	✓	All Independent Non-Executive Directors have submitted declarations as to their independence.
c.	A brief resume of each Director should be included in the annual report including the directors' experience	✓	Refer Board of Directors section.
d.	Provide a resume of new Directors appointed to the Board along with details	✓	Detailed resume of the new Independent Non-Executive Director appointed during the financial year was submitted to the Colombo Stock Exchange.
7.10.4	**Criteria for defining independence**		
a. to h.	Requirements for meeting the criteria to be an Independent Director	✓	Refer Summary of Directors' interest.
7.10.5	**Remuneration Committee**		
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	✓	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent Non-Executive Directors.
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the board of directors	✓	The Senior Independent Non-Executive Director is the Chairman of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	✓	The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee.

CSE Rule		Compliance Status	JKH Action
c.1	Names of Remuneration Committee members	✓	Refer Board Committees.
c.2	Statement of Remuneration policy	✓	Refer Human Resources and Compensation Committee Report.
c.3	Aggregate remuneration paid to EDs and NEDs	✓	Aggregate remuneration; EDs – Rs.142.8 million NEDs – Rs.14.7 million
7.10.6	Audit Committee		
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	✓	The Audit Committee comprises only of Independent Non-Executive Directors.
a.2	A NED shall be the Chairman of the committee	✓	Chairman of the Audit Committee is an Independent Non-Executive Director.
a.3	CEO and CFO should attend AC meetings	✓	The Chairman-Chief Executive Officer, the Group Finance Director, the Group Financial Controller and the External Auditors attended most parts of the Audit Committee meetings by invitation.
a.4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body	✓	The Chairman of the Audit Committee is a member of a professional accounting body.
b.	Functions of the Audit Committee shall include;		
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	✓	The Audit Committee assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations	✓	The Audit Committee has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies
b.3	Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLFRS/LKAS	✓	The Audit Committee assesses the role and the effectiveness of the Group Business Process Review Division which is largely responsible for internal control and risk management
b.4	Assessment of the independence and performance of the Entity's external auditors	✓	The Audit Committee assesses the external auditors' performance, qualifications and independence
b.5	Make recommendations to the board pertaining to external auditors	✓	The Committee is responsible for appointment, re-appointment, removal of external auditors and also the approval of the remuneration and terms of engagement
c.1	Names of the Audit Committee members shall be disclosed	✓	Refer Board Committees
c.2	Audit Committee shall make a determination of the independence of the external auditors	✓	Refer Report of the Audit Committee
c.3	Report on the manner in which Audit Committee carried out its functions.	✓	Refer Report of the Audit Committee

Corporate Governance

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

(Issued on 1st July 2008)

A. Directors

Rule		Compliance Status	JKH Action
A.1	**The Board**		
A.1	Company to be headed by an effective Board to direct and control the company	✓	The JKH Group is headed by an effective Board of Directors who are responsible and accountable for the stewardship function of the Group.
A.1.1	Regular Board meetings	✓	The Board of JKH meets at least once a quarter.
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions	✓	Powers specifically vested in the Board to execute their responsibility include; • Providing direction and guidance to the Company in the formulation of its strategies, with emphasis on the medium and long term, in the pursuance of its operational and financial goals. • Reviewing and approving annual budget plans. • Reviewing HR processes with emphasis on top management succession planning. • Appointing and reviewing the performance of the Chairman-CEO. • Monitoring systems of governance and compliance. • Overseeing systems of internal control and risk management. • Determining any changes to the discretions/authorities delegated from the Board to the executive levels. • Reviewing and approving major acquisitions, disposals and capital expenditure. • Approving any amendments to constitutional documents. • Approving of the JKH equity/debt securities.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	✓	The Board seeks independent professional advice when deemed necessary. During the year under review, professional advice was sought on various matters, including the following: • Impacts on JKH's business operations as a result of the current and future economic, geo-political shifts. • Employee satisfaction survey and participation in employee compensation and benefit surveys done to ensure that JKH is "More than just a work place". • Legal, tax and accounting aspects, particularly where independent external advice was deemed necessary in ensuring the integrity of the subject decision. • Market surveys, architectural and engineering advisory services as necessary for business operations. • Actuarial valuation of retirement benefits and valuation of property including that of investment property. • Information technology consultancy services pertaining to version upgrades of the Group-wide enterprise resource planning system. • Specific technical know-how and domain knowledge required for identified project feasibilities and evaluations.
A.1.4	Access to advice and services of the Company Secretary	✓	To ensure robust deliberation and optimum decision making, the Directors have access to the services of the company secretaries whose appointment and/or removal is the responsibility of the Board.

Rule		Compliance Status	JKH Action
A.1.5	Bring independent judgment on various business issues and standards of business conduct	✓	Collectively, the Non-Executive Directors bring a wealth of value adding knowledge, ranging from domestic and international experience to functional know-how, thus ensuring adequate Board diversity in accordance with principles of corporate governance. Furthermore, every member of the Board brings independent judgment on various business issues.
A.1.6	Dedication of adequate time and effort	✓	Allowing for Non-Executive Director involvement in various Board Committees and time spent by them in considering various matters that require discussion and decision in between the formal Board meetings, the Company estimates that Non-Executive Directors devote approximately a minimum of 30 full time equivalent days each, to the Group during the year, with more than 15 per cent of the time devoted for strategy formulation.
A.1.7	Board induction and training	✓	In instances where Non-Executive Directors are newly appointed to the Board, they are apprised of the: • Values and culture. • Operations of the Group and its strategies. • Operating model. • Policies, governance framework and processes. • Responsibilities as a Director in terms of prevailing legislation. • The Code of Conduct demanded by the Company. • Brief on important developments in the business activities of the Group.
A.2	Chairman and Chief Executive Officer		
A.2.1	Justification for combining the roles of the Chairman and the CEO	✓	The appropriateness of combining the roles of the Chairman-CEO was established after rigorous evaluation and debate both internally and externally. The appropriateness continues to be discussed periodically, and in the minimum, once a year. Refer Chairman-CEO section for more details
A.3	Chairman's role		
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner	✓	The Chairman is instrumental in: • Leading the Board for its effectiveness. • Setting the tone for the governance and ethical framework. • Ensuring that constructive working relations are maintained between the Executive and Non-Executive members of the Board. • Ensuring with the assistance of the Board Secretary that Board procedures are followed and information is disseminated in a timely manner to the Board.
A.4	Financial acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Two Board members hold memberships in professional accounting bodies. Refer Board Member Profiles for more information.
A.5	Board balance		
A.5.1	In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	✓	As at 31st March 2013, the Board consisted of 9 Directors, with a majority being Non-Executive, Independent Directors. As at the last Annual General Meeting of JKH held on the 29th of June 2012, the Board consisted of 9 Directors out of which 6 were Non-Executive Independent Directors.

Corporate Governance

Rule		Compliance Status	JKH Action
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be "Independent".	N / A	Not applicable as the JKH Board comprises more than two Non-Executive Directors, all of whom are independent.
A.5.3	Definition of Independent Directors	✓	All the Independent Directors of the JKH Board are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.4	Declaration of Independent Directors	✓	Each Non-Executive Director has submitted a signed and dated declaration of his/her independence.
A.5.5	Board determinations on independence or non-independence of Non-Executive Directors.	✓	Refer Summary of Non-Executive / Independent Directors' Interest.
A.5.6	In the event the Chairman and the CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the "Senior Independent Director" (SID)	✓	The Company has appointed a SID. Considering the combined role of the Chairman-CEO, the presence of the Senior Independent Director ensures adherence to corporate governance principles, and that governance within the Board is preserved as stakeholders have an independent party to voice their concerns on a confidential note.
A.5.7	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns	✓	The Senior Independent Director meets with other Non-Executive Directors, without the presence of the Chairman-CEO on an annual basis to evaluate the effectiveness of the Chairman-CEO or the Board as appropriate. Further, in the last year regular meetings of the NEDs have taken place to discuss issues of relevance to them, and which are followed by discussions with the Chairman-CEO, to ensure that there is a quick response to any need expressed by the NEDs.
A.5.8	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present	✓	The Independent Directors continue to have their annual meeting exclusively where they evaluate their performance, that of the Board in general, and identify issues for the future. This is followed by a meeting with the Chairman-CEO and issues brought up have been adequately addressed.
A.5.9	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	✓	All the Board meeting proceedings are comprehensively recorded in the Board Minutes.
A.6	**Supply of information**		
A.6.1	Board should be provided with timely information to enable it to discharge its duties	✓	The Board is provided with; • Information as is necessary to carry out their duties and responsibilities effectively and efficiently. • Information updates from management on topical matters, new regulations and best practices as relevant to the Group's business. • External and internal auditor opinions. • Experts and other external professional services. • The services of the Company secretary. • Periodic performance reports. • Access to senior management under a structured arrangement.
A.6.2	Timely submission of the minutes, agenda and papers required for the board meeting.	✓	Board agendas are dispatched 2 weeks prior to the Board meeting leaving ten clear calendar days for the Directors to read the material.

Rule		Compliance Status	JKH Action
A.7	**Appointments to the Board**		
A.7	Formal and transparent procedure for Board appointments	✓	Board appointments follow a transparent and formal process within the purview of the Nominations Committee.
A.7.1	Nomination Committee to make recommendations on new Board appointments	✓	It is the responsibility of the Nominations Committee to identify and propose suitable candidates for the appointment of Non-Executive Directors to the Board of JKH, to keep with the target board composition and skill requirements. The Nominations Committee also manages the process of appointing the Chairman and Deputy Chairman of the Company.
A.7.2	Assessment of the capability of Board to meet strategic demands of the Company	✓	The emerging needs, combined with the objectives and the strategies set for the future are considered key when identifying skill sets required by potential Board members, especially skills that may not be readily available within Sri Lanka. Based on these requirements the Nominations Committee scans the external environment to identify potential candidates that can add value to the existing Board. Currently the Board members have varying qualifications in economic, environmental and social topics and are involved in many committees and associations that serve the business community as a whole.
A.7.3	Disclosure of new Board member profile and interests	✓	Refer Board Member Profiles and Independent Director's Interests for more information.
A.8	**Re-election**		
A.8/ A.8.1/ A.8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders	✓	• The Executive Directors are appointed and recommended for re-election until their prescribed Company retirement age. • The Non-Executive Directors are appointed for a term of three years, ideally up to a maximum of three terms each, subject to the age limit as per statutory provision at the time of re-appointment following the end of term. • One third of the Directors, except the Chairman-CEO, retire by rotation on the basis prescribed in the articles of the Company. A Director retiring by rotation or a Director who is subject to appointment is eligible for re-election by a shareholder resolution at the AGM. • The resolutions for the AGM to be held on 29th June 2013 cover re-election of: - A Gunewardene, who retires in terms of Article 84 of the Articles of Association of the Company. - I Coomaraswamy, who retires in terms of Article 84 of the Articles of Association of the Company. - A Omar, who retires in terms of Article 91 of the Articles of Association of the Company. - T Das who is over the age of 70 years and who retires in terms of section 210 of the Companies Act No. 7 of 2007.
A.9	**Appraisal of Board performance**		
A.9.1 A.9.2	The Board should annually appraise itself on its performance in the discharge of its key responsibilities The Board should also undertake an annual self-evaluation of its own performance and that of its Committees	✓	The Board continued with its annual Board performance appraisal in 2012/13. This is a formalised process of self-appraisal, whereby each member assesses, on an anonymous basis, the performance of the Board under the areas of; • Role clarity and effective discharge of responsibilities • People mix and structures • Systems and procedures • Quality of participation • Board image

Corporate Governance

Rule		Compliance Status	JKH Action
A.9.3	The Board should state how such performance evaluations have been conducted	✓	The scoring and open comments are collated by the SID, and the results are analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow, including some Directors identifying themselves as the person making the remark, reflects the keenness of the Board.
A.10	**Disclosure of information in respect of Directors**		
A.10.1	Profiles of the Board of Directors Director's interests Board meeting attendance Board Committee memberships	✓	Refer Board profiles section
A.11	**Appraisal of the Chief Executive Officer**		
A.11.1/ A.11.2	Appraisal of the CEO against strategic targets	✓	The Human Resources and Compensation Committee appraises the performance of the Chairman-CEO on the basis of pre-agreed goals for the Group, set in consultation with the Board, covering the following broad aspects.

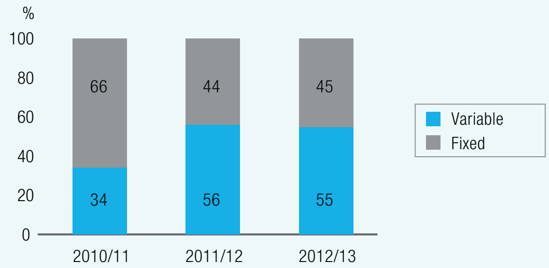
	Group's Performance	
	Against goal	Against peers
Creating and adding shareholder value	○	○
Success in identifying and implementing projects	○	
Sustaining a first class image	○	○
Developing human capital	○	
Promoting collaboration and team spirit	○	
Building sustainable external relations	○	○
Leveraging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

B. Directors Remuneration

Rule		Compliance Status	JKH Action
B.1	**Remuneration procedure**		
B.1.1	The Board of Directors should set up a Remuneration Committee	✓	The Human Resources and Compensation Committee replaced the former Remuneration Committee which was primarily focused on the remuneration policies and practices of the Executive Directors and the CEO / Chairman. The Human Resources and Compensation Committee is entrusted with the following duties and responsibilities: • Review and approval of the overall compensation and benefit policy for the Group. • Review performance, compensation and benefits of the Chief Executive Officer, the other Executive Directors and Key Executives who support, and implement at an apex level the overall business strategy and make recommendations thereon to the Board of Directors. • Review and monitor the performance of the Company's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at Key Executive level. For the purposes of this Report, the terms "compensation" and "remuneration" have been used in reference to cash and non-cash benefits received in consideration of employment (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund contributions), unless otherwise qualified.

Rule		Compliance Status	JKH Action
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors	✓	The Human Resources and Compensation Committee only consists of Non-Executive Directors and is headed by the Senior Independent Director.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	✓	Refer Board Committees
B.1.4	Determination of the remuneration of Non-Executive Directors	✓	Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable companies. NEDs receive a fee for devoting time and expertise for the benefit of the Group in their capacity as Director and additional fees for either chairing or being a member of a committee. NEDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group's share option plans. Non-Executive fees are not time bound or defined by a maximum/minimum of hours committed to the Group per annum, and hence are not subject to additional/lower fees for additional/lesser time devoted.
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors	✓	The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group. At this higher level, the benchmark weightage between individual and organisation performance in establishing compensation is as high as 20:80. The "Cash" compensation element of remuneration comprises of salary, provident fund contributions, short term incentive plans and other non-share based benefits. The Executive Directors, like other eligible employees receive employee share options (ESOPs) based on role responsibility and actual performance. During the financial year, there was no ESOP award. The last ESOP award was made in December 2011. None of the Executive Directors or members of the GEC are involved in influencing or determining their own compensation packages.
B.2	The level and makeup of remuneration		
B.2.1 to B.2.4	Performance related elements in pay structure and alignment to industry practices	✓	The remuneration of Executive Directors has a significant element which is variable. This variability is linked to the peer adjusted consolidated Group bottom line and expected returns on shareholder funds. During the financial year, the Human Resources and Compensation Committee conducted a market survey of Executive Director remuneration with a view to assessing the appropriateness of compensation with market benchmarks. Having taken into account the complexities associated with the Group, it was established that the compensation is in line with the market. Benchmarking exercises of this nature will continue to take place in the future at regular intervals.
B.2.5	Executive share options should not be offered at a discount	✓	No share options were granted during the year. However, in the event of granting share options, such options are granted at the volume weighted average market price on the date of award.

Corporate Governance

Rule		Compliance Status	JKH Action
B.2.6	Designing schemes of performance-related remuneration	✓	The increasing trend of the variable component of compensation paid to Executive Directors over the last 3 years is depicted below. 
B.2.7/ B.2.8	Compensation commitments in the event of early termination of the Directors	✓	None other than for; (1) NEDs; Director fees payable if any, allowing for notice as per contract. (2) EDs; As per their employment contract like any other employee.
B.2.9	Level of remuneration of Non-Executive Directors.	✓	Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable companies. The fees received by NEDs are determined by the Board and reviewed annually.
B.3	Disclosure of remuneration		
B.3/ B.3.1	Disclosure of remuneration policy and aggregate remuneration	✓	In accordance with the guidelines of the Securities and Exchange Commission of Sri Lanka aggregate remuneration paid to Executive and Non-Executive Directors during the financial year 2012/2013 is disclosed as follows; Total Non-Executive Director remuneration (Company) Rs.14.7 million Total Executive Director remuneration (Company) Rs.142.8 million

C. Relations with Shareholders

Shareholders have the opportunity at the JKH AGM, to put forward questions to the Board and to the Chairman-CEO of JKH and the chairmen of the various Board sub-committees to have better familiarity with the Group's business and operational workings.

Rule		Compliance Status	JKH Action
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings		
C.1.1	Counting of proxy votes	✓	Complied
C.1.2	Separate resolution to be proposed for each item	✓	Complied
C.1.3	Heads of Board subcommittees to be available to answer queries	✓	All the Non-Executive Directors who are the heads of Board subcommittees are available to answer queries
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	✓	Notice of the AGM and related documents are sent to shareholders along with the Annual Report within the specified period. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.

Rule		Compliance Status	JKH Action
C.1.5	Summary of procedures governing voting at General meetings to be informed	✓	Complied
C.2	**Major transactions**		
C.2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets	✓	All material and price sensitive information about the Company is promptly communicated to the Colombo Stock Exchange, where the shares of the Company are listed, and released to the employees, press and shareholders. The Group also publishes three months ended, six months ended, nine months ended and twelve months ended interim reports.

D. Accountability and Audit

Rule		Compliance Status	JKH Action
D.1	**Financial reporting**		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	✓	The Board of Directors, in consultation with the Audit Committee, have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements. All price sensitive information has been made known to the Colombo Stock Exchange, shareholders and the press in a timely manner and in keeping with the regulations.
D.1.2	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	✓	Refer Annual Report of the Board of Directors.
D.1.3	Statement of Directors' responsibility	✓	Refer Statement on Directors' Responsibility
D.1.4	Management Discussion and Analysis	✓	Refer Management Discussion and Analysis
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	✓	The Board of Directors, upon the recommendation of the Audit committee, is satisfied that the Company has sufficient resources to continue in operation for the foreseeable future.
D.1.6	Remedial action at Extraordinary General Meeting (EGM) if net assets fall below 50 per cent of value of shareholders' funds.	✓	In the unlikely event that the net assets of the Company fall below a half of shareholders' funds, shareholders would be notified and an extraordinary resolution passed on the proposed way forward.
D.2	**Internal control**		
D.2.1	Annual review of effectiveness of system of internal control and report to shareholders as required.	✓	The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and internal control systems remain effective via the review and monitoring of such systems on a periodic basis.

Corporate Governance

Rule		Compliance Status	JKH Action
D.2.2	Internal Audit function	✓	The internal audit function in Group companies is not outsourced to the external auditor of that company in a further attempt to ensure external auditor independence. The Auditors' report on the financial statements of the Company for the year under review is found in the Financial Information section of the Annual Report. The role of the internal auditor has transformed into a value adding function instead of a mere "policing" function, where audit findings form an integral input in modifying and improving internal processes. Thereby, the Group Business Process Review function is a key contributor in achieving operational excellence and value addition across the diverse businesses among the Group.
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be Independent, whichever is higher. The Chairman of the Committee should be a Non-executive Director, appointed by the Board.	✓	The Chairman and the members of the Audit Committee comprise of Independent Non-Executive Directors only.
D.3.2	Terms of reference, duties and responsibilities	✓	The Audit Committee has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies. The Committee is also responsible for maintaining the relationship with the external auditors and for assessing the role and the effectiveness of the Group Business Process Review division.
D.3.3	The Audit Committee to have written terms of reference covering the salient aspects as stipulated in the section.	✓	The Audit Committee has written terms of reference outlining the scope.
D.3.4	Composition of the Audit Committee, independence of the Auditors	✓	Refer Audit Committee Report.
D.4	Code of Business Conduct and Ethics		
D.4.1	Availability of a Code of Business Conduct and Ethics and an affirmative declaration that the Board of Directors abide by such Code.	✓	The written Code of Conduct, to which all the employees including the Board of Directors are bound by, engrains the desired behaviors of JKH staff at executive and above level, particularly the senior management. This is being constantly and rigorously monitored.
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code.	✓	The Chairman affirms that there have not been any material violations of any of the provisions of the Code of Conduct. In the instances where violations did take place, or were alleged to have taken place, they were investigated and handled through the Company's well established procedures which, among others, include direct and confidential access to an independent, external Ombudsperson.

Rule		Compliance Status	JKH Action
D.5	Corporate governance disclosures		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report	✓	Refer Corporate Governance section.

E. Institutional Investors

Rule		Compliance Status	JKH Action
E.1	Shareholder voting		
E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	✓	The Company has a well-developed investor relations programme to address the information needs of investment institutions and analysts regarding the Company, its strategy, performance and competitive position.
E.2	Evaluation of governance disclosures		
E.2.1	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	✓	The institutional investors are kept informed on any changes to the Group governance structure.

F. Other Investors

Rule		Compliance Status	JKH Action
F.1	Investing divesting decisions		
F.1.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	✓	The Company, through its Investor Relations division maintains an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties. Any concerns raised by a shareholder are addressed promptly at the department level and are forwarded, when necessary, to the GEC for consideration and advice. Analyst reports are circulated among the GEC, as and when available, and its contents debated. The Senior Independent Director is available to meet and / or discuss with shareholders regarding any concerns/conflicts that arise during the course of the financial year.
F.2	Shareholder voting		
F.2.1	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	✓	All steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period. Shareholders exercise their voting rights for the election of new Directors, new long term incentive schemes or any other issue of materiality that requires a shareholder approval.

Corporate Governance

Board committee reports

Report of the Audit Committee

Role of the Committee

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

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

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

Composition of the Committee and meetings

The Audit Committee comprised of four independent non-executive directors for most of the year. In March 2013, Mr. Steven Enderby resigned from the Board. The Head of the Group BPR Division served as the Secretary to the Audit Committee.

The Audit Committee held seven meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given on page 45. The Chairman/ Chief Executive Officer, the Group Finance Director, the Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The outsourced Internal Auditors and other officials of the Company attended these meetings on a needs basis.

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

Financial Reporting

The Audit Committee has reviewed and discussed the Group's quarterly and annual financial statements prior to publication with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgmental matters. The Committee also discussed with the External Auditors and management the matters communicated to the Committee in terms of Sri Lanka Auditing Standard 260 – Communication of Audit Matters with those charged with Governance.

This is the first year for which the financial statements have been presented in compliance with the new Sri Lanka Accounting Standards (SLFRS/LKAS), which have materially converged with the International Financial Reporting Standards (IFRS). Considerable effort and planning has gone into ensuring that this transition has taken place smoothly.

The External Auditors were engaged to conduct a special purpose audit of the Group's interim financial statements for the six months ended 30th September 2012, with special focus on compliance with the new accounting standards, including the reporting requirements for first time adoption. This special purpose audit covered a review of all quoted subsidiary companies and significant non-quoted companies of the Group. The results of the audit were discussed with management and the auditors.

Internal Audit, Risks and Controls

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

The Group BPR Division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from the outsourced internal auditors on the operations of the Company were also reviewed by the Committee.

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

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

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

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

External Audit

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

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

The External Auditors' final management reports on the audit of the Company and Group financial statements for the year 2011/12, together with management's responses, were discussed with management and the auditors.

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

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company and the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation auditors of the Group for the financial year ending 31st March 2014, subject to approval by the shareholders at the Annual General Meeting.

Ranjit Gunasekara
Chairman
Audit Committee

28 May 2013

Other members: F Amerasinghe, I Coomaraswamy

Corporate Governance

Board committee reports (contd.)

Report of the Human Resource & Compensation Committee

The Committee comprised of the undersigned and the following Independent Directors:

Mrs. S Tiruchelvam
Dr. I Coomaraswamy
Mr. A R Gunasekera

The invitees for meetings included the Chairman-CEO-JKH PLC, Group Finance Director and the President responsible for Human Resources.

The Committee was ably supported by Ms. Linda Starling who acted as Secretary.

Three meetings were held during the calendar year and on occasions information provision and debate took place by an exchange of correspondence. All decisions were taken after serious deliberation and healthy debate. The committee interacted among themselves as well as with the Executive Board Members when the necessity arose.

The Committee also made requests from time to time from the President, Group Human Resources, JKH PLC in order to facilitate the work of the Committee. During the year under review there was also a special presentation made by the President/Head of HR which satisfied the Committee of the strategies adopted and the processes in place to ensure proper development of the employees and the fairness of terms and conditions of their employment.

The Committee responded to its enhanced scope of activity and ensured that the implementation of Board policies and strategies took place as planned. There is now closer contact between the Committee and the HR function in understanding structures in place for compensation, career development and performance management. The Committee also ensures that there have been no disputes with employees regarding their treatment.

A report from the Human Resource & Compensation Committee continues to be a standing Agenda Item at the quarterly Board Meetings. The Chairman of the Committee reports any matters pertaining to the Committee at each Board Meeting drawing attention to matters where the Board has to be updated. The Board has now introduced a HR Management Report as a regular item in the Board Pack.

The Committee ensured that the Board complied with the Companies Act in relation to Director Compensation, especially the requirements of section 216.

The “pay for performance” scheme is carefully monitored and the Chairman-CEO-JKH PLC, briefs the Committee of the employee compensation and how it compares with the market. The compensation scheme continues to be a key to employee motivation and satisfaction. The turnover of staff is minimal.

The Committee also met, as is the practice, to examine the performance of the Chief Executive and his evaluation of the Executive Directors and members of the Group Executive Committee (GEC). They were evaluated on fixed and measurable criteria which had been pre-agreed with them individually. The team performed well and the results have been exceptional.

The Committee also recommended that the Board approves a new Employee Share Option Plan. This Plan will be placed for approval before the Shareholders at an Extraordinary General Meeting of the Company.

In conclusion, I wish to thank my colleagues, Mrs Sithie Tiruchelvam, Dr. Coomaraswamy and Mr A R Gunasekera, for their valuable contribution to the work of the Committee and our Secretary, Linda Starling for her excellent work.

Franklyn Amerasinghe
Chairman
Human Resource & Compensation Committee

28 May 2013

Other members: I Coomaraswamy, R Gunasekera, S Tiruchelvam

Report of the Nominations Committee

The Nominations Committee, as of 31st March 2013, consisted of three Independent Directors and the Chairman-CEO of John Keells Holdings PLC (JKH);

The mandate of the committee remains;-

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

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

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

During the year, the committee recommended to the Board that Mr. Ashroff Omar be appointed to the Board as a Non-Executive Director. This recommendation was accepted by the Board.

Tarun Das
Chairman
Nominations Committee

28 May 2013

Other members: S Ratnayake, S Tiruchelvam

Board meeting/Board Committee meeting attendance

Board Meetings	25.05.2012	26.07.2012	03.11.2012	30.01.2013	Attended/Eligible to Attend
Executive					
S Ratnayake - Chairman-CEO	√	√	√	√	4/4
A Gunewardene - Deputy Chairman	√	√	√	√	4/4
R Peiris - Group Finance Director	√	√	√	√	4/4
Senior Independent Non-Executive					
F Amerasinghe	√	√	√	√	4/4
Independent Non-Executive					
I Coomaraswamy	√	√	√	√	4/4
T Das	√	√	√	√	4/4
S Enderby*	√	√	√	√	4/4
R Gunasekara	X	√	√	√	3/4
A Omar**	N/A	N/A	N/A	N/A	0/0
S Tiruchelvam	√	√	√	√	4/4

Audit Committee	17.05.2012	23.05.2012	25.07.2012	16.08.2012	08.11.2012	28.01.2013	14.02.2013	Total
R Gunasekara (Chairman)	√	X	√	√	√	√	√	6/7
F Amerasinghe	√	√	√	√	√	√	√	7/7
I Coomaraswamy	√	√	√	√	√	√	√	7/7
S Enderby*	√	√	√	√	√	√	√	7/7

Note: Any absences are excused in advance and duly minuted. The absent members are immediately briefed on the discussions and actions taken during the meeting

** Resigned with effect from 8th March 2013*

*** Appointed with effect from 1st March 2013*

Corporate Governance

Board meeting/Board Committee meeting attendance (contd.)

Human Resources and Compensation Committee	04.04.2013	29.06.2012	14.02.2013	Total
F Amerasinghe (Chairman)	√	√	√	3/3
I Coomaraswamy	√	√	√	3/3
R Gunasekara	√	√	√	3/3
S Tiruchelvam	√	√	√	3/3

Nominations Committee	21.02.2013	Total
T Das (Chairman)	√	1/1
S Enderby*	√	1/1
S Ratnayake	√	1/1
S Tiruchelvam	√	1/1

Note: Any absences are excused in advance and duly minuted. The absent members are immediately briefed on the discussions and actions taken during the meeting

** Resigned with effect from 8th March 2013*

*** Appointed with effect from 1st March 2013*

Summary of Non-Executive / Independent Directors' Interests

	Share Holding (1)	Management Director (2)	Material Business Relationship (3)	Employed by the Company (4)	Family member a Director or CEO (5)	Continuously Served for More than Nine Years (6)
F Amerasinghe	●	●	●	●	●	● (compliant with explanation)
I Coomaraswamy	●	●	●	●	●	●
T Das	●	●	●	●	●	● (compliant with explanation)
S Enderby	●	●	●	●	●	●
R Gunasekara	●	●	●	●	●	●
A Omar	●	●	●	●	●	●
S Tiruchelvam	●	●	●	●	●	●

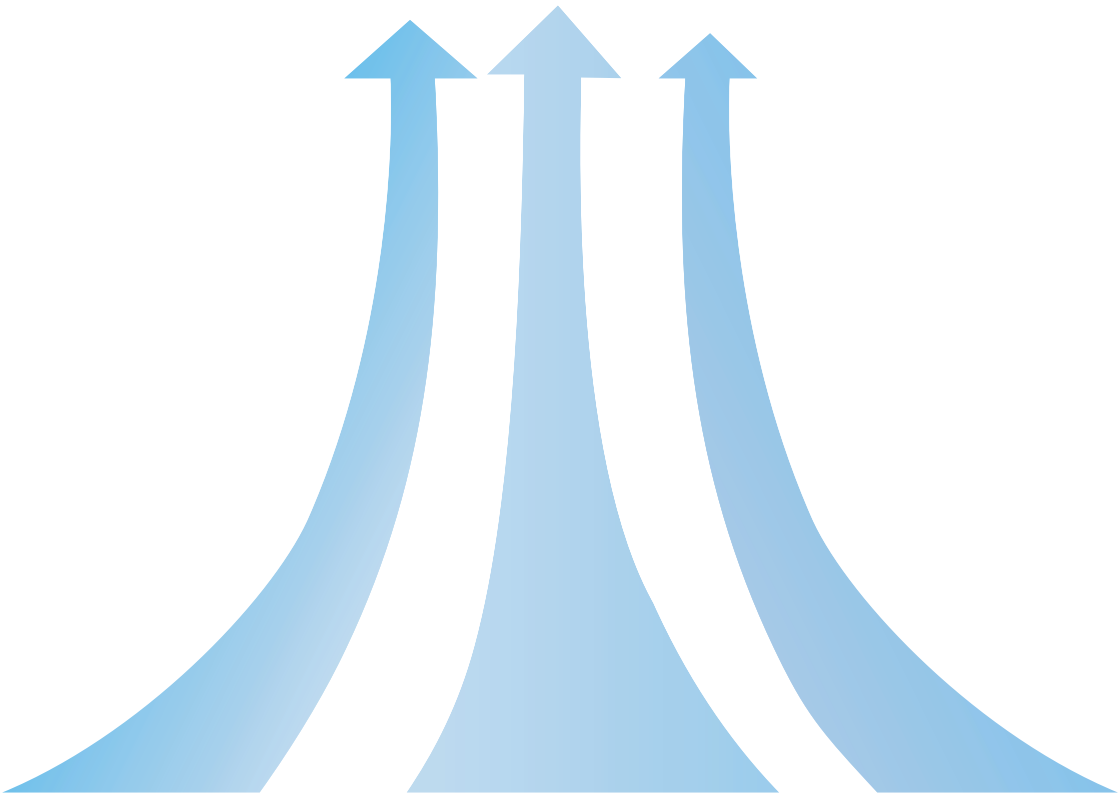
● *Compliant*

● *Compliant with explanation*

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

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

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



Keeping our eye on the next level

FARSIGHTED

PLANNING FOR LONG TERM CORPORATE SUCCESS

Sustainability Integration

Reporting on Sustainability

The following section is an account of the John Keells Group sustainability performance for the period 1 April 2012 to 31 March 2013.

This report is the Group's second integrated report and the sustainability performance contained in this report is verified and assured by Det Norske Veritas AS (DNV).The reporting of the Group's sustainability performance is at the GRI application level "B" and has also achieved the "GRI Application Level Check" by the Global Reporting Initiative (GRI) Organisation. The GRI Application Level Check and the DNV Assurance Statement are attached at the end of this section.

The reporting of the Group's sustainability performance is at the GRI application level "B" and has also achieved the GRI Application Level Check by the Global Reporting Initiative (GRI) Organisation.

This report provides information to all stakeholders with regard to the most critical and material areas that are identified through comprehensive stakeholder engagement. Prioritisation of the topics in this report was based on the stakeholder engagement carried out this year. The findings of the engagement is specified in the section "Key sustainability concerns".

The sections titled "Stakeholder engagement process" and "Engagement of significant stakeholders" describe the process for determining materiality. This report is the primary method of disclosure to the investors, employees, customers, governments, legal and regulatory bodies and society.

86 legal entities of the John Keells Group create the financial reporting boundary of this report out of which, 73 companies are directly controlled by the Group. The remaining 13 have not been included for sustainability reporting as they do not fall within direct control of the Group. Of the 73 companies, 25 have been excluded for reporting as they do not carry out any operations that significantly interact with the environment or society at large. Such companies are either non-operational entities, investment entities, holding companies or owners of real estate. The other 48 companies have been listed in the "Group Directory" and any other exclusions made have been clearly explained under the respective sustainability aspects.

A year on year comparison is possible subject to the explanations provided in respect of the divestments that have occurred during the year as mentioned previously in the report. There have been no new entities that have impacted the reporting boundary. In terms of re-statements in comparison to the previous year 2011/12, the previous year's numbers and statements have been re-arranged wherever necessary to conform to the present year's presentation. The Group's sustainability performance for the year 2011/12 was presented through its first integrated Annual Report.

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

Any clarifications regarding this report may be obtained from:

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

Key Sustainability Highlights – 3 Year Performance

Indicator		2010/11	2011/12	2012/13
	ECONOMIC PERFORMANCE			
EC1	Economic value added (Rs. million)	8,686	10,008	12,393
EC3	Employee benefit liability as of 31st March	1,215,597	1,372,161	1,385,072
EC6	Percentage purchases from suppliers in Sri Lanka	Not tracked	69%	68%
EC8	Community services and infrastructure projects (Rs. million)	Not tracked	29.92	25.41
	ENVIRONMENTAL IMPACT			
EN3	Direct energy consumed (GJ)	360,704	373,502	379,888
	Direct energy consumed (GJ) per Rs.million revenue	5.96	4.81	4.44
EN4	Indirect energy consumed (GJ)	271,065	276,194	274,767
	Indirect energy consumed (GJ) per Rs. million revenue	4.48	3.56	3.21
EN8	Water withdrawal (m^3)	Not tracked	1,830,547	1,660,870
EN11	Sites near/in high bio-diversity areas	14	14	14
EN16	Carbon footprint (MT)	65,524	69,280	69,403
	Carbon footprint (MT) per Rs. million of Turnover	1.08	0.89	0.81
EN21	Water discharge (m^3)	Not tracked	1,531,327	1,340,190
EN22	Waste generated (MT)	Not tracked	8,356	7,868
	Waste recycled/reused / recovered as a percentage of waste generated	Not tracked	37%	43%
EN23	Volume of significant spills (m^3)	Not tracked	Nil	Nil
EN28	Significant environmental fines *	Nil	Nil	Nil
	MORE THAN JUST A WORKPLACE, HEALTH & SAFETY			
LA1	Total workforce (employees + contractors' staff)	Not tracked	18,060	19,296
	Total employees	11,186	11,748	12,791
LA2	Attrition of new hires (as percentage of total new hires)	Not tracked	24%	20%
LA4	Percentage covered by collective bargaining	22.2%	23%	24%
LA7	Number of injuries and diseases	180	230	196
	Injury rate (number of injuries per 100 employees)	1.61	1.95	1.53
	Lost day rate (Lost days as percentage of total person days)	0.058%	0.045%	0.032%
LA8	Number of people educated on serious diseases	15,078	20,279	17,670
LA10	Average hours of training per employee	30	40	46
LA12	Number of employees receiving performance reviews	100%	100%	100%
	ETHICAL BUSINESS			
HR6	Incidences of child labour (below age 16)	0	0	0
	Incidences of young workers (aged 16-18) **	0	3	0
HR7	Incidents of forced labour during the year	0	0	0
	SOCIAL RESPONSIBILITY			
SO1	Community engagement (number of persons impacted)	17, 648	28,025	28,402
SO2	Percentage of companies assessed for risk of corruption	100%	100%	100%
SO8	Significant fines for violation of laws/regulations*	Not tracked	Nil	Nil
	PRODUCT RESPONSIBILITY			
PR3	Percentage of labels carrying ingredients used	Not tracked	95%	95%
	Percentage of labels carrying information on disposal	Not tracked	10%	37%
	Percentage of labels carrying sourcing of components	Not tracked	0%	1%
PR6	Voluntary standards relating to advertising			Group policy based on ICC Code
PR9	Significant fines for product/service issues *	Nil	Nil	Nil

** Significant fines as defined as fines over Rs. 1.0 million. ** Young workers are employed under guidelines of the Employers' Federation of Ceylon.*

Sustainability Integration

Sustainability Policy and Framework

Group Sustainability Policy

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

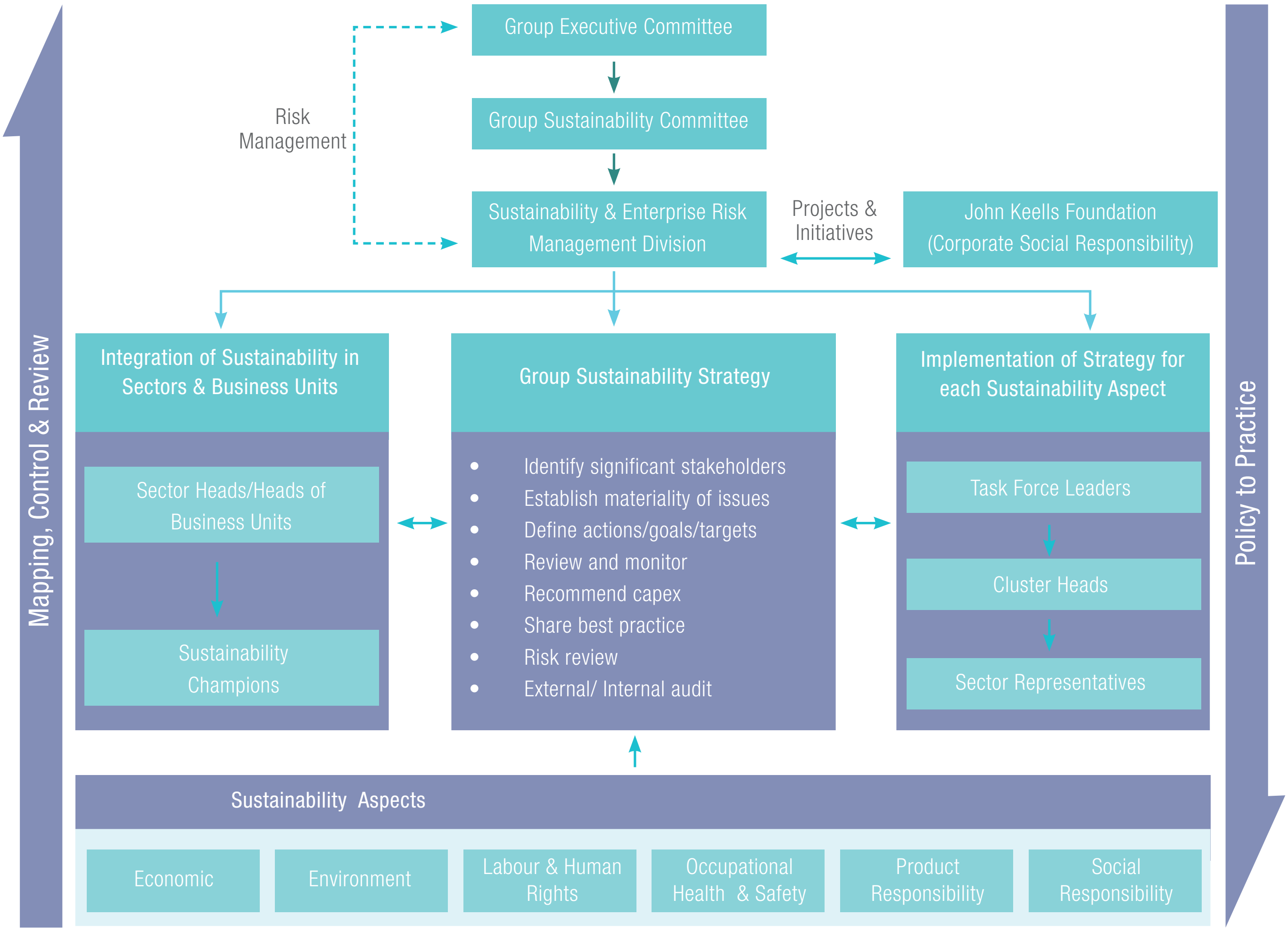
The Group has a robust sustainability structure with oversight from the Group Executive Committee and the Group Sustainability Committee, while Task Groups for each sustainability aspect are headed by a member of the Group Operating Committee. Additionally, each business unit has a dedicated Sustainability Champion responsible for sustainability initiatives and the overall sustainability performance, under the overall supervision of their respective Sector Heads and heads of business units.

Sustainability Strategy

During the year in review, the Group consolidated its sustainability management framework which encompasses both a top-down and bottom-up approach. This includes strategies for entrenchment of sustainability, the sustainability organisational structure, reporting and benchmarking, awareness creation and sustainability assurance. Increased stakeholder value is created through our sustainability management framework by improvements in business processes, better risk management, new business opportunities, innovation, corporate governance and overall corporate responsibility.

The Group has a robust sustainability structure with oversight from the Group Executive Committee and the Group Sustainability Committee, while Task Groups for each sustainability aspect are headed by a member of the Group Operating Committee. Additionally, each business unit has a dedicated Sustainability Champion responsible for sustainability initiatives and the overall sustainability performance, under the overall supervision of their respective Sector Heads and heads of business units.

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



The Group now follows sustainability Standard Operating Procedures (SOPs) in tracking and monitoring sustainability data and an enterprise-wide system was introduced to capture and consolidate sustainability related information for internal and external reporting purposes. Further, in order to compare its sustainability performance with global standards, the Group has embarked on a benchmarking exercise with an international assessment body. Information with regard to sustainability performance is disseminated within the Group on a quarterly basis and used at Management Committee level in developing corporate strategy.

Over the year, the Group also commenced internal sustainability assurance which is carried out by the Sustainability & Enterprise Risk Management division in accordance with the SOPs. These assurance processes have enabled the Group to report on sustainability performance with greater confidence and continuously improve its data capturing processes.

The Group considers sustainability and enterprise risk management to be closely linked, with both functions providing an ongoing analysis of the Group's strengths, weaknesses, opportunities and threats. Regular horizon scanning and the stakeholder engagement process enables the Group to achieve this.

Identification of Key Impacts, Risks and Opportunities

The Group sees a close linkage between the Enterprise Risk Management (ERM) process and its sustainability drive. During the year in review, the Sustainability & Enterprise Risk Management division of the Group facilitated the annual risk review identifying business specific risks, common sectoral risks and core sustainability risks for each company. As mentioned in the "Risk Management" section of this report, the Group made improvements to the risk review process through the

Sustainability Integration

"As the Sustainability Champion for the Sri Lankan resorts, I have the opportunity to proactively contribute to the sector's journey towards sustainable development."
- Dinushka Kalutota

introduction of Risk Control Self Assessment documents, additional risk assessment parameters and focused mitigation plans.

During this process, Group companies identified the risks to their business unit, the impacts on the environment and society due to operations and potential opportunities for new business and further growth. Common Group-wide risks identified included aspects such as natural disasters and impacts due to climate change, environmental impacts, weakened global economy, volatility in interest and foreign exchange rates, ad-hoc changes in taxes and levies, slow growth in infrastructure development and negative impacts due to ambiguous and outdated laws, corruption in external systems and processes, attracting and retaining necessary skills, labour relations and product responsibility, including health and safety.

Internally, the Group's robust corporate governance structure, as well as its risk management, sustainability, corporate social responsibility and internal audit functions ensure that the impacts of such aspects are proactively identified and managed.

Decisions made by the Group are influenced by the Precautionary Principle with regard to the prevention of environmental pollution, environmental degradation and global warming and its impacts on the local community.

Considering an overall triple bottom line risk mitigation percepective at a global level, the Group subscribes to the United Nations Millenium Development Goals, while some of its employee policies and practices are modelled on the standards of the International Labour Organisation. From a product and service point of view, a number of Group companies have obtained ISO 14001, ISO 18001, ISO 9001, ISO 22000 and ISO 27000 certifications, while the Group is also an active participant of the UNGC initiative.

The key impacts, risks and opportunities to the Group from an economic perspective are as follows:

Economic trends	Risks	Opportunities
• Weakened global economic and political environment • Volatility in interest and foreign exchange rates • Limitations of regulatory framework and delays in policy making • Infrastructure development an ongoing process	• Lowered economic performance • Pressure on bottom line and new investments • Confusion in the mind of investors resulting in lost opportunities, increased costs and slower decision making • Delayed growth opportunities	• Identification of emerging Asian markets resulting in versatility of our product/service offerings • Increasing local purchases through sustainable sourcing and introduction of leaner production methods to maintain production/ service costs • Further engagement with bodies such as the Chamber of Commerce and multilateral agencies • Provision of community-based infrastructure on a pro-bono basis

From an environmental perspective, the key impacts, risks and opportunities to the Group are as follows:

Environmental trends

- Natural disasters and impacts due to climate change
- Scarcity and price increases of fossil fuel and other related non-renewable energy sources
- Stringent environmental legislation and public policy towards waste and effluent managment
- Increasing environmental awareness of community regarding the conservation of water
- Increasing customer demands for green / low carbon products and greener value chain

Risks

- Disruptions to operations and scarcity of supplies
- Higher operating costs due to increased costs of natural resources
- Increased operating costs and capital expenditure to comply with legislation and public policy
- Balancing resource scarcity against business growth
- Reputational impact due to non-conformity of value chain members to sustainability practices

Opportunities

- Identification of multiple sources for supplies and raw material substitutes
- Adopting renewable energy sources and reducing consumption by eliciting employee behavioural change and adopting greener technologies
- Leveraging on the accreditation bodies such as LEED and Green Globe to enhance Group competitiveness
- Access to more mature markets through the adoption of a policy of sustainable development
- Improving and consolidating brand equity as a result of corporate responsibility initiatives

The key impacts, risks and opportunities to the Group from a social perspective are as follows:

Social trends

- Migration, immigrant workers, lower ratio of females in workforce
- Corruption in external systems and processes
- Greater emphasis by consumers on product/service quality
- Increasing customer demands for corporate social responsibility initiatives
- Upward movement of society to higher socio-economic classes

Risks

- Retention of key staff and attraction of talent
- Slower decision making and lack of confidence among investors
- Capital expenditure and higher costs incurred on process and quality certifications
- Community dissatisfaction with engagement initiatives of the Company
- Impact on social norms and small business entrepreneurs

Opportunities

- Attracting talent through enhanced and accomodative labour practices/ facilities
- Enhanced corporate image as a result of good corporate governance and risk management practices
- Increased market share and improved positioning of the brand in the market
- Enhancement of the social licence to operate resulting in sustainable operations
- Increased revenue through greater volume of operations

Sustainability Integration

Stakeholder Engagement Process

The John Keells Group carries out its stakeholder engagement by first identifying the perceived issues faced by the stakeholders of the Group and its operating companies. These issues are subsequently validated and any further issues are identified through an independent stakeholder engagement process carried out in accordance with the AA 1000 Stakeholder Engagement Standard. The Group carries out its stakeholder engagement process for its internal and external stakeholders separately, with the staff's concerns being assesed through a Voice of Employee (VOE) Survey on a randomly selected sample of employees through an e-platform, with survey results being shared with all employees.

Engagement of Significant Stakeholders

The Group's significant stakeholders are customers, employees, communities, investors, governments, legal and regulatory bodies, business partners, suppliers or principals, society, pressure groups and media, and industry peers or competitors who have the ability to influence its outcomes or to be substantially impacted by the Company's operations.

Engagement with stakeholders encompasses a range of activities and interactions that include formal and informal consultations, participation, negotiations, communication, mandatory and voluntary disclosures, certification, and accreditation. The mode and frequency used for each stakeholder group is as follows.

Customers - Individual & Corporate B2B

Method of engagement:

- Personal meetings, discussion forums, surveys, field visits, conference calls, progress reviews, information dissemination through printed reports, telephone, SMS and corporate websites, workshops, business development activities, road shows and trade fairs

Frequency of engagement:

- Quarterly through Customer Satisfaction Surveys
- On-going basis through information dissemination through printed reports, telephone, SMS, e-mail and corporate website
- Bi-annually through personal meetings
- Annually through road shows and trade fairs

Employees - Directors, Executives, Non-Executives

Method of engagement:

- Direct reporting, intranet communication, employee satisfaction surveys, collective bargaining, open door policy at all management levels, annual events, professional training and development activities, team building activities

Frequency of engagement:

- Intranet communications through JK Connect and My Portal on a daily basis
- Bi-annual performance review and skip level meetings
- Employee satisfaction surveys and dip stick surveys, such as VOE (Voice Of Employee) conducted annually
- Professional training, development activities and team building through internal as well as external sources conducted at least annually

Community - Neighbours, Community, Community Leaders

Method of engagement:

- Corporate Social Responsibility programmes and activities, community educational and information dissemination programmes, one-to-one meetings, workshops, forums

Frequency of engagement:

- Engagement with the community is carried out prior to entry into the community area
- Engagement is then carried out on a monthly basis while operating
- Community engagement is also carried out on exit

Investors - Institutional, Fund Managers/Analysts, Lenders, Multilateral Lenders

Method of engagement:

- Periodic disclosures through annual reviews and quarterly reports, one-to-one meetings, investor road shows, phone calls and corporate websites

Frequency of engagement:

- Annual disclosures
- Quarterly reports
- Regular Investor road shows
- On-going through phone calls, e-mail, written communication and websites

Government, Government Institutions and Departments

Method of engagement:

- Meetings, discussions, newsletters and circulars, presentations and briefings, advisory meetings, membership on national committees, lobbying activities via chambers of commerce

Frequency of engagement:

- Engagement with the Government is carried out on an on-going basis through meetings, business forums, newsletters and circulars. The senior management are members of bodies such as the Chamber of Commerce who meet on a monthly basis

Legal & Regulatory Bodies

Method of engagement:

- Regular meetings, periodic disclosures, correspondence, representation through chambers of commerce and trade associations with bodies such as local authorities, municipal councils and other institutions such as the Consumer Affairs Authority, Department of Inland Revenue, Customs Department, Securities & Exchange Commission, Colombo Stock Exchange and Tourist Board of Sri Lanka

Frequency of engagement:

- Engagement with the legal and regulatory bodies is carried out on an on-going basis as the senior management are members of chambers and industry associations that meet at least on a quarterly basis

Business Partners, Principals and Suppliers

Method of engagement:

- Regular meetings, distributor conferences, correspondence, monthly market reports, engagement as part of the transparent and well established sourcing mechanism for all high value items sourced by Group, conference calls and e-mails, circulars, membership in industry associations

Frequency of engagement:

- Regular market reports at minimum on a monthly basis
- Annually through distributor conferences
- Annually through contract renegotiations
- On-going through conference calls, e-mails and circulars

Sustainability Integration

Society, Media, Pressure Groups, NGOs, Environmental Groups

Method of engagement:
- Correspondence, website, press releases, media briefings, discussions, participation at NGO forums, media coverage, certification and accreditation

Frequency of engagement:
- Engagement with the society / pressure groups / media is carried out on an on-going basis through website, press releases and media briefings

Industry Peers & Competition

Method of engagement:
- Communication through membership of chambers of commerce and trade associations, conferences, discussion forums

Frequency of engagement:
- Engagement with the industry peers /competitors is carried out reguarly through the particiaption of senior management in various policy making bodies as mentioned in section "Memberships maintained by Industry Groups"

Key Sustainability Concerns

Based on the continuous monitoring carried out across print and electronic media, no adverse reports relating to environmental and social concerns pertaining to the Group or its companies have been highlighted during the reporting year.

However, to further ascertain any material issues to both the Group and its significant stakeholders, a third-party stakeholder engagement mentioned in the "Stakeholder Engagement Process" section of the report was carried out during the year in review.

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

Society, pressure groups and regulatory authorities constantly assess the operations of corporates with regard to the responsible utilisation of resources, conservation of bio diversity and environmental protection through proper waste management and discharge methods. The recently concluded stakeholder engagement has identified a few low impact environmental concerns which are now in the process of being addressed.

Staying in line with the Group's corporate philosophy, great importance is placed on developing the communities within which it operates. These communities in turn rely on the larger corporates such as the John Keells Group to carry out corporate social responsibility initiatives and engage with them. In addition, as an outcome of the Group's constant engagement with its employees, training and retention of talent was identified during the reporting year by employees.

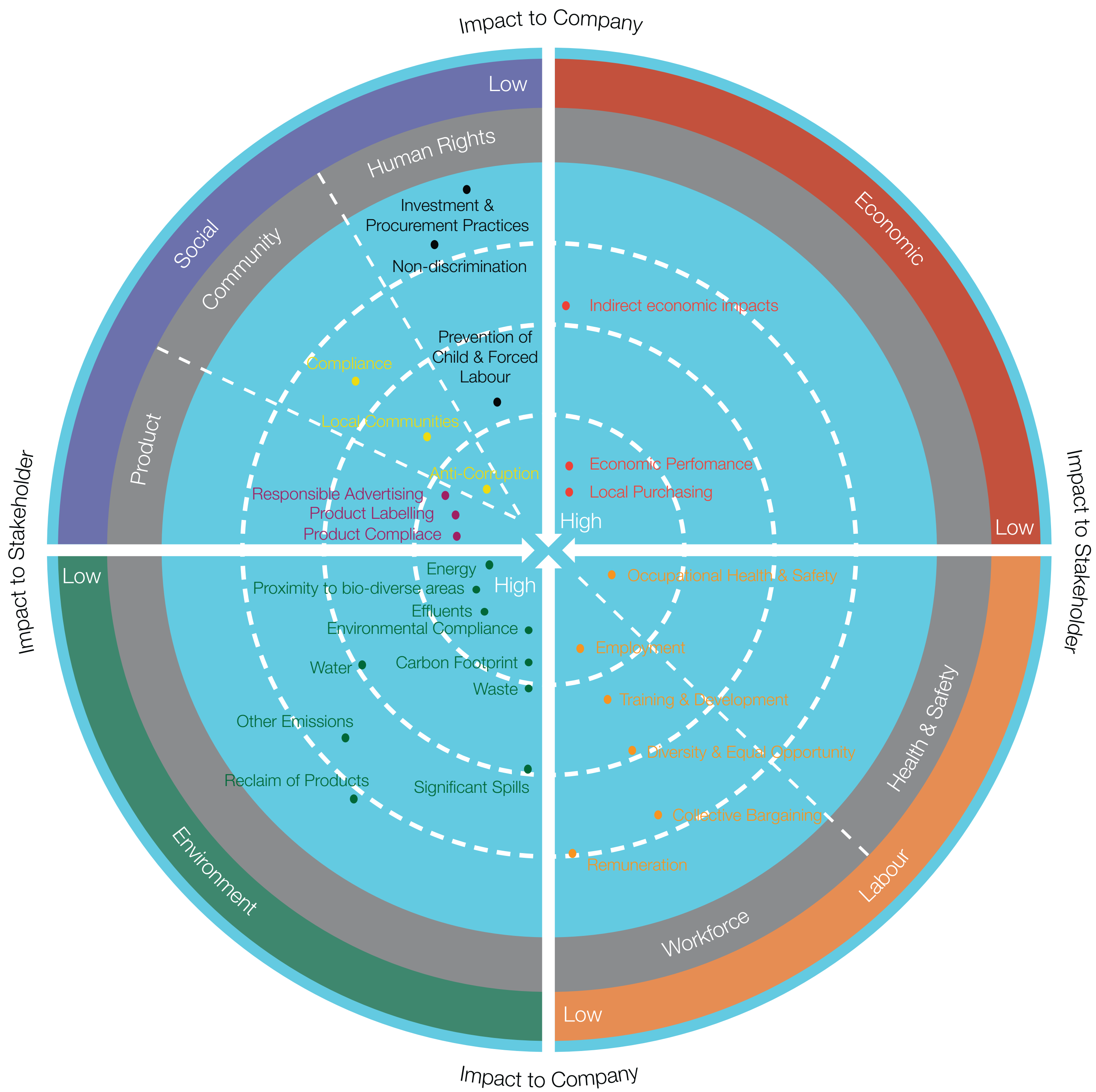
As in the past, the Group's primary response to the concerns raised by stakeholders has been through its annual sustainability report. During the year, the Group has made changes to its policy frameworks and management approach with a view to reducing and controlling its impacts. This was carried out on the basis of the topics identified through stakeholder engagements as well as through perceived areas of risk as identified through the risk management process, the internal audit process and the operations at business units.

Mapping of Stakeholder Concerns to Sustainability Aspects

Continuing from the previous year, the Group has reported on 30 GRI (G3.1) Sustainability Performance Indicators. The material issues that emerged through the 2012 stakeholder engagement are captured within the selected indicators.

The 2010/11 Sustainability Report drew specific reference to the need for reporting of EN17, EN21 and EN22, which however could not be reported on at that time due to data gathering processes not being in place. While the processes for EN21 and EN22 were implemented last year and the performance of which was reported, the Group is currently implementing the systems and processes required for reporting EN17.

30 GRI Sustainability Performance Indicators



Sustainability Integration

Mapping of Sustainability Aspects to Performance Indicators

Economic	Economic Performance Local Purchasing Indirect Economic Impacts	- EC1, EC3 - EC6 - EC8		
Environment	Energy Proximity to Biologically Diverse Areas Effluents Significant Spills	- EN3, EN4, EN5 - EN11 - EN21 - EN23	Water Carbon Footprint Waste Environmental Compliance	- EN8 - EN16 - EN22 - EN28
Employees	Employment Labour/Management Relations Training & Development Diversity & Equal Opportunity Occupational Health & Safety	- LA1, LA2 - LA4 - LA10 - LA12, LA13 - LA7, LA8		
Ethical Business & Human Rights	Anti-corruption Compliance Prevention of Child Labour Prevention of Forced & Compulsory Labour	- SO2 - SO8 - HR6 - HR7		
Product Responsibility	Product Labelling Responsible Advertising Product Compliance	- PR3 - PR6 - PR9		
Social Responsibility	Local Community	- SO1		

Constant engagement with our stakeholders

Staying in line with the Group's corporate philosophy, great importance is placed on developing the communities within which it operates. These communities in turn rely on the larger corporates such as the John Keells Group to carry out corporate social responsibility initiatives and engage with them.

Performance on Sustainability Agenda

Focus Area	Deliverables for 11/12	Comment on Progress	Plan
Entrenchment of Sustainability	Implementation of an enterprise-wide sustainability system to facilitate sustainability performance tracking.	A hosted solution has been implemented to efficiently monitor and track the sustainability performance of the Group. The system has enabled easy tracking and reporting of quarterly sustainability performance resulting in better decision making and risk management.	Achieved
	Training and awareness with regard to sustainability.	The core sustainability team was trained on sustainability assurance, while many awareness campaigns with regard to sustainability were carried out, with an estimated 12,000 employees being reached.	Similar Group-wide campaigns will be carried out annually.
	The Group will continue the process of establishing systems and processes to identify, track and monitor such efficiency targets for business units.	The Group has engaged with Earthcheck Global for selected Group locations to carry out benchmark assessments and to compare their sustainability performance against international companies.	Achieved
Environmental Impact	The Group will identify and evaluate initiatives with a view to partially offsetting its carbon footprint.	Three of the most energy consuming industry groups carried out energy conservation initiatives such as efficient lighting, replacement of high energy consuming equipment and process improvements. Two Sri Lankan resorts installed waste to bio-gas plants, resulting in lower LPG usage, reducing the Group's carbon footprint.	Further energy conservation initiatives to be carried out in relevant industry groups. Waste to bio-gas plants to be installed in other resorts and other relevant operational sites.
	The Group will aim to achieve Green Globe Certification for all currently operating Sri Lankan city hotels and resorts as well as the Maldives resorts by March 2012 and LEED Certification for Cinnamon Bey which is currently under construction.	Nine of the Group's resorts and hotels (except for Cinnamon Bey Beruwela and Chaaya Island Dhonveli), were Green Globe Certified. Cinnamon Bey which commenced operations this financial year is working towards receiving LEED certification.	Green Globe Certification to be obtained for all resorts.
	The Group will continue to implement energy conservation initiatives and stimulate behavioural changes in staff through awareness campaigns with a view to optimising energy consumption.	Three of the most energy consuming industry groups carried out staff awareness campaigns at least once during the year in review.	Similar programmes to be carried out on an annual basis at relevant group companies.
	Sri Lankan city hotels and resorts as well the Maldives resorts will aim to conduct energy audits at each hotel in order to achieve the target of increasing energy efficiency.	Energy audits were carried out at selected resorts and retail outlets Awareness programmes and system modifications were carried out to achieve energy efficiency at other resorts.	Achieved

Sustainability Integration

Focus Area	Deliverables for 11/12	Comment on Progress	Plan
	The Group will aim to increase its overall energy efficiency by embracing greener technologies and improved energy management practices.	While four of the Group resorts now use 100 per cent energy efficient lighting, a further five resorts are at 90 per cent. Geysers at some of the Group's resorts were replaced with eco-gen units, while conventional air conditioners were replaced with inverter type air conditioners. Companies in the Consumer Foods & Retail sector also installed new equipment to minimise heat loss and optimise natural lighting.	The rest of the Group's four resorts are in the process of converting to energy efficient lighting on a replacement basis. Group companies will continue to replace conventional air conditioners with inverter type air conditioners. The Group will continue to identify areas for installing equipment enabling energy conservation.
	The Group will continuously explore areas that could be powered through renewable energy sources and cogeneration projects.	Tea Small Holder Factories generates 66 per cent of its energy through renewable energy sources.	The Leisure sector continues to actively assess renewable energy projects such as solar power and wind energy.
	All new retail outlets will be designed to maximise on natural lighting with the installation of skylights / glass panels and conversion of fluorescent light to include electronic ballasts.	Four newly opened outlets were designed to maximise natural lighting.	The Retail sector proactively seeks to use natural lighting in all future outlets where practically possible.
	All Group companies shall monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests with respect to bio-diversity.	A Group stakeholder engagement was carried out with a view to identifying stakeholder interests. The Group also established a Research & Development division to identify new technological innovations.	The Group's legal division continues to monitor changes in regulatory environment.
	The Group will initiate biodiversity conservation and behaviour research projects to safeguard the country's natural biodiversity.	The Leopard Guardians project in Yala and the coral re-growth project in Hikkaduwa were carried out during the year.	The Group will continue to identify high impact areas and carry out initiatives accordingly.
	The Group will identify and install divisional water meters with a view to reducing the consumption of water usage.	The installation of water meters at points of extraction has been carried out. The Group has also installed state-of-the-art rain water harvesting systems at two Sri Lankan resorts. Four Sri Lankan resorts recycle 100 per cent of their waste water for gardening and/or flushing. Ceylon Cold Stores treats its waste water through an ultra filteration mechanism, utilising this water for gardening.	The installation of divisional meters in significant operational areas is in the process of being carried out.

Performance on Sustainability Agenda contd.

Focus Area	Deliverables for 11/12	Comment on Progress	Plan
	Assess feasibility and commission sewerage treatment plants at all locations with high water usage.	All new significant operational sites have been designed with sewerage treatment plants.	The final two pending sewerage treatment plants expected to be completed by April 2014.
	The Group will explore avenues through which it could carry out efficient management of e-waste.	The Group has deployed collection boxes at all its Group locations through its selected contractor Think Green (Pvt) Ltd.	Achieved
	The Group will broad base the methodology of waste sorting with a view to minimising its impact on landfill and other forms of waste disposal.	Group locations with significant operational acitivity have implemented waste segregation drives and have identified various contractors to dispose of waste through methods of re-use and recycling.	Achieved
	The Group will aim to increase the quantity of materials recycled and improve its recycling programmes.	The Group also continues to recycle its paper through its contracted party Neptune Recyclers (Pvt) Ltd.	A plastic recycling project continues at Union Place Keells Super outlet and the Group is in the process of identifying other suitable locations.
More than Just a Workplace	The extension of the Group's e-learning platform to make training more accessible and efficient.	The e-learning platform has been extended to all Group companies with the exception of companies that are unable to access the system due to technical reasons.	Achieved
	Manager Development programmes within the Group to develop staff for higher management roles.	This has been conducted for Assistant Manager & above levels.	Achieved
	The identification of occupational diseases and serious diseases of the relevant sectors.	While the Group tracks occupational injuries and diseases, the diseases which are considered to be more relevant to the sectors the Group operates in have been identified for the purpose of tracking and awareness creation.	Achieved
Ethical Business	The Group will aim to formulate a child labour remediation policy and deploy it across to its relevant stakeholders and provide assistance to its value chain partners.	The Group formulated an HR Checklist and shared it with its significant suppliers to carry out a gap assessment of their labour practices in relation to Sri Lankan regulations. 19 significant suppliers were assessed during the year in review.	The Group plans to cover 30 significant suppliers during the next financial year.
Our Contribution	The Group will aim to improve its process to collect feedback and analyse impact on community of the various ongoing projects by the business units.	The Group carries out impact assessments at entry, exit and during the implementation of projects.	This will continue to be practiced for all significant community engagement activities.

Sustainability Integration

Focus Area	Deliverables for 11/12	Comment on Progress	Plan
	The Group will augment the risk review process to capture the full spectrum of risk mitigation actions.	The Group's risk management process was improved with the introduction of Risk Control Self-Assessment documents which capture preventive, corrective and detective mitigation plans.	Achieved
	The Group will provide rainwater harvesting facilities to selected homes through its village adoption programme in a bid to improve access to water in such villages.	During the year the Group provided three 20,000 liter rain water harvesting tanks to the village school, temple and dispensary of Mangalagama. In addition, twenty 5,000 liter tanks were also provided as domestic units.	Achieved
	The Group will provide solar powered lighting in selected homes through its village adoption programme.	The second phase of the solar lighting projct in Halmillawa was carried out during the year with 11 street lamps, 11 domestic units and 8 solar powered lanterns provided for houses with inadequate electrical wiring.	Achieved

Short and Medium Term Sustainability Agenda

AGENDA
The Group will seek to minimise the risk of adverse labour practices of its value chain by extending its assessments to cover 30 of its significant suppliers and creating awareness with such suppliers.
The Group will strive to reduce its carbon footprint per rupee of revenue by approximately 10 per cent.
To implement processes for the identification and segregation of hazardous waste across the Group.
To assess the Scope 3 carbon footprint of operational activities not under the direct control of the Group.
To engage an independent party to establish global performance benchmarks in order to compare the sustainability performance of significant operational locations.
To establish the total expenditure incurred by the Group on sustainability related initiatives and enviromental conservation.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **John Keells Holdings PLC** has presented its report "John Keells Holdings PLC Annual Report 2012/13 " to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 13 May 2013

B+
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because John Keells Holdings PLC has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 May 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

Independent Assurance on Sustainability Performance

Introduction
Det Norske Veritas AS ('DNV') has been commissioned by the management of John Keells Holdings PLC ('JKH' or 'the Company') to carry out an independent assurance engagement on the John Keells Holdings PLC (JKH) Annual Report 2012/13 ('the Report') in its printed format. This assurance engagement has been conducted against the Global Reporting Initiative 2011 Sustainability Reporting Guidelines Version 3.1 (GRI G3.1) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS (2008)). The verification was conducted during March to May 2013, for the year of activities covered in the Report i.e. 1st April 2012 to 31st March 2013.

The intended users of this assurance statement are the management of JKH and readers of the JKH Annual Report 2012/13. The management of JKH is responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting the information. DNV's responsibility regarding this verification is to JKH only and in accordance with the agreed scope of work. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

Scope, boundary and limitations of Assurance
The scope of work agreed upon with JKH includes verification of the following:

- The content of the sustainability performance reported in the Annual Report i.e. review of the policies, initiatives, practices and performance described in the Report as well as references made in the Report.
- Evaluation of the AccountAbility principles and specified performance information, described below, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008) detailed below:
    - Information relating to Company's sustainability issues, responses, performance data, case studies and underlying systems for the management of such information and data.
    - Information relating to Company's materiality assessment and stakeholder engagement processes.
- Confirm that the Report meets the requirements of the GRI G3.1 for an Application Level 'B+', as declared by JKH.

The reporting boundary is as set out in the Report, covering entities over which JKH has management control and significant influence as explained in the report; during the verification process, there were no limitations encountered on the scope for the assurance engagement.

Verification Methodology
This assurance engagement was planned and carried out in accordance with the AA1000AS (2008) and the DNV Protocol for Verification of Sustainability Reporting[1]. The Report has been evaluated against the following criteria:

- Adherence to the principles of ***Inclusivity, Materiality*** and ***Responsiveness*** as set out in the AA1000AS (2008).
- The ***Reliability*** of specified sustainability performance information, as required for a Type 2, moderate level assurance engagement.
- Adherence to the additional principles of ***Completeness*** and ***Neutrality*** as set out in DNV's Protocol, and
- The principles and requirements of the GRI G3.1 for an application level B+.

As part of the engagement, DNV has verified the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In doing so, we have:

- Reviewed the Company's approach to stakeholder engagement and its materiality determination process.
- Verified the sustainability-related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls.
- Examined and reviewed documents, data and other information made available by JKH.
- Visited the Head-Office, other sectoral head offices, Cinnamon Grand Colombo, Ceylon Cold Stores Ranala, Lanka Marine Services (LMS) Barge at the Port of Colombo and Keells Super Retail Outlet Havelock Road Colombo.
- Conducted interviews with key representatives including data owners and decision-makers from different divisions and functions of the Company.
- Performed sample-based reviews of the mechanisms for implementing the Company's sustainability related policies, as described in the Report.
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report.

Conclusions
JHK has focused on continual improvement of its systems and procedures to preserve its value drivers and to adequately address its risks related to economic, environment and social aspects. In our opinion the Report, provides a fair representation of the Company's sustainability policies, objectives, management approach and performance during the reporting year. We confirm that the GRI Application Level "B+" has been attained in reference to the various application levels defined in the GRI G3.1.

We have evaluated the Report's adherence to the following principles on a scale of "Good", "Acceptable" and "Needs Improvement":

AA1000AS (2008) Principles
Inclusivity: As a part of its stakeholder engagement process, the Company has established an effective process to capture inputs from key stakeholders through different modes and at determined intervals and the inputs from the stakeholder engagement has been considered in developing the management approach.
In our view, the level at which the Report adheres to this principle is "Good".
Materiality: The Company has established the process of determining the materiality

[1]www.dnv.com/services/cr

at the corporate level and identified material aspects for external reporting based on the internal stakeholder engagement process for the reporting period and the identified material aspects have been adequately prioritised and responded to in the Report, however the Company needs to further strengthen the process of identifying sectoral material issues so as to establish sustainability management system at sectoral level.
In our view, the level at which the Report adheres to this principle is "Acceptable".
Responsiveness: We consider that the Company has responded adequately to key stakeholder concerns, through its policies and management systems and the same are adequately reflected in the Report.
In our view, the level at which the Report adheres to this principle is "Acceptable".
Reliability: The majority of data and information verified at corporate office and site were found to be accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to data aggregation errors and the same has been corrected. Hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that the specified sustainability data and information presented in the Report is generally reliable and acceptable.

Specific evaluation of the information on sustainability performances

We consider the methodology and process for gathering information developed by JKH for its sustainability performance reporting is appropriate and the qualitative and quantitative data included in the Report, was found to be identifiable and traceable; the personnel responsible was able to demonstrate the origin and interpretation of the data and its reliability. We also assessed the reported progress against the Company's commitments as disclosed in its previous Report and observed that the Report presents a fair description of the sustainability activities and the goals achieved.

Additional Parameters as per DNV's Protocol

Completeness: The report has reported / responded to the management approach and sustainability performance of chosen aspects and performance indicators for the application level "B" within the chosen boundary and the rationale behind partial reporting are explained within the Report.

In our view, the level at which the Report adheres to this principle is "Acceptable".
Neutrality: The sustainability performance and related issues are reported in this report in a transparent and balanced manner, in terms of content and tone.

In our view, the level at which the Report adheres to this principle is "Good".

Opportunities for Improvement

The following is an excerpt from the observations and opportunities for improvement reported to the management of the Company and are considered for drawing our conclusion on the Report; however they are generally consistent with the management's objectives:

- Evolve a process of true integration in sustainability context, i.e., being an Integrated - Annual and Sustainability Report, may extend the materiality determination exercise beyond GRI guidelines and undertake the test of materiality for "key risk items" like Regulatory Risks
- Further improve the stakeholder inclusiveness, JKH may establish benchmark for good quality engagement with stakeholders who are crucial to JKH's sustainability and success in line with AA1000SES (2011)
- Evaluate risks related to human rights across the JKH value chain and support its partners in promoting fair and ethical trade practices
- Develop key strategies, systems and procedures for occupational health and safety to enhance wellbeing of human resources across the Company

DNV's Competence and Independence

DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV states its independence and impartiality with regard to this assurance engagement. DNV was not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. DNV maintains complete impartiality toward any people interviewed. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For Det Norske Veritas AS,

Prasun Kundu
Project Manager
Det Norske Veritas AS, India.

Nandkumar Vadakepatth
Assurance Reviewer
National Head – Sustainability and Business Excellence Services
DNV Business Assurance, India.
Kolkata, India, 29th May 2013.

AA1000
Licensed Assurance Provider
000-10

Risk Management

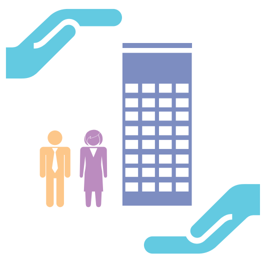
Risk management is an integral part of the organisational process within the John Keells Group and a key factor in ensuring the Group's success through sustainable growth. The risk management process seeks to create and protect value for all stakeholders by ensuring that Group companies effectively identify and mitigate the range of structural, operational, financial and strategic risks that may prevent the organisation from meeting its objectives.

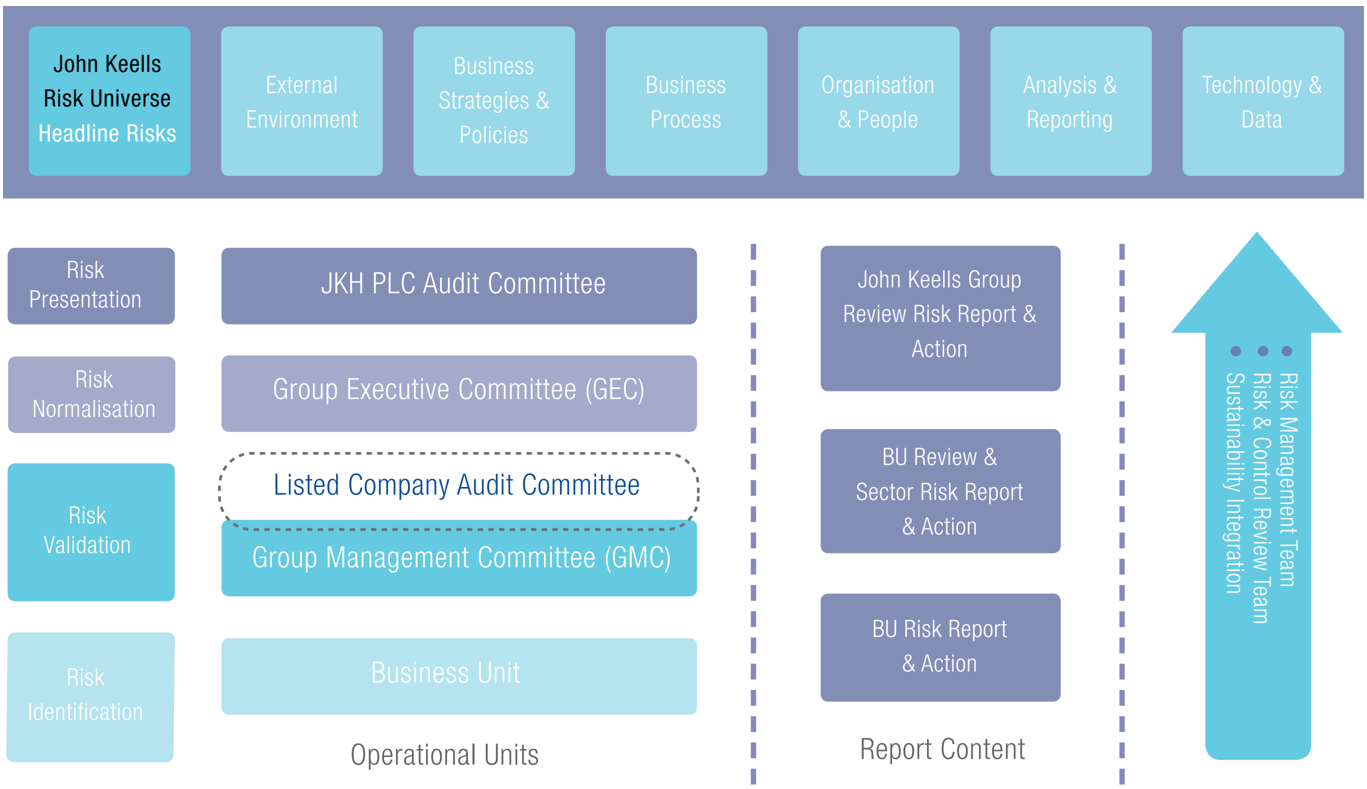
The annual risk management cycle begins at the business unit level, constituting the "bottom-up" approach to enterprise risk management taken by JKH, where risk management is believed to be an integral part of strategic decision making. Risks are identified and assessed through a Risk Control Self-Assessment (RCSA) document unique to the Group. Business units rate their level of risk for each identified risk event using an evaluation of the expected severity of impact of the risk event and the likelihood of its occurrence. During the year, the Group introduced guidelines on the evaluation of the severity of impact and likelihood of occurrence with the objective of achieving increasing uniformity in risk assessment by business units. Further, the introduction of velocity of impact of a risk event, or the speed at which the risk event will impact the organisation, in the RCSA document, has served to prioritise risks and their relevant mitigation plans.

Business units are the ultimate owners of their risks and are responsible for reviewing their RCSA forms on a quarterly basis. Company risks are then validated at the Group Management Committees and presented to the audit committees of all listed companies. Risks pertaining to the Group are then consolidated at the Group Executive Committee level. The risk management cycle is concluded with the distribution of a Group risk report containing risk profiling and analysis to the Group Audit Committee.

The risk management process and information flow is depicted below.

Risk management is an integral part of the organisational process within the John Keells Group and a key factor in ensuring the Group's success through sustainable growth. The risk management process seeks to create and protect value for all stakeholders by ensuring that Group companies effectively identify and mitigate the range of structural, operational, financial and strategic risks that may prevent the organisation from meeting its objectives





Sustainable Risk Management

Risk management and sustainability are firmly intertwined within the Group. The Group believes that sustainability is a form of overall risk management, considering not only operational and financial risks faced by the company, but a process that also proactively manages the risks faced by the company resulting from possible impacts on the environment, employees and community due to its operations. While the Enterprise Risk Management process of JKH identified risks to the organisation, the Group also engaged an independent research partner to carry out a comprehensive stakeholder engagement in a bid to identify potential impacts of the company's operations on the environment and community. Risks and issues identified herein were tracked on the RCSA documents of the respective company and subsequently mapped to the relevant to GRI sustainability indicator for further sustainability performance tracking and reporting.

Companies have also continued to track and monitor their "core sustainability risks", which are risks that have been identified as having the potential to catastrophically impact the long term sustainability of the business. The meeting of key performance indicators related to such risks is linked to organisation ratings, thus ensuring the evaluation of business units on both financial and sustainability performance and encapsulating the "triple bottom line" approach adopted by the Group.

Risk Management During the Reporting Year

The Enterprise Risk Management cycle begins during the second quarter with the annual risk review of all business units of the Group. The Group's Enterprise Risk Management (ERM) division assisted heads of business units and their respective heads of departments to comprehensively assess, rate and set mitigation plans for any structural, operational, financial and strategic risks relevant to each company, based on past information and horizon scanning. Awareness and training were also provided to business units regarding the introduction of the above mentioned concept of "velocity" and the streamlining and categorisation of mitigation plans to ensure a more structured and focused approach to risk mitigation.

Any high level risks or core sustainability risks were then reviewed by Management Committees of each of the industry groups as a means of validating the risk process at a business unit level. All listed companies also presented their identified risk events and mitigation action plans to their respective audit committees for review.

Business unit risks having a bearing on the overall Group risk profile were consolidated into the Group RCSA document which also contains any risks impacting the Group as whole, structural risks such as political or economic risks, and core sustainability risks. The Group Executive Committee reviews and updates the Group RCSA on a biannual basis, which is subsequently reviewed by the board audit committee of John Keells Holdings PLC.

The key risk items included in the 2012/13 Group RCSA document and their respective risk ratings and action plans are detailed below.

Regulatory Environment

Financial year	2012/13	2011/12	2010/11
Risk Rating	Ultra High	High	Moderate

Status and action plan

While changing legal and regulatory requirements have resulted in some degree of uncertainty amongst investors, the Group has put in place robust internal processes to ensure its flexibility and adaptability with regard to any such changes in legislation. The Group also participates in various industry associations and chambers as a means of pressing the need for clarity and consistency in the development and implementation of policy with a view to ensuring investor confidence.

Human Resources and Talent Management

Financial year	2012/13	2011/12	2010/11
Risk Rating	Low	High	High

Status and action plan

The Group places strong emphasis on retaining key talent through its talent management strategies, including performance recognition and reward, leadership programmes and career development. Through these programmes, the Group believes it has been able to retain high quality employees despite the highly competitive labour environment. The Group consistently builds on feedback received from its employees, conducting a Voice of Employees survey over the course of the year, with the findings being used to further enhance the Group's ability to attract and retain high calibre employees. It also maintains good working relations with unions and has in place an effective grievance handling mechanism, striving to maintain a culture of continuous engagement and dialogue with employees.

Global Competition

Financial year	2012/13	2011/12	2010/11
Risk Rating	Low	Moderate	Ultra high

Status and action plan

In the face of potential foreign investment in Sri Lanka by global businesses, the Group remains poised to maintain its current standing by continuing to build on its competitive advantage. The Group has sought to match global standards through benchmarking its businesses to global best practices and maintaining the highest quality levels of its products and services to all its stakeholders. Further, emphasis on innovation, training and capacity development is entrenched within the Group through capability building, training and research and development.

Risk Management

Macro Economic and Political Environment

Financial year	2012/13	2011/12	2010/11
Risk Rating	Moderate	Low	Moderate

Status and action plan

The weakened global economy resulted in a slower pace of growth of the economy in Sri Lanka. This coupled with uncertainty in the regulatory framework also resulted in returns being lower than expected. However, the Government continues to make investments in infrastructure development and some of the policy measures taken are expected to improve the long term sustainability and growth path of the economy.

The Group remains positive about the resilience of the economy and its senior management actively participates in key policy making bodies, committed to supporting the government in its efforts towards creating sustainable and equitable economic growth.

Financial Exposure

Financial year	2012/13	2011/12	2010/11
Risk Rating	Moderate	Low	Low

Status and action plan

In the face of rising interest rates and depreciation of the currency, the responsibility of the management of financial risks through continuous monitoring and hedging mechanisms, along with liquidity and financing requirements are the responsibility of the central treasury and finance functions of the Group, which also executes board approved strategies for interest, currency and liquidity management. All operations are overseen and monitored by the Group Executive Committee and the framework of policies and guidelines adopted are regularly reviewed in order to meet the operating needs of the JKH Group.

Reputation and Brand Image

Financial year	2012/13	2011/12	2010/11
Risk Rating	Low	Low	Low

Status and action plan

With its emphasis on the triple bottom line approach, the Group contributes extensively to society through the John Keells Foundation which undertakes a wide-ranging programme of social infrastructure and community development projects. In addition, the Enterprise Risk Management & Sustainability division of the Group assists in identifying risks to brand image and reputation. The Group also strives to meet the highest ethical standards when carrying out business, in accordance with its Code of Conduct. Further, the Group seeks to ensure the highest level of product stewardship with regard to its brands, abiding by the ICC code of advertising in all external marketing and communication campaigns and tracking product quality through the relevant GRI indicators and rigorous quality assurance process.

Environment, Health and Safety

Financial year	2012/13	2011/12	2010/11
Risk Rating	Low	Low	Moderate

Status and action plan

The Group places paramount importance on environment, health and safety (EHS) with regard to all operations of the Group. The Group EHS task force is responsible for overseeing EHS within the Group and 80 per cent of Group companies identified for OHSAS certification have now obtained OHSAS 18000 certification. In addition, the Group tracks and reports on its environmental impact and health and safety incidences on a quarterly basis as part of the Group's mechanism for internal and external sustainability reporting. The Group has also readied itself for possible significant disruptions to business operations with business continuity plans and a disaster management policy detailing the steps for quick recovery of operations in such an instance.

Information Technology Dependency

Financial year	2012/13	2011/12	2010/11
Risk Rating	Insignificant	Insignificant	Low

Status and action plan

The Group migrated some of its IT systems to cloud based computing services during the year, in a move to improve the flexibility and security of IT. During this process, the Group made every effort to minimise any risks stemming from the migration of systems.
IT systems are centralised in the Group as a means of ensuring uniformity and standardisation of IT security measures. In addition, contingency measures are detailed through business continuity plans and disaster recovery sites and processes.

Keeping our eye on the next level

ADVANCING

KEEPING PACE IS NOT ENOUGH. WE HAVE TO STAY AHEAD

Consolidated Group Performance

Continuing with the integrated nature of presenting the John Keells Holdings PLC (JKH) Annual Report, the Management Discussion and Analysis (MD&A) will include an analysis of the financial performance of the Group and a discussion of the primary sustainability indicators within the reporting boundaries of the Group. The MD&A will also cover the performance indicators impacting each of the businesses, the key macro economic factors affecting the business, a discussion on the outlook and the sustainability agenda for the forthcoming year.

The economy

Despite a challenging global environment, the Sri Lankan economy recorded a growth of 6.4 per cent, following two consecutive years of robust growth of 8 per cent. The moderate economic growth was due to the external environment and the shortage of liquidity in the market coupled with the tightened policy environment to curb expanding credit growth and widening trade deficits. The imposition of a credit ceiling and removal of import duty concessions during the year reduced the pressure on the balance of trade, while the depreciation of the Rupee witnessed during the first half of the financial year supported export competitiveness and curtailed import expenditure which contributed significantly to the reduction in the trade deficit. Inflation was maintained within single digit levels during the year although there was some upward pressure largely due to supply side factors. The measures taken to control credit growth had an impact on the Group as a whole, particularly in Consumer Foods and Retail (CF&R) and Information Technology (IT) industry groups.

The following table discusses the primary macro-economic variables that had and continue to have, a material impact where applicable, on the performance of the Group's businesses. A comprehensive understanding of these variables would enable a better understanding on the opportunities and threats faced by industry groups in executing their strategies. Discussions of Group strategies are also covered in the Chairman's Message and the Industry Group Analysis section of the Annual Report. The study of external risks and impacts are comprehensively covered under a structured framework within the Risk Management discussion under the Sustainability Integration and Risk Management section of the Report.

Macro Variable	Movement	Cause	Impact to JKH
GDP growth	GDP growth was 6.4 per cent in 2012 compared to 8.2 per cent in 2011.	The slow-down in economic growth was mainly due to the external environment and the shortage of liquidity in the market coupled with the impacts of the policy measures adopted by the CBSL to control the trade deficit and rising growth in credit. The Industry sector was the main driver of growth at 10.3 per cent with the construction segment making the most significant contribution. Growth in the Services sector at 4.6 per cent moderated largely on account of the slowdown in external trade. Despite adverse weather conditions in the second half of the year, the Agriculture sector performed better in 2012 with a growth of 5.8 per cent compared to 1.4 per cent in 2011.	The slow-down in growth impacted consumer and business sentiment leading to a certain moderation of business activity, particularly towards the end of the financial year.
Inflation	Inflation recorded a 7.5 per cent year on year (YoY) increase for March 2013 compared to 5.5 per cent in March 2012.	The upward pressure on inflation in the second half of 2012 was largely on account of supply side factors. The biggest YoY contributor to inflation was food prices at 12.6 per cent as at March 2013. Core inflation increased to 6.8 per cent from 4.9 per cent in the previous year.	The price escalations in most inputs, particularly in fuel and electricity, placed pressure on the margins on all businesses, particularly in CF&R and Sri Lankan Resorts and City Hotels. These increases in costs are likely to add pressure on employers to increase wages.

Macro Variable	Movement	Cause	Impact to JKH
Interest rates – Sri Lanka	AWPLR increased to 13.8 per cent in March 2013 compared to 12.8 per cent in the previous year. The three month Government T-bill rate was 9.3 percent in March 2013 compared to 11.0 per cent in March 2012.	The measures implemented to tighten the monetary policy resulted in an upward movement in secondary market interest rates and prime lending rates. However, towards the end of the first quarter of 2013 policy rates were revised downwards in order to stimulate economic activity.	The interest income generated from the Group's cash reserves and short term investments benefited from the upward movement in rates. From a borrowing perspective, the Group's risk exposure to rising Rupee interest rates is somewhat mitigated as a result of the "capped" interest rates on some loans.
Interest rates - global	3 month LIBOR decreased to 0.28 per cent in March 2013 from 0.47 per cent in March 2012. Swap costs for a 5 year interest rate swap decreased to 0.95 per cent from 1.24 per cent last year.	The forecasts of subdued global growth and the excess levels of liquidity in the market resulted in a marginal decrease in the benchmark LIBOR interest rate. The FOMC is committed to maintaining low interest rates until long term stability is achieved in employment and inflation.	The marginal decrease in US Dollar LIBOR resulted in a slightly lower finance cost on the IFC loan and other dollar denominated debt of the Group. Given the views of the FOMC and the market, the Group did not enter into arrangements for fixing its interest rates through swaps as it was believed that floating exchange rates would be more beneficial.
Exchange rate	The Rupee appreciated to Rs.126.89 as at 31st March 2013 against the US Dollar compared to Rs.127.85 seen last year. However, during the financial year, the exchange rate witnessed some volatility, reaching a low of Rs.133.75 in June 2012 and a high of Rs.125.45 in April 2012.	The exchange rate policy in 2012/13 mainly focused on allowing greater flexibility in the exchange rate and limiting the Central Bank's intervention in the market. The intervention of the Central Bank during 2012 was limited only to the extent needed to settle a portion of petroleum import bills, mainly during the first few months of the year, while surplus foreign exchange liquidity in the market was absorbed as and when appropriate.	The depreciation of the Rupee in the first half of the financial year had a positive impact on business generating dollar revenues streams. The Consumer Foods and Office Automation businesses were negatively impacted from the depreciation and proactive steps were taken to ensure protection of margins. The Group focussed on maintaining, or where relevant creating, a "natural hedge" through monitoring of cash inflows and working capital to manage the volatility in the forex market.

Note: AWPLR – Average weighted prime lending rate; CBSL – Central Bank of Sri Lanka; CF&R – Consumer Foods and Retail; FOMC – Federal open market committee; GDP – Gross domestic product; IFC – International Finance Corporation; LIBOR – London inter bank offer rate

Management discussion and analysis

As stated in the Introduction to the Report, measures of financial performance and position for the period under review and the preceding year are based on Sri Lanka Accounting Standards (SLFRS/LKAS). The financial performance of the Group with respect to the periods prior to 31st March 2012 has been derived based on the adaptation of previous version of Sri Lanka Accounting Standards (SLAS). Unless stated otherwise, all prior year elements of financial position are based on the previous version of Sri Lanka Accounting Standards (SLAS).

IFRS convergence

Under the directives of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the financial statements for 2012/13 are reported under Sri Lanka Accounting Standards (SLFRS/LKAS) along with the re-statement of figures for 2011/12 for comparison purposes.

Impact to financial statements

Following is a summary of the disclosures and the impacts to the financial statement from the adoption of Sri Lanka Accounting Standards (SLFRS/LKAS) reporting.

- Change in composition of the Income Statement with the inclusion of the new line item "Results from Operating Activities".
- The segregation of net finance cost is shown in the Income Statement as finance expense and finance income. The finance income includes interest income from the operations of Union Assurance PLC relating to the life and general insurance fund. The related costs have been reflected elsewhere in the income statement.
- Introduction of a "Statement of Comprehensive Income" which

Consolidated Group Performance

includes movement in currency translation of foreign operations, gains/losses on fair valuations of available for sale financial assets, share of other comprehensive income of equity accounted investments etc. Under the previous version of Sri Lanka Accounting Standards (SLAS), transactions of similar nature were routed directly through the statement of equity.

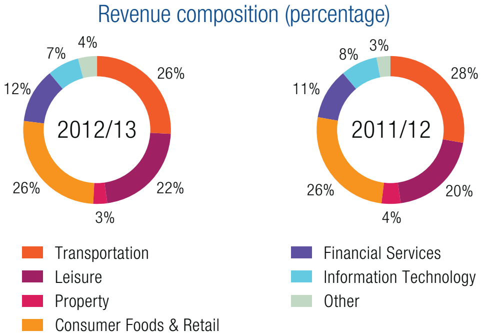
- Sri Lanka Accounting Standards (SLFRS/LKAS) requires notes on "First Time Adoption of Sri Lanka Accounting Standards (SLFRS/ LKAS)". This includes statements and policies on SLAS historical figures reconciled under Sri Lanka Accounting Standards (SLFRS/ LKAS). Note that the first day of transition is taken as 1st April 2011.
- New notes on financial instruments and their exposure to market risk, credit risk and liquidity risk.

A more detailed disclosure on the transition adjustments from the previous version of Sri Lanka Accounting Standards (SLAS) to Sri Lanka Accounting Standards (SLFRS/LKAS) is found in the Notes to Financial Statement section of the Annual Report.

Revenue

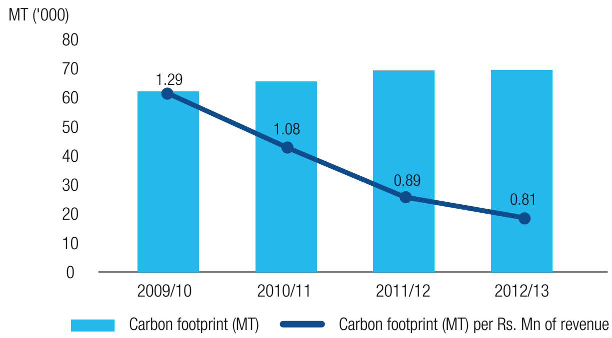
In the year under review, Group revenue increased by 10 per cent to Rs.85.56 billion [2011/12: Rs.77.69 billion] primarily due to increases in the contribution from Transportation, Leisure and Consumer Foods and Retail (CF&R). Revenue emanating from domestic sources was Rs.73.15 billion [2011/12: Rs.67.02 billion]. Whilst growth opportunities in the region will continue to be explored, the primary focus of the Group would be to capitalise on the long term growth prospects in Sri Lanka. Group revenue, inclusive of associate company revenue, increased by 10 per cent to Rs.94.60 billion [2011/12: Rs.86.11 billion].

Revenue composition (percentage)



In terms of generating revenue efficiently and in a sustainable manner, the carbon footprint of the Group increased marginally to 69,403 metric tons [2011/12: 69,280 metric tons] compared to a revenue increase of 10 per cent. The carbon foot print (MT) per million rupees of revenue reduced from 0.89 to 0.81 times, demonstrating the continuous improvement in the efficiency of generating revenue. Further details on the various sustainability initiatives across the Group can be found in the Environment Impact section of the Report.

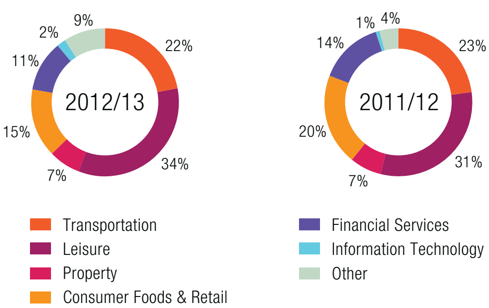
Carbon footprint and footprint in MT per Rs. million of revenue



Earnings before interest and tax

During the year under review, the earnings before interest and tax (EBIT) increased by 18 per cent to Rs.16.86 billion [2011/12: Rs.14.24 billion]. In terms of the composition of EBIT, Leisure was the primary contributor with a 34 per cent contribution, followed by Transportation and CF&R with contributions of 22 per cent and 15 per cent respectively. Recurring EBIT, excluding the fair value gain on investment property, increased by 14 per cent to Rs.14.62 billion [2011/12: Rs.12.82 billion].

EBIT composition (percentage)



With the exception of CF&R and Financial Services, all industry groups achieved growth in EBIT. Although CF&R recorded a fair value gain on investment property of Rs.1.28 billion in the current year [2011/12: Rs.1.11 billion], the Retail sector was negatively impacted by costs of streamlining operations, re-merchandising costs and outlet refurbishment costs incurred during the year in pursuit of the long term vision for the business. In addition, Retail was further impacted by the one-off value added tax (VAT) on closing stocks as a result of the imposition of VAT on retail businesses as discussed further in the Industry Group Analysis section of the Report.

The gross margins of the Group improved to 23.9 per cent as against 23.4 per cent in the previous year, reflecting the effectiveness of the measures to increase productivity despite pressures on costs. The growth in gross profits was driven by Leisure due to increased revenue from City Hotels and from Property on account of revenue recognition

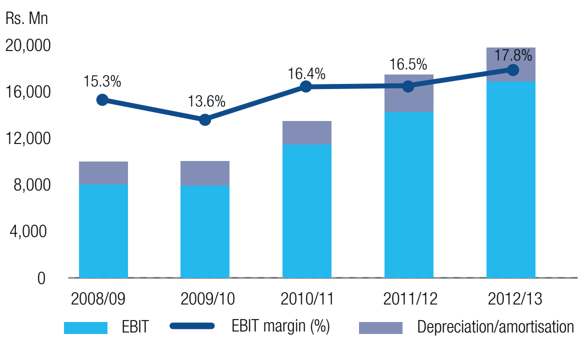
GROUP EBIT

Rs. 16.86 bn

+18%

from the OnThree20 apartment complex. During the year under review, the combined administrative, distribution and other expenses were Rs.15.10 billion as against Rs.12.68 billion in the previous year, an increase of 19 per cent. The increase in the combined expenses was mainly as a result of increased administrative expenses in Financial Services relating to the allocation of UA life and general fund expenses as well as in Leisure. The Insurance sector incurred branch expansion costs and charges relating to a life insurance actuarial support system on gross premium valuations, while the increase in adminstrative expenses in the Leisure industry group was due to the commencement of operations at Cinnamon Bey. Total energy costs increased by 13 per cent from the previous year as a result of additional operations in Leisure and the Retail sector. The Group is conscious of the need to continuously reduce its carbon foot print and continues to identify and implement related initiatives. The increases in fuel prices and electricity tariffs have further amplified the need to optimise energy consumption across the Group. Total energy saved from heating, ventilation, air conditioning improvements and other energy saving initiatives during the year amount to approximately 1.24 million kWh.

Group EBIT, EBITDA and EBIT margins



Industry group EBIT margins

The Group EBIT margin increased to 17.8 per cent from 16.5 per cent in the previous year, primarily due to an increase in gross profits and the increase in the fair value gain on investment property referred to previously. Excluding the impact of the fair value gain, EBIT margins were 15.5 per cent in 2012/13 as against 14.9 per cent in the previous year.

Property recorded the highest growth in EBIT margins as a result of its revenue recognition cycle and its gain on fair value of investment property, followed by Leisure which grew primarily on the performance of City Hotels. Transportation recorded a marginal growth in EBIT margins on account of improved operating efficiencies in the Ports and Shipping sector. The negative growth of EBIT in CF&R was primarily due to the one-off costs and VAT impact of Retail as discussed previously. The recurring EBIT margin of Consumer Foods remained broadly in line with last year.

The contraction in the EBIT margins of Financial Services was due to lower foreign exchange income received, increased pressure on margins due to the escalation in cost of funds and higher loan impairment charges in the Banking sector. Rising costs in the Insurance sector and the subdued equity market performance in the Stock Broking sector also contributed to the drop in EBIT margins.

EBIT margins (%)	2012/13	2011/12	2010/11
Transportation	14.7%	14.1%	16.1%
Leisure	27.8%	25.5%	20.3%
Property	39.9%	26.8%	34.1%
Consumer Foods & Retail	10.5%	12.8%	3.7%
Financial Services	16.0%	19.6%	13.8%
Information Technology	5.7%	2.7%	2.9%
Other	41.4%	19.0%	87.1%
Overall Group	17.8%	16.5%	16.4%

Finance income

The finance income of the Group increased to Rs.4.77 billion [2011/12: Rs.2.87 billion]. The finance income includes interest income of Rs.2.66 billion relating to the operation of Union Assurance PLC's life and general funds, which net of related costs has been included under the Financial Services operating segment results in Note 3.1 in the Notes to the Financial Statements section of the Annual Report. The finance income relating to Union Assurance, net of related costs, is classified under operating segment results on the basis that interest income from the insurance funds are considered as operational income. Finance income increased on account of the growth in the life and general insurance funds and the increase in interest rates which positively impacted the cash reserves of the Group. Further details on finance income can be found in Note 10 of the Notes to the Financial Statements.

Finance expenses

The finance expense of the Group declined to Rs.1.08 billion [2011/12: Rs.1.42 billion]. The re-stated SLFRS/LKAS adjusted figure for 2011/12 increased significantly due to the treatment of an exchange loss on other operating income and the decrease in market value of quoted investments held for sale. The decrease in finance expense is partly attributable to the decrease in interest rates on dollar denominated debt and the benefit from "capped" interest rates on Rupee borrowings. During the year the Government permitted eligible entities to open foreign currency accounts and to hold foreign currency within these accounts. The Group, where possible, converted its Rupee borrowings

Consolidated Group Performance

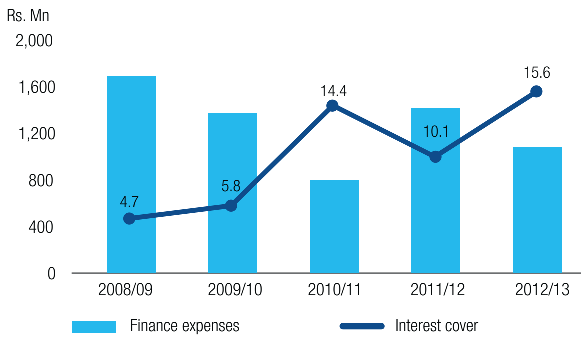
to foreign currency to take advantage of the relatively lower cost of borrowing to reduce the overall finance expense. Industry group-wise, Leisure accounted for approximately 49 per cent of the total finance expense, followed by Other, including Plantation Services and CF&R. Whilst finance expenses decreased compared to the previous year, total debt increased marginally by 0.3 per cent to Rs.20.12 billion from the previous year. The interest cover of the Group increased to 15.6 times from a re-stated 10.1 times due to the decrease in finance expenses.

GROUP INTEREST COVER
15.6 Times
+55%

Taxation

Group tax expense increased by 19 per cent to Rs.2.18 billion [2011/12: Rs.1.84 billion]. Leisure, Financial Services and CF&R were the largest contributors to the Group tax expense with Rs.433 million, Rs.377 million and Rs.376 million respectively. The effective tax rate on Group profits reduced to 13.8 per cent in 2012/13 as against 14.4 per cent in the previous year. For further details on tax impacts of the Group, refer the Notes to the Financial Statements section of the Annual Report.

Finance expenses and interest coverage



Profit after tax

Group profit after taxation (PAT) increased by 24 per cent to Rs.13.59 billion [2011/12 Rs.10.98 billion], with all industry groups making a positive contribution to PAT. Of the industry groups, Leisure and Transportation were the highest contributors to PAT with contributions of Rs.4.77 billion [2011/12: Rs.3.71 billion] and Rs.3.40 billion [2011/12: Rs.3.12 billion] respectively.

During the financial year, fair value gains on investment property at CF&R, Property, Leisure, and Other including Plantation Services were Rs.1.28 billion [2011/12: Rs.1.11 billion], Rs.440 million [2011/12: Rs.207 million], Rs.289 million [2011/12: Rs.100 million] and Rs.8 million respectively, contributing to the increase in PAT. The Group also recorded a capital gain of Rs.130 million from the disposal of Quatrro FPO solutions in IT and Rs.78 million from the disposals in the stakes of John Keells Logistics Lanka and John Keells Logistics India in Transportation. Excluding the impacts of the non-recurring items, the Group's recurrent PAT would be Rs.11.36 billion for 2012/13 as against Rs.9.56 billion for 2011/12 – a growth of 19 per cent.

	FY 2012/13				
Rs. million	Q1	Q2	Q3	Q4	Total
Revenue	20,013	20,683	21,508	23,353	85,557
PBT	2,397	2,995	3,576	6,808	15,775
Transportation	957	1,022	844	821	3,644
Leisure	648	945	1,335	2,275	5,203
Property	65	(258)	180	1,267	1,253
CF&R	393	288	186	1,555	2,421
Financial Services	257	323	734	463	1,777
IT	6	56	103	149	314
Other	72	620	194	279	1,164
Profit attributable to shareholders	1,659	2,412	2,898	5,233	12,201
Total assets	132,617	138,804	139,240	159,118	159,118
Total equity	81,216	83,559	85,125	101,185	101,185
Total debt	17,222	18,579	18,314	20,117	20,117

GROUP PAT
Rs. 13.59 bn
+24%

Non-controlling interest

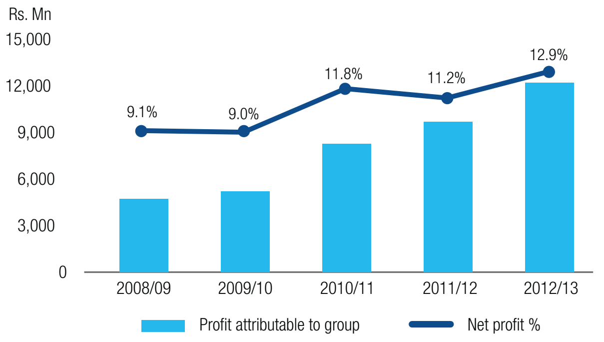
Non-controlling interest (NI) increased to Rs.1.39 billion [2011/12: Rs.1.29 billion] largely due to increased contribution to PAT from City Hotels where the minority holding is relatively higher. The NI share of PAT for 2012/13 is 10.2 per cent as against 11.8 per cent in the previous year.

Profit attributable to equity holders of the parent

The profit attributable to equity holders of the parent increased by 26 per cent to Rs.12.20 billion [2011/12: Rs.9.69 billion]. All industry groups contributed positively to PAT with Leisure, Transportation and CF&R contributing Rs.4.77 billion [2011/12: 3.71 billion], Rs.3.40 billion [Rs.3.12 billion] and Rs.2.05 billion [Rs.2.37 billion] respectively.

The net profit margin of the Group increased to 15.9 per cent as against 14.1 per cent.

Profit attributable to equity holders and net profit ratio



Contribution to the Sri Lankan economy

The economic value statement depicts the generation of wealth and its distribution among the stakeholders in all business/social activities throughout the entire value chain. It also reveals the amounts reinvested for the replacements of assets and retained for the growth and development of operations. Further information pertaining to the economic value as per the Global Reporting Initiative (GRI) indicator EC1 is available in the Economic section of the Annual Report.

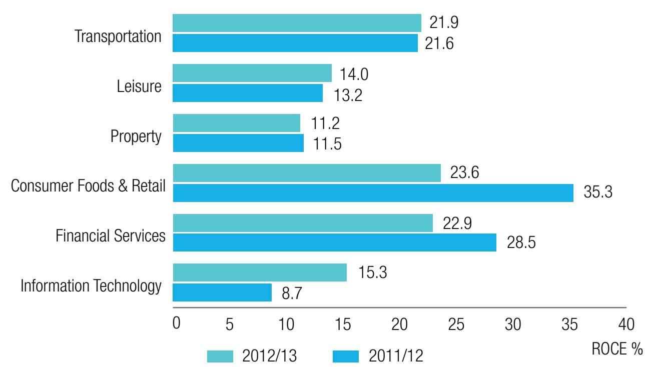
Economic Value Statement for 2012/13		
For the Year Ended 31 March	2013 Rs. Mn	2012 Rs. Mn
Direct Economic Value Generated		
Revenue	85,557	77,689
Finance income	4,770	2,874
Share of results of equity-accounted investees	3,369	2,765
Profit on sale of assets and other income	1,352	1,678
Change in fair value of investment property	2,012	1,414
	97,060	86,420
Economic Value Distributed		
Operating costs	65,745	60,391
Employee wages and benefits	9,507	8,091
Payments to providers of funds	5,452	4,276
Payments to government	3,910	3,595
Community investments	53	59
	84,667	76,412
Economic Value Retained		
Depreciation	2,250	1,863
Amortisation	925	771
Profit after dividends	9,218	7,374
	12,393	10,008

Return on capital employed and return on equity

	ROCE	=	EBIT margin	X	Asset turnover	X	Assets/ (debt+equity)
2012/13	15.2%	=	17.8%	X	0.64	X	1.33
2011/12	15.6%	=	16.5%	X	0.70	X	1.34

The Group return on capital employed (ROCE) decreased to 15.2 per cent from the 15.6 per cent recorded in the previous year. Despite improvement in the Group EBIT margin, the reduction in ROCE was mainly due to the drop in asset turnover, primarily from the Property and CF&R industry groups. Property recorded a decrease in asset turnover ratio due to investments made in K-Zone, Ja-Ela. CF&R recorded a decrease in asset turnover as a result of increased investments in the meat processing plant in Keells Food Products (KFP) and capacity enhancements at Ceylon Cold Stores (CCS). Group capital employed increased by 21 per cent to Rs.121.30 billion as against Rs.100.25 billion in the previous year as a result of investments in Leisure, Property and CF&R, coupled with the revaluation of land and buildings of hotel properties. Excluding the impact to capital employed from the revaluation of land and buildings, the ROCE of the Group would be 16.0 per cent. For further details on each of the industry group's ROCE refer to the Portfolio Movement and Evaluation and Industry Group Analysis sections of the Annual Report.

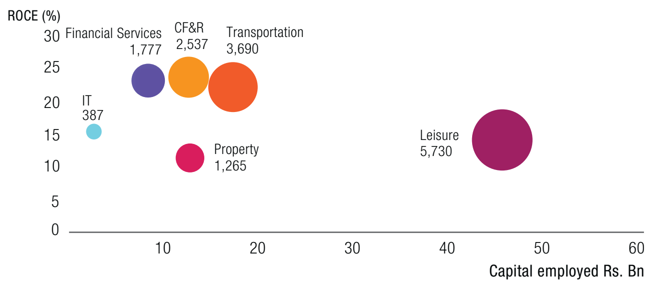
Industry group-wise ROCE comparison



The following graph illustrates the ROCE and capital employed of each industry group and their relative contribution to EBIT.

ROCE, Capital Employed and EBIT

size of bubble represents the relative contribution to EBIT in Rs. Mn



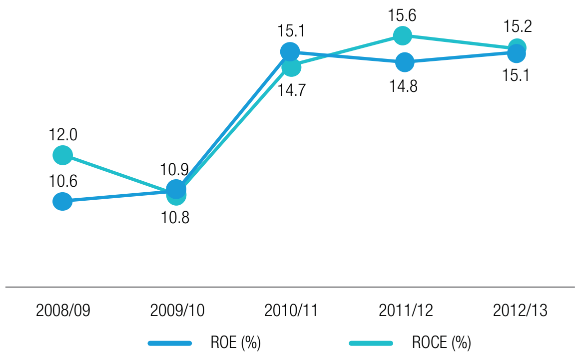
Consolidated Group Performance

	ROE	=	ROA	X	CEL*	X	CSL**
2012/13	15.1%	=	9.3%	X	0.90	X	1.82
2011/12	14.8%	=	9.0%	X	0.88	X	1.87

** CEL - Common earnings leverage; ** CSL - Capital structure leverage*

The return on equity (ROE) of the Group increased to 15.1 per cent as against 14.8 per cent in the previous year. The ROE increase is attributable to the decrease in finance expense and also due to increased return on assets coupled with increased common earnings leverage. The common earnings leverage increased due to the high contribution of profits from Transportation and the Insurance sector where the Group's direct holding is relatively higher.

ROE vs ROCE



Outlook

The slower than expected pick up in domestic economic activities in the first quarter of 2013 prompted the CBSL to stimulate the economy via a second round of gradual reduction in interest rates. The inflation outlook is expected to remain positive and hence the rate reduction by the CBSL is expected to reduce inflation expectations and interest rates in the ensuing year. The trend of the reduction in trade deficits, supported by lower spending on oil imports on account of a reduction in global oil prices and higher hydro electricity generation in the country are likely to support the Rupee. However, significant foreign investments in Government securities have increased the level of volatility and exposure in the event these investments are disposed of. The tariff revisions in key state enterprises should result in a lower crowding out effect and thereby increase funding sources for the private sector. The anticipated reduction in interest rates is likely to improve consumer sentiment in the medium term, as long as there are no external shocks to the economy, although disposable income of consumers are expected to be low throughout the ensuing year. The shortfall in Government revenue collection and the sustained balance of payments gap are possible risks to an improved growth outlook. Following is a high level overview and discussion of possible impacts to our businesses, taking into account all things as equal, the impacts of macro-economic factors, notwithstanding aspects such as competitive forces.

Transportation

Considering the high weightage towards transshipment volumes in Colombo, a possible fall in domestic trade volume is unlikely to hurt revenues materially, although margins may be affected in the year ahaed. The enhancement of the capacity of the Colombo Port with the commissioning of the South Terminal of the Colombo South Harbour is expected to increase traffic to the Port in the medium term, thereby presenting an opportunity for the bunkering business. The commissioning of the new terminal during the second half of 2013 is expected to positively impact on overall volumes in to the Colombo Port in the long run. The strong relationships with existing shipping lines and the industry standard efficiencies in the Port operations will enable the Group to minimise the impact on volumes as a result of the new terminal, and as such transshipment volumes are unlikely to be significantly affected.

Leisure

The Leisure group will continue to build on Sri Lanka's image as a tourist and MICE destination, whilst being mindful of the price competition within the region. The focus on penetrating emerging tourism markets such as India, China and Russia is expected to drive growth in Leisure. City Hotels are expected to perform well with expected growth in business travel and the expected volumes arising from some key MICE events. Despite political turmoil in the Maldives, the operations are expected to continue its growth momentum with a greater focus placed on newly emerging Chinese, Middle East and Russian market segments.

Property

Property will focus on providing condominium units in premium locations in Colombo and the rental of commercial, retail and office space. The downward trend in interest rates will improve consumer confidence in the property market and improve the outlook on pre-selling units in "OnThree20" and the "7th Sense" Gregory's Road apartment complexes.

CF&R

The Beverage and Frozen Confectionery business will focus on improving penetration in certain identified regions, thereby offsetting any possible pressure on margins due to increased production costs by achieving a higher dilution of fixed overheads. In addition, the significant investments in upgrading the beverage bottling plant, meat processing plant and enhanced dealer management systems are expected to increase productivity and efficiency. Similarly, in the Retail sector the benefits through the implementation of the "way forward" strategy as explained in the CF&R industry group review is expected to enhance the shopping experience for customers as evident in the statistics of post refurbished outlets. Continued focus on the private label range will ensure consumers are offered a wider choice while Retail will benefit from margin improvement.

Financial Services

The level of under penetration and under insurance within the country indicates opportunity for significant growth prospects for life insurers. The Group has analysed the regulatory requirement to split the Life and General businesses into separate companies by early February 2015. It has looked at various options and scenarios in order to comply with this requirement and is in the process of identifying the optimal outcome in order to take this initiative forward. The non-life segment is expected to remain price competitive in the medium term with competition fuelled by new entrants and existing participants trying to maintain market share. Nations Trust Bank is expected to expand on its delivery network and strategically focus on increasing market share in the SME sector. John Keells Stock Brokers (JKSB) will benefit from the upward trend in the equity market which is expected to remain buoyant on the strength of increased foreign investment flows and the downward revision of interest rates.

IT

The global economy is seeing early signs of a sustained recovery, thereby improving prospects for the outsourcing business. The investment in the back-end infrastructure of the BPO operations, coupled with the targeted focus on marketing and developing a strong pipeline is expected to positively impact the BPO business. The stability of the domestic exchange rate, increase in parallel imports and the growing presence of the second hand market are expected to increase competitive pressures for the Office Automation business.

> *"The Group's Integrated Annual Report encapsulates the Group's belief that what is sustainable is not just the single minded dedication to profits."*

While the discussion above highlights the potential impacts to the Group, we continue to be positive on the long term prospects of the country and the economy. The focus of the Group will be to continue our expansion in growth areas of the economy. Further details on the outlook and plans of each industry group can be found in the Industry Group Analysis section of the Report.

Sustainability outlook

The Group embarked on integrated reporting last year, reflecting its strong commitment to communicate its journey of sustainable development, encompassing strategic objectives and overall triple bottom line performance.

The Group's Integrated Annual Report encapsulates the Group's belief that what is sustainable is not just the single minded dedication to profits, but rather the business practices required when having a "Progressive" mindset and the social responsibility and governance processes which are interwoven into its operating model and the communication of such to all its stakeholders.

The Group has carried out the following initiatives covering the three pillars of sustainability as well as implementing systems and processes to enable integration of sustainability within the organisation:

- Implementation of an enterprise-wide sustainability system to facilitate sustainability performance tracking
- Training and awareness with regard to sustainability
- Introducing initiatives with regard to energy and water conservation, waste management and conservation of biodiversity
- The extension of the Group's E-learning platform to make training more accessible and efficient. The average hours of training per employee has increased by 15 per cent during the year.
- The Group will augment the risk review process to capture the full spectrum of risk mitigation actions
- The Group commenced carrying out internal assessments of its value chain to establish whether the Group's significant suppliers are in conformance with practices of human rights as stipulated by law

Continuing with its sustainability journey, the Group plans to carry out initiatives under the following key areas in the following year:

- To complement the systems and processes in place for internal sustainability tracking, the Group will endeavor to establish global benchmarks for its significant operations
- The Group will seek to expand its reach in assessing at least 30 significant suppliers with regard to human rights and labour practices
- The Group will establish the total expenditure incurred on sustainability related initiatives and environmental conservation in order to track and optimise such spending
- The Group will assess the environmental impact of operational activities not under the direct control of the Company

Whilst sustainability is an integral part of our corporate actions, the Group will continue to focus on its social responsibility initiatives under the auspices of the John Keells Foundation. The key initiatives under the agenda for 2013/14 will be focused on the areas of Education, Health, Environment, Community and Livelihood Development, Disaster Management and Arts and Culture. For further details on the projects/ initiatives, refer to the Our Community section of the Annual Report.

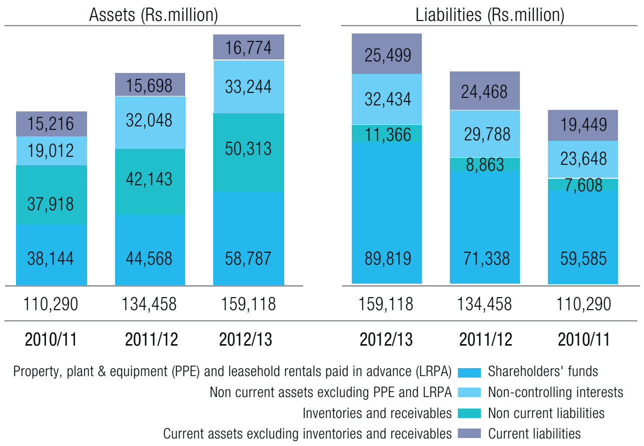
Capital Resources and Liquidity

Summary of key financial position items

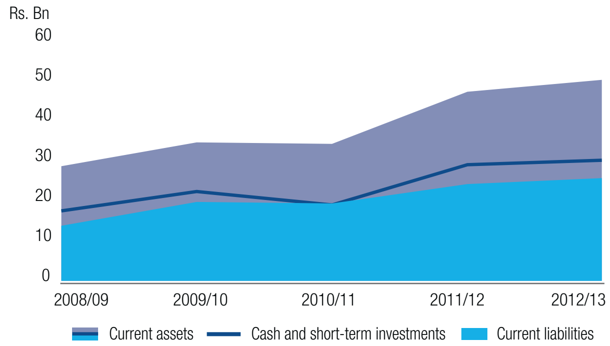
Item	2013	2012	Change	Change	Explanatory Highlights for YoY Changes
	Rs. Mn	Rs. Mn	Rs. Mn	%	
Property plant & equipment	49,273	34,290	14,983	44	• Addition of Rs.1.29 billion due to the completion of the construction of Cinnamon Bey, Rs.467 million for the refurbishment at Cinnamon Citadel and Rs.374 million for the soft refurbishment of Chaaya Island Dhonveli • Addition of Rs.978 million at CCS (investment in the cold room, freezers, hardening tunnel etc) Rs.665 million at KFP (acquistion of the meat processing plant) and Rs.445 million at JMSL (outlet expansion) • Revaluation gains of Rs.5.84 billion at AHP, Rs.560 million at RHL, Rs.488 million at JKL, Rs.400 million at THL, Rs.383 million at BHR, Rs.379 million at CCS, Rs.358 million at WBL and Rs.317 million at KWI • Transfer of IP at THL to PPE of Rs.1.76 billion during the year • Increase offset by depreciation charge of Rs.2.25 billion
Lease rentals paid in advance	9,514	10,278	(765)	(7)	• Amortisation of leases of Dhonvelli and Elaidhoo amounting to Rs.678 million and exchange loss on the conversion of lease values amounting to Rs.82 million
Investment property	9,295	7,631	1,663	22	• Fair value gain on IP of Rs.1.28 billion at CCS, Rs.229 milliion at AHP and Rs.289 million at THL • Addition of IP of Rs.795 million at JKP-Ja Ela and Rs.307 million at BOCPL • Offset by transfer of IP Rs.1.76 billion to PPE at THL mentioned above
Intangible assets	2,690	2,633	56	2	• Increase of Rs.242 million on account of goodwill at KFP due to acquisition of the meat processing plant • Offset by amortisation of intangibles at UA amounting to Rs.187 million
Investments in associates	15,724	15,654	70	0	• Associate company profits of Rs.3.05 billion offset by dividends of Rs.2.82 billion • Investment of Rs.224 million in Cinnamon Air • Offset by disposal of QFPO with net assets of Rs.469 million
Other non current financial assets	18,817	13,690	5,127	37	• UA - increase in non current investments by Rs.4.99 billion • Increase in AHFS valuation of Rs.124 million
Other non current assets	3,576	2,405	1,171	49	• Addition of Rs.3.38 billion pertaining to the ongoing apartment projects in the Property group • Offset by Rs.2.15 billion on account of the transfer to cost of sales in the Property group
Inventories	3,999	4,350	(351)	(8)	• LMS - drop in inventory as a result of arrival of consignment outside the normal inventory cycle • CCS, JMSL and JKOA - increase in inventory due to expansion and growth in business operations
Trade and other receivables	12,775	11,347	1,428	13	• UA on account of year end policy renewals • JKL - increase in tea sellers advances • Higher operating volumes at CG, JMSL and CCS
Short term investments and cash in hand	30,141	29,114	1,026	4	• Increase in JKH fixed and call deposits by Rs.2.45 billion • JKRP- increase due to the short term investments made with excess funds received from the OnThree20 project • Offset by a decrease of Rs.1.49 billion in UA due to lower allocation of funds to short term investments
Shareholders' equity	89,819	71,338	18,482	26	• Profit for the year of Rs.12.20 billion, surplus on revaluation of Rs.8.25 billion offset by dividends of Rs.2.98 billion
Insurance contract liabilities	17,388	14,711	2,678	18	• Net increase in UA funds under the life insurance segment
Non current borrowings	11,858	12,221	(363)	(3)	• Increases in KWI - for the refurbishment of Cinnamon Citadel, BHR for the construction of Cinnamon Bey, BOCPL for the repayment of the inter-company loans • The increases were offset by the repayment of the IFC loan at JKH and other loans at Maldivian Resorts
Trade and other payables	14,608	14,875	(267)	(2)	• Primarily from JMSL and UA on account of increased operating volumes • LMS - lower creditor balance due to the arrival of consignment mentioned above
Short term borrowings	1,854	1,009	845	84	• LMS - due to the increase in the short term credit facilities given by the banks
Current portion of interest bearing borrowings	3,049	2,477	572	23	• BHR - loans obtained for the construction of Cinnamon Bey
Bank overdraft	3,356	4,347	(991)	(23)	• Increase at CG, JMSL and JKL due to higher working capital requirements • Offset by decrease in bank OD balances as at the year end compared to the previous year at LMS, JKMR, Chaaya Reef Elaidhoo and UA

Note: AHFS – Assets held for sale; AHP – Asian Hotels and Properties; BHR – Beruwela Holiday Resorts; BOCPL – British Overseas Colombo Private Limited; CCS – Ceylon Cold Stores; CG – Cinnamon Grand; JKH- John Keells Holdings; JKL – John Keells PLC; JKP – John Keells Properties Private Limited; JKMR – John Keells Maldivian Resorts; JKRP – John Keells Residential Properties; JMSL – JayKay Marketing Services Limited; KFP – Keells Food Products; LMS – Lanka Marine Services; QFPO – Quattro FPO Solutions; RHL – Resort Hotels Limited; THL – Trans Asia Hotels PLC; UA – Union Assurance; WBL – Whittall Boustead Limited

Financial position structure



Liquidity management



Financial position structure

Total assets increased by Rs.24.66 billion to Rs.159.12 billion [2011/12: Rs.134.46 billion] primarily due to increases in property, plant and equipment (PPE), non-current financial assets, trade and other receivables and short term investments as described in the summary table.

Non-current assets

Non-current assets of the Group were Rs.109.10 billion [2011/12: Rs.86.71 billion], an increase of Rs.22.39 billion. Non-current assets increased primarily as a result of increases in PPE and non-current financial assets. PPE primarily increased due to revaluation of land and buildings in the Leisure industry group. Additions made in the Leisure industry group pertaining to the capitalisation of work-in-progress costs of Cinnamon Bey, refurbishment costs of Cinnamon Citadel and Chaaya Island Dhonveli coupled with investments in operational enhancements at CF&R also contributed to the increase in PPE. The increase in non current financial assets was driven by the increase in investments in the Insurance sector and increase in the long term investments of the holding company.

Working capital

Net working capital of the Group increased to Rs.24.52 billion [2011/12: Rs.23.28 billion] due to an increase in current assets, arising from the increases in trade and other receivables and short term investments. Current liabilities increased by 4 per cent to Rs.25.50 billion driven by an increase in short term borrowings, partially offset by a reduction in bank overdrafts. Although the overall working capital of the Group increased in tandem with the growth in volumes, there was increased focus in identifying and managing working capital at an optimal level. The consumer related businesses continue to have material working capital requirements.

Cash flow

Cash and cash equivalents decreased by Rs.2.95 billion to Rs.16.86 billion by the end of the year [2011/12: Rs.19.81 billion]. Net cash from operating activities decreased to Rs.14.72 billion as against Rs.16.48 billion driven by a decrease in trade and other payables in the current year compared to a relatively larger increase in the previous year.
Net cash used in investing activities was Rs.16.35 billion [2011/12: Rs.9.00 billion] with cash used for the purchase of PPE at Rs.5.17 billion [2011/12: Rs.5.49 billion]. The capital expenditure was largely in the Leisure and CF&R industry groups. Net cash used in financing activities was Rs.1.32 billion compared to Rs.496 million in the previous year. The increase in cash outflows in respect to financing activities was mainly due to the increase in dividends and repayment of long term borrowings.

	2012/13	2011/12
Current ratio (times)	2.0	2.0
Quick ratio (times)	1.8	1.8
Net working capital (Rs.million)	24,519	23,277
Asset turnover (times)	0.6	0.7
Capital employed (Rs.million)	121,302	100,255
Total debt (Rs.million)	20,117	20,054
Net debt (cash) (Rs.million)	(8,223)	(7,348)
Debt/equity ratio (%)	19.9	25.0
Net debt (cash)/equity ratio (%)	(8.1)	(9.2)
Long-term debt to total debt (%)	58.9	60.9
Debt/total assets (%)	12.6	14.9
Debt/EBITDA (times)	1.0	1.2

Capital Resources and Liquidity

Leverage and capital structure

Capital structure

Total assets of Rs.159.12 billion were funded by shareholders' funds (57 per cent), non-controlling interests (7 per cent), long term creditors (20 per cent) and short term creditors (16 per cent). Thus, the long term funding of assets at Rs.133.62 billion was 84 per cent of total assets.

GROUP TOTAL ASSETS
Rs.159.12 bn
+18%

Debt

The overall debt of the Group was Rs.20.12 billion, a marginal increase from the Rs.20.05 billion in the previous year. The Leisure industry group and the holding company continue to have the largest share of the overall debt. Considering the high local interest rate environment and relaxation of certain exchange control regulations permitting eligible firms to open and maintain foreign currency accounts, the Group re-financed a portion of its Rupee borrowing portfolio in Leisure. Accordingly, while total debt remained stable overall, the Group's foreign funded proportion of debt increased. The Group continued to maintain sizeable Dollar denominated cash reserves to partially match its foreign currency liabilities.

In terms of changes in debt composition during the year, main additions to debt was from Leisure and Property. Debt in Leisure increased on account of borrowings to fund the completion of Cinnamon Bey and the refurbishment of Cinnamon Citadel. Debt in Property increased on account of the completion of K-Zone, Ja-Ela and the ongoing construction of OnThree20. The additional debt was offset by routine repayments of loans including a capital repayment of Rs.1.31 billion of the IFC loan.

The debt to equity ratio of the Group was 19.9 per cent as against 25.0 per cent in the previous year. The net debt (cash) to equity ratio was (8.1) per cent as against (9.2) per cent in the previous year – leaving much headroom considering the Group's target net debt to equity ratio of 50 per cent. Considering uncertainty of liquidity conditions in the global and local market, it is considered prudent to continue maintaining relatively lower leverage ratios at present. This does however present an opportunity for the Group to leverage on the borrowing capacity of the Group to fund its next phase of growth. The debt to EBITDA cover marginally decreased to 1.0 times compared to 1.2 times in the last year. Long term debt to total debt decreased to 58.9 per cent from 60.9 per cent in the previous year mainly on account of repayment of long term borrowings.

"The Group continued to maintain sizeable Dollar denominated cash reserves to partially match its foreign currency liabilities."

THE DEBT to equity ratio of the Group was 19.9 per cent

Statement of changes in equity

Total equity increased by Rs.20.98 billion to Rs.101.19 billion [2011/12: Rs.80.20 billion]. The increase was primarily due to a profit contribution of Rs.13.59 billion, revaluation surplus of Rs.10.46 billion, offset by dividends paid of Rs.2.98 billion.

Treasury management

Although there was no significant movement in the year on year LKR/USD exchange rate as at 31st March 2013, the exchange rate volatility during the year required the Group to adopt proactive measures to manage the impacts arising from currency fluctuations. Businesses funded with US Dollar loans mitigated the impact through creation of a "natural hedge" – where dollar denominated revenues were offset by creating dollar denominated liabilities, particularly in the Leisure industry group. The Group has always been conscious of the need to match such liabilities with corresponding inflows in order to manage exposures, and hence will continue to evaluate such alternatives prudently.

The downward adjustment in interest rates since December 2012 lowered the cost of Rupee finance in business units. In any event, of the total debt across the Group, approximately half is foreign currency denominated and therefore was not impacted by the reduction in Rupee

"JKH retained its AAA(lka) rating with a Stable outlook from Fitch Ratings Lanka Limited on account of its strong statement of financial position and steady performance."

interest rates. The Group's intentional strategy of maintaining floating dollar denominated debt facilities instead of entering into an interest rate swap has been justified to-date since LIBOR has continued to remain at low levels. A deeper analysis involving the impact to profit before tax of the Group as a result of interest rate changes of local and foreign borrowings can be found in the Notes to the Financial Statements section of the Report.

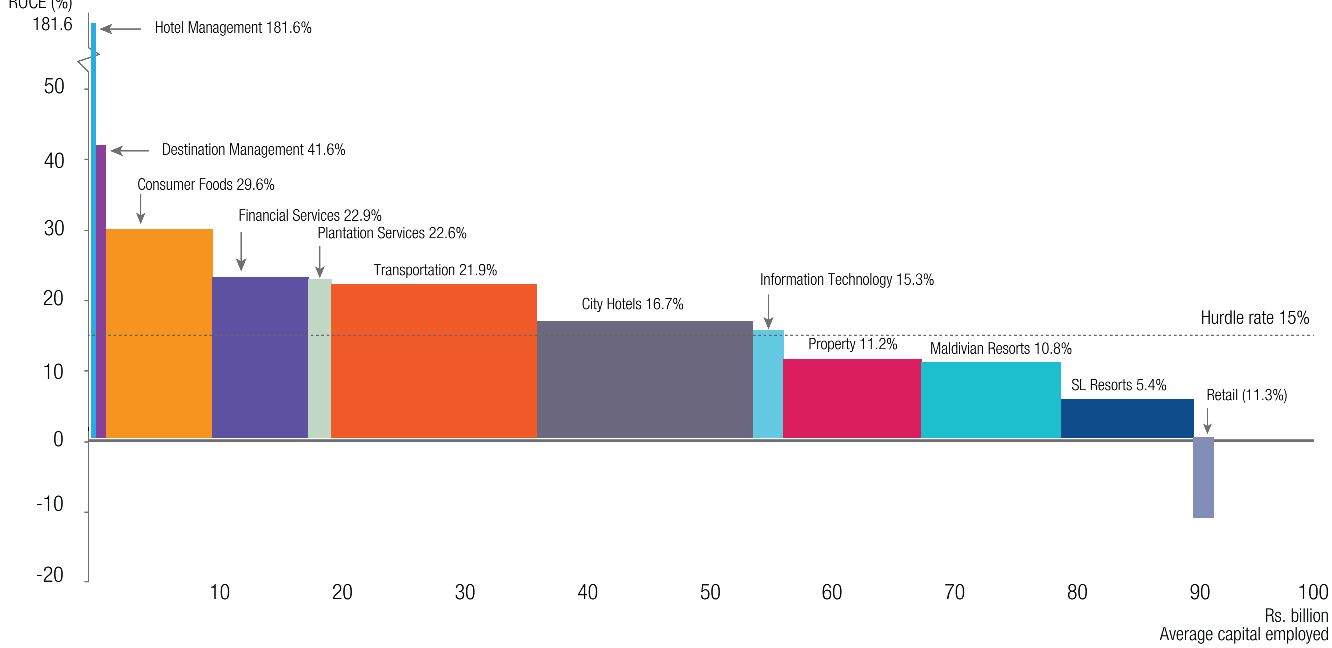
The SLFRS/LKAS reporting requires disclosure on financial instruments and exposure relating to market risk, credit risk, and liquidity risks of the said instruments, details of which can be found in the Notes to the Financial Statements section of the Report.

Credit facilities

JKH retained its AAA(lka) rating with a Stable outlook from Fitch Ratings Lanka Limited on account of its strong statement of financial position and steady performance. In addition to its sizable cash reserves, the Group continues to have significant credit facilities available with Banks in Sri Lanka. The Company is looking to proactively manage potential funding requirements and will continue to have in place stand-by loan facilities where deemed necessary. The current cash position of the Group and the leverage ratios demonstrate its ability to leverage its statement of financial position further if a requirement arises.

Portfolio Movement and Evaluation

ROCE vs capital employed 2012/13



At John Keells Holdings, portfolio management and evaluation continues to be one of the cornerstones of creating shareholder wealth. The Group continues to follow its successful methodology in evaluating its portfolio, which also helps guide its investment evaluation and strategies.

Accordingly, the opportunities presented to the Group in varying industries are reviewed through the four filters of portfolio evaluation which critically evaluate the investment or divestment decisions as explained below.

Financial Filter	Growth Filter	Strategic Fit	Complexity Filter
Cornerstone of the decision criteria based on the JKH hurdle rate	Evaluates the industry attractiveness and growth potential based on the industry lifecycle	Evaluates the long term competitive advantage of a business/ industry by closely evaluating the competitive forces, specific industry / business risks, ability to control value drivers and the competencies and critical success factors inherent to the Group	Considers factors such as senior management time and the risk to brand image and reputation in conjunction with the anticipated returns

JKH's hurdle rate (or required rate of return) - Function of the weighted average cost of capital (WACC), derived from the Group's cost of equity, cost of debt, target leverage, tax rates and the value creation premium required over and above the WACC. The present hurdle rate of the Group is 15 per cent.

Risk assessment - Strategic business units are assessed for risk under headings such as customer orientation, suppliers/JV partner dependence, risk of international entrants, labour dependence, cyclicality, dependence on the Sri Lankan economy and regulatory dependence.

Portfolio performance

Note: Comparative ROCEs of the industry groups / sectors for the financial year 2011/12 have been re-stated as per Sri Lanka Accounting Standards (SLFRS/LKAS) in order to provide a more accurate and comparable discussion.

The Transportation industry group ROCE marginally improved to 21.9 per cent compared to 21.6 per cent achieved last year. The improvement in ROCE was driven by an improvement in overall EBIT margins of the industry group on the back of earnings growth of 19 per cent in the Ports and Shipping sector, where average EBIT margins are relatively higher.

The Leisure industry group ROCE increased to 14.0 per cent compared to 13.2 per cent achieved during the previous year. The ROCE in Leisure was impacted as a result of the revaluation of land and buildings of hotel properties. Therefore, the ROCE of Leisure in the current year, excluding the impacts of the revaluation, would have been 15.4 per cent. The Hotel Management sector ROCE continued to be the highest ROCE given the service providing nature of the business, recording a ROCE of 181.6 per cent compared to the 143.6 per cent achieved in the previous year. City Hotels achieved a ROCE of 16.7 per cent compared to 13.9 per cent recorded last year, mainly on account of higher revenue generation from its asset base and improved EBIT margins. The ROCE of Maldivian Resorts grew to 10.8 per cent from 9.6 per cent in the previous year driven by the 21 per cent growth in revenue. The positive contribution to the improvement of ROCE from the Hotel Management, City Hotels and Maldivian Resorts sectors were offset by the lower ROCE achieved by the Sri Lankan Resorts and Destination Management sectors as a result of a drop in EBIT margins. From a macro perspective, these two sectors were negatively impacted by the market fragmentation and the resultant growth in the informal sector. The ROCE of Sri Lankan Resorts was also negatively impacted by a significant increase in capital employed as a result of the investment in Cinnamon Bey, the refurbishment of Cinnamon Citadel and the revaluation of land and buildings.

The ROCE of the Property industry group declined marginally to 11.2 per cent compared to 11.5 per cent achieved in the previous year. EBIT growth and improvement in EBIT margins were driven by the increase in earnings from the OnThree20 project and also on account of an increase in the fair value gain on investment property to Rs.440 million compared with Rs.207 million in the previous year. This was more than offset by the increase in capital employed of the Property group as a result of the investment in K-Zone Ja-Ela amounting to approx. Rs.969 million.

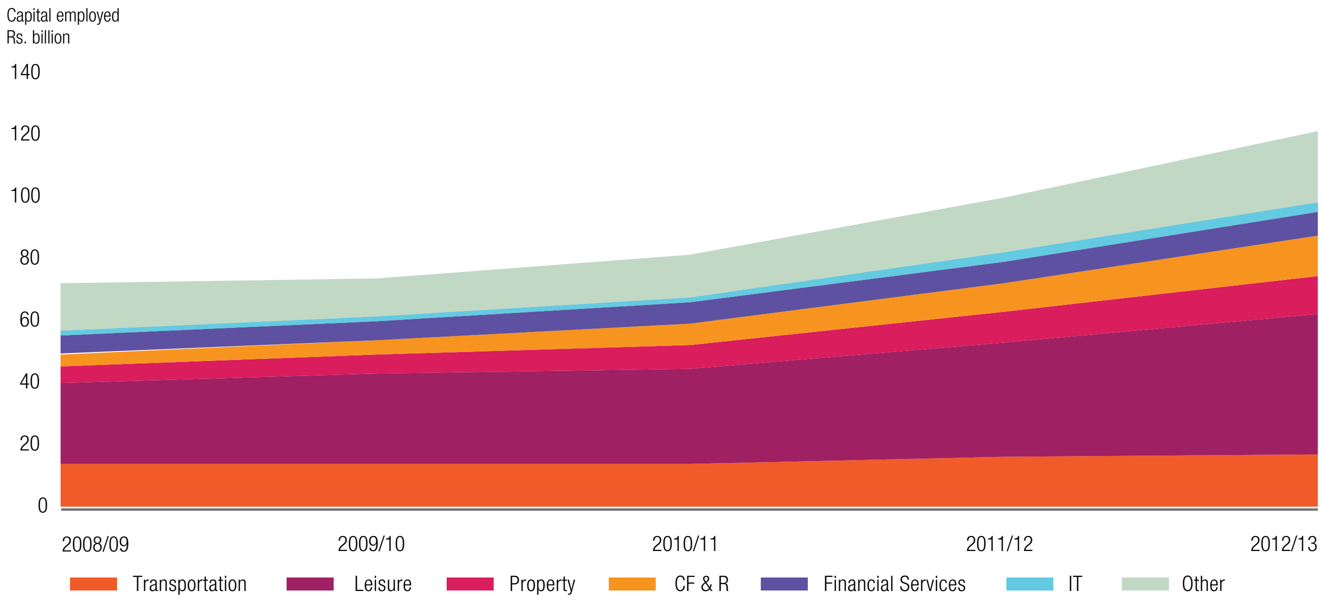
The Consumer Foods & Retail industry group saw a decrease in ROCE to 23.6 per cent from 35.3 per cent in the previous year. The Consumer Foods ROCE declined to 29.6 per cent as against 42.2 per cent in the previous year. A marginal reduction in recurring EBIT coupled with the increase in capital employed arising from capacity enhancement projects such as the expansion of cold storage at CCS and the acquisition of the meat processing facility in Pannala by Keells Food Products contributed to the decrease in ROCE. The Retail sector ROCE was a negative 11.3 per cent compared to the 6.4 per cent ROCE achieved in the previous year. This is attributable to the reduction in EBIT due to the implementation of the new way forward strategy of the Retail sector which resulted in the refurbishment of several outlets and the associated re-merchandising costs. Moreover, the non-provision of any transitional arrangements to claim the input VAT on the closing stock as at 31st December 2012 also resulted in the Retail sector having a one-off impact on earnings. The capital employed in Retail also increased during the year with the opening of 4 new supermarket outlets resulting in a negative impact on sector ROCE.

The ROCE of the Financial Services industry group reduced to 22.9 per cent against 28.5 per cent recorded in the previous year. The reduction in earnings and EBIT margins in the insurance and stock broking businesses contributed to the lower ROCE coupled with the impact of the increase in capital employed at Union Assurance as a result of the Rs.750 million rights issue.

The ROCE of the Information Technology industry group improved to 15.3 per cent compared to 8.7 per cent recorded last year. Higher revenues achieved by all three sectors and the resultant growth in earnings had a direct impact on increasing the ROCE of the industry group which also demonstrated better asset utilisation in spite of an increase in the capital employed.

Plantation Services recorded a ROCE of 22.6 per cent against the ROCE of 18.3 per cent achieved in the previous year as a result of higher earnings achieved by both the tea brokering and tea manufacturing businesses on the backdrop of higher tea prices recorded in the market due to supply issues prevalent in the region.

Portfolio movements



Portfolio Movement and Evaluation

Significant changes to the capital structure

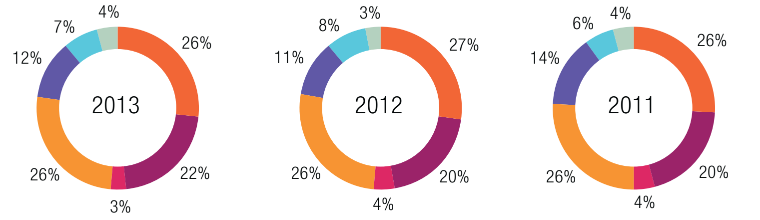
	2009/10	2010/11	2011/12	2012/13
Investments	Acquired a 24.6 per cent stake in Central Hospital (Pvt) Ltd for Rs.900 million	Acquired 5.6 million shares (14.9 per cent) in Union Assurance PLC for Rs.841 million	Invested Rs.515 million by subscribing to the Ceylon Cold Stores PLC rights issue. A portion of the proceeds was infused as equity into JayKay Marketing Services Limited to fund the expansion of its supermarkets	Invested Rs.1.02 billion in subscribing to the rights issue of Keells Foods Products PLC. The proceeds were utilised to fund the acquisition of the meat processing plant of D & W Foods Limited.
	Gained full control of Mackinnons American Express Travel (Pvt) Ltd with the purchase of a 30 per cent stake for Rs.14 million	Invested Rs.600 million by subscribing to the rights issue of its fully owned subsidiary Beruwala Holiday Resorts (Pvt) Ltd for the purpose of funding the construction of Chaaya Bey	International Tourist and Hoteliers Limited invested Rs.350 million in its fully owned subsidiary Beruwala Holiday Resorts (PVt) Ltd for the purpose of funding the construction of Cinnamon Bey Beruwala	Invested Rs.224 million in Saffron Aviation (Pvt) Ltd, the operating company of the domestic aviation operation "Cinnamon Air"
	Additional equity infusion of Rs.40 million to John Keells Logistics Lanka (Pvt) Ltd	Purchase of shares in John Keells Residential Properties for Rs.925 million in exchange for the Union Place land	Invested Rs.522 million for the acquisition of a 6 acre land in Ja-Ela	The JKH Group invested Rs.717 million in the rights issue of Union Assurance PLC
	Beruwala Holiday Resorts (Pvt) Ltd purchased a 4.6 acre block of land for Rs.232 million	Invested Rs.219.4 million to convert Nations Trust Bank warrants to shares	Invested Rs.228 million in Sancity Hotels, a joint venture project with Sanken Lanka (Private) Limited to construct a business hotel in Colombo	Invested Rs.97.52 million during the year in Sancity Hotels, a joint venture with Sanken Lanka (Private) Limited to construct a business hotel in Colombo
	Invested Rs.251.6 million to convert NTB warrants to shares.	Additional equity infusion of Rs.65 million to John Keells Logistics Lanka (Pvt) Ltd		The JKH Group invested Rs.119 million in K-Zone Ja-Ela, a retail mall operation
	Subscribed to 195 million shares from the John Keells Hotels PLC rights issue investing Rs.1.95 billion	Invested Rs.947 million by participating in a rights issue of its subsidiary International Tourists and Hoteliers Ltd		Invested Rs.1.29 billion for the balance construction of Cinnamon Bey
		Purchased the head lease of Dhonveli Island for a period of 18 years		Invested Rs.467 million during the year for the refurbishment of Cinnamon Citadel
		Invested Rs.485 million by participating in a rights issue of its subsidiary Ceylon Holiday Resorts Ltd. Ceylon Holiday Resorts Ltd in turn invested Rs.485 million in Hikkaduwa Holiday Resorts (Pvt) Ltd for the refurbishment of Coral Gardens Hotel		
Mergers and restructuring	Walkers Air Services Ltd was amalgamated with Mack Air (Pvt) Ltd with the surviving entity being Mack Air (Pvt) Ltd			
	Stake in Information Systems Associates divested to John Keells Computer Services for Rs.47 million			
	Trinco Holiday Resorts purchased the Club Oceanic hotel for a net consideration of Rs.301 million			
Divestments	Sold 150 million shares from the John Keells Hotels PLC 1:3 rights issue for Rs.751 million	Divested 11.62 million shares (5.25 per cent) of Asian Hotels and Properties PLC for Rs.1.98 billion		Disposed of the 44 per cent holding in Quattro FPO Solutions (Pvt) Ltd for a consideration of USD 4.5 million
	Divested remaining 26 per cent stake in KBSL for Rs.23 million	Divested 37.5 million shares (2.58 per cent) of John Keells Hotels PLC for Rs.787.5 million		Divested a 40 per cent stake in John Keells Logistics Lanka Limited and a 60 per cent stake in John Keells Logistics India to Norbert Dentrassangle Overseas
		Divested the head lease of Alidhoo Island in Maldives		
Changes in capital excluding scheduled debt repayments		Repayment of Rs.2 billion of JKH debentures		

Industry Group Analysis

Industry group financial highlights

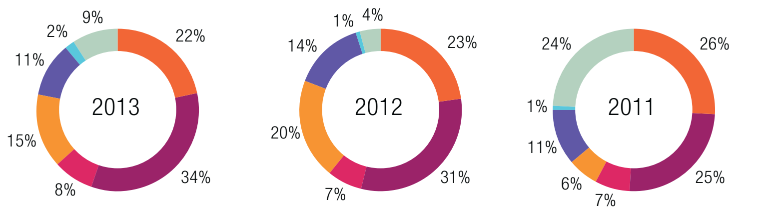
REVENUE* *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2012/13	25.11	20.59	3.17	24.27	11.11	6.80	3.55
2011/12	23.65	17.42	3.79	21.97	9.87	6.72	2.68
2010/11	18.31	13.81	2.49	18.36	9.50	4.23	3.12



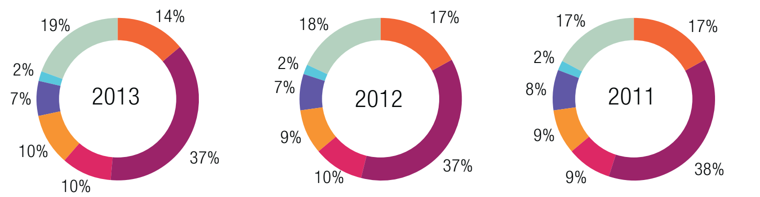
EBIT *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2012/13	3.69	5.73	1.27	2.54	1.78	0.39	1.47
2011/12	3.33	4.44	1.02	2.82	1.93	0.18	0.51
2010/11	2.94	2.80	0.85	0.68	1.31	0.12	2.72



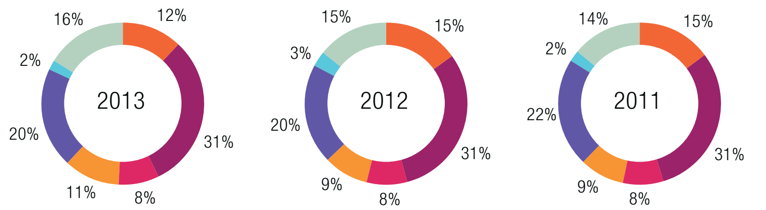
CAPITAL EMPLOYED** *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2012/13	17.09	45.04	12.61	12.51	8.30	2.60	23.14
2011/12	16.64	36.72	9.95	9.04	7.19	2.46	18.26
2010/11	14.17	30.69	7.73	6.97	6.39	1.77	14.10



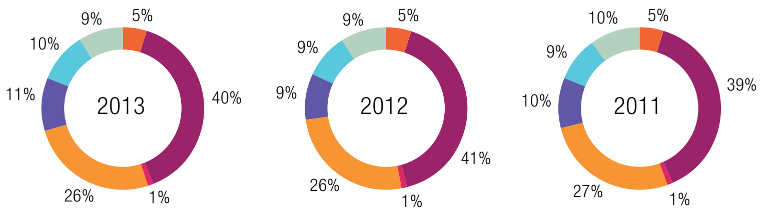
TOTAL ASSETS *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2012/13	19.23	49.93	12.69	17.30	31.51	3.72	24.87
2011/12	20.18	41.28	10.35	12.67	26.92	3.37	19.69
2010/11	16.19	33.71	8.67	10.26	23.96	2.42	15.09



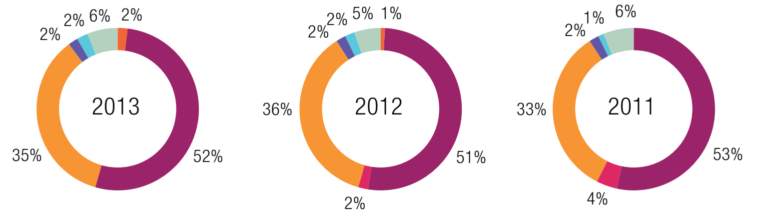
EMPLOYEES *Number*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2012/13	636	5,272	103	3,415	1,401	1,267	1,130
2011/12	594	4,843	99	3,147	1,047	1,114	1,112
2010/11	572	4,459	99	3,029	1,121	979	1,130



CARBON FOOTPRINT *MT*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2012/13	1,716	36,035	96	24,504	1,676	1,343	4,034
2011/12	975	35,165	1,449	24,936	1,610	1,406	3,743
2010/11	319	34,926	2,407	21,938	1,412	614	3,907



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

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

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

TRANSPORTATION

Ports & Shipping

Transportation

Vision and scope

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

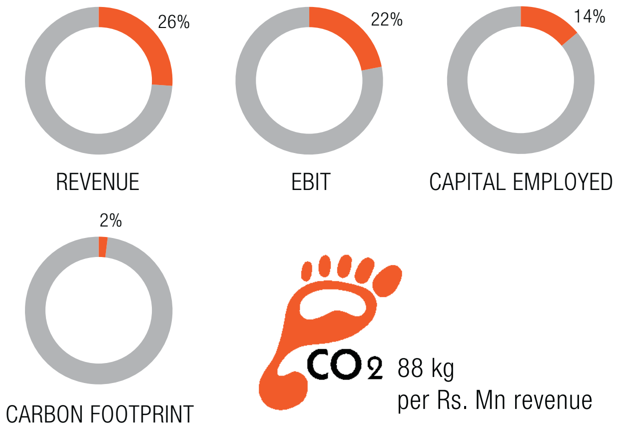
These operations comprise of South Asia Gateway Terminals (SAGT) in the port of Colombo, a marine bunkering business, joint venture / associations with leading shipping and air transportation multinationals and logistics, travel and airline services in Sri Lanka, India and Maldives.

Key indicators

(Rs. Million)	2012/13	2011/12	Chg %	2010/11
Revenue[1]	25,113	23,651	6	18,314
EBIT	3,690	3,329	11	2,941
PBT	3,644	3,315	10	2,929
PAT	3,397	3,120	9	2,781
Total assets	19,233	20,179	(5)	16,185
Total equity	15,139	15,149	0	13,954
Total debt	1,953	1,491	31	218
Capital employed[2]	17,092	16,641	3	14,172
Employees (Number)[3]	636	594	7	572
EBIT per employee[3]	5.8	5.6	4	5.1
Carbon footprint (MT)[4]	1,716	975	76	N/A

1 *Revenue is inclusive of the Group's share of associate company revenue*
2 *For associate companies the capital employed is representative of the Group's equity investment in these companies*
3 *No. of employees and EBIT per employee are excluding the employees of associate companies*
4 *Carbon footprint is calculated excluding associate companies and DHL Keells (Private) Ltd*

Contribution to JKH Group



	Ports and Shipping	Transportation
Business scope of the sector	Operation of a private container terminal in the port of Colombo on a BOT basis under South Asia Gateway Terminals	Logistics services which include operations of DHL Express in Sri Lanka, a joint venture with Deutsche Post, third party logistics and freight forwarding solutions under the John Keells Logistics brand and in JV with Norbert Dentressangle Overseas (NDO) of France and bunkering services under Lanka Marine Services (LMS)
	Associate stake in Maersk Lanka	Representation of airlines as general sales agents through Mack Air in Sri Lanka and through its subsidiary in Maldives on-line operations by Jet Airways and off-line representation of a number of other airlines. Travel agency business through Mackinnons Travels
Revenue and growth	Rs.5.66 billion, growth of 8%	Rs.19.45 billion, growth of 6%
EBIT & growth	Rs.2.51 billion, growth of 19%	Rs.1.18 billion, decrease of 3%
Carbon footprint	Not within the boundary of sustainability reporting	1,716 MT
Key developments during the year	• Two newly installed ship to shore cranes were fully operational by May 2012	• LMS signed a term contract with Cairn Energy to supply bunkers for their vessels • A global freight forwarding network –Norbert Dentressangle acquired a 40 per cent stake in John Keells Logistics Lanka and a 60 per cent stake in John Keells Logistics India • Entered into a JV with MMBL Leisure Holdings and Phoenix Ventures to set up a domestic air taxi operation branded "Cinnamon Air"
Key external/internal variables effecting the business	• Slowdown in transshipment volumes due to the global economic slowdown and domestic volumes on account of lower import/export activity in the country	• Weaker global demand for bunkers as a result of the impact of "slow steaming" adopted by major shipping lines to save costs in the backdrop of the economic slowdown in developed countries and the resultant overcapacity in shipping • Volatility in international oil prices

Cinnamon Air will commence scheduled and charter domestic air taxi services

Integrated operational review and discussion

During the year under review, SAGT handled 1.88 million twenty foot equivalent units (TEUs) with transshipment volumes contributing 81.8 per cent of the total volume. SAGT witnessed a slight contraction in both transshipment and domestic volumes due to the relatively depressed global economic conditions and the resultant slowdown in exports coupled with a decline in import volumes due to the impacts as a result of domestic monetary and fiscal policies. However, the implementation of efficiency improvement and cost saving initiatives had a positive impact on the overall financial performance of SAGT in the current year.

The bunkering business maintained market leadership despite certain challenges in the bunker market arising from the slowdown of the global economy. The appreciation of the Rupee against the US Dollar during the year had a moderating impact on profitability. Furthermore, there was continued pressure on margins from the Indian ports due to the positive changes in the Indian tax regulations allowing suppliers to sell bunkers at prices close to that of Singapore in certain ports.

During the year, John Keells Logistics Limited (JKLL) benefited from the expansion of demand for third party logistics (3PL) due to the opening up of new industrial zones. JKLL contracted a state-of-the-art multi user facility with a view to showcase the facilities at hand and attract new customers. Investments in material handling equipment and the streamlining of its existing processes resulted in improved operational efficiencies. The logistics business follows an outsourced model for a majority of its fleet, resulting in a more flexible and scaleable cost structure as well as enhanced engagement with the community in proximity to its warehousing facilities.

JKLL contracted a new warehouse facility with the intention of increasing its client base

The freight forwarding businesses in Sri Lanka and India entered into a joint venture with an European transport, logistics, and freight forwarding company Norbert Dentressangle Overseas, disposing a 40 per cent stake in John Keells Logistics Lanka Limited and a 60 per cent stake in John Keells Logistics India limited (JKLI). As per the share sale and purchase agreement, the remaining stake of 40 per cent in JKLI will be disposed in two tranches of 20 per cent each on pre-agreed criteria. The new partnership is geared to offer world-class freight forwarding and integrated logistics solutions to customers and to exploit new opportunities in Sri Lanka.

The performance of the Airlines segment was not in line with expectations. The airline representation

TRANSPORTATION

business faced increased pressures stemming from the global economic slowdown, which forced many airlines to review the necessity of operating to and from Sri Lanka. Withdrawal of Gulf Air services from the Sri Lankan market and the reduction of frequencies to India by Jet Airways had a negative impact on the performance during the year under review. The travel agency business saw increased competition which led to downward pressure on margins. The travel agency business secured several industry awards including "Top Travel Agent" awards from many airlines including Singapore Airlines, Malaysian Airlines and Thai Airways.

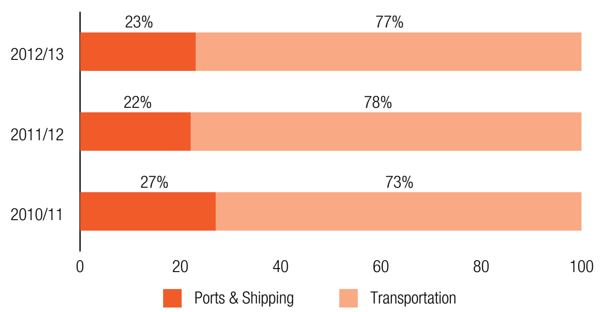
A joint venture to provide a domestic air taxi service offering scheduled and charter services under the "Cinnamon Air" brand was established during the financial year under review. The company acquired 2 Cessna 208 Amphibian Caravan aircraft and was scheduled to commence commercial operations in April 2013. However, the start-up has been delayed due to a delay in obtaining regulatory approvals.

The Transportation group, excluding SAGT and DHL as these companies are beyond the sustainability reporting boundaries of the Group, had a total carbon emission of 1,716 MT, amounting to 2.5 per cent of the Group's carbon foot print. This represents a carbon footprint of 12.1 kg per square foot managed as opposed to a comparable figure of 6.87 kg in the previous year. The increase compared to last year is mainly attributed to the expansion of the industry group's sustainability reporting boundary to include the leased transportation fleet for DHL by JKLL and the allocation of carbon emissions of the office buildings occupied by the Transportation industry group which belong to the Property industry group. During the year, no occupational injuries were reported. Transportation provided 23.5 hours of training per employee.

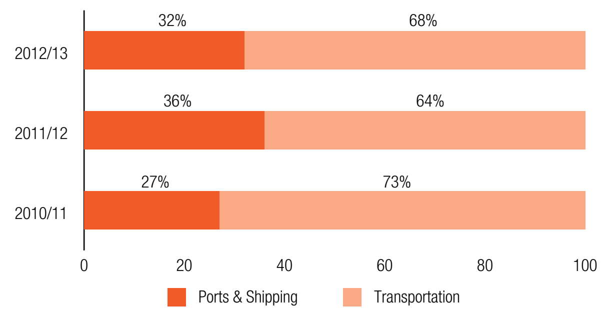
Financial review

The revenue from the Transportation group witnessed an overall growth of 6 per cent during the financial year to Rs.19.45 billion [2011/12: Rs.18.43 billion]. Revenue, including associate company revenues, increased by 6 per cent to Rs.25.11 billion [2011/12: Rs.23.65 billion]. The EBIT for the industry group increased to Rs.3.69 billion [2011/12: Rs.3.33 billion] driven by the Ports and Shipping operations, which saw an improvement in its performance despite the volatility of the US Dollar, which had an impact on the Dollar denominated assets and income streams of the business.

Revenue

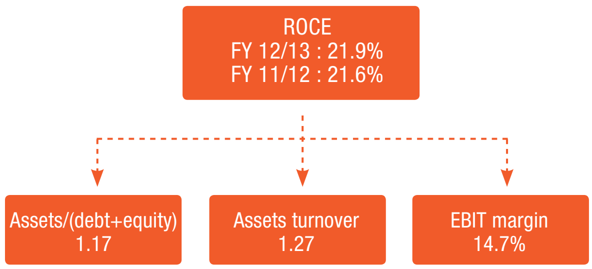


EBIT



Return on capital employed

- ROCE was 21.9 per cent as against 21.6 per cent in the previous year
- Asset utilisation declined to 1.27 times as against 1.3 times in the previous year
- EBIT margins improved from 14.1 per cent to 14.7 per cent, mainly on account of efficiency improvements in the Ports and Shipping sector. This, to a large extent, offset the negative impact of lower asset utilisation on ROCE



Outlook

The South Terminal of the Colombo South Harbour is expected to be commissioned in July 2013 and this will lead to increased competition in the shorter term, although the continued focus on efficiency and productivity improvement coupled with long term relationships with key shipping lines will help SAGT to maintain its client base. In the medium and longer term, the expansion of the Colombo Port augurs well for the country and will enable the Port to attract the larger new generation vessels which will have a positive overall impact on volumes.

The bunkering business is likely to be faced with little or negative growth in the context of reduced demand, unless there is a tangible pick-up in east-west trade, which is not anticipated in the year ahead. The 3PL business is likely to grow in the short to medium term, both on the back of an increasing need for greater supply chain efficiency locally and the potential for setting up regional distribution centres driven by the growth in port capacity.

LEISURE

City Hotels
Sri Lankan Resorts
Maldivian Resorts
Destination Management
Hotel Management

"Cinnamon Bey Beruwala" commenced operations during the financial year under review

Vision and scope

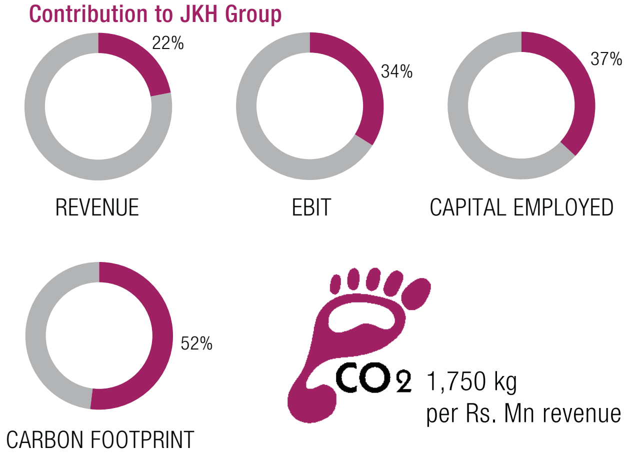
Representing JKH's single largest net asset exposure, the Leisure industry group encompasses two city hotels that offer approximately 35 per cent of the current five star room capacity in Colombo, eight resort hotels spread in prime tourist locations across Sri Lanka and three resorts in the Maldives,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

Key indicators

(Rs. Million)	2012/13	2011/12	Chg %	2010/11
Revenue	20,593	17,415	18	13,810
EBIT	5,730	4,442	29	2,799
PBT	5,203	4,171	25	2,492
PAT	4,770	3,707	29	2,319
Total assets	49,795	41,275	21	33,711
Total equity	37,606	28,642	31	25,317
Total debt	7,435	8,077	(8)	5,377
Capital employed[1]	45,041	36,718	23	30,694
Employees (Number)[2]	5,272	4,843	9	4,459
EBIT per employee[2]	1.1	0.92	18	0.6
Carbon footprint (MT)[3]	36,035	35,161	2	N/A

1 *For associate companies the capital employed is representative of the Group's equity investment in these companies*
2 *No. of employees and EBIT per employee are excluding the employees of associate companies*
3 *Carbon footprint is calculated excluding associate companies*

Contribution to JKH Group



LEISURE

	City Hotels	Sri Lankan Resorts	Maldivian Resorts	Destination Management
Business scope of the sector	Cinnamon Grand (CG) – 501 rooms	8 resort hotels in Sri Lanka – 1,000 rooms	3 resort hotels in the Maldives – 340 rooms	Walkers Tours & Whittal Boustead inbound tour operations in Sri Lanka
	Cinnamon Lakeside (CLS) – 340 rooms			Inbound tour operations in India
Revenue and growth	Rs.7.17 billion, growth of 20%	Rs.3.31 billion, growth of 43%	Rs.5.51 billion, growth of 21%	Rs.4.59 billion, no growth
EBIT and growth	Rs.2.93 billion, growth 52%	Rs.590 million, growth of 1%	Rs.1.23 billion, growth of 12%	Rs.354 million, decline of 12%
Carbon footprint	17,707 MT	10,397 MT	7,126 MT	551 MT
Key developments during the year	• Increased focus on web bookings • Construction of the 240 room business hotel in Colombo is on schedule	• Launched Cinnamon Bey, the latest five star resort in the portfolio • Chaaya Citadel was re-branded as "Cinnamon Citadel" following a six-month refurbishment • Increased focus on web bookings		• Launched the Walkers Green initiative to introduce a fully carbon neutral vehicle fleet • Aggressive marketing strategy in relatively new markets to capture market share
Key external/internal variables impacting the business	• Volatility of the Rupee • Increase in electricity tariffs and fuel prices • Shift in competitive landscape with the expected entry of global hospitality brands	• Volatility of the Rupee • Increase in electricity tariffs and fuel prices • Expansion of informal and unclassified sector • Increasing interest rates	• High demand for budget resorts offering "all inclusive" packages • Unstable political environment • The increase of Goods and services tax from 6% to 8% as of 1st January 2013 • Opening of two 4 star resorts which are in direct competition with Dhonveli and Ellaidhoo • Service charge was increased from 2.5% to 5% of room revenue with effect from 1st July 2012	• Volatility of the Rupee • Exponential growth in the informal sector • Underperformance of the European markets due to the weak global economy

Hotel Management sector

In addition to the sectors referred to in the above table, the Hotel Management sector, which includes Keells Hotel Management Services Limited (KHMS), functions as the hotel management arm of the Leisure industry group. The sector achieved an EBIT of Rs.632 million which is a growth of 47 per cent over the previous year. The portfolio of hotels under management increased during the year with the addition of Cinnamon Bey Beruwala. The carbon footprint of the sector is 253 MT.

Integrated operational review and discussion

During the calendar year 2012, Sri Lanka's tourism industry reported earnings of USD 1.04 billion as tourist arrivals grew by 17 per cent to reach a milestone figure of 1,005,605 [2011: 855,975]. Western Europe, the single largest source market for tourism into Sri Lanka showed encouraging growth of 18 per cent while South Asia, the second largest contributor to arrivals grew marginally by 4 per cent to 247,559 arrivals. The newly emerging tourism markets of East Asia (132,730) and Eastern Europe (72,401) demonstrated strong growth momentum, albeit off relatively lower bases.

Introduced a fully carbon neutral vehicle fleet under the "Walkers Green" initiative

The growing attractiveness of Colombo as a popular destination for MICE (Meetings, Incentives, Conferencing and Exhibitions) and flight crew segments had a positive impact on the revenue of the City Hotels sector while the depreciation of the Rupee during the first half of the financial year boosted revenues. The closure of a competing five star hotel during the year for refurbishment purposes also had a positive impact on both City Hotels, although the main beneficiaries were competing hotels catering to a similar clientele.

Cinnamon Grand completed a successful financial year and continued to outperform competition and gain market share with improvements in occupancy and average room rates. The hotel placed greater emphasis on web bookings and tied up with several online travel agents as well as initiated a consortia agreement to tap into the global corporate travel market. In pursuit of the continuous drive to achieve service excellence and enhance customer satisfaction, 71 key service staff members were trained overseas through the Emirates Academy of Hospitality in Dubai. During the year, Cinnamon Grand implemented several initiatives to manage power, energy and water costs with a view to reducing its carbon footprint, and in the process, improving its margins. These initiatives resulted in an overall energy saving of 620,532 kWh per annum, with water savings of 53,500 cubic meters for year under review.

Cinnamon Lakeside continued to grow, driven by increases in room and food and beverage revenue. The hotel rolled out various initiatives to improve efficiencies and lower its cost base. These measures resulted in an annual energy saving of 77,261 kWh. Cinnamon Lakeside was awarded the Best Luxury Hotel in Sri Lanka at the Business Destination Travel Awards 2012.

Construction of the 240 room, select service business hotel in partnership with Sanken Lanka (Private) Limited is on schedule and is expected to commence operations during the second quarter of the financial year 2014/15. At present, John Keells Holdings PLC has invested Rs.325 million for a 27.8 per cent stake in the hotel.

The Sri Lankan Resorts sector continued its strategy of focusing on non-traditional, emerging destinations with specific, targeted promotions to the Indian and Chinese markets. These strategies will in the long run help overcome the impact of intense competition from the expanding and price competitive informal sector.

Cinnamon Bey Beruwala, a 200 room five star hotel located on the Southern coast of Sri Lanka commenced operations in November 2012. The total investment in the hotel was Rs.3.30 billion.

"The focus of the Leisure group will be primarily on training and developing our human resources in order to improve productivity and enhance service delivery."

Sri Lankan Resorts successfully controlled utility costs through various cost saving initiatives such as the recycling of 31 per cent of waste water for use in gardening and other purposes. As a result of increased operations with the opening of Cinnamon Bey in November 2012, the total electricity consumed and generated during the year increased by only 26 per cent to 14.5 million kWh.

Cinnamon Citadel Kandy, formerly known as Chaaya Citadel was re-branded following an extensive six-month refurbishment at a total investment of approximately Rs.525 million.

With continued commitment to its sustainability initiatives, two new bio gas digester units were installed at Cinnamon Lodge Habarana and Cinnamon Citadel Kandy in an effort to manage carbon emissions. Sri Lankan Resorts continued to locally procure all its fresh produce such as fruits, vegetables, fish, meats and eggs, to a value over Rs.100 million, thereby contributing to the upliftment of the local economy of those communities.

During the 2012 calendar year, 958,027 tourists visited Maldives, a growth of only 3 per cent compared to the previous year [2011: 931,333]. The slowdown in growth is mainly attributable to the unstable political environment within the country and the economic downturn in a key traditional market such as Europe. Chinese arrivals increased by 16 per cent to 229,551 arrivals as against 198,655 arrivals in 2011. The bed capacity in the Maldives increased with the opening of two new four star resorts.

FOREIGN ARRIVALS TO SRI LANKA - 2012

1,005,605

+17%

SRI LANKAN resorts successfully controlled utility costs

During the year, the Maldivian Resorts benefited from its focused advertising campaign and continued commitment to improving productivity and efficiency of operations. Towards this end, several energy saving initiatives were implemented, including the introduction of the energy recovery technology at Chaaya Island Dhonveli resulting in a total energy saving of 120,450 kWh per annum. However, the upward revision of the goods and services tax to 8 per cent from 6 per cent and the increase in service charge to 5 per cent from 2.5 per cent of room revenue had a negative impact on profits.

Reinforcing the commitment to maintain excellent service standards, the Maldivian Resorts sector was awarded the gold medal for customer satisfaction for the year 2012 by TUI, the parent company of many leading tour operators.

LEISURE

LEISURE INDUSTRY GROUP REVENUE

Rs. 20.59 bn

+18%

The Destination Management sector faced challenging market conditions, despite the growth in tourist arrivals, as a result of the proliferation of the informal sector and the lack of charter flights into Sri Lanka. The continuing economic concerns in Europe resulted in some leading tour operator partners recording negative growth. The business adopted a marketing strategy that focused heavily on China as well as emerging markets such as Turkey and Scandinavia. The Destination Management sector also initiated its strategy of offering novel products through the launch of its "Green vehicle" fleet and facilitated a local entrepreneur to build an eight room facility in Digana to kick start its "Live like a local" experience.

As a part of its community engagement initiatives, Walkers Tours operated its transportation fleet through an outsourced model, where the vehicles are owned and operated by third parties. The model has provided livelihoods to over 500 drivers, while competitive prices on vehicles have been assured through the intervention of Walkers Tours. The vendor management team of Walkers Tours and Whittals Boustead conducted educational programmes and periodic inspections of their suppliers throughout the year, including health and safety measures implemented, fire safety and emergency plans and hygiene controls to ensure low levels of occupational injuries.

The carbon footprint for the Leisure industry group was 36,035 MT in the year under review, and in spite of increased operations, witnessed an increase of only 2.5 per cent against the previous year. Water withdrawal by Leisure represents 62 per cent of the Group's total water withdrawal, amounting to 1.03 million cubic meters during the year. The hotels consumed on average 1.04 cubic meters (1,037 liters) of water per guest night. This was only a marginal increase from the previous year, due to various water saving initiatives such as sub metering and waste water recycling adopted across the industry group.

Leisure provides employment to over 5,000 staff across its business. Considering the scale of operations, a benchmarking exercise was conducted to achieve maximum productivity and to ensure staff cadre requirements are maintained at an optimum through a focus on processes to drive efficiency. Leisure maintained its emphasis on training and development with an average of 38 hours of training per person provided during the year. Many of the hotels are ISO 18000 OHSAS certified and continue to track the number of lost days due to occupational injuries, which has witnessed a decrease during the year aided by a decline in the total number of injuries during the period under review.

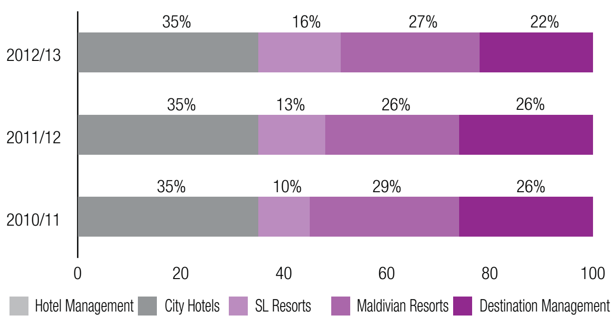
Financial review

The Leisure industry group maintained its strong performance during the year and witnessed an overall revenue growth of 18 per cent to Rs.20.59 billion [2011/12: Rs.17.42 billion] with the City Hotels, Sri Lankan Resorts and Maldivian Resorts sectors recording growth rates of 20 per cent, 43 per cent and 21 per cent respectively. Revenues of the Destination Management sector remained static due to the reasons discussed before.

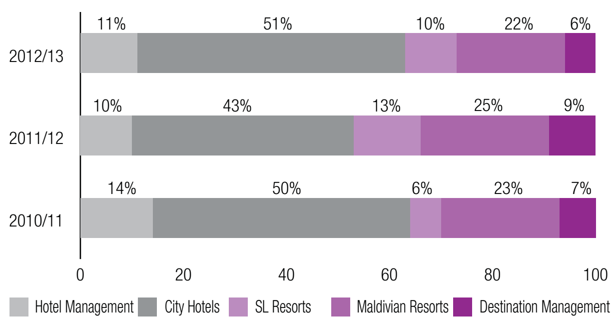
EBIT grew by 29 per cent to Rs.5.73 billion [2011/12: Rs.4.44 billion] driven by the increase in revenues and margins as a result of the cost saving initiatives. EBIT was also positively impacted by the fair value gain of approximately Rs.289 million arising from the revaluation of investment property of Cinnamon Lakeside and Cinnamon Grand.

The appreciation of the Rupee during the latter part of the year negatively impacted the winter revenues. However, this was negated to an extent by the increase in average room rates. The finance costs of Sri Lankan Resorts increased primarily as a result of the overall increase in Rupee denominated debt used to fund the construction and refurbishment of hotels. The increase in Rupee interest rates also had an impact on the finance expenses. During the year, the Government permitted eligible entities to open foreign currency accounts and to hold foreign currency within these accounts. As a result, some Rupee denominated debt was converted to foreign currency to take advantage of lower borrowing costs as well as to maintain a "natural hedge" since a significant portion of revenue is denominated in foreign currency.

Revenue



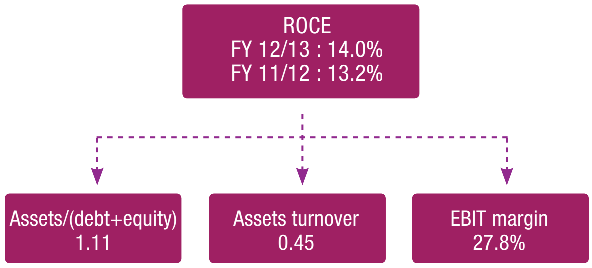
EBIT



“Two new bio-gas digester units were installed at Cinnamon Lodge Habarana and Cinnamon Citadel Kandy in an effort to manage carbon emissions.”

Return on capital employed

- ROCE improved to 14.0 per cent from 13.2 per cent
- EBIT margins improved from 25.5 per cent to 27.8 per cent, driven by the City Hotels segment
- Asset utilisation declined due to investments in Cinnamon Bey and Cinnamon Citadel as well as the revaluation of buildings in other hotel properties.
- Excluding the above mentioned revaluation, the adjusted ROCE for the industry group would have been 15.4 per cent



Outlook

Tourist arrivals into Sri Lanka are expected to increase in the forthcoming year, albeit a more cost conscious tourist base. The informal sector too, is likely to expand in tandem to cater to this segment, highlighting the need for promotional efforts focused on effective marketing and destination branding. All sectors across the industry group will continue to create awareness of Sri Lanka as a travel destination for tourists in high growth markets.

The Leisure group is well positioned to cater to the growth in tourism as all hotels under the portfolio have undergone refurbishment. While the focus on the product and investment in tangible assets will continue, the focus of the Leisure group will be primarily on training and developing our human resources in order to improve productivity and enhance service delivery. A benchmarking exercise has been planned in the Destination Management sector to optimise staff numbers with a view to improving efficiency and productivity.

European arrivals into the Maldives are expected to decline further following confirmation that the only charter flight currently in operation from the United Kingdom will be discontinued from May 2014. In response to the downward trend in European tourist arrivals, the Maldivian Resorts sector will continue to concentrate on newly emerging markets such as China and Russia to generate demand.

Despite the broad expectation for the exchange rate and interest rates to remain stable, given the foreign currency denominated revenues and significant levels of debt, a volatile Rupee and an increase in interest rates could have a negative impact on the profitability of the Leisure group.Where practical and feasible, foreign currency inflows have been matched with foreign currency denominated debt, whereby the impact of currency fluctuations would be mitigated to a certain extent. The impact of interest rate movements are not expected to be significant considering the “caps” on two of the large Rupee denominated borrowings while the benchmark rate for US dollar borrowings is linked to LIBOR, which is not expected to increase significantly.

The Leisure group is committed to sustainable tourism and will take steps towards reducing its carbon footprint per unit of revenue while assessing the feasibility of implementing renewable energy sources.

PROPERTY

Property Development

Real Estate

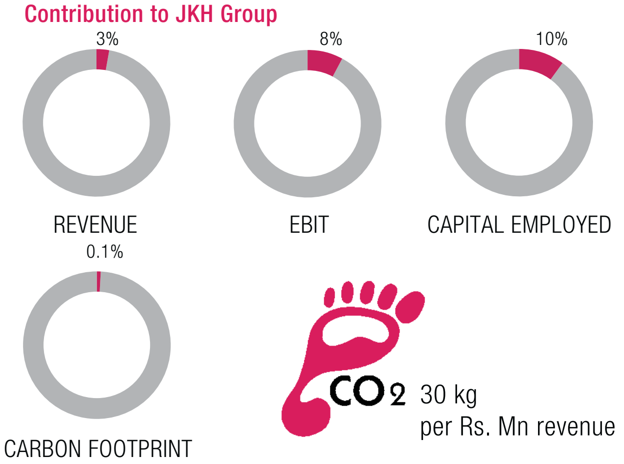
Vision and scope

The Property Development and Real Estate sectors concentrate primarily on the development and sale of residential apartments such as the on-going “OnThree20” and “7th Sense” projects. This industry group includes Asian Hotels and Properties PLC – the developers of “The Crescat Residencies”, “The Monarch”, the recently completed 35 storey luxury apartment complex, “The Emperor”, the up-market shopping mall “The Crescat Boulevard” and the “K-Zone” malls in Moratuwa and Ja-Ela.

Key indicators

(Rs. Million)	2012/13	2011/12	Chg %	2010/11
Revenue	3,170	3,790	(16)	2,494
EBIT	1,265	1,016	25	851
PBT	1,253	977	28	831
PAT	1,191	932	28	780
Total assets	12,690	10,354	23	8,671
Total equity	10,472	8,961	17	7,856
Total debt	2,142	990	116	(125)
Capital employed	12,614	9,951	27	7,732
Employees (Number)	103	99	4	99
EBIT per employee	12	10	20	9
Carbon footprint (MT)	96	1,449	(93)	N/A

Contribution to JKH Group



	Property Development	Real Estate
Business scope of the sector	Development and sale of residential properties	Renting of commercial office spaces and the management of the Group’s real estate within the city
	Owning and operating the Crescat Boulevard mall and K-Zone malls in Moratuwa and Kapuwatta, Ja-Ela	
Revenue and growth	Rs.3.15 billion, decrease of 16%	Rs.18 million, decrease of 48%
EBIT and growth	Rs.972 million, growth of 7%	Rs.293 million, growth of 181%
Carbon footprint	52 MT	44 MT
Key developments during the year	• Construction work of the “OnThree20” apartment complex is on schedule • Opening of the K-Zone mall in Kapuwatte, Ja-Ela • Launching of the new 65 unit premium residential development project “7th Sense” at Gregory’s Road	• Achievement of over 90 per cent occupancy rates across the sites
Key external/internal variables effecting the business	• New residential projects launched in Colombo leading to an increase in supply • Increase in input construction costs on account of the increase in fuel prices and the upward trend in labour costs	• Real estate prices remained buoyant from the previous year • Growth of the economy has led to an increase in spending power and enhanced the interest in shopping malls and other commercial sector developments

The new 140,000 square foot mall in Ja-ela was opened in March 2013

Integrated operational review and discussion

During the year, activity in the residential market witnessed upward momentum with a steady increase in the supply of residential projects, leading to heightened competition. Further, high interest rates and low investor sentiment contributed to a marginal drop in demand in comparison with the previous year. The commercial sector proved to be a key investment area due to the increased activity levels from tourism and the evolving lifestyles of the domestic market. Commercial office space has witnessed increased demand as reflected in the high rental yields and occupancies.

The construction of the 475 unit "OnThree20" residential apartment project is on schedule with the superstructure work on all three towers nearing completion. Despite the increase in competition as a result of the launch of a number of new projects, sales remained robust with approximately 80 per cent of the apartments sold as of 31st March 2013.

The Property Development sector launched its newest project, "7th Sense", a premium residential development of approximately 65 residential apartments on Gregory's Road, an exclusive residential area in Colombo. Construction commenced in April 2013 amid keen interest and demand generated. The apartments are expected to be ready for occupation by April 2015.

Construction of the premium residential development project "7th Sense" Gregory's Road commenced during the year

The new 140,000 square foot neighbourhood mall, K-Zone, Ja-ela was opened in March 2013. Approximately 90 per cent of the total rentable space has been contracted out and tenants are in the process of moving in after completing their internal fit outs.

The Crescat mall in Colombo and the K-Zone mall in Moratuwa had near full occupancy throughout the year, while the performance of the Crescat mall in particular improved due to strategic yield management

The carbon footprint of the Property group was 96 MT, a 93 per cent decrease from the previous year. This is mainly attributed to the fact that, starting with the current financial year, the Real Estate sector allocated the carbon footprint of the common areas to the external and internal companies housed in the buildings owned by the sector.

PROPERTY

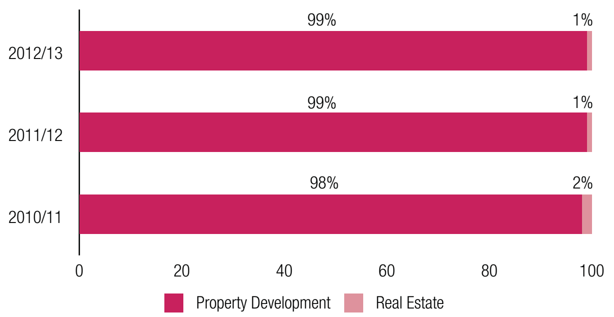
The industry group continues to focus on improving the energy management of the buildings as a whole through the installation of more energy efficient air conditioning systems and monitoring the efficiency, as air conditioning continues to be the main source of energy consumption. Property consumed only 790 cubic meters of water.

During the year, Property did not have any occupational health and safety incidents involving its own workforce, either at construction sites or at real estate properties. Property provides employment to over 100 staff and provided an average of 6 training hours per employee.

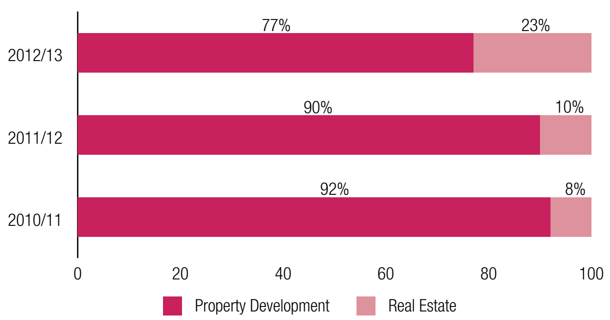
Financial review

The Property industry group reported a decline in revenue of 16 per cent to Rs.3.17 billion [2011/12: Rs.3.79 billion] compared to the previous year, mainly attributable to the revenue recognition cycle of its residential apartments. The previous year's revenue included recognition of the final tranche of The Emperor and a relatively high proportion of the revenue from OnThree20. However, EBIT increased by 25 per cent to Rs.1.27 billion [2011/12: Rs.1.02 billion] as a result of a fair value gain of approximately Rs.440 million compared to a fair value gain of Rs.207 million in the previous year.

Revenue

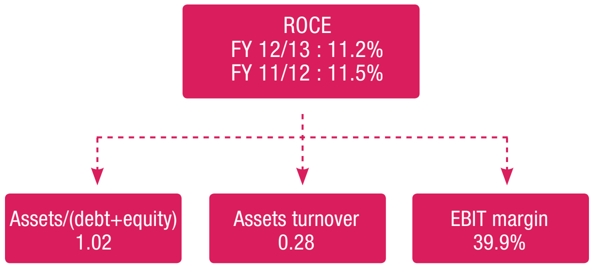


EBIT



Return on capital employed

- ROCE was 11.2 per cent as against 11.5 per cent in the previous year.
- EBIT margins improved from 26.8 per cent to 39.9 per cent. However, asset utilisation declined to 0.28 times from 0.40 times in the previous year
- The change in both EBIT and asset utilisation was driven by the decrease in revenue attributed to the revenue recognition cycle



Outlook

Despite the rising cost of raw materials, the shortage of skilled labor and the relatively high secondary market interest rates, the Property group anticipates strong potential for the industry with changing lifestyles and the growth in tourism. Property will continue to identify and execute projects which yield superior returns, particularly focussing on the advantages of a "first mover" strategy. Going forward, the key areas for development, in addition to residential buildings, are expected to be leisure related and economic driven projects such as hotels, serviced apartments, retail malls, convention spaces and commercial office space.

The residential market will be driven by rental yields which will be closely linked to the growth of the economy. Demand will be concentrated on condominium units in premium locations within close proximity to the city of Colombo. The Property group will capitalise on this potential area of growth with its sizeable land bank. Property remains hopeful that no major changes in the law pertaining to sale of condominium properties and leasing of retail space to foreigners would be enacted, leading to a negative impact on the industry.

CONSUMER FOODS & RETAIL

Consumer Foods

Retail

Retail implemented a new way forward strategy to re-merchandise and refurbish outlets

Vision and scope

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

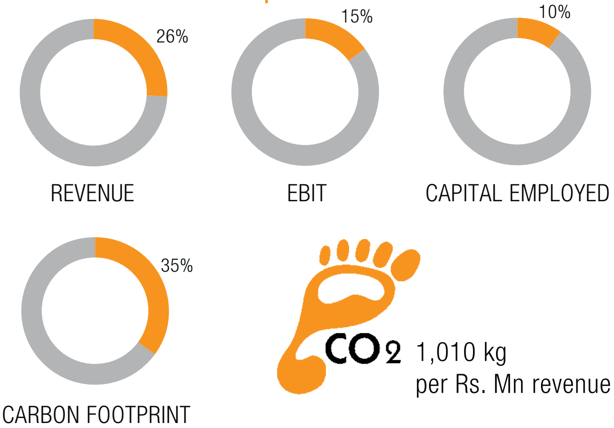
The Consumer Foods sector competes in three major categories namely beverages, frozen confectionary and convenience foods.

The Retail sector focuses on modern organised retailing through the “Keells Super” chain of supermarkets and through its partnership with Nations Trust Bank has created “Nexus”, the most successful coalition loyalty card in the country.

Key indicators

(Rs. Million)	2012/13	2011/12	Chg %	2010/11
Revenue	24,267	21,969	10	18,358
EBIT	2,537	2,822	(10)	683
PBT	2,421	2,731	(11)	579
PAT	2,045	2,370	(14)	230
Total assets	17,305	12,670	37	10,259
Total equity	10,804	7,868	37	5,055
Total debt	1,704	1,167	46	1,919
Capital employed	12,508	9,035	38	6,973
Employees (Number)	3,415	3,147	9	3,029
EBIT per employee	0.7	0.9	(17)	0 .2
Carbon footprint (MT)	24,504	24,936	(2)	N/A

Contribution to JKH Group



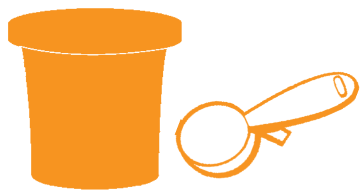
CONSUMER FOODS & RETAIL

	Consumer Foods	Retail
Business scope of the sector	Ceylon Cold Stores (CCS) – produces and markets a portfolio of carbonated soft drinks under the "Elephant House" brand, an energy drink under the "Wild Elephant" brand and "Elephant House" brand ice creams and related frozen confectionary products	JayKay Marketing Services (JMSL) – operates the "Keells Super" chain of modern retail outlets
	Keells Food Products (KFP) – produces and markets a range of processed meat products under the "Keells", "Krest" and "Elephant House" brands	Nexus Network – operates the Nexus loyalty programme in collaboration with Nations Trust Bank
Revenue and growth	Rs.10.20 billion, growth of 0.3%	Rs.14.07 billion, growth of 19%
EBIT and growth	Rs.2.72 billion, decrease of 0.2%	Negative of Rs.180 million, decrease of 282%
Carbon footprint	13,124 MT	11,380 MT
Key developments during the year	• KFP acquired a meat processing plant • Implemented a dealer management system to enhance productivity • Re-launched the premium ice cream range • Re-positioned "Elephant House" processed meat range	• Opened 4 new outlets during the year • 15 Keells Super outlets were awarded the SLS certification • Expanded the private label range under the "K Choice" brand adding 40 products during the year
Key external/internal variables impacting the business	• Increase in raw material prices as a result of the increase in import taxes and excise duty • Adverse weather conditions • Reduced consumer spending due to slow down in economic activity • Change in consumer perception towards more health conscious products	• Imposition of a value added tax of 12% on retail outlets with a quarterly turnover of Rs.500 million or higher • Trend of increasing inflation and interest rates had an impact on reducing consumer confidence and required greater emphasis on remerchandising initiatives and consumer preferences

Integrated operational review and discussion

The Consumer Foods sector was faced with relatively stagnant market conditions arising from lower consumer confidence and disposable income on discretionary items during the year under review. Market conditions were further hampered as a result of the adverse weather conditions which prevailed throughout most of the country during the third quarter of the year under review. Despite challenging market conditions, the Consumer Foods sector managed to maintain overall revenue in line with the previous year driven by region specific strategies, the launch of new products and tactical initiatives.

In spite of the impacts stemming from the macro-economic factors and adverse weather conditions, the Frozen Confectionary segment maintained its market share during the year. The business also introduced a new premium ice cream range, enabling it to broaden its customer base. The Beverages segment faced intense competitive activity as a result of short term, disruptive market practices adopted by some players. During the year, the Consumer Foods sector took steps to enhance the operational efficiencies of the distributor network and to increase the visibility of redistribution sales through the implementation of a dealer management system. Ceylon Cold Stores (CCS), with the assistance of the University of Moratuwa, conducted efficiency studies to derive optimum manning levels at its manufacturing and warehousing facilities.



CCS launched a range of premium quality ice creams during the year

The increase in import duty and levies on key raw materials used in the manufacture of ice creams and soft drinks, coupled with the devaluation of the Rupee in the first half of the year, increased input costs. Where possible, considering the price elasticity of demand and consumer demand, prices of products were increased to ensure margins were maintained. The focus on improving productivity and efficiencies to manage costs continued throughout the year. In line with the Group's sustainability initiatives, CCS improved its energy management practices with the installation of more energy efficient air conditioners, resulting in a total estimated annualised energy saving of 17,000 kWh per annum. Two diesel boilers were replaced with a furnace oil boiler with the view of lowering fuel costs. CCS also commenced an initiative to capture bio-gas from its effluent treatment plant for use as a substitute to LPG in the staff canteen kitchens which is currently undergoing testing.

As the largest consumer of water in the Group, drawing 4.62 liters of water per liter of carbonated soft drinks (CSD) produced, CCS optimised water consumption through sub metering and the installation of a variable speed drive to match demand conditions. These initiatives enabled CCS to reduce its water consumption from 5.87 liters of water per liter of CSD produced in the previous year. The company is in the process of commissioning a ultra filteration plant to significantly increase its water recycling capacity which is expected to further increase the efficiency of water consumption in the ensuing year.

As a testament to the strength of the brand, "Elephant House" Cream Soda won the FMCG Beverage brand of the year award for the 7th consecutive year and the Youth Beverage brand of the year for the first time at the People's Awards, jointly organised by the Sri Lanka Institute of Marketing (SLIM) and The Neilson Company. "Elephant House" was awarded the Turnaround Brand of the Year in the Ice Cream category at the SLIM Brand Excellence Awards.

In the Convenience Foods segment, Keells Food Products (KFP) acquired a meat processing plant located at the industrial zone in Pannala for Rs.700 million. The acquisition paved the way to enhance production capacity immediately as opposed to organic expansion. The acquisition was funded by a two for one rights issue of KFP, with the company raising Rs.1.02 billion by issuing 17 million shares at a price of Rs.60 per share. The remaining funds were also utilised to expand the machinery at the new factory. In keeping with the principles of the Group's sustainable sourcing drive, KFP guaranteed the purchase of meats and mechanically de-boned meat from local suppliers.

The Retail sector achieved strong revenue growth on the back of satisfactory same store growth rates. Growth was driven by an increase in customer footfall and growth in average basket values coupled with the contribution from the opening of new outlets in Kalubowila, Maharagama, Havelock Road and Kapuwatta.

"Fifteen Keells Super outlets were awarded SLS certification, highlighting the Group's commitment to delivering quality products and services."

Among the four new outlets introduced during the year, two outlets which commenced operations within the first nine months of the year have stabilised well and are performing beyond expectations.

CF&R INDUSTRY GROUP CARBON FOOTPRINT

24,504 MT

-2%

During the year, the Retail sector carried out an in-depth review of its operations with the assistance of foreign based sector experts and devised a way forward strategy. In implementing this strategy, Retail commenced a programme to remerchandise and refit outlets with modern equipment and processes which was instrumental in achieving revenue growth despite the macroeconomic challenges such as inflation and the decline in disposable income. The non-recurring costs incurred in this process resulted in a significant one-off negative impact to profits.

With the aim of improving customer satisfaction, Retail initiated an "availability project" to ensure that all outlets offer the full variety of products and focused on employee customer service through the "Greet, Smile, Thank" programme. During the year, the Retail sector launched over 40 "K Choice" private label products at the Keells Super supermarkets.

A value added tax (VAT) of 12 per cent was imposed with effect from 1st January 2013 on all retail businesses with turnover exceeding Rs.500 million a quarter. No transitional provisions were made available to allow for the claim of input VAT on closing stocks as at 31st December 2012, creating a significant one-off cost impact in the current year. In order to mitigate the impact arising from the imposition of VAT, focused initiatives were implemented to ensure minimal erosion of margins through negotiations with suppliers, target based incentives and a focus on higher margin products.

During the year under review, fifteen Keells Super outlets were awarded SLS certification, highlighting the Group's commitment to delivering quality products and services. These outlets are the only SLS certified supermarkets in the country. Keells Super continued to collect low country and upcountry vegetables from farming families in the North Central, Southern and Central Provinces, helping to uplift the communities in the area.

The carbon footprint of the Consumer Foods & Retail industry group (CF&R) decreased by 2 per cent to 24,504 MT. The carbon foot print per liter of carbonated soft drinks and ice creams produced by CCS was 0.13 kg, compared to 0.11 kg in the previous year, primarily due to the addition of a new spiral tunnel.

KFP recorded a carbon footprint of 0.75 kg per kilogram of processed meat manufactured, representing an increase from the previously recorded 0.65 kg on account of lower production volumes.

Despite the addition of new retail outlets, JMSL witnessed a drop in its carbon footprint to 31.46 kg per square foot of retail space, compared with 36.25 kg in the previous

CONSUMER FOODS & RETAIL

financial year. CF&R consumed 31 million kWh of electricity during the year, a decrease of 1 per cent from the previous year and withdrew 0.57 million cubic meters of water from the ground and pipe borne water.

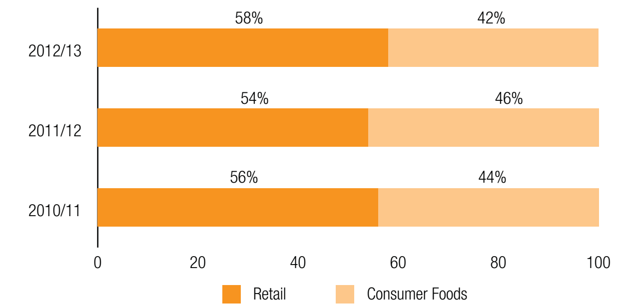
CF&R provides employment to approximately 3,400 employees and provided training of an average of 70 hours per employee per annum, with the Retail sector providing 112 hours of training per employee.

Financial review

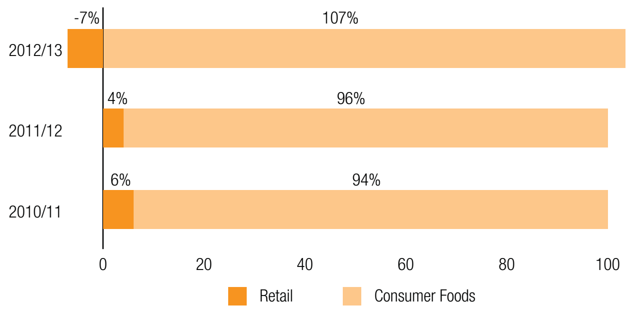
Revenue increased by 10 per cent to Rs.24.27 billion [2011/12: Rs.21.97 billion], primarily on account of the performance of the Retail sector, which recorded a growth in revenue of 19 per cent. Revenue in the Consumer Foods sector remained static while the revenue of KFP was impacted by production issues in the old factory.

The EBIT of the industry group decreased by 10 per cent to Rs.2.54 billion [2011/12: Rs.2.82 billion] as the growth in revenue was more than offset by non-recurring costs associated with the implementation of the way forward strategy in Retail and the one-off impact as a result of the lack of transitional provisions for the claim on input VAT on closing stocks.

Revenue

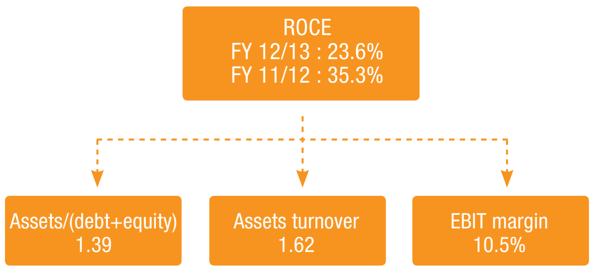


EBIT



Return on capital employed

- ROCE declined to 23.6 per cent as against the 35.3 per cent recorded in the previous year
- The decline in ROCE was driven by a decline in both the EBIT margin and asset utilisation
- The cost associated with implementing the restructuring strategy coupled with the newly imposed VAT on the Retail sector contributed to a decline in EBIT margin
- Asset utilisation declined following the increase in capital employed arising from the acquisition of the meat processing facility by KFP and the capacity enhancements at CCS



Outlook

The per capita consumption of soft drinks and ice creams in Sri Lanka is well below comparable per capita consumption figures in the region, demonstrating the long term potential for these businesses. However, in the shorter term, deterioration of consumer confidence and lower disposable incomes could negatively impact demand. The increase in electricity tariffs will have an impact on the manufacturing businesses, although not expected to be significant.

The Retail sector will be impacted by the increase in electricity tariffs although certain mitigatory actions have been implemented. In order to reduce the uncertainty of manufacturing costs due to the volatility of raw material prices, CCS entered into forward contracts to purchase sugar at attractive rates, thereby mitigating the impacts arising from significant price movements.

The Frozen Confectionary segment will continue to augment its brand with the introduction of new products within its range catering to changing consumer demands.

In the ensuing year, KFP is expected to benefit from the efficiencies of the newly acquired meat processing facility, thereby reducing the cost of production of certain products.

The Retail sector has identified a number of strategic locations in pursuit of its expansion strategy and will open a number of new stores in the new financial year.

FINANCIAL SERVICES

Insurance

Banking & Leasing

Stock Broking

NTB was adjudged the "Best Private Bank in Sri Lanka" at the World Finance Awards 2012

Vision and scope

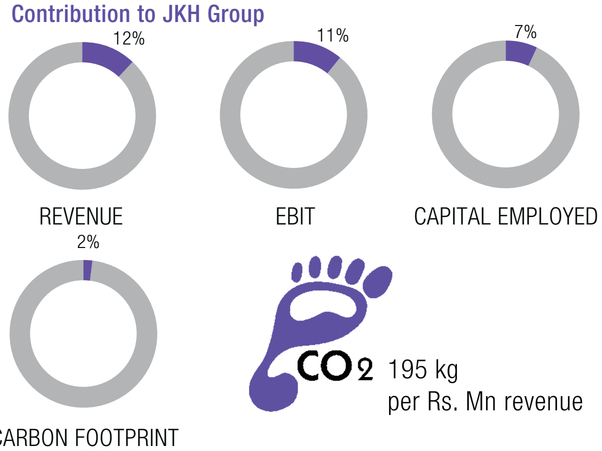
The cluster of financial services companies offer a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing with the vision of becoming a leading player in the financial services industry group offering a total solutions package to customers.

Key indicators

(Rs. Million)	2012/13	2011/12	Chg %	2010/11
Revenue[1]	11,108	9,874	12	9,501
EBIT	1,777	1,934	(8)	1,313
PBT	1,777	1,492	19	1,333
PAT	1,400	1,171	20	860
Total assets	31,507	26,921	17	23,961
Total equity	8,157	6,857	19	6,287
Total debt	147	328	(55)	103
Capital employed[2]	8,304	7,185	16	6,390
Employees (Number)[3]	1,401	1,047	34	1,121
EBIT per employee[3]	1.3	1.8	(31)	1.2
Carbon footprint (MT)[4]	1,676	1,610	4	N/A

1 *Revenue is inclusive of the Group's share of associate company revenue*
2 *For associate companies the capital employed is representative of the Group's equity investment in these companies*
3 *No. of employees and EBIT per employee are excluding the employees of associate companies*
4 *Carbon footprint is calculated excluding associate companies*

Contribution to JKH Group



FINANCIAL SERVICES

	Insurance	Banking & Leasing	Stock Broking
Business scope of the sector	Union Assurance (UA) offers comprehensive insurance solutions in general and life insurance segments	Nations Trust Bank (NTB) offers complete banking solutions through its network of branches for corporate, retail and SME clients and is the franchise holder for American Express credit cards in Sri Lanka. Nations Leasing is the leasing arm of NTB	John Keells Stock Brokers (JKSB) is one of the leading stock brokering companies in Sri Lanka and has a number of trading tie ups with leading foreign securities houses
Revenue and growth	Rs.8.40 billion, growth of 10%	Rs.2.51 billion, growth of 29%	Rs.199 million, decrease of 35%
EBIT and growth	Rs.853 million, decrease of 18%	Rs.860 million, growth of 20%	Rs.63 million, decrease of 64%
Carbon footprint	1,607 MT	N/A	69 MT
Key developments during the year	• Re-launched the health insurance policy, "Union Family Health Net" with a simplified proposal form • Re-launched the investment linked product range "Union Challenger" • General insurance category launched a loyalty card for motor insurance • The life insurance segment expanded the distribution structure by adding 12 new regions and 1 zone	• 9 new branches were opened during the year which included 8 branches outside the Western Province • Launched a digital platform, including SMS banking services • Invested in a paperless boardroom to help promote a more carbon friendly global environment	• Placed greater focus on attracting the foreign investor segment
Key external/internal variables impacting the business	• Low market penetration levels, ageing population with retirement and health insurance needs and growing affluence across a majority of segments are positives for increasing the demand for life insurance • The decline in new vehicle registrations due to the increase in import duties dampened growth in the industry leading to lower underwriting volumes for motor insurance	• Rising interest rates created intense competition for deposits • Banks permitted to borrow up to US Dollars 50 million each year for three years without the approval of the Exchange Control Department • Post war economic development aiding the rapid expansion of the branch network, primarily outside the Western Province • Upward revision of the import duty structure for passenger vehicles reduced the demand for vehicles loans / leases	• Low activity levels at the Colombo Stock Exchange impacted the performance of JKSB • High interest rate environment curtailed domestic trading activity

Integrated operational review and discussion

The combined life and non-life gross written premium for Union Assurance (UA) for the calendar year 2012 grew by 12 per cent, amounting to Rs.9.73 billion compared with Rs.8.70 billion in the previous year. The claims ratio improved during the year under review as UA continued its practice of pursuing a disciplined approach to underwriting by pursuing risk that is adequately priced.

The non-life segment reported a 9 per cent growth on the back of enhanced distribution capabilities and improved service standards of both corporate and retail channels, whilst the life business recorded a growth of 14 per cent driven by the re-launch and introduction of new products as well as by achieving a higher average case size per policy. The Life business also witnessed growth stemming from both traditional and investment linked products. As per the independent actuarial valuation carried out, Rs.525 million was transferred as a surplus from the life fund during the year 2012, which was a 22 per cent increase over the surplus recorded in the year 2011. Excessive credit growth and high state sector borrowings placed upward pressure on interest rates. The increase in interest income resulted in a 42 per cent and 24 per cent growth in finance income for the life and non-life segment respectively. In order to further strengthen the capital position of the company

Re-launched "Union Family Health Net" health insurance policy in line with regulatory requirements, Union Assurance successfully raised Rs.750 million through a one for seven rights issue at Rs.70 per share. Union Assurance was the recipient of several awards including the "Best Insurer Technology Award 2012" for excellence and innovation from "Celent" and "Asia Insurance Review", and secured the silver award for the 5th consecutive year in recognition of UA's business practices in the insurance sector, at the National Business Excellence Awards conducted by the National Chamber of Commerce of Sri Lanka.

Nations Trust Bank (NTB) reported a growth in deposits of 26 per cent in the calendar year 2012, outpacing the growth of the market, while the loan portfolio grew at 20 per cent in line with the credit ceiling imposed on the entire industry by the regulator. The credit ceiling was withdrawn from January 2013 onwards. Across the industry, net interest margins (NIMs) were under pressure due to the rising cost of funds amid intense competition for deposits. However, despite the narrowing NIMs, the growth in business volumes compensated for the negative impact in NIM's as net interest income for the year recorded an increase compared to the previous year. During the year, the bank continued to mobilise additional deposits through promotional campaigns such as the "Nations Saver" savings scheme product. The small and medium enterprise (SME) sector credit line introduced two years ago witnessed substantial growth due to the bank's continued focus to enrich the SME sector. The leasing arm of the bank focused on alternative customer segments and redefined its marketing strategy to minimise the combined impact of higher import duties on passenger vehicles and interest rate hikes. NTB completed 9 successful years of issuing American Express credit cards. During the year, a record number of new cards were issued and profitability of the product increased in parallel with the growing customer base. Correspondingly, both spend and receivables for the calendar year 2012 surpassed the comparable period for the previous year by 22 per cent and 36 per cent respectively. Whilst

"Life business and Non-Life business of Union Assurance recorded a growth of 14% and 9% respectively."

the reduction in the price of gold will impact growth in the pawning business, the bank does not anticipate significant credit exposure as a result of its prudent and conservative lending practices.

NTB won several awards for its operational and financial achievements, including the award for the "Best Private Bank in Sri Lanka" at the World Finance Awards 2012. The JKH Group currently holds 29.9 per cent in Nations Trust Bank PLC. The Monetary Board of the CBSL has directed that the Group reduces its share holding in NTB to 15 per cent or below, on or before the 23rd of April 2012. JKH wrote to the Central Bank requesting an extension of the deadline and a formal response is awaited.

John Keells Stock Brokers (JKSB) was impacted by the modest performance of the Colombo Stock Exchange, where the benchmark All Share Price Index increased by only 5.8 per cent over the previous year and trading volumes were only 9.07 billion, a decrease of 56 per cent over the previous year. Foreign institutional investors accounted for approximately 32 per cent of market turnover and remained net buyers during the financial year with a number of new foreign funds taking positions in larger cap stocks. JKSB managed to capture a significant share of the foreign segment in addition to capturing business from the local institutional segment as well. Resultantly, in spite of the decline in market trading volumes, the stock broking business recorded a healthy improvement in market share in comparison to the previous financial year.

The carbon footprint of the Financial Services industry group was 1,676 MT for the year, which was a 4 per cent increase in comparison to the previous year. This represents 5.78 kg per square foot compared to 5.55 kg in the previous year. The electricity consumption was 2.2 million kWh representing a 4.5 per cent increase compared to the previous year. Being a financial service oriented business largely having office based operations, the Financial Services industry group consumed 24,449 cubic meters of water. The industry group excluding NTB provides employment to over 1,400 staff and in addition Union Assurance has engaged over 4,000 insurance agents across the country. The Financial Services group provided an average of 24 hours of training per employee during the year.

NATIONS TRUST Bank reported a growth in deposits of 26 per cent in the calendar year 2012

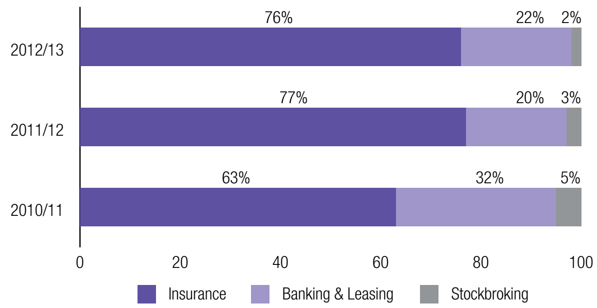
FINANCIAL SERVICES

Financial review

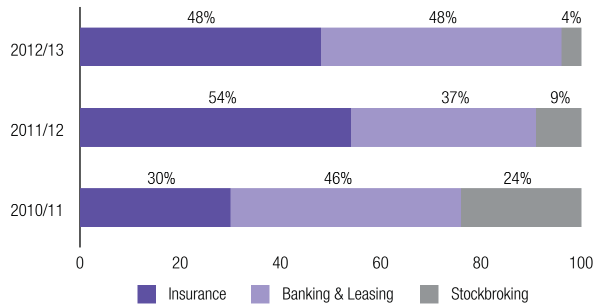
The Financial Services industry group revenue increased by 8 per cent to Rs.8.60 billion [2011/12: Rs.7.93 billion] with a significant contribution coming from Union Assurance. Revenue, inclusive of associate company revenue increased by 12 per cent to Rs.11.11 billion [2011/12: Rs.9.87 billion].

EBIT decreased by 8 per cent to Rs.1.78 billion [2011/12: Rs.1.93 billion], with the decline in revenue at JKSB being the main contributory factor.

Revenue

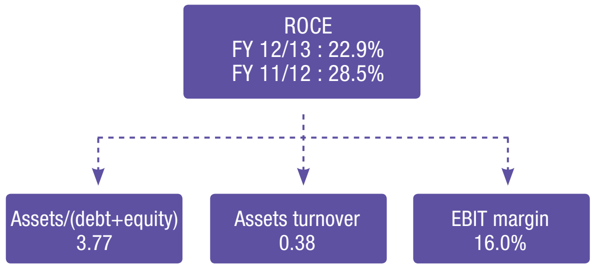


EBIT



Return on capital employed

- ROCE declined to 22.9 per cent against the 28.5 per cent recorded in the previous year
- EBIT margin declined to 16.0 per cent from 19.6 per cent in the previous year. Union Assurance experienced a rise in costs following an increase in maturity claims, while the EBIT margins for the Stock Brokering business contracted due to the disappointing performance of the capital market
- Asset turnover declined marginally to 0.38 times from 0.39 times seen last year



Outlook

Given the level of under penetration of insurance within the country, Union Assurance maintains a positive outlook on both the life and non-life insurance segments. As per information published by the Insurance Board of Sri Lanka, the penetration level of life insurance remains significantly low with life insurance premiums only accounting for 0.5 per cent of GDP in Sri Lanka as opposed to approximately 3 per cent in other regional economies. UA plans to invest in cost effective distribution channels, consolidate its position in the "Bancassurance" distribution space and leverage on IT platforms. The non-life segment is expected to remain price competitive in the medium term with competition fuelled by new entrants and existing participants trying to maintain market share. Changes in regulations, the introduction of risk based capital and the strict implementation of the premium payment warranty (PPW) will further ensure pricing and credit discipline in the market. As stated in the Consolidated Group Performance section of the Report, Union Assurance has analysed the regulatory requirement to split the Life and General businesses by February 2015 and is in the process of identifying the optimal outcome in order to take the initiative forward.

Despite a modest outlook on the domestic economy in the short term, the medium to long run economic outlook is positive, with growth attributed to structural factors such as improvements in infrastructure, rising income levels and unlocking of the potential in previously conflict affected areas. Given that the growth trajectory is expected to be strong, NTB will continue to establish its presence island wide as "The bank for all customers" through the expansion of its delivery network, while continuing to nurture customer confidence and embracing innovative banking and effective governance. The SME sector is expected to be a catalyst for growth in the year ahead and the additional funds from multilateral lenders will provide the bank with a stronger foothold in this segment. In an effort to improve staff knowledge in the sector, "SME Academy", an internationally accredited learning program will be launched in the coming year.

John Keells Stock Brokers expects the market to continue the momentum witnessed in the final quarter of the year under review on the back of lower interest rates attracting interest from local investors while the foreign segment will continue to invest so long as relative valuations are attractive and global risk appetite and liquidity remains strong. JKSB will continue to focus on increasing market share through the expansion of its portfolio of foreign and institutional investors.

INFORMATION TECHNOLOGY

IT Services

Office Automation

IT Enabled Services

The web based Zhara HS gained acceptance in the Leisure industry

Vision and scope

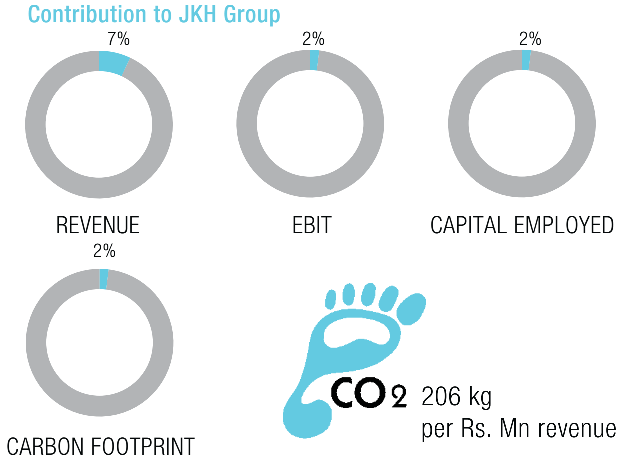
The Information Technology industry group has a vision of providing quality, world-class information communication technology services from BPO, software services and information integration to office automation by offering end-to-end ICT services and solutions. With a strong customer base in Sri Lanka,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

Key indicators

(Rs. Million)	2012/13	2011/12	Chg %	2010/11
Revenue[1]	6,797	6,723	1	4,229
EBIT	387	183	111	122
PBT	314	136	131	114
PAT	238	66	261	(22)
Total assets	3,717	3,368	10	2,419
Total equity	2,166	1,901	14	1,651
Total debt	434	560	(23)	124
Capital employed[2]	2,599	2,462	6	1,774
Employees (Number)[3]	1,267	1,114	14	979
EBIT per employee[3]	0.3	0.2	85	0.1
Carbon footprint (MT)[4]	1,343	1,406	(4)	N/A

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

Contribution to JKH Group



INFORMATION TECHNOLOGY

	IT Services	Office Automation	IT Enabled Services
Business scope of the sector	John Keells Computer Services (JKCS) offer software services and products to a wide range of clients in Sri Lanka and overseas	John Keells Office Automation (JKOA), are agents for some of the leading office automation brands in the world	Business Process Outsourcing (BPO) operations, primarily in the voice vertical through John Keells BPO (JK BPO) which operates approximately 1,000 seats with operations in India, US and Canada
	Operation of Information Systems Associates (ISA) in partnership with Air Arabia. Core focus areas are in the development of aviation related software and hotel reservation management systems	National distributor for Samsung mobile phones, ASUS, Samsung and Toshiba notebooks and other office automation products such as printers and RISO duplication solutions	Provider of Shared Service solutions to the Group and external clientele under InfoMate in the finance and accounting payroll verticals
Revenue and growth	Rs.609 million, growth of 30%	Rs.4.54 billion, growth of 2%	Rs.1.65 billion, decrease of 9%
EBIT and growth	Rs.100 million, growth 571%	Rs.312 million, growth of 23%	Negative of Rs.25 million, growth of 71%
Carbon footprint	293 MT	338 MT	712 MT
Key developments during the year	• ISA entered East Asia, venturing outside its core markets of the Middle East and Africa • JKCS focused on penetrating the hospitality market with Zhara HS	• ASUS and Samsung notebooks were added to the company's product range • Samsung mobile handset business captured significant market share during the period under review	• The BPO business in India acquired new clients and grew its existing client base • The third remote BPO centre in Jaffna was initiated, employing rehabilitated youth
Key external/ internal variables impacting the business	• Global distress among key aviation clients caused some set-backs • Growth in the tourism industry enabled the fully web based solution - Zhara Hospitality Suite to gain acceptance in the leisure sector • Fluctuating exchange rate created bottom line uncertainty	• Increased competition from parallel imports and original equipment manufacturer (OEM) products from China	• Continued financial turmoil in the US and Europe led to a decline in interest for outsourcing services • The deprecation of the Rupee in the first half of the financial year helped boost margins

Integrated operational review and discussion

During the financial year, the Office Automation business carried out under John Keells Office Automation (JKOA) consolidated its dominant market position across the different segments it operates in. Samsung smart phones achieved higher sales volumes in the backdrop of the expected shift by consumers to smart phones.

The Toshiba copier business maintained market share despite increased competition from parallel imports and the second hand copier market, whilst Toshiba laptops increased its market share significantly.

During the year, the Office Automation business further strengthened its product portfolio by adding ASUS notebooks, Samsung notebooks and "Posiflex" point of sales (POS) machines to its product offering, enabling the business to tap in to different market segments. JKOA was the recipient of many awards including the Diamond award for Toshiba Distributors in the region for the 2nd consecutive year and the winner of the Windows 8 demo competition conducted by Microsoft Sri Lanka.

JKOA added ASUS and Samsung notebooks to its product offering

The Software Services business witnessed encouraging growth in revenue through client acquisition and expansion of volumes. Software Services turned profitable following two consecutive years of reported losses. In addition to the contribution arising from the growth in revenue, the improved performance was aided by the operational efficiencies achieved as well as on account of the restructuring of debt, which resulted in the reduction of the finance cost.

The financial impact of losing a key client in the aviation business vertical was more than offset by the acquisition of new clients both from traditional business generating markets such as the Middle East and Africa as well as from new geographies such as Asia and North America. The enhanced customer portfolio also helped reduce the reliance on a few large customers, mitigating the risk of losing revenue from the troubled global aviation clients affected by the global economic downturn.

"During the year, JK BPO India focused on increasing revenues by capturing a higher share of volumes from existing customers as well as through the acquisition of new customers."

The expansion of the tourism industry coupled with the growth in small and medium sized hospitality properties had a positive impact on the hospitality business vertical of JKCS and its main product "Zhara". Many of these hospitality establishments identified the need for a central management tool to effectively run their businesses. Having recognised this opportunity, JKCS executed a more focused sales strategy targeting start-ups and newly refurbished properties. During the year, "Zhara" was awarded the overall Gold and the category Gold for Tourism and Hospitality Software, by the British Computer Society (BCS) at the National Best Quality Software Awards 2012.

The joint venture company Information Systems Associates (ISA) acquired new airline accounts in the Middle East and Philippines, adding strength to its low cost carrier customer base and increasing the number of annual passenger bookings on the flagship online reservation system "Accelaero".

The business process outsourcing (BPO) industry remained strong despite the uncertainty in the global economy amplifying the financial difficulties for some clients and weakening global interest in outsourcing services. During the year, the BPO operations in India conducted under John Keells BPO Solutions (JK BPO) focused on increasing revenues by capturing a higher share of volume from existing customers as well as through the acquisition of new customers. JK BPO has now built up an encouraging and steady sales pipeline which has enabled the business to progress towards the desired business scale.

Infomate, the Sri Lankan based BPO unit, which currently caters mainly to companies within the JKH Group focused on strengthening its external customer portfolio, which now accounts for approximately 20 per cent of its total revenue. Towards this end, Infomate worked hand-in-hand with the industry body Sri Lanka Association of Software and Service Companies (SLASSCOM) to promote outsourcing and also strengthened existing client relationships. The rural BPO concept pioneered by Infomate through its Mahavilachchiya facility will continue to create livelihoods and endow youth with technical knowledge and experience through the provision of necessary infrastructure and technical support. A further step was taken with the successful initiation of the third remote BPO center in Jaffna.

The carbon foot print of the IT group was 1,343 MT, a reduction from the 1,406 MT in the previous year, while the energy consumption for the industry group declined to 1.62 million kWh [2011/12: 1.75 million kWh] in spite of the increase in volumes in the BPO operations. The carbon footprint per square foot in the current year declined to 15.51 kg from 16.25 kg in the previous year. The IT group employee count stands at approximately 1,200, with each employee gaining an average of 67 hours of training for the year.

THIRD remote BPO was successfully initiated in Jaffna

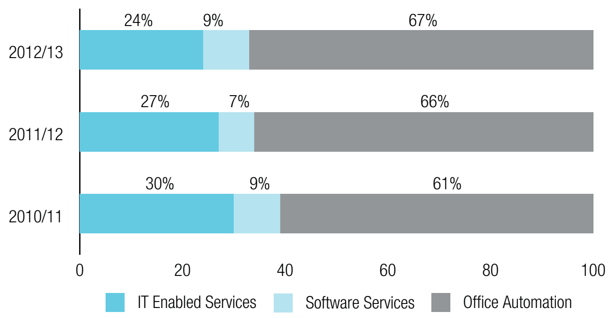
Financial Review

The Information Technology industry group recorded an overall growth of 1 per cent in revenue to Rs.6.80 billion [2011/12: 6.72 billion]. The growth was primarily driven by the improved performance of the Indian BPO business. The IT Enabled Services sector reported a decline of 9 per cent in revenue following the disposal of Quatrro FPO. The disposal will result in the discontinuation of a loss making operation, although having a negative impact on revenue in the short term.

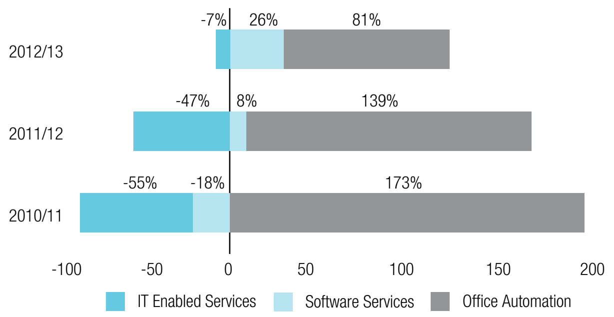
EBIT increased by 111 per cent to Rs.387 million, benefiting from the existing growth momentum of the Office Automation business coupled with the exchange gains recorded as the Rupee stabilised towards the latter half of the year.

INFORMATION TECHNOLOGY

Revenue

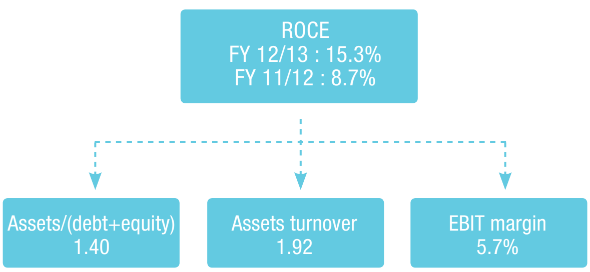


EBIT



Return on capital employed

- ROCE increased to 15.3 per cent as against 8.7 per cent in the previous year
- EBIT margin improved to 5.7 per cent against the 2.7 per cent recorded in the previous year, primarily due to the performance of the Software Services business which reported a profit and the steady performance of the Office Automation business
- Asset utilisation declined during the year to 1.92 times from 2.32 in the previous year, somewhat offsetting the positive impact of the improved EBIT margin on ROCE



Outlook

The Office Automation business could face increased competition as a result of the continued proliferation of parallel imports and the growing significance of the second hand market. Volatility in exchange rates could impact margins, although strategies are in place to manage such exchange rate movements. Despite these challenges, JKOA is in a position to capitalise on opportunities made available by the newly secured distributorships of Asus and Samsung notebooks whilst leveraging on Samsung's continuous product innovation.

The Software Services business anticipates stiff price competition from larger players in the West and changing market dynamics may demand direct presence on the ground in certain key markets to achieve greater customer intimacy and improved responsiveness.

As per the statistics of "The National Association of Software and Services Companies" of India, (NASSCOM), the Indian BPO market is expected to grow at a rate of 11 per cent in the coming financial year, with the emergence of new technology and the evolution in business models. John Keells BPO Solutions will be well positioned to extend its reach and extend more services to clients overseas. Infomate will work towards increasing the share of third party revenue in the firm's revenue mix.

OTHER INCLUDING PLANTATION SERVICES

Plantation Services

Other

John Keells PLC obtained the highest number of top prices at the Colombo Tea and Rubber auctions

Vision and scope

The Plantation Services sector includes the operations of tea factories, tea and rubber broking and pre-auction produce warehousing.

Tea Smallholder Factories PLC (TSF) is amongst the top manufacturers of orthodox low grown teas and is also recognised as a top quality producer of CTC teas in Sri Lanka. With over 140 years of experience in the tea trade, John Keells PLC is one of the leading tea brokers in the country and its warehousing facility is the largest and one of the best state-of-the-art complexes in the country for pre-auction produce.

The industry group also consists of John Keells Holdings PLC including its divisions / centre functions such as John Keells Capital and Strategic Group Information Technology division (SGIT), as well as several auxiliary companies. John Keells Capital is the private equity arm of the Group and also provides financial advisory, structuring and capital raising solutions to external clients. The SGIT division which supports the Group's IT requirements also provides consulting services and SAP implementation services to external companies.

Key indicators

(Rs. Million)	2012/13	2011/12	Chg %	2010/11
Revenue[1]	3,553	2,684	32	3,119
EBIT	1,471	509	189	2,716
PBT	1,164	(2)	52,246	2,350
PAT	548	(388)	241	2,115
Total assets	24,870	19,691	26	15,085
Total equity	16,842	10,823	56	7,075
Total debt	6,302	7,440	(15)	7,025
Capital employed[2]	23,144	18,263	27	14,101
Employees (Number)[3]	1,130	1,112	2	1,130
EBIT per employee[3]	1.3	0.5	184	2.4
Carbon footprint (MT)[4]	4,033	3,743	8	N/A

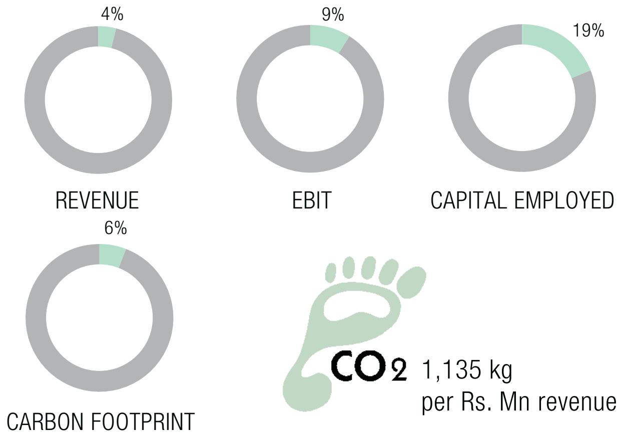
1 *Revenue is inclusive of the Group's share of associate company revenue*

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

3 *No of employees and EBIT per employee are excluding the employees of associate companies*

4 *Carbon footprint is calculated excluding associate companies*

Contribution to JKH Group



OTHER INCLUDING PLANTATION SERVICES

	Plantation Services	Other
Business scope of the sector	John Keells PLC (JK PLC) – leading tea and rubber broker	JKH and other business
	John Keells Warehousing – operating a state of the art warehouse for pre-auction produce	John Keells Capital, a division of JKH, is the private equity arm of the Group
	Tea Smallholder Factories (TSF) – operates 8 tea factories and is a leading manufacturer of low grown teas in the country, specially the CTC variety	The Strategic Group Information Technology (SGIT) division which supports the Group's IT requirements, also provides consulting services and SAP implementation services to external companies
Revenue and growth	Rs.2.97 billion, growth 33%	Rs.585 million, growth of 27%
EBIT and growth	Rs.418 million, growth 65%	Rs.1.05 billion, growth of 312%
Carbon footprint	3,547 MT	486 MT
Key developments during the year	• TSF continued with initiatives to support tea small holders by providing technical and financial assistance • Tea factories coming under TSF obtained over two thirds of its energy requirement from renewable energy sources	• SGIT secured its first ever SAP Services partnership in Sri Lanka
Key external/internal variables impacting the business	• Revision of the Cess levied on bulk tea shipments to the higher of Rs.10 per kilogram or 2.5 per cent of the previous three months' composite average for tea • The political instability in the Middle East had a negative impact on demand from key tea consuming countries • Currency fluctuations in the EU resulted in a rather volatile market environment for tea • Erratic weather conditions effected the production of quality green leaf at TSF	• SGIT faced increased competition from SAP partners in India

Integrated operational review and discussion

During the year under review, many of the major tea consuming countries witnessed a rather volatile environment. In the Middle East, countries such as Syria continued to experience political unrest whilst the economic sanctions on Iran, Sri Lanka's second largest destination for Ceylon tea, led to a decline in tea exports. Demand stemming from the European region also slowed down due to the economic down turn that prevailed in the region. Despite the aforementioned global macroeconomic challenges, average sales price of low grown teas increased by approximately 14 per cent during the financial year 2012/13 against the previous financial year. The increase was attributed to the adverse weather conditions experienced in key black tea producing countries and the resulting shortfall in global black tea production.

John Keells PLC (JKPLC) experienced a reduction in the broking market share due to the industry consolidation that took place during the year under review. Nevertheless, JKPLC managed to obtain the highest number of top prices at the Colombo tea and rubber auctions in addition to providing superior customer service. Towards this end, the tea broking business pioneered in introducing an electric delivery order system for buyers and implemented a system to electronically capture tea prices at the auction.

The benefit accrued from improved tea prices coupled with improved production levels had a positive impact on the performance of TSF. The company placed greater emphasis on customer service in the form of value added extension services such as workshops, seminars and field visits, which further enhanced Good Agricultural Practices to overcome the impact of poor weather conditions and increased overall production by 6 per cent in comparison to the previous year. The pioneering initiative of TSF to transfer knowledge and extend financial support to selected growers to replant their lands, continued for the third consecutive year. The pilot project launched under this initiative in 2010 to assist 89 smallholders was successfully completed and a second replanting project, focusing on 51 growers is currently underway.

Greater emphasis on customer service helped TSF increase overall production by 6%

As the primary consumer of energy and electricity within the industry group, TSF recorded a carbon footprint of 0.58 kg per kilogram of tea produced compared to 0.55 kg in the previous year and continues to take appropriate action to reduce its carbon footprint. The firm consumed 21,780 cubic meters of water in carrying out operations, which is 3.82 liters of water withdrawn per kilogram of tea produced [2011/12: 4.22 liters per kilogram of tea produced] and relied on renewable energy sources to produce over two thirds of its total energy requirement for the year. The carbon footprint of the Plantations

Services sector was 3,547 MT for the year, which was an increase of 6.2 per cent over the previous year. The increase was due to increased level of operations as the carbon footprint per kilogram of tea produced remained constant at 0.62 kg. The Plantations Services sector employs over 950 staff. TSF is the largest employer within the sector and a majority of its staff members are non-executives. The company abides by the collective bargaining agreements applicable to the plantation industry, despite having operations limited to tea manufacturing. During the year, the Plantations Services sector provided an average of 17.5 hours of training per employee.

John Keells Capital, the investment banking arm of the Group completed several mandates for the year, including the restructuring and consolidation of the hospitals of a leading healthcare services provider. Further to the restructuring, John Keells Capital was subsequently involved in a private placement to a leading Indian private equity fund for a total transaction value of USD 32 million. SGIT secured the first ever SAP Services Partnership in Sri Lanka and signed an exclusive contract with SAP Consulting for the Sri Lankan territory to broaden its SAP Services portfolio. Furthermore, SGIT signed its first international SAP implementation contract as well as the first contract for an off-shore implementation during the financial year.

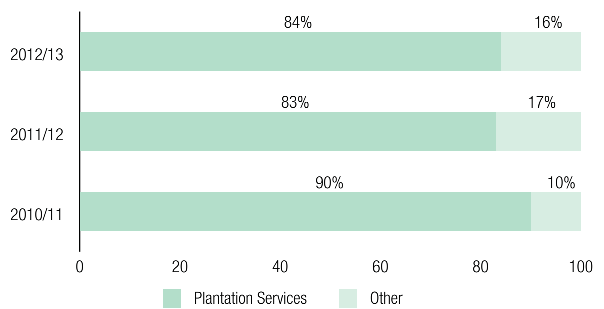
Central Hospital (Private) Limited (owning company of "The Central" hospital in Colombo) an associate company of the Group (investment held under John Keells Capital) recorded profits during its second full year of operations.

Financial review

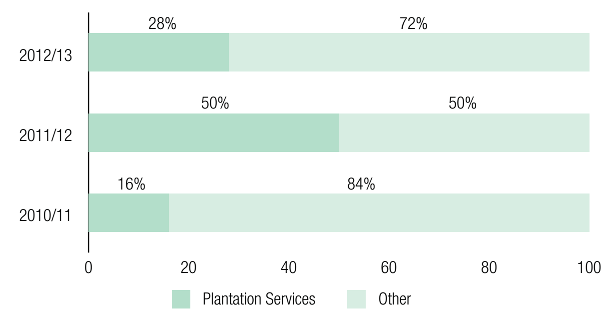
Total revenue of the other businesses of the JKH Group primarily consists of revenues from the Plantation Services sector since there are no other significant operating businesses in this cluster. The Plantations Services sector recorded revenues of Rs.2.97 billion [2011/12: Rs.2.22 billion] which is an increase of 33 per cent from the previous year mainly on account of the 39 per cent increase in TSF revenues.

Total EBIT (including the holding company) increased to Rs.1.47 billion, from Rs.509 million recorded in the previous year. The EBIT for the current financial year included a disposal gain of Rs.223 million arising from the disposal of Quattro Finance and Accounting Solutions and the partial disposal of John Keells Logistics India Limited and John Keells Logistics Lanka Limited.

Revenue



EBIT



Return on capital employed

- ROCE increased to 8 per cent as against 3 per cent in the previous year
- EBIT margin for the year improved to 41.4 per cent againt the 19.0 per cent recorded in the previous year. Due to the factors mentioned above, the EBIT margin of TSF improved, while higher interest income and a gain in disposal of Rs.223 million contributed towards an improved EBIT margin for the overall industry group

Outlook

Average tea prices at the Colombo tea auction are expected to remain buoyant in the forthcoming year, with Iran and Syria reverting to their regular quantities purchased from Colombo. TSF plans to enhance the factory utilisation factor in an effort to negate the impact arising from the increase in operating costs due to the revision of wages and electricity tariffs.

SGIT is geared to secure contracts outside of JKH following the newly secured SAP Services Partnership, while the private equity arm of the Group, John Keells Capital will continue to explore and evaluate opportunities. Considering the significance of the impact to profitability through exchange rate and interest rate movements, the Group will continue to adopt a proactive and a prudent approach in managing such risks. Whilst a significant proportion of the Group's debt is foreign currency denominated, the Group will ensure that such liabilities are matched as far as possible with foreign currency denominated revenue streams to ensure minimum cxchange rate exposure. The Group also maintains a sizeable cash reserve in US Dollars and Rupees which would enable to manage the volatility arising from fluctuations of exchange and interest rates.

Share Information

Total number of shares in issue as at 31/03/2013:	857,242,505
Public shareholding as at 31/03/2013:	88.36%
Stock symbol:	JKH.N0000
Newswire codes	
Bloomberg:	JKH.SL
Dow Jones:	P.JKH
Reuters:	JKH.CM

The All Share Price Index (ASPI) closed at 5,735.68 on 31st March 2013 recording a 5.8 per cent increase over the previous year. The Colombo Stock Exchange (CSE) introduced the Standard & Poors Sri Lanka 20 Index (S&P SL20) in June 2012 which captures the top 20 stocks with a float adjusted minimum market capitalisation and other key liquidity and financial viability thresholds. The Milanka Price Index (MPI) was discontinued from 1st January 2013 onwards. Since its introduction, the S&P SL20 has recorded an increase of 16 per cent as at 31st March 2013 from June 2012 vis-à-vis an increase of 15 per cent in the ASPI during the same period.

The market capitalisation of the CSE increased by 10 per cent during the period under review, primarily due to the increase in foreign participation in the large market cap counters. The net foreign inflows reached Rs.23.23 billion during the financial year compared to Rs.8.40 billion recorded in the previous year with the banking, insurance, food and beverage and diversified sectors attracting much of the foreign interest. Foreign institutions were also active in acquiring strategic stakes in the local retail, insurance and healthcare sectors which contributed towards sustaining the overall momentum in the market during the financial year.

In spite of increased foreign participation, average daily turnover levels fell to Rs.794 million from Rs.1.83 billion recorded in the previous financial year, as a result of the lack of retail and high net worth local investor interest as fixed income yields were comparatively high.

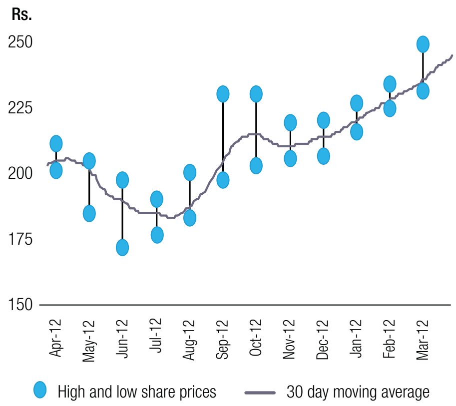
The JKH Share

The JKH share closed at Rs.247.00 as at 31st March 2013 as against Rs.206.00 in the previous year, recording a growth of 20 per cent. The share demonstrated steady growth throughout the financial year amidst the overall market experiencing low levels of volatility. The JKH share traded between a high of Rs.249.70 and a low of Rs.172.00 during the period under review. Comparatively, the ASPI recorded a growth of 5.8 per cent during the financial year as against a decline of 25 per cent recorded in the previous year. The average daily turnover of the JKH share at Rs.121 million was a decrease of 38 per cent over the previous financial year.

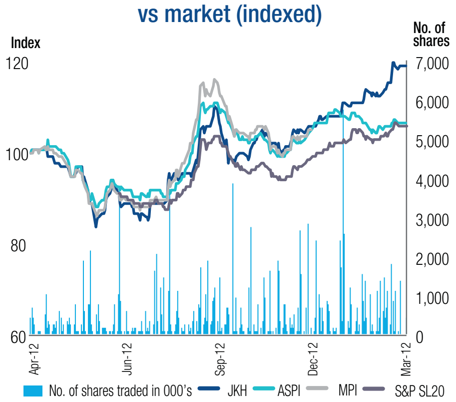
The JKH share contributed 15.3 per cent to the total market turnover during the year ended 31st March 2013 compared to 10.6 per cent recorded during the previous year, demonstrating its appeal as a dynamic and liquid equity instrument. The beta of the JKH share was 0.9 (the beta was calculated on daily JKH share and market movements as measured by the ASPI for the 5 year period commencing 1st April 2008 to 31st March 2013) for the current financial year. The JKH share recorded a compounded annual growth rate (CAGR) of 23 per cent over the five year period ending 31st March 2013, outperforming the ASPI which recorded a CAGR of 17 per cent. This is illustrated in the graph titled "JKH share performance vs ASPI, MPI, S&P SL 20 (indexed)"

From a global standpoint, equity markets in key developed countries saw a recovery during the financial year as a result of improved investor sentiment driven by a relatively better global economic outlook, although risks continue to remain. Despite economic reforms to cut down spending and increase taxation

JKH high and low share prices per month

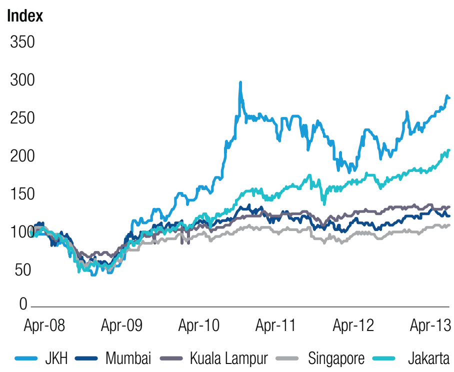


Share volumes & relative performance vs market (indexed)



JKH share performance vs ASPI, MPI, S&P SL20 (indexed)

JKH share compared with key regional indices (indexed)



to expedite fiscal consolidation and relieve debt pressure, the effects of the Eurozone debt crisis still linger as witnessed recently in Cyprus.

The FTSE 100 posted 11 per cent growth from the previous financial year end, albeit off a lower base, regaining the decline experienced during the previous years. Similarly, the Dow Jones Industrial Average also recorded a 10 per cent growth over the previous financial year which underpins the economic recovery and market stability.

The growth rates of emerging economies in the Asia Pacific region continued to outperform the developed economies, despite the dampening effects as a result of the reduction in import demand from the US and the Eurozone. The Jakarta Composite Index (JCI) continued its strong growth from the previous financial year by recording a growth of 20 per cent, whilst the S & P Sensex of Mumbai (SENSEX) posted 8 per cent growth during the financial year.

Despite the ASPI posting relatively lower growth compared to the JCI, SENSEX and Singapore's STI during the financial year, from a long term perspective, the Colombo Bourse has been resilient to global economic headwinds and has outperformed regional as well as Western markets over the last five years based on the compound annual growth rate of 17 per cent.

	2012/13	2011/12	2010/11
Market cap (Rs. billion)	211.74	173.89	179.84
Enterprise value (Rs. billion)	203.52	166.54	175.67
Market value added (Rs. billion)	121.92	102.55	120.25
EV/EBITDA (times)	10.3	9.9	13.1
Diluted EPS (Rs.)	14.22	11.44	9.77*
PER (diluted)	17.4	18.0	21.9*
Price to book (times)	2.4	2.5	4.1*
Price/cash earnings (times)	16.5	14.8	19.0*
Dividend yield (%)	1.4	1.3	1.4*
Dividend payout ratio (%)	40.1	49.0	32.2
TSR (%)	21.6	(2.5)	57.4*

**Adjusted for sub-division of shares*

Issued Share Capital

The number of JKH shares at the beginning of the year was 844.12 million. During the financial year, 13.12 million shares were issued through the exercise of employee share options (ESOPs), resulting in the number of shares in issue increasing to 857.24 million by the year end. In addition to the shares in issue, there are 17.66 million shares equivalent of unexercised ESOPs as at 31st March 2013. These are eligible for immediate exercise as at the date of this Report. The balance of the Global Depositary Receipts (GDRs), in ordinary share equivalents decreased to 1.13 million as at the financial year end due to conversions as against 1.19 million at the beginning of the financial year.

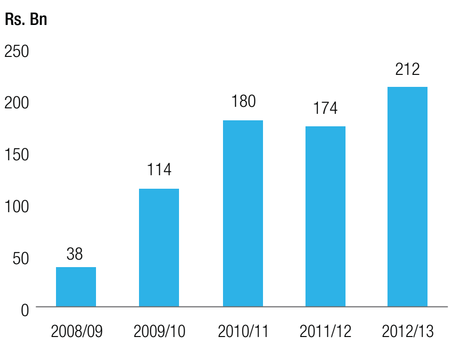
Dividend

The dividend policy of JKH seeks to ensure a dividend payout that corresponds with the growth in profits, whilst ensuring that the Company retains adequate funds to support investments thus ensuring the creation of sustainable shareholder wealth in the short, medium and long term.

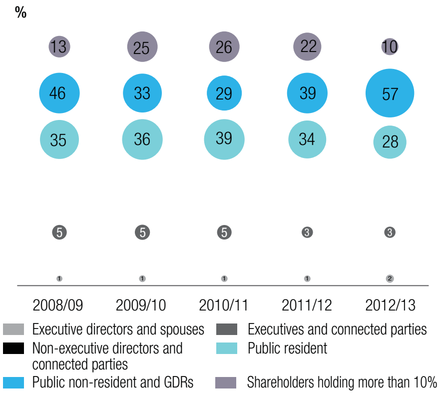
During the year, the Company paid a total dividend of Rs.3.50 per share. In absolute terms, the total dividend paid for the year increased by 29 per cent to Rs.2.98 billion [2011/12: Rs.2.31 billion]. The dividend payout ratio decreased to 40.1 per cent [2011/12: 49.0 per cent] in the current year.

Based on the profits of the financial year 2012/13, in addition to the two interim

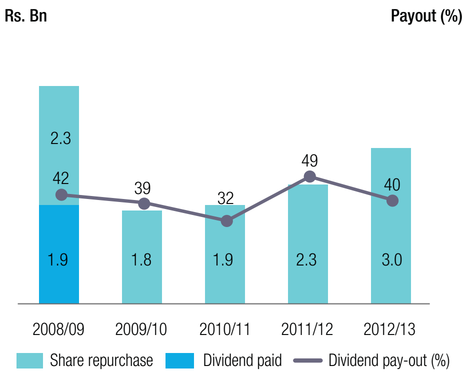
Market capitalisation



Trend in composition of shareholders



Distributions to shareholders and payout ratio



Share Information

dividends of Rs.1.00 each per share, the Company also announced a final dividend of Rs.1.50 per share payable on 17th June 2013. Resultantly, in absolute terms, the dividend paid and payable out of 2012/13 profits will be Rs.2.99 billion [2011/12: Rs.2.96 billion].

Earnings per share

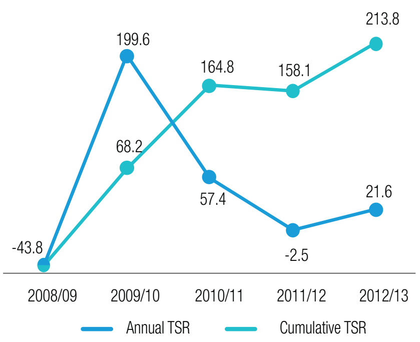
The fully diluted earnings per share (EPS) for the period increased by 24 per cent to Rs.14.22 [2011/12: Rs.11.44] as profit attributable to shareholders increased by 26 per cent. The items impacting profits are discussed in depth in the Consolidated Group Performance and Industry Group Analysis sections of the Annual Report.

The weighted average number of shares (diluted) increased to 858.31 million in 2012/13 from 846.94 million in 2011/12.

Total shareholder return

The total share holder return (TSR) of the share was 21.6 per cent during the period under review against a negative 2.5 per cent recorded in the comparable period in the previous year. The increase in the TSR was primarily driven by the appreciation of the share price by 20 per cent during the financial year. As at 1st April 2012, the 1-year treasury bill rate stood at 11.3 per cent.

Five-year total shareholder return (percentage)



Market capitalisation and enterprise value

As at 31st March 2013, the market capitalisation of the Company increased by 22 per cent to Rs.211.74 billion [2011/12: Rs.173.89 billion]. The JKH market capitalisation represented 9.6 per cent of the Colombo Stock Exchange's market capitalisation as at 31st March 2013 compared to 8.6 per cent as at the previous year end. The enterprise value as at 31st March 2013 increased by 22 per cent to Rs.203.50 billion [2011/12: Rs.166.56 billion] mainly due to the increase in market capitalisation. The net cash position of the Group increased by 12 per cent to Rs.8.22 billion as at 31st March 2013 [2011/12: Rs.7.35 billion]. The improvement in the net cash position was due to a marginal reduction in debt and an increase in short term investments of the Group.

Price earnings ratio

The JKH share was trading at a price earnings ratio (PER) of 17.4 times as at 31st March 2013 compared to 18.0 times earnings recorded at the end of the previous financial year. The decrease in the PER was primarily due to earnings per share growing by 24 per cent while the market price per share increased by only 20 per cent. The published broad market PER of the CSE was 15.5 times as at the financial year end while the PER of the SENSEX Index Mumbai was 16.0, JCI of Indonesia was 19.3 and Singapore's STI was trading at 15.4 times as at the end of the year under review. The JKH share has continued to trade at a premium to the CSE as well as some of its regional peers owing to its free float, liquidity and the generation of consistent returns to its shareholders over the long term.

Price to book

As at the financial year end, the price to book value of the Group stood at 2.4 times [2011/12: 2.5 times]. The net assets per share increased by 26 per cent to Rs.104.78 [2011/12: Rs.83.22].

Liquidity

During the financial year, 136.2 million shares changed hands compared to 231.4 million shares transacted during the previous financial year. The average daily turnover of the JKH share was reported at Rs.121.3 million which amounted to 15.3 per cent of the daily market turnover.

Distribution and composition of shareholders

The total number of shareholders of JKH increased to 9,570 from 9,312 seen last year. From the total shareholder base as at 31st March 2013, 88.4 per cent of the shares in issue were held by public while 1.5 per cent of the shares were held by the Executive Directors and the balance 10.1 per cent of the shares were held by shareholders holding more than 10 per cent.

Composition of shareholders

	31 March 2013			31 March 2012		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
Executive directors and spouses	4	13,152,178	1.5	4	11,502,416	1.4
Non-executive directors and connected parties	4	128,490	0.0	3	114,680	0.0
Executives and connected parties	127	29,563,354	3.4	123	28,354,208	3.4
Public Resident						
Institutions :	558	50,713,198	5.9	621	161,705,264	19.2
Individuals :	8,459	192,573,834	22.5	8,201	123,840,981	14.7
Public Non-Resident						
Institutions :	149	476,180,775	55.5	112	321,289,175	38.1
Individuals :	267	7,264,866	0.8	245	7,959,652	0.9
Global depositary receipts	1	1,129,677	0.1	1	1,185,047	0.1
Shareholders holding more than 10%	1	86,536,133	10.1	2	188,168,623	22.3
Grand total	9,570	857,242,505	100.0	9,312	844,120,046	100.0

Market information on ordinary shares of the Company

	2012/13	Q4	Q3	Q2	Q1	2011/12
Share Information						
High	249.70	249.70	230.00	229.90	210.80	228.68*
Low	172.00	219.00	202.10	176.00	172.00	158.20
Close	247.00	247.00	219.90	229.10	182.80	206.00
Dividends paid (per share)	3.50	1.00	1.00	0.00	1.50	3.00
Trading Statistics						
Number of transactions	19,812	5,354	4,758	5,372	4,328	24,617
Number of shares traded ('000)	136,204	44,205	36,405	30,703	24,890	231,367
% of total shares in issue	15.9	5.2	4.3	3.6	2.93	27.4
Value of all shares traded (Rs.million)	28,985	10,240	7,760	6,159	4,825	46,188
Average daily turnover (Rs.million)	121	180	127	99	82	195
% of total market turnover	15.3	17.8	18.8	11.0	13.7	10.6
Market capitalisation (Rs.million)	211,739	211,739	187,247	194,973	155,504	173,889
% of total market capitalisation	9.6	9.6	8.6	8.5	8.2	8.6

** Adjusted for the sub-division of shares*

Distribution of shareholders

	31 March 2013				31 March 2012			
	Number of Shareholders	%	Number of Shares	%	Number of Shareholders	%	Number of Shares	%
Less than or equal to 1000	5,979	62.5	1,296,813	0.2	5,352	57.5	1,352,155	0.2
1,001 to 10,000	2,414	25.2	8,357,994	1.0	2,673	28.7	9,345,261	1.1
10,001 to 100,000	872	9.1	24,899,571	2.9	988	10.6	28,241,168	3.3
100,001 to 1,000,000	206	2.2	67,482,993	7.9	203	2.2	62,120,363	7.4
Over 1,000,001	99	1.0	755,205,134	88.1	96	1.0	743,061,099	88.0
Grand total	9,570	100.0	857,242,505	100.0	9,312	100.0	844,120,046	100.0

Share Information

Directors' shareholding

	31 March 2013	31 March 2012
S Ratnayake	5,299,066	4,579,903
A Gunawardene	6,481,720	5,706,654
R Peiris	1,371,392	1,215,859
F Amerasinghe	5,514	5,514
I Coomaraswamy	Nil	Nil
T Das	Nil	Nil
S Enderby*	N/A	Nil
R Gunasekera	107,866	107,866
A Omar**	13,810	Nil
S Tiruchelvam	1,300	1,300
Options available under the employee share option plan of John Keells Holdings PLC:		
S Ratnayake	1,380,426	2,631,892
A Gunawardene	1,207,872	2,302,938
R Peiris	1,027,850	1,533,383

** Resigned on with effect from 8th March 2013*

*** Appointed with effect from 1st March 2013*

Employee share optons*

Year Ended 31 March	Number of Options Exercised (million)
1997	0.02
1998	0.16
1999	0.27
2000	0.47
2001	0.02
2002	1.78
2003	2.30
2004	4.08
2005	1.53
2006	2.04
2007	3.67
2008	4.06
2009	0.86
2010	8.12
2011	10.23
2012	4.38
2013	13.12

** First exercised in FY1997*

Twenty Largest Shareholders of the Company

		31 March 2013		31 March 2012	
		Number of Shares	%	Number of Shares	%
1	Janus Overseas Fund	86,536,133	10.1	86,536,133	10.3
2	Mr S E Captain	82,431,062	9.6	101,632,490	12.0
3	Broga Hill Investments Limited	74,591,759	8.7	74,591,759	8.8
4	Paints & General Industries Limited	49,086,579	5.7	40,325,338	4.8
5	Deutsche Bank AG – London	32,930,641	3.8	23,129,102	2.7
6	Melstacorp (Private) Limited	31,499,883	3.7	27,846,346	3.3
7	Aberdeen Global-Emerging Markets Smaller Companies Fund	30,850,435	3.6	15,502,743	1.8
8	Aberdeen Global-Asian Smaller Companies Fund	26,563,207	3.1	11,530,150	1.4
9	Estate of Mr A A N De Fonseka	19,952,358	2.3	19,952,358	2.4
10	Aberdeen Global Asia Pacific Equity Fund	19,047,737	2.2	19,047,737	2.3
11	Janus Aspen Series Overseas Portfolio Fund	18,303,333	2.1	18,303,333	2.2
12	Schroder International Selection Fund	13,172,166	1.5	11,834,866	1.4
13	Mr K Balendra	13,141,807	1.5	9,587,276	1.1
14	Rubber Investment Trust Limited A/C no.1	11,535,763	1.3	14,326,103	1.7
15	J P Morgan Clearing Corporation	11,518,889	1.3	27,468,042	3.3
16	London-Edinburgh Dragon Trust PLC	10,936,664	1.3	9,936,664	1.2
17	BBH-Matthews International Funds	9,556,504	1.1	4,298,200	0.5
18	Aberdeen Asia Pacific Fund	9,074,229	1.1	9,074,229	1.1
19	Mrs D Kumaranayagam	7,751,552	0.9	2,010,814	0.2
20	Aberdeen Institutional Commingled Funds, LLC	7,325,938	0.9	8,859,873	1.0

Employee share option plan as at 31st March 2013

	Date of Grant	Employee Category	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares Adjusted**	Exercised	Cancelled***	Outstanding	End/Current Price (Rs.)**
PLAN 3 Award 3	28.05.2007		10,551,062	27.05.2012	146.00	13,017,508	11,743,088	1,274,420	-	109.50
		GEC*	2,111,212			2,814,948	2,814,948	-		
		Other Executives	8,439,850			10,202,560	8,928,140	1,274,420		
PLAN 4	25.03.2008		5,405,945	24.03.2013	120.00	6,806,006	6,550,456	255,550	-	90.00
		GEC*	2,162,375			2,883,163	2,883,163			
		Other Executives	3,243,570			3,922,843	3,667,293	255,550		
PLAN 5	17.12.2009		6,126,960	16.12.2014	160.25	7,935,812	1,751,614	55,227	6,128,971	120.19
		GEC*	2,445,280			3,260,373				
		Other Executives	3,681,680			4,675,439	1,751,614	55,227		
PLAN 6	09.12.2010		4,672,823	08.12.2015	292.00	6,214,104	38,398	404,517	5,771,189	219.00
		GEC*	1,872,174			2,496,229				
		Other Executives	2,800,649			3,717,875	38,398	404,517		
PLAN 7	07.12.2011		6,306,182	06.12.2016	172.10	6,306,182	483,070	66,300	5,756,812	172.10
		GEC*	2,522,482			2,522,482				
		Other Executives	3,783,700			3,783,700	483,070	66,300		
Total			33,062,972			40,279,612	20,566,626	2,056,014	17,656,972	

Note: The Company does not grant any funding to employees for exercise of options
** GEC comprises of the Executive Directors and Presidents*
*** Adjusted for Bonus Issues/Right Issues/Sub-divisions*
**** "Cancelled" represents shares not exercised by resigning Employees*

Dividend since 1997/98

Year Ended 31 March	DPS (Rs.)	Dividends (Rs. '000)
1998	4.00	155,783
1999	4.00	151,343
2000	3.00	168,150
2001	2.00	353,128
2002	2.00	329,869
2003	2.00	342,203
2004	2.50	725,783
2005	3.00	1,027,497
2006	3.00	1,199,460
2007	3.00	1,412,306
2008	5.00	3,176,302
2009	3.00	1,883,442
2010	3.00	1,843,642
2011	3.00	1,868,707
2012	3.00	2,313,519
2013	3.50	2,982,421

Share capital since 1997/98

Year Ended 31 March	Number of Shares in Issue (millions)
1998	40.21
1999	40.47
2000	61.18
2001	183.56
2002	185.35
2003	187.64
2004	300.08
2005	331.63
2006	400.00
2007	552.94
2008	635.99
2009	611.35
2010	619.47
2011	629.69
2012	844.12
2013	857.24

Share Information

History of scrip issues and repurchases since 1997/98

Year Ended 31 March	Issue	Basis	Number of shares (millions)	Ex-date
1998	Bonus	1:4	8.02	9-Jan-98
2000	Bonus	1:5	8.09	15-Jun-99
2000	Bonus	1:4	12.14	5-Jan-00
2001	Bonus	2:1	122.36	27-Jul-00
2004	Bonus	1:4	46.94	10-Jun-03
2004	Private placement	n/a	24.00	21-Oct-03
2004	Rights @ Rs.75*	1:7	37.42	7-Nov-03
2005	Bonus	1:10	30.02	13-May-04
2006	Bonus	1:5	66.34	11-May-05
2007	Bonus	1:7	57.16	13-Jun-06
2007	Rights @ Rs.140*	1:5	92.10	23-Jan-07
2007	Bonus	1:7	78.96	13-Mar-07
2009	Repurchase	1:25	25.50	11-Oct-08
2012	Sub division	4:3	210.05	30-Jun-11

** Unadjusted prices*

GDR History (in terms of ordinary shares, million)

Year Ended 31 March	Opening Balance	Issued**	Converted/ Repurchased	Closing Balance
1994	-	4.5	-	4.50
1995	4.50	-	0.21	4.29
1996	4.29	0.59	0.2	4.68
1997	4.68	0.27	2.8	2.15
1998	2.15	0.28	1.06	1.37
1999	1.37	-	0.75	0.62
2000	0.62	0.26	0.52	0.36
2001	0.36	0.72	0.23	0.85
2002	0.85	-	0.17	0.68
2003	0.68	-	0.16	0.52
2004	0.52	0.13	-	0.65
2005	0.65	0.06	-	0.71
2006	0.71	0.14	-	0.85
2007	0.85	0.12	-	0.97
2008	0.97	0.14	-	1.11
2009	1.11	-	0.12	0.99
2010	0.99	-	0.01	0.98
2011	0.98	-	0.03	0.95
2012	0.95	0.32	0.08	1.19
2013	1.19	-	0.06	1.13

** 1 GDR equivalent to 2 ordinary shares*

*** First issued in FY1994 and subsequently increased along with bonus issues and sub-division of ordinary shares*

Financial calendar 2012/13

Interim financial statements	
Three months ended 30th June 2012	26th July 2012
Six months ended 30th September 2012	9th November 2012
Nine months ended 31st December 2012	30th January 2012
First interim dividend paid on	23rd November 2012
Second interim dividend paid on	19th March 2013
Final dividend proposed to be paid on	17th June 2013
Annual Report 2012/13	3rd June 2013
34th Annual General Meeting	28th June 2013
2013/14	
Interim financial statements	
Three months ended 30th June 2013	On or before 31st July 2013
Six months ended 30th September 2013	On or before 7th November 2013
Nine months ended 31st December 2013	On or before 30th January 2014
Annual Report 2013/14	On or before 2nd June 2014
35th Annual General Meeting	27th June 2014

Triple Bottom Line Discussion & Analysis

Keeping our eye on the next level

SYNERGISED

UNDERSTANDING OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

OUR INVESTORS

In its journey of sustainable development, the Group has focused equally on all three aspects of the triple bottom line; Environment, Social and Economic development. While understanding the importance of environmental and social responsibility which provides the Group with its social license to operate, the Group has always strived to ensure sound economic performance through quality earnings and robust risk management and diversification. Through sustainable development, the Group strives to provide financial and non-financial value to all its shareholders as well as to all its other stakeholders.

Economic Value Generated

The Economic Value Statement depicts the generation of wealth and its distribution among the stakeholders by acting responsibly in all of the Group's businesses and social activities throughout the entire value chain. It also reveals the amounts reinvested for the replacement of assets and retained for the growth and development of operations.

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act No. 07 of 2007 of Sri Lanka and presented in compliance with the Sri Lanka Accounting Standards and provides information required by the Listing Rules of the Colombo Stock Exchange.

All values given in this section are in Sri Lanka rupees unless otherwise stated.

The direct economic value generated by the Group during the year ended 31 March 2013 amounts to Rs.97.06 billion compared to the Rs. 86.42 billion last year.

Of this, 68 per cent (2011/12 - 70 per cent) was expended to business partners in terms of purchasing goods and services for operations whilst 13 per cent (2011/12 - 12 per cent) of the total economic value generated was retained for future expansion and strategic investments. Of the remainder, approximately 29 per cent (2011/12 – 27 per cent) was paid to providers of funds; 50 per cent (2011/12 – 51 per cent) was distributed to employees and 21 per cent (2011/12 – 22 per cent) accrued to the Government by way of taxes.

The economic performance of the sectors is described in detail in the "Management Discussion and Analysis" section.

The presentation and classification of the economic value statement of the previous year has been amended, where relevant, for better presentation and to be comparable with those of the current year.

A detailed breakdown of the sector wise Economic Value Statement can be found at the end of this report.

Economic Value Statement for 2012/13

	Group Total					
For the year ended 31 March	2013 Rs'Mn	%	2012 Rs'Mn	%	2011 Rs'Mn	%
Direct economic value generated						
Revenue	85,557	88.15	77,689	89.90	60,500	86.69
Finance income	4,770	4.91	2,874	3.33	2,810	4.03
Share of results of equity-accounted investees	3,369	3.47	2,765	3.20	2,641	3.78
Profit on sale of assets & other income	1,352	1.39	1,678	1.94	3,367	4.82
Change in fair value of investment property	2,012	2.07	1,414	1.64	468	0.67
	97,060	100.00	86,420	100.00	69,786	100.00
Economic value distributed						
Operating costs	65,745	67.74	60,391	69.88	47,505	68.07
Employee wages & benefits	9,507	9.80	8,091	9.36	6,873	9.85
Payments to providers of funds	5,452	5.62	4,276	4.95	3,482	4.99
Payments to government*	3,910	4.03	3,595	4.16	3,194	4.58
Community investments**	53	0.05	59	0.07	46	0.07
	84,667	87.23	76,412	89.34	61,100	87.55
Economic value retained						
Depreciation	2,250	2.32	1,863	2.16	1,700	2.44
Amortisation	925	0.95	771	0.89	609	0.87
Profit after dividends	9,218	9.50	7,374	8.53	6,377	9.14
	12,393	12.77	10,008	11.58	8,686	12.45

* Payment to government by country	2013 Rs'Mn	2012 Rs'Mn	2011 Rs'Mn
Sri Lanka	3,367	3,041	2,690
Maldives	540	533	493
India	0.8	20.0	9.8
Other	1.9	1.1	1.1
	3,910	3,595	3,194

*** Reflect the amounts disbursed by Group Companies to the John Keells Foundation*

DID YOU KNOW?
During the year under review, the Group's Net Assets amounted to Rs. 89.82 billion

"Through sustainable development, the Group strives to provide financial and non-financial value to all its shareholders as well as to all its other stakeholders"

The John Keells Foundation invested Rs. 25.41 million as infrastructure and service based community development projects and details of such projects are specified in the section "Our Community."

Our Approach

In order to meet the needs of its shareholders, the economic performance of the Group needs to be sustainable in the long run. The Group's performance is driven by integrative management and active oversight. Prudent investments, pragmatic environmental spending and measuring the impact of our social programmes ensure value is derived and the benefits are targeted to the intended stakeholders.

As part of carrying on business across three geographical areas, the Group identifies its obligations, risks and opportunities and strives to positively impact the local markets in the areas it operates. The Group also strives to provide services and development activities towards the community it operates in.

Economic Policy

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

OUR INVESTORS

John Keells Holdings makes its best endeavours to stimulate the Sri Lankan economy and the community around its operational sites by purchasing goods from local suppliers wherever possible

The Group's commitment to delivery, ability to adapt to its environment and re-invent itself has enabled John Keells to remain competitive locally and globally. The constant review of portfolios, emphasis on growth and stringent internal controls have enabled consistent growth. Prudent financial management, a strong balance sheet, healthy cash flows and the efficient and effective utilisation of resources and capital has ensured that the Group is in a position to leapfrog competition.

The Group's performance driven compensation culture has led to increased productivity and the alignment of employee, management and stakeholder interests. The Group has, as always, ensured that it complies with all regulations and that all dues are settled on time. It is also committed to purchasing products and services from communities and suppliers at fair prices whilst upholding high standards of quality and business ethics, while managing social and environmental impacts efficiently.

With 68 per cent of its economic value distributed for purchases of goods, services and utilities, John Keells Holdings makes its best endeavours to stimulate the Sri Lankan economic well being and the community around its operational sites by purchasing goods from local suppliers wherever possible (where "local" is defined as those suppliers conducting business in the country of Sri Lanka).

The Sri Lankan resorts procure all their fresh produce such as fruits, vegetables, fish, meat and eggs, to a value of over Rs. 100 million locally, thereby contributing to the economy of those communities. Walkers Tours operates its transportation fleet through a model of outsourcing where the vehicles are owned and operated by third parties. Through this model over 500 drivers have been provided livelihoods, while competitive prices on vehicles have been facilitated through the intervention of Walkers Tours.

The Transportation industry group also follows an outsourcing model for a majority of its fleet, thereby providing employment to 80 drivers and helpers.

The Consumer Foods & Retail sector obtains some of its key raw materials such as ginger, vanilla, treacle and cashew from farming communities in the Central, Eastern and North Central Provinces. Ceylon Cold Stores has procured Rs. 40 million worth of raw materials from local farmer communities. Keells Foods gurantees its purchases of pork, chicken and mechanically de-boned meat from local suppliers, procuring raw material worth approximately Rs. 623 million. Keells Super collects low country and upcountry vegetables from farming families, in the North Central, Southern and Central Provinces to the value of over Rs. 215 million.

Further details on the Group's contribution to the economy through localised purchasing can be found in the Sustainable Sourcing Initiative specified in the section "Our Community".

Currently, the Group estimates its purchases from the local suppliers through an analysis of its local versus foreign currency spend relative to total purchases. The Group's total cost of sales amount to Rs. 65.74 billion (which includes all payments made to suppliers and providers of utilities) while Rs. 22.30 billion is spent on purchases made from overseas suppliers. Thus, approximately 66 per cent of the Group's payments have been made to local parties. We have noted that a proportion of imported goods may however be purchased from local agents, and as such, the Group is in the process of refining our methodology for establishing our local supplier total spend.

Defined Contribution Plan Obligations

In Sri Lanka, employees are eligible for Employees' Provident Fund (EPF) contributions according to the terms of the Employees' Provident Fund Act No. 15 of 1958 and its subsequent amendments and for Employees' Trust Fund (ETF) contributions according to the terms of the Employees' Trust Fund Act No. 46 of 1980 and its subsequent amendments. The companies contribute the relevant percentages of the eligible gross emoluments of employees

Sourcing of ginger from local suppliers to the respective Employee Provident Funds and to the Employees' Trust Fund respectively, both of which are externally funded.

Subject to the rules of the provident fund, to which such contributions are made, the Group contributes 12-20 per cent as the employer's contribution and the employees contribute 8-15 per cent to their respective provident funds. The contributions are directly transferred on the 15th day of every month to the Employees' Provident Fund, managed by the Central Bank of Sri Lanka or to a private provident fund maintained by the Company. Furthermore, the Group also contributes 3 per cent to the Employees' Trust Fund managed by the Department of Labour.

The private provident funds are controlled and administered by management committees appointed by the members and governed by an approved set of rules. The assets of the funds available for investment are invested from time to time in suitable income generating instruments keeping in line with the investment limits prescribed in the guidelines, and the accounts of the funds are audited every year. The committees and members meet once a year to ratify the financial statements and all members of the funds are entitled to examine the audited financial statements and the entries applicable to them made during the year in the registers.

Regarding our Maldivian operations, all local (Maldivian National) Employees are eligible for the Maldives Retirement Pension Scheme (MRPS) contribution according to the terms of the Maldives Pension Act Law No. 8/2009 handled by the Maldives Pension Administration Office (MPAO). The companies contribute the relevant percentages of the eligible basic salary of employees to the Maldives Retirement Pension Scheme.

Subject to the rules of the Maldives Retirement Pension Scheme, to which such contribution is made, the company and the employees contribute 7 per cent each to the retirement pension scheme. The contribution is directly transferred on the 15th day of every month to the Retirement Pension Scheme fund account maintained at the Bank of Maldives PLC, which is managed by the Maldives Pension Administration Office.

Regulation of participation and disbursement of benefits to foreign employees under the Maldives pension scheme Law no 7/2011 (1st Amendment to Maldives pension act) shall apply only to foreign employees employed in Maldives and their employers with effect from 01 April 2014.

In India, employees are eligible for Employees' Provident Fund (EPF) contributions according to the terms of the Employees' Provident Fund and Miscellaneous Provisions Act No. 19 of 1952. The company and the employee contribute 12 per cent each to the fund and it is managed by the Government of India. Out of the employer's contribution of 12 per cent, 8.33 per cent (with a cap of INR 6,500/-) is paid towards the employees' pension scheme account and the balance is directed towards the employee's provident fund account.

Rs. 000s	2013	2012	2011
Employer contributions to the trust fund	114,145	100,754	87,264
Employer contributions to the provident fund	535,907	474,308	426,957

Rs. 000s	2013	2012	2011
Employee benefit liability as at 31 March	1,385,072	1,372,161	1,215,597
Payments during the financial year	117,217	85,444	70,150

Defined Benefit Plan Obligations

Employees are entitled to retirement gratuity, payable under the Payment of Gratuity Act No. 12 of 1983 and an employee with more than 5 years of service will receive half a month's salary for every year of service on retirement or termination of service.

The liability recognised by the Group in respect of employee benefit liabilities in the balance sheet is the present value of the defined benefit obligation of the Group at the balance sheet date using the projected unit credit method.

The employee benefit liabilities of listed companies with more than 100 employees are based on an actuarial valuation. The liabilities of all other companies in the group are based on the gratuity formula specified by Sri Lanka Accounting Standard 16, governing employee benefits.

OUR PEOPLE

HR Philosopy

The John Keells Group recognises that human resources are an appreciating asset bringing continuing returns and constitute the catalyst for world class performance.

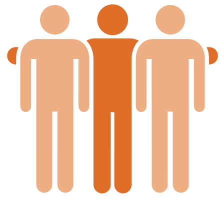
As an organisation having the vision of Building Businesses that are Leaders in the Region, all processes and systems seek to unleash the potential of all its assets, including that of its people, to the optimum.

During the year under review, the Group revisited the foundations on which its HR promise is built and took many steps to revalidate, consolidate and build on those key elements that will make the Group continue to stand out as one of the most preferred employers, an organisation that the shareholders toast and all other stakeholders have a win-win partner with.

In the year 2011/12 a Group wide dipstick survey called the “Voice of Employee” (VOE) was introduced to gauge the level of engagement of staff. This home grown survey which is conducted on an e-platform to a randomly selected sample of employees has enabled the Group to assess how the businesses and functions are progressing in this area.

The VOE survey results covering the 2012/13 financial year shows a marked improvement in the levels of engagement from the survey conducted in 2011/12 and the Group intends to work towards bettering them. The outcome of the survey is a Key Result Area for Profit Centre Managers and Functional Managers, Sector Heads and the Presidents, in their respective areas of responsibility. Their individual performance is measured on the People Quadrant with reference to the scores obtained by their respective units with reference to benchmarks agreed at Goal setting at the beginning of the financial year.

The Group constantly revisits the foundations on which its HR promise is built to revalidate, consolidate and build on those key elements that will make it continue to stand out as one of the most preferred employers



At a Group level, the VOE score has increased showing greater engagement. However, the survey shows that more work needs to be undertaken at an Assistant Manager level as a representative sample of this category has not performed to the expected levels in a few dimensions in the VOE scores. The survey results are an input for policy makers at each level and the HR personnel at the sectors and businesses to devise strategies and action plans for creating a more engaged workforce.

The Group also continuously tracks the composition of its workforce and trends as a means of understanding the obligations and responsiblities of the Group towards its employees.

MORE THAN Just a Workplace

The workforce as at 31 March 2013 totals 19,296 of which 12,791 are employees while 6,505 are supervised workers or workers deployed by third party contractors. Of these 6,505 workers, 4,999 are insurance sales agents of Union Assurance PLC who are engaged on a sales and distributor arrangement with Union Assurance PLC, as is customary in this business. The employee numbers set out in the chart comprise full time employees as per the relevant national legislation. The Group has increased its number of employees by 8 per cent during the reporting year with the main contributing sectors being Leisure and Retail.

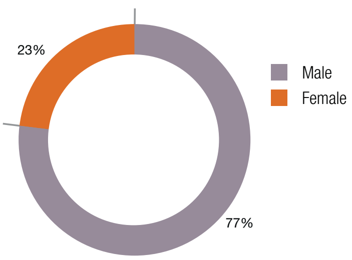
Gender and age are two of the key parameters considered by the Group in terms of tracking employee diversity. The entire workforce shows that 23 per cent are females, a marked change from the previous year’s 16 per cent.

Total employee count	Male	Female	Total
AVP & Above	99	24	123
Manager	403	67	470
Assistant Managers	390	106	496
Executives	1,500	555	2,055
Non Executives	7,521	2,126	9,647
Total employees	9,913	2,878	12,791
Contractor’s personnel	4,940	1,565	6,505
Total workforce	14,853	4,443	19,296

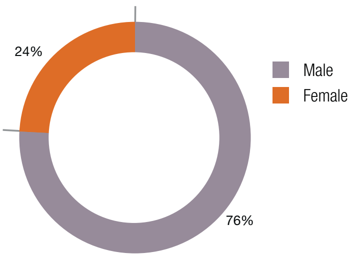
"I am proud to be a part of the John Keells Group because of its focus on corporate responsibility" - Heshan Gunaratne

"The John Keells Group recognises that human resources are an appreciating asset bringing continuing returns and constitute the catalyst for world class performance"

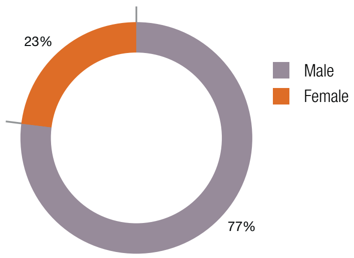
Employee by Gender



Contractor's personnel by Gender



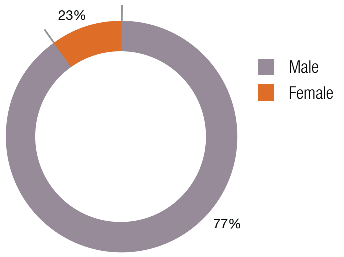
Workforce by Gender



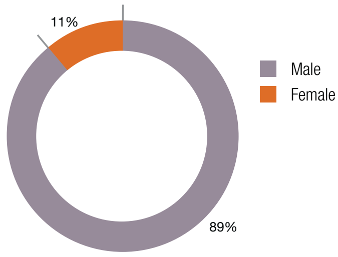
OUR PEOPLE

The Group also considers diversity within key decision making bodies in the organisation.

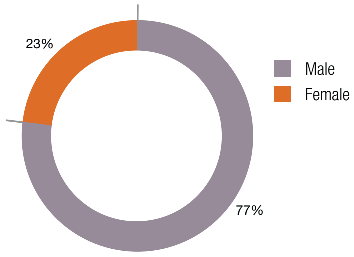
Board of Directors



Group Executive Committee



Group Operating Committee



The Group Executive Committee is the overlay structure that implements, under the leadership and direction of the Chairman-CEO, the policies and strategies determined by the board. The Group Operating Committee acts as the glue that binds the Group and provides a platform to share learnings on matters that affect industry groups, sectors, business units and functions and also the platform to launch, implement and support Group-wide initiatives and policies. The Group Management Committees at every industry group level is responsible for the success of the business units which come within its boundaries and are dedicated and focused towards designing, implementing and monitoring the best practices in their respective industry groups, sectors, functions and business units.

All Board Directors are over the age of 50, while three members of the Group Executive Committee are between the ages of 30-50 and six members are over 50 years of age. Of the 13 members of the Group Operating Committee (excluding the Group Executive Committee), 5 are between the ages of 30-50, while 8 are over the age of 50. It is also noteworthy that 45 per cent of the employees are below the age of 30.

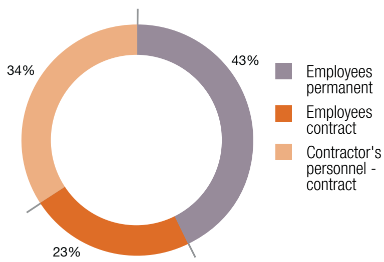
The gender-wise breakdown within categories of permanent and contract types of employment in the Group are also tracked.

Workforce by Type

	Male	Female	Total
Employees – permanent	6,276	1,979	8,255
Employees – contract	3,637	899	4,536
Contractor's personnel – contract	4,940	1,565	6,505
Total Workforce	14,853	4,443	19,296

The Group's strength is the diversity of its workforce

Workforce by Type of Employment



Given the industry and business norms governing the Leisure and Consumer Food & Retail sectors, these sectors have the highest number of the Group's contract staff which accounts for 31 per cent of total employees. All businesses use this pool of contract staff to source employees when opportunities for employment arises in its permanent cadre. Further, the contract staff are trained, and given training opportunities, as appropriate during their tenure with the organisation, making them ready not only to do the job at hand but to take permanent positions which arise in the future that match their skills and expertise.

The Group continues to focus on the processes and continuous rationalisation of cadre requirements towards achieving optimum efficiency levels whilst also providing its

employees the opportunity to grow in their job roles. While the Hotels and Retail sectors and John Keells Logistics carried out internal process efficiency studies to identify optimum manning levels, Ceylon Cold Stores undertook this task with the support of the University of Moratuwa.

While approximately 11 per cent of our employees are employed outside the country, mainly in the Maldives and India, the balance staff is employed within Sri Lanka.

"The Group continues to focus on the processes and continuous rationalisation of cadre requirements towards achieving optimum efficiency levels whilst also providing its employees the opportunity to grow in their job roles"

Employees by Region			
	Male	Female	Total
Employees - Local	8,855	2,551	11,406
Employees - Foreign	1,058	327	1,385

The trend of employee distribution across type, region and gender over the past two years are as follows.

	2012/13	2011/12
Employment Type		
Permanent	65%	66%
Contract	35%	34%
Employment by Region		
Local	89%	89%
Foreign	11%	11%
Employment by Gender		
Male	78%	78%
Female	22%	22%

Those identified as "Talent" are tracked and their development focused upon through tools such as Leadership Development programmes, Development Centres and understanding and management of their aspirations

New hires and attrition are also two vital labour aspects that are continously tracked and monitored by the Group. Of the total new hires in the Group, during the reporting period, 78 per cent have been below the age of 30 while 21 per cent have been between the ages 30 - 50 and 1 per cent above the age 50. The opening of the newly constructed hotel, Cinnamon Bey Beruwela - a 200 room 5 star category hotel - saw a significant increase in the staff cadre of the Group. The Leisure and Retail sectors account for the highest percentage of the total new headcount of the Group at the Non-Executive level and on contract basis, this being the result of the nature of their operating model and industry.

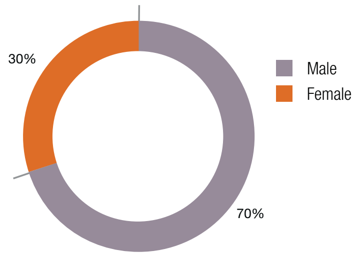
The Group's new hire attrition, excluding the IT and Retail sectors where attrition is expected to be high and is considered to be an industry norm, is at 11 per cent, while the Group's total attrition stands at 21 per cent.

Proactive initiatives have been taken to address attrition in industries with high staff turnover, and in the Leisure Inbound sector the employment model was improved. Continuous engagement with the employees saw positive results in the BPO business with attrition coming down significantly over the last year. At every business, this would remain a focus area and also remains a key result area for HR heads as well as business unit heads. At a Group level, those identified as "Talent" are tracked and their development focused upon by using tools such as Leadership Development Programmes, Development Centres and understanding and management of their aspirations. Attrition of Talent is a Key Performance Indicator for business heads as well as HR heads.

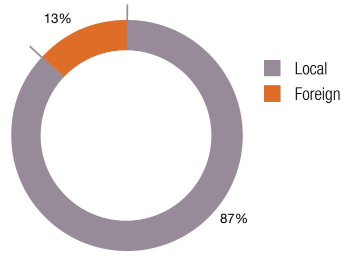
OUR PEOPLE

The total attrition of by gender, region and age group are as follows.

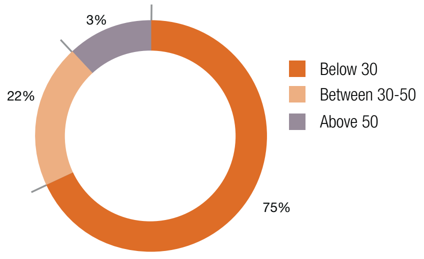
Attrition by Gender



Attrition by Region

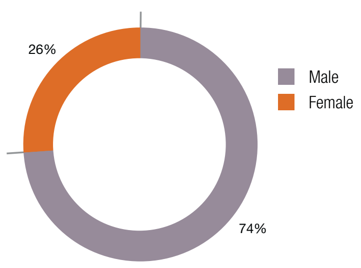


Attrition by Age Breakdown

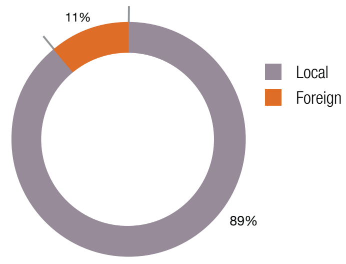


The attrition of new hires by gender, region and age group are as follows.

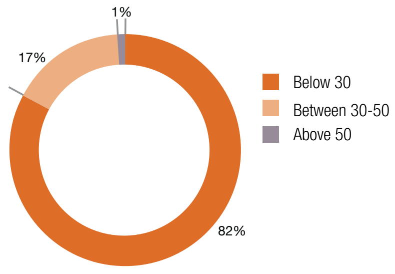
New Hire Attrition by Gender



New Hire Attrition by Region



New Hire Attrition by Age Group



Our Approach

The John Keells Group endeavours to inculcate in its employees the notion that every employee is responsible for making John Keells “More than just a Work Place” and that all employees together make John Keells what it is and what it will be. To this end it seeks to fully engage with employees every day to ensure that the fabric of John Keells of inclusivity, challenge, innovation and excellence will only get stronger.

The Group believes in constant dialogue with all its employees and the creation of organisation citizenship and commitment. It strongly believes in employee engagement as an enabler of positive social impacts for the organisation. The Group recognises the rights of employees and provide forums, support groups and policies to hear and address their concerns and resolve issues and conflicts in a fair and transparent manner such as those enumerated below at a Group level, apart from varying methods applied at a business unit level.

- Practice of the Open Door Policy
- Ombudsperson
- Employee direct access to the Chairman through a dedicated and secure e-mail address - Chairman’s Direct
- Regular Skip Level meetings at AM and above levels
- Joint Consultative Committees
- Young Fora at Group level and sector levels
- Joint Operating Committees
- Business Improvement Committees
- Innovation teams
- CSR volunteerism programme
- Peer and upward evaluation at Manager and above level
- John Keells Group Sports Club
- JK Connect, JK Blog and What’s on Your Mind and other e-communication channels
- Grievance handling procedure, including a structured and confidential means of addressing complaints of sexual harassment

The Group's performance centric culture has not taken away the fun employees derive from work and the work environment. Employees are encouraged to find their respective balance of "life" and "work," whilst the Group, at a corporate and business level, encourages and facilitates opportunities to find that right balance

Collective Bargaining

Group policy on collective bargaining ensures that formal and informal types of collective bargaining are prevalent in the Group. Formal collective agreements are found in the Consumer Foods & Retail industry group with 1,946 employees covered under such agreements. A further 27 personnel are covered under collective bargaining agreements at John Keells PLC, in the Plantation Services sector. The Tea Smallholder Factories PLC in the Plantation Services sector is not a signatory of a collective agreement but the company customarily follows the same wage structures governing the Plantation Industry of the country and 884 of its staff fall within this arrangement. The Retail sector engages in salary negotiations and ensures that employee views are given due consideration.

Resort hotels have entered into Memoranda of Understanding (MoU) with employee representatives covering 237 employees in limited areas.

As another aspect of continuous employee engagement, all employees of the Group undergo regular appraisals to receive feedback on their performance. The Group performance management policy requires bi-annual formal feedback to be provided to the executive cadre and to all others at least once a year. While formal feedback is a scheduled occurrence, the performance-centric culture of the John Keells Group encourages and facilitates constant and regular employee feedback at all levels.

Career Committees for Executive and above staff are the decision making committees for all individual performance related decisions made on behalf of employees at the end of a performance cycle. Each business unit will have such committees for Executive and Assistant Manager levels. Each sector will have a Manager level Career Committee (Sector Career Committee) and at a Group level, the Group Career Committee for the AVP and above level employees.

planning for jobs identified as "Jobs at Risk", promotions, lateral moves and an understanding of the career aspirations of the employees and their readiness. The month of May is dedicated to Career Committees and the Group has during the year, conducted 51 Career Committees. The feedback is given to employees by at least two members of the Career Committee (including the supervisor) and training is provided to employees to receive as well as give feedback every year in the first quarter.

"While formal feedback is a scheduled occurrence, the performance-centric culture of the John Keells Group encourages and facilitates constant and regular employee feedback at all levels."

The objective of these committees is to assess employee performance as a committee rather than by a single supervisor, thereby ensuring impartial assessments and enabling benchmarking and raising the bar at each level. The agenda of a committee includes a consideration of performance with reference to a rating scale of 1-5, determination of the learning and development needs of an employee, identification of "Group Talent" that requires differentiated treatment, succession

The Group's performance centric culture has not taken away the fun employees derive from work and the work environment. Employees are encouraged to find their respective balance of "life" and "work," whilst the Group, at a corporate and business level, encourages and facilitates opportunities to find that right balance.The Group creates opportunities to realise employees' work-life balance through its Sports Club, volunteer programme for CSR activities that offers its employees the ability

OUR PEOPLE

to look beyond work and reach the community and embrace and engage in areas of personal interest, Group level events such as the Year End Get-together which brings together approximately 16,000 employees and their families to one venue and also by requiring compulsory budgets for employee welfare to foster relations amongst its employees at every level and among businesses and functions. The Group has also made it necessary that the employee, as well as the employer, ensures that annual leave is availed by employees.

The current legal regime of Sri Lanka also has not kept up with the times and despite recommendations made for changing the laws to suit the current work place requirements, especially in the context of the changing demographics, there has been little success. The Group believes that more flexibility can be given to its employees, especially in work hours, and the manner and where they work from, had there been changes made to the law, with effective enforcement mechanisms for the Regulator.

Aside from ongoing employee engagement, the Group firmly believes in improving the skill levels of its cadre, to benefit both the individual and the organisation. In this light, the Group places great emphasis on capacity and skill building. At a Group level, Learning and Development (L&D) is driven by the Group Human Resources division, while the responsibility for L&D in functional areas rests with the business units. Where training is intensive and is provided on almost daily basis at a floor level, there are dedicated L&D personnel attached to the Human Resource divisions of the business units. Thus Hotels, Retail and the Insurance businesses have dedicated L&D teams that work with their employees constantly. The employees are provided training on John Keells roof competency development, sector and technical competency development and also management and leadership development to address current and future competency requirements.

The Group firmly believes in improving the skill levels of its cadre, to benefit both the individual and the organisation. In this light, the Group places great emphasis on capacity and skill building

The Learning Management System and e-learning initiative that the Group embarked on during the last financial year saw fruition with the system going live in October 2012 with 25 e-modules. The e-platform that was established enables the employees to view, manage and engage in most of their learning and development activities at the click of a button. The new learning portal also enables the supervisors to manage the learning activities of the subordinates, enabling them to view the learning progress of team members, view the training programs on offer, nominate employees for training, reschedule employee training and manage all relevant L&D administrative functions using a single portal. The learning portal also included an e-library with e-book summaries and audio and video content under 21 different categories.

The Group continues to offer leadership training at all levels using various strategic partners such as the Assistant Manager level programme undertaken in partnership with the Post Graduate Institute of Management and Harvard Business Publishing Leadership Programme as the Group's leadership training partner for Manager and above levels during the year.

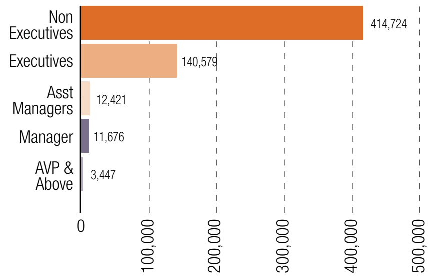
The Group's internal training faculty continues to cater for entry-level training as well as other complex trainings with respect to competencies at all levels. The pool of the internal training faculty consists of employees from many disciplines. The Group's L&D philosophy and practices are flexible and dynamic, accommodating lifelong learning crucial to building a sustainable competitive advantage.

John Keells employees have spent a total of 582,846 hours on training, averaging 46 hours per employee, an increase of 25 per cent compared to the previous year.

Group Development Center for Assistant Managers

The Group has provided on average 45 hours of training to its male employees while providing 47 percent hours of training to its female employees. The training provided to non-executive staff was on average 43 hours per employee, while training provided to executive staff cadre was an average of 53 hours per employee.

Total Training Hours



The foundation of the Human Resources philosophy in the John Keells Group is to be an "Equal Opportunity Employer"; the Group does not discriminate on the basis of gender, race, nationality, age, social origin, disability, religion, or any other basis. The performance centric culture, which has been a cornerstone of the Group's success, ensures that employees performing at the same level will be treated alike while there would be clear differentiation as between those performing at different levels.

Differentiation is key to the Group's performance management and to it reward system which has created a healthy environment for employees to excel in, whilst being true to the Group's Values which every employee is committed to uphold at all times. Employee hiring is done based on the Recruitment Policy and the Policy on Equal Opportunity, and supported by a role clarification document. The Group's operating structure is designed in a manner that ensures all people-related decisions are made by committees and not by individuals. Decisions relating to hiring, performance, promotion, learning and development, career development, compensation management and talent management are also made in this manner. Meritocracy rules at every stage of an employee's journey in the Group.

Occupational Health & Safety

The Group places paramount importance on Occupational Health and Safety (OHS). Driven by the John Keells Group's OHS policy, all business units within the Group have been empowered to undertake any measure it may deem necessary to ensure that it is a "Safe Place to Work".

In keeping with the goal to continue to be a "sustainable" organisation, the John Keells Group makes sure that its environment, as far as possible, is an OHS friendly one, by giving OHS priority within all its industry groups.

The Voice of Employee survey concluded that employees believe that the Group provides a safe working environment, with a very high rating for the overall safety of the work place.

The Group records and reports on rates of injury, occupation diseases, lost days, absenteeism and total number of work-related casualties of its employees. Incidents of occupational health and safety and occupational diseases are monitored through its management processes which include accident logs, attendance registers and other records. Programmes carried out on education, training, counselling, prevention and risk control to assist workers, their families and the community regarding serious diseases and other health hazards are also reported on.

During the period, a total of 196 staff members were affected by occupational injuries and diseases. Minor occupational injuries or diseases that occur causing an employee to be unable to report to work for less than one day have been excluded although records are maintained for such injuries.

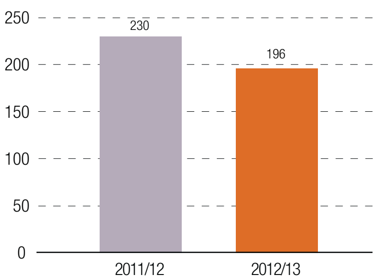
The Group also records the number of lost days as a result of occupational injuries and diseases as a measure of the severity of any accidents or diseases.

The total person days lost for the Group for the reporting period was 1,503.

The Group also tracks the number of absentee days in its effort to maximise productivity and as a measure of satisfaction in the work environment.

	2011/12	2012/13
No. of staff affected by occupational injuries	230	196
Total person days worked in the period	4,204,800	4,668,715

Occupational Injuries



Our Approach

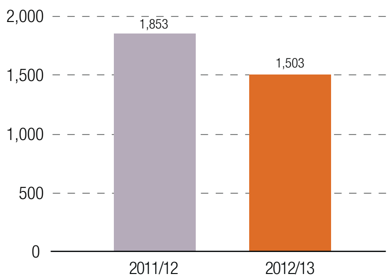
Vast improvements were made during the last reporting year, as the Group's processes matured and were developed towards controlling and reducing the amount of hazards in the working environment. Many awareness sessions were held across the Group, with an enthusiastic response from the employees towards adopting safe practices at the work place.

OUR PEOPLE

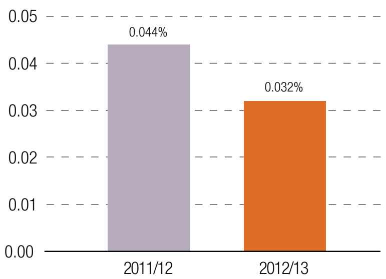
Lost Day Rate	2011/12	2012/13
Total Person Days Lost (TPDL)	1,853	1,503
Total number of person days in the period	4,204,800	4,668,715
TPDL as a % of total person days in the period	0.044%	0.032%

Absentee Rate	2011/12	2012/13
Total Absentee Days (TAD)	35,772	27,309
Total number of person days in the period	4,204,800	4,668,715
TAD as a % of total person days in the period	0.850%	0.585%

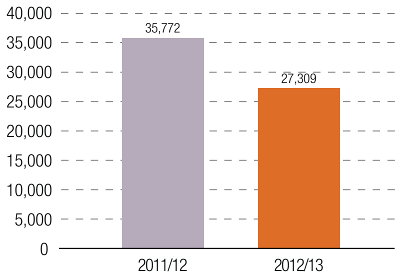
Total Person Days Lost



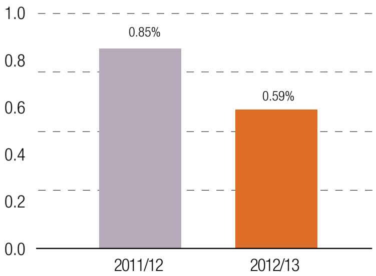
TPDL as a % of Total Person Days in the Period



Total Absentee Days



TAD as a % of Total Person Days in the Period



Currently almost all Group companies other than those in an Office or IT environment have embarked on the process of obtaining the ISO 18001 (OHSAS) certification and are in varying stages along the certification process.

The following Group companies have acquired the ISO 18001 certification: John Keells Logistics Limited of the Transportation industry group; Cinnamon Grand Colombo, Cinnamon Lakeside Colombo, Bentota Beach Hotel, Chaaya Blu Trincomalee, Cinnamon Citadel Kandy, Cinnamon Lodge Habarana, Chaaya Tranz Hikkaduwa, Chaaya Village Habarana, Cinnamon Wild Yala, Chaaya Lagoon Hakuraa Huraa, Chaaya Reef Ellaidhoo and Chaaya Island Dhonveli of the Leisure sector and John Keells Warehousing of the Plantation sector. From the Keells Super outlets, so far the Rajagiriya, Narahenpita, Slave Island and Kohuwala outlets possess the certification and most of the outlets are in the process of obtaining the certification. From Tea Small Holders Factories Limited of the plantation sector, the Broadlands Tea Factory in Ginigathhena and the Karawita Factory have obtained the ISO 18001 certification and two other factories are also in the process of obtaining the certification. Lanka Marine Services (Pvt) Ltd is also mid way into the process and hopes to obtain the certification within the next few months.

The globally growing awareness on a variety of serious diseases and their prevention has become imperative to most large companies to do their part in spreading understanding among their employees and the communities they function in, and John Keells Holdings is part of this.

A number of programmes on education and awareness, counselling, prevention and risk control and treatment were held by the business units of John Keells Group, throughout the year in review. A total of approximately 17,670 personnel consisting of staff, their family and the community around were educated and trained in procedures, both before and after, that need to be carried out in terms of mitigation and treatment under serious diseases and injuries. Particularly, most Group businesses conducted several HIV/AIDS sessions among their employees, and in some cases, for the community.

The Foundation conducted the first HIV/AIDS camp within office premises on World AIDS Day, although awareness sessions have been regularly carried out in various regions of the country. Among the various activities to commemorate the week leading up to World AIDS Day, a mobile vaccination centre was set up by the Asiri Surgical Hospital to enable the employees of John Keells Holdings easy access to an HIV/AIDS test. Other employees for whom the place and time were more accessible were able to go to the hospital to be tested under the John Keells Group HIV/AIDS programme. 155 employees used their office premises to be tested, while 147 more used the hospital facilities.

The John Keells HIV & AIDS Awareness programme has succeeded in raising awareness for 54,100 persons since the project's inception in 2005. Master Trainer Ivan Perera, Security manager at Bentota Beach Hotel, has also reached a personal milestone of educating 20,000 persons through HIV & AIDS Awareness sessions.

During the reporting year, the John Keells Foundation together with Vision 20-20 held two notably successful eye camps in Kilinochchi and Mullaithivu, at which 141 cataract operations were performed at Kilinochchi and 105 at Mullaithivu. The patients were pre-screened for their health checks and the Foundation sponsored doctors based in Colombo to perform the surgeries, while Vision 20-20 took care of medication and other supplies.

The John Keells Foundation also sponsored a spectacle donation camp in Mannar, organised by "So Others May See Inc.", in February 2013. 465 spectacles were donated to deserving individuals at this camp.

The Vendor Management team of Walkers Tours and Whittals Boustead conducted educational programmes and periodic inspections of their suppliers throughout the year. This included health and safety measures implemented or adapted by vendors, fire safety and emergency plans, hygiene controls/ programmes and conforming to safety and hygiene practices. The team continues to carry out routine assessments on the hotels, which covers aspects of hygiene, convenience, emergency procedures and environmental policies. Additionally, they organise periodic audits of jeep and boat suppliers on emergency measures and safety systems and practices.

Health and safety of our employees is a vital aspect of our operations

Precautionary steps to avoid unnecessary accidents were taken in the form of training programmes which were conducted on first aid and fire safety. These were carried out at the majority of Group companies, including office premises where fire drills were also conducted on a regular basis.

During the year, the Group took steps to identify serious diseases (based on the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases, 1995 and industry norms), that impact the various sectors of the Group. None of the Group companies or industry groups reported workers involved in activities that would expose them to a high risk or incidents of specific diseases. Furthermore, it is the Group mandate that precautionary measures be implemented in any such areas identified as high risk. The importance of conducting basic OHS awareness and prevention programmes for staff, their families and the surrounding community where possible, was made public to all companies and were encouraged to follow suit by continuing the positive trend seen in this regard within all the Group companies.

Health & Safety Policy

Through our best practices which are on par with international standards, we strive to provide a feeling of safety to our employees, customers and visitors who are involved in any business or transaction with the John Keells Group

OUR ENVIRONMENT

The John Keells Group is committed to protect and conserve the environment for itself, the community and future generations, and its environmental policy revolves around this principle. Further, as the largest hotelier in the country, the Group considers the natural environment and the biodiversity of the country as a unique selling proposition on which the sustainability of its business depends upon. The Group is aware that it is a custodian of such resources for future generations and that the very sustainability of the Group, and in particular its Leisure industry group, is dependent on the conservation of the environment within which it operates.

Environmental Policy

The John Keells Group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner. We will strive to continuously identify all potential impacts on the environment and manage such impacts whilst using our resources in a sustainable and efficient manner.

With the above policy in mind, the Group has applied a comprehensive environmental management system through which it focuses on energy conservation, controlling its carbon footprint, conservation and optimisation of the usage of water and waste management and protecting biodiversity. The Group has also established a formal process of environmental management accounting as per IFAC Guidelines. In order to assess the efficiency of the environmental management processes and initiatives, the Group plans to commence tracking its investments and expenses with regard to environmental protection, management of environmental impact and knowledge enhancement of key resource personnel operating in the area.

Carbon Footprint

A company's carbon footprint is an important measure of its environmental impact given the global significance of climate change and its related impacts. The John Keells Group places great importance on the management and reduction of its carbon emissions to the environment.

The Group's carbon emissions are measured in accordance with the Greenhouse Gas Protocol governed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The Group's carbon footprint has been calculated using the Carbon Emission Factor Source of the IPCC Guidelines for National Greenhouse Gas Inventories, published by the Institute for Global Environmental Strategies (IGES).

The John Keells Group's carbon footprint in 2012/13 is recorded at 69,403 MT, as compared to 69,280 MT in the previous year, a marginal increase given the growth in operational activity of certain sectors over the reporting year. The figure for 2011/12 has been restated based on a correction made to previously recorded electricity consumption figures.

GROUP CARBON FOOTPRINT

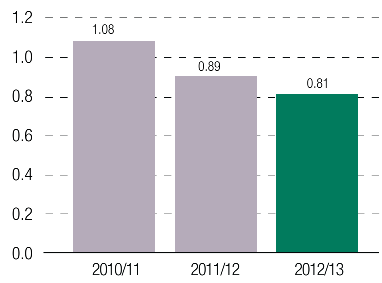
69,403MT

Whilst the Group's overall carbon footprint has been increasing over the past three years, in correlation with increased operational activity by the Group's businesses, the Group has simultaneously maintained a steady reduction of its carbon footprint in relation to its revenue, reflecting its strong commitment to improving the efficiency of its operations.

The Group's carbon footprint calculation is comprised of Scope 1 and Scope 2 emissions as per the Greenhouse Gas Protocol. The direct energy sources used for this calculation are diesel, petrol, liquid petroleum gas and furnace oil, while any indirect energy considered is purchased from the national grid of the Ceylon Electricity Board, the Lanka Electricity Company Ltd, or the national grids of the countries in which the Group operates.

	2010/11	2011/12	2012/13
Carbon Footprint (MT CO_2eq)	65,524	69,280	69,403
Revenue (Rs. millions)	60,500	77,689	85,557
Carbon Footprint (MT CO_2eq) Per Rs. millions of Turnover	1.08	0.89	0.81

Carbon Footprint (MT CO_2eq) Per Rs. Millions of Turnover



DID YOU KNOW?
The Walkers Tours' transportation fleet is Asia's first internationally certified carbon neutral fleet

"The Group has simultaneously maintained a steady reduction of its carbon footprint in relation to its revenue, reflecting its strong commitment to improving the efficiency of its operations."

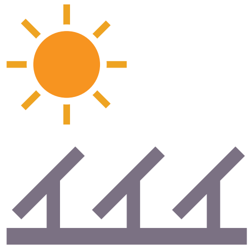
Source of Direct Energy	Unit of Measure	Usage	Consumption TJ	Emission Factor kg/TJ	Carbon Footprint MT
Diesel	Liters	4,767,417	144.72	74,100	10,724
Petrol	Liters	608,067	16.72	69,300	1,159
Furnace Oil	Liters	1,631,999	51.70	78,000	4,032
LPG	Kg	528,459	23.24	63,100	1,466
Scope 1: Direct energy					17,381

Source of Direct Energy	Unit of Measure	Usage	Consumption MWh	Emission Factor kg/TJ	Carbon Footprint MT
Electricity	KwH	76,324,114	76,324	0.6816	52,022
Scope 2: Indirect energy					52,022

Sources of Energy	Carbon Footprint (MT CO_2 eq.)
Scope 1: Direct energy	17,381
Scope 2: Indirect energy	52,022
Total carbon footprint (MT CO_2 eq.)	69,403

OUR ENVIRONMENT

"9.5 million kWh of power was generated through renewable energy sources such as solar power and biomass, accounting for 10 per cent of total energy consumed."

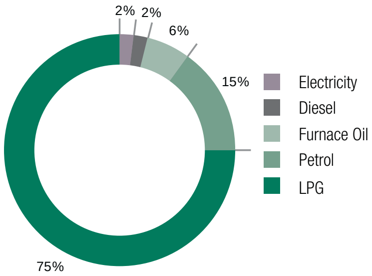


Scope 2 emissions from grid-based electricity represent the largest share of the Group's carbon footprint, accounting for 75 per cent of the total. The next largest contributions are from diesel, accounting for 15 per cent, and furnace oil, contributing 6 per cent of the total carbon footprint.

The below table gives a breakdown of the energy consumption trend over the past three years. As shown, Group energy consumption has increased by less than one per cent to 654,655 gigajoules in 2012/13 from 649,697 in the previous year, despite the growth in business operations in particular sectors over the reporting year. Out of a total 95,925,318 kWh consumed, 9,529,642 kWh of power was generated through renewable energy sources such as solar power and biomass, accounting for 10 per cent of total energy consumed.

With electricity constituting the largest share of the total carbon footprint, there is a close

Carbon footprint by energy type

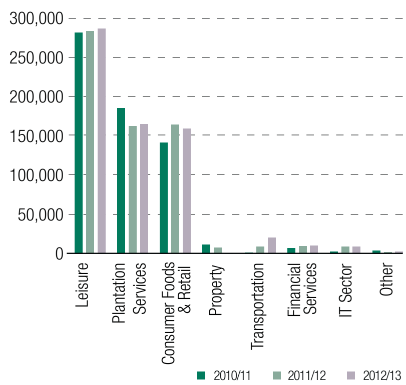


correlation between the carbon footprint and the electricity consumption by industry group. The Leisure and Consumer Foods & Retail industry groups were amongst the largest consumers of energy in the Group and responsible for 87 per cent of the total carbon footprint given the electricity-intensive nature of their operations. The increase in energy consumption and the corresponding rise in the Group's carbon footprint in 2012/13 were largely due to the launching of a new hotel property, Cinnamon Bey Beruwala and the full operations of Sri Lankan resorts over the course of the reporting year.

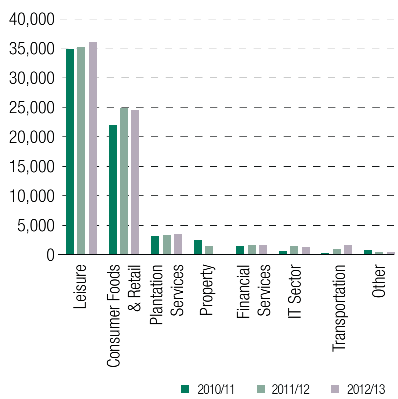
66 per cent of the Plantations industry group's energy consumed comprised of renewable energy, with the utilisation of biomass for the generation of electricity resulting in a lower carbon footprint than its energy consumption would suggest.

Total Power Consumed in GJ	2010/11	2011/12	2012/13
Direct Energy	**360,704**	**373,502**	**379,888**
Fossil Fuel	192,246	231,453	236,372
Diesel	122,979	139,471	144,721
Petrol	284	17,580	16,720
Furnace Oil	48,094	49,657	51,696
LPG	20,889	24,745	23,236
Renewable Energy	**168,458**	**142,049**	**143,516**
Solar Power	453	498	969
Biomass	168,005	141,551	142,547
Indirect Energy - National Grid	**271,065**	**276,194**	**274,767**
Hydro & Renewable	135,533	147,432	112,654
Thermal	135,533	128,762	162,112
Total Energy Consumption	**631,769**	**649,697**	**654,655**

Energy Consumption by Sector in GigaJoules



Carbon Footprint (in CO_2 MT) by Sector



LED lighting - Taprobane restaurant, Cinnamon Grand Colombo

Cinnamon Grand Colombo recorded an annual saving of 620,532KwH through its energy conservation initiatives such as the replacement of regular incandescent lighting with LED lighting, the installation of sensor lights and the installation of Variable Speed Drives and efficiency improvements to the Hotel's water pump system.

Our Approach

The Group continuously aims to reduce its environmental impact through maximising energy savings across its operating entities and aligning itself with global best practices regarding energy reduction and management. The Leisure industry group in particular seeks to benchmark itself against global standards and strives to achieve internationally recognised certification such as Green Globe and LEED, in its journey towards sustainable tourism.

All operating units follow the Group Energy Management Policy which strives to minimise impact on the environment. Operating units are encouraged to integrate this policy through energy conservation technologies and obtaining energy through renewable energy sources.

During the year Group companies carried out several energy conservation initiatives and sought to create behavioural changes in their employees through continuous awareness campaigns with regard to the need for conservation of energy.

The key energy saving initiatives carried out this year and the estimated annualised savings (in kWh) of such initiatives are as follows.

Energy Management Policy

Minimising energy related environmental impacts and enhancing the Group's competitiveness through energy cost savings by embracing lean energy management practices

Estimated annual savings through energy efficient lighting	Savings per Annum	
	kWh	GJ
Replacement of regular lighting with LED bulbs	379,698	1,367
Sensor lights	22,464	81
Total from key initiatives of energy efficient lighting	**402,162**	**1,448**

Estimated annual savings through air conditioning and other electrical improvements	Savings per Annum	
	kWh	GJ
Replacement of old pumps with high efficiency pumps	373,200	1,344
Replacement of split type units as fan coil units	97,936	353
Installation of Variable Speed Drives on pumps	119,232	429
Total from key initiatives on air conditioning / electrical improvments	**590,368**	**2,125**

Estimated annual savings through other energy conservation initiatives	Savings per Annum	
	kWh	GJ
Energy recovery through new Reverse Osmosis plants	120,450	434
Replacement of Cold Room doors with rapid roller shutters	120,000	432
Installation of synchronising panels	11,000	40
Total from other initiatives	**251,450**	**905**

OUR ENVIRONMENT

In an effort to reduce the environmental impact of its operations, Walkers Tours obtained carbon neutral certification for its entire transportation fleet of over 600 vehicles, making it Asia's first destination management company to have a fully carbon neutral fleet. Cinnamon Grand's Sri Lankan restaurant "Nuga Gama" also obtained carbon neutral certification during the year in review.

The Group seeks reputed certification and benchmarking schemes by independent authorities as a means of emphasising its credibility, transparency, and its commitment to corporate social responsibility and sound environmental practices, to create a strategic, competitive advantage for its chain of hotels. The city hotels, Sri Lankan resorts, Chaaya Lagoon Hakuraa Huraa and Chaaya Reef Ellaidhoo have obtained Green Globe Certification, while Cinnamon Bey Beruwala, Cinnamon Lodge Habarana, Chaaya Island Dhonveli, Cinnamon Grand and Keells Super Havelock Road have all registered with Earthcheck Global to obtain independent assessment reports with a view to comparing their performance against global benchmarks.

Water Management

A vital natural resource, water is also crucial to the operations of the Group and the withdrawal and discharge of water has been identified as a key issue to our stakeholders in the most recent and previous stakeholder engagements.

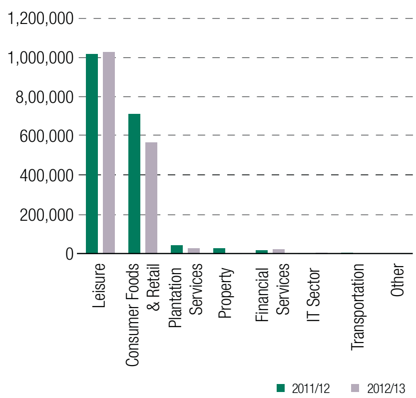
Water usage is monitored through the installation of water meters at the point of withdrawal for ground water, divisional metering wherever possible, and estimation methods if necessary. Water acquired from the National Water Supply and Drainage Board (NWSDB) is directly measured through water meters installed by the utility provider.

The Group seeks reputed certification and benchmarking schemes by independent authorities as a means of emphasising its credibility, transparency, and its commitment to corporate social responsibility and sound environmental practices, which we believe creates a strategic, competitive advantage for its chain of hotels

Aside from Ceylon Cold Stores, where the bulk of water withdrawn is utilised for production purposes, the majority of all water withdrawn is discharged to the environment. As such, the Group is conscious not to release any chemicals or substances that would cause a negative impact to the environment. Water discharged after on-site treatment is measured through meters, and discharge water quality tested by independent third parties. Sewage discharged into common treatment plants operated by municipalities and the National Water Supply and Drainage Board of Sri Lanka, is estimated using the working hours of pumps, but is not metered due to operational practicalities.

In 2012/13, the Group extracted 1,660,870 cubic meters, which constituted a 9 per cent reduction from the 1,830,547 cubic meters withdrawn in 2011/12. Of the total water withdrawn, the Group discharged 1,340,190 cubic meters to the environment. Since commencing the tracking and measuring of water consumption, the Group has made concerted efforts to reduce its water footprint, by conducting awareness campaigns aimed at employees, through the identification of areas where efficiencies could be made, and through the utilisation of water efficient technologies wherever feasible. In addition, water measurement techniques have also been enhanced along with the maturation of the monitoring and reporting process.

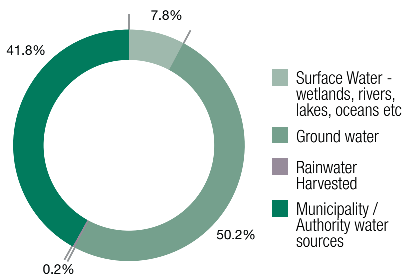
Water withdrawn (m^3) by sector



The Leisure industry group and the Consumer Foods & Retail industry group account for the largest share of water consumption in the Group, utilising 62 per cent and 34 per cent of total water withdrawn respectively. The next largest consumer of water is the Plantations Services industry group, accounting for 2 per cent of total water withdrawn by the Group.

The chart below outlines the Group's water withdrawal by source, with the main water sources being extraction of ground water and the (NWSDB).

Water withdrawal by source



Water Source	Volume m³			
	2011/12	%	2012/13	%
Surface water - wetlands, rivers, lakes, oceans etc	178,085	9.7%	129,021	7.8%
Ground water	961,655	52.5%	834,457	50.2%
Rainwater harvested	1,330	0.1%	3,233	0.2%
Municipality / Authority water sources	689,477	37.7%	694,159	41.8%
Total	**1,830,547**	**100.0%**	**1,660,870**	**100.0%**

Our Approach

Following the introduction of water withdrawal and discharge measurement and reporting in the previous year, the Group continues to make strides in improving the efficiency of water usage and ensuring that water discharged to the environment is of the required quality as per regulatory requirements.

Emphasising the need to conserve water, the Group-wide policy details management guidelines with regard to the usage of water.

Water Management Policy

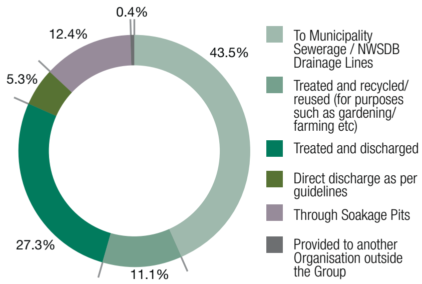
The Group's water policy seeks to conserve and optimise its use of water obtained from surface and ground water sources and wherever possible shall seek to re-use waste water after treatment in its operations with a view to reducing the intake of fresh water

Group companies with significant usage of water must ensure the systems and processes are in place so as to allow them to measure water uptake at source and identify the key points of water usage in production and utilisation processes. Companies are also advised to identify and implement the applicable technology and process improvements to conserve water and reduce usage, in particular in new properties, as well as motivate behavioural change in employees through various awareness campaigns.

In addition, rainwater harvesting for gardening and washing purposes is also encouraged.

With regard to discharged water, management guidelines stipulate that the quality and quantity of water discharged to the environment and sewerage networks must be controlled wherever possible through proper treatment in waste matter and sewerage treatments plants, and at a minimum, meet the required levels stipulated by regulations.

Water discharge by method



Planned & unplanned water discharge	Volume m³	%
Municipality sewerage / NWSDB drainage lines	583,083	43.5%
Treated and recycled/reused (for purposes such as gardening/farming etc)	148,578	11.1%
Treated and discharged	366,495	27.3%
Direct discharge as per guidelines	70,581	5.3%
Through soakage pits	165,612	12.4%
Provided to another organisation outside the Group	5,841	0.4%
Total waste water discharged	**1,340,190**	**100.0%**

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The Group treats 38 per cent of its waste water through its sewerage and effluent treatment plants prior to expelling into the environment, and this is constantly monitored to ascertain that water discharged meets regulatory levels. Approximately 56 per cent of the remaining waste water is sent to municipal sewer lines or soaked into the ground through soakage pits.

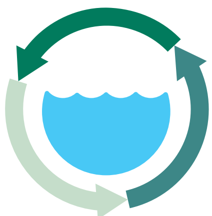
Group companies use a combination of types of treatment plants to manage its waste water, with Ceylon Cold Stores, Chaaya Reef Ellaidhoo, Chaaya Lagoon Hakuraa Huraa and all Sri Lankan resorts with the exception of Bentota Beach Hotel and Chaaya Tranz Hikkaduwa, utilising in-house aerobic waste water treatment plants. Bentota Beach Hotel, Chaaya Tranz Hikkaduwa and Keells Foods discharge water for treatment in common waste water treatment plants of the National Water Supply and Drainage Board or the relevant local authority. Chaaya Island Dhonveli utilises soakage pits for the discharge of sewerage as per Maldivian regulations.

The Group also looks to ease the burden on public infrastructure by reducing the discharge of waste water in suburban and urban areas to the city sewage system, and is in the process of improving its systems by installing further treatment plants. The two city hotels, Cinnamon Grand Colombo and Cinnamon Lakeside Colombo are expected to complete construction of their in-house treatment plants shortly.

Over the course of the reporting period, Group companies continued to implement several water conservation initiatives, in addition to reinforcing existing processes to manage water usage, discharge and quality.

All Group companies make efforts to increase awareness on the importance of reducing water wastage and washrooms in offices are fixed with urinal sensors, dual cisterns, low flow aerators and other water saving mechanisms.

The broad range of water conservation initiatives carried out across the Group can be found in the individual industry group sections.



Effluent treatment plant, Ceylon Cold Stores, Ranala

The Group treats 38 per cent of its waste water through its sewerage and effluent treatment plants prior to expelling into the environment and this is constantly monitored to ascertain that water discharged meets regulatory levels. Approximately 56 per cent of the remaining waste water is sent to municipal sewer lines and soaked into the ground through soakage pits.

Waste Management

The Group acknowledges that with increasing operational acitivity more raw materials would need to be used by its diverse operations. The Group therefore seeks to minimise the use of virgin material through the reuse and recycling of material used in its operations. The management of waste continues to be a key issue for the Group as identified by its stakeholders. Building from the previous year, the Group continues to monitor waste generation and encourage business units to reduce, reuse and recycle wherever possible.

The Group generated 7,868,330 kilograms of waste over the reporting period, representing a 6 per cent reduction from the 8,356,199 kilograms of waste recorded in the previous year. As with water, greater employee awareness on waste management has been created, contributing to an improvement in waste figures, along with improved internal management processes and management techniques.

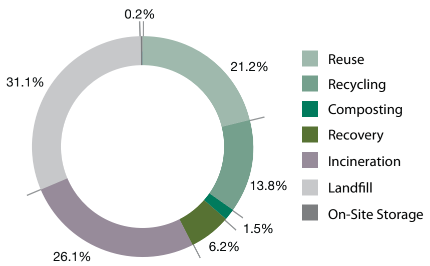
The Leisure and Consumer Foods & Retail industry groups generate the largest amount of solid waste, contributing approximately 95 per cent of the total. These operations have now introduced comprehensive measures to sort and measure waste on a daily basis. By comparison, waste generation at other Group businesses is largely insignificant and mainly consists of paper and office waste and as such, waste measurements are carried out by estimation through periodic measurements.

Our Approach

Overall reduction and responsible disposal of waste is an integral part of the Group's overall environmental policy. Accordingly, the Group has based its waste management policy on the slogan of "Reduce, Reuse, Recycle" and has sought to increase awareness amongst its companies and employees.

Using the waste sorting and measurement processes of the Group for monitoring purposes has allowed an analysis of non-hazardous waste disposal methods as given in the chart below.

Non-hazardous waste disposal by method



43% Non-Hazardous waste recycled, reused or recovered

Approximately 43 per cent of waste generated is reused, recycled, composted or recovered. The Group makes its best efforts to reduce the amount of waste sent to landfill, and has managed to reduce this proportion to 31 per cent of total waste in 2012/13, compared to 37 per cent in 2011/12.

The largest contributors to waste are also mindful of their disposal methods with the Leisure industry group reusing, recycling recovering and composting 60 per cent of its total waste and Consumer Foods & Retail industry group disposing of 24 per cent of its waste in the same manner.

Further details of the waste management initiatives carried out by the Group companies can be found in the individual industry group sections.

Other centrally led initiatives over the year include the introduction of a Group Hazardous Waste Policy based on Sri Lankan guidelines on solid waste management, to ensure safe handling and disposal of any harmful substances by all Group companies. The policy served to both raise awareness and provide guidelines for responsible disposal. The Group began measuring hazardous waste in the 3rd quarter of the 2012/13 and generated 83,000 kg of such waste over the reporting period. A suitable partner for safe handling and disposal was also identified during the reporting year.

An Electronic Waste Policy was also set in place in 2012/13, which requires all Group companies to dispose of their electronic waste through a contracted third party that ensures environmentally safe disposal. Separate collection bins have been deployed at all Group locations, encouraging segregation of e-waste items such as computers, computer equipment, electronic devices, mobile phones and batteries for responsible disposal.

Non-hazardous waste disposed by method kg		
Reuse	1,644,944	21.1%
Recycling	1,074,134	13.8%
Composting	114,392	1.5%
Recovery	478,564	6.2%
Incineration	2,027,538	26.1%
Landfill	2,431,731	31.1%
On-Site Storage	14,027	0.2%
Total	**7,785,330**	**100%**

"An Electronic Waste Policy was also set in place in 2012/13, which requires all Group companies to dispose of their electronic waste through a contracted third party that ensures environmentally safe disposal."

Conserving Biodiversity

The John Keells Group is aware of the global and national value of Sri Lanka's natural resources, with the country recognised as a global biodiversity hotspot, and seeks to safeguard the biodiversity of the localities in which its businesses operate. The Group is also aware of the importance of protecting biodiversity and the environment to sustain its businesses in the long run, especially in the Leisure sector, and ensuring the unique value proposition of Sri Lanka's natural beauty.

The Group appraises the type of operations and their surrounding areas in terms of biodiversity when determining the impact on biodiversity of the locality in which its operations are conducted in. The Group categorises its operations into manufacturing

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operations, hotels and warehousing operations, and office and retail operations, and bases the severity of impact on the categorisation. The localities in which these operations are situated are classified into urban areas, suburban areas and operations located close to biologically diverse areas to ascertain the level of biodiversity in the surroundings, and the Group continually monitors the impact of manufacturing, hotels and warehousing operations that are located close to biologically diverse areas.

The Group reports only on locations that are situated in proximity to biologically diverse locations which are in manufacturing, leisure and warehousing operations. The operating entities considered under this classification are as follows.*

Ref	Operating Entity	Geographic Location	Subsurface Land m^2	Type of Operation	Size of Site km^2
57	Bentota Beach Hotel	Bentota	Nil	Hotel	0.0446
58	Cinnamon Bey Beruwala	Beruwala	Nil	Hotel	0.045
59	Chaaya Blu Trincomalee	Trincomalee	Nil	Hotel	0.1143
60	Cinnamon Citadel Kandy	Kandy	Nil	Hotel	0.0234
61	Chaaya Tranz Hikkaduwa	Hikkaduwa	3,600	Hotel	0.0176
62	Chaaya Village Habarana	Habarana	Nil	Hotel	0.0378
63	Cinnamon Wild Yala	Yala	Nil	Hotel	0.0405
64	Cinnamon Lodge Habarana	Habarana	Nil	Hotel	0.1031
65	Chaaya Island Dhonveli	North Male Atoll Maldives	Nil	Hotel	0.1496
66	Chaaya Reef Ellaidhoo	North Ari Atoll Maldives	Nil	Hotel	0.0556
67	Chaaya Lagoon Hakuraa Huraa	Meemu Atoll Maldives	Nil	Hotel	0.0543

** Rajawella Hotels, Trinco Walk Inn and Weerawila Walk Inn have been excluded from the above table as they are entities holding undeveloped land*

Yala National Park - Photography by Chitral Jayatilake

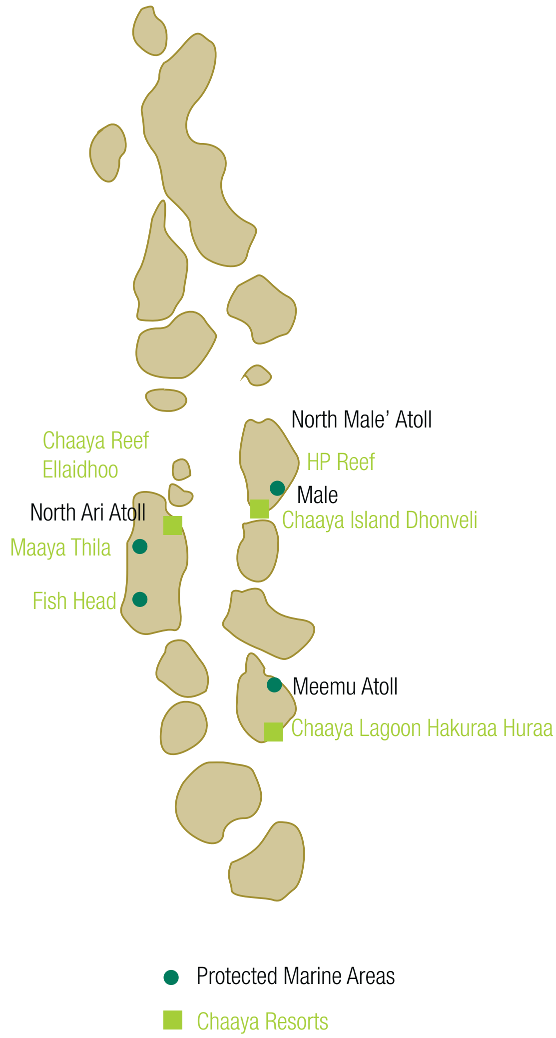
The John Keells Group is aware of the global and national value of Sri Lanka's natural resources, with the country recognised as a global biodiversity hotspot and seeks to safeguard the biodiversity of the localities in which its businesses operate. The Group is also aware of the importance of protecting biodiversity and the environment to sustain its businesses in the long run, especially in the Leisure sector, and ensuring the unique value proposition of Sri Lanka's natural beauty.

While all companies that fall within the direct control of the Group are considered, operating entities that fall within manufacturing, warehousing and city hotel operations are not included in the above table as none of them are located in highly biologically diverse areas.

The following maps depict the proximity of the above locations to biodiversity hotspots and protected areas in Sri Lanka and the Maldives.

Locations in Sri Lanka

Locations in the Maldives



Our Approach

A Group-wide policy on the conservation of biodiversity as well as the adherence and conformity to the standard of ISO 14001 Environmental Management Systems at selected Group companies are used to manage our environmental footprint. ISO 14001 certification has been obtained by Bentota Beach Hotel, Chaaya Blu Trincomalee, Cinnamon Citadel Kandy, Chaaya Village Habarana, Cinnamon Lodge Habarana, Chaaya Tranz Hikkaduwa, Cinnamon Wild Yala, Chaaya Reef Ellaidhoo, Chaaya Lagoon Hakuraa Huraa, Cinnamon Grand Colombo, Walkers Tours and Whittal Boustead Travels.

In keeping with the biodiversity policy of the Group, management guidelines have been released and circulated within all companies of the John Keells Group, to which all companies over which the Group exercises management control are expected to conform. At a minimum, such Group companies should comply with all applicable local and governmental legal/regulatory obligations. In the event that the existing legal requirements are insufficient to cover the Group's operations, management procedures are applied to ensure that the biodiversity of the area is protected. Best practices with regard to the conservation of biodiversity are shared within the Group and ensure that all relevant personnel are provided with the skills and knowledge to comply with the biodiversity policy of the Group.

All Group companies are also expected to keep abreast of regulatory changes, technological innovations and stakeholder interests. The Group also seeks to carry out and support

OUR ENVIRONMENT

Biodiversity Conservation Policy

The Group shall seek to conserve, and where possible, enhance biodiversity of the locality through the adherence to local and governmental laws and the implementation of best practices relating to conservation and protection of biodiversity in areas where the operations of the Group are carried out.

The Group understands and acknowledges its responsibility in conserving and protecting the biodiversity of the areas where it carries out operations in, not only for the purpose of ensuring a sustainable business, but to take care of the planet and preserve its diversity, beauty, resources and strength for future generations.

Yala National Park - Photography by Chitral Jayatilake

"The Group also carries out various projects in the proximity of our operations to increase awareness of the need for cohabitation between the human population and its surrounding environment."

projects that conserve and raise awareness on the importance of maintaining the integrity of essential ecosystems. In addition, the Group works with the Government, academia, non-governmental organisations, business associations and other interested stakeholders in striving to develop effective, sustainable legislature and solutions to minimise the impact on the biodiversity.

Along with the Group's biodiversity conservation and management guidelines, companies that operate in close proximity to any protected spots, carry out annual surveys. The Group's naturalist team Nature Trails records visible flora and fauna in the premises of each identified business unit, and by comparing the changes of the diversity of the species included in the survey, allows the Group to closely monitor the impact of our operations on the surrounding environment.

The Group also carries out various projects in the proximity of our operations to increase awareness of the need for cohabitation between the human population and its surrounding environment.

One such ongoing project is "Project Leopard", a conservation attempt initiated on 31 July 2010, by Cinnamon Wild Yala and the John Keells Foundation at a remote cattle farming village off Nimalawa, Kirinda, and carried forward into the year 2012/13. Recognised for its high density of biodiversity, Yala National Park, in southern Sri Lanka, is famous for its leopard population. However, due to the growing population, the animals have begun to roam around outside the park into the surrounding agricultural and pastoral lands to seek food, resulting in attacks on cattle in farms lying on the periphery of the park. Retaliatory attacks by farmers have led to an estimated 10-12 leopard deaths annually. Since the inception of the project, a total of 32 steel pens have been donated both by John Keells Foundation and by Exodus UK to the village folk of Rotawewa, Banduwewa, Thambarawewa, Kotigala, Julpathana, Lokugaswala and Amarawewa. This, in lieu of the traditional stick-and-barbed-wire pen, has assisted in preventing needless leopard deaths and acts as an effective conservation effort in the Yala National Park.

As a natural extension of Project Leopard, the Foundation together with Cinnamon Wild Yala launched a leopard research project in Yala. The project, which is conducted in partnership with renowned Sri Lankan scientists and international experts, is a comprehensive research program aimed at studying the Sri Lankan Leopard, its distribution at Yala, dietary habits, territories, adoptability to new land use outside the national park and the impact of leopards on cattle farmers. The project also includes mapping the individual leopards in Yala and its environs. The mapping process commenced during the third quarter of the year in review with the purchase and installation of infrared camera traps in scrub forests, rocky hillocks and game trails in Yala.

The Group is also planning to carry out two awareness creation sessions for jeep drivers and wildlife trackers on ethics and behaviour within the National Park.

In Habarana, Cinnamon Lodge sits on an ecologically rich plot of land, maintained by hosting plants that enrich the habitat and attract butterflies, allowing Group naturalists to set up a “butterfly garden” at the resort. The project serves to conserve and protect such species while simultaneously creating awareness amongst guests, employees, and villagers about the significance of butterflies in protecting biodiversity.

Significant spillages and monetary value of siginificant fines with environmental laws and regulations

Significant spills, as defined by the Group, are those that are financially material and are reflected in the audited financial statements as an exceptional item, or in the notes to the accounts, of the companies within its realm of influence. No Group companies reported significant spillages during the year.

Coral reef, Hikkaduwa - Photography by Chitral Jayatilake

A coral reef regrowth project was initiated by Nature Trails in Hikkaduwa

Included as a risk item in the risks reviews of the relevant group companies, is an environmental pollution hazard, resulting from a risk of spillage, and risk mitigation strategies and preventive maintenance systems have been put in place where necessary.

None of John Keells Group companies were levied monetary or non-monetary sanctions, during the financial year 2012/13, for failing to observe environmental laws and regulations in any of the countries where operations of the Group took place.

A blue whale off the coast of Trincomalee - Photography by Chitral Jayatilake

OUR ETHICS

Throughout its existence, the John Keells Group has been committed to upholding the universal human rights of all its stakeholders. Integrity, care and trust are the Group's foundation, with a zero tolerance policy toward anti-competitive behavior and corruption. This commitment has in turn become the founding principal which governs our business.

Our Approach

The John Keells Group has formulated stringent policies in the areas of child labour, forced labour and anti-corruption.

The Group continues to track any incidences of child labour, forced labour and corruption through a quarterly sustainability performance tracking mechanism. In view of the Group's Human Rights policy, outsourced service providers were made aware of the ethics that surround child labour and forced labour, and they have taken measures to prevent these issues.

During the year in review, the Group introduced and carried out assessments with regard to the practices and policies and the standards and facilities provided to the employees of significant suppliers. These assessments were based on the labour laws and regulations of Sri Lanka. During the year, the Group carried out assessments of 19 significant suppliers and plans to widen its scope to at least 30 significant suppliers, based on a pareto analysis, in the next reporting year.

The John Keells Group retains a voluntarily higher standard on the minimum age for admission to the company's employee base compared to the applicable statutory definitions and the ILO conventions. Under Sri Lankan law, a "Child" is defined as a person who is under the age of sixteen years while "Young Worker" denotes a person who has attained the age of sixteen years, but is under the age of eighteen years.

Policy on Child Labour

John Keells Group does not engage children in employment. As a general practice, the Group does not employ any person below the age of eighteen years at the workplace.

Incidents of child labour are remote in the Group due to the firm verification of the minimum age of employment at the beginning of the recruitment process. In addition, in the Consumer Foods sector and the Leisure industry group where outsourced labour is used to meet seasonal demands or absenteeism, multiple controls are in place to guarantee firm compliance. The Leisure industry group also provides vocational training to Hotel School students as part of their curriculum.

All Group companies have been educated on the identification of possible instances of forced and compulsory labour. Companies must ensure the right of employees to enter, remain and terminate employment voluntarily, and that employees should not be subjected to, or coerced to work more overtime hours than stipulated by labour regulations, subjected to intimidation or be required to lodge deposits or personal documents as part of their employment.

Employees who work beyond normal hours are compensated by means of overtime or variable pay as appropriate, and additionally are supported with meals and transport facilities in compliance with the applicable best practices of the law and industry. Where the training cost is significant, the employees of the John Keells Group are obliged to understand and agree that they will work an adequate duration which would not exceed the value of the training.

Policy on Forced or Compulsory Labour

No employee of the John Keells Group is made to work against his/her will, or subject to corporal punishment or coercion of any type related to work.

The Group continues to track any incidences of child labour, forced labour and corruption through a quarterly sustainability performance tracking mechanism. In view of the Group's Human Rights policy, outsourced service providers were made aware of the ethics that surround child labour and forced labour, and they have taken measures to prevent these issues.

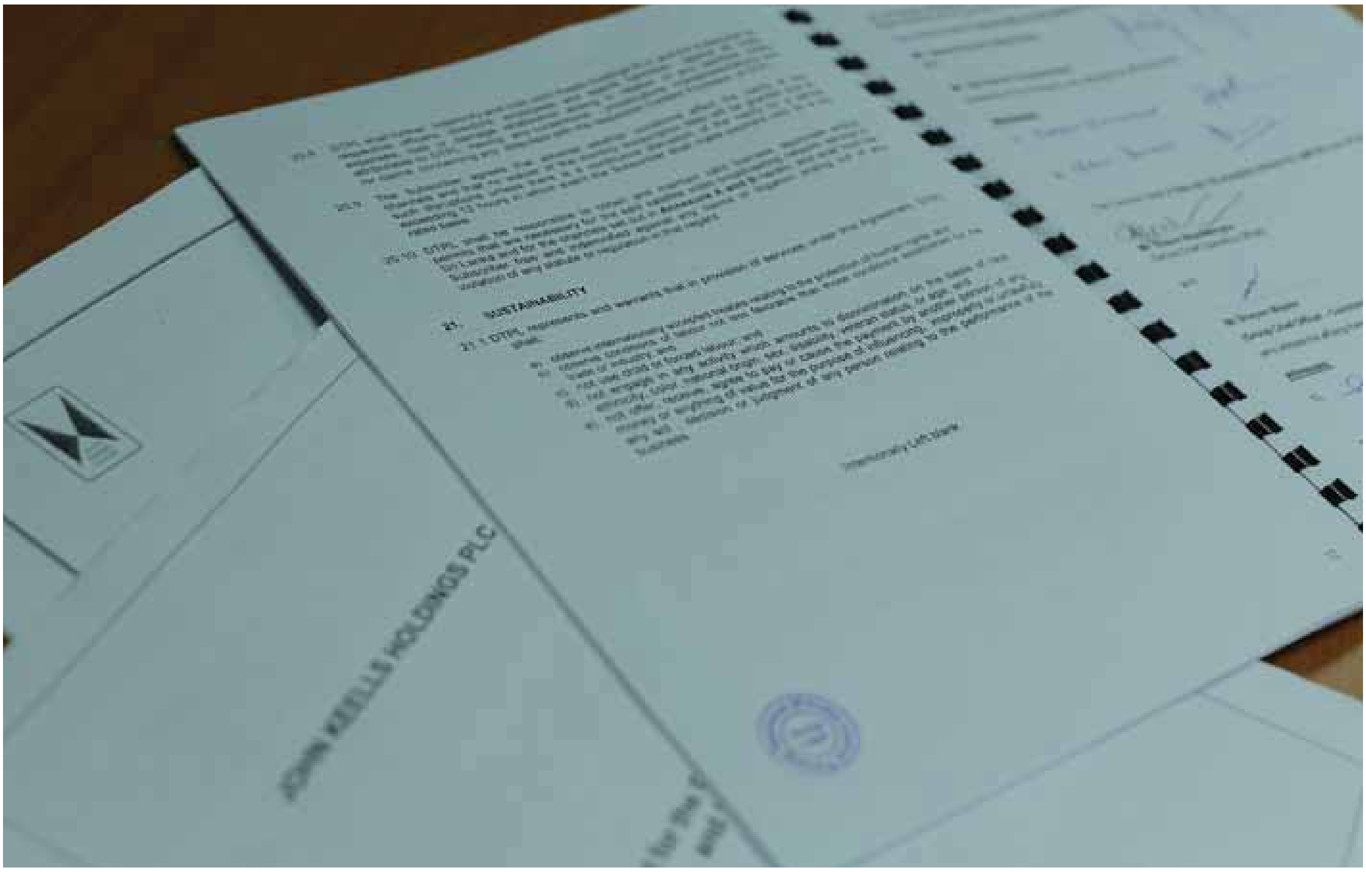
19
SIGNIFICANT SUPPLIERS ASSESSED

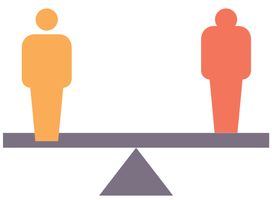
Policy on Equal Opportunities

The John Keells Group is an equal opportunity employer. Accordingly, the Group is committed to hiring, developing and promoting individuals who best meet the requirements of available positions, possess the required competencies, experience and qualifications to carry out assigned tasks and have the potential for growth within the organisation; and has put in processes and systems that ensure the same.

DID YOU KNOW?
All Group sourcing contracts have a clause that requires sustainable practices by the supplier

> *"Integrity, care and trust are the Group's foundation, with a zero tolerance policy toward anti-competitive behaviour and corruption."*





The Group strives to keep the work place free from physical or verbal harassment based on race, religion, gender, age, nationality, social origin, disability, political affiliations or opinion. This Policy on Equal Opportunity is adhered to in advertising, vacancies as well as recruitment and promotion processes.

Meanwhile, John Keells Holdings continues to be a member of the Employer Network on Disability of the Employers' Federation of Ceylon. It also promotes the employment of differently-abled persons.

The Group also has a comprehensive process in place with regard to sexual harassment. The Group's Ombudsperson provides employees an opportunity to refer to a matter regarding sexual harassment either with the Ombudsperson or with the internal committee appointed for this purpose.

OUR ETHICS

Anti-Corruption Policy

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

The Group has defined a three pronged approach which mandates the policy through a transparent control and prevention mechanism.

Each employee is requested to sign his or her Letter of Appointment, as an agreement to comply with all the rules, regulations, policies and procedures that are in force in the Group's Code of Conduct. The Group's Learning and Development division also conducts a module

> Employees are encouraged and expected to report any breach of the Code of Conduct with the guarantee that they would not be penalised for the disclosure of that information. Multiple channels of communication have been established to enable employees to report on any such breaches, which include Chairman Direct, business unit-specific grievance handling processes, ombudsperson service and an anti-sexual harassment committee.

for all new inductees, on decent work practices and human rights. During this session, all inductees are informed regarding the remedial

ANTI CORRUPTION POLICY

actions available to them and the process of disciplinary action that would be taken in the event of a contravention. Employees are also assessed with regard to whether or not they embrace these values as part of the performance appraisal cycle.

Employees are encouraged and expected to report any breach of the Code of Conduct with the guarantee that they would not be penalised for the disclosure of that information. Multiple channels of communication have been established to enable employees to report on any such breaches, which include Chairman Direct, business unit-specific grievance handling processes, ombudsperson service and an anti-sexual harassment committee.

> *"The Group has also established transparency and fair practices in all its dealings with customers, suppliers and business partners."*

Contiunuous engagement with our value chain

At a business level, all companies and functions have a process for the prevention and reduction of corruption, with business units required to include and analyse the risk of corruption as part of their risk management process.

In order to ensure compliance with Group Policy, the Group carries out reviews of the policies at a Group Management Committee level and undertakes independent audit reviews in order to constantly analyse the risk of non-compliance.

In addition to this, the Group has also established transparency and fair practices in all its dealings with customers, suppliers and business partners. This has led to mutually beneficial relations which encourage communication, engagement and ethical business practices that persuade our partners also to adhere to our business principles. In selection of the Group's key suppliers, the Group Initiatives division carries out a formal sourcing process with independent category managers and neutral parties sitting in on evaluation committees.

Mr. Daniel Phua, Immediate Past Chairman, IBIA Asia Branch Exco

During the reporting year, there have been no non-conformities with regard to child labour, forced labour or significant instances of corruption either in the Group or its subsidiary companies. None of the Group companies were fined or levied significant monetary or non-monetary sanctions (the Group defines "significant" as any fines that are payable over Rs. 1.0 million) for non-compliance with laws and regulations in any of the countries that operations take place.

Lanka Marine Services took the lead role in the collaboration and organising of a bunker forum on behalf of the International Bunker Industry Association (IBIA) Asia for the first time in Sri Lanka this year. The forum revolved around improving the standards of the bunker industry covering areas such as ethics and environmental protection. This forum was attended by industry professionals as well as representatives of the Sri Lanka Ports authority and Sri Lanka Customs.

Accolades for corporate governance

OUR PRODUCTS

The Group strives to deliver the optimum levels of quality in all areas of interaction with all its stakeholders such as customers, shareholders, employees, suppliers, governmental and statutory bodies, society, the media and other interest groups. While meeting optimum quality standards with respect to the above mentioned stakeholders, it also ensures compliance with its Environmental Policy and Ethical Business Policies.

The Group aspires to achieve recognised external quality certification where relevant, benchmarking their quality processes and standards against national and/or international best practices.

Product Stewardship

Stakeholder engagements have reinforced this priority by highlighting the requirement of consumers for products and services that satisfy their needs, superior product quality, product information to be provided in a standard format by all industry players, clear product specific information, and the need for marketing communications that are contemporary in nature.

Our Approach

The Group Products and Services Policy is adhered to by all Group businesses to ensure they continue to meet the highest quality standards when servicing customers. While meeting such optimum quality standards, the Group also strives to ensure compliance with its Environmental Policy and Ethical Business Policies. In addition, the Group aspires to achieve recognised external quality certification where relevant, benchmarking their quality processes and standards against national and/or international best practices.

The management approach adopted has been to develop and market products and services that meet customer requirements and meet the highest product quality standards which ensure customer health and safety, through assessing the product life cycle. In addition, relevant product and service labeling, ethical marketing communications and privacy of customer information obtained through the sale of the product of service and products stewardship and compliance is ensured.

Products and Services Policy

The John Keells Group will strive to maintain products and services at the highest standards through embracing industry and corporate best practice and compliance with all relevant local and international statutory and regulatory requirements in the markets we serve. All products and services will seek to identify and assess any environmental and social impact through communications, services, operations and supply chain.

All consumers expect a safe product or service and the Group continuously reviews its products and services for safe use by consumers, through the assessment of its systems and procedures during the entire manufacturing and service delivery process. Group companies engaged in the manufacture of consumer foods have obtained ISO 9001 and ISO 22000 as initial steps in achieving process excellence. In the Leisure sector, Walkers Tours have obtained ISO 9001 while most of our hotels have obtained ISO18001 Occupational Health & Safety certification, which we believe establishes a process and culture of health & safety which permeates through to the end product or service.

In addition, Group companies closely monitor any incidences of product related fines or sanctions, setting a zero figure as their target. Companies are required to maintain lists of fines payable and the Group has not identified any significant instance of non-compliance with laws and regulations and no significant fines (over Rs. 1.0 million) with regard to product responsibility was incurred during the year in review.

All consumers expect a safe product or service and the Group continuously reviews its products and services for safe use by consumers, through the assessment of its systems and procedures during the entire manufacturing and service delivery process

CERTIFICATIONS OBTAINED BY CONSUMER FOODS SECTOR

ISO 9001
ISO 22000

Further, the Group recognises the importance of informing and engaging our customers with regard to important product specific information as identified by stakeholder engagements, and continues to adhere to product labeling requirements specified in the Food Act No. 26 of 1980, the regulations contained in the Food (Labeling and Advertising) Regulations 2005, the Consumer Affairs Authority Act No. 9 of 2003, and the ICC code of Advertising and Marketing Communications, for all its products and services.

For the purpose of reporting, the Group has considered its primary brands of products and services offered to indivdual customers, on a B2C (Business to Customer) basis. Products and services offered by the Group on a Business to Business (B2B) or Business to Government basis are sold by the Group mainly through the acceptance of a product/service proposal made by the Group company in response to a tender document of the purchaser. All products and service details are submited as part of such product/service proposals.

DID YOU KNOW?
37% of products sold by the Group contain information on responsible disposal

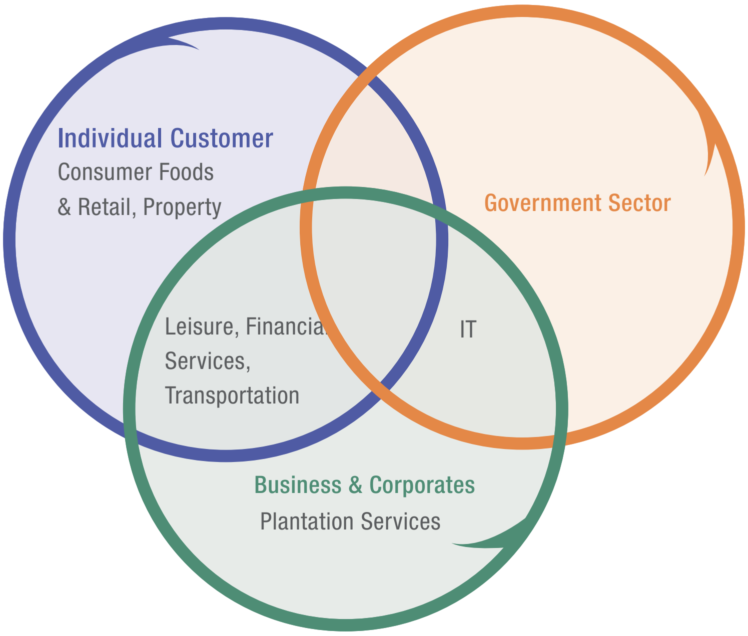
"The Group Products and Services Policy is adhered to by all Group businesses to ensure they continue to meet the highest quality standards when servicing all customers."

Keells Super, Union Place

The Group has identified the products and services marketed by the Leisure industry group, the Financial Services industry group, the Property industry group and the Consumer Foods & Retail industry group and Transportation industry group as significant areas for the provisioning of detailed product information. The products and services marketed by these industry groups/sectors are also detailed in the table alongside.

Food & Beverage, other consumed products	Services and other experiential products
Consumer Foods – Elephant House Ice Creams, Carbonated Soft Drinks, Keells range of processed meat, Krest range of processed meat and Elephant House range of processed meats Retail - K Choice range of products	Financial Services – Insurance products and related services, stock broking services Property – Residential apartments Leisure – Hotels and Inbound Tours Transportation – Travel Agency services

OUR PRODUCTS



During the year, the Group introduced processes to capture product labelling information with regard to content that has a negative impact on the environment and society and safe disposal of the product. Sourcing of components used was not considered for labelling as the main ingredients are sourced from within the country.

While 100 per cent of food products sold specify the ingredients used, three of the imported products specify where ingredients for such products were sourced from. Twenty one private labelling products consisting of stationery, straws, plastic cups and plates sold by Keells Super supermarkets did not contain information with regard to content.

Plastic containers and aluminium cans used for the carbonated soft drinks all carry instructions on the safe disposal of the product. Some of the "lite" range of products of Ceylon Cold Stores however, do carry specific labelling on the use of sweeteners which are used in place of sugar. Twenty seven per cent of the products reported on contain information with regard to the safe use of the product, while thirty seven percent contain information with regard to responsible disposal.

With regard to the services and other experiential products offered, the Group follows a prudent approach, where the information provided is as per the Code of Advertising and Marketing Communications of the International Chamber of Commerce, and also adheres to the Intellectual Property Act of Sri Lanka. All service oriented products offered by the Group are checked for any infringements prior to being released into the market. Given the nature of such products, information with regard to the sourcing of components used, content of environmental/social impact, safe-use or product disposal is not considered applicable.

The following table illustrates the type of product labeling carried out for the food and beverage and other consumed products offered by the Consumer Foods & Retail industry group.

"During the year, the Group introduced processes to capture product labelling information with regard to content that has negative impact on the environment and society and safe disposal of the product. Sourcing of components used was not considered for labeling as the main ingredients are sourced from within the country."

Product labelling					
Number of products	Ingredients used	Sourcing of components	Content or substances with environmental and social impact	Safe use of product or service	Disposal of the product
Yes	390	3	2	110	152
No	21	408	409	301	259
Total products	411	411	411	411	411
Percentage of Products	**95%**	**1%**	**1%**	**27%**	**37%**

With regard to the services and other experiential products offered, the Group follows a prudent approach, where the information provided is as per the Code of Advertising and Marketing Communications of the International Chamber of Commerce, and also adheres to the Intellectual Property Act of Sri Lanka.

Responsible product labelling

The Group is also conscious to ensure responsible marketing communications, with the policy on advertising and marketing communications requiring that all companies adhere to Group guidelines that are based on the Code of Advertising and Marketing Communications by the International Chamber of Commerce.

The ICC Code is intended primarily as an instrument of self-regulation for commercial communications and is intended to achieve the following objectives amongst others, to:

i. Demonstrate responsibility and good practice in advertising;
ii. Enhance overall public confidence in marketing communications;
iii. Respect privacy and consumer preferences;
iv. Ensure special responsibility as regards marketing communication and children/young people.

A special Group committee monitors and evaluates advertising campaigns for socially insensitive/unethical/irresponsible advertising against the guidelines and procedures laid down. The committee evaluated various communications and 100 per cent compliance to the guideline was noted.

Product labelling on ingredients and best before dates available in all K-Choice products

OUR COMMUNITY

The Group is aware of the impact its businesses have on society and the environment and it has created a platform for the communities we operate in to bring forward their concerns and help them benefit from the operations of the Group. Group companies aim to be good neighbours, proactively contribute to causes affecting the social development of the nation, and work toward maximising the positive aspects of business on society and the environment. The goal is to foster good relationships with the communities within which business units operate and manage responsibly the impact that their operations have on the community and environment.

At John Keells, Corporate Social Responsibility (CSR) represents how values, corporate culture and operations intrinsically involve and are connected to social, economic and environment concerns. The focus continues to be on six key areas: Education, Health, Environment, Community and Livelihood Development, Arts and Culture and Disaster Relief. These areas are aligned to the Millennium Development Goals (MDGs) as well as the United Nations Global Compact (UNGC) of which JKH PLC is a pioneer participant. The specific goal in each of these areas is as follows:

Education
JKH is committed to providing educational opportunities to disadvantaged groups of the community as we believe that education is the foundation for an enlightened and civilised society.

Health
JKH is committed to ensuring productivity via a healthy society.

Environment
JKH is committed to minimising the impact of the Group's operations on the environment and carries out a conscious and collective effort in this regard, whilst promoting the cause of environmental conservation and sustainability.

Community & Livelihood Development
JKH is committed to reaching out to communities surrounding its operations through constructive dialogue with stakeholders and staff volunteerism. Fostering the spirit of entrepreneurship as a key to sustainable development is the primary objective of such projects.

Arts & Culture
JKH is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of Sri Lanka, as well as boosting the livelihoods of those engaged in arts and culture.

Disaster Relief
JKH is committed to carry out collective relief efforts in times of natural and man-made disasters, through staff volunteerism.

The Group's commitment in this regard translates through a plethora of community investment programmes and scholarships, staff engagement with the wider community via voluntary service, as well as ongoing dialogue with stakeholders to better understand their needs. In addition, the Group guards against undertaking community engagement activities which to its knowledge has any adverse impact on the environment.

Needs Assessment

In carrying out local community engagements, the Group is committed to understand and assess the impact on the communities affected by its operations, to respect their interests, and to ensure such communities derive the optimum benefits.

The identification and management of the community and the issues faced pose both challenges and opportunities. They are vital to successful risk assessment, decision making, *"Through the provision of cattle pens by the Foundation, the risk of losing our cattle to leopards has been completely eliminated." - S P Basnayake, Cattle Farmer*

"At John Keells, Corporate Social Responsibility represents how values, corporate culture and operations intrinsically involve, and are connected to social, economic and environment concerns."

Beneficiary of cattle pens

project development and the promotion of social well-being.

Impacts are assessed on a formal or informal basis when a business enters, operates and exits a community. The process is formalised via a mandatory questionnaire, which has to be completed and signed off by each business head. This questionnaire is designed to include all elements that result from conducting business in the community. Each business unit will conduct a review annually, to analyse the impact of each operation carried out and where applicable, action plans to mitigate risks will be formulated at Sector Committee or Management Committee meetings.

Local community engagement projects carried out by the John Keells Group are structured according to a social impact assessment which includes a stakeholder engagement, selection criteria for identifying beneficiaries and a periodic evaluation process. In certain projects, this evaluation process has been carried out by independent third parties.

OUR COMMUNITY

Impact Parameters of Community Engagement Activities		

Earnings
The impact on the earning potential- both supporting and competing
• Positive impacts
  • Improvement in quality of life due to wage injections
  • Increased entrepreneurial activity
• Potential negative impacts
  • Social inequality
  • Vices such as drug and alcohol due to increase in discretionary income
	Employment
	The impact of direct and indirect employment and people made employable
	• Positive impacts
	  • Income generation
	  • Opportunities for local sourcing for the Group
	• Potentially negative impacts
	  • Labour migration
		Environment
		The impact on the environment including
		• Positive impacts
		  • Conservation of environment and education
		• Potentially negative impacts
		  • Emissions, discharges and waste disposal

Health and safety
The impact on community health and safety, including injury and disease
• Positive impacts
  • Awareness creation and introduction of the best practices and technologies with regard to health and safety into the area
• Potentially negative impacts
  • An influx of newcomers seeking opportunities can introduce health risks, such as the exposure of the local population to transmittable diseases
  • Environmental hazards such as dust and noise may cause health problems
	Infrastructure
	The impact of infrastructure development on the social fabric
	• Positive impacts
	  • The development of a project can bring new infrastructure and services to an area such as roads and health services
	• Potential negative impacts
	  • Demand on infrastructure and services exceeding the built capacity due to a sudden increased in population
		Other impacts
		Impact on local culture, gender and cultural heritage
		• Positive impacts
		  • The development of segments of society such as women, elders and children
		• Potentially negative impacts
		  • Impacts to traditional cultures and way of life

Participants of "English Day 2012"

The John Keells Group believes in wider societal needs than our own, to meaningfully enrich the lives of the communities of which we are an integral part. We abide by the values of caring, trust and integrity by ensuring that through our actions we demonstrate our commitment to and respect for all our stakeholders, including the communities and the environment in which our businesses operate.

Our Approach

John Keells Foundation ("Foundation") – a company duly incorporated under the law and also registered as a "Voluntary Social Service Organisation" with the Ministry of Social Welfare –drives the Group's social responsibility initiatives from the centre, while individual companies of the Group also engage in community service activities, sponsorships and donations to complement their respective businesses, as well as the broad focus areas of the Foundation. The activities of the Foundation are funded by companies within the Group out of their profits. The Group does not charge or account for human resources deployed in, and overhead costs attributable to any of its CSR projects, whether in planning, implementation or administration.

Projects undertaken by the Foundation

The projects undertaken by the Foundation are carried out under the principles espoused by the Millennium Development Goals and United Nations Global Compact. The Group has contributed towards the development of society through infrastructure, public services and local community engagement initiatives. The table below provides a breakdown of such projects, their cost and the manner in which the projects were carried out, while descriptions of the key projects undertaken by the Foundation and the number of Group personnel that participated in such projects are contained in the following pages.

Project	Infrastructure Investment		Service	
	Cost (Rs)	Type	Cost (Rs)	Type
Education				
English Language Scholarship Programme			9,378,720	P
The Final Step - University Soft Skills Programme in Peradeniya and Jaffna			1,634,048	P
Neighbourhood Schools Development Project	1,329,200	P	193,161	P
Health				
John Keells HIV and AIDS Awareness Campaign			743,378	P
John Keells Vision Project			2,132,662	P
Environment				
Project Leopard	507,086	P		
Leopard Research Project			1,000,000	P
Solar Power initiative in Halmillewa	2,041,296	P		
Rainwater Harvesting - Mangalagama				
Nature Field Centre at Rumassala, Galle			13,184	P
Maintenance of watering hole at Yala	21,000	P		
Community & Livelihood Development				
Village Adoption Project - Halmillewa			275,034	P
Village Adoption Project - Mangalagama	388,146	P	36,005	P
Village Adoption Project – Mullaitivu			31,190	P
Village Adoption Project – Trincomalee			12,818	P
Slave Island Railway Station	1,026,137	P	228,494	P
Slave Island Rail Track Reservation			86,000	P
BPO Project - Mahavilachchiya			100,000	I
BPO Project - Seenigama			13,184	I
BPO Project - Jaffna	625,853	I	91,852	I
Sustainable Sourcing Initiatives of CF&R			*36,000	I
Arts & Culture				
Kala Pola			2,627,007	P
Sri Lankan Art Gallery			544,000	P
Sunera Foundation			257,082	P
Total	**5,938,718**		**19,469,820**	

P: Carried out on a Pro-bono basis *I: Carried out on an In-Kind basis*

** Estimated management time spend on educating farmers. Total value of purchases under Sustainable Sourcing Initiaves made to local farmers was Rs. 877 million.*

OUR COMMUNITY

EDUCATION

During the year in review, the programme continued with the foundation-level course branded *"English for Teens"* targeting school children between the ages of 12 to 14 years. A total of 1000 scholarships were offered to eligible school children and classes were conducted in 20 locations in 18 Districts of the country.

Another 200 scholarships were on offer under the pre-intermediate level programme open to students who received an honours pass in the English for Teens programme conducted during the previous year.

English Language Scholarship Programme

Adequate knowledge of English has become a compelling necessity to access the many opportunities available in today's society (whether local or global), where the advance of globalisation demands a competitive edge in the move towards rapid economic progress.

John Keells Foundation's English Language Scholarship Programme aims to provide English as a life skill to children and youth, to help enhance their opportunities for higher learning and sustainable employment. It complements the national initiative to improve speaking and communicative skills in English throughout Sri Lanka.

"A total of 1000 scholarships were offered to eligible school children and classes were conducted in 20 locations in 18 Districts of the country."

Focus Area	Project	Overall Objective	Focus Area in 2012/13	Project Scope in 2012/13	Project Impact	JKH Volunteers
Education	English Language Scholarship Programme	Enhancing English language skills of deserving, disadvantaged or needy schoolchildren and youth across the island, towards improving their opportunities for higher learning and sustainable employment.	(1) English for Teens - A four-month course for school children within the age limits of 12 to 14 years	English for Teens Programme carried out at 20 locations: Ampara, Mangalagama, Bandarawela, Batticaloa, Chavakachcheri, Colombo 08, Colombo 02, Galle, Habarana, Jaffna, Kandy, Kurunegala, Matale, Matara, Negombo, Nelliady, Panadura, Ratnapura, Trincomalee, Vavuniya	Applications - 1474 Registered - 1011 Course completion - 974	Two representatives from JKF and 19 volunteers from across the Group represented JKF at inaugural programmes at respective centers.
			(2) Pre-intermediate level A 4-month post-foundation course for English for Teens scholarship students of 2011/12 who obtained an Honours Pass	Pre-intermediate level programme carried out at 8 locations: Ampara, Bandarawela, Batticaloa, Colombo, Jaffna, Matara, Negombo, Kurunegala	Applications - 236 Registered - 198 Course completion - 198	

Stakeholder Engagement	Selection Criteria	Impact Assessment
• Nominations and applications of deserving candidates through school principals of State schools	• Disadvantaged State schools in selected districts • Preference for financially disadvantaged children • Marks obtained at placement test set by the Gateway Language Centre	• Monthly monitoring of attendance • Staff volunteers' feedback • Final examination result • Student feedback • Annual English Day • Independent research

The Final Step

Sri Lanka has one of the highest enrolment rates in Asia for General Education, with students leaving General Education at different stages. The largest number leaves the system after the GCE Ordinary level. After O-Level nearly 300,000 students move on to sit for the GCE Advanced Level examination but only 22,500 places are available in the state conventional University Education system. Even among youth who had been fortunate to enter and complete tertiary education in the local Universities, many are challenged in finding suitable and fulfilling employment, particularly due to inadequately developed employability competences (soft skills) such as communication skills, leadership and team work, planning and problem solving skills, positive attitudes and adaptability and also knowledge based competencies on emerging issues experienced in the world of work.

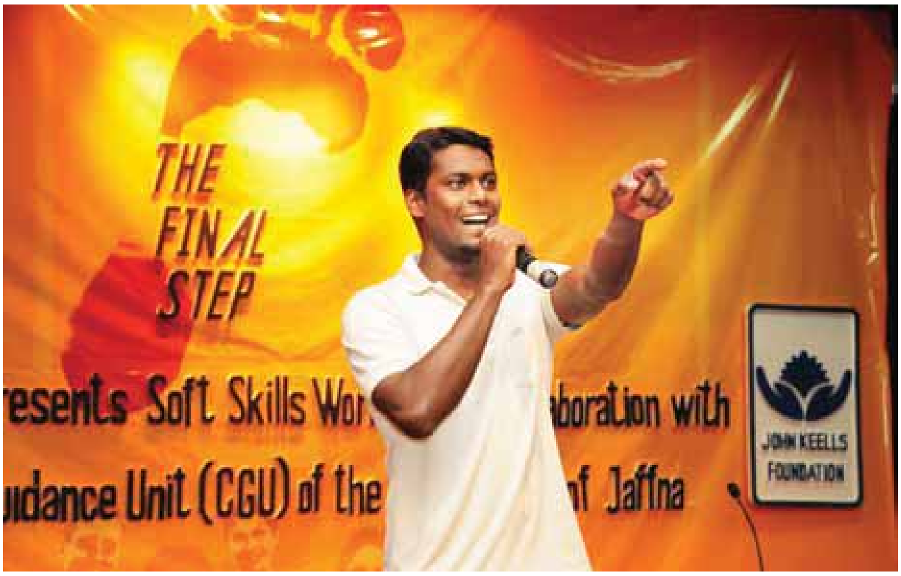
The Final Step is a set of five soft skills workshops developed by John Keells Foundation aimed at enhancing the employability of graduates of local universities, especially in Sri Lanka's private sector - the primary employer accounting for over 70 per cent of the jobs in Sri Lanka. The workshops cover a wide range of aspects such as employer expectations, leadership and team building, CV writing and interview skills, developing confidence and personality, working in a corporate environment, corporate hospitality (including social etiquette) and personal grooming.

After six programmes conducted in universities in the Western Province, the year in review witnessed the milestone of the Foundation taking Final Step to other parts of the country in collaboration with the University Grants Commission. The first of these programmes was conducted successfully at the University of Peradeniya in November 2012 at the university premises. A total of 493 students from various faculties attended the workshops out of which 410 students were awarded certificates of participation on the basis of 80 per cent attendance.

The Final Step is a set of five Soft Skills Workshops developed by John Keells Foundation to enhance the employability of graduates of local universities, especially in Sri Lanka's private sector - the primary employer accounting for over 70 per cent of the jobs in Sri Lanka

Students' feedback

"I realised that getting a first class degree is not the only consideration employers look for, but also all sorts of skills, especially soft skills." - P S M Peiris, Faculty of Agriculture, 2nd year



Final Year Student, University of Jaffna - participant of The Final Step Soft Skills Workshop

OUR COMMUNITY

The Final Step was taken to the Northern Province for the first time with the hosting of the programme at the University of Jaffna in March 2013. The programme received an overwhelming response with each day's workshop attracting over 500 undergraduates from various Faculties.

Students' feedback

Participating in the career guidance programme organised by you in the University of Jaffna was very useful for me to improve my career and job opportunities. I am thankful to the John Keells Group - great job! - Uthayasurian Kirisanthan, 4th year

Another milestone was achieved when The Final Step was taken to the Northern Province for the first time, with the hosting of the programme at the University of Jaffna in March 2013. The programme received an overwhelming response with each day's workshop attracting over 500 undergraduates from various Faculties. A total of 521 students were eligible to receive certificates of participation on the basis of 80 per cent attendance.

Focus Area	Project	Project Objective	Focus Area in 2012/13	Project Scope in 2012/13	Project Impact	JKH Volunteers
Education	The Final Step- University Soft Skills Project	To enhance the employability of local graduates by changing their perspectives of employment in Sri Lanka, particularly in the private sector, and increasing their adaptability to the requirements of the workplace.	University of Peradeniya (Central Province)	• Employer Expectations • Team Building & Leadership Skills; • Personality Development & Confidence Building • Adapting to the Corporate Environment • Personal Grooming; and Corporate Hospitality	Total participants - 493 Certificate recipients - 410	9
			University of Jaffna (Northern Province)		Total participants - 542 Certificate recipients - 521	14

Stakeholder Engagement

- Request by the Career Guidance Unit (CGU) of the University via the University Grants Commission
- Curriculum, resource persons, venue and participants planned and implemented with the CGU
- Publicity material - posters, individual pocket schedules etc.

Selection Criteria

- Preference given to third and final year students of all faculties
- Pre-registeration of candidates via the CGU

Impact Assessment

- Impact Assessment
- Attendance at workshops
- Participant interaction
- Participant feedback (mandatory)
- Staff volunteers' feedback
- Informal assessment with CGU and Vice Chancellor
- Official report of the CGU

Neighbourhood School Development Project

As part of the Foundation's commitment to the progression of education particularly in the less advantaged public schools, it supports the development and maintenance of infrastructure and educational facilities of five disadvantaged Government schools in Colombo 2 - the location of the Head Office and several businesses of the John Keells Group- in order to create an environment conducive to learning and enhancing the quality of education. The project is implemented through the CSR teams of Cinnamon Grand Colombo and Cinnamon Lakeside Colombo.

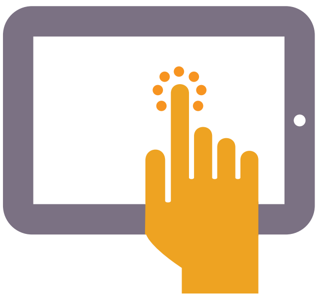
During the year in review, the focus shifted from infrastructure/ facility development to skills development and career guidance. The Foundation conducted a pilot programme for grade five scholarship candidates of the five schools to help the young scholars better understand and prepare for the scholarship examination. The impact of this initiative was measured through results obtained by the participants in the all-island scholarship examination which in general showed a very positive trend.

IT Training in Neighbourhood Schools

Another initiative piloted during the year was IT training for interested school children conducted with the support of a team of four volunteers from John Keells Computer Services (Pvt) Ltd.

A total of 13 Ordinary Level class students of Al Iqbal Muslim Balika Vidyalaya participated in the course on MS Office (intermediate and advanced) covering Word, Excel and Powerpoint. Following 11 hours of classes held over a period of six weeks, an assessment test was conducted based on the course work and group assignments at which every student recorded marks above 75 per cent.

Given the enthusiasm and positive response received, the Foundation intends to continue this initiative in the future.



Career Guidance and Vocational Training for School leavers of Neighbourhood Schools

An important initiative piloted during the year in review was the launch of a career guidance and vocational training programme for post-Ordinary Level students of the five schools, which was carried out in consultation with school principals and the Director, Zonal Education Office. This was in the context that all the schools except T. B. Jayah Maha Vidyalaya do not offer Advanced Level classes, as a result of which a large percentage of the students of these schools seek employment soon after their Ordinary Level studies.

The foundation for the new programme was laid with a stakeholder engagement involving the school principals and parents of grade 10 students of the five schools. This comprised of an introduction to the career guidance and vocational training initiative and job-specific presentations by John Keells personnel relating to the Leisure, Retail and Logistics industries. Following interest expressed by the parents, students were enlisted for the career guidance workshop.

A total of 58 students participated in the day-long workshop and ended with an exposure tour of Cinnamon Grand Colombo.

The next step will be to select a group of students after their O'Level results to undergo a vocational training programme at Cinnamon Grand Colombo and Cinnamon Lakeside Colombo hotels. The selection will target high performers at the career guidance workshop who do not qualify for Advanced Level studies. The initiative will expose the selected candidates to a wide range of departments and functions in the hospitality industry over a period of six months.

"During the year in review, the focus shifted from infrastructure and facility development to skills development and career guidance."

Stakeholder Engagement

- Request by school principals and/or Zonal Education Director accompanied by independent needs assessment by project team/ technical staff of city hotels or proposed by John Keells Foundation and mutually agreed with school authorities and (if necessary) students and their parents

Selection Criteria

- Relevance of the initiative in keeping with project objectives
- Need to prioritise vis-a- vis annual budgetary allocation
- Maintenance/ sustainability of initiative

Impact Assessment

- Feedback from students
- Feedback from school authorities
- Project team's/ staff volunteer's feedback

OUR COMMUNITY

Overall Objective	Focus Area	Initiatives in 2012/13	Details	Direct Impact	JKH Volunteers
Improving the overall educational facilities and employability of students of five disadvantaged Government schools located near John Keells Head Office in Colombo 2, namely: • Al Iqbal Muslim Balika Vidyalaya • Holy Rosary Sinhala Vidyalaya • Holy Rosary Tamil Vidyalaya • Siri Sariputta Maha Vidyalaya • T.B. Jayah Maha Vidyalaya	Skills development	English skills	Offer of scholarships and conduct of classes for eligible students under the John Keells English Language Scholarship Programme	Students - 34	1
		Grade 5 scholarship project	A two-day refresher programme conducted by two renowned scholarship masters. Separate seminars were conducted in Sinhala and Tamil medium	Students - 150	5
		IT skills	A pilot short-term class conducted in March-April 2013 for O'Level class students of Al-Iqbal MBV on intermediate and advanced MS Office	Students - 13	4
	Career guidance & vocational training	Career guidance and vocational training for school leavers	Meeting with parents to make them aware of the importance of career guidance & vocational training	Parents - 50 Schools - 5	8
			Career guidance workshop for interested students after Ordinary Level exams	Students - 58 Principals - 5	14
	School infrastructure & facility development	Supporting development/ maintenance of school infrastructure and facility enhancement	Al Iqbal MBV -Rennovating home science room	Students - 100 Teachers - 3	2
			Sri Sariputta MV - Construction of a glass casing for the Buddha statue, doors for science room, aluminium racks, repair of desks & chairs	Students - 200 Teachers - 10	
			T. B. Jayah MV - Repair of desks & chairs	Students - 50	
			Holy Rosary Tamil Vidyalaya - Renovation of classrooms	Students - 50	1
			Holy Rosary Sinhala Vidyalaya - Renovation of classrooms	Students - 100	
			Donation of a total of 2008 books to the five schools under the "Gift of Knowledge" Book Donation Campaign	All students of the 5 schools	20

Principal's Feedback:

"On behalf of all the State schools of Colombo 2, I wish to thank John Keells Foundation for the help given to our schools over the past 10 years for the benefit of deserving children in the area. Focusing on the needs of the neighbourhood in preference of distant communities, the John Keells Foundation has recognised our need and come to the aid of our children continuously. The grade 5 scholarship refresher programme held recently and the vocational training programme being planned currently are indeed noteworthy services." - Mrs. A.L.S. Nazeera, Principal of T.B. Jayah Maha Vidyalaya of Colombo 2.

John Keells Foundation carried out assessments of all its educational projects at the conclusion of the respective programmes and the feedback received was positive. It was noted that requests for similar programmes in the future were common.

University of Moratuwa Transport & Logistics Degree Programme

Continuing from the previous year, the Transportation sector continued its sponsorship of the scholarship programme for the students reading for an Honours degree of Bachelor of Science in Transport and Logistics Management (BSc (T&LM) Hons.) at the University of Moratuwa during the year in review. This 4-year programme, which commenced in 2006, is a strategic CSR project designed to develop the knowledge, skills and attitudes necessary to equip the undergraduates to face the modern day challenges in transportation and logistics. It also helps develop a much needed resource base of professionals for the country's growing transportation industry.

In 2012/13, a total of 22 students were granted scholarships. The T&LM degree syllabus also includes a 6-month industrial placement, with three students being selected for internship in the Transportation sector during the year under review. The scholarship holders who have graduated are employed at prestigious institutions such as Sri Lankan Airlines, South Asia Gateway Terminals, John Keells Logistics, Fedex, Fonterra, Nestle, Sri Lanka Ports Authority, Central Bank etc.

Meanwhile, as all lectures are conducted entirely in English, the first-year students (numbering 40) were also provided English language training via a customised programme conducted by the Gateway Institute. In this instance, rather than conducting the usual two and a half months of classroom learning, an innovative approach was taken by conducting a five day total immersion camp at the university premises.

IT training at Al Iqbal Muslim Balika Vidyalaya, Colombo 02

Student's Feedback:
"It helped me to improve my presentation skills. Because our department has so many presentations, the immersion program definitely helped me in our academic activities" - Biman Darshana Hettiarachchi

Supporting of Siduhath Vidyalaya by Whittall Boustead

Whittall Boustead (Travel), sponsored the school requirements of the students of Sidhuhath Vidyalaya in Gallala, Ratnapura for the 12th successive year. Each year, since 2001, the staff, tour leaders and suppliers of the company and its principals Kuoni and their staff have voluntarily contributed to the purchase of stationery requirements of all the students of this disadvantaged public school. 35 volunteers (staff and tour leaders) participated at the event at which the stationery requirements of all students from Year 1 to Year 11 (numbering 225) for the whole year were distributed.

Impact Assessment

John Keells Foundation carried out assessments of all its educational projects at the conclusion of the respective programmes and the feedback received was positive. It was noted that requests for similar programmes in the future were common.

In addition to its internal assessments, the Foundation commissioned an independent impact evaluation of the English for Teens initiative in 2011/12 involving a sample of scholarship students of the intakes of both 2010/11 and 2011/12, representing 11 Districts and all nine Provinces, as well as their parents and course teachers.

The completed report of the external research institute, Lanka Market Research Bureau Private Limited, was received during the year

OUR COMMUNITY

During the year in review, a total of 12,774 persons benefited from HIV and AIDS awareness sessions conducted by John Keells Foundation. Accordingly, the cumulative number of persons educated since the inception of the campaign is 54,100.

in review highlighting the following salient aspects:

- More than 95 per cent of students from both batches claimed that the programme was practical, simple and easy to understand and interesting.
- Almost all parents were of the opinion that the programme had improved their child's ability to listen, speak, read and write English, and that overall, their marks obtained at school for English had increased.
- Most of the teachers interviewed in the study were of the opinion that the training had given more benefit to the rural poor and disadvantaged students in the country by providing easy access to getting trained in an international language. They saw the program as a ladder that enabled the future generation to compete in the global environment. Teachers had noted a significant improvement in the English language ability of students, especially in vocabulary development and grammar, and also in the overall interest in learning English. They also said that it had had a great impact in improving students' standard of English in terms of speaking, reading, writing, listening and understanding.

John Keells HIV and AIDS awareness campaign

According to the UNAIDS classification, Sri Lanka is a country of "low level HIV epidemic", but there is potential for spread. It is a known fact that the great majority of persons affected by HIV and AIDS are in their most productive age. Hence the Millennium Development Goals – Country Report 2005 – Sri Lanka rightly identifies HIV and AIDS prevention measures in the workplace as a key priority for development.

The John Keells HIV and AIDS awareness campaign is a sustained initiative designed to cover awareness for employees of the John Keells Group, various vulnerable communities around the Group's business locations and the general public. Launched in 2005, it was the first such campaign to be undertaken by a local corporate in Sri Lanka. The awareness project aims to inform people about the medical aspects of the disease, while at the same time increasing their sensitivity towards the human/social dimension. The project is carried out in collaboration with the National STD/AIDS Control Programme of the Ministry of Health (NSACP), International Labour Organisation (ILO) and the Employers' Federation of Ceylon (EFC).

HEALTH

During the year in review, a total of 12,774 persons benefited from HIV and AIDS awareness sessions conducted by the Foundation. Accordingly, the cumulative number of persons educated since the inception of the campaign is 54,100.

World AIDS Day at John Keells

The Foundation commemorated World AIDS Day on the 1st of December 2012, by a series of activities which included various Group-wide activities such as awareness sessions, poster and video campaigns, pinning of the "red ribbon" on the management and staff, a digital awareness campaign and a quiz to raise awareness on HIV and AIDS. A novel feature of this year's commemorative activities was a free HIV screening organised by John Keells Foundation open to Group employees. 400 staff made use of the free health check which also included blood sugar, cholesterol and blood pressure.

HIV & AIDS awareness in the Maldives and India

1st December 2012 marked a significant milestone for the John Keells HIV and AIDS awareness campaign in the Maldives when John Keells Foundation was invited to conduct an awareness programme for Maldivian nationals in collaboration with John Keells Maldivian Resorts and the National Drug Agency (NDA) of Maldives. Another historic event which took place in the Maldives was the establishment of the first ever HIV and AIDS Workplace Committee in the Maldives at the JKH resort, Chaaya Lagoon Hakuraa Huraa. The first awareness programme, was attended by over 100 staff members and was followed by voluntary counselling and free screening services.

Another landmark was recorded with the John Keells HIV and AIDS awareness campaign entering the shores of India. John Keells BPO Solutions India marked the launch of the campaign within the organisation, with a week-long event starting with a "red ribbon" campaign. A quiz competition and a poster competition were also conducted during the week. An "I Pledge" banner was put up in the premises with team members being invited to sign and pledge their support to the initiative.

The HIV and AIDS Awareness Campaign not only concentrates on educating the employees of the Group, it also focuses on the enterprise-based workplace committees which were established in all John Keells companies in Sri Lanka following the Group-wide adoption of an HIV and AIDS Workplace Policy in 2010/11. The Foundation has a network of over fifty Master Trainers, and Mr Ivan Perera - Security Manager attached to John Keells Hotels and a Master Trainer on HIV and AIDS since December 2009 - is one such. He and his team have been involved in conducting multiple awareness programmes for the benefit of the employees of the John Keells hotels and community outrach programmes. A former member of the Sri Lankan Army, he initiated the idea of conducting awareness sessions for members of the security forces. During the year in review, he recorded the remarkable milestone of 20,000 people educated by him and his team since 2010.

Master Trainer Ivan Perera carrying out an HIV and AIDS awareness programme

Feedback:

"More than 1,200 troops were given the opportunity to get the maximum knowledge through this awareness programme. I feel that they were extremely privileged and honoured for being able to listen to this highly valuable educational programme." – Brig. Devinda Perera, General Officer Commanding of 62 Division Headquarters Army Camp, Galkulama, Padavi-Sripura

Stakeholder Engagement

- Organisational (Group or 3rd party) request for awareness session(s)
- Collaboration arrangements for awareness (e.g. Sri Lanka Army, Sri Lanka Air Force, Lanka Business Coalition on HIV and AIDS-LBCH)

Selection Criteria

- Number of individuals identified for awareness
- Availability of prerequisites - suitable venue, ground support/ focal point for organisation

Impact Assessment

- Participant interaction
- Participant feedback (minimum of 10 per cent coverage mandatory)
- Project team's/staff volunteers' feedback
- Feedback/acknowledgement from beneficiary organisation
- Feedback from third party organisations (e.g. ILO, LBCH)

Focus Area	Project	Overall Objective	Locations in 2012/13	Awareness Sessions	Direct Impact	JKH Volunteers
Health	John Keells HIV & AIDS Awareness Campaign	To prevent the spread of HIV, and discrimiation and stigma relating to HIV and AIDS, through education for the Group staff, surrounding communities (including high risk environments) and the general public.	Sri Lanka Army Camps; Sri Air Force Bases	20	6,382	29
			Staff of John Keells Group	65	4,504	44
			External corporates coordinated by Lanka Business Coalition on HIV and AIDS (LBCH)	13	613	8
			External corporates (excluding sessions for LBCH)	2	322	5
			Government agencies and Schools	5	953	12

OUR COMMUNITY

John Keells Vision Project

During the year in review, John Keells Foundation continued with its long-term goal to eradicate avoidable blindness due to cataract in Sri Lanka. Through numerous eye camps conducted in various parts of the country with the support of its project partners, a total of 882 cataract patients were identified and 613 surgeries completed during the year in review, bringing the cumulative total of cataract surgeries since the launch of the initiative in 2004 to 5,373. Moreover, a total of 1,387 spectacles were donated to both adults and children during the reporting period.

A total of 16 eye camps were conducted in six Provinces of the country with the support of Group companies on location, and project partners including Vision 2020 Secretariat of the Ministry of Health (eye camps and cataract clinics), Lions Gift of Sight Hospital (eye camps and co-sponsorship of surgeries of deserving cataract patients) as well as So Others May See (SOMS) (eye glass clinics for needy persons).

The continued collaboration with the Vision 2020 Secretariat of the Ministry of Health is noteworthy in enabling the extension of the John Keells Vision Project to areas previously rendered inaccessible due to the long-drawn civil conflict. Highlights of this collaboration were successful cataract clinics conducted in

The continued collaboration with the Vision 2020 Secretariat of the Ministry of Health is noteworthy in enabling the extension of the John Keells Vision Project to areas previously rendered inaccessible due to the long-drawn civil conflict.

"A total of 882 cataract patients were identified and 613 surgeries completed during the year in review, bringing the cumulative total of cataract surgeries since the launch of the initiative in 2004 to 5,373."

Vision Camp at Nachchikuda, Kilinochchi

Stakeholder Engagement

- Discussions with 3rd party requesting an eye camp (eg: community based organisations)
- Collaboration with the Ministry of Health, Provincial hospitals, doctors
- Collaboration arrangements with Lions hospitals in Panadura and Ratnapura
- Publicity before and during the Eye Camps
- Press releases/advertorials

Selection Criteria

- Under-served communities/those with no access to vision care services
- Availability of prerequisites-medical resources, suitable venues, ground support/focal point for organisation and follow up support

Impact Assessment

- Attendance at eye camp
- No. of patients screened for cataract/other vision impairment
- Project team's/staff volunteers' feedback
- Feedback/acknowledgement from beneficiary organisation
- Feedback from 3rd party/ collaborating organisations
- No. of cataract surgeries completed (as against the number of patients diagnosed with cataract)

Focus Area	Project	Overall Objective	Project Location/s in 2012/13	Focus Area in 2012/13	Direct Impact	JKH Volunteers
Health	John Keells Vision Project	To assist deserving individuals regain their vision and thereby their social and economic independence	**Uva Province** Bandarawela (Dr. Iddawela) **Northern Province** Mullaitivu (SOMS) Kilinochchi (Vision 2020) Nachchikkuda (Naval BH) Mullaitivu (Vision 2020) Mannar (SOMS) **Sabaragamuwa Province** Karawita (Lions/TSFL) **Central Province** Dikoya (Vision 2020) Ginigathhena (Vision 2020/TSFL) **Southern Province** Elpitiya (Lions) Bentota (Lions/BBH) **Western Province** Horana (Lions) Panadura (Lions) Kalutara (Vision 2020) Matugama (Lions) Beruwela (Lions/Cinnamon Bey)	Cataract surgeries in collaboration with Vision 2020 Secretariat of the Ministry of Health, Government Hospitals and Lions Gift of Sight Hospital	Completed surgeries - 613 Pending surgeries - 200	85
				Donation of spectacles to children and adults - at John Keells eye camps and SOMS Eye Glass Clinics	Spectacles - 1387	

Feedback:

"As a first timer at an eye camp, it was very sad to see the people who had obviously travelled long distances to attend the eye camp and to see their condition. I am very glad that I got this opportunity to be a part of something that helps people in need."
- Maheshi Wimalagoonaratne, JKH / Volunteer - Karawita eye camp

Kilinochchi and in Mullativu of the Northern Province, resulting in 141 and 105 cataract surgeries, respectively.

ENVIRONMENT

Whilst the Group's sustainability initiative drives efforts at minimising the impact of the Group's operations on the environment (as reported in the section "Our Environment"), the Foundation spearheads its commitment to sustain and strengthen the communities and environment that have been the backbone of the Group's success. The Foundation does not engage in any activity which to its knowledge has or is likely to have an adverse impact on the environment.

Biodiversity Conservation

During the year in review, the Foundation continued to consolidate the activities at the Nature Field Centre at Rumassala in Galle. A collaboration of the Foundation with the Central Environment Authority (CEA) aimed

School children participating at an awareness programme - Nature Field Center at Rumasssala, Galle

OUR COMMUNITY

The John Keells Group's Paper Conservation Project, involving the collection of waste paper from the Group's business locations for shredding and recycling, has continued during the year in review, indirectly saving 609 trees

at facilitating experiential learning about the environment and biodiversity, primarily among schoolchildren, the Centre has given impetus to the conservation efforts of John Keells, whilst also creating an opportunity for a successful public-private partnership with the CEA. The Centre, conducts half-day programmes for schoolchildren and other interested groups to raise awareness on the need to protect the environment and our rich biodiversity, eco-friendly practices and the importance of co-existing in harmony with the environment. It continued to attract a healthy number of visitors per month, mostly schoolchildren, recording a total coverage of 1,868 during the year in review.

Feedback:
"In addition to the school children, this Centre caters to a growing demand by other groups such as Government officials, youth, women and pre-school children and the management of John Keells can be happy in the knowledge that their objective of contributing to the conservation of the environment has been fulfilled." – Asanga Dharmadsa, CEA officer in charge, Nature Field Centre, Rumassala

Paper Conservation

The John Keells Group's paper conservation project, involving the collection of waste paper from the Group's business locations for shredding and recycling, has continued during the year in review. The project's main objectives are the saving of trees and reducing the amount of waste paper otherwise ending up as landfill.

Neptune Recyclers (Pvt) Ltd, the contractor for collection and onward transmission for recycling of the Group's waste paper since 2006, has reported the direct and indirect impact of the project during the reporting year as shown below:

Polythene Reduction

Keells Super Supermarkets continued with their efforts at reducing the use of polythene during the reporting year. The related initiative of providing consumers with alternatives to polythene bags such as a reusable cloth bag known as the "Red Bag" and corrugated cardboard boxes (offered free of charge to its customers) were maintained during the year.

Moreover, during the year in review, 49 kg of plastic bottles were collected for recycling at the Union Place Keells Super supermarket.

Sustainable Energy Initiative - Solar Power to Halmillewa

Recycling of Waste Paper

Year 2012/13	Collection kg	Direct Impact - Payment Rs.	Indirect Impact - Savings				
			Trees Nos.	Water litres	Electricity kWh	Oil litres	Landfill m^3
Total	35,805	179,025	609	1,137,629	143,188	62,824	107

Red bag and cardboard box usage

Fiscal year	Red bag Sale	Red bag Re-use	Cardboard box Usage	Total Re-use	Per customer re-use	Re-use - Increase per Customer
April 2009 to March 2010	102,678	266,934		369,612	0.040	
April 2010 to March 2011	97,621	200,665		298,286	0.032	-23.97%
April 2011 to March 2012	72,592	130,525	322,882	525,999	0.047	31.34%
April 2012 to March 2013	73,416	84,140	181,479	339,035	0.028	-65.23%

Polythene usage

Fiscal year	Polythene usage in kg	Polythene usage per visit grams	Per customer reduction
April 2009 to March 2010	90,193	9.71	4.30%
April 2010 to March 2011	94,830	10.20	-4.85%
April 2011 to March 2012	112,282	9.98	2.26%
April 2012 to March 2013	92,739	7.74	28.94%

Sustainable Energy Initiative - Solar Power to Halmillewa

Halmillewa - a hamlet located in the Palugaswewa Divisional Secretariat of the Anuradhapura District – was the first recipient of the solar power initiative of the John Keells Foundation launched in 2011/12 with the installation of 12 solar power home lighting systems and 11 street lamps under Phase 1 of the initiative. The village was chosen according to a number of criteria: the number of permanent houses that did not have access to grid electricity, the fact that the entire village had no street lamps regardless of the risk of the human-elephant conflict, and the Foundation's established links with the village through the Village Adoption Project.

Under Phase 2 of the solar power initiative undertaken during the year in review, a further 11 domestic units and 11 street lamps were provided for the benefit of villagers of Halmillewa following a feasibilty and technical assessment commissioned by the Foundation, while ground support was provided by Cinnamon Lodge, Habarana. An additional feature of Phase 2 was the donation of 8 solar lanterns to elderly persons living alone.

COMMUNITY/ LIVELIHOOD DEVELOPMENT

The John Keells Group reaches out to the communities surrounding its operations through ongoing dialogue with the relevant stakeholders and through staff volunteerism, translating in a range of community service initiatives. The primary objective of the Foundation's community/livelihood projects is fostering the spirit of entrepreneurship as a key to sustainable development.

Feedback:
"I am immensely happy that I have received this solar system. My husband and I are very old and our eyesight is very weak. I would like to thank the John Keells Foundation profusely for donating this solar system." - Recipient of solar lantern, Halmillewa

Women's empowerment, Halmillewa

OUR COMMUNITY

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Sustainable Water Initiative – Rainwater Harvesting in Mangalagama

Following the field survey commissioned by John Keells Foundation during 2011/12, twenty households and three community centres in the village of Mangalagama of the Ampara District were the first recipients of rain water harvesting tanks.

A technical feasibility commissioned in the village confirmed that the village suffered from a severe water scarcity and that the majority of its population of 750 families who were farmers and Samurdhi holders had no permanent income throughout the year. Hence this village was found to have the need, suitability and feasibility to be provided rainwater harvesting facilities. The beneficiary households were selected according to such criteria as accessibility to national water supply, distance from nearest water source and suitability of the structure, particularly its roofing. The village temple, school and dispensary were provided with 20,000 litre tanks on the basis of their central role as community centres, whilst the twenty households were supplied with 5,000 litre tanks.

Sites for rain water harvesting tanks were recommended to John Keells Foundation through the technical assessment conducted by the contractor, Practical Action, in collaboration with officials of the Mangalagama Farmer Organisation. "Clean drinking water was always an issue for this community, especially during the dry season. During the initial assessments, I found that everyone in the community was enthusiastic about the idea of rain water harvesting tanks; they contributed to building the tanks as well. The recipients were grateful to John Keells Foundation, and people are fully committed to taking care of tanks given to them," said G.G. Ajith, Secretary of Sri Magalarama Temple Society and chief village coordinator of the initiative.

Village Adoption Project Halmillewa

During the year under review, the Foundation focused on reviving and consolidating acitivities of the women's society "Diriyen Idiriyata" which had gone into abeyance due to inaction by some of its office bearers. Accordingly, the membership was reconvened, new office bearers appointed and a revised consititution adopted according to the decisions of the membership. Action has also been initiated to recover the few unpaid loans under the savings scheme managed by the society.

Meanwhile, as part of its drive on entrepreneurship and capacity building, the Foundation has agreed to fund training on entrepreneurship initiatives such as cloth rug making, bee keeping and book keeping as requested by members of the women's society. Work is in progress in this respect.

Village Adoption Project Mangalagama

During the year under review, Ceylon Cold Stores (CCS) was able to consolidate further the livelihood development and capacity building program initiated among cashew farmers in the village. The main objective of this initiative is to enable the Cashew Farmers Organisation to grow, collect, process and deliver cashew directly to CCS at market prices in the mutual interest of both parties. This mutually beneficial partnership resulted in the

Stakeholder Engagement

- Discussion of the initiative with community leaders as part of an informal needs assessment
- Commissioning of a technical assessment via the supplier
- Discussion of the outcome of the assesment with the supplier and the community focal point/s towards finalising site selection
- Government approvals (if necessary) via Divisional Secretary
- Ground coordination support by Group's businesses in the area

Selection Criteria

- Community need based on accessibility to identified resource, income levels, etc
- Availability of basic infrastructure to support proposed system - solar power, rainwater harvesting)
- No of family members/ beneficiaries
- Willingness to support basic operations and maintenance

Impact Assessment

- Community interaction and support
- Supplier's feedback
- Beneficiary's feedback
- Feedback from Group business in the area
- Feedback from related Government agency (if any)
- Progress evaluation after one year

cashew farmers almost doubling the volume sold and the price received for the purchase of cashew by CCS year on year: a total of 4099 kg (2030 kg in 2011/12) of cashew amounting to Rs. 6.1 million during the year in review (Rs. 3.7 million in 2011/12). Loan facilities provided by the bank to facilitate the purchase of raw cashew by members of the Cashew Farmers Organisation aggregated to Rs. 2.4 million, up from Rs. 2.3 million in 2011/12.

Women's empowerment

The plan for Mangalagama in the reporting year also included initiating women's empowerment activities in consultation with women of the village. Although interest was expressed as regards the formation of a women's society to drive such activities at several meetings which were held in this regard, the women have not been able to organise themselves which has impeded the launch of any of the proposed activities. The Foundation will discuss with community leaders alternative courses of action in this respect in the next financial year.

BPO Initiative - taking city jobs to the village

OnTime Technologies (Pvt) Limited in Mahavilachchiya in the North Central Province - Sri Lanka's first recorded rural BPO - is flourishing, six years into its operations. The company works as a service provider to InfoMate and carries out transaction processing, as an extension of InfoMate's role of captive finance and accounting service provider for the John Keells Group.

In 2012/13, the number of youth engaged at OnTime increased to 20 associates. The range of functions outsourced to OnTime continued to expand during the year in review and the total payout to OnTime increased by 19 per cent over 2011/12. During the reporting period, two of the senior associates completed five years of work for OnTime, InfoMate and John Keells. These agents have graduated to senior leadership positions at OnTime and have

Village Adoption Project – New villages in the North and East

During the year in review, the Foundation undertook the task of identifying and selecting suitable villages for development in the Northern and Eastern Provinces.

Consequent to the above process and taking into consideration key aspects such as development needs and practical issues prevalent, the Foundation identified the Districts of Mullaitivu (Northern Province) and Trincomalee (Eastern Province), and the support of the NGO, World Vision Lanka was enlisted in shortlisting three suitable villages following the conduct of a preliminary needs assessment. Subsequent to the proposals received, fuller needs assessments were conducted and consultations had with Group companies (Union Assurance for Mullativu District and Chaaya Blu for Trincomalee District) and the following three villages were identified for development under the Village Adoption Project:

Mullaitivu District - Iranaipalai in Puthukkudiyiruppu DS
Mullaitivu District - Puthumathalan in Maritimepattu DS
Trincomalee District – Ellangaithurai Mugathuvaram GN in Verugal DS

It has been decided to address some immediate issues faced by the fisher and farmer communities, women's societies and schools of the three villages in the short term and formulate and implement a detailed development plan after a fuller assessment in 2013/14.

This ground-breaking project in the local BPO industry was initiated together with the Foundation for Advancing Rural Opportunity (FARO) in March 2007. The immediate objective of the project was to create sustainable employment for talented rural youth, enabling them to work from the familiar environment of their own village. The project has proved to be a sustainable business model, creating economic benefits to the company whilst simultaneously generating sustainable employment opportunities for rural youth. The long-term vision of the initiative is to create BPO capacity for Sri Lanka's future outsourcing growth.

Youth employeed at Seenigama BPO Technologies, Seenigama

OUR COMMUNITY

"On the strength of the JKH brand name and the trust placed in outsourcing key accounting functions, Seenigama BPO technologies was able to attract and secure new BPO clients from overseas and provide lucrative employment to additional youth."

a range of accounting, SAP and management capability. They are able to support their families with the earnings from OnTime and have improved their lifestyle. Meanwhile, it is also notheworthy that agents of OnTime who chose to move on to different job opportunities have secured excellent jobs, both in the private sector as well as Government sector, utilising the competencies and skills acquired through the BPO project.

Infrastructure support provided by InfoMate during the year included a complete networking cabling solution in line with best practices in order to improve network speed and reliability and thereby enhance earnings. Infomate also assisted in the procurement of computers and funded the backup leased line connectivity.

John Keells and InfoMate staff undertook seven field visits for the purpose of providing technical SAP related training and management training as well as equipping the associates with new skills. John Keells Foundation also funded an outbound training programme for the OnTime team to enhance entrepreneurship, leadership and other skills.

The second BPO, Seenigama BPO Technologies (Pvt) Ltd (SBT) at Seenigama, now in its third year, has also matured into a strong, sustainable unit employing 15 youth. Seenigama is a tsunami-affected village in the Southern Province of Sri Lanka and is a tripartite collaboration between John Keells Holdings, Foundation for Advancing Rural Opportunity (FARO) and the Foundation of Goodness (FOG). Training is provided in InfoMate's office in Colombo. The rapid progress and the supply of trained resources during the reporting year have been encouraging and plans are underway to expand to 20 seats in the near future.

During the year under review, the range of services outsourced to this unit also increased and total payout to SBT increased by 46 per cent over the previous year. Average operator earnings too improved by 20 per cent . It is also noteworthy that, on the strength of the John Keells brand name and the trust JKH had placed in Seenigama BPO Technologies in outsourcing key accounting functions, Seenigama BPO Technologies was itself able to attract and secure new BPO clients from overseas and provide lucrative employment to additional youth.

Five visits were undertaken to Seenigama during the year in review aimed at providing technical training and ISO training relating to information security and confidentiality practices.

InfoMate appointed two of its team leaders to overlook each of the operations and to coordinate all activities relating to the units. Their task includes arranging regular visits, periodic skype calls on operations, ensuring adequate work was assigned, thereby ensuring adequate earnings, addressing the concerns of the associates and also managing the inter-personal and HR aspects.

Sustainable Sourcing

The sustainable sourcing initiative of the Consumer Foods & Retail Group continues to boost agricultural activity in villages and raise the standard of living in diverse communities. It is one of the Group's largest and most successful projects, with many sub-projects such as the ginger and vanilla out-grower programmes, treacle and cashew projects, purchase guarantees of pork, chicken and assistance in the expansion of local, mechanised, de-boned meat.

Sustainable Sourcing by Keells Super supermarkets

The retail chain, Keells Super, sources a variety of low-country and up-country vegetables from farming families in Thambuttegama (North Central Province), Suriyawewa (Southern

Third BPO operation initiated in Jaffna

During the year, InfoMate together with John Keells Foundation launched its third BPO project in Jaffna, a unique project with public – private partnership. The Presidential Task Force on English and IT, together with the office of the Commissioner General of Rehabilitation partnered John Keells in this initiative and candidates from amongst the rehabilitated ex combatants were interviewed and selected for training.

A pool of over 30 candidates were shortlisted for an employability skills training programme which was sponsored by John Keells Foundation. The programme included English language and communication skills and basic accounting and computing skills. From this group, six candidates with the highest marks were selected for further training in InfoMate's Colombo office. The pool of six consisted of four rehabilitated youth and two from the general population.

During the year in review, the Foundation invested in the initial infrastructure of the Jaffna BPO office including computers, workstations, chairs, connectivity and networking.

The short-medium term plan is to increase the number of associates to 20 and maintain a mix of rehabilitees with general population, in order to further promote the re-integration process.

Province) and Nuwara Eliya (Central Province), benefiting hundreds of farmer families. In each case, the benefits derived for the farmers include increasing their levels of income, providing an assured market for quality produce, technical assistance and exposure to developed markets, improving their quality of life and the creation of a quality focused family community, which we believe to be a sustainable business model.

Sustainable Sourcing in the Leisure Industry Group

Meanwhile, resorts of the John Keells Leisure Group continued to purchase most of their fresh supplies such as fish, fruits, vegetables, flowers, etc. from surrounding communities whilst local entrepreneurship was fostered through the patronage of suppliers and entertainers of acceptable quality. The Leisure Inbound Sector also fosters entrepreneurship through its community based sourcing mechanisms.

In its ongoing effort to uplift SME's and improve quality standards, Walkers Tours Limited (a member of the John Keells Group and an inbound tour operator company) continued with its partnership with vehicle drivers. During the year in review, it maintained its ongoing partnership with 40 of its drivers in a project that assisted them to purchase modern vehicles on a self financed model. Having negotiated preferred rates on their behalf with both the vehicle seller and leasing company, Walkers Tours also provided a guaranteed minimum income each month. The initiative has been very successful, with 20 drivers completing the lease and assuming full ownership of the vehicles, while the remaining drivers are nearing the completion of their lease period. Walkers Tours has continued and expanded the above partnership with the inclusion of more coaches, SUV's and micro vans on self financed models.

Sourcing of vegetables by Keells Super

Sustainable Sourcing by Ceylon Cold Stores

Product	Location	Primary suppliers/ project partners	Number of farmers			Total annual supply (kg)			Total payment (Rs.)		
			2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Ginger	Aludeniya Galabawa Poojapitiya Uduwa All of Hataraliyadda in Kandy District	CCS, Ginger Growers and the Kandurata Development Bank supported by Central Bank of Sri Lanka	253	253	253	14,760	46,723	28,195	8,856,000	28,033,800	16,917,366
Vanilla	Meegammana West Wattegama Kandy	Kandy Vanilla Growers Association	2,500	2,500	2,500	925	534	981	6,937,500	3,672,500	5,762,390
Treacle	Waralla, Deniyaya	Nilwala Food Products	12	12	14	42,000	37,569	20,422	5,460,000	4,884,087	2,654,860
Kithul Jaggary	Agriculture Self Employment Society, Neluwa	Dakshina Kithul Nishpadana	N/A	25	50	N/A	9,871	20,284	N/A	3,701,625	8,132,277
Cashew Nuts	Mangalagama	Mangalagama Cashew Producers	N/A	30	20	N/A	2,030	4,099	N/A	3,726,000	6,131,300

OUR COMMUNITY

Sustainable Sourcing by Keells Food Products

Sustainable Sourcing Projects of Keells Food Products PLC 2012/13					
Product	**Location**	**Primary Suppliers/ Project Partners**	**No. of farmers**	**Total Annual Supply (kgs)**	**Total Payment (Rs.)**
Pork	Kaluaggala, Diulapitiya Bujjampola, Giriulla, Weliweriya Katana, Kosgama, Pamunugama Dambulla, Kandy	Kaypro Farms, Maxies Livestock, SN Brothers Farm, Pussalla Farm, Dilini Farms, CIC Farms, Sanjeewa Farms, St Anthonys Farm, D S D Perera, W G Fernando	25	750,782	179,909,881
Chicken	Wennappuwa Hanwella, Kosgama Meethirigala	Maxies & Company, Pussalla Farms, New Anthonys Farm, Nelna Farms	2,200	1,476,719	399,520,577
Spices	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	2,500	26,062	28,134,065
Vegetables	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	2,500	170,838	15,848,631

Sustainable Sourcing by JayKay Marketing Services

Procurement of vegetables

Thambuttegama vegetable collection centre

The vegetable collection centre at Thambuttegama, started in August 2005, is owned and operated by Jaykay Marketing Services (JMSL). During the financial year 2012/2013, JMSL procured 532,502 kg of vegetables and fruits for a total value of Rs. 39,262,000/-.The centre worked with approximately 75 farming families whilst at any given time approximately 35 farmers supplied produce.

For the fourth consecutive year, JMSL purchased 170,000 kg of B'Onions from the farmer associations in Kebithigollawa and Galenbinuwewa (two villages in the North Central Province) which was initiated by USAID-Sri Lanka. This is a 25 per cent growth in terms of volume compared to 2011/12.

Suriyawewa collection centre

The Suriyawewa collection centre started operations in January 2011 in the Walawe Mahaweli Area in the Southern Province. This collection centre was set up to procure low country vegetables and fruits. JMSL has been working with approximately 70 farming families and procured around 757,750 kg of vegetables and fruits at an aggregate value of Rs. 53,772,750/- during the year in review. In comparison to 2011/12, the volume has grown by 44 per cent.

Nuwara Eliya collection centre

The Nuwara Eliya Agricultural Cooperative Society (AGCO) at Meepilimana, Nuwara Eliya operates the vegetable collection centre on behalf of JMSL. This organisation has a membership of more than 1,200 farmers from in and around Nuwara Eliya and they procure all produce from the membership. During the year in review, JMSL procured just over 795,000 kg of up-country vegetables for a total value of Rs. 121,758,000/-. This is a 5.8 per cent growth compare to the corresponding period of 2011/12.

Procurement of fish, fruits from Jaffna

During 2012/2013, JMSL initiated a project to purchase fish and grapes/mango from Jaffna with the intention of supporting people in conflict affected areas. So far JMSL had procured 5,250 kgs of fish, 4,500 kg of Jaffna grapes and 7,500 kg of mangoes from Jaffna. JMSL is looking forward to expanding its operations in Jaffna in the coming financial year.

"The many talented artists and sculptors who venture to present their creations at Kala Pola have the opportunity to launch and sustain their careers, develop a client base and promote art as a lucrative profession."

"Kala Pola" 2013

ARTS AND CULTURE

The John Keells Group is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of the community.

Kala Pola

During the year in review, Sri Lanka's popular open-air art gallery cum art fair - Kala Pola - celebrated its 20th Anniversary with a mega two-day event held on the sidewalks of Nelum Pokuna Mawatha on Saturday the 26th and Sunday the 27th January 2013. It was inaugurated by the French Ambassador to Sri Lanka and the Maldives, H.E. Christine Robichon. Conceptualised by the George Keyt Foundation, Kala Pola has enjoyed the support of the John Keells Group for its 19th consecutive year. 344 painters and sculptors displayed their work to an enthusiastic public amid a relaxed atmosphere of music and entertainment as well as stalls serving refreshments. The event was patronised by approximately 30,000 visitors and was supported by 86 volunteers from the John Keells Group. The 20th anniversary edition featured a Children Art Corner, an area in which differently abled children could display and market their creations, an Art Auction, a public lecture series on art featuring renowned international and local artists, an exhibition of SAARC Art hosted bye the SAARC Cultural Centre as well as an evening of entertainment.

The many talented artists and sculptors who venture to present their creations at Kala Pola have the opportunity to launch and sustain their careers, develop a client base and promote art as a lucrative profession. Many Kala Pola artists have successfully expanded their careers into the international arena.

Meanwhile, Walkers Tours continues to host at its premises located in Colombo 2 a stunning collection of paintings of the internationally-renowned Sri Lankan artist, George Keyt. This valuable collection of artwork is on permanent public display in the premises towards making it accessible to both local and foreign art lovers alike.

Stakeholder Engagement

- Newspaper notices
- Individual letters to artists registered with the George Keyt Foundation
- Pre event media conference
- Publicity material-media, display boards in city hotels/retail outlets/ lifestyle stores, e-flyers

Selection Criteria

- Artists and sculptors conforming to the stipulated guidelines of George Keyt Foundation
- Only the above persons registering for the event are entitled to a display stall

Impact Assessment

- No. of participating artists
- No. of visitors
- Volume of sales
- Participant feedback
- Staff volunteers' feedback
- Media coverage (pre and post event)
- Review by JKF and George Keyt Foundation

OUR COMMUNITY

During the year in review, John Keells Foundation also launched the first corporate digital art gallery to enable Sri Lankan artists to showcase their work throughout the year. This new online service is offered as part of John Keells Foundation's ongoing efforts to promote Sri Lankan art and artists and aimed at eventually taking Sri Lankan Art to a global clientele.

Furthermore, the city and resort hotels of the Group support local arts and culture by engaging local artists and craftsmen to provide indigenous crafts and entertainment to guests.

Sunera Foundation's workshop for differently-abled young persons

In the reporting period, the Foundation continued to sponsor Sunera Foundation's workshop for differently-abled young persons in Welimada. The Sunera Foundation's focus is on improving the quality of life of these young persons and helping them with integration to society through performing arts.

Staff Volunteerism

A vital element in the Group's community engagement strategy is staff volunteerism. This not only knits the John Keells family together and with the community, but also enables employees to develop such skills as team work, confidence, communication and leadership while giving them a sense of pride in the organisation and personal fulfillment.

In recognition of the fact that employee volunteerism is a means of attracting and retaining staff, a presentation on CSR is made to each group of executive inductees under the Centre Induction Programme, with a request to consider volunteering for a project of their choice. This is also made an opportunity to make the new employees aware of the Group's commitment to the principles of the UN Global Compact (UNGC) and what it entails. The UNGC principles and the Millennium Development Goals are also posted on the Group's intranet for the benefit of staff.

Employees who wish to volunteer in Corporate Social Responsibility (CSR) activities are released with minimum restraint. Moreover, each volunteer engaged in its activities is acknowledged by the Foundation, their involvement and contribution are shared via the internal portal as well as the Group newsletter, their volunteer contribution rated under the Performance Appraisal System and considered for eligibility under the Group's Recognition and Rewards System including the Chairman's Award.

As at the end of the year in review, the John Keells Group does not account or charge for time spent by employees on CSR voluntarism. Similarly, the Foundation does not account for administration and overhead costs attributable to any of its projects.

The Foundation recorded the engagement of 313 employee volunteers from John Keells Group in 594 volunteer activities relating to various projects implemented or overseen by the Foundation, including several repeat volunteers in different projects.

In addition to the ongoing projects of the Foundation which are executed with the help of staff volunteers, the Foundation planned and implemented a mass-scale shramadana at the Kanneliya Forest, a UNESCO-designated forest reserve rich in bio-diversity located off Udugama, Galle. A total of thirty Group employees from various business units joined together for the annual shramadana at the Kanneliya Forest Reserve off Galle on 23rd March 2013. This was the third year that the shramadana was organised by the John Keells Foundation with the support

Volunteers at the annual shramadana, Kanneliya Forest Reserve, Galle

Volunteer Feedback:
"In my involvement with the Foundation's CSR initiatives, a notable experience was the eye camp at Mullaitivu. Even though the war is over, many people I met at the eye camp had tragic stories to tell of their life during the war. So I am happy that I could do something for them - listening to their sufferings and bringing some kind of relief to their life - personally and on behalf of John Keells. I am also very happy that John Keells organises eye camps like this for people who are really in need and I am also proud of being a John Keells employee." - Mayuran Mahendran

John Keells Volunteers

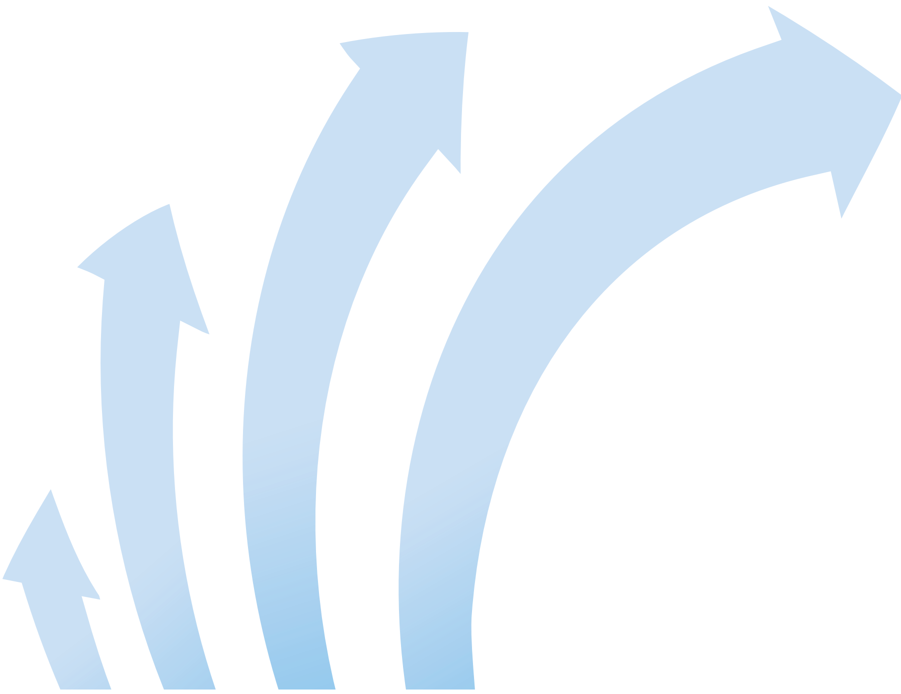
of Group volunteers. The initiative was in commemoration of World Forestry Day (falling on 21st March 2013) which is celebrated around the world to remind communities of the importance of forests and the many benefits gained from them. The John Keells volunteers were involved in clearing the invasive plant "beru" which endangers the many endemic plants thriving in Kanneliya. John Keells Foundation also sponsored seven name/ direction boards which were handed over to the Forest Department officers on site on the same day.

The Foundation recorded the engagement of 326 employee volunteers from the John Keells Group in 617 volunteer activities relating to various projects implemented or overseen by the Foundation, including several repeat volunteers in different projects. In addition, a total of 5,525 volunteer instances were reported at business/sector level within the Group. The Foundation and sustainability teams are currently in discussion on developing a system to capture the engagement of staff volunteers Group-wide on an ongoing basis.

Volunteers who have already participated in various CSR initiatives have often shared their sense of fulfilment at being part of a community based activity, which has been circulated among others of the team for motivational purposes.

The John Keells Group will persist in examining new opportunities to bring together community ventures and engagement initiatives which are closely associated with the focus areas of the Foundation, with the final goal of strengthening the sustainability of the communities and environment in which our businesses operate.

FINANCIAL INFORMATION



Keeping our eye on the next level

PROGRESSIVE

WE BELIEVE WE’RE ON THE RIGHT TRACK

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The directors have pleasure in presenting the 34th annual report of your Company together with the audited financial statements of John Keells Holdings PLC (JKH), and the audited consolidated financial statements of the Group for the year ended 31 March 2013.

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 Annual Report.

REVIEW OF BUSINESS SEGMENTS

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

Segment wise contribution to Group revenue, results, assets and liabilities is provided in note 3 to the financial statements.

In July 2012, John Keells Holdings PLC and John Keells Holdings Mauritius (Pvt) Ltd signed an agreement to divest 40% of the voting shares of John Keells Logistic Lanka (Pvt) Ltd and 80% of the voting shares of John Keells Logistics India (Pvt) Ltd.

In August 2012, the Group acquired an additional 6.96% voting shares of Keells Food Products PLC (KFP), thus increasing its ownership to 90.17% in KFP.

In August 2012, KFP acquired the building and plant and machinery of D&W Food Products (Pvt) Ltd.

In August 2012, Fitch Ratings Lanka affirmed John Keells Holdings PLC's (JKH) National Long-Term rating at 'AAA (lka)' with the outlook remaining 'Stable'. The affirmation reflects the continued strong dividend income from JKH's core investments and its subsequent low financial leverage at the holding Company. The rating also reflects JKH's strong liquidity position, well-spread-out debt maturities, and its exceptionally strong access to local banks and capital markets.

The JKH Group currently holds 29.9% in Nations Trust Bank PLC (NTB). The Monetary Board had previously directed that the Group reduces its share holdings in NTB to 15% or below by April 2012. The founder shareholders including JKH have written to the Central Bank of Sri Lanka (CBSL) requesting an extension of the deadline and a response is awaited. Meanwhile, the CBSL has also informed NTB that the requests made by its shareholders are currently under consideration.

REVENUE

Revenue generated by the Company amounted to Rs.599 million (2012 - Rs.516 million), whilst Group revenue amounted to Rs.85,557 million (2012 - Rs.77,690million). Contribution to Group revenue, from the different business segments is provided in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit after tax of the holding Company was Rs.7,362 million (2012 - Rs.4,632 million) whilst the Group profit attributable to equity holders of the parent for the year was Rs.12,201 million (2012 - Rs.9,687 million). Results of the Company and of the Group are given in the Income Statement.

The final dividend of Rs.1.50 per share for the financial year 2011/12 (2011 - Rs.1.00) was paid on 15 June 2012. First interim dividend of Rs.1.00 per share for the year 2012/13 (2012 - Rs.1.00) was paid on 2 November 2012. A second interim dividend for 2012/13 of Rs.1.00 per share was paid on 19 March 2013 (2012 - Rs.1.00). This resulted in a total dividend pay-out of Rs.3.50 per share (2012 - Rs.3.00) amounting to Rs.2,982 million (2012 - Rs.2,314 million).

Dividend per share has been computed for all periods based on the number of shares in issue at the time of dividend payout. As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained a certificate from the auditors, prior to declaring a final dividend of Rs.1.50 per share for this year. The final dividend will be paid on 17 June 2013 to those shareholders on the register as on 5 June 2013.

Detailed description of the results and appropriations are given below.

For the year ended 31 March In Rs.'000s	2013	2012
Results from operating activates	6,705,102	7,183,183
Finance cost	(1,081,218)	(1,415,827)
Finance income	4,769,891	2,874,360
	10,393,775	8,641,716
Change in fair value of investment property	2,012,077	1,413,474
Profit accruing to the company and subsidiaries	12,405,852	10,055,190
Share of results of equity accounted investees	3,369,313	2,764,838
Profit before tax	15,775,165	12,820,028
Provision for taxation including deferred tax	(2,184,539)	(1,841,879)
Profit after tax	13,590,626	10,978,149
Profit attributable to minority shareholders	(1,389,547)	(1,291,236)
Amount available to the group's shareholders	12,201,079	9,686,913
Other adjustments	484,077	332,030
Balance brought forward from the previous year	31,725,491	24,666,211
Amount available for appropriation	44,410,647	34,685,154
1st interim dividend of Rs.1.00 per share (2012 - Rs.1.00) paid out of dividend received	(851,371)	(840,799)

2nd interim dividend of Rs.1.00 per share (2012 - Rs.1.00) paid out of dividend received	(855,073)	(842,887)
Final dividend declared of Rs.1.50 per share (2012 - Rs 1.50) to be paid out of dividend received *	(1,286,151)	(1,275,977)
Balance to be carried forward next year	41,418,052	31,725,491

* The final dividend recommended for this financial year has not been recognised as at the balance sheet date in compliance with LKAS 10 - Events after the Reporting Period

ACCOUNTING POLICIES

Details of accounting policies have been discussed in note 1 to the financial statements. There have been changes in the accounting policies adopted by the Group during the year under review. For all periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS) which were effective up to 31 March 2012. These financial statements for the year ended 31 March 2013 are the first the Group has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) immediately effective from 1 April 2012. These SLFRS/LKASs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

DONATIONS

Total donations made by the Company and Group during the year amounted to Rs.4.9 million (2012 - Rs.11.5 million) and Rs.18.8 million (2012 - Rs.22.8 million), respectively. Of these, the donations to approved charities were Rs.3.2 million (2012 - Rs.nil) at Company Rs.11.7 million (2012 - Rs.4.7 million) at Group. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

The John Keells Foundation, which is funded by Group companies 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 Integration and Risk Management section in the Annual Report.

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

PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant and equipment as at the reporting date amounted to Rs.75 million (2012 - Rs.89 million) and Rs.49,273 million (2012 - Rs.34,290 million) for the Company and Group respectively. Capital expenditure for the Company and Group amounted to Rs.15.3 million (2012 - Rs.53.2 million) and Rs.5,641 million (2012 - Rs.5,891 million), respectively.

Details of property, plant and equipment and their movements are given in note 17 to the financial statements.

MARKET VALUE OF PROPERTY, PLANT AND EQUIPMENT

All land and buildings owned by Group companies were revalued in the financial year 2012/13, with the following exceptions.

Union Assurance PLC. was revalued in the financial year 2011/12.

Valuations were carried out by P B Kalugalgedera, Chartered Valuation Surveyor, S Fernando, Chartered Valuation Surveyor and K T D Tissera, Chartered Valuation Surveyor.

INVESTMENT PROPERTY

Investment properties of business units, when significantly occupied by Group companies, are classified as property, plant and equipment in the consolidated financial statements in compliance with LKAS 40.

All properties classified as investment property were valued in accordance with the requirements of LKAS 40. The Group revalued all its investment properties as at 31 March 2013. The carrying value of investment property of the Group is Rs.9,295 million (2012 - Rs.7,631 million).

Details of the revaluation of property, plant and equipment and investment property are provided in notes 17.5 and 19.1 to the financial statements.

Details of Group properties as at 31 March 2013 are disclosed in the Group Real Estate Portfolio section of the Annual Report.

INVESTMENTS

Detailed description of the long term investments held as at the reporting date, are given in notes 21, 22 and 23 to the financial statements.

STATED CAPITAL

The total stated capital of the Company as at 31 March 2013 was Rs.26,480 million (2012 - Rs.25,111 million), as given in note 30 to the financial statements.

Options in respect of 13,122,459 shares (2012 - 4,381,962 shares) were exercised during the year under the employee share option plan, for a total consideration of Rs.1,370 million (2012 - Rs.499 million).

SHARE INFORMATION

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

Given below, as additional disclosure, are the John Keells Holding's Board of Directors' shareholdings in Group companies as at 31 March 2013.

John Keells Holdings PLC (JKH)

S C Ratnayake - 5,299,066 (2012 - 4,579,903)
A D Gunewardene - 6,481,720 (2012 - 5,706,654)
J R F Peiris - 1,371,392 (2012 - 1,215,859)
E F G Amerasinghe 5,514 (2012 - 5,514)
T Das - Nil (2012 - Nil)
S S Tiruchelvam - 1,300 (2012 - 1,300)
I Coomaraswamy - Nil (2012 - Nil)
A R Gunasekara - 107,866 (2012 - 107,866)
M A Omar - 13,810 (2012 - N/A)

Options available under the employee share option plan of JKH.
S C Ratnayake - 1,380,426 (2012 - 2,631,892)
A D Gunewardene - 1,207,872 (2012 - 2,302,938)
J R F Peiris - 1,027,850 (2012 - 1,533,383)

Asian Hotels and Properties PLC
S C Ratnayake - 20,000 (2012 - 10,000)

Ceylon Cold Stores PLC
S C Ratnayake - 3,344 (2012 - 3,344)
A D Gunewardene - 30,800 (2012 - 30,800)
J R F Peiris - 668 (2012 - 668)

John Keells Hotels PLC
S C Ratnayake - 550,311 (2012 - 550,311)
A D Gunewardene - 74,806 (2012 - 74,806)

Keells Food Products PLC
S C Ratnayake - Nil (2012 - 4,250)

Nations Trust Bank PLC
A D Gunewardene - 5,671,164 (2012 - 5,756,249)

Trans Asia Hotels PLC
S C Ratnayake - 400 (2012 - 400)
A D Gunewardene - 400 (2012 - 400)
J R F Peiris - 400 (2012 - 400)

Union Assurance PLC
A D Gunewardene - 8,562 (2012 - 7,492)

MAJOR SHAREHOLDERS

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed in the Share Information section of the Annual Report.

REVENUE RESERVES

Revenue reserves as at 31 March 2013 for the Company and Group amounted to Rs.20,222 million (2012 - Rs.15,842 million) and Rs.42,704 million (2012 - Rs.33,001 million), respectively. The movement and composition of the reserves is disclosed in the Statement of Changes in Equity.

DIRECTORS

The Board of Directors of the Company as at 31 March 2013 and their brief profiles are given in the Board of Directors section of the Annual Report.

In accordance with Article 84 of the Articles of Association of the Company, A D Gunewardene and I Coomaraswamy retire by rotation and, being eligible, offer themselves for re-election.

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 2007 shall not apply to T Das who is over 70 years and that he be re-elected a director of the Company.

M A Omar was appointed to the board as an independent director on 1 March 2013. In accordance with Article 91 of the Articles of Association of the Company, M A Omar retires by rotation and, being eligible, offers himself for re-election.

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 2013 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, Human Resources and Compensation and Nominations Committees;

Audit Committee
A R Gunasekara - Chairman
E F G Amerasinghe
I Coomaraswamy
S Enderby (resigned w.e.f 8 March 2013)

The report of the Audit Committee is given under the Corporate Governance section of the Annual Report.

Human Resources and Compensation Committee
E F G Amerasinghe - Chairman
I Coomaraswamy
A R Gunasekara
S S Tiruchelvam

The report of the Human Resources and Compensation Committee and the remuneration policy is given in the corporate governance section of the Annual Report.

Nominations Committee
T Das - Chairman
S Enderby (resigned w.e.f 8 March 2013)
S C Ratnayake
S S Tiruchelvam

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

INTERESTS REGISTER

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

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

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
Mr. S C Ratnayake	1,251,466 share options exercised under ESOP Sale of 532,303 shares
Mr. A D Gunewardene	1,095,066 share options exercised under ESOP Sale of 320,000 shares
Mr. J R F Peiris	505,533 share options exercised under ESOP Sale of 350,000 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, and J R F Peiris, Group Finance Director for the period 1 April 2012 to 31 March 2013 comprising of:

- An increment from 1st July 2012 based on the individual performance rating obtained by the executive directors in terms of the performance management system of the John Keells Group; and
- A short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2011/2012 paid in July 2012,

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, 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.

Sithie Tiruchelvam was reappointed as a Non-Executive Director from 1st January 2013 for a further term until the conclusion of the Annual General Meeting for 2015/2016 at the standard Non-Executive fees approved by the Board for Non-Executive Directors which fees are commensurate with the market complexities of the Company.

Ashroff Omar was appointed to the Board of Directors of John Keells Holdings PLC on the standard terms and conditions applicable to appointments of directors, including fees approved by the Board for Non-Executive Directors which fees are commensurate with the market and complexities relating to the business of the Company.

Particulars of entries in Interests Registers of subsidiaries

Asian Hotels & Properties PLC

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.

Indemnities and remuneration

The board approved the payment to R J Karunarajah and S Rajendra, executive directors of Asian Hotels & Properties PLC, remuneration comprising of:

- An increment from 1st July 2012 based on the individual performance rating obtained by the executive directors in terms of the performance management system of the John Keells Group; and
- A short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2011/2012, paid in July 2012.

as recommended by the Human Resource and Compensation Committee of John Keells Holdings PLC, the holding company of Asian Hotels & Properties PLC, in keeping with the Group remuneration policy.

Ceylon Cold Stores PLC

Indemnities and remuneration

The board approved the payment to J R Gunaratne, executive director of Ceylon Cold Stores PLC, remuneration, comprising of:

- An increment from 1st July 2012 based on the individual performance rating obtained by the executive director in terms of the performance management system of the John Keells Group; and
- A short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2011/2012, paid in July 2012 .

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC the holding company of Ceylon Cold Stores PLC, in keeping with the Group remuneration policy.

John Keells PLC

Indemnities and remuneration

Further to the appointment of R S Fernando as an executive director of John Keells PLC with effect from 1 July 2012, and the board approved payment to R. S Fernando, remuneration comprising of:

- A fixed element; and
- An increment from 1st July 2012 based on the individual performance rating obtained by the executive director in terms of the performance management system of the John Keells Group; and

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, the Holding company of John Keells PLC, in keeping with the Group remuneration policy.

Keells Hotel Management Services Ltd.

Indemnities and remuneration

The board approved the payment to J E P Kehelpannala. Executive director of Keells Hotel Management Services Ltd, remuneration, comprising of:

- An increment from 1st July 2012 based on the individual performance rating obtained by the executive director in terms of the performance management system of the John Keells Group; and
- A short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2011/2012 paid in July 2012.

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, the holding company of Keells Hotel Management Services Limited, in keeping with the Group remuneration policy.

Walkers Tours Ltd.

Indemnities and remuneration

The board approved payment to V Leelananda executive director of Walkers Tours Ltd, remuneration comprising of:

- An increment from 1st July 2012 based on the individual performance rating obtained by the executive director in terms of the performance management system of the John Keells Group; and
- A short term variable incentive based on individual performance, organisation performance and role responsibility

based on the results of the financial year 2011/2012 paid in July 2012

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, the holding company of Walkers Tours Limited, 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 11 of the financial statements.

EMPLOYEE SHARE OPTION PLAN (ESOP)

At the beginning of the year, the employee share option plan consisted of the third, fourth, fifth, sixth and seventh plans approved by the shareholders on 28 June 2004, 13 December 2007, 2 December 2009, 6 December 2010 and 7 December 2011 respectively.

Under the third plan, the Company was authorised to issue up to 5% of the issued share capital within an annual limit of up to 2% of nontransferable call share options and the options granted under this plan had to be exercised within five years of such grant. Under the fourth plan, the Company was authorised to 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 and had to be exercised within five years of such grant. Under the fifth plan, the Company was authorised to issue non-transferable call share options, not exceeding 1% of the shares in issue of the Company as at the date of granting the award and had to be exercised within five years of such grant. Under the sixth plan, the Company was authorised to issue non-transferable call share options, not exceeding in aggregate 0.75% of shares in issue of the Company as at the date of granting the award and had to be exercised within five years of such grant. On 7 December 2011, the shareholders approved a seventh plan, whereby the Company could issue non transferable call share options not exceeding 0.75% of the share 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 under the plans 5, 6 and 7 were valid for exercise as at 31 March 2013.

The highest, lowest and the closing prices of the share recorded during the year were Rs.249.70, Rs.172.00 and Rs.247.00 respectively.

The Company has not granted any funding to employees to exercise options.

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at the date of the Directors' report have been tabulated below.

EMPLOYEE SHARE OPTION PLAN AS AT 31ST MARCH 2013

	Date of Grant	Employee Category	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares ** Adjusted	Exercised	Cancelled***	Outstanding	End/ Current ** Price (Rs.)
PLAN 3 Award 3	28.05.2007		10,551,062	27.05.2012	146.00	13,017,508	11,743,088	1,274,420	-	109.50
		GEC*	2,111,212			2,814,948	2,814,948	-	-	-
		Other Executives	8,439,850			10,202,560	8,928,140	1,274,420	-	-
PLAN 4	25.03.2008		5,405,945	24.03.2013	120.00	6,806,006	6,550,456	255,550	-	90.00
		GEC*	2,162,375			2,883,163	2,883,163	-	-	-
		Other Executives	3,243,570			3,922,843	3,667,293	255,550	-	-
PLAN 5	17.12.2009		6,126,960	16.12.2014	160.25	7,935,812	1,751,614	55,227	6,128,971	120.19
		GEC*	2,445,280			3,260,373	-	-	-	-
		Other Executives	3,681,680			4,675,439	1,751,614	55,227	-	-
PLAN 6	09.12.2010		4,672,823	08.12.2015	292.00	6,214,104	38,398	404,517	5,771,189	219.00
		GEC*	1,872,174			2,496,229	-	-	-	-
		Other Executives	2,800,649			3,717,875	38,398	404,517	-	-
PLAN 7	07.12.2011		6,306,182	06.12.2016	172.10	6,306,182	483,070	66,300	5,756,812	172.10
		GEC*	2,522,482			2,522,482	-	-	-	-
		Other Executives	3,783,700			3,783,700	483,070	66,300	-	-
Total			33,062,972			40,279,612	20,566,626	2,056,014	17,656,972	-

* GEC comprises of the Executive Directors and Presidents

** Adjusted for Bonus Issues/Right Issues/Sub-divisions

*** "Cancelled" represents shares not exercised by resigning employees

CORPORATE GOVERNANCE

Directors' declarations

The directors declare that;

a) the Company complied with all applicable laws and regulations in conducting its business.

b) the directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

c) the Company has made all endeavours to ensure the equitable treatment of shareholders.

d) the business is a going concern with supporting assumptions or qualifications as necessary, and

e) have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance report is given under the Governance section of the Annual Report.

SUSTAINABILITY

The Group pursues its business goals from a stakeholder approach of business governance. Based on the findings of the continuous stakeholder engagements, the Group has taken specific steps, in focusing on material issues such as the conservation of natural resources and the environment, as well as addressing material issues highlighted by other stakeholders such as the community and employees. These steps have been encapsulated in a Group-wide sustainability initiative which has seen continuous progress over the last few years. This year, the Group published its second integrated Annual Report, combining financial information with sustainability information in a bid to provide its stakeholders with more holistic information. Det Norske Veritas AS (DNV) has assured that the report represents the Company's sustainability policies, objectives, management approach and performance, and meets the general content and quality requirements of the Global Reporting Initiative (GRI) G3.1.

The Report has also received a GRI Check, fulfilling the requirements of an Application Level B+ Level, as per GRI.

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 2013 was 123 (2012 - 141) and 13,224 (2012 - 11,956), 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 2013 the trade and other payables of the Company and Group amounted to Rs.230 million (2012 - Rs.246 million) and Rs.14,608 million (2012 - Rs.14,875 million), respectively.

ENVIRONMENTAL PROTECTION

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

RESEARCH AND DEVELOPMENT

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

STATUTORY PAYMENTS

The directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or, where relevant provided for, except as specified in note 42 to the financial statements, covering contingent liabilities.

ENTERPRISE RISK MANAGEMENT

The board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Group, where annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by each business unit. The headline risks of each listed Company is presented to its respective Board Audit Committee for review by the Business Unit and in the case of John Keells Holdings, by the Enterprise Risk Management Division to the John Keells Board Audit Committee.

INTERNAL CONTROL

The board, through the involvement of the Group Business Process Review Division, takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal control in the Group, compliance with laws and regulations and established policies and procedures of the Group. The head of the Group Business Process Review Division has direct access to the chairman of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee on matters pertaining to the Company.

EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting period, which would have any material effect on the Company or on the Group other than those disclosed in note 46 to the financial statements.

GOING CONCERN

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

AUDITORS

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

The Auditors Report is found in the Financial Information section of the Annual Report.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, its independence and its relationship with the Group, including the level of audit and non-audit fees paid to the Auditor.

The Group works with 4 firms of Chartered Accountants across the Group, namely, Ernst & Young, KPMG, PricewaterhouseCoopers, and Deloitte Haskins & Sells. Details of audit fees are set out in note 11 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 28 May 2013. 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 3 June 2013.

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, 28 June 2013 at 10.00 a.m. The notice of meeting appears in the Supplementary Information section of the integrated Annual Report.

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

By Order of the Board

Director *Director*

Keells Consultants (Pvt) Ltd.

Secretaries

28 May 2013

THE STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The financial statements comprise of:

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

The directors are required to confirm that the financial statements have been prepared:

- using appropriate accounting polices which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- presented in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group.

The directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring a final dividend of Rs.1.50 per share for this year, to be paid on 17 June 2013.

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

Compliance Report

The directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in note 42 to the financial statements covering contingent liabilities.

By order of the Board

Keells Consultants (Pvt) Ltd
Secretaries
28 May 2013

REPORT OF THE AUDITORS

ERNST & YOUNG

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

Report on the financial statements

We have audited the accompanying financial statements of John Keells Holdings PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statements of financial position as at 31 March 2013, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Scope of audit and basis of opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on other legal and regulatory requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Ernst & Young

28 May 2013
Colombo.

INCOME STATEMENT

For the year ended 31st March In Rs.'000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
Continuing operations					
Sale of goods		47,073,956	42,125,132	-	-
Rendering of services		38,483,295	35,564,740	599,248	516,356
Revenue	5	85,557,251	77,689,872	599,248	516,356
Cost of sales		(65,101,591)	(59,507,431)	(352,983)	(290,941)
Gross profit		20,455,660	18,182,441	246,265	225,415
Dividend income	6	-	-	6,817,632	4,815,059
Other operating income	7	1,351,824	1,679,903	107,306	192,609
Distribution expenses		(2,861,415)	(2,632,805)	-	-
Administrative expenses		(9,593,393)	(7,876,638)	(683,273)	(695,561)
Other operating expenses	8	(2,647,574)	(2,169,718)	(62,710)	(30,081)
Results from operating activities		6,705,102	7,183,183	6,425,220	4,507,441
Finance cost	9	(1,081,218)	(1,415,827)	(293,101)	(512,434)
Finance income	10	4,769,891	2,874,360	1,295,593	730,387
Net finance income		3,688,673	1,458,533	1,002,492	217,953
Change in fair value of investment property	19	2,012,077	1,413,474	-	-
Share of results of equity accounted investees	22.1	3,369,313	2,764,838	-	-
Profit before tax	11	15,775,165	12,820,028	7,427,712	4,725,394
Tax expense	12	(2,184,539)	(1,841,879)	(65,502)	(93,876)
Profit for the year		13,590,626	10,978,149	7,362,210	4,631,518
Attributable to:					
Equity holders of the parent		12,201,079	9,686,913		
Non-controlling interest		1,389,547	1,291,236		
		13,590,626	10,978,149		
Earnings per share					
Basic	13	14.33	11.52		
Diluted	13	14.22	11.44		
Dividend per share	14	3.50	3.00		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 195 to 280 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March In Rs.'000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
Profit for the year		13,590,626	10,978,149	7,362,210	4,631,518
Other comprehensive income					
Currency translation of foreign operations		(193,711)	1,060,558	-	-
Revaluation of land and buildings		10,463,249	1,543,566	-	-
Share of other comprehensive income of equity accounted investments		(48,392)	1,211,692	-	-
Net (loss) / gain on available-for-sale financial assets		(201,659)	(349,606)	(146,138)	393,385
Transfers to revenue reserves		(11,745)	46,167	-	-
Tax on other comprehensive income	12.3	(228,187)	(20,818)	-	-
Other comprehensive income for the year, net of tax		9,779,555	3,491,559	(146,138)	393,385
Total comprehensive income for the year, net of tax		23,370,181	14,469,708	7,216,072	5,024,903
Attributable to :					
Equity holders of the parent		20,032,700	12,886,563		
Non-controlling interest		3,337,481	1,583,145		
		23,370,181	14,469,708		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 195 to 280 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
ASSETS							
Non current assets							
Property, plant and equipment	17	49,272,979	34,290,012	28,627,982	75,309	89,559	73,543
Lease rentals paid in advance	18	9,513,671	10,278,349	9,512,117	-	-	-
Investment property	19	9,294,936	7,631,494	5,386,166	-	-	-
Intangible assets	20	2,689,514	2,633,073	2,631,950	74,004	48,141	43,724
Investments in subsidiaries and joint ventures	21	-	-	-	26,641,307	24,677,156	23,494,997
Investments in associates	22	15,724,361	15,654,381	14,692,435	9,821,364	9,485,530	9,257,569
Other non current financial assets	23	18,816,693	13,689,819	13,276,625	1,710,653	2,022,684	660,579
Deferred tax assets	24	212,227	129,478	202,850	-	-	54,198
Other non current assets	25	3,575,749	2,405,197	2,265,984	10,310	7,902	3,091
		109,100,130	86,711,803	76,596,109	38,332,947	36,330,972	33,587,701
Current assets							
Inventories	26	3,998,900	4,350,365	3,152,870	-	-	760
Trade and other receivables	27	12,775,046	11,347,280	8,982,184	994,862	376,950	65,670
Amounts due from related parties	41	207,455	10,715	18,520	518,084	978,748	696,782
Other current assets	28	2,895,900	2,923,080	2,979,734	384,966	342,926	373,475
Short term investments	29	26,586,054	24,847,203	16,952,300	12,551,540	10,183,845	10,143,984
Cash in hand and at bank		3,554,804	4,267,175	2,112,626	63,159	454,495	19,382
		50,018,159	47,745,818	34,198,234	14,512,611	12,336,964	11,300,053
Total assets		159,118,289	134,457,621	110,794,343	52,845,558	48,667,936	44,887,754
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
Stated capital	30	26,480,396	25,110,528	24,611,507	26,480,396	25,110,528	24,611,507
Capital reserves		-	428,365	428,365	-	-	-
Revenue reserves		42,704,203	33,001,468	25,296,044	20,221,756	15,841,968	13,523,969
Other components of equity	31	20,634,571	12,797,149	9,770,533	83,457	229,595	(163,790)
		89,819,170	71,337,510	60,106,449	46,785,609	41,182,091	37,971,686
Non-controlling interest		11,366,240	8,863,336	7,641,956	-	-	-
Total equity		101,185,410	80,200,846	67,748,405	46,785,609	41,182,091	37,971,686
Non current liabilities							
Insurance contract liabilities	32	17,388,494	14,710,527	12,662,500	-	-	-
Borrowings	33	11,857,764	12,220,907	8,275,452	3,752,621	5,060,493	5,442,865
Deferred tax liabilities	24	1,222,210	707,970	647,960	-	-	-
Employee benefit liabilities	34	1,385,072	1,372,161	1,215,597	134,075	126,864	104,752
Other deferred liabilities	35	50,228	2,948	3,460	-	-	-
Other non current liabilities	36	530,075	773,884	746,938	-	-	-
		32,433,843	29,788,397	23,551,907	3,886,696	5,187,357	5,547,617
Current liabilities							
Trade and other payables	37	14,608,263	14,875,221	11,114,166	229,990	246,050	146,500
Amounts due to related parties	41	15,280	1,650	2,237	13,156	6,926	9,274
Income tax liabilities	38	981,013	823,195	791,606	-	-	-
Short term borrowings	39	1,853,767	1,009,057	232,000	-	-	-
Current portion of borrowings	33	3,048,936	2,476,627	2,197,557	1,314,424	1,348,887	1,167,139
Other current financial liabilities		-	74,593	-	-	-	-
Other current liabilities	40	1,635,534	860,681	1,252,349	105,478	17,588	11,028
Bank overdrafts		3,356,243	4,347,354	3,904,116	510,205	679,037	34,510
		25,499,036	24,468,378	19,494,031	2,173,253	2,298,488	1,368,451
Total equity and liabilities		159,118,289	134,457,621	110,794,343	52,845,558	48,667,936	44,887,754

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 195 to 280 form an integral part of these financial statements.

28 May 2013

STATEMENT OF CASH FLOW

For the year ended 31st March In Rs.'000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	9,846,382	10,277,429	(304,073)	(233,670)
(Increase) / decrease in inventories		372,595	1,977,219	-	760
(Increase) / decrease in trade and other receivables		(1,742,603)	(1,682,515)	(716,506)	553,549
(Increase) / decrease in other current assets		32,307	(701,016)	(42,040)	30,549
(Increase) / decrease in other non current assets		(1,191,682)	(2,359,927)	(2,407)	(4,811)
Increase / (decrease) in trade and other payables		(748,809)	4,040,965	(9,833)	97,201
Increase / (decrease) in other current liabilities		767,041	(370,644)	87,890	6,560
Increase / (decrease) in other current financial liabilities		(74,593)	74,593	-	-
Increase / (decrease) in insurance contract liabilities		2,677,967	2,048,027	-	-
Cash generated from operations		9,938,605	13,304,131	(986,969)	450,138
Finance income received		4,666,717	2,874,360	1,295,593	730,388
Finance cost paid		(1,067,590)	(670,918)	(279,471)	(498,806)
Dividend received		2,816,971	2,467,993	7,263,400	4,529,887
Tax paid		(1,514,495)	(1,413,937)	27,130	(3,252)
Gratuity paid		(117,217)	(85,444)	(11,664)	(7,411)
Net cash flow from operating activities		14,722,991	16,476,185	7,308,019	5,200,944
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		(5,169,745)	(5,486,248)	(15,291)	(53,236)
Purchase of intangible assets		(67,517)	(35,431)	(42,383)	(19,344)
Addition to investment property		(1,102,168)	(620,364)	-	-
Acquisition of business, net of cash acquired	4.1 4.3	(350,000)	126,719	-	-
Acquisition of associates		(238,312)	(227,961)	-	-
Increase in interest in subsidiaries		-	-	(2,055,277)	(1,182,158)
Increase in interest in associates		(97,522)	(76,755)	(335,834)	(227,961)
Proceeds from sale of property, plant and equipment and intangible assets		145,084	145,462	6,747	7,722
Proceeds from sale of non current investments	4.2	137,808	-	54,563	-
Proceeds from sale of interest in associates		585,675	-	-	-
Proceeds from sale of financial instruments - fair valued through profit or loss		859,778	247,798	-	-
Purchase of financial instruments - fair valued through profit or loss		(1,243,528)	(780,097)	-	-
(Purchase)/disposal of other financial assets (net)		(4,481,155)	(1,709,334)	(5,710,049)	(300,195)
(Purchase)/disposal of other investments (net)		(5,332,042)	(586,430)	165,892	(968,720)
Net cash flow from / (used in) investing activities		(16,353,644)	(9,002,641)	(7,931,632)	(2,743,892)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		1,369,868	499,021	1,369,868	499,021
Proceeds from shareholders with non-controlling interest, on issue of rights in subsidiaries		82,499	63,405	-	-
Direct cost on issue of shares		(7,609)	(12,742)	-	-
Acquisition of non-controlling interest		(8,516)	-	-	-
Dividend paid to equity holders of parent		(2,982,422)	(2,313,519)	(2,982,422)	(2,313,519)
Dividend paid to shareholders with non-controlling interest		(839,437)	(264,356)	-	-
Proceeds from long term borrowings		3,169,386	4,156,113	-	-
Repayment of long term borrowings		(2,948,314)	(2,408,745)	(1,328,690)	(1,112,302)
Proceeds from (repayment of) other financial liabilities (net)		844,710	777,057	-	-
Net cash flow from / (used in) financing activities		(1,319,835)	496,234	(2,941,244)	(2,926,800)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,950,488)	7,969,778	(3,564,857)	(469,748)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		19,810,729	11,840,951	8,998,200	9,467,948
CASH AND CASH EQUIVALENTS AT THE END		16,860,241	19,810,729	5,433,343	8,998,200
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favorable balances					
Short term investments	29	16,661,680	19,890,908	5,880,389	9,222,742
Cash in hand and at bank		3,554,804	4,267,175	63,159	454,495
Unfavorable balances					
Bank overdrafts		(3,356,243)	(4,347,354)	(510,205)	(679,037)
Total cash and cash equivalents		16,860,241	19,810,729	5,433,343	8,998,200

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 195 to 280 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
A Profit before working capital changes				
Profit before tax	15,775,165	12,820,028	7,427,712	4,725,394
Adjustments for:				
Finance income	(4,769,891)	(2,874,360)	(1,295,593)	(730,387)
Dividend income	-	-	(6,817,632)	(4,815,059)
Finance costs	1,081,218	1,415,827	293,101	512,434
Change in fair value of investment property	(2,012,077)	(1,413,474)	-	-
Share of results of equity accounted investees	(3,369,313)	(2,764,838)	-	-
(Profit) / loss on sale of non current investments	(92,904)	-	30,152	-
Profit on sale of non current investments in associates	(129,939)	-	-	-
Depreciation of property, plant and equipment	2,249,694	1,863,077	25,489	32,913
Provision for impairment losses	17,562	22,304	-	-
(Profit) / loss on sale of property, plant and equipment and intangible assets	59,836	(2,371)	(2,697)	(3,415)
Amortisation of lease rental paid in advance	682,599	524,671	-	-
Amortisation of intangible assets	244,924	246,830	16,520	14,927
Amortisation of other deferred liabilities	(512)	(512)	-	-
Gratuity provision and related costs	137,586	236,860	18,875	29,523
Unrealised (gain) / loss on foreign exchange (net)	(27,624)	203,698	-	-
Unrealised (profit) / loss	58	(311)	-	-
	9,846,382	10,277,429	(304,073)	(233,670)

STATEMENT OF CHANGES IN EQUITY

GROUP

In Rs.'000s	Attributable to equity holders of parent								
	Stated capital	Revaluation reserve	Foreign currency translation reserve	Other capital reserves	Available for sale reserves	Revenue reserves	Total	Non controlling interest	Total equity
As at 1 April 2011	24,611,507	8,110,642	1,021,061	428,365	638,830	25,296,044	60,106,449	7,641,956	67,748,405
Profit for the year	-	-	-	-	-	9,686,913	9,686,913	1,291,236	10,978,149
Other comprehensive income	-	1,377,152	1,966,415	-	(316,951)	173,034	3,199,650	291,909	3,491,559
Total comprehensive income	-	1,377,152	1,966,415	-	(316,951)	9,859,947	12,886,563	1,583,145	14,469,708
Exercise of share options	499,021	-	-	-	-	-	499,021	-	499,021
Direct cost on issue of shares	-	-	-	-	-	(10,986)	(10,986)	(1,756)	(12,742)
Final dividend paid - 2010/11	-	-	-	-	-	(629,833)	(629,833)	-	(629,833)
Interim dividend paid - 2011/12	-	-	-	-	-	(1,683,686)	(1,683,686)	-	(1,683,686)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	176,581	176,581	(440,937)	(264,356)
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	(6,599)	(6,599)	80,928	74,329
As at 31 March 2012	25,110,528	9,487,794	2,987,476	428,365	321,879	33,001,468	71,337,510	8,863,336	80,200,846
Profit for the year	-	-	-	-	-	12,201,079	12,201,079	1,389,547	13,590,626
Other comprehensive income	-	8,292,638	(257,619)	(428,365)	(197,597)	422,564	7,831,621	1,947,934	9,779,555
Total comprehensive income	-	8,292,638	(257,619)	(428,365)	(197,597)	12,623,643	20,032,700	3,337,481	23,370,181
Exercise of share options	1,369,868	-	-	-	-	-	1,369,868	-	1,369,868
Direct cost on issue of shares	-	-	-	-	-	(6,883)	(6,883)	(726)	(7,609)
Final dividend paid - 2011/12	-	-	-	-	-	(1,275,977)	(1,275,977)	-	(1,275,977)
Interim dividend paid - 2012/13	-	-	-	-	-	(1,706,445)	(1,706,445)	-	(1,706,445)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	74,409	74,409	(913,846)	(839,437)
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	(6,012)	(6,012)	79,995	73,983
As at 31 March 2013	26,480,396	17,780,432	2,729,857	-	124,282	42,704,203	89,819,170	11,366,240	101,185,410

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 195 to 280 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

COMPANY

In Rs.'000s	Stated capital	Available for sale reserves	Revenue reserves	Total equity
As at 1 April 2011	24,611,507	(163,790)	13,523,969	37,971,686
Profit for the year	-	-	4,631,518	4,631,518
Other comprehensive income	-	393,385	-	393,385
Total comprehensive income	-	393,385	4,631,518	5,024,903
Exercise of share options	499,021	-	-	499,021
Final dividend paid - 2010/11	-	-	(629,833)	(629,833)
Interim dividend paid - 2011/12	-	-	(1,683,686)	(1,683,686)
As at 31 March 2012	25,110,528	229,595	15,841,968	41,182,091
Profit for the year	-	-	7,362,210	7,362,210
Other comprehensive income	-	(146,138)	-	(146,138)
Total comprehensive income	-	(146,138)	7,362,210	7,216,072
Exercise of share options	1,369,868	-	-	1,369,868
Final dividend paid - 2011/12	-	-	(1,275,977)	(1,275,977)
Interim dividend paid - 2012/13	-	-	(1,706,445)	(1,706,445)
As at 31 March 2013	26,480,396	83,457	20,221,756	46,785,609

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 195 to 280 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.1. CORPORATE INFORMATION

Reporting entity

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

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

John Keells Holdings PLC became the holding Company of the Group during the financial year ended 31 March 1986.

Consolidated financial statements

The financial statements for the year ended 31 March 2013, comprise “the Company” referring to John Keells Holdings PLC as the holding Company and “the Group” referring to the companies whose accounts have been consolidated therein.

Approval of financial statements

The Financial statements for the year ended 31 March 2013 were authorised for issue by the directors on 28 May 2013.

Principal activities and nature of operations holding Company

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

Subsidiaries, associates and joint ventures

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

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

Responsibility for financial statements

The responsibility of the Directors in relation to the financial statements is set out in the Statement of Directors’ Responsibility report in the Annual report.

Statement of compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the cash flow statement, together with the accounting policies and notes (the “financial statements”) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

For all periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS) which were effective up to 31 March 2012. These financial statements for the year ended 31 March 2013 are the first financial statements the Group has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 1 April 2012. These SLFRS/LKASs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The effect of the transition to SLFRS/LKAS on previously reported financial performances, financial positions and cash flows of the Group and the Company is given in note 2 to the financial statements.

1.2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets and available-for-sale financial assets that have been measured at fair value.

Presentation and functional currency

The consolidated financial statements are presented in Sri Lankan Rupees, the Group’s functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on ‘Presentation of Financial Statements’.

All values are rounded to the nearest rupees thousand (Rs.’000) except when otherwise indicated.

The significant accounting policies are discussed in note 1.3 below.

The indicative US Dollar financial statements on pages 285 and 286 does not form part of the Financial Statements prepared in accordance with SLFRS/LKAS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31st March 2013. The financial statements of the subsidiaries are prepared in compliance with the Group’s accounting policies unless otherwise stated.

All intra-Group balances, income and expenses, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

Effective from 1st April 2012 the basis of consolidation will include the following changes:

(i) Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(ii) A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(iii) If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the income statement; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

Subsidiaries consolidated have been listed in the Group directory.

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on the power to govern the financial and operating policies of those entities.

	% Holding
DHL Keells (Pvt) Limited	50.00
Trans-ware Logistics (Pvt) Limited	50.00
Mack Air Services Maldives (Pte) Limited	49.00
Tea Smallholder Factories PLC	37.62

The following subsidiaries have been incorporated outside Sri Lanka:

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

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the statement of financial position.

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from parent' shareholders' equity.

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

1.3. ACCOUNTING POLICIES

1.3.1 Changes in accounting policies

The changes to accounting policies have been applied consistently to all financial periods presented in these financial statements and in preparing the opening SLFRS/LKAS statement of financial position as at 1 April 2011 for the purpose of the transition to SLFRS/LKAS, unless otherwise indicated.

Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

1.3.2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets , liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Revaluation of property, plant and equipment and investment properties

The Group measures land and buildings at revalued amounts with changes in fair value being recognised other comprehensive income and in the statement of equity. In addition, it carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged independent valuation specialists to determine fair value of investment properties and land and buildings as at 31 March 2013.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate. The methods used to determine the fair value of the investment properties, are further explained in note 19.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are further explained in note 20.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Taxes

The Group is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS/LKAS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has tax losses carried forward amounting to Rs.7,324 million (2012 - Rs.6,546 million). These losses relate to subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities and where the subsidiary has no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. Further details on taxes are disclosed in note 12.4 in the financial statement.

The Group has contingent liabilities amounting to Rs.876 million (2012 - Rs.850 million). These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited at the reporting date. Further details on contingent liabilities are disclosed in note 42 in the financial statement.

Employee benefit liability

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in note 34.

Valuation of insurance contract liabilities and investment contract liabilities – Union Assurance PLC (UA)

Insurance operations - Product classification

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that issues and reinsurance contracts that holds.

Life insurance contract liabilities
These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. Adjustments to the liabilities at each reporting date are recorded in the income statement in 'Increase in life insurance contract liabilities.

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.

For products containing discretionary participating features (DPF) the amount of the DPF is deemed to be the investment return on all related assets where the apportionment between the shareholder and the policyholder has not yet been determined. The liability includes certain elements of net unrealised gains / (losses) and retained earnings attributable to the DPF, based on the mandated rates applied to these gains and earnings on the assumption that they had been realised as of the statement of financial position date.

The minimum mandated amounts, which are to be paid to policyholders plus any declared / undeclared additional benefits, are recorded in liabilities.

Liability adequacy test (LAT) - Life insurance
At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiencies shall be recognised in the income statement by setting up a provision for liability adequacy.

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The presentation and classification of the financial statements of the previous period have been amended, where relevant, for better presentation and to be comparable with those of the current period.

These accounting policies have been applied consistently by Group entities.

1.4.1 Revenue recognition

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

The following specific criteria are used for recognition of revenue:

Sale of goods
Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

Rendering of services
Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

General insurance business - gross written premium
Gross written premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

Life insurance business - gross written premium
Premiums from traditional life insurance contracts, including participating contracts and non-participating contracts, are recognised as revenue when cash is received from the policy holder.

Turnover based taxes
Turnover based taxes include value added tax, economic service charge, nation building tax, turnover tax and tourism development levy. Companies in the Group pay such taxes in accordance with the respective statutes.

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

Finance income
Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree that are recognised in income statement.

Interest income or expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

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

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

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

Other income
Other income is recognised on an accrual basis.

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

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

Finance costs
Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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

Basis of measurement
Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing assets by professional valuers at least every 5 years, except for properties held for rental and occupied mainly by group companies, which are revalued by professional valuers at least every 3 years.

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

Depreciation
Depreciation is calculated by using a straight-line method on the cost or valuation of all

property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings (other than hotels)	50
Hotel buildings	upto 60
Plant and machinery	10 - 20
Equipment	3 - 15
Furniture and fittings	2 - 15
Motor vehicles	4 – 10
Laboratory equipment	10
Returnable Containers	10

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

1.4.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with the SLFRS 1.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.4.5 Lease rentals paid in advance

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided.

Details of the pre-paid lease rentals are given in note 18 to the Financial Statements.

1.4.6 Investment properties

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

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

1.4.7 Intangible assets

Basis of recognition

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

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

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

Present value of acquired in-force business (PVIB)

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

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

Purchased software

Purchased software is recognised as an intangible assets and is amortised on a straight line basis over its useful life.

Software license

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete and its ability to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the asset,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

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

Intangible Assets	Useful life	Internally generated / Acquired	Impairment testing
PVIB	12	Acquired	When indicators of impairment arise. The amortisation method is reviewed at each financial year end.
Purchased Software	05		
Software License	05		
Developed Software	05	Internally generated	Annually for assets not yet in use and more frequently when indicators of impairment arise. Assets in use, when indicators of impairment arise. The amortisation method is reviewed at each financial year end.

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

1.4.8 Business combinations & goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of LKAS 39, is measured at fair value with changes in fair value either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value maybe impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

1.4.9 Interest in joint venture

A joint venture is a jointly controlled entity, whereby the Group and other parties have a contractual arrangement that establishes joint control over the economic activities of the entity.

The arrangement requires unanimous agreement for financial and operating decisions among the ventures. The Group recognises its interest in the joint venture using the proportionate consolidation method until the date on which the Group ceases to have joint control. The Group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with similar items, line by line, in the consolidated financial statements. The financial statements of the joint venture are aligned to the Group accounting policies.

The gains or losses arising from transactions between Group and the joint venture are recognised based on the substance of the transactions. The Group's share of unrealised gain on asset purchases is not recognised until such assets are resold to a third party. Losses on these transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Joint ventures entered into by the Group, which have been accounted for under the proportionate consolidation method are:

Name	Country of Incorporation
Information Systems Associates	United Arab Emirates
NDO Lanka (Pvt) Ltd	Sri Lanka
Sentinel Reality (Pvt) Ltd	Sri Lanka

Financial statements of joint ventures are proportionately consolidated using their respective 12 month financial reporting period.

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

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

1.4.10 Investment in an associate

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the Group. The Group's investments in its associates are accounted for using the equity method and use of the equity method of accounting is discontinued on the date from which, it no longer has significant influence in the associate.

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

Name	Country of Incorporation
Capitol Hotel Holdings (Pvt) Ltd	Sri Lanka
Central Hospitals (Pvt) Ltd	Sri Lanka
Maersk Lanka (Pvt) Ltd	Sri Lanka
Nations Trust Bank PLC	Sri Lanka
NDO India (Pvt) Ltd	India
Saffron Aviation (Pvt) Ltd	Sri Lanka
South Asia Gateway Terminals (Pvt) Ltd	Sri Lanka

The investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of equity accounted investees' in the income statement and statement of other comprehensive income.

The income statement reflects the share of the results of operations of the associate. Changes, if any, recognised directly in the equity of the associate, the Group recognises its share and discloses this, when applicable in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Group ceases to recognise further losses when the Group's share of losses in an associate equals or exceeds the interest in the undertaking, unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed in note 1.5.

Equity method of accounting has been applied for associate financial statements using their corresponding/matching 12 month financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the income statement.

1.4.11 Foreign currency translation

Foreign currency transactions and balances

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 functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

Foreign exchange forward contracts

Foreign exchange forward contracts are fair valued at each reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

Foreign operations

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

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

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

The exchange rates applicable during the period were as follows:

	Statement of Financial Position Closing rate		Income Statement Average rate	
	2013	2012	**2013**	2012
Singapore dollar	101.93	101.92	104.26	89.78
Pound sterling	191.83	204.64	205.25	179.58
US dollar	126.75	128.10	129.91	112.56
Canadian Dollar	124.72	128.61	129.68	113.42
Indian rupee	2.33	2.49	2.39	2.36
UAE dirham	34.51	34.88	35.37	30.64

1.4.12 Impairment of non-financial assets

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

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or Group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

1.4.13 Financial instruments — initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in the income statement.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

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

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 15.

1.4.14 Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity contracts that meet the definition of a derivative as defined by LKAS 39 are recognised in the income statement in cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

1.4.15 Tax

Current tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are

recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

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

- where the sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.4.16 Inventories

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

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

Raw materials -

On a weighted average basis

Finished goods and work-in-progress -

At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs

Other inventories -

At actual cost

1.4.17 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the cashflow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

1.4.18 Defined benefit plan - gratuity

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

1.4.19 Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund

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

1.4.20 Insurance contract liabilities - life

The directors agree to the long term and unit link insurance business provisions on the recommendation of the actuary following annual valuation of the life insurance business.

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

1.4.21 Insurance contract liabilities - general

Insurance provision comprises of reserve for the net unearned premium, reserve or the deferred acquisition cost (net), reserve for gross outstanding claims and the Incurred But Not Reported (IBNR) provision.

Unearned premium, deferred acquisition cost and the reserve for gross outstanding claims are stated according to the industry practices whereas the IBNR reserve is decided by an independent external actuary to estimate the outstanding liabilities as of reporting date.

1.4.22 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

1.4.23 Provisions, contingent assets and contingent liabilities

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

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

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

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18).

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

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

1.5.1 Nations Trust Bank PLC

Revenue recognition

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

Interest income and expense

For all financial instruments interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future Impairment losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest Income' for financial assets and 'Interest Expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

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

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Credit related fees are deferred and recognised as an adjustment to the EIR of the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Net trading income

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

1.5.2 South Asia Gateway Terminals (Pvt) Ltd

Revenue recognition

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

1.6 SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKAS) ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

a) SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. This standard becomes effective for annual periods beginning on or after 1 January 2015.

b) SLFRS 10-Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and separate financial statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) 12 Consolidation Special Purpose Entities.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014.

c) SLFRS 11-Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in joint ventures and SIC on Jointly-controlled entities and Non-monetary contributions by ventures. SLFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation proportionate consolidating of joint ventures being changed to equity accounting. This standard becomes effective for annual periods beginning on or after 1 January 2014.

d) SLFRS 12 Disclosure of Interests in other entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014.

e) SLFRS 13-Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

1.7 DEFERRING APPLICATION OF IFRIC 15 -AGREEMENTS FOR THE CONSTRUCTION ON REAL ESTATE

This interpretation clarifies whether LKAS 18, 'Revenue' or LKAS 11 'Construction contracts' should be applied to particular transactions. It also explains the point at which revenue and related expenses from a sale of real estate unit should be recognised, if an agreement between a developer and a buyer is reached before the construction of the real estate unit is completed. Considering the latest developments in revenue recognition – the five step model, which will bring more clarity on revenue recognition, the Institute of Chartered Accountants of Sri Lanka has decided to grant an option for entities to defer application of IFRIC 15 until the new five step model comes into effect.

The Group has not adopted IFRIC 15 which is related to recognition of revenue of construction of real estate. The group has deferred application of this IFRIC based on the ruling issued by CA Sri Lanka.

1.8 SEGMENT INFORMATION

Operating segments

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

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

The activities of each of the operating business segments of the Group are detailed in the Group directory.

As such for management purposes, the Group is organised into business units based on their products and services and has seven operating business segments as follows:

Transportation

Business of the transportation operating segment offer an array of transportation related services in Sri Lanka and the region and these operations comprise of South Asia Gateway Terminals in the port of Colombo, a marine bunkering business, joint ventures/ associations with leading shipping and air transportation multinationals and logistics, travel and airline services in Sri Lanka, India and the Maldives.

Leisure

The leisure operation segment encompasses two five star city hotels in Colombo and seven resort hotels spread in prime tourist locations all over Sri Lanka and three resorts in Maldives offering beaches, mountains, wildlife and cultural splendor under the two brands 'Cinnamon Hotels and Resorts' and 'Chaaya Hotels and Resorts'. The leisure operating segment also has destination management businesses in Sri Lanka and India.

Property

The property operating segment concentrates primarily on development and sale of residential apartments.

Consumer Foods and Retail

The consumer foods and retail operating segment competes in the two major categories namely manufacturing and retailing. Retailing business through the 'Keells Super' chain of supermarkets and in partnership with Nations Trust Bank has created 'Nexus', coalition loyalty card in the country.

Financial Services

The financial services operating segment offer a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing.

Information Technology

The information technology operating segment comprises from BPO, software services and information integration to office automation which offers end-to-end ICT services and solutions.

Others

This operating segment includes plantation services sector which operates tea factories, tea and rubber broking and pre-auction produce warehousing. This segment also consists of John Keells Holdings PLC including its divisions / centre functions such as John Keells Capital and Strategic Group IT (SGIT), as well as other companies providing ancillary services.

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

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently form operating profit or loss in the consolidated financial statements. However, except for Financial Services segment other segments' financing activities are managed on a Group basis and are not allocated to operating segments. The income taxes are managed on Group basis and are not allocated to operating segments.

Transfer prices between operating segments are carried out in the ordinary course of business.

2.0 FIRST-TIME ADOPTION OF SLFRS/LKAS

These financial statements, for the year ended 31 March 2013, are the first financial statements the Group has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting standards (SLAS) which were effective up to 31 March 2012.

Accordingly, the Group has prepared financial statements which comply with SLFRS/LKAS applicable for periods ending 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2011, the Group's date of transition to SLFRS/LKAS. This note explains the principal adjustments made by the Group in restating its SLAS statement of financial position as at 1 April 2011, and it's previously published SLAS financial statements as at and for the year ended 31 March 2012.

Exemptions applied

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions which are optional and certain exceptions which are mandatory from retrospective application of certain SLFRS/LKAS.

Optional exemptions the Group has opted to apply:

a) SLFRS 3 - Business Combinations

This has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS/LKAS, or of interests in associates and joint ventures that occurred before 1 April 2011. The Group has not applied LKAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SLFRS/LKAS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

Use of this exemption means that the SLAS carrying amounts of assets and liabilities, which are required to be recognised under SLFRS/LKAS, are stated at their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS/LKAS. Assets and liabilities that do not qualify for recognition under SLFRS/LKAS are excluded from the opening SLFRS/LKAS statement of financial position.

SLFRS 1 also requires that the SLAS carrying amount of goodwill must be used in the opening SLFRS/LKAS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS/LKAS.

b) Application of SLFRS 2 - Share-based Payment

SLFRS 2 Share-based Payment has not been applied to equity instruments' in share-based payment transactions that were granted on or before 1 January 2012.

c) SLFRS 4 - Insurance contracts transitional provisions

The Group has applied transitional provision of insurance contracts.

d) Fair value of revaluation as deemed cost

Freehold land and buildings, other than investment property, were carried in the statement of financial position prepared in accordance with SLAS on the basis of valuations performed prior to 31 March 2012. The Group has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.

e) IFRIC 4 - Determining whether an arrangement contains a Lease

The Group has applied the transitional provision in IFRIC 4 Determining whether an Arrangement contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

f) Investment in subsidiaries, jointly controlled entities and associates

The Group has measured its investments in each subsidiary, joint venture and associate at deemed cost, which is the carrying amount as per SLAS at the date of transition 1 April 2011.

g) Designation of previously recognised financial instruments - Unquoted equity instruments

The Group has designated unquoted equity instruments held as at 1 April 2011 as available-for-sale investments.

Optional exemptions which the Group has opted not to apply:

h) Cumulative translation differences

The cumulative translation differences for all foreign operations of the Group were not considered as deemed zero at the date of transition to SLFRS/LKAS.

i) Borrowing Costs
In the Group the treatment of borrowing costs were already aligned as per SLFRS/LKAS.

j) Employee benefits (LKAS 19)
SLAS's and the SLFRS/LKAS were already aligned as regards to these transactions.

Optional exemptions not applicable to the Group:

k) Assets and liabilities of subsidiary, associates and joint ventures
The subsidiary, associate and joint ventures in the Group have transited from SLAS to SLFRS/LKAS simultaneously with the parent Company.

l) Transfers of assets from customers as per IFRIC 18
The Group does not have these types of arrangements as at the date of transition.

m) Compounded Financial instruments
The Group does not have these types of financial instruments as at the date of transition.

n) Decommissioning liabilities included in the cost of property, plant and equipment
The Group does not has any decommissioning liabilities relating to property, plant and equiment.

o) Financial assets or intangible assets accounted for under IFRIC 12
The Group has not entered into agreements within the scope of IFRIC 12.

p) Extinguishing Financial liabilities with equity instruments
The Group has not used equity instruments to extinguish financial liabilities and the provisions in IFRIC 19 extinguishing financial liabilities are not applicable to the Group.

q) Severe hyperinflation
The Group does not operate in a hyperinflationary economy.

Mandatory exception applicable to the Group:

a) Significant accounting judgments, estimates and assumptions
Significant accounting judgments, estimates and assumptions at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with SLAS effective up to 31 March 2012 (after adjustments to reflect any differences in accounting policies).

The estimates used by the Group to present these amounts in accordance with SLFRS/LKAS effective from 1 April 2012 reflect conditions at 1 April 2011, the date of transition to SLFRS/LKAS and as of 31 March 2012.

b) Non-controlling interests
The requirement of SLFRS 3 is that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Group applies above requirement prospectively from the date of transition to SLFRS/LKAS.

Mandatory exceptions not applicable to the Group:

c) Derecognising of financial assets and financial liabilities
Derecognition requirements in SLFRS 9 requires prospective application for transactions occurring on or after the date of transition.

d) Hedge accounting
The Group has not entered into any hedging relationships. The standard states that hedging relationships of a type that does not qualify for hedge accounting in accordance with LKAS 39 should not be reflected in the opening SLFRS/LKAS statement of financial position.

Explanations for transition to SLFRS/LKASs
In preparing SLFRS/LKAS statement of financial position for previously reported financial periods, required adjustments have been made in accordance with the respective SLFRS/LKASs. The effect of the transition from SLASs to SLFRS/LKASs has been presented in the reconciliation statements and accompanying notes to the material reconciliation items.

First time adoption of SLFRS/LKAS

2.1 Reconciliation of comprehensive income- Consolidated Income Statement

For the year ended 31st March 2012 In Rs.'000s	Note	Group As per SLAS	Group Effect of transition to SLFRS/LKAS	Group As per SLFRS/LKAS	Company As per SLAS	Company Effect of transition to SLFRS/LKAS	Company As per SLFRS/LKAS
Revenue	2.6	76,699,683	990,189	77,689,872	576,239	(59,883)	516,356
Cost of sales	2.6	(58,536,524)	(970,907)	(59,507,431)	(290,941)	-	(290,941)
Gross profit		18,163,159	19,282	18,182,441	285,298	(59,883)	225,415
Dividend income		104,360	(104,360)	-	4,529,888	285,171	4,815,059
Other operating income	2.7	4,156,410	(2,476,507)	1,679,903	783,760	(591,151)	192,609
Distribution expenses		(2,631,622)	(1,183)	(2,632,805)	-	-	-
Administrative expenses		(7,876,566)	(72)	(7,876,638)	(694,619)	(942)	(695,561)
Other operating expenses		(2,607,936)	438,218	(2,169,718)	(336,772)	306,691	(30,081)
Finance costs		(670,918)	(744,909)	(1,415,827)	(205,743)	(306,691)	(512,434)
Finance income	2.7	-	2,874,360	2,874,360	-	730,387	730,387
Change in fair value of investment property		1,413,474	-	1,413,474	-	-	-
Share of results of equity-accounted investees	2.5	2,858,086	(93,248)	2,764,838	-	-	-
Profit before tax		12,908,447	(88,419)	12,820,028	4,361,812	363,582	4,725,394
Tax expense		(1,841,879)	-	(1,841,879)	(93,876)	-	(93,876)
Profit for the year		11,066,568	(88,419)	10,978,149	4,267,936	363,582	4,631,518

2.2 Reconciliation of comprehensive income - Consolidated Statement of Comprehensive Income

For the year ended 31st March 2012 In Rs.'000s	Note	Group As per SLAS	Group Effect of transition to SLFRS/LKAS	Group As per SLFRS/LKAS	Company As per SLAS	Company Effect of transition to SLFRS/LKAS	Company As per SLFRS/LKAS
Profit for the year		-	10,978,149	10,978,149	-	4,631,518	4,631,518
Other comprehensive income							
Currency translation of foreign operations		-	1,060,558	1,060,558	-	-	-
Revaluation of land and buildings		-	1,543,566	1,543,566	-	-	-
Share of other comprehensive income of equity-accounted investees		-	1,211,692	1,211,692	-	-	-
Net (loss)/gain on available-for-sale financial assets	2.8	-	(349,606)	(349,606)	-	393,385	393,385
Transfers to revenue reserves		-	46,167	46,167	-	-	-
Tax on other comprehensive income		-	(20,818)	(20,818)	-	-	-
Other comprehensive income for the year, net of tax		-	3,491,559	3,491,559	-	393,385	393,385
Total comprehensive income for the year, net of tax		-	14,469,708	14,469,708	-	5,024,903	5,024,903

Figures in brackets indicate deductions.

Notes to the financial statements

First time adoption of SLFRS/LKAS

2.3 Reconciliation of equity - Consolidated Statement of Financial Position

	Note	Equity as at 31st March 2012			Equity as at 1st April 2011 (date of transition to SLFRS/LKAS)		
	Note	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
ASSETS							
Non current assets							
Property, plant and equipment		34,290,012	-	34,290,012	28,627,982	-	28,627,982
Lease rentals paid in advance		10,281,853	(3,504)	10,278,349	9,515,621	(3,504)	9,512,117
Investment property		7,631,494	-	7,631,494	5,386,166	-	5,386,166
Intangible assets		2,639,671	(6,598)	2,633,073	2,631,950	-	2,631,950
Investments in subsidiaries and joint ventures		5,115	(5,115)	-	5,115	(5,115)	-
Investments in associates		15,692,608	(38,227)	15,654,381	14,668,206	24,229	14,692,435
Other non current financial assets	2.8 2.9	12,378,883	1,310,936	13,689,819	11,792,453	1,484,172	13,276,625
Deferred tax assets		129,478	-	129,478	202,850	-	202,850
Other non current assets	2.9	3,499,915	(1,094,718)	2,405,197	3,231,401	(965,417)	2,265,984
		86,549,029	162,774	86,711,803	76,061,744	534,365	76,596,109
Current assets							
Inventories		4,372,348	(21,983)	4,350,365	3,143,630	9,240	3,152,870
Trade and other receivables	2.10	13,971,848	(2,624,568)	11,347,280	12,072,147	(3,089,963)	8,982,184
Amounts due from related parties		10,715	-	10,715	18,520	-	18,520
Other current assets	2.10	-	2,923,080	2,923,080	-	2,979,734	2,979,734
Other investments		24,767,025	80,178	24,847,203	16,881,036	71,264	16,952,300
Cash in hand and at bank		4,267,175	-	4,267,175	2,112,626	-	2,112,626
		47,389,111	356,707	47,745,818	34,227,959	(29,725)	34,198,234
Total assets		133,938,140	519,481	134,457,621	110,289,703	504,640	110,794,343
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
Stated capital		25,110,528	-	25,110,528	24,611,507	-	24,611,507
Capital reserves	2.11	12,903,984	(12,475,619)	428,365	9,560,417	(9,132,052)	428,365
Revenue reserves		33,161,096	(159,628)	33,001,468	25,412,760	(116,716)	25,296,044
Other components of equity	2.8 2.11	-	12,797,149	12,797,149	-	9,770,533	9,770,533
		71,175,608	161,902	71,337,510	59,584,684	521,765	60,106,449
Non-controlling interests		8,864,609	(1,273)	8,863,336	7,608,220	33,736	7,641,956
Total equity		80,040,217	160,629	80,200,846	67,192,904	555,501	67,748,405
Non current liabilities							
Insurance contract liabilities		14,744,712	(34,185)	14,710,527	12,662,500	-	12,662,500
Non-interest bearing borrowings		18,000	(18,000)	-	18,000	(18,000)	-
Borrowings		12,284,414	(63,507)	12,220,907	8,352,587	(77,135)	8,275,452
Deferred tax liabilities		707,970	-	707,970	647,960	-	647,960
Employee benefit liabilities		1,372,161	-	1,372,161	1,215,597	-	1,215,597
Other deferred liabilities		3,631	(683)	2,948	4,143	(683)	3,460
Other non current liabilities		773,884	-	773,884	746,938	-	746,938
		29,904,772	(116,375)	29,788,397	23,647,725	(95,818)	23,551,907
Current liabilities							
Trade and other payables	2.12	15,398,047	(522,826)	14,875,221	12,379,589	(1,265,423)	11,114,166
Amounts due to related parties		1,650	-	1,650	2,237	-	2,237
Income tax payable		828,303	(5,108)	823,195	796,714	(5,108)	791,606
Short term borrowings		1,009,057	-	1,009,057	232,000	-	232,000
Current portion of borrowings		2,408,740	67,887	2,476,627	2,134,418	63,139	2,197,557
Other current financial liabilities		-	74,593	74,593	-	-	-
Other current liabilities	2.12	-	860,681	860,681	-	1,252,349	1,252,349
Bank overdrafts		4,347,354	-	4,347,354	3,904,116	-	3,904,116
		23,993,151	475,227	24,468,378	19,449,074	44,957	19,494,031
Total equity and liabilities		133,938,140	519,481	134,457,621	110,289,703	504,640	110,794,343

Figures in brackets indicate deductions.

2.4 Reconciliation of equity - Company Statement of Financial Position

	Note	Equity as at 31st March 2012			Equity as at 1st April 2011 (date of transition to SLFRS/LKAS)		
		As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
ASSETS							
Non current assets							
Property, plant and equipment		89,559	-	89,559	73,543	-	73,543
Intangible assets		48,141	-	48,141	43,724	-	43,724
Investments in subsidiaries and joint ventures		24,664,271	12,885	24,677,156	23,482,112	12,885	23,494,997
Investments in associates		9,485,530	-	9,485,530	9,257,569	-	9,257,569
Other non current financial assets	2.8 2.9	1,582,506	440,178	2,022,684	581,806	78,773	660,579
Deferred tax assets		-	-	-	54,198	-	54,198
Other non current assets	2.9	228,845	(220,943)	7,902	258,539	(255,448)	3,091
		36,098,852	232,120	36,330,972	33,751,491	(163,790)	33,587,701
Current assets							
Inventories		-	-	-	760	-	760
Trade and other receivables	2.10	865,031	(488,081)	376,950	589,015	(523,345)	65,670
Amounts due from related parties		532,981	445,767	978,748	612,073	84,709	696,782
Other current assets	2.10	-	342,926	342,926	-	373,475	373,475
Other investments		10,102,198	81,647	10,183,845	10,071,249	72,735	10,143,984
Cash in hand and at bank		454,495	-	454,495	19,382	-	19,382
		11,954,705	382,259	12,336,964	11,292,479	7,574	11,300,053
Total assets		48,053,557	614,379	48,667,936	45,043,970	(156,216)	44,887,754
EQUITY AND LIABILITIES							
Stated capital		25,110,528	-	25,110,528	24,611,507	-	24,611,507
Revenue reserves		15,393,677	448,291	15,841,968	13,439,260	84,709	13,523,969
Other components of equity	2.8	-	229,595	229,595	-	(163,790)	(163,790)
Total equity		40,504,205	677,886	41,182,091	38,050,767	(79,081)	37,971,686
Non current liabilities							
Borrowings		5,124,000	(63,507)	5,060,493	5,520,000	(77,135)	5,442,865
Employee benefit liabilities		126,864	-	126,864	104,752	-	104,752
		5,250,864	(63,507)	5,187,357	5,624,752	(77,135)	5,547,617
Current liabilities							
Trade and other payables		331,525	(85,475)	246,050	220,667	(74,167)	146,500
Amounts due to related parties		6,926	-	6,926	9,274	-	9,274
Current portion of borrowings		1,281,000	67,887	1,348,887	1,104,000	63,139	1,167,139
Other current liabilities		-	17,588	17,588	-	11,028	11,028
Bank overdrafts		679,037	-	679,037	34,510	-	34,510
		2,298,488	-	2,298,488	1,368,451	-	1,368,451
Total equity and liabilities		48,053,557	614,379	48,667,936	45,043,970	(156,216)	44,887,754

Figures in brackets indicate deductions.

Notes to the financial statements

First Time Adoption of SLFRS/LKAS

Given below are the key reconciling items reflected under the effect of transition to SLFRS/LKAS.

NOTES TO THE RECONCILIATIONS

2.5 Comparatives

For the year ended 31 March 2013, the share of results of listed associates have been mirrored for the actual corresponding periods, irrespective of their financial year ends. Accordingly, the comparatives for the period ended 31 March 2012, also have been amended as follows:

	Group	
	As reported previously	Current presentation
Share of results of equity accounted investees	2,860,115	2,858,086
Profit before tax	12,910,476	12,908,447
Tax expense	(1,841,879)	(1,841,879)
Profit for the year	11,068,597	11,066,568
Investments in associates		
As at 31st March 2012 (SLAS)	15,692,608	15,692,608
As at 1st April 2011 (SLAS)	14,670,235	14,668,206

2.6 Revenue recognition

The Group operates a loyalty points programme. Under SLAS, the fair value of points issued are accounted as cost of sales. However, as per SLFRS/LKAS the fair value of the points issued is deferred and recognised as revenue when the points are redeemed. The Group reassesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has reassessed the revenue recognition policy on freight forwarding and out bound tour arrangements. From 1st April 2011, revenue is being recognised on gross basis. The changes relating to these are as follows:

	Group		
	As per previous SLAS	As per SLFRS/LKAS	Effect of transition to SLFRS/LKAS
Revenue	303,411	1,293,600	990,189
Cost of sales	(67,554)	(1,038,461)	(970,907)
Net impact	235,857	255,139	19,282

2.7 Other operating income

As per previous SLAS interest income has been classified under other operating income. Under SLFRS/LKAS interest income has been classified in finance income.

Reclassification from - Other operating income

Reclassification to - Finance income

	Group	Company
For the Year ended 31 March 2012	2,874,360	730,387

2.8 Available-for-sale financial assets

Under previous SLAS, the Group and Company accounted for long term investments measured at cost. Under SLFRS/LKAS, the Group and Company have designated such investments as available-for-sale investments. SLFRS/LKAS requires available-for-sale investments to be measured at fair value. Difference between the fair value under SLFRS/LKAS and carrying value under previous SLAS has been recognised as a separate component of equity, in the available for sale reserve net of deferred tax.

	Equity as at 31st March 2012	Equity as at 01st April 2011 (date of transition to SLFRS/LKAS)
Fair value of these assets as per SLFRS/LKAS	12,679,366	12,449,445
Carrying amount of these assets as per SLAS	12,353,307	11,766,874

Net (loss) gain on available for sale financial assets	Group	Company
For the year ended 31 March 2012	(349,606)	393,385

2.9 Other non current asset

Due to the application of LKAS 32 and 39, financial assets in other non current assets have been reclassified to other non current financial assets.

Reclassification from - Other non current assets

Reclassification to - Other non current financial assets

	Group	Company
As at 31st March 2012	1,094,718	220,943
As at 1st April 2011	965,417	255,448

2.10 Trade and other receivables

Due to the application of LKAS 32 and 39, non financial assets (Prepayments and Tax refunds) in trade & other receivables have been reclassified to other current assets.

Reclassification from - Trade and other receivables

Reclassification to - Other current assets

	Group	Company
As at 31st March 2012	2,923,080	342,926
As at 1st April 2011	2,979,734	373,475

2.11 Capital reserves

Due to the application of SLFRS/LKAS, presentation of financial statements has changed. Some capital reserves have been reclassified to other component of equity.

Reclassification from - Capital reserves

Reclassification to - Other components of equity

	Group	Company
As at 31st March 2012	12,475,619	-
As at 1st April 2011	9,132,052	-

2.12 Trade and other payables

Due to the application of LKAS 32 and 39, non financial liabilities (Tax payables and Advance received) in trade & other payables have been reclassified to other current liabilities.

Reclassification from - Trade and other payables

Reclassification to - Other current liabilities

	Group	Company
As at 31st March 2012	860,681	17,588
As at 1st April 2011	1,252,349	11,028

2.13 Others

The effect of transition, other than those mentioned above, relate to reclassification of balances to be in compliance with SLFRS/LKAS.

2.14 Statement of cash flows

The transition from SLAS to SLFRS/LKAS has not had a material impact on the statement of cash flows.

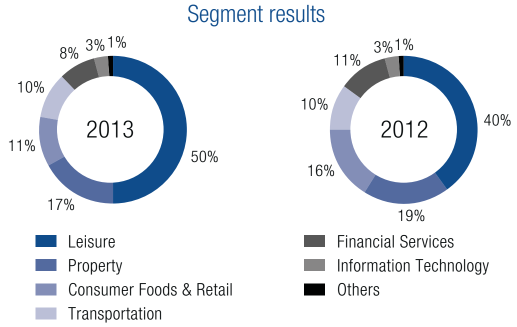
Notes to the financial statements

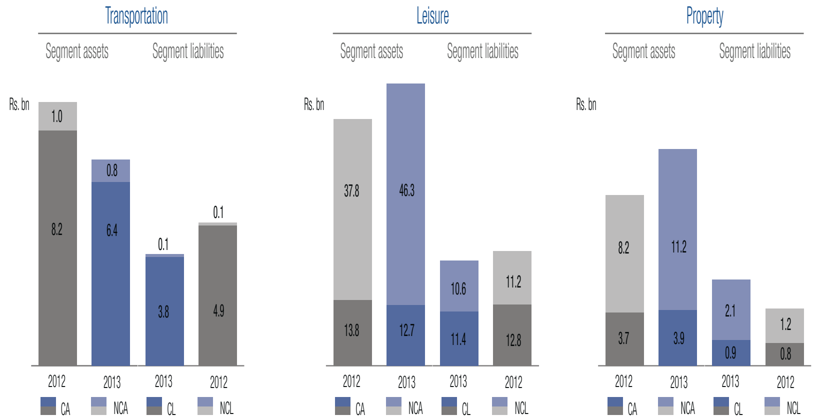
3 OPERATING SEGMENT INFORMATION

3.1 Business segments

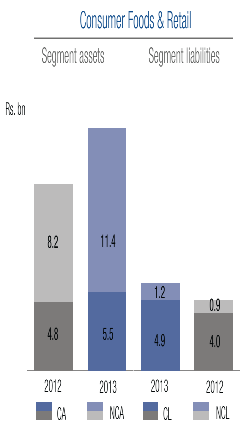
For the year ended 31st March In Rs.'000s	Transportation 2013	Transportation 2012	Leisure 2013	Leisure 2012	Property 2013	Property 2012
External revenue	19,437,737	18,427,773	20,593,302	17,415,145	3,169,654	3,790,043
Inter segment revenue	346,195	388,497	78,531	54,063	271,811	243,429
Total Segment Revenue	19,783,932	18,816,270	20,671,833	17,469,208	3,441,465	4,033,472
Elimination of inter segment revenue						
Net Revenue						
Segment results	974,446	1,121,200	5,103,228	4,232,348	1,729,985	2,063,181
Finance cost	(46,057)	(14,286)	(527,113)	(271,420)	(12,138)	(38,306)
Finance income	243,610	92,660	335,041	108,809	122,524	55,675
Change in fair value of investment property	-	-	288,710	99,848	440,025	206,971
Share of results of associates	2,474,022	2,115,201	(1,083)	-		-
Eliminations / adjustments	(2,353)	-	3,936	1,205	(1,027,273)	(1,310,026)
Profit / (loss) before tax	3,643,668	3,314,775	5,202,719	4,170,790	1,253,123	977,495
Tax expense	(246,406)	(195,147)	(432,795)	(463,714)	(61,777)	(45,548)
Profit/ (loss) for the year	3,397,262	3,119,628	4,769,924	3,707,076	1,191,346	931,947
Purchase and construction of PPE	140,983	91,207	2,835,090	4,157,938	174,461	7,209
Addition to IA	-	-	-	-	-	-
Depreciation of PPE	94,894	94,213	1,075,031	838,355	17,307	10,075
Amortisation of IA	6,569	11,798	-	-	-	-
Amortisation of LRPA	-	-	681,424	523,290	-	-
Gratuity provision and related costs	8,124	13,906	53,322	69,846	254	4,089

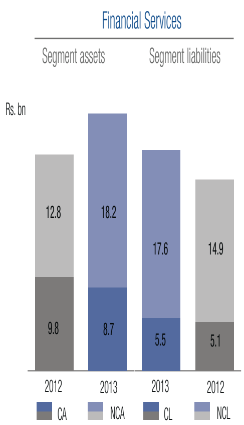
In addition to segment results, information such as finance cost / tax expenses has been allocated to segments for better presentation.
The finance income relating to financial services are included under their respective segment results.
PPE (Property, plant and equipment), IA (Intangible assets), LRPA (Lease rentals paid in advance)

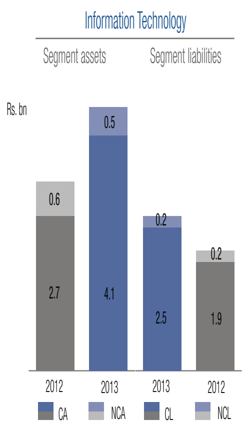


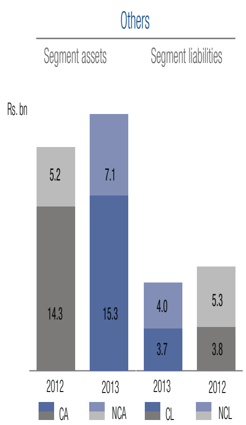


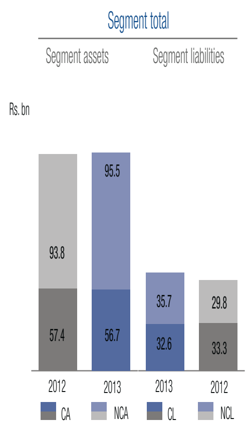
Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
24,266,858	21,968,785	8,598,546	7,932,331	6,513,598	5,926,401	2,977,556	2,229,394	85,557,251	77,689,872
156,043	77,787	102,020	82,881	284,872	299,592	606,451	535,492	1,845,923	1,681,741
24,422,901	22,046,572	8,700,566	8,015,212	6,798,470	6,225,993	3,584,007	2,764,886	87,403,174	79,371,613
								(1,845,923)	(1,681,741)
								85,557,251	77,689,872
1,147,349	1,700,173	869,084	1,190,253	347,640	210,523	61,249	(61,220)	10,232,981	10,456,458
(116,006)	(90,657)	(8)	(442,277)	(72,553)	(47,441)	(307,343)	(511,440)	(1,081,218)	(1,415,827)
104,584	16,199	47,770	25,880	12,280	4,867	1,137,662	672,624	2,003,471	976,714
1,275,070	1,106,655	-	-	-	-	8,272	-	2,012,077	1,413,474
-	-	859,969	718,204	(4,909)	(26,185)	41,314	(42,382)	3,369,313	2,764,838
9,862	(1,159)	-	-	31,526	(5,837)	222,843	(59,812)	(761,459)	(1,375,629)
2,420,859	2,731,211	1,776,815	1,492,060	313,984	135,927	1,163,997	(2,230)	15,775,165	12,820,028
(375,610)	(361,188)	(376,641)	(320,964)	(75,621)	(69,897)	(615,689)	(385,421)	(2,184,539)	(1,841,879)
2,045,249	2,370,023	1,400,174	1,171,096	238,363	66,030	548,308	(387,651)	13,590,626	10,978,149
2,088,649	1,021,773	148,940	174,516	123,992	331,632	128,654	106,479	5,640,769	5,890,754
253,703	7,218	-	-	8,588	8,820	42,384	25,992	304,675	42,030
655,814	546,585	147,943	136,021	145,893	115,175	112,812	122,653	2,249,694	1,863,077
12,821	11,096	187,416	187,416	21,587	21,592	16,531	14,928	244,924	246,830
-	-	-	-	-	-	1,175	1,381	682,599	524,671
8,337	60,708	25,903	35,631	9,748	12,243	31,898	40,437	137,586	236,860











Notes to the financial statements

3.2 Business segments

As at 31st March In Rs.'000s	Transportation 2013	Transportation 2012	Leisure 2013	Leisure 2012	Property 2013	Property 2012
Property, plant and equipment	318,735	283,243	30,485,884	21,466,724	1,839,360	739,071
Lease rentals paid in advance	14,205	25,569	9,469,382	10,228,966	-	-
Investment property	400,000	400,000	1,758,250	1,469,540	6,744,715	4,928,626
Intangible assets	1,207	7,776	-	-	-	-
Other non current financial assets	51,728	294,358	4,584,266	4,659,638	15,161	11,374
Other non current assets	17,360	-	15,156	2,459	2,567,029	2,544,131
Segment non current assets	803,235	1,010,946	46,312,938	37,827,327	11,166,265	8,223,202
Investments in associates	11,365,151	11,317,164	321,166	227,961	-	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non current assets						
Inventories	505,691	1,152,445	301,324	286,939	26,025	3,941
Trade and other receivables	2,618,275	3,077,294	2,496,198	3,401,935	2,181,981	1,850,114
Short term investments	2,819,496	3,514,472	8,419,984	8,195,363	1,597,019	1,808,297
Cash in hand and at bank	456,824	477,695	1,531,978	1,926,951	131,356	44,086
Segment current assets	6,400,286	8,221,906	12,749,484	13,811,188	3,936,381	3,706,438
Other current assets *						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Borrowings	-	16,667	10,078,345	10,762,536	1,861,055	701,811
Employee benefit liabilities	88,162	89,020	380,930	382,274	17,888	38,125
Other deferred liabilities	-	-	34,160	1,923	-	-
Other non current liabilities	-	-	60,668	60,244	270,994	500,699
Segment non current liabilities	88,162	105,687	10,554,103	11,206,977	2,149,937	1,240,635
Deferred tax liabilities						
Eliminations / adjustments						
Total non current liabilities						
Trade and other payables	1,742,989	3,339,883	4,085,786	4,805,720	591,554	725,141
Short term borrowings	1,912,567	1,041,076	5,443,563	5,736,742	-	46,000
Current portion of borrowings	16,667	33,333	1,325,111	922,720	76,114	10,400
Other current financial liabilities	-	-	-	-	-	-
Bank overdrafts	82,617	497,434	538,852	1,344,054	204,442	36,093
Segment current liabilities	3,754,840	4,911,726	11,393,312	12,809,236	872,110	817,634
Income tax liabilities						
Other current liabilities *						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	7,203,521	9,232,852	59,062,422	51,638,515	15,102,646	11,929,640
Total segment liabilities	3,843,002	5,017,413	21,947,415	24,016,213	3,022,047	2,058,269

* Balance mainly comprises from tax refunds / other tax payables.

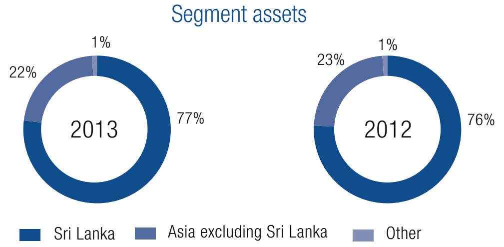
Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
6,059,305	4,260,761	1,312,584	1,311,684	430,919	466,119	1,194,682	844,179	41,641,469	29,371,781
-	-	-	-	-	-	45,378	50,471	9,528,965	10,305,006
5,040,924	3,765,854	-	-	-	-	3,113,441	2,102,175	17,057,330	12,666,195
57,616	49,679	49,500	49,500	56,967	73,276	74,004	48,191	239,294	228,422
206,152	128,932	16,714,231	11,393,303	48,678	50,229	1,791,648	2,174,668	23,411,864	18,712,502
16,623	-	111,647	-	8,011	-	916,927	-	3,652,753	2,546,590
11,380,620	8,205,226	18,187,962	12,754,487	544,575	589,624	7,136,080	5,219,684	95,531,675	73,830,496
-	-	3,049,214	2,735,640	-	454,935	988,830	918,681	15,724,361	15,654,381
								212,227	129,478
								950,884	717,900
								(3,319,017)	(3,620,452)
								109,100,130	86,711,803
2,363,666	2,107,181	6,090	13,198	540,193	492,529	288,086	251,559	4,031,075	4,307,792
1,839,220	2,483,721	3,191,950	2,435,154	2,720,385	1,873,710	1,943,638	2,624,052	16,991,647	17,745,980
975,650	22,577	5,031,415	6,653,770	567,834	172,507	12,716,219	10,750,466	32,127,617	31,117,452
367,453	223,177	492,241	724,963	238,472	189,630	336,522	648,401	3,554,846	4,234,903
5,545,989	4,836,656	8,721,696	9,827,085	4,066,884	2,728,376	15,284,465	14,274,478	56,705,185	57,406,127
								2,895,900	2,923,080
								(9,582,926)	(12,583,389)
								50,018,159	47,745,818
								159,118,289	134,457,621
-	-	17,388,494	14,710,527	-	-	-	-	17,388,494	14,710,527
558,269	283,442	-	-	106,761	140,193	3,772,620	5,129,699	16,377,050	17,034,348
385,386	408,759	184,249	171,556	84,481	80,681	243,976	201,746	1,385,072	1,372,161
15,230	-	-	-	-	-	838	1,025	50,228	2,948
198,413	212,941	-	-	-	-	-	-	530,075	773,884
1,157,298	905,142	17,572,743	14,882,083	191,242	220,874	4,017,434	5,332,470	35,730,919	33,893,868
								1,222,210	707,970
								(4,519,286)	(4,813,441)
								32,433,843	29,788,397
3,707,704	2,871,199	5,327,241	4,652,301	2,178,477	1,399,053	1,112,759	1,281,817	18,746,510	19,075,114
93,000	201,000	-	-	-	80,695	20,074	247,533	7,469,204	7,353,046
157,928	115,009	-	-	24,115	22,420	1,449,003	1,372,345	3,048,938	2,476,227
-	-	-	74,591	-	-	-	-	-	74,591
987,686	807,630	147,234	328,111	302,957	397,717	1,092,454	936,316	3,356,242	4,347,355
4,946,318	3,994,838	5,474,475	5,055,003	2,505,549	1,899,885	3,674,290	3,838,011	32,620,894	33,326,333
								981,013	823,195
								1,635,534	860,681
								(9,738,405)	(10,541,831)
								25,499,036	24,468,378
								57,932,879	54,256,775
16,926,609	13,041,882	26,909,658	22,581,572	4,611,459	3,318,000	22,420,545	19,494,162	152,236,860	131,236,623
6,103,616	4,899,980	23,047,218	19,937,086	2,696,791	2,120,759	7,691,724	9,170,481	68,351,813	67,220,201

3.3 Geographical segments, based on the location of assets

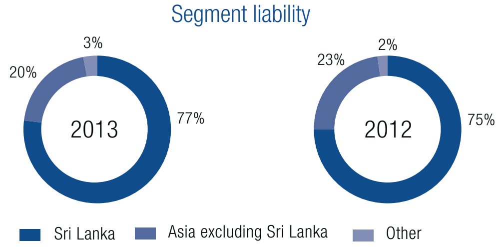
In Rs.'000s	Sri Lanka 2013	Sri Lanka 2012	Asia (excluding Sri Lanka) 2013	Asia (excluding Sri Lanka) 2012	Others 2013	Others 2012	Segment Total 2013	Segment Total 2012
Segment assets	116,907,558	99,303,627	33,595,341	29,657,836	1,976,230	800,844	152,479,129	129,762,307
Segment liabilities	52,678,865	49,932,174	13,328,739	15,264,346	2,344,209	1,630,454	68,351,813	66,826,974
Investment in associates	15,724,361	15,199,446	-	454,935	-	-	15,724,361	15,654,381
Segment revenue	77,046,900	70,629,625	10,107,220	8,615,026	249,054	126,962	87,403,174	79,371,613
Segment results	8,037,922	8,716,018	2,183,365	1,771,142	65,142	(30,702)	10,286,429	10,456,458
Purchase and construction of property, plant and equipment	5,263,123	5,501,020	360,032	372,964	17,614	16,770	5,640,769	5,890,754
Purchase of intangible assets	298,170	42,030	-	-	6,505	-	304,675	42,030
Depreciation of property, plant and equipment	1,937,047	1,590,930	302,858	268,670	9,789	3,477	2,249,694	1,863,077
Amortisation of intangible assets	235,044	246,830	-	-	9,880	-	244,924	246,830
Amortisation of lease rental paid in advance	16,985	17,192	665,614	507,479			682,599	524,671
Gratuity provision and related costs	130,030	211,389	6,927	23,045	629	2,426	137,586	236,860

Geographical segments, based on the location of assets

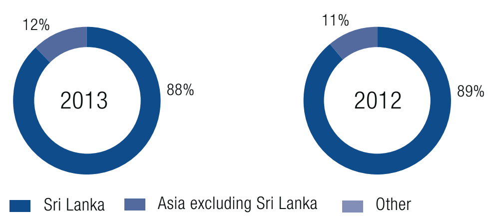
Segment assets



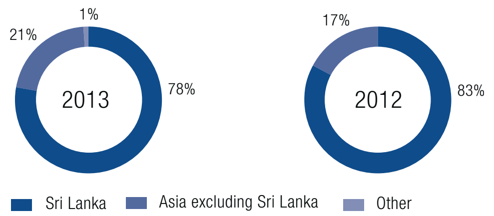
Segment liability



Segment revenue



Segment results



4 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

4.1 Acquisitions in 2012/13

Acquisition of additional interest in Keells Food Products PLC

In August 2012, the Group acquired an additional 6.96% of the voting shares of Keells Food Products PLC, increasing its ownership to 90.17%. A cash consideration of Rs.35.4 mn was paid to the shareholders with non-controlling interest. The carrying value of the net assets of Keells Food Products PLC (excluding goodwill on the original acquisition) at the acquisition date was Rs.411.6 mn, and the carrying value of the additional interest acquired was Rs.28.6 mn. The difference between the consideration and the carrying value of the interest acquired of Rs.6.8 mn has been recognised in retained earnings within equity.

Acquisition of D&W Food Products (Pvt) Ltd by Keells Food Products PLC. (KFP)

In August 2012, KFP acquired the Buildings, Plant and Machinary of D&W Food Products (Pvt) Ltd for a total consideration of Rs.700mn

In Rs.'000s	Fair value recognised on acquisition
ASSETS	
Goodwill	242,269
Property, plant and equipment	457,731
Total purchase price	700,000
Of the purchase price of Rs.700mn, as at 31 March 2013 Rs.350mn had been paid out.	

4.2 Disposals in 2012/13

In July 2012 John Keells Holdings PLC and John Keells Holdings Mauritius (Pvt) Ltd signed an agreement to divest 40% of the voting shares of John Keells Logistics Lanka (Pvt) Ltd and 80% of the voting shares of John Keells Logistics India (Pvt) Ltd.

In Rs.'000s	Value recognised on disposal
ASSETS	
Cash in hand and at bank	19,369
Short term investments	2,079
Trade and other receivables	178,417
Goodwill	9,285
Deferred tax assets	6,874
Other non current financial assets	5,841
Property, plant and equipment	18,404
LIABILITIES	
Bank overdrafts	(71,401)
Employee benefit liabilities	(7,423)
Trade and other payables	(98,081)
Total identifiable net assets	63,364
Transferred to investment in associates	(23,700)
Profit on disposal of non current investments	92,904
Fair value of contingent consideration	(44,713)
Cash consideration received on disposal of non current investments	87,855
Cash and cash equivalents disposed	49,953
Net cash inflow on disposal of non current investments	137,808

4.3 Acquisitions in 2011/12

Acquisition of John Keells BPO Solutions India (Pvt) Ltd

In June 2011, The Group obtained control of John Keells BPO Solutions India (Pvt) Ltd by increasing its stake to 100% from 49% (previously accounted for investment in associate), an unlisted company based in India and specialising in the business process outsourcing operations.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of John Keells BPO Solutions India (Pvt) Ltd immediately before the date of acquisition were:

In Rs.'000s	Fair value recognised on acquisition
ASSETS	
Cash in hand and at bank	114,471
Short term investments	49,204
Trade and other receivables	431,915
Property, plant and equipment	181,207
LIABILITIES	
Bank overdrafts	(36,956)
Employee benefit liabilities	(4,726)
Trade and other payables	(292,133)
Income tax liabilities	(4,791)
Total identifiable net assets at fair value	438,191
Preference shares converted to ordinary shares	(854,442)
Total identifiable net assets at fair value excluding preference shares	(416,251)
Share of net assets acquired	(212,288)
Goodwill	212,288
Total purchase price paid	
Paid in cash	-
Cash and cash equivalents of subsidiary acquired	126,719
Net cash inflow	126,719

From the date of acquisition, John Keells BPO Solutions India (Pvt) Ltd has contributed Rs.901 mn of revenue and Rs.12.5 mn to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been Rs.1,093.5 mn and the loss for the Group would have been Rs.30.7 mn.

Acquisition of additional interest on Ceylon Cold Stores PLC

In August 2011, the Group acquired an additional 0.89% effective interest of the voting shares of Ceylon Cold Stores PLC, increasing its ownership interest to 81.36%. A cash consideration of Rs.57.3 mn was paid by way of subscribing for additional rights. The carrying value of the net assets of Ceylon Cold Stores PLC (excluding goodwill on the original acquisition) at the acquisition date was Rs.4,478.5 mn, and the carrying value of the additional interest acquired was Rs.39.8 mn. The difference of Rs.17.5 mn between the consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

4.4 Disposals in 2011/12

There were no divestments during 2011/12.

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
5 REVENUE				
5.1 Revenue				
Gross revenue	85,860,655	77,941,730	599,248	516,356
Turnover tax	(303,404)	(251,858)	-	-
Net revenue	85,557,251	77,689,872	599,248	516,356

For the year ended 31st March In Rs.'000s	2013 Sale of goods	2013 Rendering of services	2013 Total revenue	2012 Sale of goods	2012 Rendering of services	2012 Total revenue
5.2 Business segment analysis						
Transportation	16,072,550	3,365,187	19,437,737	15,116,213	3,311,560	18,427,773
Leisure	-	20,593,302	20,593,302	-	17,415,145	17,415,145
Property	2,764,011	405,644	3,169,655	1,115,226	2,674,817	3,790,043
Consumer Foods & Retail	24,220,074	46,783	24,266,857	21,960,726	8,059	21,968,785
Financial Services	-	8,598,546	8,598,546	-	7,932,331	7,932,331
Information Technology	4,017,321	2,496,277	6,513,598	3,932,967	1,993,434	5,926,401
Others	-	2,977,556	2,977,556	-	2,229,394	2,229,394
Group revenue	47,073,956	38,483,295	85,557,251	42,125,132	35,564,740	77,689,872

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012
5.3 Geographical segment analysis (by location of customers)		
Sri Lanka	73,153,365	67,015,277
Asia (excluding Sri Lanka)	8,140,420	7,004,072
Europe	3,188,138	3,082,639
Others	1,075,328	587,884
Total Group external revenue	85,557,251	77,689,872

For the year ended 31st March In Rs.'000s	Company 2013	Company 2012
6 DIVIDEND INCOME		
Income from investments in related parties	6,817,632	4,815,059
	6,817,632	4,815,059

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
7 OTHER OPERATING INCOME				
Exchange gain	212,649	509,835	-	-
Profit on sale of property, plant and equipment	-	2,371	2,697	3,415
Profit on sale of non current investments	92,904	-	-	-
Profit on sale of non current investments in associates	129,939	-	-	-
Promotional income and commission fee from Consumer Foods and Retail group	341,702	288,844	-	-
Write back of dealer deposits	42,958	201,724	-	-
Income from commercial projects	75,577	181,796	75,577	181,796
Sundry income	456,095	495,333	29,032	7,398
	1,351,824	1,679,903	107,306	192,609

Notes to the financial statements

For the year ended 31st March In Rs.'000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
8 OTHER OPERATING EXPENSES					
Nation Building Tax		844,843	605,332	13,550	13,037
Loss on sale of non current investments		-	-	30,152	-
Loss on sale of property, plant and equipment		59,836	-	-	-
Other overheads		1,742,895	1,564,386	19,008	17,044
		2,647,574	2,169,718	62,710	30,081
9 FINANCE COST					
Interest expense on borrowings		1,058,243	670,918	272,033	205,743
Finance cost on other financial instruments		22,975	744,909	21,068	306,691
		1,081,218	1,415,827	293,101	512,434
10 FINANCE INCOME					
Interest income		4,571,689	2,770,000	1,192,583	654,500
Finance income from other financial instruments		198,202	104,360	103,010	75,887
		4,769,891	2,874,360	1,295,593	730,387
The above includes interest income of Rs. 2.66bn relating to Union Assurance PLC's life and general funds, which net of related costs has been included under Financial Services segment results in note 3.1.					
11 PROFIT BEFORE TAX					
Profit before tax is stated after charging all expenses including the following;					
Remuneration to executive directors		320,826	274,689	142,799	127,155
Remuneration to non executive directors		36,755	34,390	14,670	14,460
Auditors' remuneration					
Audit		50,841	33,843	8,298	5,507
Non-audit		7,760	9,074	2,595	3,914
Costs of defined employee benefits					
Defined benefit plan cost		137,586	236,860	18,875	29,523
Defined contribution plan cost - EPF and ETF		648,052	575,062	21,907	19,802
Staff expenses		8,881,309	7,145,560	338,658	346,256
Depreciation of property, plant and equipment		2,249,694	1,863,077	25,489	32,913
Amortisation of intangible assets		244,924	246,830	16,520	14,927
Amortisation of lease rentals paid in advance		682,599	524,671	-	-
Provision for impairment losses		17,562	22,304	-	-
Operating lease payments		1,034,866	865,048	-	-
Loss on sale of property, plant and equipment and intangible assets		59,836	-	-	-
Donations		18,815	22,767	4,980	11,550
12 TAX EXPENSE					
Current income tax					
Current tax charge		1,598,872	1,340,402	64,620	1,260
(Over)/Under provision of current tax of previous years		(42,407)	76,788	882	38,418
Economic service charge	12.2	29,110	16,155	-	-
10% Withholding tax on inter company dividends		435,128	240,469	-	-
Deferred income tax					
Relating to origination and reversal of temporary differences	12.3	163,836	168,065	-	54,198
		2,184,539	1,841,879	65,502	93,876

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
12.1 Reconciliation between tax expense and the product of accounting profit				
Profit before tax	15,775,165	12,820,028	7,427,712	4,725,394
Dividend income from Group companies	7,781,045	5,449,601	-	-
Share of results of equity accounted investees	(3,369,313)	(2,764,838)	-	-
Other consolidation adjustments	866,510	1,316,365	-	-
	21,053,407	16,821,156	7,427,712	4,725,394
Exempt profits	(3,700,402)	(2,537,829)	(203,937)	(189,640)
Profits not charged to income tax	(1,320,483)	(32,660)	-	-
Resident dividend	(7,653,519)	(5,247,329)	(6,920,643)	(4,890,946)
Accounting profit / (loss) chargeable to income taxes	8,379,003	9,003,338	303,132	(355,192)
Tax effect on chargeable profits	1,870,769	1,860,468	84,878	(99,453)
Tax effect on non deductible expenses	108,721	68,830	54,283	106,983
Tax effect on deductions claimed	(477,831)	(776,577)	(12,663)	(12,488)
Net tax effect of unrecognised deferred tax assets for the year	(52,199)	84,771	(61,878)	13,879
Net tax effect of unrecognised deferred tax assets for prior years	(10,850)	58,011	-	46,537
Tax effect on rate differentials	-	(8,387)	-	-
(Over)/Under provision for previous years	(42,407)	76,788	882	38,418
Other income based taxes				
Economic service charge	29,110	16,155	-	-
Social responsibility levy	-	(619)	-	-
10% WHT on inter company dividends	435,128	240,469	-	-
Current and deferred tax share of associates	324,098	221,970	-	-
	2,184,539	1,841,879	65,502	93,876
Income tax charged at				
Standard rate 28%	790,158	720,315	64,620	1,260
Concessionary rate of 12%	452,011	451,366	-	-
Off-shore dividend 10%	-	2,136	-	-
Under provision for previous years	(42,407)	76,788	882	38,418
Charge for the year	1,199,762	1,250,605	65,502	39,678
Deferred tax reversal	196,441	113,299	-	54,198
Other income based taxes				
Economic service charge	29,110	16,155	-	-
Social responsibility levy	-	(619)	-	-
10% WHT on inter company dividends	435,128	240,469	-	-
Current and deferred tax share of equity accounted investments	324,098	221,970	-	-
Total income tax expense	2,184,539	1,841,879	65,502	93,876

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

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012
12.2 Economic service charge (ESC)		
ESC written-off	29,110	16,155
	29,110	16,155

Notes to the financial statements

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
12.3 Deferred tax expense				
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	359,162	88,573	-	-
Revaluation of investment property to fair value	(16,679)	-	-	-
Employee benefit liabilities	(5,378)	(18,562)	-	-
Benefit arising from tax losses	(172,577)	33,667	-	54,198
Others	31,913	9,621	-	-
	196,441	113,299	-	54,198
Share of associate company deferred tax	(32,605)	54,766	-	-
Deferred tax charge	163,836	168,065	-	54,198
Other comprehensive income				
Deferred tax expense arising from				
revaluation of land and building to fair value	228,187	20,818	-	-
Total deferred tax charge	392,023	188,883	-	54,198

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for Leisure Group companies and at rates as disclosed in notes 12.6 and 12.7.

Temporary differences associated with the undistributed reserves in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised, amounts to Rs.2,260 mn (2012 Rs.1,137 mn). The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
12.4 Tax losses carried forward				
Tax losses brought forward	6,546,382	5,286,904	1,204,239	1,229,909
Adjustments on finalisation of liability	(254,164)	410,090	-	560
Tax losses arising during the year	1,580,856	1,267,955	-	-
Utilisation of tax losses	(548,910)	(418,567)	(162,360)	(26,230)
	7,324,164	6,546,382	1,041,879	1,204,239

	Year of investment	Cost of approved investment	Relief claimed on investments
12.5 Details of investment relief			
John Keells Holdings PLC. (JKH)	1999/2000	579,036	413,771
Ceylon Cold Stores PLC. (CCS)	2011/2012	257,174	64,293
	2012/2013	167,104	106,069
Keells Food Products PLC. (KFP)	2012/2013	457,731	39,464

JKH is eligible for qualifying payment relief granted under Section 31(2)(s) of the Inland Revenue Act No 28 of 1979 and the transitional provisions under Section 218 of the Inland Revenue Act No 10 of 2006. The company has carried forward the unclaimed investment relief to set off in future years.

CCS and KFP are eligible for qualifying payment relief granted under Section 34(2)(s) of the Inland Revenue Act, No. 10 of 2006 duly amended by the Inland Revenue (Amendment) Act, No.8 of 2012. These companies have carried forward the unclaimed investment relief to set off in future years.

12.6 Applicable rates of income tax

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

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Inland Revenue Act			
Ceylon Cold Stores PLC.	Off-shore activities for payment in foreign currency	Exempt	Open-ended
John Keells Computer Services (Pvt) Ltd.	- do -	- do -	- do -
John Keels Office Automation (Pvt) Ltd.	- do -	- do -	- do -
Keells Hotel Management Services Ltd.	- do -	- do -	- do -
Keells Shipping (Pvt) Ltd.	- do -	- do -	- do -
Mack Air (Pvt) Ltd.	- do -	- do -	- do -
Walkers Tours Ltd.	- do -	- do -	- do -
John Keells Computer Services (Pvt) Ltd.	On-shore activities for payment in foreign currency	- do -	- do -
John Keells International (Pvt) Ltd.	- do -	- do -	- do -
InfoMate (Pvt) Ltd.	- do -	- do -	- do -
John Keells Holdings PLC.	- do -	- do -	- do -
Lanka Marine Services (Pvt) Ltd.	Export consignment sales of petroleum products	- do -	- do -
John Keells Warehousing (Pvt) Ltd.	Operation & maintenance of facilities for storage	- do -	- do -
John Keells Logistics (Pvt) Ltd (sites which are not covered by the BOI agreement)	- do -	- do -	- do -
Leisure sector	Promotion of tourism	12%	- do -
Mackinnons Travels (Pvt) Ltd.	- do -	- do -	- do -
Consumer Foods and Retail sector	Qualified export profits	- do -	Upto 31 March 2014
Lanka Marine Services (Pvt) Ltd.	- do -	- do -	Upto 31 March 2015

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Board of Investment Law			
Asian Hotels and Properties PLC.	Construction and operation of office and apartment complex	Exempt	15 years from April 1996 with a 3 year extension on merger
Beruwala Holiday Resorts (Pvt) Ltd.	Construction of a tourist hotel	- do -	8 years from 1st year of profit or 2 years from operations
Sancity Hotels & Properties Ltd	Construction of a tourist hotel	- do -	7 years from 1st year of profit or 2 years from operations
John Keells Logistics (Pvt) Ltd.	Integrated supply chain management	- do -	5 years from April 2009
John Keells Residential Properties (Pvt) Ltd.	Infrastructure development	- do -	8 years from April 2011
Trinco Holiday Resorts (Pvt) Ltd.	For upgrading and refurbishment of a hotel in the Eastern Province	- do -	10 years from 1st year of profit or 2 years from operations
South Asia Gateway Terminals (Pvt) Ltd.	"Port services" at Queen Elizabeth Quay	- do -	20 years from September 1999

Other miscellaneous concessions

Exemption on interest income earned from foreign currency denominated accounts. Capital gains from sale of shares are excluded from chargeability to income tax. Dividends and interest in off shore companies are exempt from income tax.

12.7 Income tax rates of off-shore subsidiaries

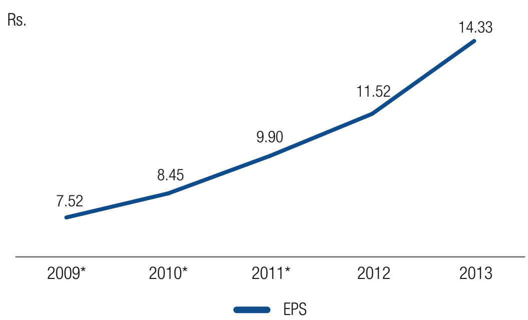
Country of incorporation	Company	Rate
India	John Keells Foods India (Pvt)Ltd.	30.9%
	John Keells Air Services India (Pvt) Ltd.	30.9%
	Serene Holidays (Pvt) Ltd.	30.9%
Mauritius	John Keells BPO Holdings (Pvt) Ltd.	3%(Effective)
	John Keells BPO International (Pvt) Ltd.	3%(Effective)
	John Keells Holdings Mauritius (Pvt) Ltd.	3%(Effective)
	John Keells Hotels Mauritius (Pvt) Ltd.	3%(Effective)
Republic of Maldives	Fantasea World Investments (Pte) Ltd.	15%
	Tranquility (Pte) Ltd.	15%
	Travel Club (Pte) Ltd.	15%
	John Keells Maldivian Resorts (Pte) Ltd.	15%
	Mack Air Services Maldives (Pte) Ltd.	15%
Singapore	John Keells Singapore (Pte) Ltd.	17% (Max)
United Arab Emirates	Information System Associates	Nil
United Kingdom	John Keells Computer Services (UK) Ltd.	30%
USA	John Keells BPO Solutions US (Pvt) Ltd.	35%(Max)
Canada	John Keells BPO Solutions Canada (Pvt) Ltd.	26.5%

For the year ended 31st March In Rs.'000s	Note	Group 2013	2012
13 EARNINGS PER SHARE			
13.1 Basic earnings per share			
Profit attributable to equity holders of the parent		12,201,079	9,686,913
Weighted average number of ordinary shares	13.3	851,344	841,086
Basic earnings per share		14.33	11.52
13.2 Diluted earnings per share			
Profit attributable to equity holders of the parent		12,201,079	9,686,913
Adjusted weighted average number of ordinary shares	13.3	858,305	846,935
Diluted earnings per share		14.22	11.44
13.3 Amount used as denominator			
Ordinary shares at the beginning of the year		844,121	629,692
Sub division of ordinary shares		-	210,046
Effect of share options exercised		7,223	1,348
Weighted average number of ordinary shares in issue before dilution		851,344	841,086
Number of shares outstanding under the share option scheme		23,741	26,717
Number of shares that would have been issued at fair value		(16,780)	(20,868)
Adjusted weighted average number of ordinary shares		858,305	846,935

For the year ended 31st March In Rs.'000s	Rs.	2013	Rs.	2012
14 DIVIDEND PER SHARE				
Equity dividend on ordinary shares				
Declared and paid during the year				
Final dividend*	1.50	1,275,977	1.00	629,833
Interim dividend	2.00	1,706,445	2.00	1,683,686
Total dividend	3.50	2,982,422	3.00	2,313,519

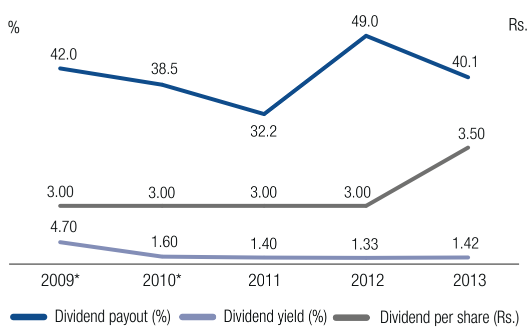
*Previous years' final dividend paid in the current year.

Basic earnings per share



* *figures based on previous version of SLAS.*

Dividend per share, payout and yield



15 FINANCIAL INSTRUMENTS - GROUP

15.1 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories

As at 31 st March In Rs.'000	Loans and receivables (L&R) 2013	2012	As at 1 April 2011
Financial instruments in non current assets			
Other non current financial assets	3,180,300	2,588,484	2,829,468
Financial instruments in current assets			
Trade and other receivables	12,741,624	11,347,280	8,982,184
Amounts due from related parties	207,455	10,715	18,520
Short term investments	23,328,969	18,973,672	13,295,307
Cash in hand and at bank	3,554,804	4,267,175	2,112,626
Total	43,013,152	37,187,326	27,238,105

For financial assets both at fair value through profit or loss and available-for-sale financial assets, the carrying amount and fair value are equal.

The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology. The fair value of held to maturity investments amounts to Rs.14,064 mn (2012 - 9,743 mn, As at 1 April 2011 - 10,804) for the Group.

Financial liabilities by categories

As at 31 st March In Rs.'000
Financial instruments in non current liabilities
Borrowings
Financial instruments in current liabilities
Trade and other payables
Amounts due to related parties
Short term borrowings
Current portion of borrowings
Other current financial liabilities
Bank overdrafts
Total

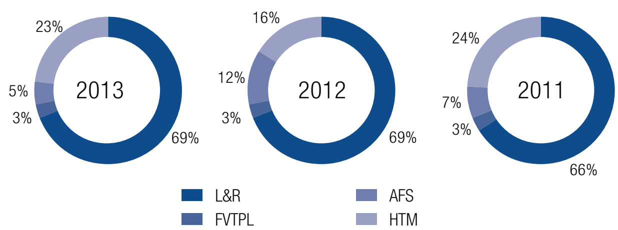
The Group designated financial assets amounting to Rs.204mn (2012 - Rs.152mn, 2011- Rs.46mn) upon initial recognition, as fair value through profit or loss.

The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

Financial assets at fair value through profit or loss (FVTPL)			Available-for-sale financial assets (AFS)			Held-to-maturity investments (HTM)		
		As at 1 April			As at 1 April			As at 1 April
2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
44,619	-	-	1,935,053	1,844,906	450,804	13,656,721	9,256,429	9,996,353
33,422	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,939,311	1,445,286	1,245,608	982,774	4,428,245	2,411,385	335,000	-	-
-	-	-	-	-	-	-	-	-
2,017,352	1,445,286	1,245,608	2,917,827	6,273,151	2,862,189	13,991,721	9,256,429	9,996,353

Financial liabilities at fair value through profit or loss			Financial liabilities measured at amortised cost		
		As at 1 April			As at 1 April
2013	2012	2011	**2013**	2012	2011
-	-	-	11,857,764	12,220,907	8,275,452
-	3,398	-	14,608,263	14,871,823	11,114,166
-	-	-	15,280	1,650	2,237
-	-	-	1,853,767	1,009,057	232,000
-	-	-	3,048,936	2,476,627	2,197,557
-	74,593	-	-	-	-
-	-	-	3,356,243	4,347,354	3,904,116
-	77,991	-	34,740,253	34,927,418	25,725,528

Financial assets by categories



15 FINANCIAL INSTRUMENTS - COMPANY

15.2 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories	Loans and receivables			Available-for-sale financial assets		
			As at 1 April			As at 1 April
As at 31 st March	**2013**	2012	2011	**2013**	2012	2011
In Rs.'000						
Financial instruments in non current assets						
Other non current financial assets	39,576	205,467	237,448	1,671,077	1,817,217	423,131
Financial instruments in current assets						
Trade and other receivables	994,862	376,950	65,670	-	-	-
Amounts due from related parties	518,084	978,748	696,782	-	-	-
Short term investments	12,551,540	10,183,845	10,143,984	-	-	-
Cash in hand and at bank	63,159	454,495	19,382	-	-	-
Total	14,167,221	12,199,505	11,163,266	1,671,077	1,817,217	423,131

Both carrying amount and fair value of available-for-sale financial assets are equal.

The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology for the Company.

Financial liabilities by categories	Financial liabilities measured at amortised cost		
			As at 1 April
As at 31 st March	**2013**	2012	2011
In Rs.'000			
Financial instruments in non current liabilities			
Borrowings	3,752,621	5,060,493	5,442,865
Financial instruments in current liabilities			
Trade and other payables	229,990	246,050	146,500
Amounts due to related parties	13,156	6,926	9,274
Current portion of borrowings	1,314,424	1,348,887	1,167,139
Bank overdrafts	510,205	679,037	34,510
Total	5,820,396	7,341,393	6,800,288

The Company has not designated any financial assets or liabilities upon initial recognition, as fair value through profit or loss.

The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

15.3 Financial Assets and Liabilities by Fair Value Hierarchy - Group

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

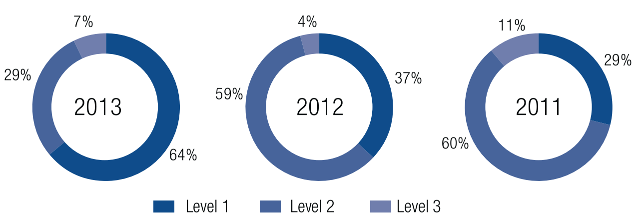
Level 2: other techniques for which all inputs with significant effect on the recorded fair values are observable, either directly or indirectly;

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group held the following financial instruments carried at fair value in the statement of financial position:

	Level 1			Level 2			Level 3		
			As at 1 April			As at 1 April			As at 1 April
As at 31 st March In Rs.'000	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Financial assets									
Fair value through profit or loss									
Financial assets held for trading	1,780,296	1,293,372	1,199,292	-	-	-	-	-	-
Designated at fair value through profit or loss	-	13,608	-	203,634	138,306	46,316	-	-	-
Foreign exchange forward contracts	-	-	-	33,422	-	-	-	-	-
Available for sale	1,363,305	1,576,490	13	1,183,875	4,428,245	2,411,385	370,647	268,416	450,791
Total	3,143,601	2,883,470	1,199,305	1,420,931	4,566,551	2,457,701	370,647	268,416	450,791
Financial liabilities									
Fair value through profit or loss									
Foreign exchange forward contracts	-	-	-	-	77,991	-	-	-	-
Total	-	-	-	-	77,991	-	-	-	-

Financial assets fair value hierarchy



15.4 Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In Rs.'000	Available-for-sale financial assets
As at 1 April 2011	450,791
Transferred to level 1	(207,209)
Total gains and losses recognised in OCI	24,834
As at 31 March 2012	268,416
Sales	-
Purchases	-
Total gains and losses recognised in OCI	102,231
As at 31 March 2013	370,647

During the year ended 31 March 2012, one of the unquoted investments was listed in the Colombo Stock Exchange, which resulted in a transfer from Level 3 to Level 1 on fair value measurement.

Fair value would not significantly vary if one or more of the inputs were changed.

15.5 Financial Assets and Liabilities by Fair Value Hierarchy - Company

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs with significant effect on the recorded fair values are observable, either directly or indirectly;

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Company held the following financial instruments carried at fair value in the statement of financial position:

	Level 1			Level 2			Level 3		
As at 31 st March In Rs.'000	**2013**	2012	As at 1 April 2011	**2013**	2012	As at 1 April 2011	**2013**	2012	As at 1 April 2011
FINANCIAL ASSETS									
Available for sale	1,354,440	1,576,461	-	-	-	-	316,637	240,756	423,131

15.6 Reconciliation of fair value measurements of Level 3 financial instruments

The Company carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In Rs.'000	Available-for-sale financial assets
As at 1 April 2011	423,131
Transferred to level 1	(207,209)
Total gains and losses recognised in OCI	24,834
As at 31 March 2012	240,756
Sales	-
Purchases	-
Total gains and losses recognised in OCI	75,881
As at 31 March 2013	316,637

During the year ended 31 March 2012, one of the unquoted investments was listed in the Colombo Stock Exchange, which resulted in a transfer from Level 3 to Level 1 on fair value measurement.

Fair value would not significantly vary if one or more of the inputs were changed.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds available-for-sale investments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group is exposed to market risk, credit risk and liquidity risk.

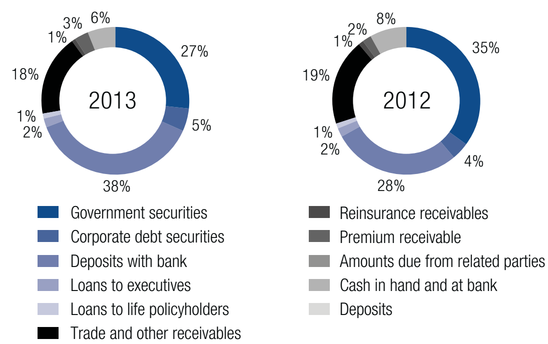
16.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments, short term investments, and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

Total credit risk exposure



16.1.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

As at 31st March In Rs.'000s	Note	2013						
		Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
Risk Exposure - Group								
Government securities	16.1.2	11,915,463	-	-	3,734,734	-	15,650,197	27%
Corporate debt securities	16.1.3	2,611,981	-	-	335,000	-	2,946,981	5%
Deposits with bank	16.1.4	1,570,000	-	-	20,736,024	-	22,306,024	38%
Loans to executives	16.1.5	681,627	-	207,982	-	-	889,609	2%
Loans to life policyholders	16.1.6	303,670	-	-	-	-	303,670	1%
Trade and other receivables	16.1.7	-	-	10,737,039	-	-	10,737,039	18%
Reinsurance receivables	16.1.8	-	-	367,801	-	-	367,801	1%
Premium receivable	16.1.9	-	-	1,462,224	-	-	1,462,224	2%
Amounts due from related parties	16.1.10	-	-	-	-	207,455	207,455	0%
Cash in hand and at bank	16.1.11	-	3,554,804	-	-	-	3,554,804	6%
Total credit risk exposure		17,082,741	3,554,804	12,775,046	24,805,758	207,455	58,425,804	100%
Financial assets at fair value through profit or loss	16.3.4.1	-	-	-	1,780,296	-		
Available-for-sale investments	16.3.4.2	1,733,952	-	-	-	-		
Total equity risk exposure		1,733,952	-	-	1,780,296	-		
Total		18,816,693	3,554,804	12,775,046	26,586,054	207,455		
Risk Exposure - Company								
Government securities	16.1.2	-	-	-	280,770	-	280,770	2%
Deposits with bank	16.1.4	-	-	-	12,270,770	-	12,270,770	87%
Loans to executives	16.1.5	39,576	-	19,522	-	-	59,098	0%
Trade and other receivables	16.1.7	-	-	975,340	-	-	975,340	7%
Amounts due from related parties	16.1.10	-	-	-	-	518,084	518,084	4%
Cash in hand and at bank	16.1.11	-	63,159	-	-	-	63,159	0%
Total credit risk exposure		39,576	63,159	994,862	12,551,540	518,084	14,167,221	100%
Available-for-sale investments	16.3.4.2	1,671,077	-	-	-	-		
Total equity risk exposure		1,671,077	-	-	-	-		
Total		1,710,653	63,159	994,862	12,551,540	518,084		

2012

Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
8,231,634	-	-	9,521,230	-	17,752,864	35%
2,153,890	-	-	-	-	2,153,890	4%
357,500	-	-	14,032,601	-	14,390,101	28%
846,632	-	222,993	-	-	1,069,625	2%
255,257	-	-	-	-	255,257	1%
-	-	9,772,579	-	-	9,772,579	19%
-	-	475,722	-	-	475,722	1%
-	-	875,986	-	-	875,986	2%
-	-	-	-	10,715	10,715	0%
-	4,267,175	-	-	-	4,267,175	8%
11,844,913	4,267,175	11,347,280	23,553,831	10,715	51,023,914	100%
-	-	-	1,293,372	-		
1,844,906	-	-	-	-		
1,844,906	-	-	1,293,372	-		
13,689,819	4,267,175	11,347,280	24,847,203	10,715		
-	-	-	2,079,100	-	2,079,100	18%
-	-	-	8,104,745	-	8,104,745	70%
49,826	-	20,825	-	-	70,651	1%
-	-	356,125	-	-	356,125	3%
155,641	-	-	-	342,926	498,567	4%
-	454,495	-	-	-	454,495	4%
205,467	454,495	376,950	10,183,845	342,926	11,563,683	100%
1,817,217	-	-	-	-		
1,817,217	-	-	-	-		
2,022,684	454,495	376,950	10,183,845	342,926		

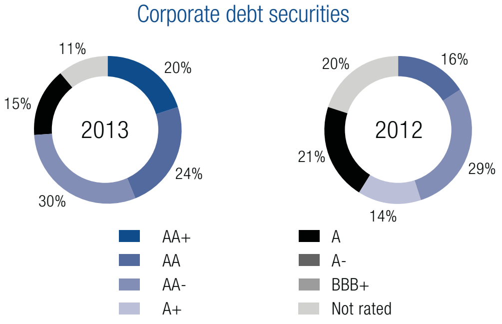
16.1.2 Government securities

As at 31 March 2013 as shown in the table above, 27% (2012-35%) and 2% (2012-18%) of debt securities comprise investments in government securities which consist of treasury bonds, bills and reverse repo investments for the Group and Company respectively. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

16.1.3 Corporate debt securities

As at 31 March 2013, corporate debt securities comprise 5% (2012-4%) of the total investments in debt securities, out of which 89% (2012 – 80%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

	Group			
As at 31st March	**2013**		2012	
Fitch rating	In Rs.'000s	Rating % of total	In Rs.'000s	Rating % of total
AA+	600,000	20%	-	-
AA	695,000	24%	345,000	16%
AA-	867,680	30%	626,261	29%
A+	-	0%	298,326	14%
A	450,000	15%	450,000	21%
A-	10,000	0%	10,000	0%
Not rated	324,301	11%	424,303	20%
Total	2,946,981	100%	2,153,890	100%



16.1.4 Deposits with banks

Deposits with banks mainly consist of fixed and call deposits. As at 31 March 2013, 90% (2012- 61%) and 93% (2012-70%) of the fixed and call deposits were rated "A+" or better for the Group and Company respectively.

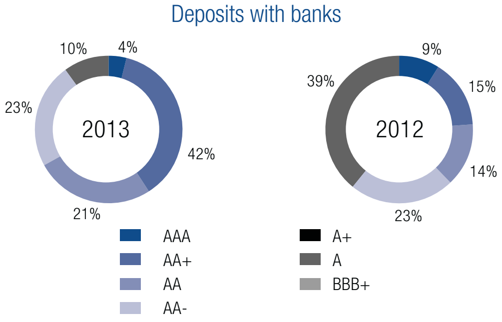
	Group				Company			
As at 31st March	**2013**		2012		**2013**		2012	
Fitch rating	In Rs.'000s	Rating % of total	In Rs.'000s	Rating % of total	In Rs.'000s	Rating % of total	In Rs.'000s	Rating % of total
AAA	915,390	4%	1,332,000	9%		0%		0%
AA+	9,332,624	42%	2,129,000	15%	4,122,118	34%	1,123,253	14%
AA	4,638,150	21%	1,953,000	14%	2,075,892	17%	1,161,909	14%
AA-	5,199,810	23%	3,340,000	23%	5,156,001	42%	3,364,838	42%
A+	-	-	5,000	0%		0%		0%
A	2,220,050	10%	5,567,000	39%	916,759	7%	2,454,745	30%
BBB+	-	-	64,101	0%		0%		0%
Total	22,306,024	100%	14,390,101	100%	12,270,770	100%	8,104,745	100%

16.1.5 Loans to executives

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

16.1.6 Loans to life policyholders

A loan issued by an insurance company (UA) considers the surrender value of the life policy as collateral.



16.1.7 Trade and other receivables

As at 31st March	Group 2013 In Rs.'000s	Group 2012 In Rs.'000s	Company 2013 In Rs.'000s	Company 2012 In Rs.'000s
Neither past due nor impaired	6,674,774	6,594,847	950,480	305,163
Past due but not impaired				
< 30 days	2,248,993	1,344,596	17,974	45,334
31–60 days	1,316,516	1,247,600	1,138	651
61–90 days	219,400	142,840	-	4,007
> 91 days	277,356	442,696	5,748	970
Impaired	303,615	294,558	-	-
Gross carrying value	11,040,654	10,067,137	975,340	356,125
Less: impairment provision				
Individually assessed impairment provision	(286,352)	(274,553)	-	-
Collectively assessed impairment provision	(17,263)	(20,005)	-	-
Total	10,737,039	9,772,579	975,340	356,125

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

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

16.1.8 Reinsurance receivables

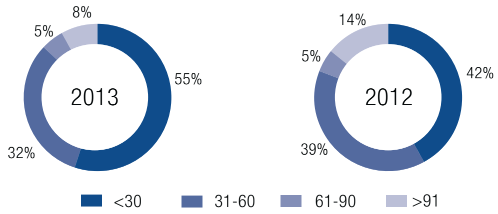
As part of its overall risk management strategy, Union Assurance PLC (UA) cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes UA to credit risk.

Reinsurance is placed in line with policy guidelines approved by the board on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka and concentration of risk is managed by reference to counterparties' limits that are set each year and are subject to regular reviews. On a regular basis management assesses the credit worthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of re-insurance assets.

16.1.9 Premium receivable

UA's has a credit risk exposure to receivables where the policyholder or the intermediary cannot settle their dues to UA.
In life insurance, credit risk is minimal, since premium is collected before the policy is issued.
In non life insurance, the premium warranty clause which states that a claim is not payable if the premium is not settled within 60 days has reduced the credit risk to a greater extent.

Past due but not impaired



The following steps have also been taken to further minimise credit risk;

- Customers are regularly reminded on the premium warranty clause
- Outstanding credit is followed up on a daily basis
- Policies not settled within a reasonable period are monitored and cancelled
- Outstanding receivables are checked and confirmed prior to settling claims
- Until premium is settled a temporary certificate for 60 days issued for motor policies.

16.1.10 Amounts due from related parties

The Group's amounts due from related parties mainly consist of associates and other venture partners' balances from joint ventures. The Company balance consists of the balance from affiliate companies.

16.1.11 Credit risk relating to cash and cash equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

16.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its short and medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including debentures, bank loans, loan notes, overdrafts and finance leases over a broad spread of maturities.

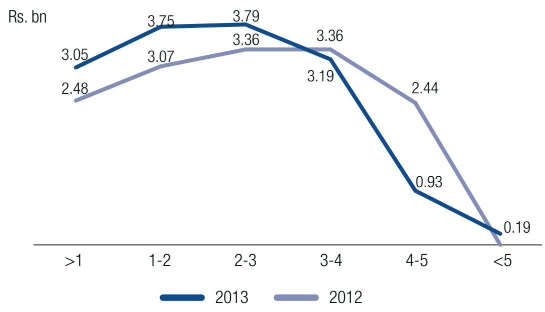
16.2.1 Net debt / (cash)

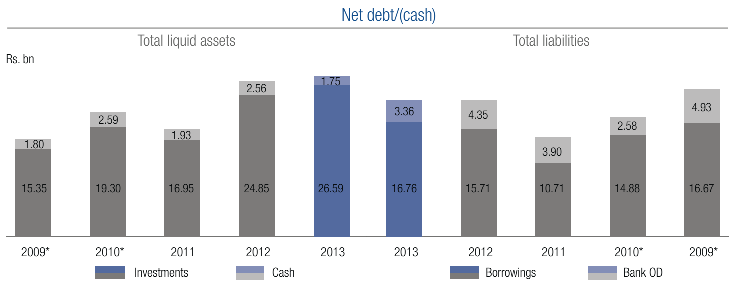
As at 31st March Rs.'000s	Group		Company	
	2013	2012	**2013**	2012
Short term investments	26,586,054	24,847,203	12,551,540	10,183,845
Cash in hand and at bank	3,554,804	4,267,175	63,159	454,495
Adjustments to liquid assets	(1,801,554)	(1,712,396)	-	-
Total liquid assets	28,339,304	27,401,982	12,614,699	10,638,340
Non current portion of borrowings	11,857,764	12,220,907	3,752,621	5,060,493
Short term borrowings	1,853,767	1,009,057	-	-
Current portion of borrowings	3,048,936	2,476,627	1,314,424	1,348,887
Bank overdrafts	3,356,243	4,347,354	510,205	679,037
Total liabilities	20,116,710	20,053,945	5,577,250	7,088,417
Net debt / (cash)	(8,222,594)	(7,348,037)	(7,037,449)	(3,549,923)

16.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreements or other secured borrowings. The Group and Company net cash positions excluding long term borrwings amounting to Rs. 20,081 mn (2012 - Rs. 19,569 mn) and Rs. 10,790 mn (2012 - Rs. 8,610 mn) respectively.

Maturity analysis





*figures based on previous version of SLAS.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

Group In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Borrowings	3,048,936	3,754,171	3,789,913	3,194,895	926,957	191,828	14,906,700
Trade and other payables	14,608,263	-	-	-	-	-	14,608,263
Amounts due to related parties	15,280	-	-	-	-	-	15,280
Short term borrowings	1,853,767	-	-	-	-	-	1,853,767
Bank overdrafts	3,356,243	-	-	-	-	-	3,356,243
	22,882,489	3,754,171	3,789,913	3,194,895	926,957	191,828	34,740,253

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2012 based on contractual undiscounted payments.

Group In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Borrowings	2,476,627	3,066,872	3,356,008	3,357,576	2,440,451	-	14,697,534
Trade and other payables	14,875,221	-	-	-	-	-	14,875,221
Amounts due to related parties	1,650	-	-	-	-	-	1,650
Short term borrowings	1,009,057	-	-	-	-	-	1,009,057
Other current financial liabilities	74,593	-	-	-	-	-	74,593
Bank overdrafts	4,347,354	-	-	-	-	-	4,347,354
	22,784,502	3,066,872	3,356,008	3,357,576	2,440,451	-	35,005,409

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

Company In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Borrowings	1,314,424	1,140,173	1,306,224	1,306,224	-	-	5,067,045
Trade and other payables	229,990	-	-	-	-	-	229,990
Amounts due to related parties	13,156	-	-	-	-	-	13,156
Bank overdrafts	510,205	-	-	-	-	-	510,205
	2,067,775	1,140,173	1,306,224	1,306,224	-	-	5,820,396

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2012 based on contractual undiscounted payments.

Company In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Borrowings	1,348,887	1,285,123	1,270,123	1,255,123	1,250,124	-	6,409,380
Trade and other payables	246,050	-	-	-	-	-	246,050
Amounts due to related parties	6,926	-	-	-	-	-	6,926
Bank overdrafts	679,037	-	-	-	-	-	679,037
	2,280,900	1,285,123	1,270,123	1,255,123	1,250,124	-	7,341,393

16.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

* Interest rate risk
* Currency risk
* Commodity price risk
* Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2013 and 2012.

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

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

The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2013 and 2012

16.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, based on the market condition and outlook of the interest rate, the Group takes mitigating action such as interest rate swaps, caps, etc.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points		Effect on profit before tax Rs.'000s	
			Group	**Company**
	Rupee borrowings	Other currency borrowings		
2013				
	+150	+15	(80,011)	(7,601)
	-150	-15	98,921	7,601
2012				
	+165	+20	(84,909)	(12,819)
	-165	-20	68,409	12,819

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

16.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury analyses the market condition of foreign exchange and provides market updates to the board, with the use of external consultants' advice. Based on the suggestions made by Group treasury, the board takes decisions on whether to hold, sell, or make forward bookings of foreign currency.

16.3.2.1 Effects of currency transaction on forward contract

The following table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts.

		Effect on profit before tax Rs.'000s	
	Increase/(decrease) in exchange rate USD	**Group**	**Company**
2013			
	+3%	(5,397)	-
	-3%	5,397	-
2012			
	+8%	(21,426)	-
	-8%	21,426	-

16.3.2.2 Effects of currency translation

For purposes of JKH's consolidated financial statements, the income, expenses, assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees (LKR). Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes - EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

The Group's exposure to foreign currencies other than USD is not material.

		Group		**Company**	
	Increase/(decrease) in exchange rate USD	Effect on profit before tax Rs.'000s	Effect on equity Rs.'000s	Effect on profit before tax Rs.'000s	Effect on equity Rs.'000s
2013					
	+3%	330,803	269,381	(16,738)	-
	-3%	(330,803)	(269,381)	16,738	-
2012					
	+8%	578,735	605,123	(163,714)	-
	-8%	(578,735)	(605,123)	163,714	-

Assumptions

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

16.3.3 Equity price risk

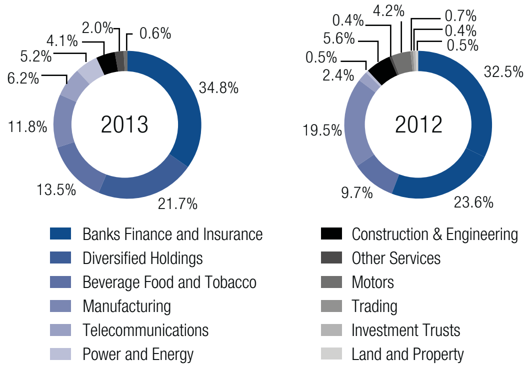
The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

16.3.3.1 Financial assets at fair value through Profit and loss

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

	Group			
	2013 Rs.'000	%	2012 Rs.'000	%
Banks Finance and Insurance	619,998	35%	420,048	32%
Beverage Food and Tobacco	239,586	13%	125,802	10%
Construction & Engineering	73,758	4%	71,991	6%
Diversified Holdings	385,634	22%	305,286	24%
Manufacturing	210,752	12%	252,571	20%
Motors	11,141	1%	54,339	4%
Power and Energy	92,016	5%	6,891	1%
Other Services	36,162	2%	5,783	0%
Telecommunications	111,249	6%	31,094	2%
Trading	-	0%	8,732	1%
Investment Trusts	-	0%	4,650	0%
Land and Property	-	0%	6,185	0%
	1,780,296	100%	1,293,372	100%

Financial assets at fair value through Profit and loss



16.3.3.2 Available-for-sale investments

All unquoted equity investments are made after obtaining board approval.

16.3.3.3 Sensitivity analysis

The follwing table demonstrates the sensitivity to a resonably possible change in the market index, with all other varibles held constant, of the Group and Company's profit before tax and equity due to changes in the fair value of the listed equity securities;

		Group		Company	
	Change in year-end All Share Price Index	Effect on Profit before tax Rs.'000s	Effect on equity Rs.'000s	Effect on Profit before tax Rs.'000s	Effect on equity Rs.'000s
2013	+10%	178,030	136,331	-	135,444
	-10%	(178,030)	(136,331)	-	(135,444)
2012	+15%	194,006	236,474	-	236,469
	-15%	(194,006)	(236,474)	-	(236,469)

16.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back shares.

	Group		Company	
	2013	2012	2013	2012
Debt / Equity	19.9%	25.0%	11.9%	17.2%

17 PROPERTY, PLANT AND EQUIPMENT

17.1 Group

As at 31 st March In Rs.'000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings	Motor vehicles Freehold	Motor vehicles Leasehold	Returnable containers	Others	Capital work in progress	**Total 2013**	Total 2012
Cost or valuation											
At the beginning of the year	17,457,568	8,123,198	5,480,536	7,557,098	696,038	3,593	675,511	3,248,060	1,940,896	45,182,498	38,035,613
Additions	984,533	394,182	1,694,118	1,401,870	82,759	13,292	123,688	483,251	463,076	5,640,769	5,890,754
Acquisition / (disposal) of subsidiary	-	-	(969)	(23,592)	(16,720)	-	-	-	-	(41,281)	223,691
Disposals	(18,017)	(54,265)	(107,046)	(212,948)	(52,468)	(3,593)	(21,553)	(122,154)	(46,850)	(638,894)	(706,697)
Revaluations	9,520,513	942,736	-	-	-	-	-	-		10,463,249	1,543,566
Impairment / derecognition	714	(8,943)	(250)	(1,996)	-	-	-	-	-	(10,475)	(30,132)
Transfers to investment property / others	1,587,768	1,686,824	85,442	109,772	-	-	-	3,738	(2,250,929)	1,222,615	(221,788)
Exchange translation difference	-	(31,664)	(4,358)	(22,761)	(449)	-	-	(427)	(1,236)	(60,895)	447,491
At the end of the year	29,533,079	11,052,068	7,147,473	8,807,443	709,160	13,292	777,646	3,612,468	104,957	61,757,586	45,182,498
Accumulated depreciation and impairment											
At the beginning of the year	(442,103)	(1,099,200)	(2,593,431)	(4,156,797)	(373,881)	(2,698)	(223,867)	(2,000,509)	-	(10,892,486)	(9,407,631)
Charge for the year	(158,753)	(313,826)	(425,520)	(830,183)	(57,661)	(919)	(82,136)	(380,696)	-	(2,249,694)	(1,863,077)
Acquisition / (disposal) of subsidiary	-	-	710	18,713	3,454	-	-	-	-	22,877	(42,484)
Disposals	481	36,844	78,456	175,722	37,530	2,698	4,429	97,814	-	433,974	563,606
Impairment / derecognition	-	-	121	2,112	(2,396)	-	-	-	-	(163)	1,210
Transfers to investment property / others	21,259	203,398	(1,028)	(9,907)	-	-	-	10,292	-	224,014	10,298
Exchange translation difference	-	(10,195)	(5,074)	(6,057)	96	-	-	(1,899)		(23,129)	(154,408)
At the end of the year	(579,116)	(1,182,979)	(2,945,766)	(4,806,397)	(392,858)	(919)	(301,574)	(2,274,998)	-	(12,484,607)	(10,892,486)
Carrying value											
As at 31 March 2013	**28,953,963**	**9,869,089**	**4,201,707**	**4,001,046**	**316,302**	**12,373**	**476,072**	**1,337,470**	**104,957**	**49,272,979**	
As at 31 March 2012	17,015,465	7,023,998	2,887,105	3,400,301	322,157	895	451,644	1,247,551	1,940,896	34,290,012	
As at 1 April 2011	15,530,080	5,314,924	2,593,347	2,823,126	211,311	9,233	397,661	1,147,704	600,596	28,627,982	

Notes to the financial statements

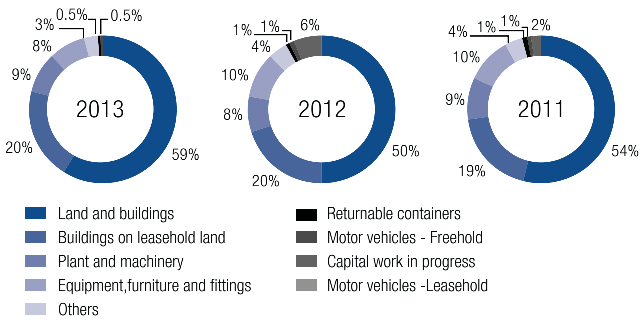
As at 31st March In Rs.'000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2013	Total 2012
17.2 Company					
Cost					
At the beginning of the year	3,320	568,257	76,080	647,657	633,421
Additions	-	15,291	-	15,291	53,236
Disposals	-	(88)	(7,076)	(7,164)	(39,000)
At the end of the year	3,320	583,460	69,004	655,784	647,657
Accumulated depreciation and impairment					
At the beginning of the year	(2,578)	(522,640)	(32,880)	(558,098)	(559,878)
Charge for the year	(244)	(13,801)	(11,444)	(25,489)	(32,913)
Disposals	-	37	3,075	3,112	34,693
At the end of the year	(2,822)	(536,404)	(41,249)	(580,475)	(558,098)
Carrying value					
As at 31 March 2013	**498**	**47,056**	**27,755**	**75,309**	
As at 31 March 2012	742	45,617	43,200	89,559	
As at 1 April 2011	5,666	35,337	32,540	73,543	

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
17.3 Carrying value of total assets				
At cost	14,725,013	17,343,711	75,309	89,559
At valuation	34,535,593	16,945,406	-	-
On finance lease	12,373	895	-	-
	49,272,979	34,290,012	75,309	89,559
17.4 Land and building				
At cost	4,287,459	7,094,057	-	-
At valuation	34,535,593	16,945,406	-	-
	38,823,052	24,039,463	-	-

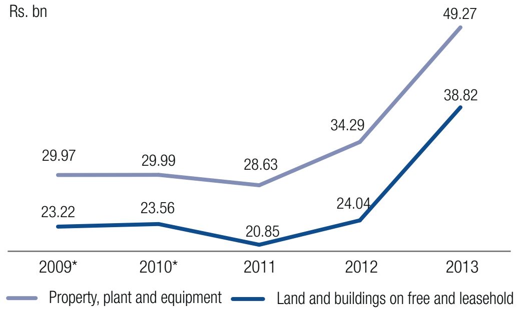
Revaluation of land and buildings

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 31 March 2013. Refer note 17.5 for details of revaluations.

Composition of property, plant and equipment



Property, plant and equipment vs. land and building



** figures based on previous version of SLAS.*

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

	Method of valuation	Effective date of valuation	Property valuer
Land and building of Union Assurance PLC.	Investment method	31 December 2011	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Transware Logistics (Pvt) Ltd.	Open market value method	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Mackinnons Keells Ltd. Keells Realtors Ltd. Ferguson Road, Colombo 15. (LOT A IN SP 2016)	Open market value method	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Whittall Boustead (Pvt) Ltd. Keells Food Products PLC. Ceylon Cold Stores PLC.	Open market value method	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Land of Resort Hotels Ltd.	Open market value method	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Land of Ahungalla Holiday Resorts (Pvt) Ltd.	Open market value method	31 March 2013	S Fernando Chartered Valuation Surveyor
Land and building of Kandy Walk Inn Ltd.	Open market value method	31 March 2013	S Fernando Chartered Valuation Surveyor
Buildings on leasehold land of Ceylon Holiday Resorts Ltd. - Bentota Beach Hotel	Open market value method	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Buildings on leasehold land of Habarana Lodge Ltd. Habarana Walk Inn Ltd.	Open market value method	31 March 2013	S Fernando Chartered Valuation Surveyor
Land of Sentinel Realty (Pvt) Ltd.	Open market value method	31 March 2013	S Fernando Chartered Valuation Surveyor
Land and building of Tea Smallholder Factories PLC.	Land and building method	31 March 2013	K T D Tissera Chartered Valuation Surveyor
Buildings on leasehold land of Trans Asia Hotels PLC. *	Open market value method	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Asian Hotels and Properties PLC.	Investment/ Summation basis	31 March 2013	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Wirawila Walk Inn Ltd.	Open market value method	31 March 2013	S Fernando Chartered Valuation Surveyor

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

	Method of valuation	Effective date of valuation	Property valuer
Land of	Open market value	31 March 2013	P B Kalugalagedara,
Beruwala Holiday Resorts (Pvt) Ltd.	method		Chartered Valuation
			Surveyor
Land and building of	Open market value	31 March 2013	P B Kalugalagedara,
Trinco Holiday Resorts (Pvt) Ltd.	method		Chartered Valuation
Trinco Walk Inn Ltd.			Surveyor
Buildings on leasehold land of	Open market value	31 March 2013	P B Kalugalagedara,
Hikkaduwa Holiday Resorts (Pvt) Ltd.	method		Chartered Valuation
Jaykay Marketing Services (Pvt) Ltd.			Surveyor
Buildings on leasehold land of	Investment	31 March 2013	K T D Tissera
John Keells Warehousing (Pvt) Ltd.	method		Chartered Valuation
			Surveyor
Buildings on leasehold land of	Open market value	31 March 2013	S Fernando
Yala Village (Pvt) Ltd.	method		Chartered Valuation
Rajawella Hotels Company Ltd.			Surveyor
Land and building of	Open market value	31 March 2013	P B Kalugalagedara,
John Keells PLC.	method		Chartered Valuation
Keells Realtors Ltd.			Surveyor
Ferguson Road, Colombo 15.(LOT A IN SP NO. 2000)			
Whittall Boustead Ltd.			
John Keells Properties (Pvt) Ltd.			
John Keells Properties Ja-Ela (Pvt) Ltd.			
Land and building of	Open market value	31 March 2013	P B Kalugalagedara,
Ceylon Cold Stores PLC.	method		Chartered Valuation
Inner Harbour Road, Trincomalee			Surveyor

* The leasehold investment property was revalued as at 31 December 2012 by qualified valuers and the surplus arising from the valuation was transferred to the income statement and due to the change in the nature of use, the total value was reclassified as property plant and equipment.

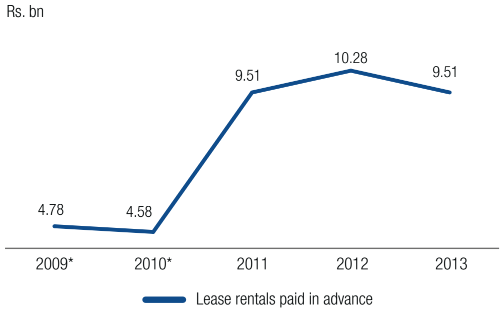
	Group	
As at 31st March	**2013**	2012
In Rs.'000s		
17.6 The carrying amount of revalued land and buildings if they were arried at cost less depreciation, would be as follows;		
Cost	11,644,537	10,590,061
Accumulated depreciation and impairment	(1,529,648)	(1,627,958)
Carrying value	10,114,889	8,962,103

17.7 Group land and buildings with a carrying value of Rs.6,007 mn (2012 - Rs.4,403 mn) have been pledged as security for term loans obtained, details of which are disclosed in note 33.3.

17.8 Group property, plant and equipment with a cost of Rs.4,630 mn (2012 - Rs.3,669 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.532 mn (2012 - Rs.493 mn).

As at 31st March In Rs.'000s	Group 2013	Group 2012
18 LEASE RENTAL PAID IN ADVANCE		
At the beginning of the year	10,278,349	9,512,117
Amortisation for the year	(682,599)	(524,671)
Exchange gain / (loss)	(82,079)	1,290,903
At the end of the year	9,513,671	10,278,349

Lease rentals paid in advance



** figures based on previous version of SLAS.*

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

As at 31st March In Rs.'000s	Land extent (in acres)	Lease period	Amount 2013	Amount 2012	Amount As at 1 April 2011
18.1 Details of lease rental paid in advance					
John Keells Warehousing (Pvt) Ltd.					
Muthurajawela	6.00	50 years from 19-09-2001	41,291	42,379	43,468
Rajawella Hotels Ltd.	10.00	95 years and 10 months from			
Kandy		02-02-2000	34,180	34,593	35,006
Tea Smallholder Factories PLC.					
Karawita Tea Factory	4.98	50 years from 15-08-1997	2,998	7,003	7,296
Tranquility (Pte) Ltd.					
Chaaya Island Dhonveli, Republic of Maldives	18.62	18 years from 26-08-2010	7,374,568	7,936,651	7,257,887
Trans Asia Hotels PLC.					
Colombo	7.65	99 years from 07-08-1981	831,068	843,472	855,876
Travel Club (Pte) Ltd.					
Chaaya Reef Ellaidhoo, Republic of Maldives	13.75	19 years from 03-08-2006	1,158,959	1,340,648	1,235,990
Yala Village (Pvt) Ltd.					
Krinda	11.00	30 years from 27-11-1997	70,607	73,603	76,594
			9,513,671	10,278,349	9,512,117

As at 31st March In Rs.'000s	Group 2013	Group 2012
19 INVESTMENT PROPERTY		
At the beginning of the year	7,631,494	5,386,166
Additions	1,102,168	620,364
Transfers	(1,450,803)	211,490
Change in fair value during the year	2,012,077	1,413,474
Disposals	-	-
At the end of the year	9,294,936	7,631,494
Freehold property	9,184,664	6,059,954
Leasehold property	110,272	1,571,540
	9,294,936	7,631,494

19.1 Valuation details of investment property

Fair value of the Investment Property is ascertained by annual independent valuations carried out by Messrs.' P B Kalugalagedara & Associates - Chartered valuation surveyors as at 31-03-2013, that has recent experience in valuing properties of akin location and category. Investment Property was appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The Market value has been used as the fair value.

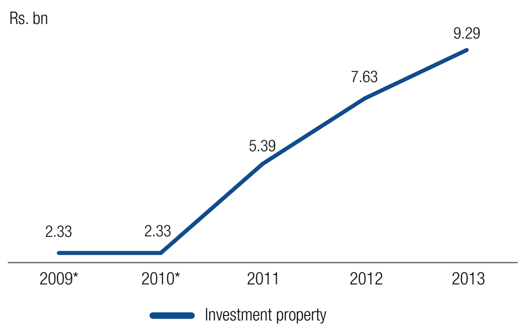
In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The significant assumptions used by the valuer in the years 2013 and 2012 are as follows;

As at 31 March In Rs.'000s	Method of Valuation	Market Value Per Perch **2013**	 2012
Freehold property			
Asian Hotels and Properties PLC.	Investment method	N/A	N/A
Crescat Boulevard, Colombo 3			
Ceylon Cold Stores PLC.	Open market value	6,900	5,000
Slave Island Complex, Colombo 2			
Ceylon Cold Stores PLC.	Open market value	500	450
Inner Harbour Road, Trincomalee			
Keells Realtors Ltd.	Open market value	1,500	1,200
Ferguson Road, Colombo 15.			
Leasehold property			
Tea Smallholder Factories PLC.	Open market value	450	400
Stores Complex, Peliyagoda			
Trans Asia Hotels PLC. *	Open market value	N/A	N/A
Commercial Centre, Colombo 2			

* The leasehold investment property was revalued as at 31 December 2012 by qualified valuers and the surplus arising from the valuation was transferred to the income statement and due to the change in the nature of use, the total value was reclassified as property plant and equipment. Rental income earned from investment property by the Group amounts to Rs.301 mn (2012 - Rs.281 mn) and direct operating expenses incurred by the Group amounted to Rs.81 mn (2012 - Rs.74 mn).

Investment property

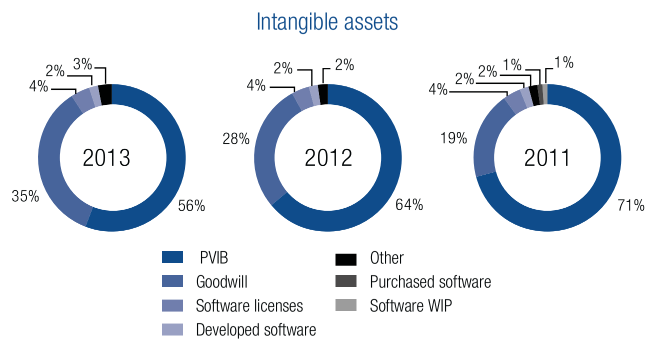


** figures based on previous version of SLAS.*

As at 31st March In Rs.'000s	Developed software	Purchased software	Software licenses	Software WIP	PVIB	Goodwill	Other	Group 2013	Group 2012	Company 2013	Company 2012
20 INTANGIBLE ASSETS											
Cost/carrying value											
At the beginning of the year	104,781	73,193	157,798	6,965	2,249,000	717,900	49,500	3,359,137	3,110,355	88,335	68,991
Additions / transfers	8,588	18,645	44,458	-	-	232,984	-	304,675	42,030	42,383	19,344
New acquisitions	-	-	-	-	-	-	-	-	205,690	-	-
Impairment	-	-	-	(6,965)	-	-	-	(6,965)	(716)	-	-
Exchange translation difference	6,844	-	-	-	-	-	-	6,844	1,778	-	-
At the end of the year	120,213	91,838	202,256	-	2,249,000	950,884	49,500	3,663,691	3,359,137	130,718	88,335
Accumulated amortisation and impairment											
At the beginning of the year	(41,223)	(65,415)	(57,177)	-	(562,249)	-	-	(726,064)	(478,405)	(40,194)	(25,267)
Amortisation	(20,884)	(7,350)	(29,274)	-	(187,416)	-	-	(244,924)	(246,830)	(16,520)	(14,927)
Exchange translation difference	(3,189)	-	-	-	-	-	-	(3,189)	(829)	-	-
At the end of the year	(65,296)	(72,765)	(86,451)	-	(749,665)	-	-	(974,177)	(726,064)	(56,714)	(40,194)
Carrying value											
As at 31 March 2013	**54,917**	**19,073**	**115,805**	**-**	**1,499,335**	**950,884**	**49,500**	**2,689,514**		**74,004**	
As at 31 March 2012	63,558	7,778	100,621	6,965	1,686,751	717,900	49,500	2,633,073		48,141	
As at 1 April 2011	63,895	20,292	101,258	17,226	1,874,168	505,611	49,500	2,631,950		43,724	

20.1 Present Value of acquired In-force Business (PVIB)

Upon acquiring a controlling stake in Union Assurance PLC (UA), the Group has recognised in the consolidated financial statements an intangible asset representing the present value of future profits on UA's portfolio of long term life insurance contracts, known as the present value of acquired in-force business (PVIB) at the acquisition date. Further, PVIB recognised at the acquisition date will be amortised over the life of the business acquired and reviewed annually for any impairment in value.



20.2 Goodwill

Goodwill acquired through business combinations have been allocated to 7 cash generating units (CGU's) for impairment testing as follows;

As at 31st March In Rs. '000s	Net carrying value of goodwill 2013
Airlines	5,054
Chaaya Hotels and Resorts	131,485
Cinnamon Hotels and Resorts	34,763
Consumer Foods and Retail	299,293
Financial Services	265,359
Information Technology	212,289
Logistics, Ports and Shipping	2,641
	950,884

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

Key assumptions used in the VIU calculations

Gross margins

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

Discount rates

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

Inflation

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

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

		Company		
				As at 1 April
As at 31st March In Rs.'000s	Note	2013	2012	2011
21 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES				
21.1 Carrying value				
Investments in subsidiaries				
Quoted	21.2	19,884,749	18,164,123	17,649,155
Unquoted	21.3	6,693,517	6,513,033	5,845,842
Investments in joint ventures	21.4	63,041	-	-
		26,641,307	24,677,156	23,494,997

As at 31st March In Rs.'000s	Group 2013 Number of shares	Group 2013 Effective holding %	Company Number of shares	Company Effective holding %	Company 2013	Company As at 1 April 2012	Company As at 1 April 2011
21.2 Cost							
Group quoted investments							
Asian Hotels and Properties PLC.	347,824,190	78.56	347,824,190	78.56	5,216,367	5,216,367	5,216,367
Ceylon Cold Stores PLC.	77,321,208	81.36	67,109,128	70.61	1,290,408	1,290,408	775,440
Ceylon Cold Stores PLC. - Preference shares	118	59.50	118	-	1	1	1
John Keells Hotels PLC.	1,169,598,478	80.32	1,169,598,478	80.32	7,102,140	7,102,140	7,102,140
John Keells PLC.	52,834,784	86.90	52,834,784	86.90	394,830	394,830	394,830
Keells Food Products PLC.	23,350,658	89.65	19,110,399	73.03	1,024,302	202,397	202,397
Tea Smallholder Factories PLC.	11,286,000	37.62	11,286,000	37.62	63,466	63,466	63,466
Trans Asia Hotels PLC.	184,107,284	82.74	97,284,256	48.64	1,594,665	1,594,665	1,594,665
Union Assurance PLC.	81,989,124	95.65	75,643,275	84.93	3,198,570	2,299,849	2,299,849
					19,884,749	18,164,123	17,649,155

As at 31st March In Rs.'000s	Group 2013	Group As at 1 April 2012	Group As at 1 April 2011	Company 2013	Company As at 1 April 2012	Company As at 1 April 2011
Market Value						
Group quoted investments						
Asian Hotels and Properties PLC.	24,347,693	27,130,287	32,678,083	24,347,693	27,130,287	32,678,083
Ceylon Cold Stores PLC.	10,507,952	6,958,909	13,046,666	9,120,130	6,039,822	11,304,578
John Keells Hotels PLC.	15,438,700	14,736,941	20,117,094	15,438,700	14,736,941	20,117,094
John Keells PLC.	3,238,772	3,497,663	4,892,501	3,238,772	3,497,663	4,892,501
Keells Food Products PLC.	1,634,546	718,006	1,077,009	1,303,603	558,131	837,196
Tea Smallholder Factories PLC.	507,870	553,014	959,310	507,870	553,014	959,310
Trans Asia Hotels PLC.	12,961,153	12,316,777	18,024,103	6,848,812	6,508,317	9,524,129
Union Assurance PLC.	7,026,468	6,485,340	6,083,593	6,238,522	5,758,076	5,401,381
	75,663,154	72,396,937	96,878,359	67,044,102	64,782,251	85,714,272

21.3 Group unquoted investments

As at 31st March In Rs.'000s	Group 2013 Number of shares	Group 2013 Effective holding %	Company Number of shares	Company Effective holding %	Company 2013	Company 2012	Company As at 1 April 2011
Ahungalla Holiday Resort (Pvt) Ltd	13,200,000	80.32	-	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	133,815,000	79.45	-	-	-	-	-
British Overseas (Pvt) Ltd	51	51.00	51	51.00	1	1	-
Ceylon Holiday Resorts Ltd.	12,119,739	79.24	-	-	-	-	-
DHL Keells (Pvt) Ltd.	1,000,000	50.00	1,000,000	50.00	10,000	10,000	10,000
Facets (Pvt) Ltd.	15,000	100.00	15,000	100.00	-	-	-
Fantasea World Investments (Pte) Ltd.	7,299	80.32	-	-	-	-	-
Habarana Lodge Ltd.	12,981,548	78.99	-	-	-	-	-
Habarana Walk Inn Ltd.	4,321,381	79.34	-	-	-	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	95,263,546	79.24	-	-	-	-	-
InfoMate (Pvt) Ltd.	2,000,000	100.00	2,000,000	100.00	20,000	20,000	20,000
International Tourists and Hoteliers Ltd.	22,998,223	79.45	-	-	-	-	-
J K Packaging (Pvt) Ltd.	1,450,000	100.00	1,450,000	100.00	-	-	-
JayKay Marketing Services (Pvt) Ltd.	202,239,025	81.36	-	-	-	-	-
John Keells BPO Holdings (Pvt) Ltd.	19,000,000	100.00	-	-	-	-	-
John Keells BPO International (Pvt) Ltd.	1,500,000,000	100.00	-	-	-	-	-
John Keells BPO Investments (Pvt) Ltd.	14,700	100.00	-	-	-	-	-
John Keells BPO Investments (Pvt) Ltd. - Preference A	57,200,000	-	-	-	-	-	-
John Keells BPO Solutions Canada (Pvt) Ltd.	5,000	100.00	-	-	-	-	-
John Keells BPO Solutions India (Pvt) Ltd.	34,131,306	100.00	-	-	-	-	
John Keells BPO Solutions Lanka (Pvt) Ltd.	32,843,578	100.00	-	-	-	-	-
John Keells BPO Solutions US (Pvt) Ltd.	5,000	100.00	-	-	-	-	-
John Keells Computer Services (Pvt) Ltd.	9,650,000	100.00	9,650,000	100.00	96,500	96,500	96,500
John Keells Computer Services (UK) Ltd.	98	100.00	98	100.00	9	9	9
John Keells Foods India (Pvt) Ltd.	9,000,000	89.65	-	-	-	-	-
John Keells Holdings Mauritius (Pvt) Ltd.	2,303,225	100.00	2,303,225	100.00	258,532	255,882	222,312
John Keells Hotels Mauritius (Pvt) Ltd.	34,100	80.32	-	-	-	-	-
John Keells International (Pvt) Ltd.	199,160,000	100.00	199,160,000	100.00	1,991,600	1,991,600	1,880,340
John Keells Logistics (Pvt) Ltd.	20,000,000	100.00	20,000,000	100.00	200,000	200,000	200,000
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	80.32	-	-	-	-	-
John Keells Office Automation (Pvt) Ltd.	500,000	100.00	500,000	100.00	5,000	5,000	5,000
John Keells Properties (Pvt) Ltd.	24,000,000	100.00	24,000,000	100.00	192,169	192,169	192,169
John Keells Properties Ja-ela (Pvt) Ltd	85,436,000	100.00	85,436,000	100.00	854,360	522,360	-
John Keells Residential Properties (Pvt) Ltd.	92,520,000	100.00	92,520,000	100.00	925,200	925,200	925,200
John Keells Singapore (Pte) Ltd.	160,000	80.00	160,000	80.00	4,209	4,209	4,209
JKOA Mobiles (Pvt) Ltd.	800,000	100.00	800,000	100.00	-	-	-
John Keells Stock Brokers (Pvt) Ltd.	750,000	90.04	180,000	24.00	120	120	120
John Keells Teas Ltd.	12,000	100.00	12,000	100.00	120	120	120
John Keells Warehousing (Pvt) Ltd.	12,000,000	86.90	-	-	-	-	-
Kandy Walk Inn Ltd.	6,165,484	79.03	-	-	-	-	-
Keells Consultants (Pvt) Ltd.	16,000	100.00	16,000	100.00	1,419	1,419	1,419
Keells Hotel Management Services Ltd.	1,000,000	100.00	1,000,000	100.00	19,055	19,055	19,055
Keells Realtors Ltd.	7,500,000	92.37	3,000,000	40.00	30,000	30,000	30,000
Keells Shipping (Pvt) Ltd.	50,000	100.00	50,000	100.00	502	502	502
Lanka Marine Services (Pvt) Ltd.	34,805,470	99.44	34,805,470	99.44	1,325,218	1,325,218	1,325,218

As at 31st March In Rs.'000s	Group 2013 Number of shares	Group 2013 Effective holding %	Company Number of shares	Company Effective holding %	Company 2013	Company 2012	Company As at 1 April 2011
21.3 Group unquoted investments							
Mack Air (Pvt) Ltd.	500,000	100.00	500,000	100.00	7,563	7,563	7,563
Mack Air Services Maldives (Pvt) Ltd.	4,900	49.00	4,700	47.00	2,021	2,021	2,021
Mackinnon Keells Ltd.	1,080,000	100.00	972,000	90.00	11,912	11,912	11,912
Mackinnon Mackenzie and Company (Shipping) Ltd.	500,000	100.00	-	-	-	-	-
Mackinnon Mackenzie and Company of Ceylon Ltd.	9,000	100.00	6,600	73.33	-	-	-
Mackinnons Travels (Pvt) Ltd.	500,000	100.00	500,000	100.00	13,901	13,901	13,901
Mortlake (Pvt) Ltd.	300	100.00	300	100.00	327,240	327,240	327,240
NDO India (Pvt) Ltd. (formally known as John Keells Logistics India (Pvt) Ltd.) - Redeemable non voting preference shares	-	-	-	-	-	41,097	41,097
NDO Lanka (Pvt) Ltd. (formally known as John Keells Logistics Lanka (Pvt) Ltd.)	-	-	-	-	-	105,069	105,069
Nexus Networks (Pvt) Ltd.	10,000	99.99	10,000	99.99	100	100	100
Rajawella Hotels Company Ltd.	2,695,067	80.32	-	-	-	-	-
Resort Hotels Ltd.	79,107	79.24	-	-	-	-	-
Serene Holidays (Pvt) Ltd.	800,000	98.74	-	-	-	-	-
Tranquility (Pte) Ltd.	637,500	80.32	-	-	-	-	-
Trans-ware Logistics (Pvt) Ltd.	11,000,000	50.00	11,000,000	50.00	121,100	129,100	129,100
Travel Club (Pte) Ltd.	29,059	80.32	-	-	-	-	-
Trinco Holiday Resort (Pvt) Ltd	8,120,005	80.32	-	-	-	-	-
Trinco Walk Inn Ltd.	3,000,000	80.32	-	-	-	-	-
Walkers Tours Ltd.	4,925,577	98.51	4,925,577	98.51	128,141	128,141	128,141
Whittall Boustead (Pvt) Ltd.	9,918,880	100.00	7,258,264	73.18	106,590	106,590	106,590
Whittall Boustead (Travel) Ltd.	750,000	100.00	675,000	90.00	40,935	40,935	40,935
Wirawila Walk Inn Ltd.	1,576,750	80.32	-	-	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	75.33	-	-	-	-	-
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	80.32	-	-	-	-	-
					6,693,517	6,513,033	5,845,842

As at 31st March In Rs.'000s	Group 2013 Number of shares	Group 2013 Effective Holding %	Company Number of shares	Company Effective Holding %	Company 2013	Company 2012	Company As at 1 April 2011
21.4 Investments in joint ventures							
Information Systems Associates.	73	50.00	-	-	-	-	-
NDO Lanka (Pvt) Ltd.	7,800,000	60.00	7,800,000	60.00	63,041	-	-
Sentinel Reality (Pvt) Ltd.	1,578,800	40.16	-	-	-	-	-
					63,041	-	-

The summarised financial information of joint ventures are given in note 22.1

22 INVESTMENTS IN ASSOCIATES

As at 31st March In Rs.'000s	Group Number of shares	Group Effective Holding %	Group 2013	Group 2012	Group As at 1 April 2011	Company Number of shares	Company Effective Holding %	Company 2013	Company 2012	Company As at 1 April 2011
Quoted										
Nations Trust Bank PLC.	68,951,695	29.90	1,561,355	1,561,355	1,561,355	46,121,532	20.00	1,011,052	1,011,052	1,011,052
Unquoted										
Capitol Hotel Holdings (Pvt) Ltd.	3,249,232	27.80	324,923	-	-	3,249,232	27.80	324,923	-	-
Central Hospitals (Pvt) Ltd.	58,823,529	27.21	1,000,000	1,000,000	1,000,000	52,941,176	24.60	900,000	900,000	900,000
John Keells BPO Solutions India (Pvt) Ltd.	-	-		-	12,689	-	-	-	-	-
John Keells BPO Solutions India (Pvt) Ltd. - Preference A	-	-		-	766,420	-	-	-	-	-
Maersk Lanka (Pvt) Ltd.	30,000	30.00	150	150	150	30,000	30.00	150	150	150
NDO India (Pvt) Ltd.	186,120	20.00	23,700	-	-	-	-	-	-	-
Quatrro FPO Solutions (Pvt) Ltd.	77,326,071	44.00	-	615,358	615,358	-	-	-	-	-
Saffron Aviation (Pvt) Ltd.	23,831,160	40.00	238,312	-	-	23,831,160	40.00	238,312	-	-
Sancity Hotels (Pvt) Ltd.	5,600	27.80	560	227,961	-	5,600	27.80	560	227,961	-
South Asia Gateway Terminals (Pvt) Ltd.	159,826,750	42.19	7,346,367	7,375,263	7,375,263	159,826,750	42.19	7,346,367	7,346,367	7,346,367
Cumulative profit accruing to the Group net of dividend	-	-	3,610,293	3,226,859	2,896,099	-	-	-	-	-
Share of net assets	-	-	1,618,701	1,647,435	465,101	-	-	-	-	-
			15,724,361	15,654,381	14,692,435			9,821,364	9,485,530	9,257,569

Group's shareholding in Nations Trust Bank PLC

The JKH Group currently holds 29.9% in Nations Trust Bank PLC (NTB). The Monetary Board had previously directed that the Group reduces its share holdings in NTB to 15% or below by April 2012. Founder shareholders including JKH have written to the Central Bank of Sri Lanka (CBSL) requesting an extension of the deadline and a response is awaited. Meanwhile, the CBSL has also informed NTB that the requests made by its shareholders are currently under consideration.

As at 31st March	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
Market Value						
Quoted						
Nations Trust Bank PLC.	4,206,053	3,923,351	5,261,014	2,813,413	2,624,315	3,519,073
	4,206,053	3,923,351	5,261,014	2,813,413	2,624,315	3,519,073

As at 31st March In Rs.'000s	Associates 2013	Associates 2012	Joint Ventures 2013	Joint Ventures 2012
22.1 Summarised financial information of associates/joint ventures				
Group share of;				
Revenue	9,043,108	8,417,000	433,162	245,043
Operating Expenses	(5,701,944)	(5,637,539)	(357,400)	(168,449)
Finance income	137,759	101,558	3,712	11,325
Finance cost	(109,610)	(116,181)	-	-
Profit for the year	3,369,313	2,764,838	79,474	87,919
Group share of;				
Total assets	46,628,532	40,953,458	407,615	124,373
Total liabilities	(35,813,319)	(30,424,257)	(130,059)	(36,046)
Net assets	10,815,213	10,529,201	277,556	88,327
Goodwill	4,909,350	5,125,324	-	-
Unrealised profits	(202)	(144)	-	-
	15,724,361	15,654,381	277,556	88,327
Contingent liabilities	11,861,607	11,757,483	-	-
Capital and other commitments	12,335,910	10,371,068	-	-

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

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
23 OTHER NON CURRENT FINANCIAL ASSETS							
Other quoted equity investments	23.1	1,363,305	1,576,490	13	1,354,440	1,576,461	-
Other unquoted equity investments	23.2	370,647	268,416	450,791	316,637	240,756	423,131
Other non equity investments	23.3	17,082,741	11,844,913	12,825,821	39,576	205,467	237,448
		18,816,693	13,689,819	13,276,625	1,710,653	2,022,684	660,579

As at 31st March In Rs.'000s	Group Number of shares	Group 2013	Group 2012	Group As at 1 April 2011	Company Number of shares	Company 2013	Company 2012	Company As at 1 April 2011
23.1 Other quoted equity investments								
Access Engineering PLC.	40,000,000	788,000	1,060,000	-	40,000,000	788,000	1,060,000	-
Expo Lanka Holdings PLC.	83,300,000	566,440	516,460	-	83,300,000	566,440	516,461	-
Other equity instruments	-	8,865	30	13	-	-	-	-
		1,363,305	1,576,490	13		1,354,440	1,576,461	-
23.2 Other unquoted equity investments								
Asia Power (Pvt) Ltd.	777,055	311,522	235,641	210,807	777,055	311,522	235,641	210,807
Expo Lanka (Pvt) Ltd.	-	-	-	207,209	-	-	-	207,209
Other equity instruments	-	59,125	32,775	32,775	-	5,115	5,115	5,115
		370,647	268,416	450,791		316,637	240,756	423,131

Notes to the financial statements

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
23.3 Other non equity investments							
Bank deposits		1,570,000	357,500	321,572	-	-	-
Debentures		2,611,981	2,153,890	1,229,300	-	-	-
Government securities		11,915,463	8,231,634	10,331,106	-	-	-
Loans to executives	23.4	681,627	846,632	704,423	39,576	49,826	47,807
Loans to life policyholders		303,670	255,257	239,420	-	-	-
Loans to subsidiaries	41.3	-	-	-	-	155,641	189,641
		17,082,741	11,844,913	12,825,821	39,576	205,467	237,448

As at 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
23.4 Loans to executives				
At the beginning of the year	1,069,625	879,493	70,651	68,129
Loans granted / transfers	391,805	562,841	15,657	30,631
Recoveries	(571,821)	(372,709)	(27,210)	(28,109)
At the end of the year	889,609	1,069,625	59,098	70,651
Receivable within one year	207,982	222,993	19,522	20,825
Receivable between one and five years	681,627	846,632	39,576	49,826
	889,609	1,069,625	59,098	70,651

As at 31st March In Rs.'000s	Group Assets 2013	Group Assets 2012	Group Liabilities 2013	Group Liabilities 2012	Company Assets 2013	Company Assets 2012
24 DEFERRED TAX						
At the beginning of the year	129,478	202,850	707,970	647,960	-	54,198
Charge and release	97,656	(73,846)	522,288	60,220	-	(54,198)
Transfers / exchange translation difference	(14,907)	474	(8,048)	(210)	-	-
At the end of the year	212,227	129,478	1,222,210	707,970	-	-
The closing deferred tax asset and liability balances relate to the following;						
Revaluation of land and building to fair value	(1,524)	(8,651)	417,277	192,019	-	-
Revaluation of investment property to fair value	(934)	(934)	1,051	16,324	-	-
Accelerated depreciation for tax purposes	(237,247)	(195,636)	886,619	563,871	-	-
Employee benefit liability	56,556	55,757	(143,130)	(139,769)	-	-
Losses available for offset against future taxable income	385,537	273,452	(71,323)	(20,153)	-	-
Others	9,839	5,490	131,716	95,678	-	-
	212,227	129,478	1,222,210	707,970	-	-

24.1 The Group has tax losses amounting to Rs.7,324 mn (2012 - Rs.6,546 mn) that are available indefinitely to offset against future taxable profits of the companies in which the tax losses arose.

24.2 Deferred tax liability amounting to Rs.150 mn (2012 - Rs.110 mn) for the Group recognised on the impact pertaining to the current year on declared dividends of subsidiaries and the Group portion of distributable reserves of equity accounted investees.

25 OTHER NON CURRENT ASSETS

Group's other non current assets mainly comprise of work-in-progress of apartments.

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
26 INVENTORIES							
Raw materials		363,261	350,977	260,263	-	-	-
Work-in-progress		21,130	64,392	-	-	-	-
Finished goods		2,740,801	3,152,816	2,120,337	-	-	-
Produce stocks		268,168	230,884	264,054	-	-	-
Other stocks		605,540	551,296	508,216	-	-	760
		3,998,900	4,350,365	3,152,870	-	-	760
27 TRADE AND OTHER RECEIVABLES							
Trade and other receivables		10,737,039	9,772,579	7,158,121	975,340	356,125	45,348
Reinsurance receivables	27.1	367,801	475,722	656,901	-	-	-
Premiums receivable	27.2	1,462,224	875,986	992,092	-	-	-
Loans to executives	23.4	207,982	222,993	175,070	19,522	20,825	20,322
		12,775,046	11,347,280	8,982,184	994,862	376,950	65,670

As at 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011
27.1 Reinsurance receivables			
Reinsurance receivables on outstanding claims	301,635	369,942	522,172
Reinsurance receivables on settled claims net of dues	70,560	111,813	136,430
Less: Impairement	(4,394)	(6,033)	(1,701)
Total assets arising from reinsurance contracts	367,801	475,722	656,901
27.2 Premiums receivable			
Premium receivable	1,469,830	884,017	1,000,123
Less: Impairement	(7,606)	(8,031)	(8,031)
	1,462,224	875,986	992,092

As at 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
28 OTHER CURRENT ASSETS						
Prepayments and non cash receivables	1,853,325	884,754	1,058,946	370,825	328,785	359,334
Tax refunds	1,042,575	2,038,326	1,920,788	14,141	14,141	14,141
	2,895,900	2,923,080	2,979,734	384,966	342,926	373,475

Notes to the financial statements

As at 31st March In Rs.'000s	Note	Group 2013	2012	As at 1 April 2011	Company 2013	2012	As at 1 April 2011
29 SHORT TERM INVESTMENTS							
Quoted equities at market value	29.1	1,780,296	1,293,372	1,199,292	-	-	-
Debentures		335,000	-			-	-
Bank deposits (more than 3 months and less than 1 year)		7,046,511	1,347,070	684,510	6,671,151	961,103	660,908
Government securities (more than 3 months and less than 1 year)		762,567	2,315,853	1,260,164	-	-	-
		9,924,374	4,956,295	3,143,966	6,671,151	961,103	660,908
Bank deposits (less than 3 months)		13,689,513	12,685,531	5,463,864	5,599,619	7,143,642	5,338,930
Government securities (less than 3 months)		2,972,167	7,205,377	8,344,470	280,770	2,079,100	4,144,146
Reported for cash flow		16,661,680	19,890,908	13,808,334	5,880,389	9,222,742	9,483,076
		26,586,054	24,847,203	16,952,300	12,551,540	10,183,845	10,143,984

As at 31st March In Rs.'000s	Group Number of shares	Cost 2013	2012	As at 1 April 2011	Market value 2013	2012	As at 1 April 2011
29.1 Quoted equities at market value							
Aitken Spence Hotel Holdings PLC.	224,522	16,779	-	-	16,609	-	-
Aitken Spence PLC.	318,482	38,885	42,220	-	38,076	36,436	-
Asian Hotels and Properties PLC.	279,369	20,678	-	9,063	19,551	-	8,925
AIA Insurance Lanka PLC.	38,212	10,895	22,168	19,710	13,374	16,455	20,638
Brown and Company PLC.	-	-	13,284	3,889	-	8,732	4,549
C T Holdings PLC.	131,116	18,802	-	-	16,531	-	-
Cargills (Ceylon) PLC.	111,953	16,918	-	-	16,971	-	-
Carsons Cumberbatch PLC.	135,467	61,853	-	-	59,412	-	-
Central Finance Company PLC.	-	-	15,952	41,480	-	14,304	139,980
Ceylon Grain Elevators PLC.	-	-	4,758	-	-	2,967	-
Ceylon Tobacco Company PLC.	123,797	109,681	21,910	-	96,039	29,000	-
Chemical Industries Colombo PLC.	-		-	2,211	-	-	2,403
Chevron Lubricants Lanka PLC.	390,944	60,478	40,184	24,921	84,740	54,261	32,896
Colombo Dockyard PLC.	344,719	76,807	69,912	38,193	73,758	71,991	45,637
Colombo Land & Development Company PLC	-	-	15,937	-	-	11,107	-
Commercial Bank of Ceylon PLC. (Non voting)	842,799	68,206	52,958	17,015	87,067	68,508	36,625
Commercial Bank of Ceylon PLC.	1,212,209	128,852	78,304	19,910	136,954	69,247	20,384
DFCC Bank PLC.	342,690	42,409	23,249	11,312	44,909	23,837	9,758
Dialog Axiata PLC.	5,056,785	39,855	17,801	58,215	45,511	17,750	72,941
Diesel and Motor Engineering PLC.	22,062	33,340	33,340	66,436	11,141	21,669	63,991
Distilleries Company of Sri Lanka PLC.	641,274	105,176	106,495	43,592	106,773	96,802	54,108
Environmental Resources Investments PLC.	-		14,007	5,787	-	4,650	5,249
Expolanka Holdings PLC.	7,617,707	99,444	95,829	-	51,801	44,130	-
Galadari Hotels (Lanka) PLC.	-		-	1,454	-	-	1,264
Hatton National Bank PLC.(Non voting)	626,469	51,943	51,943	44,971	82,569	57,555	79,464
Hatton National Bank PLC.	495,620	68,276	53,888	-	79,449	42,181	-

	Group						
		Cost			Market value		
				As at 1 April			As at 1 April
As at 31st March In Rs.'000s	Number of shares	2013	2012	2011	2013	2012	2011
29.1 Quoted equities at market value							
Hayleys PLC.	51,490	15,338	-	-	15,291	-	-
Hemas Holdings PLC.	405,750	6,708	6,708	11,954	10,955	10,671	23,803
HNB Assurance PLC.	336,266	23,645	23,645	21,018	16,074	15,401	23,539
Janasakthi Insurance Company PLC.	-	-	-	1,262	-	-	1,297
John Keels Holdings PLC.	736,862	146,113	134,138	38,439	181,944	138,295	36,985
John Keels Hotels PLC.	-	-	-	6,341	-	-	5,463
Lanka Capital Holdings PLC.	-	-	3,016	-	-	2,173	-
Lanka Floortiles PLC.	455,200	61,211	64,543	-	31,636	31,489	-
Lanka ORIX Finance PLC.	-	-	25,702	-	-	20,412	-
Lanka Tiles PLC.	128,070	9,938	-	63,217	8,896	-	61,578
Laugfs Gas PLC.	267,100	-	9,844	-	-	6,891	-
LB Finance PLC.	-	-	8,196	1,977	-	7,460	2,451
Merchant Bank of Sri Lanka PLC.	-	-	-	1,391	-	-	1,391
National Development Bank PLC.	245,742	35,903	-	6,311	40,520	-	6,025
Nations Trust Bank PLC.	-	-	12,217	3,775	-	10,447	3,472
Nawaloka Hospitals PLC.	-	-	-	1,226	-	-	1,222
Nestle Lanka PLC.	13,468	19,198	-	-	19,804	-	-
Overseas Reality (Ceylon) PLC.	-	-	-	2,882	-	-	2,682
Pan Asia Banking Corporation PLC.	-	-	-	1,666	-	-	1,621
Piramal Glass Ceylon PLC.	2,680,106	21,502	22,589	16,585	16,349	16,023	20,803
Richard Pieris and Company PLC.	-	-	15,139	4,819	-	11,564	5,673
Royal Ceramics Lanka PLC.	-	-	36,392	46,806	-	46,353	122,601
Sampath Bank PLC.	529,487	88,117	64,221	28,083	119,081	69,395	66,772
Seylan Bank PLC.	-	-	-	2,514	-	-	1,985
Softlogic Holdings PLC.	1,117,806	32,416	97,289	-	11,625	40,624	-
Sri Lanka Telecom PLC.	1,511,261	73,787	13,844	24,933	65,738	13,344	29,651
The Bukit Darah PLC.	131,133	94,382	-	-	92,016	-	-
The Lanka Hospital Corporation PLC.	-	-	7,608	-	-	5,783	-
Tokyo Cement Company (Lanka) PLC.	993,143	18,035	13,528	9,878	20,876	27,025	38,577
Tokyo Cement Company (Lanka) PLC. (Non voting)	2,757,500	84,147	84,147	55,515	48,256	74,453	95,326
Union Bank of Colombo PLC.	-	-	5,083	-	-	4,846	-
United Motors Lanka PLC.	-	-	52,251	53,978	-	32,670	47,563
Vallibel One PLC.	-	-	18,381	-	-	16,471	-
		1,799,717	1,492,620	812,729	1,780,296	1,293,372	1,199,292

The above list mainly comprises of the investments made by Union Assurance PLC (UA) under the unit linked equity tracker fund, which invests in the companies that comprise the Standard and Poor Sri Lanka 20.

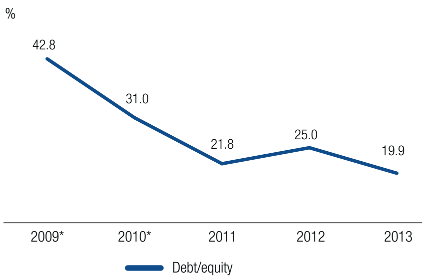
Notes to the financial statements

As at 31st March In '000s	2013 Number of shares	2013 Value of shares Rs.	2012 Number of shares	2012 Value of shares Rs.	As at 1 April 2011 Number of shares	As at 1 April 2011 Value of shares Rs.
30 STATED CAPITAL						
Fully paid ordinary shares						
At the beginning of the year	844,121	25,110,528	629,693	24,611,507	619,474	23,322,400
Share options exercised	13,122	1,369,868	4,382	499,021	10,219	1,289,107
Increase in number of shares due to share subdivision	-	-	210,046	-	-	-
At the end of the year	857,243	26,480,396	844,121	25,110,528	629,693	24,611,507

The number of shares in issue as at 31-03-2013, include global depository receipts (GDRs) of 1,129,677 (2012- 1,185,047). Further information on the composition of shares in issue is given under the share information section of the annual report.

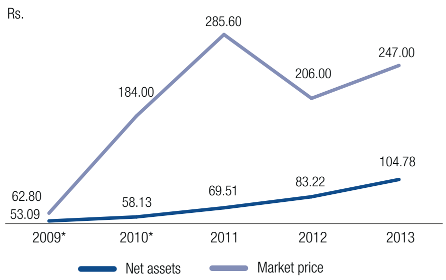
17,656,972 shares (2012 - 31,157,486) have been reserved to be issued under the employee share option plan as at 31 March 2013.

Debt/equity



* figures based on previous version of SLAS.

Net assets and market price - per share.



* figures based on previous version of SLAS.

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
31 OTHER COMPNENTS OF EQUITY							
Revaluation reserve	31.1	17,780,432	9,487,794	8,110,642	-	-	-
Foreign currency translation reserve	31.2	2,729,857	2,987,476	1,021,061	-	-	-
Available for sale reserve	31.3	124,282	321,879	638,830	83,457	229,595	(163,790)
		20,634,571	12,797,149	9,770,533	83,457	229,595	(163,790)

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

31.2 Exchange translation reserve comprises the net exchange movement arising on the currecny translation of foreign operations and net equity investments of other currency denominated asociates into Sri Lankan rupees.

31.3 Available for sale reserve includes changes on fair value of financial instruments designated as available for sale financial assets.

As at 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011
32 INSURANCE CONTRACT LIABILITIES			
Insurance contract liabilities	17,051,085	14,482,271	12,475,589
Unclaimed benefits	337,409	228,256	186,911
	17,388,494	14,710,527	12,662,500

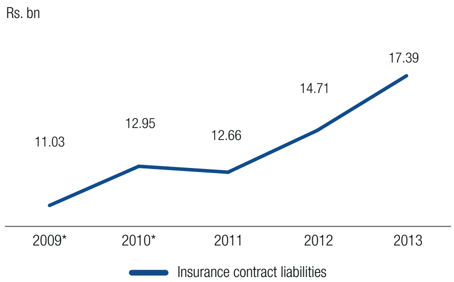
Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products.

The actuarial reserves have been established based on the following;

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

The amount of policy holder dividend to be paid is determined annually by the UA. The dividend includes life policy holders' share of net income that is required to be allocated by the insurance contract or by insurance regulations.

Insurance contract liabilities



* figures based on previous version of SLAS.

The valuation of conventional life insurance fund as at 31 December 2012 was conducted by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of Rs. 425 mn to be transferred from conventional life insurance fund to the shareholders fund for the year 2012. Subsequent to the transfer the conventional life fund stands as Rs. 14,914 mn, including the liability in respect of bonuses and dividends declared up to and including for the year 2012 of UA.
Similarly the non unit fund of linked long term business valuation was made by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of Rs. 100 mn to be transferred from the non unit fund of the linked long term fund to shareholders fund for the year 2012. Subsequent to the transfer the fund stands at Rs.104 mn as at 31 December 2012.

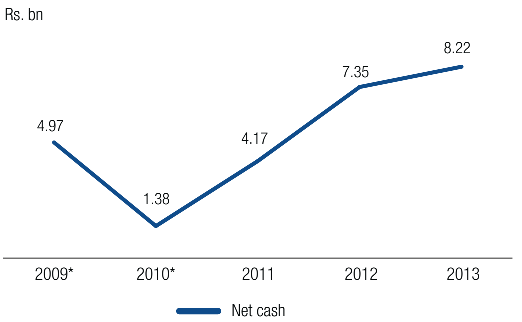
As at 31st December In Rs.'000s	2012	2011
Movement in life insurance fund		
Life fund - conventional	15,339,009	13,559,952
Transfer to shareholders	(525,000)	(429,000)
Non unit fund of linked long term business	203,638	80,407
	15,017,647	13,211,359

	Group		Company	
As at 31st March In Rs. '000s	**2013**	2012	**2013**	2012
33 INTEREST BEARING BORROWINGS				
33.1 Movement				
At the beginning of the year	14,697,534	10,473,009	6,409,380	6,610,004
Additions	3,182,678	5,272,726	-	-
Repayments	(2,948,314)	(2,403,997)	(1,328,690)	(1,112,302)
Amortisation of transaction cost	13,628	13,628	13,628	13,628
Exchange difference	(38,826)	1,342,168	(27,273)	898,050
At the end of the year	14,906,700	14,697,534	5,067,045	6,409,380
Repayable within one year	3,048,936	2,476,627	1,314,424	1,348,887
Repayable after one year				
Repayable between one and five years	11,665,936	12,220,907	3,752,621	5,060,493
Repayable after five years	191,828	-	-	-
	11,857,764	12,220,907	3,752,621	5,060,493
	14,906,700	14,697,534	5,067,045	6,409,380

Group interest bearing borrowings include finance lease obligations amounting to Rs. 143 mn (2012 - Rs.163 mn), details of which are disclosed in note 33.2.

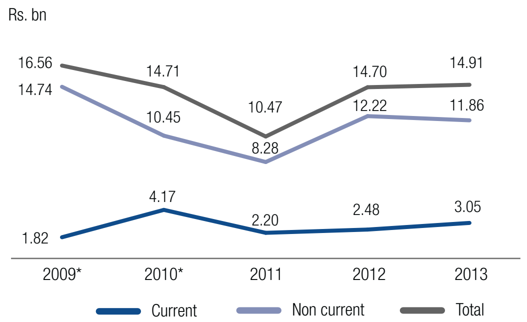
As at 31st March In Rs. '000s	Group 2013	Group 2012
33.2 Finance leases		
At the beginning of the year	162,613	5,792
Additions	13,290	162,613
Repayments	(33,006)	(5,792)
Adjustments / transfers	-	-
At the end of the year	142,897	162,613
Finance lease obligations repayable within one year		
Minimum lease payments	46,632	43,651
Finance charges	(17,168)	(21,232)
Present value of minimum lease payments	29,464	22,419
Finance lease obligations repayable between one and five years		
Minimum lease payments	141,750	185,521
Finance charges	(28,317)	(45,327)
Present value of minimum lease payments	113,433	140,194

Net cash



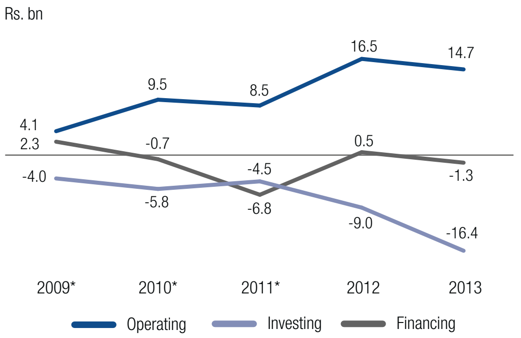
** figures based on previous version of SLAS.*

Borrowings



** figures based on previous version of SLAS.*

Cash flow/(used in)



** figures based on previous version of SLAS.*

33.3 Security and repayment terms

As at 31st March In Rs. '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2013	2012	As at 1 April 2011
John Keells Holdings PLC.	International Finance Corporation	Term Loan	6 months LIBOR + 2.75%, 331 mn shares of Asian Hotels & Properties PLC, 862 mn shares of John Keells Hotels PLC, 57 mn shares of Trans Asia Hotels PLC and 52 mn shares of Union Assurance PLC	Bi-annual repayments commencing from December 2009	5,067,046	6,409,380	6,610,004
					5,067,046	6,409,380	6,610,004
Group companies							
British Overseas (Pvt) Ltd.	HNB	Term loan	AWPLR Floating Mortgage Bond	Quarterly installments commencing June 2012	15,600	26,000	-
		Guarantee	8%, Floating Mortgage Bond	Repayment by 31-05-13	928,000	928,000	-
		Term loan	AWPLR + 1%, Corporate guarantee from John Keells Hotels	5 equal monthly installments commencing November 2014	165,000	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	HNB	Term loan	01 month SLIBOR Primary floating mortgage bond over hotel property	72 monthly installments commencing July 2013	1,940,232	1,743,192	-
	SCB	Term Loan	03 month LIBOR+3.25%, Corporate Guarantee from John Keells Holdings PLC	16 Quarterly Installments Commencing March 2014	509,244	-	-

33.3 Security and repayment terms

As at 31st March In Rs. '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2013	2012	As at 1 April 2011
Ceylon Cold Stores PLC.	NDB	E Friendly loan	6.5%, Kaduwela land, building and machinery of soft drink plant	90 monthly installments commencing March 2008	-	3,169	6,626
	NDB	Project loan	10.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing August 2007	-	14,933	59,733
	DFCC	Project loan	10.5%, Kaduwela land, building and machinery of soft drink plant	Repayment over 4 years commencing November 2007	-	-	36,458
	DFCC	Term loan	AWDR + 0.75%, Kaduwela land, building and machinery of soft drink plant	48 monthly installments commencing July 2008	-	10,000	40,000
	DFCC	Project loan	AWPR -0.5%, Kaduwela land, building and machinery of soft drink plant	48 monthly installments commencing August 2011	134,166	191,667	230,000
	DFCC	Project loan	AWDR + 2.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing January 2012	195,367	139,682	-
	DFCC	Project loan	AWPR + 2.25%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing October 2012	135,000	-	-
Fantasea World Investments (Pte) Ltd.	HNB	Term Loan	3 months LIBOR + 3.25%, leasehold right of Hakuraa huraa Island resort	Repayment over 5 years commencing August 2011	1,033,130	1,377,194	1,473,943
Habarana Lodge Ltd.	HNB	Term loan	AWPLR	Repayment over 5 years commencing April 2012	320,200	400,000	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	DFCC	Term loan	AWPLR + 1%, Lease rights of land and movable property, plant and equipment	72 monthly installments commencing November 2013	883,495	1,000,000	-
John Keells Logistics (Pvt) Ltd.	SCB	Term Loan	1 month SLIBOR + 1%, Letter of comfort from John Keells Holdings PLC	12 equal quarterly installments commencing November 2010	16, 667	50,000	83,333

33.3 Security and repayment terms

As at 31st March In Rs. '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2013	2012	As at 1 April 2011
John Keells Maldivian Resorts (Pte) Ltd.	Sampath Bank	Term loan	3 months LIBOR + 1.3% for first two years, Head lease rights of Dhonveli resorts	30 quarterly installments commencing March 2008	380,250	589,260	794,880
	HSBC	Term loan	3 months LIBOR + 3.0%, Letter of comfort from John Keells Hotels PLC	48 equal monthly installments commencing November 2011	327,437	459,025	-
	People's Bank	Term loan	3 months LIBOR + 4.25%, Corporate guarantee from John Keells Hotels PLC	36 monthly installments commencing September 2009	-	-	312,102
John Keells Properties Ja-Ela (Pvt) Ltd.	Commercial Bank	Term loan	AWPLR + 1.5%	60 monthly installments commencing April 2013	328,569	-	-
John Keells Residential Properties (Pvt) Ltd.	HSBC	Term loan	3 months cost of funds + 3%	Option 1 - repay in full as a bullet payment in June 2015 Option 2 - repay in full between March 2015 and June 2015	500,000	-	-
John Keells Warehousing (Pvt) Ltd.	Deutsche Bank	Asset backed notes	21.98%, Corporate guarantee from John Keells PLC	Repayment over 10 years commencing May 2003	1,958	23,544	41,025
Keells Food Products PLC.	DFCC	Project loan	3 months AWDR + 4.5%, Corporate guarantee from John Keells Holdings PLC.	60 equal monthly instalments after a grace period of 1 Year	251,664	-	-
Kandy Walk Inn Ltd.	HSBC	Term loan	1 week SLIBOR + 2.75%	48 monthly installments commencing October 2013	521,267	-	-
Tea Smallholder Factoies PLC	People's Bank	Term loan	9%, Mortgage of Peliyagoda warehouse and lease rights of the land	83 monthly installments commencing November 2013	3,597	5,868	8,140
Travel Club (Pte) Ltd.	BOC Maldives	Term loan	LIBOR + 2%, Sub lease rights and corporate guarantee from John Keells Hotels PLC.	28 quarterly installments commencing November 2009	577,164	738,862	770,828
Whittal Boustead Ltd.		Debenture	7.5%, unsecured		-	145	145
	Commercial Bank	Term loan	AWPLR + 0.5%		125,000	-	-
Yala Village (Pvt) Ltd.	People's Bank	Term loan	AWPLR + 3%	72 monthly installments commencing December 2012	403,750	425,000	-
					14,763,803	14,534,921	10,467,217

33.3 Security and repayment terms

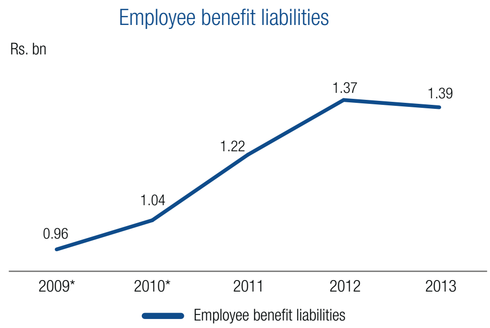
As at 31st March In Rs. '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2013	2012	As at 1 April 2011
Ceylon Holiday Resorts Ltd.	NTB	Finance lease			-	-	672
Habarana Lodge Ltd.	NTB	Finance lease			-	-	555
Habarana Walk Inn Ltd.	NTB	Finance lease			-	-	414
John Keells Logistics (Pvt) Ltd.	NTB	Finance lease			-	-	3,407
Kandy Walk Inn Ltd.	NTB	Finance lease			-	-	414
Trinco Walk Inn Ltd.	NTB	Finance lease			-	-	330
John Keells BPO Solutions India (Pvt) Ltd.	DLF Assets (Pvt) Ltd.	Finance lease			130,874	162,613	-
Tea Smallholder Factories PLC.	Central Finance PLC.	Higher Purchase			12,023	-	-
					142,897	162,613	5,792
					14,906,700	14,697,534	10,473,009

As at 31st March In Rs. '000s	Group 2013	Group 2012	Company 2013	Company 2012
34 EMPLOYEE BENEFIT LIABILITIES				
At the beginning of the year	1,372,161	1,215,597	126,864	104,752
Current service cost	110,096	113,052	7,796	8,334
Acquisitions/disposals	(7,423)	4,726	-	-
Transfers	-	-	(7,516)	1,244
Interest cost on benefit obligation	137,216	121,560	12,686	10,475
Payments	(117,217)	(85,444)	(4,148)	(8,655)
(Gain)/Loss arising from changes in assumptions or due to (over)/under provision in the previous year	(109,726)	2,248	(1,607)	10,714
Exchange translation difference	(35)	422	-	-
At the end of the year	1,385,072	1,372,161	134,075	126,864
The expenses are recognised in the income statement in the following line items;				
Cost of sales	51,923	90,230	8,092	8,309
Distribution expenses	7,623	9,134	-	-
Administrative expenses	78,040	137,496	10,783	21,214
	137,586	236,860	18,875	29,523

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

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

	2013	2012
Discount rate	11%	10%
Future salary increases	6% - 10%	6% - 10%



** figures based on previous version of SLAS.*

34.1 Sensitivity of assumptions used

If a one percentage point change in the assumed discount rate would have the following effects:

In Rs.'000s	Group Increase to 12%	Group Decrease to 10%	Company Increase to 12%	Company Decrease to 10%
Effect on the defined benefit obligation liability	(86,545)	58,619	(5,337)	5,690

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011
35 OTHER DEFERRED LIABILITIES				
Government grants	35.1	2,436	2,948	3,460
Deferred revenue		47,792	-	-
		50,228	2,948	3,460

As at 31st March In Rs.'000s	Group 2013	Group 2012
35.1 Government grants		
At the beginning of the year	2,948	3,460
Amortisation	(512)	(512)
At the end of the year	2,436	2,948
Amounts expected to be amortised within one year	512	512
Amounts expected to be amortised after one year	1,924	2,436
	2,436	2,948

	Basis of amortisation
Tea Smallholder Factories PLC.	
Sri Lanka Tea Board subsidy	10% p.a.
Yala Village (Pvt) Ltd.	
Ceylon Chamber of Commerce grant	10% p.a.

As at 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011
36 OTHER NON CURRENT LIABILITIES			
Advances received	331,663	560,943	490,294
Deposits with the company	198,412	212,941	256,644
	530,075	773,884	746,938

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
37 TRADE AND OTHER PAYABLES							
Trade and other payables		10,471,465	11,008,057	7,463,130	229,990	246,050	146,500
Reinsurance payables		509,815	540,253	458,520	-	-	-
Insurance provision - general	37.1	3,302,418	3,002,078	2,822,274	-	-	-
Advances and deposits		324,565	324,833	370,242	-	-	-
		14,608,263	14,875,221	11,114,166	229,990	246,050	146,500

As at 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011
37.1 Insurance provision - general			
Reserve for net unearned premiums	2,313,464	2,008,481	1,781,488
Reserve for gross outstanding claims	988,954	993,597	1,040,786
	3,302,418	3,002,078	2,822,274

As at 31st March In Rs. '000s	Note	Group 2013	Group 2012	Company 2013	Company 2012
38 INCOME TAX LIABILITIES					
At the beginning of the year		823,195	791,606	-	-
Charge for the year	12.1	1,199,762	1,250,605	65,502	39,678
New acquisitions		-	4,791	-	-
Payments and set off against refunds		(1,041,944)	(1,223,817)	(65,502)	(39,678)
Exchange translation difference		-	10	-	-
At the end of the year		981,013	823,195	-	-

As at 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011
39 SHORT TERM BORROWINGS			
Loans	1,853,767	1,009,057	232,000
	1,853,767	1,009,057	232,000

As at 31st March In Rs.'000s	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
40 OTHER CURRENT LIABILITIES						
Non refundable deposits	714,829	562,699	1,109,057	-	-	-
Other tax payables	920,705	297,982	143,292	105,478	17,588	11,028
	1,635,534	860,681	1,252,349	105,478	17,588	11,028

41 RELATED PARTY TRANSACTIONS

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory.

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
41.1 Amounts due from related parties							
Subsidiaries	41.3	-	-	-	423,948	890,466	611,884
Joint ventures		53,021	7,669	7,564	1,576	-	-
Associates	41.4	154,434	3,046	10,956	92,560	88,282	84,898
Key management personnel		-	-	-	-	-	-
Post employment benefit plan		-	-	-	-	-	-
		207,455	10,715	18,520	518,084	978,748	696,782

Notes to the financial statements

As at 31st March In Rs.'000s	Note	Group 2013	Group 2012	Group As at 1 April 2011	Company 2013	Company 2012	Company As at 1 April 2011
41.2 Amounts due to related parties							
Subsidiaries	41.3		-	-	13,156	6,926	9,274
Joint ventures		7,254	-	-	-	-	-
Associates		8,026	1,650	2,237	-	-	-
Key management personnel		-	-	-	-	-	-
Post employment benefit plan		-	-	-	-	-	-
		15,280	1,650	2,237	13,156	6,926	9,274

As at 31st March In Rs. '000s	Company Amounts due from 2013	Amounts due from 2012	Amounts due from As at 1 April 2011	Amounts due to 2013	Amounts due to 2012	Amounts due to As at 1 April 2011
41.3 Subsidiaries						
Asian Hotels and Properties PLC.	2,543	348,352	2,235	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	307	219	81	-	-	-
British Overseas (Pvt) Ltd.	12,532	1,255	-	-	-	-
Ceylon Cold Stores PLC.	3,101	8,282	4,353	-	-	-
Ceylon Holiday Resorts Ltd.	78	553	539	-	-	-
DHL Keells (Pvt) Ltd.	41,014	4,062	21,919	-	-	-
Facets (Pvt) Ltd.	432	32	-	-	-	-
Fantasea World Investments (Pvt) Ltd.	10	34	30	-	-	-
Habarana Lodge Ltd.	476	470	497	-	-	-
Habarana Walk Inn Ltd.	390	408	452	-	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	76	319	3,400	-	-	-
InfoMate (Pvt) Ltd.	1,997	1,867	5,399	-	-	-
International Tourist & Hoteliers Ltd.	84	-	-	-	-	-
JayKay Marketing Services (Pvt) Ltd.	5,536	16,262	20,038	-	-	-
John Keells Air Services (Pvt) Ltd.	-	396	396	-	-	-
John Keells BPO Holdings (Pvt) Ltd.	270	2,743		-	-	-
John Keells BPO International (Pvt) Ltd.	46	-	-	-	-	-
John Keells BPO Solutions India (Pvt) Ltd.	2,304	515	-	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd.	401	333	352	365	-	-
John Keells BPO Solutions US Inc.	7	-	-	-	-	-
John Keells Computer Services (Pvt) Ltd.	1,947	1,275	-	-	-	303
John Keells Hotels PLC.	404	-	205	-	-	-
John Keells International (Pvt) Ltd.	266	673	3,578	-	-	-
John Keells Logistics (Pvt) Ltd.	1,100	735	976	-	-	-
NDO India (Pvt) Ltd. (Formally known as John Keells Logistics India (Pvt) Ltd.)	-	7,167	4,692	-	-	-
NDO Lanka (Pvt) Ltd. (Formally known as John Keells Logistics Lanka (Pvt) Ltd.)	-	1,522	1,537	-	-	-
John Keells Maldivian Resorts (Pte) Ltd.	170	814	146	-	-	-
John Keells Office Automation (Pvt) Ltd.	1,941	1,999	1,729	-	-	-
John Keells PLC.	-	-	-	4,851	5,933	5,570
John Keells Properties (Pvt) Ltd.	-	-	59	-	641	-

	Company					
	Amounts due from			Amounts due to		
As at 31st March In Rs. '000s	**2013**	2012	As at 1 April 2011	**2013**	2012	As at 1 April 2011
41.3 Subsidiaries						
John Keells Properties Ja - Ela (Pvt) Ltd.	6,082	729	-	-	-	
John Keells Residential Properties (Pvt) Ltd.	259	440	-	-	-	3,094
John Keells Teas Ltd.	292	37	498	-	-	-
John Keells Warehousing (Pvt) Ltd.	339	261	263	-	-	-
Kandy Walk Inn Ltd.	2	360	419	-	-	-
Keells Consultants (Pvt) Ltd.	-	-	-	481	352	307
Keells Food Products PLC.	3,006	2,214	2,238	-	-	-
Keells Hotel Management Services Ltd.	785	7,286	1,406	-	-	-
Keells Realtors Ltd.	-	8	221	-	-	-
Lanka Marine Services Ltd.	3,116	7,195	2,857	-	-	-
Mack Air (Pvt) Ltd.	1,583	1,442	1,763	-	-	-
Mack Air Services Maldives (Pte) Ltd.	31	10,589	48	-	-	-
Mackinnon Keells Ltd.	1,552	1,921	4,104	-	-	-
Mackinnon Mackenzie and Company (Shipping) Ltd.	133	92	46	-	-	-
Mackinnon Mackenzie and Company of Ceylon Ltd.	78	31	7	-	-	-
Mackinnons Travels (Pvt) Ltd.	-	986	207	5,297	-	-
Nexus Networks (Pvt) Ltd.	121	221	15	-	-	-
Serene Holidays (Pvt) Ltd.	-	690	362	-	-	-
Tea Smallholder Factories PLC.	125	190	74	-	-	-
Tranquility Private Ltd.	21	168	52	-	-	-
Trans Asia Hotels PLC.	-	2,472	1,917	2,162	-	-
Transware Logistics (Pvt) Ltd.	31	167	35	-	-	-
Travel Club (Pvt) Ltd.	30	25	72	-	-	-
Trinco Holiday Resorts (Pvt) Ltd.	3,652	2,186	1,972	-	-	-
Union Assurance PLC.	12,179	8,610	915	-	-	-
Walkers Tours Ltd.	874	1,328	2,119	-	-	-
Waterfront Properties (Pvt) Ltd.	307,423	-	-	-	-	-
Whittall Boustead (Pvt) Ltd.	4,662	2,131	1,225	-	-	-
Whittall Boustead (Travel) Ltd.	85	74	13	-	-	-
Yala Village (Pvt) Ltd.	55	367	1,705	-	-	-
	423,948	452,507	97,166	13,156	6,926	9,274
Loans - Current						
British Overseas (Pvt) Ltd.	-	31,000	-	-	-	-
JayKay Marketing Services (Pvt) Ltd.	-	147,000	164,164	-	-	-
John Keells International (Pvt) Ltd.	-	-	15,000	-	-	-
John Keells Properties (Pvt) Ltd.	-	-	3,003	-	-	-
John Keells Properties Ja-ela (Pvt) Ltd.	-	15,000	-	-	-	-
Keells Food Products PLC.	-	-	81,902	-	-	-
Trinco Holiday Resorts (Pvt) Ltd.	-	82,500	82,500	-	-	-
Whittall Boustead (Pvt) Ltd.	-	162,459	168,149	-	-	-
		437,959	514,718	-	-	-

Notes to the financial statements

As at 31st March In Rs. '000s	Company Amounts due from 2013	2012	As at 1 April 2011	Amounts due to 2013	2012	As at 1 April 2011
41.3 Subsidiaries						
Loan - Non current						
Mackinnon Keells Ltd.	-	155,641	189,641	-	-	-
	-	155,641	189,641	-	-	-
41.4 Associates						
Nations Trust Bank PLC.	87,977	87,973	84,709	-	-	-
South Asia Gateway Terminals (Pvt) Ltd.	125	309	189	-	-	-
NDO India (Pvt) Ltd.	3,359	-	-	-	-	-
Saffron Aviation (Pvt) Ltd.	1,099	-	-	-	-	-
	92,560	88,282	84,898	-	-	-

For the year ended 31st March In Rs.'000s	Note	Group 2013	2012	Company 2013	2012
41.5 Transactions with related parties					
Subsidiaries					
(Purchases) / sale of goods		-	-	(5,532)	(4,079)
(Receiving) / rendering of services	41.6	-	-	562,400	451,716
Loans given	41.6	-	-	851,949	642,940
Interest received / (paid)		-	-	82,457	59,883
Rent received / (paid)		-	-	(77,439)	(49,016)
Guarantees received / (given)		-	-	-	-
Joint Ventures					
(Receiving) / rendering of services		43,269	20,836	-	-
Associates					
(Purchases) / sale of goods		3,439	616	-	-
(Receiving) / rendering of services		27,485	104,945	4,281	2,604
Interest received / (paid)	41.7	340,781	140,200	176,560	101,936
Loans taken		-	-	-	-
Leases taken		-	(3,114)	-	-
Key management personnel					
(Receiving) / rendering of services		-	-	-	-
Close family members of KMP					
(Receiving) / rendering of services		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		184,709	181,636	42,025	41,657

For the year ended 31st March In Rs.'000s	Company 2013	Company 2012
41.6 Transactions with related parties - Subsidiaries		
(Receiving) / Rendering of services		
Asian Hotels & Properties PLC.	21,900	19,241
Ceylon Cold Stores PLC.	44,281	40,278
DHL Keells (Pvt) Ltd.	134,010	111,357
InfoMate (Pvt) Ltd.	15,860	14,620
JayKay Marketing Services (Pvt) Ltd.	35,277	28,081
John Keells Computer Services (Pvt) Ltd.	10,384	(5,039)
John Keells Office Automation (Pvt) Ltd.	16,526	15,263
John Keells PLC.	16,003	15,232
Keells Food Products PLC.	20,080	16,878
Keells Hotel Management Services Ltd.	72,392	58,019
Union Assurance PLC.	33,694	19,137
Walkers Tours Ltd.	20,937	18,371
Other subsidiaries	121,056	100,278
	562,400	451,716
Loans given		
British Overseas (Pvt) Ltd.	124,500	31,000
John Keells Properties Ja - Ela (Pvt) Ltd.	257,000	537,631
John Keells Properties (Pvt) Ltd.	-	5,000
Keells Food Products PLC.	350,000	-
Mackinnon Keells Ltd.	24,923	-
Tea Smallholder Factories PLC.	40,000	-
Whittall Boustead (Pvt) Ltd.	55,526	69,309
	851,949	642,940

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
41.7 Transactions with related parties - Associates				
Interest received / (paid)				
Nations Trust Bank PLC.	340,781	140,200	176,560	101,936

The Group and Company held interest bearing deposits of Rs. 2,220 mn and Rs. 916 mn respectively, at Nations Trust Bank PLC as at 31 March 2013.

41.8 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

Refer Group directory in the Supplementary Information section of the annual report for effective equity holding percentages of Group investments.

41.9 Compensation of key management personnel

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

For the year ended 31st March In Rs.'000s	Group 2013	Group 2012	Company 2013	Company 2012
Short-term employee benefits	357,581	309,079	157,469	141,615
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	357,581	309,079	157,469	141,615

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

As at 31 March 2013, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

1,422,213 Ordinary Shares at a price of Rs. 120.19 each, exercisable before 16-12-2014
1,090,351 Ordinary Shares at a price of Rs. 219.00 each, exercisable before 8-12-2015
1,103,584 Ordinary Shares at a price of Rs. 172.10 each, exercisable before 6-12-2016

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

42 CONTINGENT LIABILITIES

42.1 JOHN KEELLS HOLDINGS PLC (JKH)

The contingent liability of the Company as at 31 March 2013, relates to the following;

- **GST & VAT Assessments for the year of assessment 2002/03**

The Company has filed appeals against these assessments and these are currently pending with the Court of Appeal.

- **Income tax assessment relating to year of assessment 2006/07**

The Company has filed an appeal against this assessment and is currently pending with the Tax Appeal Commission 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 2013 is estimated at Rs.123 mn.

42.2 LANKA MARINE SERVICES (PVT) LTD. (LMS)

The contingent liability of LMS as at 31 March 2013, relates to the following;

• Post privatisation turnover tax levied by the Western Provincial Council

The company has disputed this on the basis that its business activity is that of an export. An appeal has been made by the company to the Western Provincial Council.

• Income Tax Assessment relating to year of assessment 2001/02

Assessment was received by the company based on normal tax rates. The company has appealed against this assessment on the grounds that the sale of bunker to foreign ships is an export, which is liable to concessionary rates of taxes, but this has been disputed by the Department of Inland Revenue. The appeal made by the company is currently with the Court of Appeal of Sri Lanka.

• Income Tax Assessments relating to years of assessments 2005/06, 2006/07, 2007/08 and 2008/09

Assessments were received in August 2008, October 2009 and March 2011, consequent to the Supreme Court judgement, whereby the original BOI concessions granted were annulled. Although the assessments were based on normal tax rates the company computed and paid income taxes at concessionary rates of taxes, based on opinions from independent legal counsel and tax consultants, that the supply of bunkers to foreign vessels is an export and therefore eligible to concessionary rates of taxes as provided in the Inland Revenue Act. Appeals have been lodged against the balance taxes assessed and penalties charged by the Inland Revenue. The 2008/09 appeal is now at a commissioner's hearing stage. The rest of appeals made by the company to the Board of Review were transferred to the Tax Appeals Commission (TAC). The appeals relating to 2005/06 and 2006/07 have been postponed by the TAC due to jurisdictional issues raised at the initial hearing. The 2007/08 appeal has been heard by the TAC and a determination is awaited.

• Income Tax Assessments relating to years of assessments 2002/03, 2003/04 and 2004/05

Assessments were received in January 2009, once again based on normal tax rates. It is the view of the company, based on opinions from independent legal counsel and tax consultants, that the subject years were statutorily time barred as provided in the Inland Revenue Act. The appeals made by the company to the Board of Review were transferred to the Tax Appeals Commission (TAC), but the hearings have been postponed due to jurisdictional issues raised.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31st March 2013 is estimated at Rs.727mn.

42.3 Mackinnons Travels (Pvt) Ltd (MTL)

The contingent liability of MTL as at 31 March 2013, relates to the following;

• VAT Assessments received for years of assessments 2009/10 and 2010/2011

The company has filed appeals against these assessments with the Inland Revenue Department.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31st March 2013 is estimated at Rs.26mn.

43 CAPITAL AND OTHER COMMITMENTS

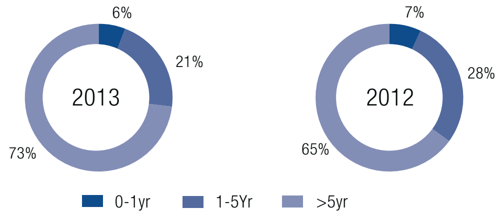
	Group		Company	
As at 31st March In Rs.'000s	**2013**	2012	**2013**	2012
Capital commitments approved but not provided for	2,675,214	1,147,386	-	192,158
Guarantees	609,568	62,636	399,900	-
	3,284,782	1,210,022	399,900	192,158

As at 31st March In Rs.'000s	Company 2013	Company 2012
44 LEASE COMMITMENTS		
Lease rentals due on non-cancellable operating leases;		
Within one year	200,994	364,865
Between one and five years	777,829	1,483,940
After five years	2,588,923	3,457,704
	3,567,746	5,306,509

Company	Lessor	Leased properties
44.1 Details of leases		
Ceylon Cold Stores PLC.	Colombo Divisional Secretariat	Land occupied.
Ceylon Holiday Resorts Ltd.	Sri Lanka Tourist board	Land occupied.
Hikkaduwa Holiday Resort (Pvt) Ltd.	Sri Lanka Tourist board	Land occupied.
Fantasea World Investment (Pte) Ltd.	Government of Maldives	Land occupied.
Habarana Lodge Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Habarana Walk Inn Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Jaykay Marketing Services (Pvt) Ltd.	R.J. S. Exports (Pvt) Ltd / Mr. Ramesh Abeywardena	Land occupied.
John Keells PLC.	Colombo Divisional Secretariat	Land occupied.
Travel Club (Pte) Ltd.	Government of Maldives and a sub lease with Ellaidhoo Investments (Pte) Ltd.	Land occupied.
Tranquility (Pte) Ltd.	Government of Maldives	Land occupied.
Yala Village (Pvt) Ltd.	Sri Lanka Tourist Board	Land occupied.

44.2 Extent of lease hold land is given in the Group real estate portfolio in the Supplementary Information section of the annual report.

Lease commitments



45 ASSETS PLEDGED

Assets pledged for facilities obtained is given in note 33.3 to the financial statements.

46 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has declared a final dividend of Rs.1.50 per share for the financial year ended 31 March 2013. As required by section 56 (2) of the Companies Act no 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007,and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on the 17 June 2013.

In accordance with the LKAS 10, Events after the reporting period, the final dividends has not been recognised as a liability in the financial statements as at 31 March 2013.

ECONOMIC VALUE STATEMENT

Rs. Millions	Transportation		Leisure		Property		Consumer Foods and Retail		Financial Services		Information Technology		Others		Total		Eliminations/ Adjustments		Group Total			
For the year ended 31 March	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	**%**	2012	%
Direct economic value generated																						
Revenue	19,885	18,818	22,798	19,288	3,550	4,033	24,752	22,402	8,709	8,022	6,811	6,244	3,681	2,813	90,186	81,620	(4,629)	(3,931)	85,557	88.15	77,689	89.90
Finance income	259	103	949	1,185	292	146	99	16	2,732	1,924	16	7	8,582	5,298	12,929	8,679	(8,159)	(5,805)	4,770	4.91	2,874	3.33
Share of results of associates	2,474	2,115	-	-	(1)	-	-	-	860	718	(5)	(26)	41	(42)	3,369	2,765	-	-	3,369	3.47	2,765	3.20
Profit on sale of assets & other income	115	285	272	276	262	82	519	596	14	208	179	115	221	241	1,582	1,803	(230)	(125)	1,352	1.39	1,678	1.94
Valuation gain on investment property	-	-	289	100	1,458	1,508	1,275	1,107	-	-	-	-	8	-	3,030	2,715	(1,018)	(1,301)	2,012	2.08	1,414	1.63
	22,733	21,321	24,308	20,849	5,561	5,769	26,645	24,121	12,315	10,872	7,001	6,340	12,533	8,310	111,096	97,582	(14,036)	(11,162)	97,060	100.00	86,420	100.00
Economic value distributed																						
Operating costs	18,199	17,242	11,633	10,411	2,709	3,025	19,851	17,326	8,603	7,162	5,039	4,732	2,825	2,529	68,859	62,427	(3,114)	(2,036)	65,745	67.76	60,391	69.88
Employee wages & benefits	641	559	3,061	2,378	76	154	2,413	2,088	1,055	997	1,385	1,191	876	724	9,507	8,091	-	-	9,507	9.79	8,091	9.36
Payments to providers of funds	896	758	4,435	3,020	995	671	892	625	112	617	96	68	3,758	2,850	11,184	8,609	(5,732)	(4,333)	5,452	5.62	4,276	4.95
Payments to government	272	225	1,158	1,037	87	57	1,189	1,241	883	801	124	125	197	109	3,910	3,595	-	-	3,910	4.03	3,595	4.16
Community investments	2	3	22	15	-	2	12	7	2	1	2	3	13	28	53	59	-	-	53	0.05	59	0.07
	20,010	18,787	20,309	16,861	3,867	3,909	24,357	21,287	10,655	9,578	6,646	6,119	7,669	6,240	93,513	82,781	(8,846)	(6,369)	84,667	87.25	76,412	88.42
Economic value retained																						
Depreciation	95	94	1,075	838	17	10	656	547	148	136	146	115	113	123	2,250	1,863	-	-	2,250	2.30	1,863	2.16
Amortisation	7	12	678	523	-	-	13	11	187	187	22	22	18	16	925	771	-	-	925	0.95	771	1
Profit after dividends	2,621	2,428	2,246	2,627	1,677	1,850	1,619	2,276	1,325	971	187	84	4,733	1,931	14,408	12,167	(5,190)	(4,793)	9,218	9.50	7,374	8.53
Retained for reinvestment / growth	2,723	2,534	3,999	3,988	1,694	1,860	2,288	2,834	1,660	1,294	355	221	4,864	2,070	17,583	14,801	(5,190)	(4,793)	12,393	12.75	10,008	11.58

SUPPLEMENTARY INFORMATION

Keeping our eye on the next level

INSIGHTFUL

LOOKING AT ACCEPTED IDEAS IN DETAIL

HISTORY OF THE JOHN KEELLS GROUP

1870
The foundation was laid for the corporate journey of John Keells Holdings, when two English brothers, George and Edwin John set up E. John & Co., a firm of produce and exchange brokers.

1948
The firm merged with two London based tea brokers, William Jas and Hy Thompson & Co., and GeoWhite & Co., thereby evolving into a private liability company in the name of E. John, Thompson, White & Company Ltd.

1960
Ever more enthusiastic to expand its activities, the firm amalgamated with Keell and Waldock Ltd., another long established produce, share and freight broking company thus changing its name to John Keell Thompson White Ltd.

1973
The company acquired a controlling stake in Walkers Tours and Travels (Ceylon) Ltd., one of the country's leading inbound tour operators.

1974
The firm became a rupee quoted public company and took the name of John Keells Ltd.

1986
A newly incorporated John Keells Holdings Ltd. (JKH) acquired a controlling stake in John Keells Limited and obtained a quotation on the Colombo Stock Exchange (CSE) amidst a heavily over-subscribed public share issue.

1991
JKH was involved in the biggest ever deal at the time, when Whittalls group of companies was acquired thus gaining controlling stakes in Ceylon Cold Stores (CCS) (the country's leading producer of carbonated soft drinks and ice cream), Ceylon Holiday Resorts (owner of Bentota Beach Hotel and Coral Gardens Hotel) and a stake in Union Assurance (UA).

1994
JKH became the first Sri Lankan company to obtain a listing abroad, and issued Global Depository Receipts (GDRs) that were quoted on the Luxembourg Stock Exchange.

1996
Velidhu Resort Hotel, an 80 roomed island resort in the Maldives, was acquired making it JKH's first major overseas investment.

1999
Nations Trust Bank (NTB) was established in a joint venture with the IFC and Central Finance Co. Ltd. Fortune magazine named JKH "One of the ten best Asian stocks to buy". South Asia Gateway Terminals (SAGT) the largest private sector investment in Sri Lanka at that time commenced operations to own, operate and develop the Queen Elizabeth Quay at the port of Colombo.

2000
JKH was rated among the best 300 small companies in the world by Forbes Global magazine. JKH also became the first company in Sri Lanka to obtain the SL AAA rating from Fitch Rating Ltd. JKH was admitted as a full member of the World Economic Forum.

DECADE AT A GLANCE

2003 - 2004
In the largest ever transaction on the CSE at that time, JKH acquired Asian Hotels & Properties, an acquisition that brought with it 40 per cent of the five star room capacity in Colombo. The Group sold its 50 per cent stake in RPK Management Services (Pvt) Ltd (its Plantations management company).

2004 - 2005
John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. JKH acquired a controlling stake in Mercantile Leasing Limited (MLL). The John Keells Social Responsibility Foundation, the Group's CSR arm, was established as a charitable company and registered as a voluntary social service organisation.

2005 - 2006
The Group entered into a MOU to develop a third resort in the Maldives on Alidhoo Island. JKH acquired 80 per cent of Yala Village Hotel. With the sale of Keells Plantations, the Group exited from the ownership of plantations. JKH entered into the BPO space through a joint venture with Raman Roy Associates. The Group also launched its new hotel brands "Cinnamon Hotels & Resorts" and "Chaaya Hotels & Resorts". NTB merged with Mercantile Leasing Limited.

2006 - 2007
The Group acquired a lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives. Furthermore, JKH acquired 20 per cent of Associated Motorways PLC (AMW). JKH increased its stake in SAGT by 7.5 per cent to 33.75 per cent. The Group exited its restaurant businesses with the sale of majority stakes in Keells Restaurants (Pvt) Limited and Crescat Restaurants (Pvt) Limited. John Keells Holdings Ltd was renamed as John Keells Holdings PLC.

2007 - 2008
The Group's first "Cinnamon" resort in the Maldives, "Cinnamon Island Alidhoo", commenced operations. The lease held by the Group in the Velidhu Island of the Maldives, expired. The International Finance Corporation (IFC), a member of the World Bank group, signed a long term funding arrangement amounting to USD 75 million to support the Group's expansion plans. 74 per cent stake Keells Business Systems Ltd was divested.

2008 - 2009
JKH acquired a further 8.44 per cent in SAGT and also increased stakes in UA, CCS, John Keells PLC and Keells Food Products PLC. The privatisation of LMS was declared null and void as per judgement delivered by the Supreme Court. The stake in AMW was divested. Acquired a 44 per cent stake in Quatrro Finance & Accounting Solutions.

2009 - 2010
The market capitalisation exceeded USD 1 billion. JKH increased its effective stake of UA to 80.6 per cent. JKH purchased a 24.6 per cent stake in Central Hospital (Private) Limited. At the conclusion of the KHL 1:3 rights issue, JKH owned 82.9 per cent of KHL. JKH was ranked first by the Business Today magazine's 'Top 10' award. Trans Asia Hotel was re-branded and re-launched as Cinnamon Lakeside Colombo. The group released its first stand alone Sustainability Report for 2008/09 in adherence to the Global Reporting Initiative (GRI-G3) framework.

2010 - 2011
JKH was ranked first in the LMD magazine's "Most Respected Entities in Sri Lanka" for the 5th consecutive time. The head lease of Alidhoo island was divested while the Group acquired the head lease of Dhonveli Island for a period of 18 years. Re-branding and re-launching of Chaaya Tranz formerly known as Coral Gardens Hotel Hikkaduwa took place. The 200 room hotel in Beruwela - "Chaaya Bey" too commenced construction. The Group acquired 6.3 million shares of Nations Trust Bank through the conversion of warrants and effectively maintained its stake. JKH also acquired 5.6 million shares of Union Assurance PLC and increased its stake to 95.6 per cent. Ceylon Cold Stores added "KIK" as its cola brand in its portfolio of soft drinks. JKH's property arm commenced construction of "OnThree20", a 475 unit apartment complex in the heart of Colombo. Walkers Tours and Whitall Boutstead became the only destination management companies to obtain both ISO 9001 and ISO 14001 certifications.

2011 - 2012
"The Emperor" apartment project at Crescat City, Colombo was completed. Chaaya Tranz Hikkaduwa and Chaaya Wild Yala were re-opened after refurbishment. JKH was ranked number one in the LMD Magazine's "Top 50" of Sri Lanka's leading companies for 2010/11 and number one in the Business Today magazine's "Top 20" rankings for the 7th time since 1999.

2012 - 2013
Please refer "Operating highlights and significant events" section.

DECADE AT A GLANCE

31st March Rs.Millions	2013*	2012*	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING RESULTS										
Group revenue	85,557	77,690	60,500	47,980	41,023	41,805	32,855	29,463	23,232	22,285
EBIT	16,856	14,236	11,425	7,908	7,986	8,197	6,115	4,850	3,569	3,458
Finance cost	(1,081)	(1,416)	(796)	(1,370)	(1,695)	(1,618)	(1,314)	(525)	(404)	(458)
Share of results of equity accounted investees	3,369	2,765	2,641	2,556	2,340	2,243	1,701	958	833	703
Profit before tax	15,775	12,820	10,629	6,538	6,291	6,579	4,801	4,325	3,165	2,393
Tax expense	(2,185)	(1,842)	(1,566)	(986)	(1,326)	(1,054)	(852)	(819)	(645)	(286)
Profit after tax	13,590	10,978	9,063	5,552	4,965	5,525	3,949	3,506	2,520	2,107
Extra-ordinary item	-	-	-	-	-	-	-	-	185	-
Profit for the year	13,590	10,978	9,063	5,552	4,965	5,525	3,949	3,506	2,705	2,107
Attributable to:										
Equity holders of the parent	12,201	9,687	8,245	5,201	4,733	5,119	3,540	3,064	2,291	1,905
Non-controlling interest	1,390	1,291	818	351	232	406	409	442	414	202
	13,591	10,978	9,063	5,552	4,965	5,525	3,949	3,506	2,705	2,107
CAPITAL EMPLOYED										
Stated capital	26,480	25,111	24,612	23,322	22,525	22,464	22,246	9,205	9,095	9,005
Capital reserves and other components of equity	20,635	13,226	9,560	7,574	7,437	6,019	3,137	2,815	2,115	1,892
Revenue reserves	42,704	33,001	25,415	18,936	15,545	14,914	13,087	10,011	6,686	5,545
	89,819	71,338	59,587	49,832	45,507	43,397	38,470	22,031	17,896	16,442
Non-controlling interest	11,366	8,863	7,608	6,430	4,960	4,770	3,696	3,630	3,712	4,936
Total equity	101,185	80,201	67,195	56,262	50,467	48,167	42,166	25,661	21,608	21,378
Total debt	20,117	20,054	14,641	17,453	21,596	12,667	15,363	5,327	9,105	4,056
	121,302	100,255	81,836	73,715	72,063	60,834	57,529	30,988	30,713	25,434
ASSETS EMPLOYED										
Property, plant and equipment (PP&E)	49,273	34,290	28,628	29,989	29,965	28,381	19,688	18,423	19,299	18,103
Non current assets other than PP&E	59,827	52,422	47,436	34,104	33,456	19,128	17,730	8,850	6,033	3,649
Current assets	50,018	47,746	34,228	34,566	28,718	23,440	27,759	11,478	13,589	9,798
Liabilities net of debt	(37,816)	(34,203)	(28,456)	(24,944)	(20,076)	(10,115)	(7,648)	(7,763)	(8,208)	(6,116)
	121,302	100,255	81,836	73,715	72,063	60,834	57,529	30,988	30,713	25,434
CASH FLOW										
Net cash flows from operating activities	14,723	16,476	8,501	9,485	4,146	6,914	2,523	2,664	4,620	3,138
Net cash flows from / (used in) investing activities	(16,354)	(9,003)	(4,469)	(5,823)	(3,972)	(4,359)	(10,088)	(2,848)	(4,482)	(6,746)
Net cash flows from / (used in) financing activities	(1,320)	496	(6,791)	(636)	2,332	(6,262)	18,422	(1,027)	271	5,414
Net increase / (decrease) in cash and cash equivalents	(2,951)	7,969	(2,759)	3,026	2,506	(3,707)	10,857	(1,211)	409	1,806
KEY INDICATORS										
Basic earnings per share (Rs.)	14.3	11.5	9.9	6.3	5.7	6.1	4.5	4.0	3.0	2.6
Interest cover (no. of times)	15.6	10.1	14.4	5.8	4.7	5.1	4.7	9.2	8.8	7.6
Net assets per share** (Rs.)	104.78	83.22	69.51	58.13	53.09	50.62	44.88	25.70	20.88	19.18
Enterprise value	203,516	166,541	175,672	109,548	42,815	76,713	95,962	64,389	47,222	33,578
EV / EBITDA	10.0	13.1	13.1	10.9	4.3	7.8	13.0	10.7	10.0	9.1
Debt / equity ratio (%)	19.9	25.0	21.8	31.0	42.8	26.3	36.4	20.8	29.0	18.3
Dividend payout (Rs.'millions)	2,982	2,314	1,869	1,844	1,883	3,176	1,412	1,197	1,075	726
Current ratio (no. of times)	2.0	2.0	1.8	1.8	2.1	1.8	1.9	1.2	1.2	1.6
Market price per share unadjusted (Rs.)	247.0	206.0	285.6	184.0	62.8	119.8	155.0	157.8	137.5	111.0
Market price per share diluted (Rs.)	247.0	206.0	214.2	138.0	47.1	89.1	115.3	85.1	61.8	45.4

* The figures are derived from financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) for the years ended 2013 and 2012. Figures for the remaining periods are derived from financial statements prepared in accordance with previous version of Sri Lanka Accounting Standards (SLAS).

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2013.

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

INCOME STATEMENT
For information purposes only

For the year ended 31st March In USD'000s	Group 2013	Group 2012	Company 2013	Company 2012
Continuing Operations				
Sale of goods	238,940	228,034	-	-
Rendering of services	436,070	378,444	4,728	4,031
Revenue	675,010	606,478	4,728	4,031
Cost of sales	(513,622)	(464,539)	(2,785)	(2,271)
Gross profit	161,388	141,939	1,943	1,760
Dividend income	-	-	53,788	37,588
Other operating income	10,665	13,114	847	1,504
Distribution expenses	(22,575)	(20,553)	-	-
Administrative expenses	(75,688)	(61,488)	(5,391)	(5,430)
Other operating expenses	(20,888)	(16,938)	(495)	(235)
Results from operating activities	52,902	56,074	50,692	35,187
Finance cost	(8,530)	(11,053)	(2,312)	(4,000)
Finance income	37,632	22,438	10,222	5,702
Net finance income	29,102	11,385	7,910	1,702
Change in fair value of investment property	15,874	11,034	-	-
Share of results of equity accounted investees	26,582	21,583	-	-
Profit before tax	124,460	100,076	58,602	36,889
Tax expense	(17,235)	(14,378)	(517)	(733)
Profit for the year	107,225	85,698	58,085	36,156
Attributable to:				
Equity holders of the parent	96,262	75,618		
Non-controlling interest	10,963	10,080		
	107,225	85,698		
Exchange rate	126.75	128.10	126.75	128.10

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at each year end have been used to convert the Income Statement and Statement of Financial Position.

STATEMENT OF FINANCIAL POSITION

For information purposes only

	Group			Company		
			As at 1 April			As at 1 April
As at 31st March	**2013**	2012	2011	**2013**	2012	2011
In USD'000s						
ASSETS						
Non current assets						
Property, plant and equipment	388,743	267,682	259,312	594	698	669
Lease rentals paid in advance	75,059	80,237	86,160	-	-	-
Investment property	73,333	59,575	48,788	-	-	-
Intangible assets	21,219	20,555	23,840	584	376	396
Investments in subsidiaries and joint ventures	-	-	-	210,188	192,640	212,817
Investments in associates	124,056	122,204	133,084	77,486	74,048	83,854
Other non current financial assets	148,455	106,868	120,259	13,496	15,790	5,983
Deferred tax assets	1,674	1,011	1,837	-	-	490
Other non current assets	28,211	18,776	20,525	81	62	27
	860,750	676,908	693,805	302,429	283,614	304,236
Current assets						
Inventories	31,550	33,961	28,559	-	-	6
Trade and other receivables	100,789	88,581	81,360	7,849	2,943	594
Amounts due from related parties	1,637	84	168	4,087	7,640	6,311
Other current assets	22,847	22,819	26,990	3,037	2,677	3,382
Short term investments	209,752	193,967	153,553	99,026	79,499	91,883
Cash in hand and at bank	28,046	33,311	19,136	498	3,548	175
	394,621	372,723	309,766	114,497	96,307	102,351
Total assets	1,255,371	1,049,631	1,003,571	416,926	379,921	406,587
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent						
Stated capital	208,918	196,023	222,930	208,918	196,023	222,930
Capital reserves	-	3,344	3,880	-	-	-
Revenue reserves	336,917	257,623	229,131	159,540	123,669	122,499
Other components of equity	162,797	99,900	88,501	658	1,792	(1,483)
	708,632	556,890	544,442	369,116	321,484	343,946
Non-controlling interest	89,674	69,191	69,221	-	-	-
Total equity	798,306	626,081	613,663	369,116	321,484	343,946
Non current liabilities						
Insurance contract liabilities	137,187	114,836	114,697	-	-	-
Borrowings	93,552	95,401	74,959	29,606	39,504	49,301
Deferred tax liabilities	9,643	5,527	5,869	-	-	-
Employee benefit liabilities	10,928	10,712	11,011	1,058	990	948
Other deferred liabilities	396	23	31	-	-	-
Other non current liabilities	4,182	6,041	6,766	-	-	-
	255,888	232,540	213,333	30,664	40,494	50,249
Current liabilities						
Trade and other payables	115,253	116,122	100,672	1,815	1,921	1,326
Amounts due to related parties	121	13	20	104	54	84
Income tax liabilities	7,740	6,426	7,170	-	-	-
Short term borrowings	14,625	7,877	2,101	-	-	-
Current portion of borrowings	24,055	19,334	19,905	10,370	10,530	10,571
Other current financial liabilities	-	582	-	-	-	-
Other current liabilities	12,904	6,719	11,344	832	137	99
Bank overdrafts	26,479	33,937	35,363	4,025	5,301	312
	201,177	191,010	176,575	17,146	17,943	12,392
Total equity and liabilities	1,255,371	1,049,631	1,003,571	416,926	379,921	406,587
Exchange rate	126.75	128.10	110.40	126.75	128.10	110.40

SRI LANKAN ECONOMY

Summary Indicator	Units	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP growth	Per cent	4.0	5.9	5.4	6.2	7.7	6.8	6	3.5	8	8.2	6.4
GDP (current prices)	Rs.billion	1,582	1,822	2,091	2,453	2,939	3,578	4,411	4,835	5,604	6,544	7,582
GDP (current prices)	USD billion	16.53	18.88	20.66	24.41	28.27	32.34	40.72	42.07	49.57	59.18	59.42
GDP per capita (USD) growth	Per cent	3.4	9.0	8.6	20.5	14.5	13.8	24.6	2.1	16.7	18.3	4
GDP per capita (market prices)	Rs.000	83.2	94.7	107.4	124.7	147.8	178.8	218.2	236.4	271.3	313.6	373.0
GDP per capita (market prices)	USD	870	948	1,030	1,241	1,421	1,617	2,014	2,057	2,400	2836	2,923
Inflation (CCPI- 100=2006) YoY	Per cent	-	-	-	-	-	-	-	-	6.2	6.7	7.6
Current account balance	USD billion	(0.2)	(0.07)	(0.6)	(0.7)	(1.5)	(1.4)	(1.4)	(0.2)	(1.1)	(4.6)	(3.9)
Current account % of GDP	Per cent	(1.4)	(0.4)	(3.1)	(2.7)	(5.3)	(4.2)	(9.5)	(0.5)	(2.2)	(7.8)	(6.60)
Population	Million	19.0	19.3	19.5	19.7	19.9	20.0	20.2	20.5	20.7	20.9	20.3
Exchange rate (annual average)	Rs/USD	95.7	96.5	101.2	100.5	104.0	110.6	108.3	114.9	113.1	110.57	127.6
Exchange rate change (annual average)	Per cent	7.0	0.9	4.8	(0.7)	3.4	6.4	(2.1)	6.1	(1.6)	(2.2)	15.4
12m T-bill yield (yr-end)	Per cent	9.9	8.0	7.7	10.4	13.0	20.0	19.12	9.33	7.55	9.31	11.69
Prime lending rate (yr-end)	Per cent	12.2	9.3	10.2	12.2	15.2	18.0	18.5	10.91	9.27	10.49	14.29
M2b money supply growth	Per cent	13.4	15.3	19.6	19.1	17.8	16.6	8.5	18.6	15.8	19.1	17.6
Exports	USD billion	4.7	5.1	5.8	6.3	6.7	7.7	8.1	7.1	8.6	10.6	9.8
Imports	USD billion	6.1	6.7	8.0	8.9	10.3	11.3	14.1	10.2	13.5	20.3	19.2
Balance of payments	Per cent of GDP	2.0	2.7	(1.0)	2.1	0.7	1.6	(3.5)	6.5	1.9	(1.9)	0.3
Budget deficit	Per cent of GDP	(8.5)	(7.3)	(7.5)	(7.0)	(7.0)	(6.9)	(7.0)	(9.9)	(8.0)	(6.9)	(6.4)
Unemployment rate	Per cent	8.8	8.4	8.3	7.2	6.5	6.0	5.4	5.8	4.9	4.2	4
All share index (yr-end)	Points	815	1,062	1,507	1,922	2,722	2,541	1,503.0	3,386	6,636	6,074	5,643
Tourist arrivals	No.' 000	393	501	566	549	560	494	438	447	654	856	1,006

GDP growth for 2012 was reported at 6.4%, compared to 8.2% reported in the previous year. The Central Bank implemented measures such as increased interest rates and credit ceilings to address a ballooning trade deficit and excessive growth in credit. The Central Bank expects the economy to grow at 7.5% in 2013.

The Government has set a target to reduce the budget deficit to 5.8% of GDP in 2013. The estimate of a budget deficit of 6.2% for 2012 fell slightly short of the actual reported number of 6.4%. As a part of the move for fiscal consolidation the government is in the process of reducing subsidies to state owned enterprises such as the CEB and the CPC. This reform will result in the pass-on of costs to the general public.

During the first few months of 2012, the Central Bank carried out significant policy changes to reduce credit growth and aggregate demand. This was done due to a need to reduce the imbalances in the country's balance of payments which vastly improved in 2012; recording a surplus of $151.4mn. The free float of the rupee resulted in a major fall of imports that reduced the trade deficit for the year, however, waning demand from export markets such as Europe and the Middle East saw exports decline as well, resulting in a reduction in the trade balance, while still being significant, that was less than anticipated.

Due to problems in the Euro zone being unresolved, the outlook for exports remains pessimistic. Locally, structural concerns like a high savings-investment gap and an increasing dependency on debt flows to compensate for large current account deficits exposes the economy to more risk, based on global investor confidence. Political stability and relative investor perceptions will play a role in determining the level of FDI and other investments that can be expected in the year to come.

Tourism income rose from Rs 92 billion in 2011 to Rs 132 billion n in 2012, a 44.1% increase, while arrivals crossed the 1 million mark in December 2012. This inflow on account of tourism will increasingly be important towards determining the overall BOP performance.

Inward remittances from workers abroad rose 16% in 2012 from the year before to US$ 5985mn, a significant contribution to countering balance of payments worries. Remittances will continue to play a key role in determining the health of Sri Lanka's external accounts.

The Year That Was

The GDP growth for the full year of 2012 came in at 6.4%. The three major sub sectors of GDP; agriculture, industry and services recorded growth rates of 5.8%, 10.3% and 4.6% respectively.

The agriculture sector had a higher growth in 2012 compared to the growth of 1.5% recorded in 2011, tea exports contracted by 1.2% due to geopolitical tension in Middle Eastern markets, but a significant improvement was seen in coconut and other food crop production, the fisheries sector increased production by 9.3% slowing from a growth of just above 15% in 2011.

Growth in the industrial sector was driven by significant increases in Construction which increased by 21.6% in 2012. Mining and Quarrying also was a key contributor growing at 18.9%, while Textile exports contracted by 4.9% due to lagging demand.

The service sector which accounts for the largest share of GDP reported a slower growth in 2012, growing at 4.6%, down from last year's growth of 8.6% and the previous year's 8%. This slowdown is largely attributed to the slowing in import and export trade. Wholesale and retail trade only grew by 3.7%, compared to the 10.3% seen last year. Transport and communication grew at 6.2% (slowing from 2011's 11.3%) and banking, insurance and real estate grew at 6.7% (slowing from 2011's 7.9%). The biggest contributor to growth in the service sector was the subcategory of Hotels and Restaurants which grew at a significant 20.2%, slowing from last year's 26.4%. The increasing prominence of the informal hotel sector is expected to also have driven business away from the formal hotels sector.

With a slower than expected economic growth in 2012, aggregate consumption grew by 13.7%, a drop from a growth of 22.4% recorded in 2011. Growth in investment in real terms reduced to 18.5% as compared to 26.8% in 2011, which was predominantly due to the reduction in growth in private sector investment. Private sector investment dropped from 29.1% seen in 2011 to 16% in 2012. Pubic sector investment was at a robust 28.1%, up from last year's 18.8%. Aggregate investment as a percentage of GDP increased marginally from 30% in 2011 to 30.6% in 2012. Private sector savings increased by 29% in 2012, public sector reduced by a significant 48%. The savings to Investment gap reduced to 6.7% of GDP from 7.8% of GDP seen last year.

The first few months of 2012 saw relatively low inflation, however a gradual rise was observed. Inflation eventually peaked at 9.89% in July 2012 and began to level off as monetary tightening measures began to take effect. Depreciation of the rupee and higher energy prices contributed to the upward pressure in prices.

Export Earnings and Import Expenditure dropped in 2012. Exports fell by 7.4% and imports fell by 5.8%. This resulted in the trade gap decreasing by 4%. Most imports fell in 2012 with a notable decrease in imports of vehicles as a result of the added restriction of higher taxes. Except for export of minerals and minor agricultural produce such as spices all other export categories saw a drop in their earnings.

There was a marginal improvement in the overall fiscal situation in the country as mentioned above with the budget deficit reducing to 6.4% of GDP from 6.9% in 2011. Expenditure and net lending of the government declined from 21.4% of GDP in 2011 to 19.7% of GDP in 2012.

GROUP REAL ESTATE PORTFOLIO

Owning company and location	Buildings in (Sq. Ft)	Land in acres Freehold	Land in acres Leasehold	Net book value 2013 Rs.'000s	Net book value 2012 Rs.'000s
PROPERTIES IN COLOMBO					
Ceylon Cold Stores PLC.					
Slave Island Complex, Colombo 2.	26,910	4.49	3.16	4,985,050	3,716,094
John Keells Office Automation (Pvt) Ltd.					
No.90 ,Union Place, Colombo 2.	9,100	-	-	6,483	6,709
John Keells PLC.					
130, Glennie Street , Colombo 2.	122,338	1.71	0.58	2,044,524	1,582,311
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	0.08	-	1,250	1,250
John Keells Properties (Pvt) Ltd.					
125, Glennie Street, Colombo 2.	26,550	0.53	-	639,365	444,000
Keells Realtors Ltd.					
427 & 429, Ferguson Road, Colombo 15.	27,750	1.22	-	279,938	252,086
Mackinnon Keells Ltd.					
Leyden Bastian Road, York Street, Colombo 01.	31,656	0.45	-	411,382	404,984
Union Assurance PLC.					
No 20, St. Michaels' Road, Colombo 03.	57,916	0.58	-	773,830	782,779
Whittall Boustead (Pvt) Ltd.					
No.199 ,Union Place, Colombo 2.	14,014	0.50	-	347,000	347,000
148, Vauxhall Street, Colombo 2.	97,128	3.06	-	2,041,772	1,653,175
Waterfront Properties (Pvt) Ltd					
100, Glennie Street , Colombo 2.	-	0.37	-	307,423	-
	413,362	12.99	3.74	11,838,017	9,190,388
PROPERTIES OUTSIDE COLOMBO					
Ceylon Cold Stores PLC.					
Kaduwela.	299,798	27.35	-	1,094,328	677,007
Trincomalee.	23,840	1.06	-	84,775	77,004
Facets (Private) Limited					
Ahungalla	-	6.31	-	367,914	-
John Keells BPO Solutions India Private Limited					
Floor 8, Tower B &C, Building No.6, DLF SEZ Cyber City, Phase III, Gurgaon, Haryana.	48,659	-	-	55,130	77,910
John Keells PLC.					
17/1, Temple Road, Ekala, Ja-Ela.	-	3.77	-	105,683	84,380
John Keells Properties Ja-Ela (Pvt) Ltd					
No 525, Colombo Road, Kapuwatta, Ja-Ela.	143,714	6.60	-	1,505,302	527,615
John Keells Warehousing (Pvt) Ltd.					
Muthurajawela.	141,276	-	6.00	326,291	140,222
Keells Food Products PLC.					
41, Temple Road, Ekala, Ja-Ela.	51,728	3.00	3.26	365,040	123,451
Tea Smallholder Factories PLC.					
Broadlands.	56,478	4.14	-	58,000	40,778
Halwitigala.	48,747	9.61	-	49,000	28,434
Hingalgoda.	63,676	17.00	-	80,000	34,789
Karawita.	80,364	-	4.98	87,998	79,929
Kurupanawa.	51,410	11.80	-	53,000	41,317
Neluwa.	48,888	5.27	-	49,500	31,313
New Panawenna.	44,568	10.34	-	42,000	30,088
Pasgoda.	40,091	7.24	-	32,000	21,930
Peliyagoda.	31,629	-	0.98	110,272	102,000
Raxawa.	32,750	1.22	-	25,000	11,870

Owning company and location	Buildings in (Sq. Ft)	Land in acres Freehold	Leasehold	Net book value 2013 Rs.'000s	2012 Rs.'000s
PROPERTIES OUTSIDE COLOMBO					
Transware-Logistics (Pvt) Ltd.					
Tudella, Ja-Ela.	63,670	18.67	-	397,648	400,000
Union Assurance PLC.					
No 06,Rajapihilla Road, Kurunegala.	27,904	0.20	-	142,000	142,000
Whittall Boustead Ltd.					
150, Badulla Road, Nuwara Eliya.	4,343	0.46	-	86,500	69,615
	1,303,533	134.04	15.22	5,117,381	2,741,652
HOTEL PROPERTIES					
Asian Hotels and Properties PLC.					
Cinnamon Grand Premises, Colombo 2.	648,793	7.91	-	13,928,737	8,105,310
Crescat Boulevard, Colombo 2.	145,196	-	-	1,860,500	1,632,000
Ahungalla Holiday Resort (Pvt) Ltd.					
Ahungalla	-	6.50	-	148,850	-
Beruwala Holiday Resorts (Pvt) Ltd.					
Cinnamon Bey, Beruwala	336,110	11.39	-	3,119,608	462,680
Ceylon Holiday Resorts Ltd.					
Bentota Beach Hotel, Bentota	236,524	2.32	11.02	700,808	517,818
Fantasea World Investments (Pte) Ltd.					
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	150,412	-	13.42	774,348	810,843
Habarana Lodge Ltd.					
Cinnamon Lodge, Habarana	202,999	-	25.47	665,689	659,180
Habarana Walk Inn Ltd.					
Chaaya Village, Habarana.	121,767	-	9.34	348,454	192,716
Hikkaduwa Holiday Resort (Pvt) Ltd.					
Chaaya Tranz, Hikkaduwa	233,965	0.29	4.69	1,234,432	1,275,990
Kandy Walk Inn Ltd.					
Cinnamon Citadel, Kandy	160,550	5.79	-	902,259	311,348
Resort Hotels Ltd.					
Medway Estate, Nilaveli	4,485	44.37	-	667,600	107,900
Rajawella Hotels Company Ltd.					
Mahaberiatenna, Kandy.	3,700	-	10.00	34,802	35,192
Trans Asia Hotels PLC.					
Cinnamon Lakeside, Colombo 2.	423,966	-	7.65	4,895,974	4,230,229
Tranquility (Pte) Ltd.					
Chaaya Island Dhonveli, Republic of Maldives.	246,358	-	18.62	7,722,430	8,256,604
Travel Club (Pte) Ltd.					
Chaaya Reef Ellaidhoo, Republic of Maldives.	170,877	-	13.75	1,578,060	1,826,633
Trinco Holiday Resorts (Pvt) Ltd.					
Chaaya Blu, Trincomalee.	120,910	13.24	-	697,807	512,223
Trinco Walk Inn Ltd.					
Club Oceanic, Trincomalee.	-	14.64	-	361,364	250,586
Wirawila Walk Inn Ltd.					
Randunukelle Estate, Wirawila.	-	25.15	-	70,000	32,555
Yala Village (Pvt) Ltd.					
Cinnamon Wild, Tissamaharama	110,248	-	11.00	508,622	530,643
Sentinel Reality					
Vakarai	-	8.43	-	17,750	15,788
	3,316,860	140.03	124.96	40,238,094	29,766,238
Improvements to Keells Super outlets on leased hold properties				438,171	251,028
Consolidated Value of Land and Buildings	5,033,755	287.06	144.48	57,631,663	41,949,306

GROUP DIRECTORY

John Keells Holdings PLC has business interests across six industry groups, namely, Transportation, Leisure, Property, Consumer Foods & Retail, Financial Services, Information Technology and Other including Plantation Services. The Group consisits of eighty six subsidiaries and associates companies with significant business operations in Sri Lanka, India and the Maldives. The holding compay is located at 130, Glennie Street Colombo 2.

The Group has considered all its subsidiary and associate companies in capturing its financial performance. For the purpose of reporting on its sustainability performance, the Group has considered the companies in its sphere of influence, which are the legal entities for which the Group remains accountable and has direct control. The companies not included for reporting on Sustainability Performance are companies in which the Group does not exercise significant management control, and companies which are non-operational, are investment entities, land only holding companies, investment holding companies, managing companies and rental of office spaces, which do not carry out any operations. Such companies have been clearly identified below.

The customer base serviced by the John Keells Group of companies can be classified primarily into three sections as illustarted below

Individuals	Businesses & Corporates	Government
Consumer Foods & Retail, Property Leisure, Financials Services	IT, Transportation, Leisure, Other (Plantation Services), Financial Services	IT

In serving these customer segments, the use of outsourced products and services at JKH are limited to activities where it is an industry practice to do so or it has been proven to be an efficient and effective business model versus performing these functions in-house. For example, in the Transportation industry group, certain transportation and loading functions as well as the barge crew and warehousing staff are outsourced to gain maximum efficiency in the respective operations. Similarly, the production and or the packaging of certain products in the Consumer Foods and Retail industry group too are outsourced.

TRANSPORTATION

PORTS AND SHIPPING

Keells Shipping (Pvt) Ltd (100%)
Shipping agency representation & logistics services
No. 11, York Street, Colombo 1.
2475200
Directors:
S C Ratnayake - Chairman
R M David, J R Gunaratne
Stated capital: Rs.500,000

Mackinnon Mackenzie & Co (Shipping) Ltd (100%)
Shipping agency representation & logistics services
4, Leyden Bastian Road, Colombo 1
2307526
Directors:
S C Ratnayake - Chairman
R M David,J R Gunaratne
Stated capital: Rs.5,000,000

Maersk Lanka (Pvt) Ltd (30%)**
Shipping agency representation & freight forwarding services
No. 36, D. R Wijewardene Mawatha Colombo 10.
2423700
Directors:
Directors: W T Ellawala, Dinesh Lal, R M David
Hariharan Iyer, Robert Janvan Trooijen
Rizwan Sultan Ali
Stated capital: Rs.10,000,000

South Asia Gateway Terminals (Pvt) Ltd (42.19%)**
Ports & shipping services
Port of Colombo, P.O. Box 141
Colombo 1.
2457500
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J R F Peiris, R M David
C Kuo Cheng, H O Madsen (resigned w.e.f 31.05.2012)
H G Wieske, Dr S Senerath, D C Alagarathnam
Capt N Keppetipola, K N J Balendra, P Sondergaard
P M English, T Hougaard (appointed w.e.f 01.06.2012)
Stated capital: Rs.3,788,485,900

LOGISTICS

DHL Keells (Pvt) Ltd (50%)**
Express courier services
No. 148, Vauxhall Street
Colombo 2.
2304304 / 4798600
Directors:
S C Ratnayake - Chairman
R M David, M A Monteiro, G E A P Berczely
Stated capital: Rs.20,000,020

John Keells Logistics (Pvt) Ltd (100%)
Integrated supply chain & third party logistics solutions
No. 11, York Street
Colombo 1.
2475200
Directors:
S C Ratnayake - Chairman
A D Gunawardene, R M David
Stated capital: Rs.200,000,000

Lanka Marine Services (Pvt) Ltd (99.44%)
Importer & supplier of heavy marine fuel oils & lubricants
4, Leyden Bastian Road
Colombo 1.
2475410-421
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R M David, R S Fernando
Stated capital: Rs.350,000,000

Mackinnon Mackenzie & Co of Ceylon Ltd (100%)*
Foreign recruitment agents & consultants
No. 11, York Street
Colombo 1.
2475200
Directors:
S C Ratnayake - Chairman
R M David
Stated capital: Rs.90,000

N D O Lanka (Pvt) Ltd (60%) **
International freight forwarding and clearing & forwarding
No. 11, York Street
Colombo 1.
2475200
Directors:
S C Ratnayake - Chairman (resigned w.e.f 26.09.2012)
R M David, H C K Hewamallika (appointed w.e.f 26.09.2012), J R Gunarathne, G G G Col (appointed w.e.f 26.09.2012)
Stated capital: Rs.130,000,000

N D O India (Pvt) Ltd (20%) **
Shipping agency representation & freight forwarding & logistics services
No 172, Third Floor, 2nd Main
Kasturi Nagar, East of NGEF
Bangalore - 560043, India
+91(080)42040004, 42040005
Directors:
S C Ratnayake - Chairman (resigned w.e.f 29.01.2013)
R M David, R S Fernando, G G G Col (appointed w.e.f 08.02.2013), C Hewamallika, H F Montjotin (appointed w.e.f. 08.02.2013), R M David
Stated capital: Rs.128,313,710

Saffron Aviation (Pvt) Ltd (40%) **
Domestic air line operations
No.11, York Street, Colombo 01
2475502
Directors:
A D Gunewardene, R M David, J R Gunaratne
B A B Goonetilleke, K Balasundaram, F Omar
R T Abeyasinghe
Stated capital: Rs.595,779,000

Trans-ware Logistics (Pvt) Ltd (50%)*
Integrated container depot operations & logistics services provider
No.150,150/1, Pamunugama Road, Tudella, Ja-Ela.
2475508/2475538
Directors:
S C Ratnayake - Chairman
A D Gunawardene, R M David, E H Gui (resigned w.e.f 24.07.2012), A A Miskon (Alt.N A Latif)
Y K Boo (Appointed w.e.f 24.07.2012), H H Pang (Appointed w.e.f 05.11.2012)
Stated capital: Rs.240,000,000

Whittall Boustead (Pvt) Ltd - Cargo Division (100%)
International freight forwarder & logistics services
No.148, Vauxhall Street
Colombo 2.
2475299
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R M David, S Rajendra
Stated capital: Rs.99,188,800

AIRLINES

John Keells Air Services India (Pvt) Ltd (100%)
(Formerly known as Matheson Keells Air Services (Pvt) Ltd) General sales agents for airlines in India.
No 172, Third Floor
2nd Main Kasturi Nagar, East of NGEF
Bangalore - 560043, India.
+91(080)42040004, 42040005
Directors:
S C Ratnayake - Chairman
R M David, R S Fernando, C Hewamallika
Stated capital: Rs.17,995,097

Mack Air (Pvt) Ltd (100%)
General sales agents for airlines in Sri Lanka
No. 11 A, York Street, Colombo 1.
2475375/2475335
Directors:
S C Ratnayake - Chairman
R M David, C N Lawrence
Stated capital: Rs.12,500,000

Mackinnons Travels (Pvt) Ltd (100%)
IATA accredited travel agent and travel related services
Ceylon Cold Stores Building
No. 1, Justice Akbar Mawatha
Colombo 2.
2318600
Directors:
S C Ratnayake - Chairman
A D Gunawardene, R M David
Stated capital: Rs.5,000,000

Mack Air Services Maldives (Pte) Ltd (49%)*
General sales agents for airlines in the Maldives
4th Floor, STO Aifaanu Building
Boduthakurufaanu Magu, Male 20-05
Republic of Maldives.
+9603334708 - 09
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R M David, S Hameed, A Shihab
Stated capital: Rs.677,892

LEISURE

HOTEL MANAGEMENT

Keells Hotel Management Services Ltd (100%)
Manager & marketer of resort hotels
No.130, Glennie Street, Colombo 2.
2306600, 2421101-8
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated capital: Rs.19,520,000

John Keells Maldivian Resorts (Pte) Ltd (80.32%)
Hotel holding company in the Maldives
2nd Floor, H Maizan Building
Sosun Magu, Male
Republic of Maldives.
00960 3329083/00960 3304601/
00960 3313738
Directors:
S C Ratnayake - Chairman, A D Gunewardene
B J S M Senanayake, S A S Perera
Stated capital: Rs.3,978,671,681

John Keells Hotels PLC (80.32%)*
Holding company of group resort hotel companies in Sri Lanka & Maldives
No.130, Glennie Street, Colombo 2.
2306600
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J R F Peiris, J E P Kehelpannala
M A Omar (Resigned w.e.f 26.02.2013)
R T Wijesinha, D A Cabraal, B J S M Senanyake
N B Weerasekera
Stated capital: Rs.9,500,246,939

John Keells Hotels Mauritius (Pvt) Ltd (80.32%)*
Hotel holding company in the Mauritius
IFS Court, Twenty Eight, Cybercity Ebene, Mauritius.
(230) 467 3000
Directors:
K D Joory, A D Gunewardene, D C Alagaratnam
F Soreefan
Stated capital: Rs.3,832,000

Sentinel Realty (Pvt) Ltd (40.16%)**
Investment company for Hotel Development land
No.130, Glennie Street, Colombo 2.
2306000
Directors :
A D Gunewardene, S Rajendra, B A B Goonettileke
K Balasundaram
Stated capital: Rs.31,576,000

CITY HOTELS

Asian Hotels and Properties PLC - Cinnamon Grand (78.56%)
Owner & operator of the five star city hotel 'Cinnamon Grand'
77, Galle Road, Colombo 3.
2437437 /2497442
Directors:
S C Ratnayake - Chairman
A D Gunewardene - Managing Director
J R F Peiris, R J Karunarajah, S Rajendra
S K G Senanayake, S A Jayasekara, C J L Pinto
Stated capital: Rs.3,345,118,012

Capitol Hotel Holdings Ltd (27.8%) **
Developer of City Business Hotels
No.130, Glennie Street, Colombo 2.
2306000
Directors :
A D Gunewardene, S Rajendra, M S Weerasekera
W R K Wannigama, D A Kannangara
Stated capital: Rs.1,168,800,100

Trans Asia Hotels PLC (82.74%)
Owner & operator of the five star city hotel 'Cinnamon Lakeside'.
No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.
2491000
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J R F Peiris, D S J Pelpola (resigned w.e.f. 26.06.2012), N L Gooneratne
R L Nanayakkara (resigned w.e.f.26.06.2012)
C J L Pinto, E H Wijenaike (appointed w.e.f. 27.06.2012)
Stated capital: Rs.1,112,879,750

Sancity Hotels & Properties Ltd (27.8%)**
Developer of City Business Hotels
No.59, Ananda Coomaraswami Mawatha, Colombo 03.
2306000
Directors:
A D Gunewardene, S Rajendra, M S Weerasekera
W R K Wannigama, D A Kannangara
Stated capital: Rs.1,162,300,100

RESORT HOTELS - SRI LANKA

Ahungalle Holiday Resorts (Pvt) Ltd (80.32%)*
Developer of the planned five star hotel
No.130, Glennie Street, Colombo 2.
2306000
Directors:
S C Ratnayake – Chairman
A D Gunewardene, J E P Kehelpannala
Stated capital: Rs.132,000,000

Beruwala Holiday Resorts (Pvt) Ltd (79.45%)
Owner of Real Estate
No.130, Glennie Street, Colombo 2.
2306600, 2421101-8
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated Capital: Rs.1,338,150,000

Ceylon Holiday Resorts Ltd-Bentota Beach Hotel (79.24%)
Owner & operator of 'Bentota Beach Hotel' in Bentota
Galle Road, Bentota.
034 2275176/034 2275266
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated capital: Rs.744,517,303

Hikkaduwa Holiday Resorts (Pvt) Limited (79.24%)
Owner & operator of 'Chaaya Tranz' in Hikkaduwa
P.O. Box 1, Galle Road, Hikkaduwa.
091 2298000
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated capital: Rs.952,635,460

Habarana Lodge Ltd (78.99%)
Owner & operator of 'The Cinnamon Lodge' in Habarana
P.O Box 2, Habarana
066 2270011-2/066 2270072
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated capital: Rs.341,555,262

Group Directory

Habarana Walk Inn Ltd (79.34%)
Owner & operator of 'Chaaya Village Habarana'
P.O Box 1, Habarana
066 2270046-7/066 2270077
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated capital: Rs.126,350,000

International Tourists and Hoteliers Ltd (79.45%)*
Owner of real estate
No.130, Glennie Street, Colombo 2.
2306600, 2421101-8
Directors:
S C Ratnayake - Chairman
A D Gunewardene,J E P Kehelpannala
D C Alagaratnam
Stated capital: Rs.1,039,675,925

Kandy Walk Inn Ltd (79.03%)
Owner & operator of 'The Chaaya Citadel' in Kandy
No.124, Srimath Kuda Ratwatte Mawatha, Kandy.
081 2234365-6/081 2237273-4
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala, R T Molligoda
Stated capital: Rs.115,182,009

Rajawella Hotels Ltd (80.32%)*
Owner of real estate
No.130, Glennie Street, Colombo 2.
2306780, 2421101-8
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J R Gunaratne
Stated capital: Rs.29,300,000

Resort Hotels Ltd (79.24%)*
Owner of real estate
No.130, Glennie Street, Colombo 2.
2306780, 2421101-8
Directors:
S C Ratnayake - Chairman
A D Gunewardene
Stated capital: Rs.6,350,670

Trinco Holiday Resorts (Pte) Ltd (80.32%)
Owner & Operator of 'Chaaya Blu' in Trincomalee
Alles Garden, Uppuvelli
Sampathiv Post.
2421101-8
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated Capital: Rs.357,000,000

Trinco Walk Inn Ltd (80.32%)*
Owner of Real Estate
Alles Garden, Uppuveli, Sampathiv Post
Trincomalee.
026 112421101-8, 2306600
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J E P Kehelpannala
Stated capital: Rs.119,850,070

Wirawila Walk Inn Ltd (80.32%)*
Owner of real estate
No.130, Glennie Street, Colombo 2.
2306780, 2421101-8
Directors:
S C Ratnayake - Chairman
A D Gunewardene, D C Alagaratnam (appointed w.e.f.01.08.2011)
J R F Peiris (resigned w.e.f.01.08.2011)
Stated capital: Rs.16,611,750

Yala Village (Pvt) Ltd (75.33%)
Owner and operator of 'Yala Village' in Yala
P.O Box 1, Kirinda, Tissamaharama.
047 2239449-52
Directors:
M A Perera - Chairman
S C Ratnayake - Deputy Chairman
A D Gunewardene, J A Davis, J E P Kehelpannala
Stated capital: 419,427,600

RESORT HOTELS - MALDIVES

Fantasea World Investments (Pte) Ltd (80.32%)
Owner & operator of 'Chaaya Lagoon Hakuraa Huraa' in Maldives
2nd Floor, H Maizan Building
Sosun Magu, Male, Republic of Maldives.
00960 6720014/00960 6720064/ 00960 6720065
Directors:
S C Ratnayake - Chairman
A D Gunewardene, B J S M Senanayake
S A S Perera
Stated capital: Rs.341,573,190

John Keells Maldivian Resorts (Pte) Ltd (80.32%)
Hotel holding company in the Maldives
2nd Floor, H Maizan Building
Sosun Magu, Male, Republic of Maldives.
00960 3329083/00960 3304601 / 00960 3313738
Directors:
S C Ratnayake - Chairman
A D Gunewardene, B J S M Senanayake, S A S Perera
Stated capital: Rs.3,978,671,681

Tranquility (Pte) Ltd (80.32%)
Owner and operator of 'Chaaya Island Dhonveli' in Maldives
2nd Floor, H Maizan Building
Sosun Magu, Male, Republic of Maldives.
00960 6640055 / 00960 6640012
Directors:
S C Ratnayake - Chairman
A D Gunewardene, B J S M Senanayake
S A S Perera
Stated capital: Rs.552,519,608

Travel Club (Pte) Ltd (80.32%)
Operator of 'Chaaya Reef Ellaidhoo' in Maldives
2nd Floor, H Maizan Building
Sosun Magu, Male, Republic of Maldives.
00960 6660839/00960 6660663/ 00960 6660664
Directors:
S C Ratnayake - Chairman
A D Gunewardene, B J S M Senanayake, S A S Perera
Stated capital: Rs.143,172,000

DESTINATION MANAGEMENT

Serene Holidays (Pvt) Ltd (98.74%)
Tour operators
204, Accord Complex
Opp. Goregaon Station
Goregaon (East), Mumbai 400 063 India.
091-22 42105210
Directors:
A D Gunewardene - Chairman
V Leelananda
Stated capital: Rs.34,150,000

Walkers Tours Ltd (98.51%)
Inbound tour operators
No.130, Glennie Street, Colombo 2.
2306306
Directors:
S C Ratnayake - Chairman
A D Gunewardene,V Leelananda
Stated capital: Rs.51,374,200

Whittall Boustead (Travel) Ltd (100%)
Inbound tour operators
No.130, Glennie Street Colombo 2.
2306384
Directors:
S C Ratnayake - Chairman
A D Gunewardene, V Leelananda
Stated capital: Rs.7,500,000

PROPERTY

PROPERTY DEVELOPMENT

Asian Hotels and Properties PLC - Crescat Boulevard, The Monarch, The Emperor (78.56%)
Developer and manager of integrated properties
No.77, Galle Road, Colombo 3.
5540404
Directors:
S C Ratnayake - Chairman
A D Gunewardene - Managing Director
J R F Peiris, R J Karunarajah, S Rajendra
S K G Senanayake, S A Jayasekara, C J L Pinto
Stated capital: Rs.3,345,118,012

British Overseas (Pvt) Ltd (51%)**
Developer of '7th Sense' Project
No.130, Glennie Street, Colombo 2.
2306000
Directors:
A D Gunewardene, K N J Balendra
D C Alagaratnam, S Rajendra, S P G N Rajapakse
Stated capital: Rs.1,000

John Keells Residential Properties (Pvt) Limited (100%)
Developer of 'OnThree20' Project
No. 130, Glennie Street, Colombo 2.
2300065
Directors:
S C Ratnayake - Chairman
A D Gunewardene, S Rajendra
Stated capital: Rs.925,200,000

J K Properties Ja-Ela (Pvt) Ltd (100%)
Developer & Manager of Mall operations
No. 130, Glennie Street, Colombo 2.
2306000
Directors:
S C Ratnayake - Chairman
A D Gunewardene, S Rajendra
Stated capital: Rs.854,360,000

REAL ESTATE

J K Properties (Pvt) Ltd (100%)*
Renting of office space
No.130, Glennie Street, Colombo 2.
2306000/2397263
Directors:
S C Ratnayake - Chairman
A D Gunewardene, S Rajendra
Stated capital: Rs.240,000,030

Keells Realtors Ltd (92.37%)*
Owner of Real Estate
No.130, Glennie Street, Colombo 2.
2306000/2397263
Directors:
S C Ratnayake - Chairman
A D Gunewardene, S Rajendra
Stated capital: Rs.75,000,000

Whittall Boustead (Pvt) Ltd - Real Estate Division (100%)*
Renting of office space
No.148, Vauxhall Street, Colombo 2.
2397263 /2327805
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R M David, S Rajendra
Stated capital: Rs.99,188,800

CONSUMER FOODS AND RETAIL

CONSUMER FOODS

Ceylon Cold Stores PLC (81.36%)
Manufacturer & distributor of beverages, frozen confectionery, and the holding company of JayKay Marketing Services (Pvt) Ltd.
No. 1, Justice Akbar Mawatha Colombo 2.
2328221/7, 2318777
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J R F Peiris, J R Gunaratne
U P Liyanage, P S Jayawardena, A R Rasiah
Stated capital: Rs.918,200,000

Keells Food Products PLC (89.65%)
Manufacturer and distributor of branded meat and convenience food products.
P.O Box 10, No.16, Minuwangoda Road, Ekala, Ja-Ela.
2236317/2236364
Directors:
S C Ratnayake- Chairman
A D Gunewardene, J R F Peiris, J R Gunaratne
R Pieris, S H Amarasekera, A D E I Perera
M P Jayawardena
Stated capital: Rs.1,294,815,000

John Keells Foods India (Pvt) Ltd (89.65%)*
Marketing of branded meat and convenience food products
Luthra and Luthra Chartered Accountants
A 16/9, Vasant Vihar
New Delhi -110057, India.
0091 1142591823, 0091 1126148048
26151853, 26147365
Fax: +91-11-2614 5222
Directors:
S C Ratnayake - Chairman
J R Gunaratne,R S Fernando
Stated capital: Rs. 220,294,544

RETAIL

JayKay Marketing Services (Pvt) Ltd (81.36%)
Owns and Operates the "Keells Super" chain of supermarkets and K-Zone Malls
No.125, Glennie Street, Colombo 2
2316800
Directors:
S C Ratnayake - Chairman
A D Gunewardene, M R N Jayasundera-Moraes
K N J Balendra
Stated capital: Rs.998,000,000

Nexus Networks (Pvt) Ltd (99.99%)
Operator of the 'Nexus' loyalty card programme
No. 125, Glennie Street, Colombo 2.
2343792/2343794-98
Directors:
S C Ratnayake - Chairman,
M R N Jayasundera - Moraes, K N J Balendra
Stated capital: Rs.100,000

FINANCIAL SERVICES GROUP

John Keells Stock Brokers (Pvt) Ltd (90.04%)
Share broking services
No.130, Glennie Street, Colombo 2.
2446694-5/2338066/4710721-4 0112306250
Directors:
A D Gunewardene - Chairman
S C Ratnayake, K N J Balendra
Stated capital: Rs.7,500,000

Nations Trust Bank PLC (29.9%)**
Commercial banking and leasing operations
No. 242, Union Place, Colombo 2.
4313131
Directors:
A K Gunaratne - Chairman
J R F Peiris (resigned w.e.f 14.09.2012)
S G Rajakaruna (resigned w.e.f 31.10.2012)
M E Wickremesinghe, A R Rasiah, D Weerakoon
K N J Balendra, Murtaza Jafferjee, Kemal de Soysa
D P De Silva, N S Panditharatne, Suran Wijesinghe (appointed w.e.f 01.11.2012), C H S K Piyaratna
R N K Fernando (appointed w.e.f 15.09.2012)
Stated capital: Rs. 5,101,368,736

Union Assurance PLC (95.65 %)
Life and general insurance underwriters
No. 20, St. Michaels' Road, Colombo 3.
2428428
Directors:
A D Gunewardene - Chairman
D C Alagaratnam, S Rajendra, A S De Zoysa
G F C De Saram, H A J De Silva Wijeyeratne
Stated capital: Rs.1,138,433,000

INFORMATION TECHNOLOGY

IT SERVICES

Information Systems Associates (48.99%)**
Software development services
P.O Box. 132, Sharjah, UAE.
97165088810
Directors:
A Ali, P Suckling, A Hamdany, J R F Peiris
G S Dewaraja, R S Fernando
Stated capital: Rs.97,594,274

J K O A Mobiles (Pvt) Ltd (100%)
Marketer of software packages
No. 148, Vauxhall Street,Colombo 2.
2300770-77
Directors:
A D Gunewardene - Chairman
G S Dewaraja, R S Fernando
J R F Peiris (resigned w.e.f.01.08.2011)
Stated capital: Rs.8,000,000

John Keells Computer Services (UK) Ltd (100%)*
Software development services (UK)
268, Bath Road, Slough, SLI 4DX
United Kingdom.
441753725283
Directors:
A D Gunewardene - Chairman
G S Dewaraja, R S Fernando
Stated capital: Rs.9,507

John Keells Computer Services (Pvt) Ltd (100%)
Software services
No. 148, Vauxhall Street, Colombo 2.
2300770-77
Directors:
A D Gunewardene - Chairman
S C Ratnayake, G S Dewaraja, R S Fernando
Stated capital: Rs.96,500,000

OFFICE AUTOMATION

John Keells Office Automation (Pvt) Ltd (100%)
Distributor/reseller and services, provider in office automation (OA) retail automation (RA) and mobile devices
Corporate Office: 90 Union Place Colombo - 2.
Technical Services:148 Vauxhall Street Colombo - 2.
2313000, 2431576, 2445760
Directors:
A D Gunewardene - Chairman
G S Dewaraja, R S Fernando
Stated capital: Rs.5,000,000

IT ENABLED SERVICES

InfoMate (Pvt) Ltd (100%)
IT enabled services
No.4, Leyden Bastian Road, Colombo 1.
(94) 112149700
Directors:
S C Ratnayake, M J S Rajakariar
R S Fernando
Stated capital: Rs.20,000,000

John Keells BPO Holdings Private Limited (100%)*
Holding company of AuxiCogent group companies
IFS Court, 28, Cybercity, Ebene Mauritius.
(230) 467 3000
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R S Fernando, K N J Balendra
K D Joory, A F Soreefan
Stated capital: Rs.1,988,300,000

Group Directory

John Keells BPO International (Pvt) Ltd (100%)*
Investment holding company
IFS Court, 28, Cybercity, Ebene Mauritius.
(230) 467 3000
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R S Fernando, K N J Balendra
K D Joory, A F Soreefan
Stated capital: Rs.1,616,700,008

John Keells BPO Solutions Lanka (Private) Limited (100%)*
BPO operations in Sri Lanka
No.4, Leyden Bastian Road, Colombo 1.
(94) 112479709
Directors:
S C Ratnayake, A D Gunewardene, R S Fernando
R M David
Stated capital: Rs.328,435,800

John Keells BPO Solutions US Inc. (100%)*
Provides sales & marketing support for AuxiCogent in North America
9225, Ulmerton Road, Suite H, Largo Florida 33771, USA.
+1 727 518 0000
Director:
Mithila Prasanna Gunaratna
Stated capital: Rs.40,243,250

John Keells BPO solutions Canada Inc(100%)
BPO Operation in Canada
1900, 736-6th Avenue S.W., Calgary Alberta T2P 3T7, Canada.
Directors:
AD Gunewardene, Deepak Kumar Malik
KNJ Balendra, RS Fernando
Stated capital: Rs.49,339,992

John Keells BPO Investments Private Limited (100%)*
Investment holding company
IFS Court, 28, Cybercity, Ebene Mauritius.
(230) 467 3000
Directors:
SC Ratnayake, AD Gunewardene, RS Fernando
KNJ Balendra, KD Joory, AF Soreefan, R Roy
(resigned w.e.f. 08.10.2012)
R Datta (resigned w.e.f.18.10.2012)
Stated capital: Rs.619,229,966

John Keells BPO Solutions India Private Limited (100%)
BPO operations in India (Formerly known as Quatrro Business Support Services (Pvt) Ltd)
Basement-24, C Block
Community Centre, Janakpuri
New Delhi.
+91 124 4561000
Directors:
J R F Peiris, R S Fernando, K N J Balendra
Stated capital: Rs.899,836,136

OTHERS

PLANTATION SERVICES

John Keells PLC (86.90 %)
Produce Broking and Real Estate Ownership
No.130, Glennie Street, Colombo 2.
2306000
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J R F Peiris, R S Fernando
T de Zoysa, K D W Ratnayaka,Y A Hansen
S T Ratwatte
Stated capital: Rs.152,000,000

John Keells (Teas) Ltd (100%)
Manager of eight bought leaf tea factories
No.130, Glennie Street, Colombo 2.
2306518
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R S Fernando
Stated capital: Rs.120,000

John Keells Warehousing (Pvt) Ltd (86.90%)
Warehousing of Tea and Rubber
No.93,1st Avenue, Muturajawela
Hendala, Wattala, Muturajawala.
4819560
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R S Fernando
Stated capital: Rs.120,000,000

Tea Smallholder Factories PLC (37.62%)
Owner and operator of bought leaf factories
No.4, Leyden Bastian Road, Colombo 1.
2335870/2149994
Directors:
S C Ratnayake - Chairman (Alt.Mr J R Gunaratne)
A D Gunewardene, J R F Peiris, E H Wijenaike
R Seevaratnam, R E Rambukwella, A S Jayatilleke
J S Ratwatte,R S Fernando
Stated capital: Rs.150,000,000

CENTRE & OTHERS

Central Hospitals Ltd (27.21%)**
Providers of healthcare services
114, Norris Canal Road, Colombo 10.
4666000, 4665500, 4665544
Directors:
A K Pathirage, S Selliah, D S Rajapakse
D Wimalasundera, K M P Karunaratne
Mrs S D Nimalasuriya, S A B Rajapaksa
A D Gunewardene, K N J Balendra
H D I Hettiarachchi, G L H Premaratne
Stated capital: Rs.2,992,147,950

Facets (Pvt) Ltd (100%)*
Owner of real estate
No.130, Glennie Street, Colombo 2.
2306000
Directors:
S C Ratnayake - Chairman
D C Alagaratnam
Stated capital: Rs.150,000

J K Packaging (Pvt) Ltd (100%)*
Printing and packaging services provider for the export market
No.130, Glennie Street, Colombo 2.
2475308
Directors:
S C Ratnayake - Chairman
R.M.David, R S Fernando
Stated capital: Rs.14,500,000

John Keells Holdings PLC
Group holding company & function based services
No.130, Glennie Street, Colombo 2.
2306000 /2421101-9
Directors:
S C Ratnayake - Chairman
A D Gunewardene, J R F Peiris, E F G Amerasinghe
Steven Enderby (resigned w.e.f 08.03.2013)
T Das, S S Thiruchelvam, Dr I Coomaraswamy
A R Gunasekera, M A Omar (appointed w.e.f 01.03.2013)
Stated capital: Rs.26,480,396,977

John Keells Holdings Mauritius (Pvt) Ltd (100%)*
Holding company of AuxiCogent group companies
IFS Court, 28, Cybercity, Ebene Mauritius.
2304673000
Directors:
SC Ratnayake, AD Gunewardene, KD Joory, AF Soreefan
Stated capital: Rs.258,531,533

John Keells International (Pvt) Ltd (100%)*
Regional holding company providing administrative & function based services
No.130, Glennie Street, Colombo 2.
2306000 /2421101-9
Directors:
S C Ratnayake - Chairman
A D Gunewardene
Stated capital: Rs.1,991,600,000.00

John Keells Singapore (Pte) Ltd (80%)*
International trading services
No.3, Raffles Place, #07-01
Bharat Building, Singapore-048617.
65 67329636
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R M David, R Ponnampalam
D C Alagaratnam
Stated capital: Rs.9,638,000

Keells Consultants (Private) Ltd (100%)
Company secretarial services to the group
No.130, Glennie Street, Colombo 2.
2421101-9
Directors:
S C Ratnayake - Chairman
A.D Gunewardene, D C Alagaratnam
Stated capital: Rs.160,000

Mackinnons Keells Ltd (100%)*
Rental of office space
No.4, Layden Bastian Road
Colombo 1.
2475102-3
Directors:
S C Ratnayake - Chairman
A.D Gunewardene , S Rajendra
Stated capital: Rs.10,800,000

Mortlake Ltd (100%)*
Investment company
No. 148, Vauxhall Street, Colombo 2.
2475308
Directors:
S C Ratnayake - Chairman
A D Gunewardene, R M David, D C Alagaratnam
Stated capital: Rs.3,000

** The company is a non-operational company / investment company / holding company or owner of real estate.*

*** The company has not been considered for Sustainability Reporting as the Group does not exercise management control over the entity*

MEMBERSHIPS, CERTIFICATIONS AND AWARDS

Senior management personnel of the Group holds positions of membership on the following professional and governance bodies and participates in various sub committees and projects initiated by such bodies. The Group views these memberships as a vital part of business, given the ability of such bodies to recommend policy changes, address industry concerns and carry out necessary lobbying for the betterment of the industry from a triple bottom line perspective.

The Group's senior management are involved in the following bodies as active members, and in addition, members of the Group Executive Committee hold positions such as Chairman of Ceylon Chamber of Commerce, President Sri Lanka Institute of Directors, President of Chartered Institute of Logistics & Transport, Chairman Colombo Stock Exchange of Sri Lanka and Chairperson of the steering committee for HR and Education of the Ceylon Chamber of Commerce and a member of the National Labour Advisory Committee.

Transportation
Bombay Chamber of Commerce
Freight Forwarders Association of India (FFFAI)
Sri Lanka Freight Forwarders Association (SLAFFA)
International Air Transportation Agents Association (IATA)
World Cargo Alliance (WCA) Membership
Employers Federation of Ceylon (EFC)
International Air Transport Association Agents Association of Sri Lanka
Logistics and Transportation Faculty Industry Committee of the University of Moratuwa
International Bunker Industry Association (IBIA)
Association of Licensed Bunker Operators of Sri Lanka (ALBOSL)
Ship Chandlers Association of Sri Lanka
Lanka Association of Ship Owners (LASO)
American Chamber of Commerce
Civil Aviation Authority
Accredited Agent of International Air Transport Association
Travel Agents Association of Sri Lanka
Sri Lanka Tourism Board
Italian Business Council
Sri Lanka France Business Council
Certificate of Corporate Partnership with The Chartered Institute of Logistics & Transport (CILT)
Sri Lanka Association of Airline Representatives
Sri Lanka - India Business Association
Sri Lanka - Korea Business Association
Sri Lanka - Belgium Business Association
Sri Lanka Airline Cargo Association (SLACA)
Air Promoters Group (APG)
European Chamber of Commerce of Sri Lanka
Information Technology
Sri Lanka Association of Software and Service Companies (SLASSCOM)
Leading Edge Alliance
Employers' Federation of Ceylon (EFC)
Oracle Partner Network
Gold partnership of Microsoft
Strategic partnership of IATA
IBM partner - World
Ministerial Advisory Committee on IT/BPO exports convened by the EDB
Nordic Business Council
American Chamber of Commerce
European Chamber of Commerce

Information Technology
Sri Lanka Germany Business Council
Sri Lanka Institute of Directors
Consumer Food and Retail
Consumer Goods Forum
Employers' Federation of Ceylon (EFC)
National Chamber of Commerce
Export Development Board
National Chamber of Exporters
Ceylon Chamber of Commerce
Sri Lanka - Maldives Bilateral Business Council
Lanka Confectionery Manufacturers Association
Sri Lanka Association of Testing Laboratories
Leisure
SKAL International Colombo
American Chamber of Commerce
European Chamber of Commerce of Sri Lanka
Dutch Burger Union
Tourist Hotels Association
Business with Britain
Indian Association of Tour Operators
Sri Lanka Association of Inbound Tour Operators
Field Ornithology Group of Sri Lanka
Cultural Triangle Hoteliers Association
Natural Disaster Management of Palugaswewa Division
SWITCH-ASIA
Compost Production Membership -Ministry of Agriculture
Sri Lanka Conventions Bureau
La Chaine des Rotisseurs
Ceylon Chamber of Commerce
Pacific Asia Travel Association
Indo-Lanka Chamber of Commerce
Sri Lanka - British Business Council
Sri Lanka - Japan Business Council
Sri Lanka - New Zealand Business Council
Sri Lanka - Malaysia Business Council
Sri Lanka - German Business Council
Sri Lanka - Benelux Business Council
Sri Lanka - Canada Business Council
Sri Lanka - Maldives Bilateral Business Council
Sri Lanka - Malaysian Business Council
Sri Lanka - Netherland Business Council

Memberships, certifications and awards

Leisure
Sri Lanka - Poland Business Council
Sri Lanka - France Business Council
Sri Lanka - Singapore Business Council
Sri Lanka - Italy Business Council
Sri Lanka - Australia Business Council
Sri Lanka - Russia Business Council
Sri Lanka - Pakistan Business Council
Sri Lanka - Vietnam Business Council
Sri Lanka - China Business Council
Employers' Federation of Ceylon
Wild Life Focus Group of the Sri Lanka Tourism Promotions Bureau
Responsible Tourism Partnership
Friends of Sri Lanka Association, UK
Sri Lanka Conventions Bureau
Sri Lanka Institute of Tourism and Hotel Management
European Business Council
Sri Lanka Tourism Promotions Bureau
Kandy Hoteliers Association
Maldives Association of Tourism Industry
Field Ornithology Group of Sri Lanka – Nature Odyssey
Tourism Development Committee of Hambantota District under Hambantota District Chamber of Commerce
Sri Lanka Tourism Development Authority
Bentota/Beruwela Hoteliers Association
Tourist Hotels Association of Sri Lanka
Chefs Guild of Sri Lanka
Ceylon Chamber of Commerce
Ceylon Hotel School Graduates Association
Bird Friendly Concept Network
Wild Life and Nature Protection Society
Travel Trade Sports Club
Signature Travel Network
International Association of Travel & Tourism Professionals
Pacific Asia Travel Association (Sri Lanka) chapter (PATA)
Sri Lanka Institute of Directors
Sri Lanka Association of Professional Conference Exhibition & Event Organisers
Travel Agents Association of India
Japan Association of Travel Agents
The Hotels Association of Sri Lanka
SL Africa and Middle East Business Council

Property
Chamber of Construction Industry of Sri Lanka
Ceylon Chamber of Commerce
Employers' Federation of Ceylon
Financial Services
Colombo Stock Brokers Association
Colombo Stock Exchange
Insurance Association of Sri Lanka
American Chamber of Commerce in Sri Lanka
Financial Services
National Chamber of Commerce
Association of Insurers and Reinsurers of Developing Countries
Other
Employers' Federation of Ceylon
National Chamber of Commerce of Sri Lanka
Sri Lanka Institute of Directors
Lanka Business Coalition on HIV & AIDS
Sri Lanka Tea Board
Ceylon Chamber of Commerce
National Chamber of Commerce
Sri Lanka Tea Factory Owners Association
Planters' Association of Ceylon
Colombo Tea Traders' Association
International Tea Committee
Harvard Management Communications Ltd
Harvard Business Review
European Chamber of Commerce
Sri Lanka Tea Factory Owners Association
Tea Research Board of Sri Lanka
Colombo Tea Traders Association
Colombo Rubber Traders Association
Rubber Dealers' License – Director of Rubber Development Department
Federation of Information Technology in Sri Lanka (FITIS)
SAP Services Partner in Sri Lanka

AWARDS RECEIVED BY THE GROUP - 2012/13

Leisure

Cinnamon Lakeside Colombo

- Best Five Star (City) Hotel – Sri Lanka Tourism Awards 2011
- Best Luxury Hotel, Sri Lanka – Business Destinations Travel Awards 2012
- First hotel in Sri Lanka to be 2nd time recertified for Green Globe standards
- A Certificate of Compliance (Hotel Companies) at the Annual Report Awards 2012 conducted by the Institute of Chartered Accountants of Sri Lanka
- All island First Runner Up in the flaring category - 21st National Bartender's Cocktail and Flaring competition
- Second Runner Up spot in the classic category - 21st National Bartender's Cocktail and Flaring competition
- Best EGB mocktail - World Spice Food Festival 2012
- Best stall - World Spice Food Festival 2012
- Best prawn dish - World Spice Food Festival 2012
- Awarded "A" grade at the CMC hotel hygiene classification audit

Cinnamon Grand Colombo

- Bronze at the 48th Annual Reports Awards (by the Institute of Chartered Accountants)
- Merit Award at the Sri Lanka National Energy Efficiency Awards 2012 (by the Ministry of Power & Energy, Sri Lanka)
- Merit Award at the EU-SWITCH – Asia Greening Hotels Award 2012 (by the EU-SWITCH – Asia Greening Sri Lanka Hotels Project implemented by the Ceylon Chamber of Commerce)
- Bronze Award at the National Green Award 2012 (by the Central Environmental Authority and the Ministry of Environment, Sri Lanka)
- Gold Medal at the annual Mystery Box competition (by the Chefs Guild of Sri Lanka)
- 2 Gold Medals and 1 Silver Medal at the International Culinary Olympics in Germany (by International Chefs' Guild)
- Gold Medal at the Prawn Curry Challenge (World Spice Festival, Sri Lanka, organised by the Sri Lanka Tourism Development Authority)
- 2nd Runner Up at Cocktail and Mocktail challenges (World Spice Festival, Sri Lanka, organised by the Sri Lanka Tourism Development Authority)

Chaaya Island Dhonveli

- Gold Award – Best First Choice 4 Tier category & Best Thomson 4 Tier category Awards by TUI Travel PLC
- GMR Travel Awards - Leading Surf Resort in Maldives
- Award received from His Excellency the President of Republic of Maldives Dr. Wahid Hassan Manik on CSR initiatives
- Trip Advisor - Certificate for Excellence, 2012
- Spirit of Leisure Award – Leisure Awards 2012
- 4 Silver medals, 5 Bronze medals and two Merit awards at Hotel Asia Exhibition & International Culinary Challenge, 2012

John Keells Hotels

- Joint Runner Up Award – Medium Scale category for sustainability reporting at the Annual ACCA Sustainability Reporting Awards
- Nature Trails Best Nature & Wildlife Service Provider Sri Lanka Tourism Awards 2011

Chaaya Reef Ellaidhoo

- Gold Award from Travelife for Sustainability in tourism
- Trip Advisor - Certificate for Excellence, 2012
- Spirit of Leisure Award – Leisure Awards 2012
- 5 Merit Awards at the Hotel Asia Exhibition & International Culinary Challenge 2012
- Gold Award – Best First Choice 3 Tier category Award by TUI Travel PLC

Chaaya Lagoon Hakuraa Huraa

- Gold Award – Best Thomson 4 Tier Category Award by TUI Travel PLC
- Trip Advisor Certificate of Excellence for 2012
- Merit Award at the Hotel Asia Exhibition & International Culinary Challenge 2012

Bentota Beach Hotel

- National Green Award – 2012: Bronze award
- National Cleaner Production Awards 2011: Merit award
- The Trip Advisor Certificate of Excellence 2012
- Winner of the Community Award - for the recognition of CSR from the community
- Pastry and Bakery competition organised by Technical and Vocational Education and Training Sector (TVET) : Silver medal
- Absolut Bartenders Challenge 2012 - Down South Region : Emerged Double Champions
- Champions of the Classic Cocktail category and Flaring category
- Mystery Basket Cooking Competition 2012: Became 2nd Runner Up in overall category with high marks for desserts presentation and achieved the 3rd place in Overall Category

Chaaya Blu Trincomalee

- Trip Advisor - Certificate of Excellence

Cinnamon Lodge Habarana

- Trip Advisor Travellers Choice award for year 2013 and selected as No. 02 in the top 25 hotels in Sri Lanka
- Trip Advisor - Certificate of Excellence
- Water Conservation Champion in the Large Hotels and Boutique Hotels category at the EU-SWITCH Asia Greening Hotels Awards 2012
- Bronze Award at the National Green Awards 2012 organised by the Central Environmental Authority
- Best 5 Star Resort- Sri Lanka Tourism Awards 2011

Awards received by the Group - 2012/13

Chaaya Village Habarana

- Chaaya Village Habarana won the coveted Trip Advisor Travellers Choice award for year 2013 & was selected as No.8 in the top 25 hotels in Sri Lanka
- Trip Advisor Certificate of Excellence 2012

Chaaya Tranz Hikkaduwa

- Four Star Certification Award 2012
- Inter Hotel culinary challenge - Champions of the culinary team

Cinnamon Citadel Kandy

- Trip Advisor Certificate of Excellence 2012

Cinnamon Wild Yala

- Best Nature & Wildlife Accomodation - Sri Lanka Tourism Awards 2011
- 4 Star Classification- Sri Lanka Tourist Board
- Champion- Classical cocktail category of Deep Down South - 21st Marie Brizard bartenders competition 2012
- Trip Advisor Certificate of Excellence 2012

Leisure Inbound

Walkers Tours

- Best Inbound Tour Operator (large category)
- Best Destination Promotion Website
- Most Outstanding National Guide Lecturer – Adventure
- Most Outstanding National Guide Lecturer – Nature/Wildlife
- Best Chauffeur Guide Lecturer
- Best Chauffeur Guide Lecturer – Culture & Heritage

Whittall Boustead (Travel)

- Best Destination Loyal Partner - Foreign (Sri Lanka Tourism Awards - 2012)

Transportation

Mackinnons Travels

- Awarded by AMEX in recognition of continuous partnership for a period of 10 years
- Awarded by Travel port (Galileo) for service Excellence 2011/12
- Awarded by Singapore Airlines for Top Agent Award for the year 2011/12
- Awarded by Malaysian Airlines for Top Agent Award for the year 2011/12

Consumer Foods & Retail

Ceylon Cold Stores

- CIMA Business Case Awards 2012 – First Runner Up
- ICASL Awards 2012 - Food and Beverages Sector – Silver Award
- National export - Gold -Medium Scale Agriculture category
- Slim Brand excellence – Gold award – Best Turnaround Brand of the year – Elephant House Ice cream
- Slim Brand excellence – Bronze award – New entrant brand of the year Elephant House 2bar
- SLIM-Nielsen Peoples Awards 2012 – Most Popular FMCG Beverage Brand of the Year, for Elephant House Cream Soda
- EFFIE Awards 2012 – Advertising effectiveness awards - Bronze award for Necto

Keells Food Products

- ICASL Best Annual Report Awards 2012
- Food & Beverage sector - Gold award
- Best CSR Project Awards 2012 - Certificate of Merit for Sustainable Sourcing

Information Technology

John Keells Computer Services

- Overall Gold Award – BCS National Best Quality Software Awards 2012
- Category Gold for Tourism and Hospitality software won by Zhara HS – BCS National Best Quality Software Awards 2012

Financial Services

Union Assurance

- ICASL Best Annual Report Awards 2012
  - Overall Corporate Governance Disclosure - Gold
  - Insurance Sector - Gold
  - Overall Excellence in Annual Financial Reporting – Silver
- SAFA Best Presented Annual Report Awards 2011
  - Insurance Category – 2nd Place
  - Corporate Governance Disclosure- 3rd Place
- Celent and Asia Insurance Review 2012
  - Best Insurer Technology award 2012 for best product design and definition for Union eMotor solution
- Association of Certified Chartered Accountants (ACCA)
  - Medium Scale category for Sustainability – 2nd Place
- National Business Excellence Awards – 2012
  - Insurance Sector – 2nd Place
- SLIM Brand Excellence Awards 2012
  - Service Brand of the Year – 2nd Place
- Global Brand Congress Awards 2012
  - Excellence in banking and financial service sector 2012

Others

John Keells Holdings

- ICASL Best Annual Report Awards 2012
  - Overall Excellence in Annual Reporting - Gold
  - CASL – Corporate Social Responsibility Reporting Silver Award
  - Diversified Holdings (Group above 5 subsidiaries) Sector - Gold Award
- Golden Peacock Global Award for Sustainability

Strategic Group IT

- SAP ACE AWARD for Best Run Business in Sri Lanka (Focused Mobility/ Analytics)

John Keells

- ICASL Awards 2012 – Placed second (Silver Award) for Sector- Diversified Holdings (upto 5 subsidiaries)

CERTIFICATIONS ACHIEVED BY THE GROUP - 2012/13

ISO 22000:2005 Kitchen and Stewarding	Cinnamon Grand Colombo, Cinnamon Lakeside Colombo Bentota Beach Hotel, Chaaya Blu Trincomalee, Chaaya Tranz Hikkaduwa, Cinnamon Citadel Kandy, Chaaya Village Habarana, Cinnamon Lodge Habarana, Cinnamon Wild Yala Chaaya Lagoon Hakuraa Huraa, Chaaya Reef Ellaidhoo, Chaaya Island Dhonveli Keells Food Products Tea Smallholder Factories PLC – Neluwa, Hingalgoda, Halwitigala, Kurupanawa, New Panawenna, Karawita Tea Factories, John Keells Warehousing
ISO 9001:2008 Processes	Mackinnons Travels, Mack Air Walkers Tours, Whittal Boustead (Travels) Ceylon Cold Stores, Keells Food Products John Keells Computer Services, John Keells Office Automation Strategic Group IT
ISO 14001:2004 Environment	Cinnamon Grand Colombo Bentota Beach Hotel, Chaaya Blu Trincomalee, Chaaya Tranz Hikkaduwa, Cinnamon Citadel Kandy, Chaaya Village Habarana, Cinnamon Lodge Habarana, Cinnamon Wild Yala Chaaya Reef Ellaidhoo, Chaaya Lagoon Hakuraa Huraa Walkers Tours, Whittal Boustead (Travels)
OHSAS 18001:2007 Occupational Health and Safety	Cinnamon Grand Colombo, Cinnamon Lakeside Colombo Bentota Beach Hotel, Chaaya Blu Trincomalee, Chaaya Tranz Hikkaduwa, Cinnamon Citadel Kandy, Chaaya Village Habarana, Cinnamon Lodge Habarana, Cinnamon Wild Yala Chaaya Lagoon Hakuraa Huraa, Chaaya Reef Ellaidhoo, Chaaya Island Dhonveli John Keells Logistics Crescat Boulevard Shopping Mall, K Zone Mall, Moratuwa Tea Smallholder Factories PLC – Broadlands Tea Factory, John Keells Warehousing
ISO 27001: 2005	Infomate, John Keells BPO
Green Globe Certification	Cinnamon Grand Colombo, Cinnamon Lakeside Colombo Bentota Beach Hotel, Chaaya Blu Trincomalee, Chaaya Tranz Hikkaduwa, Cinnamon Citadel Kandy, Chaaya Village Habarana, Cinnamon Lodge Habarana, Cinnamon Wild Yala
Others	Switch Asia certification - Cinnamon Lakeside Colombo, Chaaya Village Habarana Star Crescent certification - Chaaya Blu Trincomalee, Bentota Beach Hotel, Cinnamon Lodge Habarana, Cinnamon Lakeside Colombo Carbon natural certification - Walkers Tours SLS Certificate of Conformity: Tea Smallholder Factories PLC – Neluwa Tea Factory, Hingalgoda Tea Factory SLS Mark certifications for Hams range, SLS Mark certifications for Bacon range, SLS Mark certifications for Pannala plant - Keells Food Products SLS mark certifications for carbonated beverages, SLS mark certifications for ice cream - Ceylon Cold Stores Certificate for complying with the code of practices and guidelines for Legionella Control & Prevention - Bentota Beach Hotel

GRI INDEX

G3.1 Content Index - GRI Application Level B					
	Disclosure	Level of Reporting	Page	IFC*	UNGC**
STANDARD DISCLOSURES PART I: Profile Disclosures					
1. Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organisation.	Fully	7		1
1.2	Description of key impacts, risks, and opportunities.	Fully	52, 53		1
2. Organisational Profile					
2.1	Name of the organisation.	Fully	3		22
2.2	Primary brands, products, and/or services.	Fully	4		22
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	4		22
2.4	Location of organisation's headquarters.	Fully	3		22
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	3		22
2.6	Nature of ownership and legal form.	Fully	3		22
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	Fully	290		22
2.8	Scale of the reporting organisation.	Fully	6		22
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	5		22
2.10	Awards received in the reporting period.	Fully	297		22
3. Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	2		22,23
3.2	Date of most recent previous report (if any).	Fully	48		22,23
3.3	Reporting cycle (annual, biennial, etc.)	Fully	2		22,23
3.4	Contact point for questions regarding the report or its contents.	Fully	49		22,23
3.5	Process for defining report content.	Fully	48, 54		22,23
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	48		22,23
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	48		22,23
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Fully	48		22,23
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	2		22,23
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	48		22,23
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	48		22,23
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	300		22,23
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	48, 64		24
4. Governance, Commitments, and Engagement					
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Fully	17-18, 20-21		2

*IFC Sustainability Framework Performance Standard **UNGC Advanced Principles

G3.1 Content Index - GRI Application Level B					
	Disclosure	Level of Reporting	Page	IFC*	UNGC**
4. Governance, Commitments, and Engagement Contd.					
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	20,33		2
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	126, 30		2
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	25		2
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Fully	25, 35-38		2
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	46		2
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	12, 19, 35		2
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	3, 29		2
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	51,18-19, 27		2
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	35-36		2
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Fully	52		13
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Fully	48, 52		4
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	295		
4.14	List of stakeholder groups engaged by the organisation.	Fully	54-56		3
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	54		3
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	54-56		3
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Fully	56		3
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)					
EC	Disclosure on Management Approach EC				
	Economic performance	Fully	122		
	Market presence	Fully	122		
	Indirect economic impacts	Fully	157		
EN	Disclosure on Management Approach EN				
	Materials	Fully	140		13
	Energy	Fully	137	3	13,14
	Water	Fully	139	4	13,14
	Biodiversity	Fully	144	6	13,14

GRI Index

G3.1 Content Index - GRI Application Level B					
	Disclosure	Level of Reporting	Page	IFC*	UNGC**
EN	Disclosure on Management Approach EN Contd.				
	Emissions, effluents and waste	Fully	134, 139-140	3	13,14
	Products and services	Not			
	Compliance	Fully	145		13,14
	Transport	Not			
	Overall	Fully	134		
LA	Disclosure on Management Approach LA				
	Employment	Fully	124, 128		9,10
	Labor/management relations	Fully	129	2	9,10
	Occupational health and safety	Fully	133		9,10
	Training and education	Fully	130		9,10
	Diversity and equal opportunity	Fully	131	2	9,10
	Equal remuneration for women and men	Not			
HR	Disclosure on Management Approach HR				
	Investment and procurement practices	Not			
	Non-discrimination	Fully	131, 146	2	5,6
	Freedom of association and collective bargaining	Fully	129	2	9,10
	Child labor	Fully	146	2	5,6
	Prevention of forced and compulsory labor	Fully	146	2	5,6
	Security practices	Not			
	Indigenous rights	Not			
	Assessment	Not			
	Remediation	Not			
SO	Disclosure on Management Approach SO				
	Local communities	Fully	154 -157		
	Corruption	Fully	148		17,18
	Public policy	Not			
	Anti-competitive behavior	Not			
	Compliance	Fully	149		
PR	Disclosure on Management Approach PR				
	Customer health and safety	Not			
	Product and service labelling	Fully	150		
	Marketing communications	Fully	153		
	Customer privacy	Not			
	Compliance	Fully	150		
STANDARD DISCLOSURES PART III: Performance Indicators					
Economic					
Economic performance					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	120		
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Not			
EC3	Coverage of the organisation's defined benefit plan obligations.	Fully	123		
EC4	Significant financial assistance received from government.	Not			

*IFC Sustainability Framework Performance Standard **UNGC Advanced Principles

G3.1 Content Index - GRI Application Level B					
	Disclosure	Level of Reporting	Page	IFC*	UNGC**
Market presence					
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	122		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Not			
Indirect economic impacts					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	157		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not			
Environmental					
Materials					
EN1	Materials used by weight or volume.	Not			
EN2	Percentage of materials used that are recycled input materials.	Not			
Energy					
EN3	Direct energy consumption by primary energy source.	Fully	136	3	15,16
EN4	Indirect energy consumption by primary source.	Fully	136	3	15,16
EN5	Energy saved due to conservation and efficiency improvements.	Fully	137	3	15,16
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Not			
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not			
Water					
EN8	Total water withdrawal by source.	Fully	138-139		15,16
EN9	Water sources significantly affected by withdrawal of water.	Not			
EN10	Percentage and total volume of water recycled and reused.	Not			
Biodiversity					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	142	6	15,16
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not			
EN13	Habitats protected or restored.	Not			
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not			
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not			
Emissions, effluents and waste					
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	134-136	3	15,16
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not			
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not			
EN19	Emissions of ozone-depleting substances by weight.	Not			
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not			
EN21	Total water discharge by quality and destination.	Fully	139	3	15,16
EN22	Total weight of waste by type and disposal method.	Fully	141	3	15,16
EN23	Total number and volume of significant spills.	Fully	145	3	15,16

G3.1 Content Index - GRI Application Level B					
	Disclosure	Level of Reporting	Page	IFC*	UNGC**
Environmental					
Emissions, effluents and waste					
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not			
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	Not			
Products and services					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not			
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not			
Compliance					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	145	3	15,16
Transport					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Not			
Overall					
EN30	Total environmental protection expenditures and investments by type.	Not			
Social: Labor Practices and Decent Work					
Employment					
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	124-127		11,12
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	128	2	11,12
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not			
LA15	Return to work and retention rates after parental leave, by gender.	Not			
Labor/management relations					
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	129	2	11,12
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not			
Occupational health and safety					
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	131-132	2	11,12
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	132-133	2	11,12
LA9	Health and safety topics covered in formal agreements with trade unions.	Not			
Training and education					
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	130-131	2	11,12
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not			
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	129	2	11,12

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G3.1 Content Index - GRI Application Level B					
	Disclosure	Level of Reporting	Page	IFC*	UNGC**
Diversity and equal opportunity					
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	126	2	11,12
Equal remuneration for women and men					
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not			
Social: Human Rights					
Investment and procurement practices					
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Not			
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Not			
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not			
Non-discrimination					
HR4	Total number of incidents of discrimination and actions taken.	Not			
Freedom of association and collective bargaining					
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Not			
Child labor					
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	146	2	7,8
Forced and compulsory labor					
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	146	2	7,8
Security practices					
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Not			
Indigenous rights					
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not			
Assessment					
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not			
Remediation					
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not			
Social: Society					
Local communities					
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	154-157		
SO9	Operations with significant potential or actual negative impacts on local communities.	Not			
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not			

GRI Index

G3.1 Content Index - GRI Application Level B					
	Disclosure	Level of Reporting	Page	IFC*	UNGC**
Corruption					
SO2	Percentage and total number of business units analysed for risks related to corruption.	Fully	149		19,20
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Not			
SO4	Actions taken in response to incidents of corruption.	Not			
Public policy					
SO5	Public policy positions and participation in public policy development and lobbying.	Not			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not			
Anti-competitive behavior					
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not			
Compliance					
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	149		
Social: Product Responsibility					
Customer health and safety					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not			
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not			
Product and service labelling					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	152		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not			
Marketing communications					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	153		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not			
Customer privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not			
Compliance					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	150		

*IFC Sustainability Framework Performance Standard **UNGC Advanced Principles

GLOSSARY OF FINANCIAL TERMS

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ASSET TURNOVER
Revenue including associate company revenue divided by average total assets.

BETA
Co-variance between daily JKH share return and market return divided by variance of daily market return over a 5 year period.

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt.

CAPITAL STRUCTURE LEVERAGE (CSL)
Average total assets divided by average shareholders' equity.

CASH EARNINGS PER SHARE
Profit after tax adjusted for non cash items minus share of associate company profits plus dividends from associate companies divided by the weighted average number of ordinary shares in issue during the period.

CASH INTEREST AND TAX COVER
Cash flow from operations before working capital changes divided by cash interest and tax payments.

CASH RATIO
Cash plus short term investments divided by current liabilities.

CASH TO PRICE EARNINGS
Diluted market price per share divided by diluted cash earnings per share.

COMMON EARNINGS LEVERAGE (CEL)
Profit attributable to equity holders of the parent divided by profit after tax.

CONTINGENT LIABILITIES
A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. the obligation is crystalised by the occurrence or non occurrence of one or more future events or,
2. a probable outflow of economic resources is not expected or,
3. it is unable to be measured with sufficient reliability

CURRENT RATIO
Current assets divided by current liabilities.

DEBT/EQUITY RATIO
Debt as a percentage of shareholders' funds and non-controlling interests.

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

DIVIDEND PAYABLE
Final dividend per share multiplied by the latest available total number of shares as at the date of the report.

DIVIDEND PAYOUT RATIO
Dividend as a percentage of company profits adjusted for non-cash gains items.

DIVIDEND YIELD
Dividends adjusted for changes in number of shares in issue as percentage of the share price at the end of the period.

EARNINGS PER SHARE
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT
Earnings before interest and tax (includes other operating income).

EBIT MARGIN
EBIT divided by turnover inclusive of share of associate company turnover.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION
Tax expense divided by profit before tax.

EV (ENTERPRISE VALUE)
Market capitalisation plus net debt.

INTEREST COVER
Consolidated profit before interest and tax over finance expenses.

LONG TERM DEBT TO TOTAL DEBT
Long term loans as a percentage of total debt.

MARKET CAPITALISATION
Number of shares in issue at the end of period multiplied by the market price at the end of period.

MARKET VALUE ADDED
Market capitalisation minus shareholder's funds.

NET ASSETS
Total assets minus current liabilities minus long term liabilities minus non-controlling interests.

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NET DEBT (CASH)
Total debt minus (cash plus short term deposits).

NET PROFIT MARGIN
Profit after tax divided by turnover inclusive of share of associate company turnover.

NET WORKING CAPITAL
Current assets minus current liabilities.

PRICE EARNINGS RATIO
Market price per share (diluted) over diluted earnings per share.

PRICE TO BOOK RATIO
Market price per share (diluted) over net asset value per share.

PROFIT RATIO
Profit after tax attributable to equity holders of the parents divided by total revenue including share of associates.

PUBLIC HOLDING (FREE FLOAT)
Public holding means shares of a listed entity held by any person other than those directly or indirectly held by;

a) its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company; and,
b) its Directors who are holding office as Directors of the Entity, their spouses and children under 18 years of age; and,
c) Chief Executive Officer, his/her spouse and children under 18 years of age; and,
d) any single shareholder who holds 10% or more of the shares

QUICK RATIO
Cash plus short term investments plus receivables, divided by current liabilities.

RETURN ON ASSETS
Profit after tax divided by the average total assets.

RETURN ON CAPITAL EMPLOYED
Consolidated profit before interest and tax as a percentage of average capital employed.

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

SHARE TURN RATIO
Total volume of shares traded during the year divided by average number of shares in issue.

SHAREHOLDERS' FUNDS
Total of stated capital, capital reserves and revenue reserves.

TOTAL DEBT
Long term loans plus short term loans plus overdrafts.

TOTAL EQUITY
Shareholders' funds plus non-controlling interest.

TOTAL SHAREHOLDER RETURN
(P1 - P0 + D) / P0 x100

P1 = Market price at the end of the financial year

P0 = Market price (diluted) at the beginning of the financial year

D = Adjusted divided for the year

NOTES

NOTICE OF MEETING

Notice is hereby given that the Thirty Fourth Annual General Meeting of John Keells Holdings PLC will be held on 28th June 2013 at 10.00 a.m at The Auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longdon Place), Colombo 7.

The business to be brought before the meeting will be:

1 to read the notice convening the meeting.

2 to receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2013 with the Report of the Auditors thereon.

3 to re-elect as Director, Mr. A D Gunewardene, who retires in terms of Article 84 of the Articles of Association of the Company.

4 to re-elect as Director, Dr. I Coomaraswamy, who retires in terms of Article 84 of the Articles of Association of the Company.

5 to re-elect as a Director, Mr. M A Omar, who retires in terms of Article 91 of the Articles of Association of the Company.

6 to re-elect as Director, Mr. T Das who is over the age of 70 years and who retires in terms of section 210 of the Companies Act No. 7 of 2007, for which notice of the following ordinary resolution has been given by a member:

"THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. T Das, who is 74 years and that he be re-elected a Director of the Company."

7 to re-appoint Auditors and to authorise the Directors to determine their remuneration.

8 to consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board

JOHN KEELLS HOLDINGS PLC

Keells Consultants (Private) Limited

Secretaries

03 June 2013

Notes:

i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

ii. A Proxy need not be a member of the Company.

iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.

iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting

PROXY FORM

I/We ……… of

……………………………………………………………………………………………………… being a member/s of John Keells

Holdings PLC hereby appoint

……… of

……… or failing him/her

MR. SUSANTHA CHAMINDA RATNAYAKE	or failing him
MR. AJIT DAMON GUNEWARDENE	or failing him
MR. JAMES RONNIE FELITUS PEIRIS	or failing him
MR. EMMANUEL FRANKLYN GAMINI AMERASINGHE	or failing him
MR. TARUN DAS	or failing him
MRS. SITHIE SUBAHNIYA TIRUCHELVAM	or failing her
DR. INDRAJIT COOMARASWAMY	or failing him
MR. ANTHONY RANJIT GUNASEKARA	or failing him
MR. MOHAMED ASHROF OMAR	

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Fourth Annual General Meeting of the Company to be held on 28th June 2013 at 10.00 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as Director, Mr. A D Gunewardene, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as Director, Dr. I Coomaraswamy, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as Director, Mr. M A Omar, who retires in terms of Article 91 of the Articles of Association of the Company		
To re-elect as Director, Mr. T Das who is over the age of 70 years and who retires in terms of section 210 of the Companies Act No. 7 of 2007		
To re-appoint Auditors and to authorise the Directors to determine their remuneration.		

Signed on this ………………… day of …………………… Two Thousand and Thirteen.

……………………………………………

Signature/s of Shareholder/s

NOTE:
INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 130, Glennie Street, Colombo 2, not later than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or Corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Name : ……………………………………………………………………………………………………

Address : ……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

Jointly with : ……………………………………………………………………………………………………

Share Folio No.: ……………………………………………………………………………………………………

Corporate Information

Name of Company
John Keells Holdings PLC

Legal Form
Public Limited Liability Company
Incorporated in Sri Lanka in 1979
Ordinary Shares listed on the Colombo Stock Exchange
GDRs listed on the Luxembourg Stock Exchange

Company Registration No.
PQ 14

Directors
S C Ratnayake – Chairman
A D Gunewardene – Deputy Chairman
J R F Peiris
E F G Amerasinghe
I Coomaraswamy
T Das
A R Gunasekara
M A Omar
S S Tiruchelvam

Senior Independent Director
E F G Amerasinghe

Audit Committee
A R Gunasekara – Chairman
E F G Amerasinghe
I Coomaraswamy

Human Resources and Compensation Committee
E F G Amerasinghe – Chairman
I Coomaraswamy
A R Gunasekara
S S Tiruchelvam

Nominations Committee
T Das – Chairman
S S Tiruchelvam
S C Ratnayake

Bankers
Bank of Ceylon
Citibank N.A
Commercial Bank
Deutsche Bank A.G
DFCC Bank
DFCC Vardhana Bank
Hatton National Bank
Hongkong & Shanghai Banking Corporation
Muslim Commercial Bank
Nations Trust Bank
National Savings Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Depository for GDRs
Citibank N.A
New York

Registered office of the Company
130 Glennie Street
Colombo 2, Sri Lanka
Internet: www.keells.com
Email: jkh@keells.com

Secretaries and Registrars
Keells Consultants (Pvt) Limited
130 Glennie Street
Colombo 2, Sri Lanka
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130 Glennie Street
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+94 11 230 6000
Facsimile: +94 11 230 6160
Email: investor.relations@keells.com

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Facsimile: +94 11 230 6249
Email: sustainability@keells.com

Contact for Media
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John Keells Holdings PLC
130 Glennie Street
Colombo 2, Sri Lanka
Telephone: +94 11 230 6191
Email: jkh@keells.com

Auditors
Ernst & Young
Chartered Accountants
P.O. Box 101
Colombo, Sri Lanka

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