OUR STRONG POINTS

John Keells Holdings PLC . Annual Report 2017/18

OUR STRONG POINTS

Financial strength
Good governance, transparency and accountability
Leadership and teamwork
Sustainability and social responsibility
Operational excellence and expertise

John Keells Holdings has been at the forefront of the local world of business for several decades, managing a range of industry groups strategically selected to represent several key growth areas of the economy. Over the years, we have come to exemplify the principles of leadership, through progressive policies, strong values and a commitment to achieving excellence in all that we choose to do.

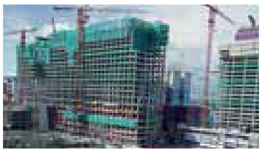
We have driven success by uniting people to share one vision. We have done this by closely engaging with our social, economic and environmental responsibilities; staying in lockstep with our stakeholders' interests, ensuring good governance at every level and returning consistent value to the nation, the people and communities we interact with every day.

Today, we have identified several significant investments with the potential to drive future growth and we are confident that we can leverage on our strong points to serve our stakeholders by delivering consistent value, as we work towards the success we anticipate in the years that lie ahead.

CONTENTS

116 Transportation

126 Leisure



140 Property

Reference to other pages within the Report
Reference to further reading online
Reference to a specific GRI Standard
Details of the CSR projects are available on http://www.johnkeellsfoundation.com/

This Annual Report is also available on our website www.keells.com/annual-reports

Financial Statements

Supplementary Information

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 and Retail and Financial Services. Started in the early 1870s as a produce and exchange broking business by two Englishmen, Edwin and George John, the Group has been known to constantly re-align, re-position and re-invent itself in pursuing growth sectors of the time.

JKH was incorporated as a public limited liability company in 1979 and obtained a listing on the Colombo Stock Exchange in 1986. Having issued Global Depository Receipts (GDRs) which were listed on the Luxembourg Stock Exchange, JKH became the first Sri Lankan company to be listed overseas.

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

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

See more online
www.keells.com

INTRODUCTION TO THE REPORT

WE ARE PLEASED TO PRESENT OUR THIRD INTEGRATED REPORT IN ACCORDANCE WITH THE INTEGRATED REPORTING FRAMEWORK OF THE INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC).

The Report strives to deliver a balanced and relevant report that will bring clarity and detail to the complex task of reporting a year of diverse business operations across multiple sectors.

This Report reflects on:

- The value creation model of the Group combining the different forms of capitals in the short, medium and long term
- Governance, risk management and sustainability frameworks entrenched within the John Keells Group
- Financial, operational, environmental and social review and results of the Group

In keeping this Report concise and pertinent to the year under review, we have ensured that the commentaries in certain sections are limited to a helicopter view of the events and progress within the year, whilst the Group's standard policies, operating guidelines and management approaches are available on the corporate website.

SCOPE AND BOUNDARY

The John Keells Annual Report 2017/18 is a reflection of the Group's integrated approach of management during the period from 1 April 2017 to 31 March 2018. Material events post this reporting period, up to the sign off date by the Board of Directors on 25 May 2018 have been included in this Report ensuring a more relevant and up to date Report.

All Group subsidiary and equity accounted investees were considered in capturing its financial performance. For the purpose of reporting its sustainability performance, all Group subsidiaries and equity accounted investees have been considered, barring companies in which the Group does not exercise significant management control, non-operational companies, investment companies and companies owning only land, which have been clearly identified in the reporting boundary specified in the Group Directory 2017/18. In expanding its sustainability scope, going forward, the Group will also seek to report on companies over which it does not exercise significant management control, where relevant.

STANDARDS AND PRINCIPLES

Reporting

- Integrated Reporting Framework of the International Integrated Reporting Council

Governance, Risk Management and Operations

- Laws and regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Code of Best Practices on Corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- UK Corporate Governance Code (formerly known as the Combined Code of 2010)

Financial Reporting

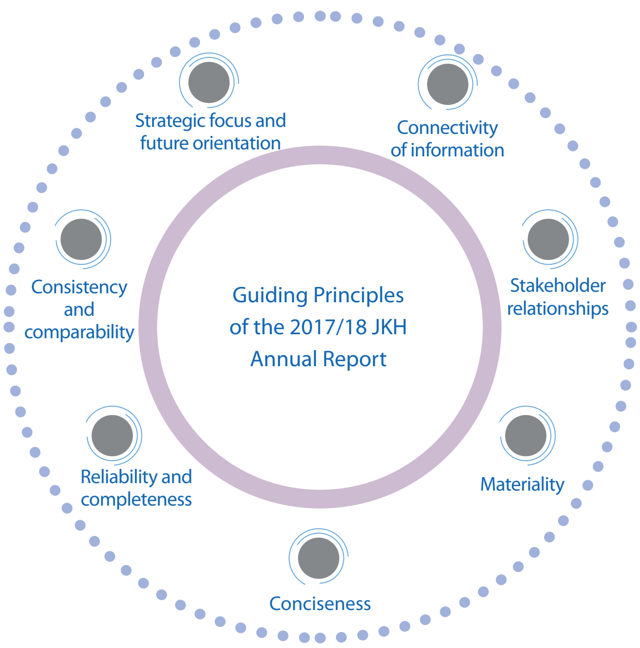
- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Sustainability Reporting

- This Report has been prepared in accordance with the GRI Standards: Core option
- United Nations Sustainable Development Goals
- United Nations Global Compact Active Principles

INTEGRATED REPORTING AND GUIDING PRINCIPLES

Given the complex task of reporting an year of operations of a conglomerate, the Group has strived to deliver a comprehensive, balanced and relevant report, while adhering to the recommendations of the IIRC. The seven guiding principles in integrated reporting, as depicted, have been given due consideration when preparing and presenting this Report.

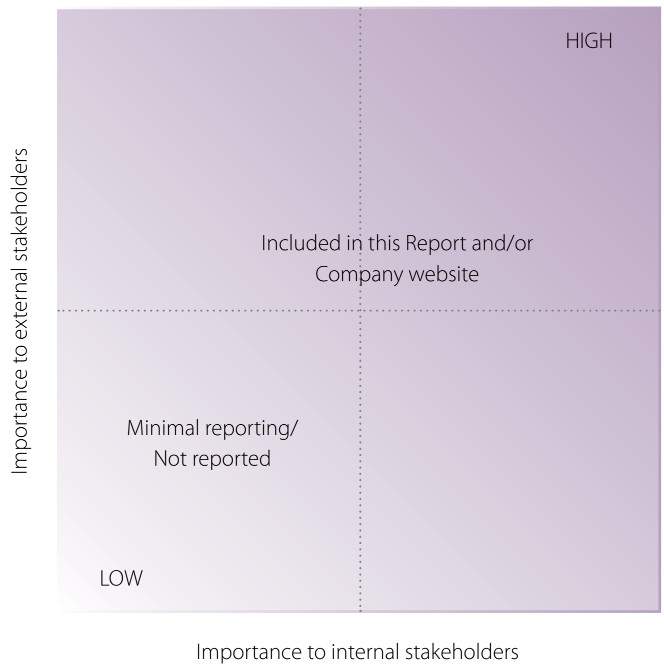


DETERMINING MATERIALITY

Materiality analysis is a key process that enables the Group to define key triple bottom line issues that are of greatest significance for businesses and stakeholders, both internal and external, in the short, medium and long term. Our focus on materiality, through emphasis on 11 material topics recognised by both internal and external stakeholders, is vital as we seek to drive performance, improve our sustainability framework and institutionalise the Group's corporate governance philosophy at all levels.

The Group conducted an independent external stakeholder engagement during the year under review in order to ascertain material topics to its significant stakeholders. In addition, materiality is also assessed internally in ascertaining the topics material to the Group and thereby fine-tuning and streamlining its strategy and processes to manage these material issues. The outcome of these studies, were prioritised using a materiality matrix, representing their level of significance to the Group and its external stakeholders, and then disclosed as per the clearly defined topics under the GRI Standards.

While the matrix, as illustrated, indicates the prioritisation of these material aspects, the Group continues to assess its internal and external materiality and disclose the performance of such aspects. Its reporting scope will be expanded as and when an aspect becomes material to the Group and its stakeholders.



A detailed discussion on determining materiality is available on the Corporate website.

DISCLAIMER FOR THE PUBLICATION OF FORECAST DATA

The Report contains information about the plans and strategies of the Group for the medium and long term and represent the management's view. The plans are forward-looking in nature and their feasibility depends on a number of economic, political and legal factors which are outside the influence of the Group and Company such as global and domestic financial, economic and political situations, the state of key markets, changes in tax, customs and environmental legislation and so forth. Given this, the actual performance of indicators in future years may differ from the forward-looking statements, published in this Report. The reader is advised to seek expert professional advice in all such respects.

THE GROUP CONDUCTED AN INDEPENDENT EXTERNAL STAKEHOLDER ENGAGEMENT DURING THE YEAR UNDER REVIEW IN ORDER TO ASCERTAIN MATERIAL TOPICS TO ITS SIGNIFICANT STAKEHOLDERS. IN ADDITION, MATERIALITY IS ALSO ASSESSED INTERNALLY IN ASCERTAINING THE TOPICS MATERIAL TO THE GROUP AND THEREBY FINE-TUNING AND STREAMLINING ITS STRATEGY AND PROCESSES TO MANAGE THESE MATERIAL ISSUES.

INFORMATION VERIFICATION AND QUALITY ASSURANCE

The information contained in this Report has been reviewed, as applicable, by:

- The Board of Directors
- The Group Executive Committee
- Audit Committee of the Company
- An independent auditor confirming the accuracy of the annual financial statements
- An independent auditor confirming the accuracy of the non-financial information in accordance with the GRI Standards: Core option

Contact with Stakeholders

Preparation of this Report took place in cooperation with stakeholders in order to improve transparency, accountability and the process in which materiality of disclosed information is viewed. Feedback is gathered through questionnaires, a dedicated mail-box, one-on-one meetings and stakeholder engagement fora.

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

OUR BUSINESS MODEL

Fundamental Capitals deployed by JKH | **Value creation levers**

STAKEHOLDER RETURNS AND ENGAGEMENT

INPUTS

FINANCIAL AND MANUFACTURED CAPITAL

- Shareholder funds and debt
- Cash flow from operations
- Land bank
- Machinery and equipment

NATURAL CAPITAL

- Energy
- Water
- Other natural resources

HUMAN CAPITAL

- Employee diversity
- Experience
- Skills and competencies

SOCIAL AND RELATIONSHIP CAPITAL

- Dedicated CSR team
- Community development
- Investor relations and stakeholder management
- Health and safety initiatives

INTELLECTUAL CAPITAL

- Brand stewardship
- Research and development
- Technological expertise

VALUES :
CARING, EXCELLENCE, TRUST, INNOVATION, INTEGRITY

Transformed Capitals that produce stakeholder value

ACTIVITIES	OUTPUTS	OUTCOMES
▪ Effective and responsible investments of shareholder funds ▪ Business development activities ▪ Cost reduction initiatives	▪ Shareholder returns and dividends ▪ Payments to other stakeholders ▪ Share price appreciation	▪ Financial stability ▪ Financial growth ▪ Creation of wealth
▪ Adoption of Global Goals ▪ Environmental impact assessment and mitigation of impact ▪ Roll-out of carbon footprint and energy initiatives ▪ Strengthening of water and waste management processes	▪ Disposal of all effluent and waste efficiently ▪ Reduction of carbon footprint ▪ Reduced resource consumption through better monitoring	▪ Sustainable natural resource utilisation ▪ Bio-diversity preservation
▪ Channelling of employee skills and expertise for business growth ▪ Training and development of employee cadre ▪ Performance management and appraisals ▪ Employee survey initiatives ▪ Structured career development programmes	▪ Staff motivation ▪ Talented and efficient workforce ▪ Job satisfaction ▪ Career progression ▪ Safe and equitable environment	▪ Alignment of workforce with Group vision ▪ Profitable businesses through improved productivity and efficiency
▪ Investment in community and livelihood development ▪ Regular dialogue with investors, analysts and other stakeholders ▪ Social impact assessments ▪ Identification of key stakeholders and material aspects in relation to them ▪ Awareness creation and engagement of suppliers through the Supplier Management Framework ▪ Social needs assessment based on Sustainable Development Goals (SDGs)/UN Global Compact/national agenda	▪ Community skills development ▪ Well informed and sound investment decisions ▪ Better supplier/distributor and stakeholder relations	▪ Brand visibility and reputation ▪ Strengthened supply chain ▪ Adherence to UN SDGs
▪ Development of intangible infrastructure, processes and procedures to improve efficiency ▪ New product development ▪ Innovation	Intellectual property products: ▪ Patents ▪ Copyrights	▪ Evolving businesses to suit the ever changing, dynamic consumer ▪ An organisation better prepared to face disruptive business models

ORGANISATIONAL STRUCTURE

TRANSPORTATION

Ports and Shipping
Transportation

LEISURE

City Hotels
Resorts
Destination Management
Hotel Management

PROPERTY DEVELOPMENT

Property Development
Real Estate

CONSUMER FOODS AND RETAIL

Consumer Foods
Retail

FINANCIAL SERVICES

Insurance
Banking
Stock Broking

INFORMATION TECHNOLOGY

IT Services
Office Automation
IT Enabled Services

OTHER INCLUDING PLANTATION SERVICES

Plantation Services
Other

CENTRE FUNCTIONS

Corporate Communications
Corporate Finance and Strategy
Group Business Process Review
Group Finance

Group Human Resources
Group Tax
Group Treasury
John Keells Research

Legal and Secretarial
New Business Development
Strategic Group Information Technology
Sustainability, Enterprise Risk Management and Group Initiatives

John Keells Foundation

PERFORMANCE HIGHLIGHTS

Indicator	Unit	2017/18	2016/17	2015/16
Financial Capital				
Group revenue - consolidated	Rs.million	121,215	106,273	93,710
Group profit before interest and tax (EBIT)	Rs.million	28,155	23,324	20,192
Group profit before interest, tax, depreciation and amortisation (EBITDA)	Rs.million	32,206	27,222	24,707
Group profit before tax	Rs.million	27,634	22,888	19,198
Group profit after tax	Rs.million	23,120	18,117	15,792
Group profit attributable to shareholders	Rs.million	21,021	16,275	14,070
Diluted earnings per share	Rs.	15.15	11.84	10.52
Return on equity (ROE)	%	11.1	9.8	9.6
Pre-tax return on capital employed (ROCE)	%	11.9	11.5	11.1
Total assets	Rs.million	322,448	277,272	240,975
Net debt (cash)*	Rs.million	(33,519)	(55,309)	(51,849)
Total shareholders' funds	Rs.million	199,920	178,635	154,982
Economic value retained	Rs.million	16,531	12,796	9,873
Dividend paid per share	Rs.	6.0	5.5	7.0**
Dividend payout ratio	%	40.8	45.9	46.7
Market capitalisation	Rs.million	221,445	191,332	176,032
Natural Capital				
Energy consumption - non renewable resources per Rs.million of revenue	GJ	3.02	3.19	2.26
Energy consumption - renewable resources per Rs.million of revenue	GJ	0.90	0.94	1.18
Purchased energy - national grid per Rs.million of revenue	GJ	2.97	3.25	3.52
Direct greenhouse gas emissions - scope 1	MT	27,532	25,727	15,621
Indirect greenhouse gas emissions - scope 2	MT	68,534	66,384	63,041
Total carbon footprint per Rs.million of revenue	MT	0.79	0.85	0.83
Water withdrawal per Rs.million of revenue	m^3	16.0	19.0	21.1
Water discharge	m^3	1,414,546	1,460,799	1,439,138
Volume of hazardous waste generated	MT	439	329	285
Waste recycled/reused by Group companies and through third party contractors	%	41	42	43
Human Capital				
Total workforce (employees and contractor's staff)	Persons	20,361	20,100	19,522
Employee benefit liability as of 31 March	Rs.million	1,970	1,880	1,650
Total attrition	%	26	24	21
Injury rate per 100 employees	Injuries	1.03	1.06	1.11
Lost day rate per 100 employees	Lost days	0.04	0.04	0.05
Average hours of training per employee	Hours	47	41	35
Employee receiving performance reviews	%	100	100	100
Social and Relationship Capital				
Proportion of purchases from suppliers within Sri Lanka	%	72	83	81
Community engagement	Number of persons impacted	1,455,814	1,010,200	855,364
Proportion of labels carrying ingredients used	%	80	81	81
Proportion of labels carrying information on disposal	%	92	93	76
Proportion of labels carrying sourcing of components	%	1	1	1

* *Customer advances in the Property Development sector and cash and cash equivalents relating to UA life fund have been excluded*

** *Including a special dividend*

YEAR AT A GLANCE

THE INTEGRATED NATURE OF THIS REPORT EXEMPLIFIES THE STAKEHOLDER CENTRIC STRATEGIES AND ACTIONS WHICH ARE FOUNDED ON THE PRINCIPLES OF COMPLIANCE, CONFORMANCE, GOVERNANCE, ETHICAL CONDUCT AND SUSTAINABLE DEVELOPMENT.

Susantha Ratnayake
Chairman

MESSRS. K. BALENDRA AND G. COORAY ASSUMED DUTIES AS DEPUTY CHAIRMAN AND GROUP FINANCE DIRECTOR, RESPECTIVELY, IN JANUARY 2018

JOHN KEELLS PROPERTIES ANNOUNCED THE LAUNCH OF "TRI-ZEN" IN FEBRUARY 2018, A RESIDENTIAL DEVELOPMENT IN UNION PLACE, COLOMBO 2 WITH EXPECTED COMPLETION IN 2022/23

FINANCIAL AND MANUFACTURED CAPITAL

REVENUE
Rs.121 bn
Growth of 14 per cent

PROFIT BEFORE TAX
Rs.28 bn
Growth of 21 per cent

- **Group ROCE** 11.9 per cent
- Largest listed entity on the Colombo Stock Exchange: Rs.221.44 billion market capitalisation
- **Dividend per share** of Rs.6.00

- **LMS commissioned a new bunker barge** "MT LM Mahaweli", the first doubled hulled, doubled bottomed barge in Sri Lanka

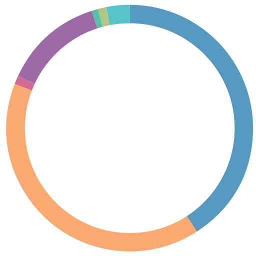
PROFIT AFTER TAX
Rs.23 bn
Growth of 28 per cent

- "Bentota Beach by Cinnamon" was closed for reconstruction in May 2017
- Vauxhall Land Developments Limited purchased 334 perches in Colombo 2 for a consideration of Rs.4.37 billion
- Completion of construction of the Frozen Confectionery manufacturing plant CICL

NATURAL CAPITAL

GROUP CARBON FOOTPRINT
96,066 MT
Increase of 4 per cent

CARBON FOOTPRINT



- Consumer Foods and Retail : 41%
- Leisure : 40%
- Property : 1%
- Transportation : 13%
- Financial Services : 1%
- Information Technology : 1%
- Other including Plantations Services : 3%

GROUP WATER USAGE
1,908,422 m^3
Decrease of 6 per cent

UPHOLDING OUR SUSTAINABILITY GOALS
10 stores within the Retail sector powered by solar with 33 more expected to be converted

ENERGY CONSUMPTION - NON RENEWABLE RESOURCES PER RS. MILLION OF REVENUE
3.02 GJ
Decrease of 5 per cent

HUMAN CAPITAL

- A project was launched to implement a state-of-the-art electronic human resource information platform to replace the Group HR enterprise resource planning system

1,000 Jobs
Campaign
Hiring and training of 1,000 new employees within the Retail sector

TOTAL WORKFORCE

20,361
Employees : 13,315
Contractor's staff : 7,046

INVESTMENT IN OUR WORKFORCE

629,770
Number of training hours

- **Launch of the #JKHSTEM Programme**, aimed at attracting graduates from the Science, Technology, Engineering and Mathematics fields
- Partnered with "Coursera" to provide online education to Group employees

SOCIAL AND RELATIONSHIP CAPITAL

Sri Lanka's annual open-air art fair "Kala Pola" which showcases and promotes visual art celebrated its 25th year in January 2018

EMPOWERING THE NATION FOR A BETTER TOMORROW

Community service and infrastructure project spend

Rs.125 mn

- **Digitising the value chain:** The entire sourcing process managed by Group sourcing was migrated to an electronic procurement platform last year

- **Value created:** Total impact through CSR initiatives: 1,455,814 individuals
- A stakeholder engagement survey was conducted

PROPORTION OF PURCHASES FROM SUPPLIERS WITHIN SRI LANKA

72%

INTELLECTUAL CAPITAL

- **Driving innovation:** During the year under review, the Bank launched "FriMi", the country's first digital bank, which enables the opening of a bank account through a smart device
- "FriMi" won the award for Emerging Technologies-Led Innovation at the Infosys Client Innovation Global Awards in India in December 2017
- JMSL launched a new store format for its "Keells" supermarkets in November 2017

- **Fostering and nurturing talent:** John Keells X; the second leg of the open innovation challenge opened its new co-working space at Crescat Boulevard

- **Delivering goodness and nutrition:** KFP launched its new range of ambient food products
- JKIT; "Disruptive Ideas, your future actioned" was launched in August 2017
- **Nurturing the "Cinnamon" brand through unique offerings:** "The Sound of Music" was the first-ever event of its calibre performed in Sri Lanka, and set the stage for even more large-scale entertainment productions

SUSTAINABLE DEVELOPMENT GOALS AND IMPACTS

Our vision: "Empowering the nation for tomorrow"

In executing operational decisions, the Group strives to align its strategies, initiatives, and targets with the Sustainable Development Goals (SDGs) of the United Nations to address and action initiatives aimed at alleviating poverty, protecting the planet and ensuring that all people enjoy peace and prosperity. Given the conglomerate nature of the Group, the ensuing section illustrates the key pillars of John Keells Foundation and its focus on the SDGs through its various projects and initiatives. In addition to the below, the Group through its businesses and other initiatives, impacts and contributes to all 17 SDGs.

Education

To provide better access to educational opportunities for those in need towards enhancing their employability and entrepreneurship.

Our Projects

- John Keells English Language Scholarship Programme
- Neighbourhood Schools Development Project
- Soft Skills and Industrial Training for University Undergraduates
- Higher Education Scholarship Scheme

Our Impact

- 1,360 scholarships
- 6 schools, over 2,160 school children
- 42 University undergraduates
- 33 scholarships supporting A/Level and University students from disadvantaged communities

Disaster Relief

To come to the aid of Sri Lankans and global communities in times of adversity and disaster towards enabling them to rebuild their lives and livelihoods.

Our Projects

- Flood relief
- Meethotamulla disaster support

Our Impact

- Over 15,000 persons

Arts & Culture

To nurture the livelihoods of artists and preserve our cultural heritage towards safeguarding and promoting Sri Lankan arts and culture.

Our Projects

- Kala Pola (annual open air art fair)
- John Keells Digital Art Gallery
- Cinnamon Colomboscope

Our Impact

- 358 participating artists, over 28,000 visitors and sales estimated over Rs.15 million at Kala Pola
- 925 registered artists on Sri Lankan Art Gallery, 250 artists on John Keells Art Gallery (curated site)
- 68 local and foreign participating artists of whom the Foundation sponsored 28 local artists and 12 local speakers

Livelihood Development

To foster sustainable livelihoods through relevant skills, capacity and infrastructure enhancement towards building empowered and sustainable communities.

Our Projects

- Village Adoption Project
- Rural BPO Initiative
- CKD Prevention Initiative
- UNGC Water Stewardship

Our Impact

- 4 villages in three provinces, 3,015 persons
- 3 BPO centres in Mahavilachchiya, Seenigama, and Jaffna, 48 associates

Health

To foster healthy communities towards enhancing wellbeing and productivity of Sri Lanka and Sri Lankans.

Our Projects

- John Keells Vision Project
- John Keells HIV & AIDS Awareness Campaign
- Project WAVE (Working Against Violence through Education)

Our Impact

- 972 surgeries, 12 eye camps, 110 school screenings and 2,284 eye glasses donated
- 7,360 persons sensitised on HIV & AIDS
- 104,547 persons sensitised on gender based violence and child abuse prevention

Environment

To minimise the impact of our operations and promote conservation and sustainability towards enhancing environmental and natural capital.

Our Projects

- Nature Field Centre – Rumassala
- Project Leopard
- Elephant Research
- Forestry Project
- Paper Conservation
- Plasticcycle

Our Impact

- 1,579 school children
- 7 cattle pens donated during the year
- 2 GPS collars tracking 2 elephant herds
- 35 tea smallholders in 15.3 acres of land, 3,000 trees with 92 per cent survival rate

ECONOMIC VALUE-ADDED STATEMENT

Direct economic value generated

Rs.139,059 mn

Profit on sale of assets and other income

Rs. 2,084 mn

(2016/17: Rs.1,765 mn)

Valuation gain on investment property

Rs. 896 mn

(2016/17: Rs.484 mn)

REVENUE

Rs. 121,215 mn

(2016/17: Rs.106,273 mn)

FINANCE INCOME

Rs. 11,268 mn

(2016/17: Rs.10,033 mn)

Share of results of equity accounted investees

Rs. 3,596 mn

(2016/17: Rs.3,303 mn)

Economic value distributed

Rs.122,343 mn

OPERATING COSTS

Rs. 93,658 mn

(2016/17: Rs.81,548 mn)

Employee wages and benefits

Rs. 12,264 mn

(2016/17: Rs.12,746 mn)

Payments to providers of funds

Rs. 10,034 mn

(2016/17: Rs.8,339 mn)

COMMUNITY INVESTMENTS

Rs. 124 mn

(2016/17: Rs.144 mn)

PAYMENTS TO GOVERNMENT

Rs. 6,263 mn

(2016/17: Rs.6,285 mn)

Economic value retained

Rs.16,716 mn

PROFIT AFTER DIVIDENDS

Rs. 12,696 mn

(2016/17: Rs.8,995 mn)

AMORTISATION

Rs. 784 mn

(2016/17: Rs.926 mn)

DEPRECIATION

Rs. 3,236 mn

(2016/17: Rs.2,875 mn)

CHAIRMAN'S MESSAGE

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 March 2018.

This is the third Annual Report prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council. I trust our Report will provide you with an in-depth understanding of the Group's value creation process and the strategies in place to manage the diverse portfolio of businesses towards driving sustainable growth.

The integrated nature of this Report exemplifies the stakeholder centric strategies and actions which are founded on the principles of compliance, conformance, governance, ethical conduct and sustainable development. These fundamental principles are supported by our corporate characteristics of leadership, teamwork, social responsibility, operational excellence and business expertise; the strong points that make us who we are today.

The Group profit before tax (PBT) increased by 21 per cent to Rs.27.63 billion for the financial year ended 31 March 2018. The profit attributable to equity holders of the parent was Rs.21.02 billion, representing an increase of 29 per cent over the Rs.16.28 billion recorded in the previous year.

I am pleased to state that your Group recorded a satisfactory year of performance despite the challenging operating environment in the year under review, where economic growth was muted amidst pressures emanating from the external environment in addition to domestic macro-economic pressures.

During the year under review, the key businesses of the Group underwent a comprehensive five-year strategy formulation and planning exercise. Consequent to this exercise, key investments were identified and earmarked for implementation over the next few years across key growth businesses, particularly in the Leisure, Consumer Foods and Retail, Financial Services and Property industry groups.

Given our strong balance sheet and anticipated cash generation, the Group will continue to deploy a significant quantum of cash to fund its investment pipeline, some of which are morefully described in the Industry Group Review section and, Strategy, Resource Allocation and Portfolio Management sections of this Report. Given the gestation period of some of these investments, the realisation

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

- Group revenue increased by 14 per cent to Rs.121.22 billion
- Group profit before tax increased by 21 per cent to Rs.27.63 billion. Recurring profit before tax increased by 7 per cent to Rs.24.27 billion
- Profit attributable to equity holders of the parent increased by 29 per cent to Rs.21.02 billion. Recurring profit attributable to equity holders of the parent increased by 14 per cent to Rs.18.32 billion
- Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18 per cent to Rs.32.21 billion. Recurring Group EBITDA increased by 7 per cent to Rs.28.84 billion
- Return on capital employed (ROCE) increased to 11.9 per cent from 11.5 per cent in the previous year
- Return on equity (ROE) increased to 11.1 per cent from 9.8 per cent in the previous year
- The adjusted ROCE and the ROE are 13.5 per cent and 11.8 per cent respectively
- Debt to equity ratio increased to 13.2 per cent compared with 11.7 per cent in the previous financial year
- The Company PBT increased by 31 per cent to Rs.22.52 billion. The increase is mainly on account of a non-cash gain of Rs.8.18 billion arising from the exercise undertaken to rationalise and consolidate the ownership structure of the Group's shareholding in its subsidiaries. However, the non-cash gain is eliminated at the Group reporting level.
- Diluted earnings per share increased by 28 per cent to Rs.15.15. Recurring EPS increased by 13 per cent to Rs.13.20
- Cash earnings per share increased by 23 per cent to Rs.17.09
- The total shareholder return (TSR) in 2017/18 was 19.7 per cent
- The carbon footprint per one million rupees of revenue decreased by 8 per cent to 0.79 metric tons

GROUP PROFIT BEFORE TAX

Rs.27.63 bn

(2016/17: Rs.22.89 bn)

GIVEN THE GESTATION PERIOD OF SOME OF THESE INVESTMENTS, THE REALISATION OF BENEFITS ARE EXPECTED TO ACCRUE IN THE MEDIUM TERM. ALTHOUGH THESE INVESTMENTS WILL IMPACT PERFORMANCE IN THE SHORT TERM, THE GROUP IS CONFIDENT THAT IT CAN LEVERAGE ON SUCH INVESTMENTS TO DRIVE THE NEXT PHASE OF GROWTH, WHILST ALSO ACHIEVING A BETTER PORTFOLIO BALANCE.

of benefits are expected to accrue in the medium term. Although these investments will impact performance in the short term, the Group is confident that it can leverage on such investments to drive the next phase of growth, whilst also achieving a better portfolio balance. The Group is acutely mindful of the need to manage the balance between capital deployed and the resultant impact to the overall returns of the Group portfolio. The deployment of investments envisaged in the 5-year strategic plans will be assessed periodically based on the macro-environment and market conditions prevailing at the time such investment decisions are made.

As part of our growth strategy, the Group strengthened its land bank through the acquisition of a few strategic land assets as described below. Although the Group's land banking strategy is expected to exert pressure on ROCE in the short term, it will facilitate the development and monetisation of a robust pipeline of projects that will have a positive impact on revenue and profit recognition, and, resultantly, on the ROCE of the industry group over the medium term.

The Annual Report contains discussions on the macro-economic factors and its 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 2017/18.

Transportation Industry Group

The Transportation industry group reported revenue, including the share of revenue from the equity accounted investees, of Rs.25.62 billion and a PAT of Rs.3.08 billion, contributing 19 per cent and 13 per cent to Group revenue and PAT respectively. The 2017/18 PAT increased by 4 per cent over the previous year. During the year under review, profits were impacted by an impairment provision for doubtful debt and a cumulative deferred tax charge at South Asia Gateway Terminals (SAGT). Excluding these impacts, the 2017/18 recurring PAT increased by 34 per cent over the previous year.

TRANSPORTATION PROFIT AFTER TAX

Rs.3.08 bn ↑

(2016/17: Rs.2.98 bn)

During the financial year, volumes at the Port of Colombo witnessed a year-on-year growth of 8 per cent whilst SAGT recorded an encouraging throughput increase of 10 per cent. You will be pleased to note that the Port of Colombo was ranked amongst the "World's 30 Best Ports", as per Alphaliner Rankings 2017 whilst SAGT was recognised as the "Best Terminal in South Asia" by the Global Ports Forum, in March 2018, for the second consecutive year. Since the expansion of capacity with the commissioning of the South Container Terminal, the overall capacity utilisation of the Port of Colombo is now in excess of 80 per cent, demonstrating the strong potential for capacity led growth. In this context, timely development of the deep-draft East Container Terminal (ECT) is critical to ensure that capacity continues to be enhanced towards attracting further volumes and sustain continued growth at the Port.

Revenue and profitability of the Group's Bunkering business improved as a result of the growth in volumes and an increase in base fuel prices during the year. The Logistics business recorded a strong performance due to an increase in throughput in its warehouse facilities while DHL Keells improved its market leadership position in the year under review.

Leisure Industry Group

The Leisure industry group reported revenues, including share of revenues from equity accounted investees, of Rs.25.30 billion and a PAT of Rs.3.34 billion, contributing 18 per cent and 14 per cent to Group revenue and PAT respectively. The 2017/18 PAT decreased by 33 per cent over the previous year. As stated in my message in the Annual Report 2016/17, "Bentota Beach by Cinnamon" was closed for the reconstruction of a new hotel whilst "Ellaidhoo Maldives by Cinnamon" and "Cinnamon Dhonveli Maldives" were partially closed for refurbishment during the first half of 2017/18.

During the calendar year 2017, arrivals to Sri Lanka reached 2,116,407, representing a subdued year-on-year growth of 3 per cent, primarily due to the partial closure of the airport for resurfacing of the runway and impacts due to flooding and the outbreak of dengue fever in the months of June and July 2017. The Western European and East Asian regions were the two largest source markets contributing towards overall arrivals growth, each demonstrating growth of 6 per cent and 5 per cent respectively. In keeping with the present growth opportunities within the sector and the 4.5 million tourist arrival target for 2020 set by the Sri Lanka Tourism Development Authority, better physical infrastructure such as enhanced connectivity through road networks and the expansion of the passenger handling capacity of the airport by expediting the planned new terminal, is a priority.

The increased room inventory arising out of entrants into the 3-5-star segments of the market, and the resultant competitive pricing, exerted pressure on the city sector's average room rates during the period under review. However, it is heartening to note that the total number of room nights occupied in the city increased by 14 per cent, underscoring the steady absorption of new room capacity within the sector. With new capacity expected to come on stream over the next few years, especially into the city, it is important for the country to improve its overall tourism offering, including its product and entertainment offering to attract the higher spending tourists. Despite the increasingly competitive operating environment, the City Hotels sector increased its fair share of available rooms in the 5-star category in the year under review.

DURING THE YEAR UNDER REVIEW, THE PROPERTY INDUSTRY GROUP ANNOUNCED THE LAUNCH OF ITS LATEST RESIDENTIAL DEVELOPMENT, "TRI-ZEN", AN 891 APARTMENT JOINT VENTURE RESIDENTIAL DEVELOPMENT PROJECT. THE CONSTRUCTION OF THE PROJECT WILL COMMENCE BY THE SECOND HALF OF 2018/19 WITH EXPECTED COMPLETION IN 2022/23.

The Sri Lankan Resorts segment recorded an overall improvement in occupancy, despite the increase in competition within the sector, particularly in the coastal areas of the island.

Tourist arrivals to the Maldives displayed signs of a recovery with an increase of 8 per cent for the calendar year 2017. Despite increased activity in the informal sector, the Maldivian Resorts segment recorded an improvement in its average room rates, whilst occupancies were well above the industry average. "Cinnamon Hakuraa Huraa Maldives" is currently closed for refurbishment, with expected completion in December 2019.

Considering the long-term growth prospects for tourism in the country, the Leisure industry group is currently evaluating several investments to expand its portfolio of hotels whilst being conscious of the impact on the effective capital deployed in the context of the JKH Group portfolio. The model for expansion will primarily be on an asset-light investment model where the Group will seek partners for select hotel investments to manage its effective capital deployed in the industry group whilst increasing its rooms under management.

Property Industry Group

The Property industry group reported revenues of Rs.1.23 billion and a PAT of Rs.1.05 billion, contributing 1 per cent and 5 per cent to Group revenue and PAT respectively. The 2017/18 PAT increased by 69 per cent over the previous year. The improved performance is mainly on account of the recognition of deferred revenue arising from the re-assessment of the revenue recognition policy at Rajawella Holdings (Private) Limited on the sale of lease hold rights, and fair value gains on investment property. Excluding the impact on RHL mentioned above, the 2017/18 recurring PAT decreased by 19 per cent over the previous year.

Given the increase in demand for residential and commercial space arising from increasing urbanisation, the Group will seek to establish a continuum of projects. In this light, land parcels in the city and the suburbs have been identified and earmarked for development.

During the year under review, the Group acquired a parcel of prime land in Vauxhall Street, Colombo. This, along with an existing plot of land owned by the Group, and an adjacent land held by Finlays Colombo Limited, was amalgamated to form a joint venture, with the Group owning approximately 60 per cent. This combined parcel of 9.38 acres of prime land in proximity to the Beira Lake, is one of the largest privately held land banks in central Colombo. Master planning for development of this land has commenced. Further, the Property industry group is in the process of finalising the acquisition of another 100 perches of land located in central Colombo, for a niche residential development which is expected to be launched in the second half of 2018/19. Master planning of an 18-acre suburban site North of Colombo is also currently underway.

During the year under review, the Property industry group announced the launch of its latest residential development, "Tri-Zen", an 891 apartment joint venture residential development project. The construction of the project will commence by the second half of 2018/19 with expected completion in 2022/23. Whilst preliminary planning clearance for the project has been obtained and schematic designs have been completed, the tender documents have been issued to pre-qualified contractors. This unique development will target a broader section of the market with apartments offered at attractive price points. Pre-sales have commenced, and initial bookings are encouraging.

PROPERTY
PROFIT AFTER TAX

Rs.1.05 bn ↑

(2016/17: Rs.623 mn)

The construction of the "Cinnamon Life" project is progressing with encouraging momentum with the completion of the super structure of the buildings expected in the second half of 2018/19. The installation of the façade of the hotel has commenced whilst the six-lane bridge; which is the main access point of the hotel, will be completed towards the latter half of the year. Pre-sales for residential spaces continue to be encouraging with approximately 60 per cent of the floor area being sold as at 31 March 2018. The project is slated for completion in the calendar year 2020 with the residential apartments and office complex ready for hand over and occupation by early 2020.

Consumer Foods and Retail Industry Group

The Consumer Foods and Retail industry group recorded revenues of Rs.53.21 billion and a PAT of Rs.2.89 billion, contributing 39 per cent and 13 per cent to Group revenue and PAT respectively. The 2017/18 PAT decreased by 26 per cent over the previous year. The decline in profits is on account of the Consumer Foods sector and to a lesser extent the Retail sector.

The Beverage and Frozen Confectionery businesses recorded a decline in volumes as a result of continued tapering of demand arising from subdued consumer discretionary spending. The volume decline in the Beverage business was further exacerbated by the implementation of a sugar tax from November 2017, which resulted in substantial price increases across the industry. Whilst over the years we have taken measures to reduce and replace calorific sugar content in the carbonated soft drinks (CSD), the sudden introduction of regulatory action in this regard in the absence of systematic engagement with the industry, negatively impacted CCS and other industry participants. As a continuing part of our beverage portfolio strategy, we will continue to aggressively expand our sugar free and low sugar product range by accelerating the launch of such new products whilst also launching more non-carbonated beverages to broaden our offering. As mentioned in the Annual Report 2016/17, CCS invested Rs.4.20 billion in a new state-of-the-art frozen confectionery manufacturing facility in the Seethawaka BOI zone. The construction of this facility was completed in the fourth quarter of 2017/18, as planned, with trial production underway and commercial operations commencing in the first quarter of 2018/19. This facility will allow the business to enhance its impulse offering whilst expanding the production capacity of the business and creating further economies of scale and operational efficiencies.

Whilst Keells Food Products PLC recorded a higher volume growth compared to the previous year, profitability was impacted by an increase in marketing and promotional costs pertaining to the rebranding of "Keells" to "Krest".

The Retail sector continued to outperform market growth, driven by the rapid expansion of new stores underscoring the value created by the brand and the service offering. However, the rate of growth and the margins of the Retail sector were impacted by the slowdown in consumer discretionary spending as previously mentioned. The tightening monetary conditions coupled with price ceilings imposed on some essential goods negatively impacted the average basket value and the gross margins of the business.

The penetration of modern Fast Moving Consumer Goods (FMCG) retail in the country remains low, compared to more developed regional countries, and presents a significant opportunity for growth. The sector will continue to strategically expand its store network and distribution capabilities in gaining market share. The expansion of our outlet footprint will continue its momentum with the planned opening of 40 outlets in 2018/19. The centralised distribution centre is expected to be operational by the second half of 2019/20, further enhancing operational processes, and in particular, strengthening the "fresh" supply chain of the business.

During the year under review, 23 new outlets were opened, bringing the total store count to 80 as at 31 March 2018. The stores opened during the quarter featured the new branding which will be rolled out to the existing stores as well by end December 2018. The branding initiative encompasses new elements to the store in line with evolving consumer needs which we are confident will drive footfall. The new format and offering has been very well received.

AS A CONTINUING PART OF OUR BEVERAGE PORTFOLIO STRATEGY, WE WILL CONTINUE TO AGGRESSIVELY EXPAND OUR SUGAR FREE AND LOW SUGAR PRODUCT RANGE BY ACCELERATING THE LAUNCH OF SUCH NEW PRODUCTS WHILST ALSO LAUNCHING MORE NON-CARBONATED BEVERAGES TO BROADEN OUR OFFERING.

The Nexus Mobile loyalty programme, which enables the business to identify key trends in customers and shopping lifestyles using data analytics, proved to be a key tool in retaining and attracting customers and in enhancing customer experience. During the year under review, the loyalty programme membership exceeded the 900,000 mark.

Financial Services Industry Group

The Financial Services industry group recorded revenues, including the share of revenues from associate companies, of Rs.17.22 billion and a PAT of Rs.8.58 billion, contributing 13 per cent and 37 per cent to Group revenue and PAT. The 2017/18 PAT increased significantly over the previous year, mainly on account of the Life Insurance business, Union Assurance PLC (UA).

Whilst recording an encouraging growth of 22 per cent in Gross Written Premiums (GWP), well above the industry growth of 13 per cent, UA recorded an annual life insurance surplus of Rs.3.64 billion [2016/17: Rs.1.10 billion] and a one-off surplus of Rs.3.38 billion during the year under review. The significant increase is due to a policy change across the industry in keeping with international norms for computation of insurance contract liabilities as per the directive and guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL). It should be noted that the life insurance surplus of Rs.3.64 billion [2016/17: Rs.1.10 billion] was the optimum value transfer for 2017 as indicated by the independent actuary. The one-off surplus of Rs.3.38 billion is attributable to non-participating and non-unit fund of unit linked business transferred from the life policyholder fund to the life shareholder fund.

FINANCIAL SERVICES
PROFIT AFTER TAX
Rs.8.57 bn ↑
(2016/17: Rs.2.04 bn)

The Banking industry recorded healthy growth driven mainly by the strong credit demand stemming from both the private and public sectors. Despite the marginal contraction in net interest margins, Nations Trust Bank (NTB) recorded a double-digit growth in both deposits and advances, which trended above the industry average. The growth in loans and advances was primarily driven by the Retail, SME and Corporate segments. During the year under review, the Bank launched "FriMi", the country's first digital bank, which enables the opening of a bank account through a smart device. "FriMi" is a next generation bank account, payment system and e-wallet that will offer convenience, speed and added value to users on one integrated digital platform.

During the year, your Group invested Rs.1.45 billion in NTB, subscribing to its entitlement of rights and applying for additional rights, in a Rights Issue of Ordinary Non-Voting Convertible Shares, that concluded in February 2018. The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL), by letter dated 12 October 2017, informed the Bank that the Monetary Board of the CBSL has permitted the Group to retain its current voting shareholdings in the Bank till 31 December 2020, and to reduce it to 15 per cent, with effect from that date. The Monetary Board has also required the Bank to limit the voting rights of the Group to 10 per cent with effect from 31 March 2018. The Group's effective economic interest in NTB now stands at 32.16 per cent.

Information Technology Industry Group

The Information Technology industry group recorded revenues of Rs.11.07 billion and a PAT of Rs.360 million, contributing 8 per cent and 2 per cent to Group revenue and PAT respectively. The 2017/18 PAT decreased by 23 per cent over the previous year. In September 2017, the Group divested its stake in its subsidiary, John Keells BPO Solutions India (Private) Limited. The Office Automation business recorded volume declines across its product categories on account of a general tapering of demand and a slowdown in consumer discretionary spending.

THE YEAR UNDER REVIEW MARKED A SIGNIFICANT MILESTONE AS JKR'S OWN RESEARCH LABORATORY COMMENCED OPERATIONS. THIS FACILITY WILL BE INSTRUMENTAL IN ENHANCING JKR'S CAPABILITIES IN CONDUCTING IN-HOUSE PROJECTS, THUS ENSURING SOLE OWNERSHIP OF INTELLECTUAL PROPERTY BY JKH. EIGHT RESEARCH PROJECTS ARE CURRENTLY BEING CONDUCTED IN-HOUSE.

Other including Plantation Services

The Plantation Services sector recorded revenues of Rs.3.28 billion and a PAT of Rs.475 million, contributing 2 per cent each to Group revenue and PAT. The 2017/18 PAT increased significantly over the previous year. The Plantation Services sector recorded an improvement in profitability as a result of improved tea prices and other operational efficiencies.

Others, comprising of the Holding Company and other investments, and the Plantation Services sector, together, recorded revenues of Rs.3.44 billion and a PAT of Rs.3.82 billion for 2017/18, contributing 3 per cent and 17 per cent to Group revenue and PAT respectively. The 2017/18 PAT increased by 23 per cent over the previous year. The increased PAT is mainly attributable to the interest income generated on the Group's Rupee and US Dollar portfolios and exchange gains recorded at the Company on its foreign currency denominated cash holdings.

OTHER INCLUDING PLANTATION SERVICES PROFIT AFTER TAX

Rs.3.82 bn ↑

(2016/17: Rs.3.10 bn)

Research and Innovation

John Keells Research (JKR), the research and development arm of the Group, following the patenting of a novel energy storage material in 2016/17, is actively evaluating opportunities for building a prototype energy storage device which would utilise the patented technology to enhance the Technology Readiness Level (TRL) of the said intellectual property.

The year under review marked a significant milestone as JKR's own research laboratory commenced operations. This facility will be instrumental in enhancing JKR's capabilities in conducting in-house projects, thus ensuring sole ownership of Intellectual Property by JKH. Eight research projects are currently being conducted in-house.

During the year under review, the Group continued its concerted effort to drive a culture of disruptive innovation amongst our employees and businesses. An award on Disruptive Innovation was presented for the second time at the JKH Chairman's Awards 2017, to recognise businesses which have made disruptive innovation an integral part of their operating culture and have formulated successful responses to address current, and emerging, business disruption. The second phase of "John Keells X: An Open Innovation Challenge" was launched in May 2017, with six selected participants winning entry to the 6-month John Keells X Accelerator Programme, enabling a conducive ecosystem for young entrepreneurs to thrive, and to encourage businesses at JKH to engage, in a model of open sourced innovation.

Employees

As we mark the conclusion of a satisfactory year, I wish to acknowledge with gratitude the contribution and commitment of our employees during a year which saw many challenges and opportunities. Our employees are an integral part of our success and a key pillar of our Corporate Governance System. We will continue to implement processes by which we attract, and retain talent, as an employer of choice. The Corporate Governance Commentary and the Group Consolidated Review sections of this Report explain in further detail the best practices, policies and procedures that are in place to ensure that John Keells is "More Than Just a Work Place".

During the year under review, the Group launched a project to implement a state-of-the-art human resource information platform. Against the backdrop of a constantly changing human resource landscape and diverse workforce, this platform will further empower evolving employee-centric practices. It is expected to bring about a multitude of benefits, including, but not limited to, business efficiency, analytics and employee engagement.

Corporate Governance

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

During the year under review, several initiatives were undertaken to strengthen the Group's governance framework and controls. These include strengthening and streamlining the Group's cyber security resilience through device management, user access and data protection. Further to the migration of the Group procurement process to an electronic sourcing platform in 2016/17, a total of 120 suppliers were registered during the year under review. The platform is instrumental in achieving significant financial and non-financial savings, as well as enabling greater transparency and efficiency in the procurement process of the Group. In addition, the year under review marked the first period during which all risk reviews of the businesses were conducted through the electronic Risk Management Platform.

Further details on compliance can be found in the Corporate Governance Commentary of this Report.

Sustainability

This year the Integrated Annual Report has been prepared in accordance with the GRI Standards: Core option as early adopters of the new standards and has obtained the GRI Materiality Disclosures check. The Report contains the overall sustainability strategy, framework and performance of the Group, and the Group has successfully completed the GRI Materiality Disclosures Service.

As an element of its sustainability strategy, and alongside its comprehensive risk management process, the Group continuously seeks to conserve energy and water, dispose of waste responsibly, provide training and development, maintain a safe working environment and ensure the highest standards of product stewardship. The Group has further extended this to its value chain over time through ongoing engagements and awareness creation with key suppliers through regular fora, encouraging of sharing supplier best practices, the supplier code of conduct and on-site assessments.

As mentioned in my message in the Annual Report 2016/17, the Group established energy and water reduction goals, to achieve a 12 per cent reduction in its energy usage and a 6 per cent reduction in its water usage by the year 2020, against its 2015/16 baseline figures. During the year under review, the Group reported a 4 per cent increase in energy usage, impacted by lower levels of operational activity in the Consumer Foods sector contributing to a higher per operating factor energy usage, and achieved a 7 per cent reduction in water usage against the baseline. The Group continues to strive to achieve the energy goal through initiatives, some of which are implemented, and others in the process of being rolled out, whilst also focussing on the use of more renewable energy during the year.

I am pleased to announce that this year, too, we made significant progress on the agenda items reported in last year's Integrated Annual Report. Although the Group's carbon footprint increased by 4 per cent to 96,066 MT, in absolute terms, as a result of higher levels of operational activity, key industry groups such as Leisure and Consumer Foods and Retail experienced a combined reduction of 8 per cent in carbon footprint per million rupees of revenue, thus reflecting the positive results of the initiatives embarked upon in these areas. Similarly, during the year under review, water withdrawal reduced by 6 per cent to 1,908,422 cubic meters, whilst Leisure and Consumer Foods and Retail reported a combined reduction of 17 per cent in water withdrawal per million rupees of revenue. Waste generated increased by 6 per cent to 9,260 MT due to the aforementioned increase in operational activity across the Group.

From an employee perspective, 209 incidents of occupational injuries and diseases were recorded this year, whilst Group employees received, on average, 47 hours of training per person. It should be noted that the training hours for employees are determined on a needs basis, where business specific training gaps are identified in respect of both

DURING THE YEAR UNDER REVIEW, THE GROUP LAUNCHED "PLASTICCYCLE", AN INITIATIVE TO "REFUSE, REDUCE, REUSE AND RECYCLE" THE USE OF PLASTIC IN THE COUNTRY.

operating and roof competencies in keeping with the Group Learning and Development policy guidelines.

Plasticcycle

During the year under review, the Group launched "Plasticcycle", an initiative to "refuse, reduce, reuse and recycle" the use of plastic in the country. The project aims to combat plastic pollution in Sri Lanka through education and awareness within the community, whilst also providing means by which plastic can be disposed of responsibly. The pilot phase of the project commenced within two identified municipal wards in Colombo 2. The project has also been expanded to other targeted high impact areas. The project works with various stake holder groups such as the Government authorities, recyclers, environmental protection bodies, John Keells Group staff, and school children. More information on the initiative can be found on the "Plasticcycle" website launched in August 2017.

Corporate Social Responsibility

The John Keells Group is fully committed to our responsibility to make a positive difference in the communities that we operate in, and its contribution towards People, Planet, Partnership, Prosperity and Peace in terms of the Sustainability Development Goals. Corporate Social Responsibility (CSR) is an integral part of our business ethos that permeates naturally throughout the organisation and is now a part of the DNA of our employees. Staff volunteerism is a key component of our CSR and has enabled our staff to enrich their personal experiences through community involvement and service.

Our CSR activities continue to be on six key areas, namely, Education, Health, Environment, Livelihood Development, Arts and Culture, and Disaster Relief. All projects undertaken are inspired and sustained by our CSR vision of "Empowering the Nation for Tomorrow".

The CSR initiatives of the Group are centrally planned and implemented by John Keells Foundation (Foundation), a company limited by guarantee which is also registered as a "Voluntary Social Service Organisation" with the Ministry of Social Welfare. JKH is a participant of the United Nations Global Compact and the Foundation ensures that its activities are aligned to the UNCG Principles, the Sustainable Development Goals and national priorities. Whilst further details are available under the Group Consolidated Review and Industry Group Review sections of this Report, some of the highlights of the Foundation's work during the year are listed below.

English Language Scholarship Programme

A total of 1,269 school children completed "English for Teens" courses under three levels. Two pilot initiatives were successfully completed at The School for the Blind, Ratmalana, benefiting a total of 40 students.

Neighbourhood Schools Development Project

The Foundation organised the annual career guidance programme benefiting 134 O'Level students of 6 underserved Government schools in Colombo. A total of 45 students are undergoing IT training while 6 school leavers have completed a 6-month vocational training programme at "Cinnamon Lakeside" and "Cinnamon red".

Project WAVE (Working Against Violence through Education)

Under this project, aimed at combating gender based violence and child abuse through awareness raising, a total of 3,964 Group staff were sensitised. A second public awareness campaign targeting sexual harassment on public transport was conducted targeting train commuters with the pasting of 2,000 stickers inside carriages and the distribution of 30,000 information cards to commuters at Fort, Maradana and Slave Island railway stations, which resulted in an estimated cumulative reach of 100,000 commuters.

The John Keells Vision Project

A total of 12 eye camps were conducted resulting in the completion of 972 cataract surgeries. Under the School Screening Programme in the Colombo District, a collaboration with the Ministry of Health, vision screening was conducted in 110 schools, testing over 35,860 school children whilst 2,284 spectacles were donated.

AS ANNOUNCED IN THE GROUP'S SUCCESSION PLAN, MR. KRISHAN BALENDRA AND MR. GIHAN COORAY ASSUMED OFFICE AS THE DEPUTY CHAIRMAN AND THE GROUP FINANCE DIRECTOR RESPECTIVELY, EFFECTIVE FROM 1 JANUARY 2018. FURTHER, MR. BALENDRA WILL TAKE OVER AS CHAIRMAN AND MR. COORAY AS DEPUTY CHAIRMAN/GROUP FINANCE DIRECTOR UPON MY RETIREMENT AT THE END OF THIS YEAR.

HIV & AIDS Awareness Campaign

A total of 7,360 persons were sensitised on HIV & AIDS. The Foundation's e-learning platform on HIV & AIDS, which provides awareness free of charge to the public via its website, attracted over 400 visitors with 97 persons completing the module.

Village Adoption

In Mullaitivu District, the Family Empowerment Programme targeting 30 low income families of Iranaipalai and Puthumathalan and a youth career guidance workshop impacting 142 youth were completed successfully, while the construction of a community centre was initiated in Puthumathalan. In Morawewa North of Trincomalee District, a pilot farmer-buyer forum was organised in collaboration with the Directors of Agriculture and Irrigation towards encouraging crop diversification in view of the water scarcity in the area with the participation of 72 farmers from 11 farmer organisations and representatives from several manufacturing and retail organisations. In Nithulemada of the Kandy District, music instruments were donated to two schools while steps were initiated to establish a women's society.

Project Gathering

The elephant conservation initiative, in collaboration with Cinnamon Hotels & Resorts and the Centre for Conservation and Research, made significant strides during the year when elephants from two herds were fitted with GPS satellite collars with the support of the Department of Wildlife Conservation. The primary objective of collaring and continuous monitoring of the elephants is to map their migration pattern and thereby formulate scientific information towards improving the management of elephant habitats in the Anuradhapura District.

Kala Pola

The 25th anniversary of Kala Pola, the popular annual open-air art fair, was successfully held with the participation of 358 artists and sculptors from various parts of Sri Lanka, attracting over 28,500 visitors, A dedicated website and a commemorative stamp and first day cover were launched and 30 senior artists of Kala Pola felicitated in commemoration of 25 years.

Our Volunteers

During the year in review, the Foundation recorded a total of 5,411 hours of CSR volunteerism by 840 staff volunteers across the John Keells Group in respect of activities conducted by the Group. This number excludes the substantial volunteer activities at the business or sector level.

Dividends

Your Board declared a third and final dividend of Rs.2.00 per share to be paid on 18 June 2018. The first and second interim dividends for the year of Rs.2.00 per share, each, were paid in November 2017 and February 2018, respectively. The total dividend pay-out in the year under review was Rs.8.32 billion compared to the Rs.7.28 billion in the previous financial year.

Retirements and Appointments

I would like to place on record our deep appreciation for the invaluable contribution made by Mr. Ajit Gunewardene, Deputy Chairman, and Mr. Ronnie Peiris, Group Finance Director, who retired with effect from 31 December 2017. I wish them the very best in their future endeavours.

As announced in the Group's succession plan, Mr. Krishan Balendra and Mr. Gihan Cooray assumed office as the Deputy Chairman and the Group Finance Director respectively, effective from 1 January 2018. Further, Mr. Balendra will take over as Chairman and Mr. Cooray as Deputy Chairman/Group Finance Director upon my retirement at the end of this year.

Conclusion

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 to the Group during the year.

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

Susantha Ratnayake
Chairman

25 May 2018

Governance

Building a reputation for integrity, transparency and value

BOARD OF DIRECTORS

Susantha Ratnayake
Chairman

D N R

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 has served on the JKH Board since 1992/1993 and has 39 years of management experience, all of which is within the John Keells Group. He is a past Chairman of the Sri Lanka Tea Board, Ceylon Chamber of Commerce, and the Employers' Federation of Ceylon.

Gihan Cooray
Group Finance Director

D

Gihan Cooray is the Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology functions (including John Keells IT) and John Keells Research. He is a Director of several companies in the John Keells Group and a Non-Executive Director of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a Committee Member of the Ceylon Chamber of Commerce.

Krishan Balendra
Deputy Chairman

D

Krishan Balendra is the Deputy Chairman of John Keells Holdings PLC and is responsible for the Leisure and Transportation industry groups, John Keells Stock Brokers and John Keells Office Automation. He is a Director of several companies in the John Keells Group and serves as the Chairman of Nations Trust Bank PLC. He is also the Hon. Consul General of the Republic of Poland in Sri Lanka and a former Chairman of the Colombo Stock Exchange. Krishan started his professional career at UBS Warburg, Hong Kong, in investment banking, focussing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence PLC, Sri Lanka, prior to joining JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

Amal Cabraal
Non- Executive Director

H R A

Amal Cabraal is presently the Chairman of Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC and CIC Feeds Group of Companies. He is a former Chairman and Chief Executive Officer of Unilever Sri Lanka and has over 3 decades of business experience in general management, marketing and sales in Sri Lanka, the United Kingdom, India and Bangladesh. Amal Cabraal is an Independent Non-Executive Director of Hatton National Bank PLC, Sunshine Holdings PLC and Silvermill Investment Holdings (Pvt) Ltd. and a member of the Supervisory Board of Associated Motorways (Private) Ltd. He is also a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and a committee member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society. A Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK, he holds a MBA from the University of Colombo and is an executive education alumnus of INSEAD-France.

BOARD COMMITTEES

Audit Committee	A
Human Resources and Compensation Committee	H
Nominations Committee	N
Related Party Transactions Review Committee	R

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

Nihal Fonseka
Non- Executive Director

R A

Nihal Fonseka is a career banker and served as the Chief Executive Officer/Ex-Officio Director of DFCC Bank from 2000 until his retirement in 2013. He is currently a Member of the Monetary Board of the Central Bank of Sri Lanka, Non-Executive Director of Phoenix Ventures Pvt Ltd, Chairman of the Group Audit Committee of Brandix Lanka Limited and President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK. Prior to joining the DFCC Bank, he was the Deputy Chief Executive of HSBC Sri Lanka. He is a past Chairman of the Colombo Stock Exchange and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He has also served as a Director of the Employees' Trust Fund Board and as a member of the Presidential Commission on Taxation (2009), National Procurement Commission and Strategic Enterprise Management Agency (SEMA). He holds a BSc from the University of Ceylon, Colombo, is a Fellow of the Institute of Financial Studies, (FIB) UK and a member of the Chartered Institute of Securities and Investments, (MCSI) UK.

Premila Perera
Non-Executive Director

A N R

Premila Perera was appointed to the Board of the Company with effect from 1 July 2014 as an Independent Non-Executive Director. Premila Perera, formerly a Partner, KPMG in Sri Lanka, also served as the Global Firms Regional Tax Director for ASPAC in 2000/01, as a member of the Global Task force commissioned in 1998, to advise the International Board of KPMG on future directions in determining long term strategic plans, and faculty of the KPMG International Tax Business School. She also served a period of secondment with the US Firm's National Tax Office in Washington DC, and was a participant at the KPMG-INSEAD International Banking School programme. She is a Fellow of the Institute of Chartered Accountants of Sri Lanka. She served as an Independent Director and Chairperson of the Audit and Related Party Transaction Committees of Ceylon Tobacco Company PLC until October 2017 and as a Non-Executive Director of Holcim (Lanka) Limited until August 2016.

Ashroff Omar
Non-Executive Director

H N

Group Chief Executive Officer of Sri Lanka's largest Apparel exporter, Brandix Lanka Limited, Ashroff Omar has been instrumental in redefining the Sri Lankan Apparel industry for over four decades. Ashroff spearheads a company that comprises of manufacturing and product development facilities offering end-to-end solutions from Tokyo to the US, including UK, Cambodia, Haiti, Sri Lanka, India and Bangladesh for some of the world's most renowned brands, with a commitment to offering 'Inspired Solutions' to its clientele.

He is also credited with pioneering environmentally-friendly apparel manufacture in the world and establishing the world's first LEED platinum manufacturing facility for eco-friendly manufacture. His extensive experience and ability to think beyond the norm has secured him positions in the Boards of some of Sri Lanka's most respected corporates. He is also the Founder Chair of the Joint Apparel Association Forum (JAAF), the apex body of the Sri Lankan Apparel industry.

Dr. Hans Wijayasuriya
Non-Executive Director

H N

In his capacity as the Regional CEO for South Asia, Dr. Hans Wijayasuriya heads the South Asian Operations of the Axiata Group Bhd., spanning Bangladesh, Nepal, Sri Lanka, Pakistan and India. Axiata is Asia's second largest Telecommunications Group. Up to and including the year 2016, he additionally functioned as the Group Chief Executive of Dialog Axiata PLC. He is a past Chairman of GSM Asia Pacific - the regional interest group of the GSM Association, and also serves on the Board of the TM Forum (TMF), and was also honoured by the GSM Association as the first recipient of the "Outstanding Contribution to the Asian Mobile Industry" Award in 2016.

Dr. Wijayasuriya graduated from the University of Cambridge, UK in 1989. He subsequently obtained his PhD in Digital Mobile Communications from the University of Bristol UK in 1994. A Chartered Engineer and Fellow of the Institute of Engineering Technology UK, Dr. Wijayasuriya also holds an MBA from the University of Warwick, UK. Dr. Wijayasuriya has published widely on the subject of digital mobile communications, including research papers in publications of the Institute of Electrical and Electronic Engineers (IEEE) USA, Royal Society and the Institute of Engineering Technology (IET) UK.

GROUP EXECUTIVE COMMITTEE

Dilani Alagaratnam
President

Dilani Alagaratnam is a member of the Group Executive Committee of John Keells Holdings PLC, the President with overall responsibility for the Human Resources, Legal and Secretarial, Corporate Communications, Sustainability and Enterprise Risk Management, and Group Initiatives functions of the Group. She is also a Director of Union Assurance PLC and several unlisted companies within the John Keells Group. A Lawyer by profession, she has been with John Keells Holdings PLC since 1992 and is a law graduate and a holder of a Masters' Degree in Law. Currently, she is the Chairperson of the Legislation Sub Committee of the Ceylon Chamber of Commerce, member of the National Labour Advisory Committee, and a Council member of the Sri Lanka Institute of Directors.

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 38 years of management experience in the Group also covers Leisure and Property. He is a Director of Ceylon Cold Stores PLC and Keells Food Products PLC and is also the President of the Beverage Association of Sri Lanka. He is a member of the Council of the Employers' Federation of Ceylon and a member of the Food Advisory Committee of the Ministry of Health.

Romesh David
President

Romesh David is currently seconded to the Group's ports business as CEO of South Asia Gateway Terminals. He was the former President of the Transportation Group of JKH and has been with the Group for 38 years during which he has served in the Leisure, Domestic and International Trade and IT sectors of the Group, in addition to Transportation. He presently serves as a Vice President of the Indo-Lanka Chamber of Commerce and Co-Chair of the CCC National Agenda Committee on Logistics and Transport. He is a Chartered member of the Chartered Institute of Logistics and Transport and serves on the International Management Committee of the Institute as International Vice President for South Asia. He is a past Chairman of the Chartered Institute of Logistics and Transport – Sri Lanka, the Sri Lanka Logistics and Freight Forwarders Association and the Council for Business with Britain.

Suresh Rajendra
President

Suresh Rajendra is responsible for the Property industry group of the John Keells Group and also serves as a Director of Union Assurance PLC and Asian Hotels and Properties PLC. He has over 23 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 and Services in Sydney, Australia, Director/General Manager of Aitken Spence Hotel Managements (Private) Limited, 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.

GROUP OPERATING COMMITTEE

Daminda Gamlath
Executive Vice President

Daminda Gamlath is the Sector Head for the Consumer Foods sector. Daminda has been with the John Keells Group since 2002. He was the Sector Financial Controller for the IT sector and then the Consumer Foods sector before he was appointed as the Head of Beverages in 2013. Prior to joining the JKH Group, he worked at Hayleys Group. Daminda holds a B.Sc(Eng) degree from University of Moratuwa, a MBA from the University of Colombo and is a passed finalist of the Chartered Institute of Management Accountants of UK.

Isuru Gunasekera
Executive Vice President

Isuru Gunasekera is the Head of Group HR, Sustainability, Enterprise Risk Management and Group Initiatives. He joined the Group in 2001 into the New Business Development Division and thereafter headed Group Initiatives and also projects for the Transportation sector. He was the CEO of John Keells Logistics for 10 years and CEO of Mackinnons Travels for a short period. Prior to joining the Group, he was attached to J P Morgan Chase. He holds a bachelor's degree in business administration from Loyola Marymount University, USA.

Changa Gunawardane
Executive Vice President

Changa Gunawardane is the Chief Financial Officer of the Leisure Group and has been with the John Keells Group for over 12 years. He previously held the position of Chief Financial Officer of the Information Technology Group. He also served as the Sector Financial Controller of the Airlines and Logistics SBU of the Transportation sector. He has over 23 years of experience as a finance professional in different industries including Pharmaceutical, Manufacturing, Management Services, Electrical Engineering and Construction. Changa is a Fellow member of the Chartered Institute of Management Accountants UK, and holds a Masters' in Business Administration, from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

Zafir Hashim
Executive Vice President

Zafir Hashim is the Head of the Transportation sector and has been with the Group for 15 years. He joined the Group in 2003, seconded to Lanka Marine Services where he served as CEO from 2005-2015. He has also served as a member of the Transportation Sector Committee from 2005. During the last 13 years he has held the position of CEO at John Keells Logistics Lanka Ltd., for a short time, and Mackinnons Mackenzie Shipping Co. Ltd. He has an MSc in Chemical Engineering from the University of Birmingham (UK).

Sanjeewa Jayaweera
Executive Vice President

Sanjeewa Jayaweera, Chief Financial Officer for the Consumer Foods and Retail industry group, has been with the Group for 25 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.

Rohan Karunarajah
Executive Vice President

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

Vasantha Leelananda
Executive Vice President

Vasantha Leelananda is Head of the Destination Management sector and counts over 39 years in the Leisure industry group with the John Keells Group. He served as the Managing Director of Walkers Tours from 1997 to 2005 and heads inbound travel operations. Vasantha holds an MBA from the University of Leicester. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO), a Board member of the Sri Lanka Convention Bureau from 2003 to 2007, Board member of the Sri Lanka Institute of Tourism and Hotel Management from 2007 to 2010 and served as a Board member of the American Chamber of Commerce (AMCHAM) from 2012 to 2014. He is currently a Board member of the Responsible Tourism Partnership which is affiliated to the Travel Foundation UK, a Board member of the Sri Lanka Tourism Promotion Bureau (SLTPB) and a Director of Sri Lanka Business and Biodiversity Platform.

Nayana Mawilmada

Executive Vice President

Nayana Mawilmada is the Sector Head of the Property Group at JKH. With extensive international experience in planning, facilitating, and managing large scale urban development and infrastructure projects across 15 countries, and working within both the private and public domains, Nayana brings a unique perspective to property sector endeavours. He is widely seen as a key advocate and spokesperson for sound urban development policy and planning in the country. Among his previous roles, Nayana has served as the Director General of the Urban Development Authority of Sri Lanka, Managing Director of York Street Partners (Pvt) Ltd a boutique investment bank in Colombo, and as an Urban Development Specialist for Asian Development Bank based in Manila, Philippines. His academic training includes an MBA from Harvard Business School, a Master of City Planning from Massachusetts Institute of Technology (MIT), and a Bachelor of Architecture from Hampton University in the USA. In recognition of his leadership in Sri Lanka's urban development space, he was also awarded an Eisenhower Fellowship in 2017.

Waruna Rajapaksa

Executive Vice President

Waruna Rajapaksa, Head of New Business Development for the John Keells Group and Head of Operations for the "Cinnamon Life" integrated project, has over 30 years of experience in Sri Lanka and in the UK, primarily in management consultancy, infrastructure finance, and audit. Prior to joining the Group in 2002, he worked for the Government as an Executive Director at the Bureau of Infrastructure Investment, Informatics International Limited (UK) and at Ernst & Young. He is a member of the Board of Directors of South Asia Gateway Terminals (Private) Limited. 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.

Sunimal Senanayake

Executive Vice President

Sunimal Senanayake is an Executive Vice President of the John Keells Group and the Sector Head of the Resorts sector (Sri Lanka and Maldives). He is also a member of the Group Operating Committee and has over 35 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 and Hotel Management

Ramesh Shanmuganathan

Executive Vice President

Ramesh Shanmuganathan is the Group's Chief Information Officer, a member of the Group Management Committee for the Information Technology industry group as well as Chief Executive Officer of John Keells IT (JKCS cum SGIT). He has over 25 years of experience in the ICT industry in Sri Lanka and the USA, with over 17 years in C-level management. Ramesh is a Hayes-Fulbright Scholar and holds to his credit a Doctor of Philosophy (Technology Management) from Keisei International University (Seoul, South Korea), Master of Science (Information Technology and 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 and Telecommunications Engineering with First Class Honours from the University of Moratuwa. He is reading for his Doctor of Business Administration (DBA) at the International School of Management, Paris at present. He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society and Institute of Engineers, UK. He has active memberships in several other professional institutions and is a visiting faculty member for several post-graduate programmes. He is also the Chair of the Sri Lanka SAP User Group (SLSUG), member of the SLASSCOM General Council and is actively involved with the ICTA as well as other bodies in steering IT to greater heights within the country. He is also a member of the Gartner Research Circle.

Charitha Subasinghe

Executive Vice President

Charitha Subasinghe is the Sector Head of the Retail sector. He has been with the John Keells Group since 2003. He was the Sector Financial Controller of the Retail sector, before being appointed as the Chief Executive Officer in 2005. He was also employed at Aitken Spence Hotel Management as the Sector Financial Controller before moving over to John Keells. He is an Associate Member of the Chartered Institute of Management Accountants (UK) as well as a Diploma Holder of the Chartered Institute of Marketing (UK). He also holds an MBA from the University of Colombo.

Nadija Tambiah
Executive Vice President

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

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 subsequently appointed the Chief Financial Officer of the same industry group in July 2010 and the JKH Group Financial Controller in January 2018.

He is a Director of Nations Trust Bank PLC and has over 30 years of experience in the fields of auditing and financial and general management which has been acquired while serving in organisations both locally and overseas. Suran is a Fellow member of both the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants, UK.

Devika Weerasinghe
Executive Vice President

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

Ravi Wijewantha
Executive Vice President

Ravi Wijewantha joined the Group in September 2003 and was appointed as Sector Financial Controller of the Property industry group in July 2006 and Chief Financial Officer of the same Industry Group in July 2017. He has over 23 years of experience in the fields of Auditing and Accounting.

Ravi is an Associate Member of the Chartered Institute of Management Accountants (UK) and holds an MBA from ICFAI University Dehradun India.

CORPORATE GOVERNANCE

The corporate governance framework at John Keells Holdings PLC is built on the core principles of accountability, participation and transparency which are essential for the creation, enhancement and maintenance of a sustainable business model.

1. Executive Summary

The Group has in place a well-structured corporate governance framework which has been adopted across all business units and is integral in maintaining and enhancing sustainable shareholder value. In addition to the "triggers" which ensure compliance with mandatory requirements, the Group has also established its own set of internal benchmarks, processes and structures towards meeting accepted best practices in governance. These, we believe, are the attributes which have lent credence to JKH's well established reputation amongst all its stakeholders.

The report below demonstrates, in detail, how JKH has embraced, and complied with, all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka (SEC) Act and all other legislation and rules relevant to the businesses of the Group. Further, it highlights the efforts made by the Group in ensuring that its practices are in line, where relevant and appropriate, with the Code of Best Practices on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Group is currently in the process of evaluating the provisions under the new Code issued by CA Sri Lanka in December 2017. Whilst remaining in compliance with the 2013 Code, the Group will analyse the provisions of the 2017 code and its applicability to JKH given the nature of business in a conglomerate setting, and thereby adopt, where applicable, the provisions recommended.

The report below discusses JKH's compliance with all mandatory requirements of legislation and its voluntary adoption of recommended codes in the governance field. The ensuing sections also describe the following in greater detail:

- The components of the JKH Corporate Governance System
- The monitoring mechanism in place to ensure strict compliance to the Group's Governance policy
- The outlook and emerging challenges for corporate governance

Compliance Summary
Regulatory Benchmarks

Standard/Principle/Code	Adherence
Laws and regulations of the Companies Act No.7 of 2007	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to-date	Mandatory provisions - fully compliant*
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and subsequent amendments to-date, including directives and circulars	Mandatory provisions - fully compliant*
Code of Best Practices on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
UK Corporate Governance Code (formerly known as the Combined Code of 2010)	Voluntary provisions - fully compliant, as applicable to JKH
Code of Best Practices on Corporate Governance (2017) issued by CA Sri Lanka	Under review for voluntary adoption

* *With reference to Rule 7.13.2 of the Listing Rules of the Colombo Stock Exchange governing the minimum public holdings of listed entities, Union Assurance PLC (UA) has requested a transfer from the Main Board of the CSE to the Diri Savi Board of the CSE, with JKH having reduced its stake in UAL to 90 per cent as at 9 May 2018.*

Key Internal Benchmarks

- Company Articles of Association and other constitutional documents
- Recruitment and selection policies
- Learning and development policies
- Policy on career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours and tele-working policies
- Code of conduct
- Policy against sexual harassment
- Policies on forced, compulsory and child labour
- Disciplinary procedure
- Policy on grievance handling
- Anti-fraud policy
- Policy on communications and advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and FX risk mitigation
- IT policies and procedures, including data protection and security
- Group environmental and economic policies
- Policies on energy, emissions, water and waste management
- Policies on products and services

Key Corporate Governance Highlights for the Year 2017/18

- In line with the succession plans announced in November 2016, Mr. K Balendra and Mr. G Cooray assumed office as the Deputy Chairman and Group Finance Director, respectively, on 1 January 2018. Mr. Balendra will take over as Chairman-CEO and Mr. Cooray as Deputy Chairman/Group Finance Director upon the retirement of the current Chairman-CEO, Mr. S Ratnayake, at the end of December 2018.
- Several key management personnel were appointed to the Group Operating Committee in line with the Group's succession plans.
- With reference to Rule 7.13.2 of the Listing Rules of the Colombo Stock Exchange governing the minimum public holdings of listed entities, the John Keells Group divested 915,268 ordinary shares of Union Assurance PLC (UA), during the year under review. As at 31 March 2018, the public holding of UA stood at 7.64 per cent. Post the reporting period, JKH divested a further 2.36 per cent stake of UA thereby reducing the Group's stake to 90 per cent. UA has requested a transfer from the Main Board to the Diri Savi Board of the CSE.
- To strengthen the Group's cyber security resilience posture, a multitude of initiatives were implemented, including the establishment of a Managed Security Operations Centre with a reputed international service provider. The initiatives include measures to further strengthen and streamline device management, user access, data protection, prevention of data leakage and malicious activity.

Refer Section 4.4 for further information

- To further strengthen the Group's Internal Controls pertaining to the integrity of financial and accounting information, the Group adopted initiatives aimed at further reinforcing the segregation of duties, timely intervention and clearing of transactional entries, increased transparency pertaining to cash and cheque deposits, process optimisation, among others, through the expansion of the scope of the risk analytics tool introduced last year. Further, structured surveys were introduced with a view to improving the quality and performance of external auditors through the provision of continuous feedback.

Refer Section 5.5 for further information

- Further to the migration of the Group procurement process to an electronic sourcing platform in 2016/17, a total of 120 suppliers were registered during the year under review. The platform is instrumental in achieving significant financial and non-financial savings, as well as enabling greater transparency and efficiency in the procurement process of the Group.
- The year under review marked the first period during which all risk reviews of the businesses were conducted through the electronic Risk Management Platform.

Refer Section 4.3 for further information

Highlights of the 38th Annual General Meeting Held on 30 June 2017

- Mr. A Cabraal, who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected as a Non-Executive Independent Director of the Company.
- Mr. N Fonseka, who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected as a Non-Executive Independent Director of the Company.
- Dr. H Wijayasuriya, who retired in terms of Article 91 of the Articles of Association of the Company, was re-elected as a Non-Executive Independent Director of the Company.
- Mr. K Balendra, who retired in terms of Article 91 of the Articles of Association of the Company, was re-elected as an Executive Director of the Company.
- Mr. G Cooray, who retired in terms of Article 91 of the Articles of Association of the Company, was re-elected as an Executive Director of the Company.
- Ernst & Young (E&Y) were re-appointed as the External Auditors of the Company and the Directors were authorised to determine the remuneration of E&Y.

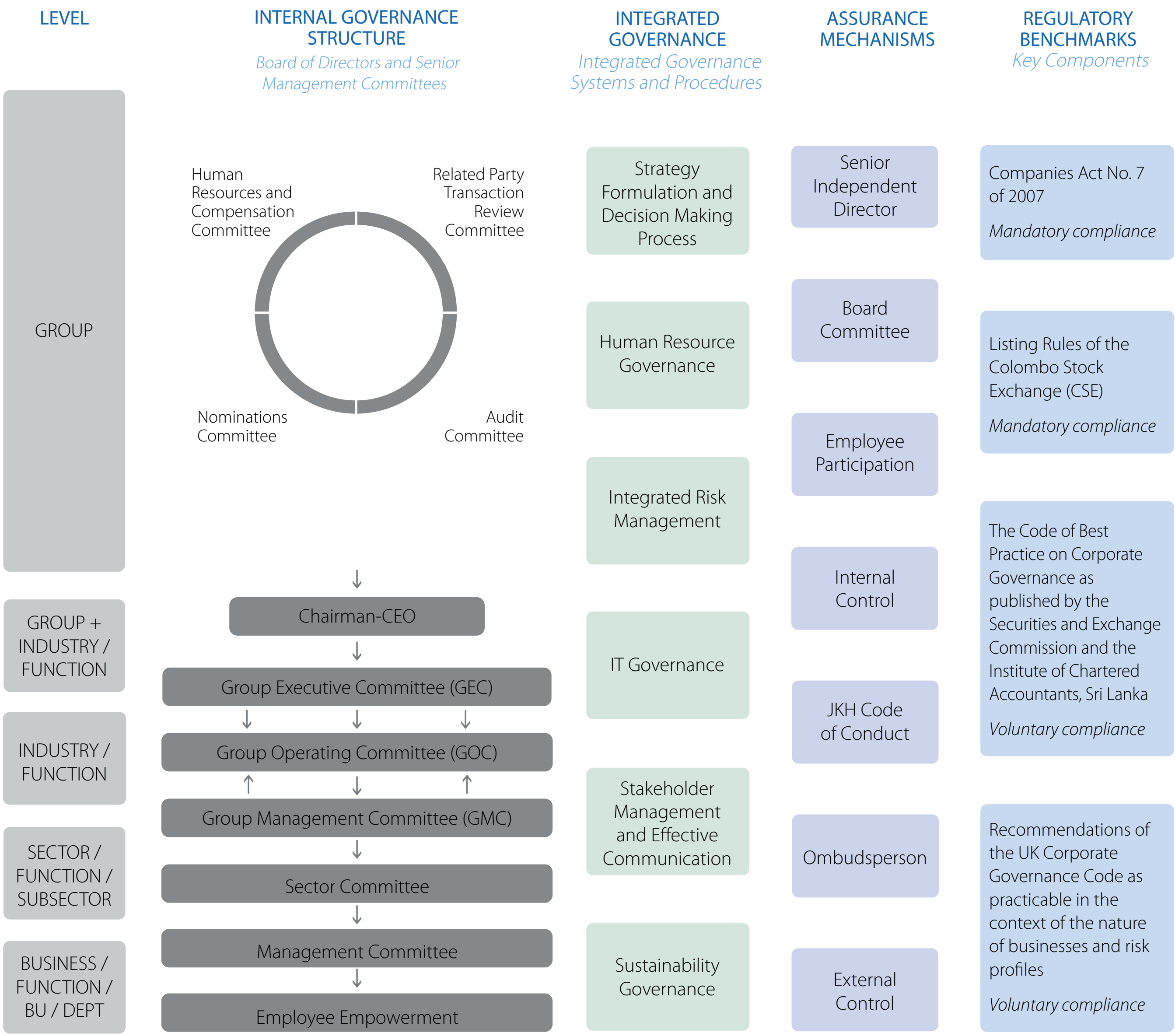
FURTHER TO THE MIGRATION OF THE GROUP PROCUREMENT PROCESS TO AN ELECTRONIC SOURCING PLATFORM IN 2016/17, A TOTAL OF 120 SUPPLIERS WERE REGISTERED DURING THE YEAR UNDER REVIEW.

Key Governance Disclosures

	Section under Corporate Governance Commentary
The Governance System	2
The Board of Directors	3.1
Audit Committee	3.2.1
Human Resources and Compensation Committee	3.2.2
Nominations Committee	3.2.3
Related Party Transactions Review Committee	3.2.4
Chairman-Chief Executive Officer	3.3
Group Executive Committee and Other Management Committees	3.5
Human Resource Governance	4.2
Stakeholder Management and Effective Communication	4.5
Assurance Mechanisms	5
Outlook and Emerging Challenges	7
Compliance Summary	8

2. The Corporate Governance System

JKH Corporate Governance System within a Sustainability Development Framework



- *All 4 Board Sub-Committees are chaired by Independent Directors appointed by the Board*
- *The Chairman-CEO is present at all Human Resources and Compensation Committee meetings unless the Chairman-CEO's performance assessment or remuneration is under discussion. The Group Finance Director and the President, Human Resources and Legal are invited as necessitated*
- *Audit Committee meetings are attended by the Chairman-CEO of JKH and the Group Finance Director. The Head of Group Business Process Review, External Auditors and the Group Financial Controller are regular attendees*
- *GOC acts as the binding agent to the various businesses within the Group towards identifying and extracting Group synergies*
- *Only the key components are depicted in the diagram due to space constraints*

3. Internal Governance Structure

The Internal Governance Structure comprises of the committees which formulate, execute and monitor Group strategies and initiatives and the policies, processes and procedures employed for doing so. As such, these components have an impact on the execution and monitoring of all governance related initiatives, systems and methods. This is illustrated as follows:

Chairman-CEO

Refer 3.3

Purpose as Chairman:

- To provide leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board
- Ensure constructive working relations are maintained between the Executive and Non-Executive members of the Board
- Ensure with the assistance of the Board Secretary that:
  - Board procedures are followed
  - Information is disseminated in a timely manner to the Board

Purpose as CEO:

- Execute strategies and policies of the Board
- Ensure the efficient management of all businesses
- Guide and supervise Executive Directors towards striking a balance between their Board and Executive responsibilities
- Ensure the operating model of the Group is aligned with short and long-term strategies of the Group
- Ensure planned succession at very senior levels

Leadership and control

Accountability through reporting obligations

Operations management / Performance feedback

Delegated authority

Board of Directors

Refer 3.1

Purpose: Assess the overall direction and implement strategy of the business; fiduciary duty towards protecting stakeholder interests; monitor the performance of the senior management; ensure effectiveness of governance practices; implement a framework for risk assessment and management, including internal controls, among others

Audit Committee

Purpose:

To assist the Board in meeting its oversight responsibilities pertaining to Group financial statements, risk management, internal controls, legal and regulatory frameworks

Refer 3.2.1

Human Resources and Compensation Committee

Purpose:

- To assist the Board in the establishment of remuneration policies and practices
- To review and recommend appropriate remuneration packages for the CEO and other Executive Directors

Refer 3.2.2

Nominations Committee

Purpose:

- To lead the process of Board appointments and recommendations to the Board
- To define and establish a nomination process for Non-Executive Directors

Refer 3.2.3

Related Party Transactions Review Committee

Purpose:

To ensure that all related party transactions of the Group are consistent with the Code on Related Party Transactions issued by SEC and with the Listing Rules of the CSE

Refer 3.2.4

Reporting obligations

Senior Management Committees

Purpose: Led by the Chairman-CEO, these committees execute strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources thereby ensuring that value is created/enhanced for all stakeholders throughout the value chain

Refer 3.5

Employee Empowerment

Purpose: Effective recruitment, development and retention of this vital stakeholder, by equipping employees with the necessary skill set and competencies, to enable them to execute management decisions

Refer 3.6

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

3.1 The Board of Directors

3.1.1 Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement and creates value to all stakeholders.

The Board's key responsibilities include:

- Providing direction and guidance to the Group in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Group
- Reviewing and approving annual plans and long-term business plans
- Tracking actual progress against plans
- Reviewing HR processes with emphasis on top management succession planning
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework
- Appointing and reviewing the performance of the Chairman-CEO
- Monitoring systems of governance and compliance
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels
- Reviewing and approving major acquisitions, disposals and capital expenditure
- Approving any amendments to constitutional documents
- Approving in principle the issue of JKH equity/debt securities
- Ensuring all Related Party Transactions are compliant with statutory obligations

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

- Declaring a final dividend of Rs.2.00 per share in May 2017 for the financial year 2016/17. For the year under review, the Board declared a first interim dividend and a second interim dividend of Rs.2.00 each in November 2017 and January 2018, respectively
- Approval of the proposal from its subsidiary, JayKay Marketing Services (Private) Limited to roll out a new branding strategy across its new stores as well as to refit a majority of its existing stores. The new branding will encompass new elements to the store in line with evolving customer needs
- Approved a joint venture with Indra Traders (Private) Limited in July 2017 to develop a residential apartment project on Union Place in Colombo, with 891 units, branded as "Tri-Zen"
- In keeping with the enhanced capital requirements arising from the introduction of Basel III and the adoption of the accounting standard SLFRS 9, NTB announced a rights issue in November 2017. The Board approved the subscription of the Group's entitlement of rights as well as subscription to additional shares
- In line with the Group's portfolio management strategy, the Board approved the divestment of its subsidiary, John Keells BPO Solutions India (Private) Limited
- Reviewed and approved the 5-year strategic plans of the Group, including in-principle approval for many of the investments envisaged under the said plans
- Approved a proposal to consolidate and streamline the ownership structure of certain JKH subsidiaries, particularly the companies in the Property industry group.
  - Given the envisaged pipeline of investments in the Property industry group coupled with each property development project requiring a newly formed entity to qualify for applicable exemptions, and in order to ensure a flexible structure, a property holding company was established where most companies in the industry group were consolidated under this property holding company
  - Additionally, select Group companies holding investments in other subsidiaries transferred its respective investments to JKH, at valuations independently verified by the Group's auditors
- In line with the strategic direction of the Property industry group, the Board approved the following proposals:
  - To increase JKH's shareholding in TransWare Logistics Limited, the holding company of a ~18 acre land in Ja-Ela, from 50 per cent to 100 per cent
  - To acquire a 2-acre land in Dawson Street/Vauxhall Street under Vauxhall Land Development (Private) Limited (VLDL)
  - To enter into an agreement with Finlays Colombo Limited (FCL) to jointly develop the land owned by FCL and the Group's two land parcels in Vauxhall Street, Colombo
  - Under the agreement, VLDL would be used as the entity undertaking the development, and as such, the Group transferred the land owned by Whittall Boustead Limited in Vauxhall Street to VLDL whilst FCL also transferred its land to VLDL.

IN CARRYING OUT ITS RESPONSIBILITIES, THE BOARD PROMOTES A CULTURE OF OPENNESS, PRODUCTIVE DIALOGUE AND CONSTRUCTIVE DISSENT, ENSURING AN ENVIRONMENT WHICH FACILITATES EMPLOYEE EMPOWERMENT AND ENGAGEMENT AND CREATES VALUE TO ALL STAKEHOLDERS.

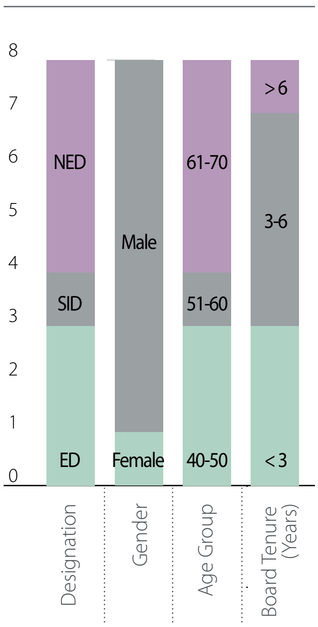
3.1.2 Board Composition

As at 25 May 2018, the Board comprised of 8 Directors, with 5 of them being Non-Executive and Independent Directors. The Group policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors, in keeping with the applicable rules and codes, with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

The key changes to the Board composition during the year under review are as follows:

- Mr. A Gunewardene, resigned from the Board with effect from 31 December 2017. Mr. Gunewardene was the Deputy Chairman of the Group and was an Executive Director of JKH. Mr. K Balendra succeeded Mr. A Gunewardene as Deputy Chairman, post his retirement.
- Mr. R Peiris, resigned from the Board with effect from 31 December 2017. Mr. R Peiris was the Group Finance Director and was an Executive Director of JKH. Mr. G Cooray succeeded Mr. R Peiris as Group Finance Director, post his retirement.

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



3.1.3 Board Skills

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

Further details of their qualifications and experience are provided under the Board Profiles section of the Annual Report.

The Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in order to ensure that the skills representation is in alignment with current and future needs of the Group. Individual Directors being encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise is also a factor that foster better decision making.

3.1.4 Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen the decision making, the Board seeks independent professional advice, in furtherance of their duties, at the Group's expense. This is coordinated through the Board Secretary as and when requested.

3.1.5 Board Appointment

Board appointments follow a structured and formal process within the purview of the Nominations Committee.

The Terms of Reference for the members of the Nominations Committee and the Committee report can be found in section 3.2.3 of this Commentary.

Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement. Details of such appointments are also carried in the respective Interim Release and the Annual Report. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

3.1.6 Board Induction and Training

When Directors are newly appointed to the Board, they undergo a comprehensive induction where they are apprised, inter-alia, of the Group Values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and the operational strategies of the Group. Additionally, the newly appointed Directors are granted access to relevant parts of the business and are availed the opportunity to meet with key management personnel and other key third-party service providers such as External Auditors and Risk Consultants.

The Board of Directors recognise the need for continuous training and expansion of knowledge and undertakes such professional development, as they consider necessary, to assist them in carrying out their duties as Directors.

3.1.7 Re-Election

All Non-Executive Directors are appointed for a period of three years and are eligible for re-election by the shareholders. Non-Executive Directors can serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the requirements of the Group. Annually, the Board discusses the possibility of any impairment of Director independence due to extended Board tenures, and collectively evaluates the re-election of such Board members. The Executive Directors, other than the Chairman-CEO, are re-elected in a manner that is similar to the re-election of Non-Executive Directors.

3.1.8 Board Meetings

3.1.8.1 Regularity of Meetings and Pre-Board Meetings

During the financial year under review, there were four pre-scheduled Board meetings. Each of the pre-scheduled meetings are generally preceded by a Pre-Board meeting, which is usually held on the day prior to the formal Board Meeting. In addition to these Pre-Board meetings, where issues of strategic importance requiring extensive discussions are considered, the Board of Directors communicated regularly, as and when required. The attendance at the Board meetings held during the financial year 2017/18 is given below.

	Year of Appointment	Board Meeting Attendance					
		26.05.2017	27.07.2017	02.11.2017	30.01.2018	Eligibility	Attended
Executive							
S Ratnayake - Chairman-CEO	1992/93	✓	✓	✓	✓	4	4
K Balendra - Deputy Chairman	2016/17	✓	✓	✓	✓	4	4
G Cooray - Group Finance Director	2016/17	✓	✓	✓	✓	4	4
A Gunewardene*	1992/93	✓	✓	✓	N/A	3	3
R Peiris*	2003/04	✓	✓	✓	N/A	3	3
Senior Independent Non-Executive							
N Fonseka	2013/14	✓	✓	✓	✓	4	4
Independent Non-Executive							
A Cabraal	2013/14	✓	✓	✓	✓	4	4
A Omar	2012/13	×	×	✓	✓	4	2
P Perera	2014/15	✓	✓	✓	✓	4	4
H Wijayasuriya	2016/17	×	By Phone	✓	✓	4	3

* *Retired from the Board on 31 December 2017*

3.1.8.2 Timely Supply of Information

The Directors were provided with necessary information well in advance, by way of Board papers and proposals, for all four Board meetings held during the year in order to ensure robust discussion, informed deliberation and effective decision making. Board papers were made available in electronic format, keeping in line with the Group's sustainability initiatives. Members of the corporate and senior management team made presentations to Directors on important issues relating to strategy, risk management, investment proposals, restructuring and system procedures, where necessary. The Directors continue to have independent contact with the corporate and senior management of the Group.

3.1.8.3 Board Agenda

The Chairman-CEO ensured that all Board proceedings were conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2017/2018 was;

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

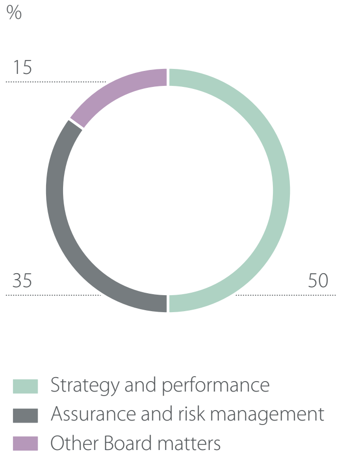
3.1.8.4 Board Secretary

The President responsible for the Legal and Secretarial function is the current Secretary to the Board, who is an Attorney-at-Law by profession. In addition to maintaining Board minutes and Board records, the Board Secretary provides support in ensuring that the Board receives timely and accurate information in addition to advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

3.1.9 Time Dedicated by Non-Executive Directors

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

Time Commitment



In addition to attending Board meetings and Pre-Board meetings, the Directors have attended the respective Sub-Committee meetings and have also contributed to decision making via Circular Resolutions and one-on-one meetings with key management personnel, when necessary.

3.1.10 Board Evaluation

The Board conducted its annual Board performance appraisal for 2017/18. This formalised process of individual appraisal enabled each member to self-appraise, on an anonymous basis, the performance of the Board under the areas of:

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

The scoring and open comments are collated by the Senior Independent Director, and the results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark reflecting the openness of the Board. This process has led to an improvement in the Board dynamics and its effectiveness.

3.1.11 Managing Conflicts of Interests and Ensuring Independence

The Group takes necessary steps to ensure that Directors avoid situations in which they have, or could have, a direct or indirect interest which conflicts with, or might possibly conflict with, the interests of the Group.

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

Prior to Appointment	Once Appointed	During Board Meetings
Nominees are requested to make known their various interests	Directors obtain Board clearance prior to: • Accepting a new position • Engaging in any transaction that could create or potentially create a conflict of interest • All NEDs are required to notify the Chairman-CEO of any changes to their current Board representations or interests and a new declaration is made annually	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 (abstention from decisions are duly minuted)

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

Definition	Status of Conformity of NEDs
1. Shareholding carrying not less than 10 per cent of voting rights	None of the individual EDs or NED/IDs shareholding exceeds 1 per cent
2. Director of another company*	None of the NED/IDs are Directors of another related party company as defined
3. Income/non-cash benefit equivalent to 20 per cent of the Director's income	NED/ID income/cash benefits are less than 20 per cent of individual Director's income
4. Employment at JKH and/or material business relationship with JKH, currently or in the two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at JKH
5. Close family member is a Director, CEO or a Key Management Personnel	No family members of the EDs or NED/IDs is a Director or CEO of a related party company
6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	No NED has served on the Board for more than nine years
7. Is employed, has a material business relationship and/or significant shareholding in other companies*. Also entails other companies that have significant shareholding in JKH and/or JKH has a business connection with	None of the NED/IDs are employed, have a material business relationship or a significant shareholding of another related party company as defined

* *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.*

Summary of Non-Executive Independent Directors' Interests and Conformity

	Shareholding (1)	Management Director – Other Companies (2)	Material Business Relationship (3)	Employed by the Company (4)	Family Member a Director/CEO (5)	Continuously Served for More than Nine Years (6)	Employee/ Material Business Relationship/ Significant shareholding - Other Companies (7)
N Fonseka	•	•	•	•	•	•	•
A Cabraal	•	•	•	•	•	•	•
A Omar	•	•	•	•	•	•	•
P Perera	•	•	•	•	•	•	•
H Wijayasuriya	•	•	•	•	•	•	•

- *Indicates no interest, independence*

3.1.11.1 Details in Respect of Directors

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

Name of Director	No. of Board Seats Held in Other Listed Sri Lankan Companies	
	Executive Capacity	Non-Executive Capacity
S Ratnayake	Nil	Ceylon Tobacco Company PLC
K Balendra	Nil	Nil
G Cooray	Nil	Nil
N Fonseka	Nil	Nil
A Cabraal	Nil	Ceylon Beverage Holdings PLC Hatton National Bank PLC Lion Brewery (Ceylon) PLC Sunshine Holdings PLC
A Omar	Nil	Teejay Lanka PLC
P Perera	Nil	Nil
H Wijayasuriya	Nil	Dialog Axiata PLC Colombo Trust Finance PLC

3.1.12 Director Remuneration

3.1.12.1 Executive Director Remuneration

The Human Resources and Compensation Committee is responsible for determining the compensation of the Chairman-CEO and the Executive Directors of the Group.

Refer Section 3.2.2 of this Report for further details.

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

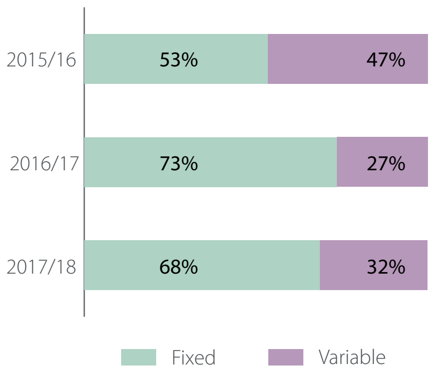
During the year, ESOPs, valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees.

Further details are found in the Notes to the Financial Statements section and Share Information section of this Annual Report.

Excluding Employee Share Options (ESOP) granted, the total aggregate remuneration paid to Executive Directors for the year under review was Rs.193 million, of which Rs.62 million was the variable portion linked to the performance benchmark as described above. This is in comparison to the total remuneration paid in 2016/17 amounting to Rs.154 million, of which Rs.41 million was the variable component. The increase in both the fixed and variable components of remuneration is on account of the Board comprising of five Executive Directors for a majority of 2017/18 compared to three Executive Directors for a majority of 2016/17. Similar to the previous year, the higher proportion of fixed remuneration arises from the Group not meeting certain performance benchmarks.

The composition between fixed and variable compensation paid to Executive Directors is depicted below.

Composition of Executive Director Remuneration



3.1.12.2 Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans. Total aggregate of Non-Executive Director remuneration for the year was Rs.17 million.

3.1.12.3 Compensation for Early Termination

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

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

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

3.2 Board Sub-Committees

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

The four Board Sub-Committees are as follows:

i. Audit Committee

ii. Human Resources and Compensation Committee

iii. Nominations Committee

iv. Related Party Transactions Review Committee

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

Board Sub-Committee Membership as at 31 March 2018	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transactions Review Committee
Executive				
S Ratnayake - Chairman-CEO			●	●
K Balendra - Deputy Chairman				
G Cooray - Group Finance Director				
Senior Independent Non-Executive				
N Fonseka	◉			●
Independent Non-Executive				
A Cabraal	●	◉		●
A Omar		●	◉	
P Perera	●		●	◉
H Wijayasuriya		●	●	

● *Committee Member*

◉ *Committee Chair*

3.2.1 Audit Committee

Composition	• All members to be Non-Executive, Independent Directors, with at least one member having significant, recent and relevant financial management and accounting experience and a professional accounting qualification • The Chairman-CEO and the Group Finance Director are permanent invitees for all Committee meetings. The Group Financial Controller is also present at discussions relating to Group reporting • The Head of the Group Business Process Review division is the Secretary of the Committee
Scope	• Review the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations • Assess the adequacy and effectiveness of the internal control environment in the Group and ensure appropriate action is taken on the recommendation of the internal auditors • Evaluate the competence and effectiveness of the risk management systems of the Group and ensure the robustness and effectiveness in monitoring and controlling risks • Review the adequacy and effectiveness of the internal audit arrangements • Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence

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 in relation to 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, undertaken by the Group Business Process Review division (GBPR). The scope of functions and responsibilities are adequately set out 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 and in discharging its responsibilities, the Committee places reliance on the work of other Audit Committees in the Group without prejudicing the independence of those Committees. However, to the extent, and in a manner it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action. An interactive forum with the participation of members of Audit Committees of Group entities was also held to discuss ways and means of improving coordination with GBPR and to exchange information on best practices.

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 is comprised by the undersigned and the following Independent Non-Executive Directors:

A Cabraal
P Perera

The Head of the GBPR division served as the Secretary to the Audit Committee.

The Audit Committee met five times during the financial year. Information on the attendance at these meetings by the members of the Committee is given in the ensuing section. The Chairman-CEO, the Group Finance Director, Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The Internal Auditors carrying out outsourced assignments and other officials of the Company and the Group also attended these meetings on a needs basis. The Committee engaged with management to review key risks faced by the Group as a whole, and the main sectors, with a view to obtaining assurances that appropriate and effective risk mitigation strategies were in place.

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 the management and External Auditors. The review included ascertaining compliance of same with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. The Committee also discussed with the External Auditors and management, any matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The External Auditors were also engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30 September 2017. The results of this review were discussed with the External Auditors and management.

The Committee obtained independent input from the External Auditors on the effects of several new Sri Lanka Accounting Standards that will come into effect in the next few years and satisfied themselves that the necessary preparatory work was being undertaken to enable the Company and the Group to adopt them.

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 GBPR division and management. The Internal Audit function of most Group companies is outsourced to leading professional firms under the overarching control of the GBPR division.

The GBPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from the outsourced Internal Auditors on the operations of the Company and some of the unquoted subsidiaries of the Company were also reviewed by the Committee. Follow-up action taken on the recommendations of the outsourced Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Head of GBPR.

During the previous year, the GBPR division successfully implemented a digital forensic project across the entire Group, for analysing transactional data, to report on outliers for management review and continuously improve controls to enhance assurances relating to the integrity of data used for reporting purposes. Building on the learning outcomes and momentum of this initiative, the Group extended the availability of the analytical information to the outsourced internal auditors, to review the data in order to continuously improve and strengthen controls through an independent review mechanism.

The Sustainability and Enterprise Risk Management division reported to the Committee on the process of 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 were obtained 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 Ombudsperson for the Group. The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with management and changes were effected where considered necessary.

Contd.

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 matters of significance that were pending resolution. Before the conclusion of the Audit, the Committee met with the External Auditors and management to discuss all audit issues and to agree on their treatment. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without management being present, prior to the finalisation of the financial statements to obtain their input on specific issues and to ascertain whether they had any areas of concern relating to their work. No matters other than those already discussed with management were raised by the External Auditors.

The External Auditors' final management reports on the audit of the Company and Group financial statements for the year 2017/2018 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 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 31 March 2019, subject to approval by the shareholders at the Annual General Meeting.

N Fonseka

Chairman of the Audit Committee
25 May 2018

Audit Committee Meeting Attendance

	18.05.2017	25.05.2017	26.07.2017	01.11.2017	29.01.2018	Eligible to Attend	Attended
A Cabraal	✓	✓	✓	✓	✓	5	5
N Fonseka	✓	✓	✓	✓	✓	5	5
P Perera	✓	✓	✓	✓	✓	5	5
By Invitation							
S Ratnayake	✓	✓	✓	✓	✓	5	5
R Peiris*	✓	✓	✓	✓	N/A	4	4
G Cooray**	✓	✓	✓	✓	✓	5	5
K Balendra***	N/A	N/A	N/A	N/A	✓	1	1

* *Retired from the Board on 31 December 2017*
** *Appointed as Group Finance Director from 1 January 2018*
*** *Appointed as the Deputy Chairman from 1 January 2018*

3.2.2 Human Resources and Compensation Committee

Composition	• Committee to comprise exclusively of Non-Executive Directors, a majority of whom shall be independent • The Chairman of the Committee must be Non-Executive Director • The Chairman-CEO and Group Finance Director are present at all Committee meetings unless the Chairman-CEO or Executive Director remuneration is under discussion respectively • The President - Human Resources and Legal, is the Secretary of the Committee
Scope	• Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance based pay plans for the Group • Determine and agree with the Board a framework for remuneration of Chairman and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration • Succession planning of Key Management Personnel • Determining compensation of Non-Executive Directors will not be under the scope of this Committee

Human Resources and Compensation Committee Meeting Attendance

	23.06.2017	Eligible to Attend	Attended
A Cabraal	✓	1	1
A Omar	✓	1	1
H Wijayasuriya	✓	1	1
By Invitation			
S Ratnayake	✓	1	1
G Cooray*	✓	1	1

* *Appointed as Group Finance Director from 1 January 2018*

Report of the Human Resources and Compensation Committee

The Committee determined the remuneration of the Chairman-CEO in terms of the methodology set out by the Board, upon an evaluation of his performance for the period by the Non-Executive Directors. The Chairman-CEO's evaluation of the other Executive Directors and the members of the Executive Committee was considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

During the reporting period, the periodic group-wide Compensation and Benefits survey was conducted for the executive cadre positions of the Group. This information will be an input to the Compensation and Benefits cycle of the Group that operates from 1 July 2017 to 30 June 2018.

The succession plans discussed and agreed previously were successfully set in motion.

A report from the Chairman of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairman of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

The Committee wishes to report that the Company has complied with the Companies Act in relation to remuneration of Directors. The annual Management performance appraisal scheme, the calculation of short term incentives, and the award of ESOPs were executed in accordance with the approvals given by the Board, based on discussions conducted between the Committee and the Management.

I wish to thank my colleagues for their valuable inputs in guiding the Committee in its deliberations, and the President responsible for Human Resources of the Group for enabling fruitful interactions at the meetings of the Committee.

A Cabraal

Chairman of the Human Resources and Compensation Committee

25 May 2018

3.2.3 Nominations Committee

Composition	• Majority of the members of the Committee shall be Non-Executive Directors together with the Chairman-CEO • The Chairman of the Committee must be an Independent Non-Executive Director • The President - HR and Legal is the Secretary of the Committee
Scope	• Assess skills required on the Board given the needs of the businesses • From time to time assess the extent to which the required skills are represented at the Board • Prepare a clear description of the role and capabilities required for a particular appointment • Identify and recommend suitable candidates for appointments to the Board • Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clearly expectation in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others • Ensure that every appointee undergoes an induction to the Group • The appointment of Chairperson and Executive Directors is a collective decision of the Board

Report of the Nominations Committee

The Nominations Committee, as of 31 March 2018, consisted of the following:

Mr A Omar (Chairman)
Dr H Wijayasuriya
Ms P Perera
Mr S Ratnayake

The mandate of the Committee remains:

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

During the reporting period the Board of Directors resolved to appoint Mr. K. N. J. Balendra as Deputy Chairman and Mr. J. G. A. Cooray as Group Finance Director with effect from 1 January 2018. Further, it was resolved that Mr. Balendra will take over as Chairman and Mr. Cooray as Deputy Chairman/Group Finance Director with effect from 1 January 2019 upon the retirement of Mr. S. C. Ratnayake, Chairman.

The following appointments were also recommended, and the recommendations accepted.

- Mr. S. C. Ratnayake as a Non-Independent Non-Executive Director of Union Assurance PLC;
- Mr. K. N. J. Balendra as a Non-Independent Non-Executive Director of Ceylon Cold Stores PLC, Keells Food Products PLC, John Keells PLC and Tea Smallholder Factories PLC;
- Mr. J. G. A. Cooray as a Non-Independent Non-Executive Director of Ceylon Cold Stores PLC, Keells Food Products PLC, John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels & Properties PLC, Trans Asia Hotels PLC and John Keells Hotels PLC;
- Mr. J. R. Gunaratne as a Non-Independent Non-Executive Director of Asian Hotels & Properties PLC, Trans Asia Hotels PLC and John Keells Hotels PLC; and
- Mr. S. K. Lalith Obeyesekere as an Independent Non-Executive Director of Tea Smallholder Factories PLC.

The Committee continues to work with the Board on reviewing its skills mix based on the immediate and emerging needs and in particular during the Annual JKH Board Evaluation.

A Omar

Chairman of the Nominations Committee

25 May 2018

Nominations Committee Meeting Attendance

	29.12.2017	Eligible to Attend	Attended
S Ratnayake	✓	1	1
A Omar	✓	1	1
P Perera	✓	1	1
H Wijayasuriya	✓	1	1

3.2.4 Related Party Transactions Review Committee

Composition	• The Chairman must be a Non-Executive Director • Must include at least one Executive Director
Scope	• The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE • Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group • Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis • Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies

Related Party Transactions Review Committee Meeting Attendance

	25.05.2017	26.07.2017	01.11.2017	29.01.2018	Eligible to Attend	Attended
A Cabraal	✓	✓	✓	✓	4	4
N Fonseka	✓	✓	✓	✓	4	4
P Perera	✓	✓	✓	✓	4	4
S Ratnayake	✓	✓	✓	✓	4	4
By Invitation						
R Peiris*	✓	✓	✓	N/A	3	3
G Cooray	✓	✓	✓	✓	4	4
K Balendra**	N/A	N/A	N/A	✓	1	1

* *Retired from the Board on 31 December 2017*

** *Appointed as the Deputy Chairman from 1 January 2018*

Report of the Related Party Transactions Review Committee

The following Directors served as members of the Committee during the financial year:

P Perera
N Fonseka
A Cabraal
S Ratnayake

In addition, the former Group Finance Director Mr. R Peiris (retired on 31 December 2017), Group Finance Director Mr. G Cooray, Deputy Chairman Mr. K Balendra, the former Group Financial Controller Mr. M Rajakariar (retired on 31 December 2017) and Group Financial Controller Mr. S Wijesinghe attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and the CSE.

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

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

The Committee reviewed and pre-approved all proposed non-recurrent RPTs of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels and Properties PLC, Trans Asia Hotels PLC, John Keells Hotels PLC, Ceylon Cold Stores PLC, Keells Food Products PLC, and Union Assurance PLC. Further, recurrent RPTs were reviewed annually by the Committee. Other significant transactions of non-listed subsidiaries were presented to the Committee for information.

In addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below. 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.

P Perera
Chairperson of the Related Party Transactions Review Committee
25 May 2018

3.3 Combined Chairman-CEO Role

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

3.3.1 Appropriateness of Combining the Roles of Chairman and CEO

The appropriateness of combining the roles of the Chairman-CEO was established after rigorous evaluation and debate, internally and externally. Subsequent to these rigorous evaluations the Board deemed that combining the two roles is more appropriate for the Group in meeting stakeholder objectives in a large conglomerate setting. This continues to be the view to-date.

The appropriateness continues to be discussed periodically, and in the minimum, at least once a year. These discussions are supported by international best practices accessed through consultancy services and experts.

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

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

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

3.3.2 Chairman-CEO Appraisal

The Non-Executive Directors, appraised the performance of the Chairman-CEO on the basis of pre-agreed goals for the Group, set in consultation with the Board. These goals cover the ensuing broad aspects and the Group's performance is assessed both against the goal and peers which involve other listed companies in the Colombo Stock Exchange:

- Creating and adding shareholder value
- Success in identifying and implementing projects
- Sustaining a first-class image
- Developing human capital
- Promoting collaboration and team spirit
- Building sustainable external relations
- Leveraging Board members and other stakeholders
- Ensuring good governance and integrity in the Group

3.3.3 Direct Discussions with the Non-Executive Directors

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

3.4 Senior Independent Director

Given the combined role of the Chairman-CEO, the Senior Independent Director ensured the adherence to corporate governance principles, and, acted as the independent party to whom concerns could be voiced on a confidential basis. During the year, the Senior Independent Director met with other Non-Executive Directors, without the presence of the Chairman-CEO, and evaluated the effectiveness of the Chairman-CEO and the executive support of the Board.

Refer section 5.2 for more details.

3.5 Group Executive Committee and Other Management Committees

The Group Executive Committee and the other Management Committees met regularly as per a time table communicated to the participants 6 months in advance. In the absence of a compelling reason, attendance at these Committee meetings is mandatory for the Committee members. All the Committees carried out specific tasks entrusted to each component, as expected.

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

3.5.1 Group Executive Committee (GEC)

As at 25 May 2018, the 7-member GEC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director and the Presidents of each business/function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairman-CEO, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources.

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.

Refer GEC Profiles section of the Annual Report for more details.

The GEC meets twice a month, in addition to the meetings that are scheduled as necessitated by the requirements of the Group.

SUBSEQUENT TO RIGOROUS EVALUATIONS THE BOARD DEEMED THAT COMBINING THE TWO ROLES IS MORE APPROPRIATE FOR THE GROUP IN MEETING STAKEHOLDER OBJECTIVES IN A LARGE CONGLOMERATE SETTING. THIS CONTINUES TO BE THE VIEW TO-DATE.

3.5.2 Group Operating Committee (GOC)

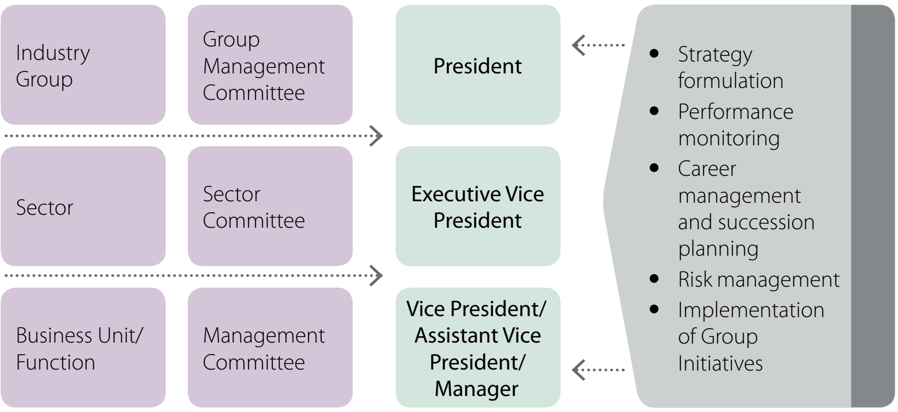
As at 25 May 2018, the 23-member GOC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director, the Presidents and the Executive Vice Presidents. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions. The GOC is scheduled once a month during the year and is instrumental in preserving a common group identity across diverse business units.

Refer GOC Profiles section of the Annual Report for more details.

3.5.3 Other Management Committees

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

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



3.6 Employee Empowerment

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

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

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

In furtherance of this, the Group continued its CSR Initiative Project WAVE (Working Against Violence through Education) aimed at combating gender based violence and child abuse through awareness creation. A total of 220,825 individuals, including Group staff, participated in the project as at 31 March 2018. The Group has also embarked on a project to create greater awareness among employees regarding gender identity and sexual orientation, towards building a truly inclusive culture within the Group. Additionally, the Group strives to incorporate these practices, where relevant, in the supply chain contracts entered into by the Group.

4. Integrated Governance Systems and Procedures

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

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

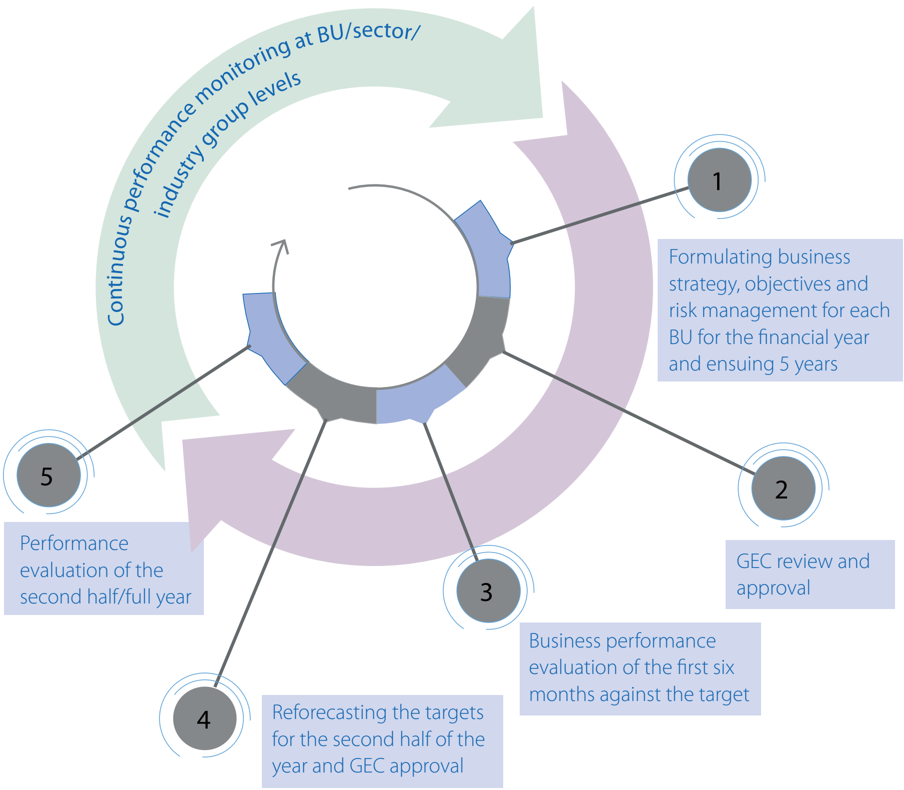
4.1 Strategy Formulation and Decision Making Processes

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

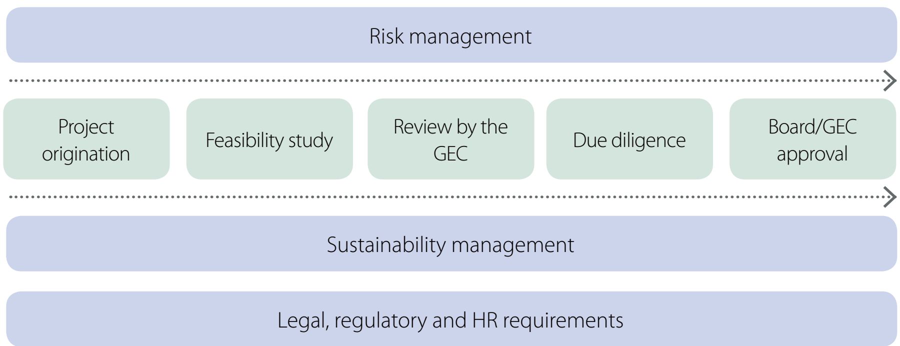
In this manner:

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

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



4.1.1 Project Approval Process



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

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

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

THE GROUP HUMAN RESOURCE GOVERNANCE FRAMEWORK IS DESIGNED IN A MANNER THAT ENABLES HIGH ACCESSIBILITY BY ANY EMPLOYEE TO EVERY LEVEL OF MANAGEMENT. THE GROUP FOLLOWS AN OPEN-DOOR POLICY FOR ITS EMPLOYEES AND THIS IS PROMOTED AT ALL LEVELS OF THE GROUP

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

The aforementioned project appraisal framework flow is illustrated alongside.

4.2 Human Resource Governance

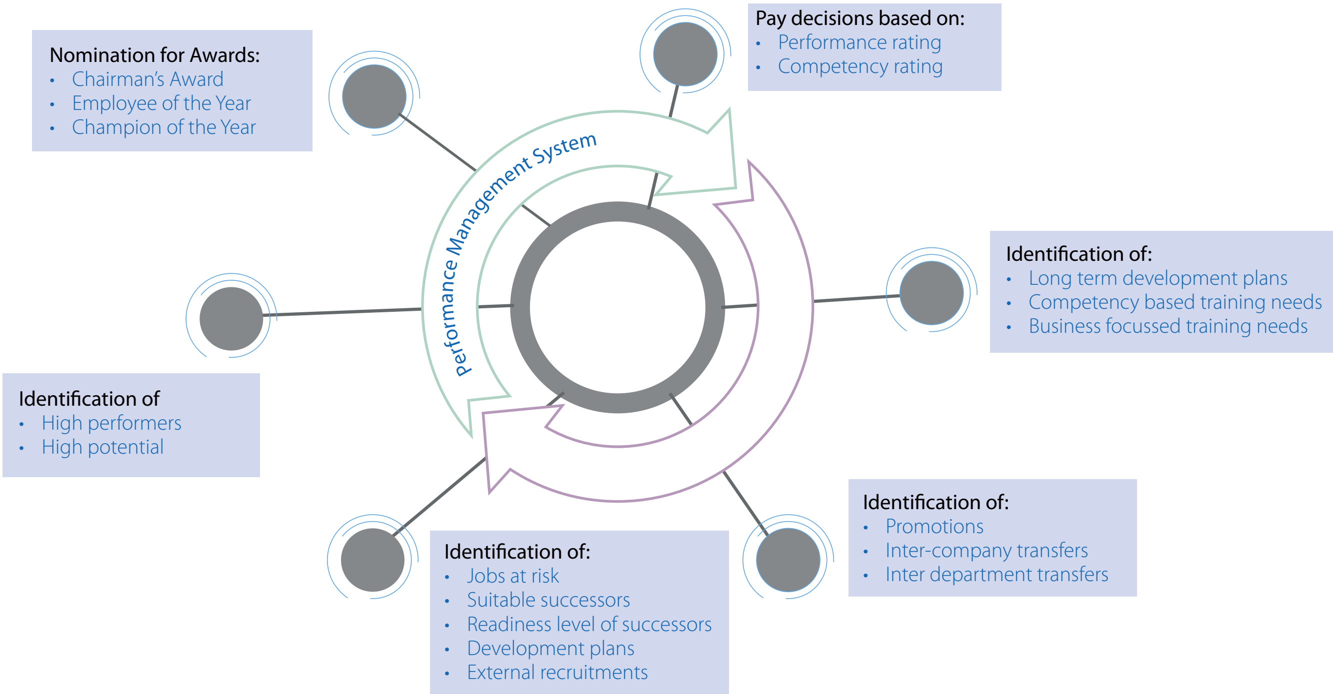
The Group human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employees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

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

4.2.1 Performance Management

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

Whilst the employees are appraised for their performance, equal emphasis is placed on how well they embody Group Values, namely; Caring, Trust, Integrity, Excellence and Innovation.



4.2.2 Performance Based Compensation Philosophy

The JKH Group Compensation Policy is as follows:

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

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

Compensation Policy

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

Internal Equity

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

External Equity

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

4.2.2.1 Equity Sharing

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

4.3 Integrated Risk Management

JKH's Group-wide risk management programme focusses on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress test various risk scenarios. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving stakeholder wealth. The Group manages its enterprise risk, audit, and incident management processes through an automated risk management platform that was introduced in 2016/17. This platform enables the maintenance of live, dynamic and virtual risk registers which are linked to business goals and responsible personnel. Features such as the provision of timely alerts on action plans and escalation processes for risks where action plans are over-due ensure maintenance of live risk grids.

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

- Integrating and aligning activities and processes related to planning, policies/ procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management
- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks

The Board, GEC and Group Risk Management Committees, oversee risk management across the Group to ensure that risks are brought within tolerance, managed and/or mitigated.

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

4.4 Information Technology (IT) Governance

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

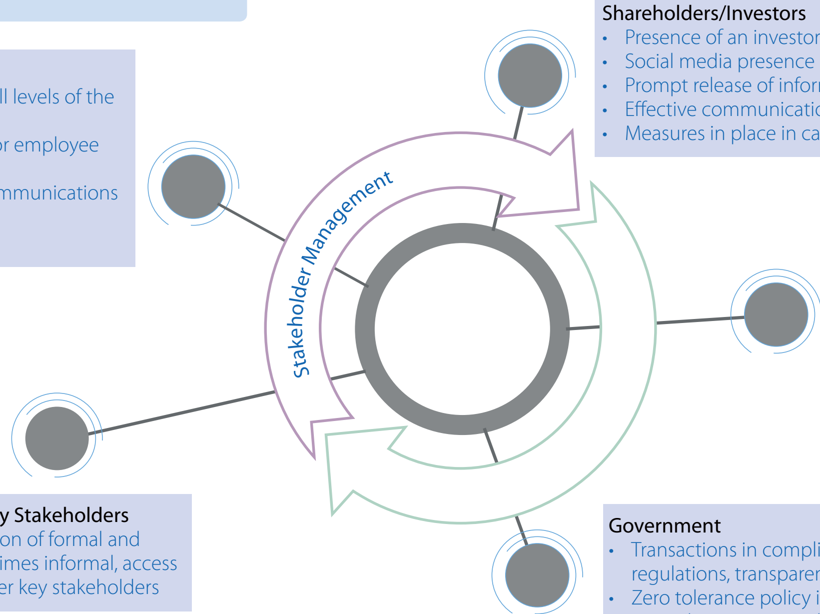
The IT governance framework used within the Group leverages best practices and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9000:2008, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/ BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), in providing a best of breed framework. The Group periodically tests its business resilience against the centrally hosted/facilitated IT services which provides an opportunity to identify limitations and areas for further improvement in the IT infrastructure.

During the year under review, the Group implemented a Managed Security Operations Centre (SOC) in liaison with a reputed international service provider, to continuously monitor and strengthen the Group's IT infrastructure against vulnerabilities, thereby preventing, detecting, analysing, and responding to cyber security incidents. This initiative, facilitated by technology as well as continually updated, well-defined processes and procedures within the Group, is expected to strengthen the Group's resilience towards cyber-attacks. The cyber resilience programme was also revisited concurrently, with a revamped set of policies, procedures and methods put in place to cater to the evolving hybrid cloud environment and digitisation requirements of the Group. Other initiatives also included the upgrading of the Identity and Access Management Solution, and the Data Classification Program.

4.5 Stakeholder Management and Effective Communication

Following are the key stakeholder management methodologies adopted by the Group.

Please refer the Materiality and Stakeholder Relationship section of the Annual Report for a detailed discussion.



Employees
- Accessibility to all levels of the management
- Various means for employee involvement
  - Corporate Communications
  - JK Forum
  - Young Forum

Shareholders/Investors
- Presence of an investor relations team
- Social media presence
- Prompt release of information to public/CSE
- Effective communication of AGM related matters
- Measures in place in case of serious loss of capital

Customers/Suppliers
- Providing of quality and safe products
- Constant engagement with customers
- Procedures to ensure long term business relationships with suppliers

Other key Stakeholders
- Provision of formal and sometimes informal, access to other key stakeholders

Government
- Transactions in compliance with all relevant laws and regulations, transparently and ethically
- Zero tolerance policy in ensuring that all business units meet their statutory obligations in time and in full

COMMENCING FROM JANUARY 2018, INVESTOR PRESENTATIONS, WHICH INCLUDE AN UPDATE ON THE LATEST FINANCIAL RESULTS, WERE MADE AVAILABLE ON THE CORPORATE WEBSITE, TO PROVIDE EASIER ACCESS AND IN-DEPTH DETAIL OF THE OPERATIONAL PERFORMANCE OF THE GROUP.

4.5.1 Communication with Shareholders

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

4.5.1.1 Investor Relations

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

The Investor Relations team has regular discussions with shareholders, as and when applicable, to share highlights of the Group's performance as well as to obtain constructive feedback. Commencing from January 2018, Investor Presentations, which include an update on the latest financial results, were made available on the corporate website, to provide easier access and in-depth detail of the operational performance of the Group.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries, the Senior Independent Director or the Chairman, although individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

4.5.1.2 Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting a true and fair view, and balanced assessment of results in the quarterly and annual financial statements. Accordingly, JKH has reported a true and fair view of its financial position and performance for the year ended 31 March 2018 and at the end of each quarter of the financial year 2017/18.

All other material and price sensitive information about the Company is promptly communicated to the CSE and such information is also released to employees, the press and shareholders. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or Management of JKH. Such questions, requests and comments should be addressed to the Company Secretary.

The Group focusses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Group ensures that information is communicated accurately and in a manner that will avoid the creation or continuation of a false market.

4.5.1.3 Annual General Meeting

Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Group. Shareholders are provided with the Annual Report of JKH in CD form. Shareholders may at any time elect to receive an Annual Report from JKH in printed form, which is provided free of charge.

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

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

4.5.1.4 Serious Loss of Capital

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

4.6 Sustainability Governance

The John Keells Group places great importance on sustainable development. The Group believes that its financial performance and brand image are closely aligned with sound corporate governance practices, product and service excellence, a productive workforce, environmental stewardship and social responsibility. The Group's approach to sustainability continues to be aligned to support the Sustainable Development Goals adopted by the United Nations in 2015, which expands on the Millennium Development Goals.

Please refer the Sustainability Integration and Stakeholder Relationships section of the Report for a detailed discussion of the Group's strategy of entrenching sustainability within its business operations, and the scope and boundary of its sustainability content.

5. Assurance Mechanisms

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

5.1 The Code of Conduct

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

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

The Group Values continue to be consistently referred to by the Chairman-CEO, Presidents, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instil these Values in the hearts and DNA of the employee.

Group Values are found in the About Us section of the Annual Report.

5.2 Senior Independent Director

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

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

Report of the Senior Independent Director

Independent Directors
A Cabraal
N Fonseka
A Omar
P Perera
H Wijayasuriya (appointed w.e.f. 4 October 2016)

All Independent Directors have been Directors for less than nine years from their date of first appointment.

Apart from unstructured and informal contacts, the Independent Directors had two formal meetings to discuss matters relevant to their responsibilities as Non-Executive Directors. These meetings concluded with a wrap up session with the Chairman-CEO, who provided responses to matters raised, or agreed to provide further information or clarification at Board meetings. A matter that received the special attention of the Non-Executive Directors was senior management succession. A plan was approved by the Board during the year and implementation is in progress.

The meeting minutes of the Group Executive Committee (GEC) are circulated to the Non-Executive Directors and this ensures that there is a high degree of transparency and interaction between the Executive and Non-Executive members of the Board. The Non-Executive Directors are also kept advised on the progress of key ongoing projects and management responds to any clarifications sought.

The Ombudsperson has reported to me that no issues have been brought to his attention that indicate mismanagement, unfair treatment or justified discontent on the part of any employee or ex-employee during the financial year.

The Independent Directors thank the Chairman-CEO, Executive Directors, the GEC, Sector Heads and members of the management team for their openness and co-operation on all matters where their input was sought by the Non-Executive Directors.

N Fonseka
Senior Independent Director
25 May 2018

5.3 Board Sub-Committees

The Board Sub-Committees play an important supervisory and monitoring role by focussing on the designated areas of responsibility passed to it by the Board.

For more information on the Board Sub-Committees section refer section 3.2 of this Report.

5.4 Employee Participation in Assurance

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

- Skip level meetings
- Exit interviews
- Young Forum meetings
- 360 degree evaluation
- Employee surveys
- Monthly staff meetings
- Ombudsperson
- Access to Senior Independent Director
- Continuous reiteration of the "Open-Door" policy

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

5.5 Internal Controls

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

The following initiatives were implemented during the year under review.

- Forestpin "Watch List" project - Automated monitoring and workflow based escalation in order to facilitate timely clearing of all transactional entries including complete reconciliation. Unreconciled and open entries to be flagged and periodically scrutinised, and formal disclosure to be made to the relevant Audit Committees.
- Forestpin "Deposits" project - Efficient management and tracking of cash and cheques deposits, in line with international best practice.
- Forestpin "Internal Audit Scoping" - Streamlining and optimisation of the Internal Audit function, via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.
- Process for improving the external auditor engagement based on structured surveys, which focus on feedback, sentiment analysis, and pre-defined performance criteria.

5.5.1 Internal Compliance

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

5.5.2 System of Internal Control

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

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

5.5.3 Segregation of Duties (SoD) under Sarbanes-Oxley (SOX) Guidelines

The Group is very aware of the need to ensure that no individual has excessive system access to execute transactions across an entire business process or business processes which have critical approval linkages. The increasing use of information technology and integrated financial controls creates unintended exposures within the Group. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is able to execute two or more conflicting, sensitive transactions. Separating discrete jobs into task-oriented roles can often result in inefficiencies and costs which do not meet the cost versus benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, the Group continued to take steps, to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale.

5.5.4 Data Analytics

Traditionally, internal auditing followed an approach which was based on a cyclical process that involves manually identifying control objectives, assessing and testing controls, performing tests, and sampling only a relatively small population of the dataset to measure control effectiveness and operational performance. Today, the Group operates in a complex and dynamic business environment where the number of transactions has increased exponentially over the years and the traditional cyclical/sample based internal auditing techniques are becoming less effective. As such, the Group continues to use "big data analysis" techniques on the total data using Standard Deviations and Z-Scores in establishing real time, user-friendly "outlier identification" and "early warning triggers".

5.5.5 Internal Audit

The Group internal audit process is conducted by outsourced parties at regular intervals, coordinated by the Group Business Process Review function (GBPR) of the Group. GBPR ensures that the internal audit plan adequately covers the significant risks of the Group, reviews the important internal audit findings and follow-up procedures.

Whilst there are merits and demerits associated with outsourcing an internal audit, the Group is of the view that having an external based auditor is more advantageous. However, there are certain industries where the domain is very operationally specific and requires an internal auditor in addition to the external auditor.

5.6 Ombudsperson

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

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

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

i. the decision and the recommendations;
ii. action taken based on the recommendations;
iii. where the Chairman-CEO or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons 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, in any manner, for having invoked this process.

Report of the Ombudsperson

Mandate and Role

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

(a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;
(b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairman/CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;
(c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies.

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

No issues were raised by any member of the Companies covered, during the year under review.

Ombudsperson

25 May 2018

5.7 External Audit

Ernst & Young are the external auditors of the Company as well as many of the Group companies. The individual Group companies also employed KPMG Ford, Rhodes, Thornton & Co, Price Waterhouse Coopers, and Luthra and Luthra, India as external auditors. The appointment/re-appointment of these auditors was recommended by the individual Audit Committees to their respective Boards of Directors.

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

6. Regulatory and Accounting Benchmarks

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

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

With reference to Rule 7.13.2 of the Listing Rules of the Colombo Stock Exchange governing the minimum public holdings of listed entities, , the John Keells Group divested 915,268 ordinary shares of Union Assurance PLC, during the year under review. As at 31 March 2018, the public holding of UA stood at 7.64 per cent. Post the reporting period, JKH divested a further 2.36 per cent stake of UA thereby reducing the Group's stake to 90 per cent. UA has requested a transfer from the Main Board to the Diri Savi Board of the CSE. It is also noted that the Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL), by letter dated 12 October 2017, informed Nations Trust Bank (NTB) that the Monetary Board of CBSL has permitted the Group to retain the current voting shareholding in NTB till December 2020, and to reduce it to 15 per cent with effect from the said date. The Monetary Board has also required NTB to limit the voting rights of the Group to 10 per cent with effect from 31 March 2018.

The Board of Directors also took all reasonable steps in ensuring that all financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the CSE and other applicable authorities. Information contained in the financial statements of the Annual Report is supplemented by a detailed Management Discussion and Analysis which explains to shareholders, the strategic, operational, investment, sustainability and risk related aspects of the Company, and the means by which value is created and how it is translated into the reported financial performance and is likely to influence future results.

JKH and its subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the:

- Corporate Governance Listing Rules published by the CSE; and
- Companies Act No.7 of 2007

The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by CA Sri Lanka and the SEC and have in all instances, barring a few, embraced such practices, voluntarily, particularly if such practices have been identified as relevant and value adding. In the very few instances where the Group has not adopted such best practice, the rationale for such non-adoption is articulated.

7. Outlook and Emerging Challenges

In an ever changing and dynamic world of corporate governance, JKH is acutely aware of the need to remain vigilant and geared through its level of preparedness and its capability in meeting the emerging governance needs of the Group, its stakeholders and the environment in which the Group operates. The Group has continued to endeavour, in the year under review, to stay abreast of governance best practices.

Corporate disintegrations in the recent past, the pursuit of continuous improvement in governance and a call for increased transparency are exerting change pressure on selected governance aspects. Summarised below are the more significant challenges, amongst many others, being continually addressed by JKH.

7.1 Board Diversity

There will undoubtedly be a continual push to increase diversity amongst the Board Directors, particularly pertaining to Gender diversity. JKH acknowledges the need for diversity on the Board to represent expertise needed by the Group and is also conscious of the need to have a Board which is composed of Directors who represent, and therefore reflect the needs and desires of its customers, employees and other stakeholders. The Group will attempt to attract appropriately skilled personnel to the Board and continue to strike a balance in this regard, whilst ensuring that Board diversity does not come at the expense of Board effectiveness.

Given that women comprise a significant proportion of the customer and employee populations, the Group will make greater effort to attract appropriately qualified women to its various Boards.

7.2 Activist Investors

The past few years have seen a significant increase in shareholder activism. This would invariably mean that Directors will be held increasingly accountable for the company's performance. The Group will meet this challenge through more frequent communication with its shareholders and through enhanced levels of public disclosure. The Group will continue to focus on maintaining suitable channels of communication with investors, and analysts, as required, on a timely basis. To this end, during the year under review, the JKH Group investor presentation was made available on the corporate website.

7.3 Continual Strengthening of Internal Controls

Given ever-evolving business dynamics, the Group is aware of the need to augment transactional and financial internal controls with operational aspects, in line with international best practice. To this end, the Group will continually strive towards a secure, fully automated platform which augments operational aspects with existing processes, to optimise and facilitate process audit information, life cycle management and related processes thereby enabling a sustainable and structured process which will contribute positively towards value creation. The benefits of this envisaged framework, are illustrated below.

Eliminate	Provide	Enable	Identify
Eliminate inefficiencies inherent with manual processes	Provide a platform based on process enforcement	Enable management follow-up based on centrally held data in the compliance repository	Identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture

7.4 Digital Oversight, Data Protection and Cyber Security

The Group is increasingly reliant on technology in ways that were, perhaps, inconceivable several years ago. The possibilities of how technology will impact businesses remain infinite. The Board is well aware of the need to protect companies from threats which are novel and illusive. As such, work continues to be proactive in avoiding, planning and being prepared for an inevitable breach. Cyber security continues to be a regular item on the agenda of Risk Management and Audit Committees and is periodically discussed at the Board level. Whilst harnessing the potential of the data available in the Group for better decision making and marketing through analytics, the Group is also conscious of the need to protect and classify such data.

7.5 Board Refreshment and Independence

Whilst there is one school of thought that routine turnover on Boards is necessary to introduce new ideas and experiences to keep up with the dynamic needs of the business, there is another school of thought which is of the view that Boards and companies benefit from tenured and experienced Board members who know the business and industry since they have been engaged in it for some time. The Group is in favour of a "middle of the road" approach in this respect. JKH will strike a right balance between continuous Board refreshment, which, in general, is thought to facilitate independence, and tenured and experienced Board members, who are perceived as having lesser independence because of their extended tenure on the Board.

7.6 Greater Employee Involvement in Governance

JKH acknowledges, and recognises, the role played by all its employees in reinforcing an effective governance system. Going forward, JKH will continue to encourage employee participation through;

- A further strengthened performance management process and enhanced engagement via the employee information systems
- Engagement and empowerment via greater authority
- Increased communication and collaboration
- Adoption of differentiated means of communication based on the age dynamics of employee segments

8. Compliance Summary

Towards the continuous stride in achieving a more cohesive and efficient approach to corporate reporting, and in order to keep the report relevant and concise, the ensuing sections reflect a high-level summary of JKH's conformance with standards and governance codes.

Detailed discussions pertaining to JKH's conformance with each Section/ Principle of the below discussed codes are found on the corporate website.

8.1 Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(i)	Names of persons who were Directors of the Entity	Yes	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Share Information
(iv)	The public holding percentage	Yes	Share Information
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Yes	Share Information
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk, Opportunities and Internal Controls
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Sustainability Integration and Stakeholder Engagement
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Group Real Estate Portfolio
(ix)	Number of shares representing the Entity's stated capital	Yes	Share Information
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Share Information
(xi)	Financial ratios and market price information	Yes	Share Information
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Share Information
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Share Information
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Commentary
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Corporate Governance Commentary

8.2 Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	JKH Action/Reference (within the Report)
7.10 Compliance			
a./b./c.	Compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable
7.10.1 Non-Executive Directors (NED)			
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	5 out of 8 Board members are NEDs. The JKH Group is conscious of the need to maintain an appropriate mix of skills and experience on the Board and to refresh progressively its composition over time

CSE Rule		Compliance Status	JKH Action/Reference (within the Report)
7.10.2 Independent Directors			
a.	2 or 1/3 of NEDs, whichever is higher shall be "independent"	Yes	All NEDs are Independent
b.	Each NED to submit a signed and dated declaration of his/ her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 5 Independent NEDs have submitted signed confirmation of their independence
7.10.3 Disclosures relating to Directors			
a./b.	Board shall annually determine the independence or otherwise of NEDs	Yes	All Independent NEDs have submitted declarations as to their independence
c.	A brief resume of each Director should be included in the annual report including the directors' experience	Yes	Refer Board of Directors section of the Annual Report
d.	Provide a resume of new Directors appointed to the Board along with details	Yes	Detailed resumes of the new Independent NEDs appointed during the financial year were submitted to the CSE. It is noted that there were no appointments to the Board, during the year under review
7.10.4 Criteria for defining independence			
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Refer Summary of NEDs interests section
7.10.5 Remuneration Committee			
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairman of the Committee
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee
c.1	Names of Remuneration Committee members	Yes	Refer Board Committees section of the Annual Report
c.2	Statement of Remuneration policy	Yes	Refer Director Remuneration section
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section
7.10.6 Audit Committee			
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs
a.2	A NED shall be the Chairman of the committee	Yes	Chairman of the Audit Committee is an Independent NED
a.3	CEO and CFO should attend AC meetings	Yes	The Chairman-CEO, Group Finance Director, Group Financial Controller and the External Auditors attended most parts of the AC meetings by invitation
a.4	The Chairman of the AC or one member should be a member of a recognised professional accounting body	Yes	The Chairman of the AC is a member of a recognised professional accounting body
b.	Functions of the AC	Yes	The AC carries out all the functions prescribed in this section
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Yes	The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies
b.3	Overseeing the process to ensure the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management

CSE Rule		Compliance Status	JKH Action/Reference (within the Report)
b.4	Assessment of the independence and performance of the Entity's External Auditors	Yes	The AC assesses the external auditor's performance, qualifications and independence
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	The Committee is responsible for recommending the appointment, re-appointment, removal of External Auditors and also providing recommendations on the remuneration and terms of Engagement
c.1	Names of the Audit Committee members shall be disclosed	Yes	Refer Board Committees section
c.2	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer Report of the Audit Committee
c.3	Report on the manner in which Audit Committee carried out its functions.	Yes	Refer Report of the Audit Committee

8.3 Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Related Party Transactions

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(b)	Details pertaining to Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(c)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transactions Review Committee
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

8.4 Statement of Compliance pertaining to Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof	Yes	Group Directory
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Group Directory
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee/Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements/Annual Report of the Board of Directors

8.5 Code of Best Practice of Corporate Governance 2013 Issued Jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

VOLUNTARY PROVISIONS - FULLY COMPLIANT

Directors	• The Company is directed, controlled and led by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen • Combining the roles of Chairman and CEO is justified given the nature of the Group, at this juncture. The Chairman-CEO is appraised annually. Board Balance is maintained as the Code stipulates • Given the combined role of Chariman and CEO, the Group has a Senior Independent Director • Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals
Directors' Remuneration	• The Human Resources and Compensation Committee, consisting of exclusively NEDs is responsible for determining the remuneration of Chairman-CEO and EDs • ED compensation includes performance related elements in the pay structure. Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under Section 3.1.12 and is in line with the Code
Relationship with Shareholders	• There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute • The Group has in place multiple channels to reach shareholders as discussed under Section 4.5.1
Accountability and Audit	• Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the company carried out all business in accordance with regulations and applicable laws, equitably and fairly • The Company continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements • There is an annual review of effectiveness of Internal Control which ensures the maintenance of a sound system of internal control • The Internal Audit function and the Audit Committee, functions as stipulated by the Code
Institutional Investors	• The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM • The Internal Audit function and the Audit Committee, functions as stipulated by the Code
Other Investors	• Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required
Sustainability Reporting	• The Group places emphasis on sustainable development and value creation. The Group's Sustainability Management Framework includes strategies for entrenchment of sustainability through awareness creation, monitoring and sustainability assurance • This Report has been prepared in accordance with the GRI Standards: Core option

Management Discussion and Analysis

Group Consolidated Review

Leveraging the scale, experience and resources

This Report is the third Integrated Report of John Keells Holdings PLC, prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Report entails a holistic discussion of the Group's diverse strong points; covering the financial, environmental, human and social aspects, which link to form the John Keells Group's value creation process.

In order to provide our stakeholders an insightful view of the Group's operations, the Management Discussion and Analysis (MD&A) section of this Report consists of the following sections.

- Group Consolidated Review
- Industry Group Review

Whilst the Group Consolidated Review is a helicopter view of the Group's performance, the Industry Group Review section provides a detailed discussion on the value creation process of each industry group, including its performance, during the year under review.

The Group Consolidated Review consists of the ensuing sections:

- **External Environment**

  A discussion of key macro-economic fundamentals, which impacted favourably or unfavourably, the Group's ability to create value.

- **Capital Management Review**

  A discussion of the forms of Capital available for deployment and how such Capital created value to stakeholders, at a Group level. It also reviews the performance of each form of Capital and the value enhancement/ deterioration during the year under review.

- **Outlook**

  Provides a discussion on the economic outlook for Sri Lanka in the short to medium term, the high-level impacts to the businesses and the overall business strategy of the Group.

- **Strategy, Resource Allocation and Portfolio Management**

  Discusses the performance of the overall portfolio, the overall strategy and means by which capital is allocated for investments. The performance of the Group is also measured against the long-term strategic financial objectives of the Group.

- **Sustainability Integration and Stakeholder Relationships**

  Provides insight into the nature and quality of the Group's relationships with its stakeholders, including a discussion on the manner in which the Group connects and responds to the legitimate needs and interests of these varied stakeholders. This section also encompasses an overview of the Group's strategy towards entrenching sustainability across all business operations and functions.

- **Risks, Opportunities and Internal Controls**

  Details the specific risks and opportunities that affects the Group's ability to create value, including an assessment of the materiality of the risk to the Group's performance.

- **Investor Relations**

  Entails a discussion on the performance of equities, both globally and regionally, which is followed by a discussion of the JKH share performance including key disclosures pertaining to shareholders of JKH, as required by relevant regulators. This section also entails a detailed summary of the Group's businesses and operational performance in order to provide current and prospective investors a brief overview of the Group.

GROUP CONSOLIDATED REVIEW

External Environment

The Sri Lankan economy grew by 3.1 per cent for the calendar year 2017, compared to the 4.5 per cent GDP growth recorded in 2016, primarily as a result of prolonged adverse weather conditions and a contractionary monetary policy stance. Inflation remained high during the calendar year, on account of the aforementioned impacts, and minor disruptions to food supply on the back of unfavourable weather conditions.

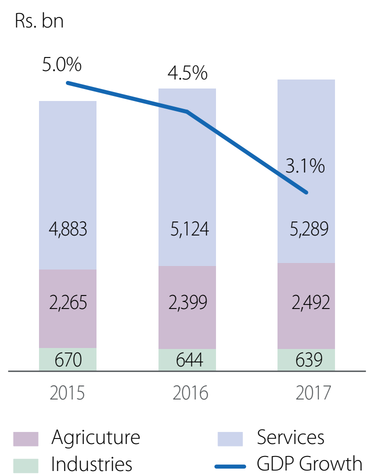
In June 2016, the International Monetary Fund (IMF) approved a three-year USD 1.50 billion Extended Fund Facility (EFF) to support the Government's fiscal consolidation efforts, external financing conditions and the economic reform agenda of the Government. During 2017, as per the recommendations of the IMF, the Central Bank of Sri Lanka (CBSL) laid down a roadmap aimed at adopting a flexible inflation targeting (FIT) regime, from the previous monetary targeting framework. It is expected that the FIT framework for the conduct of monetary policy would ensure price stability in the economy on a sustainable basis, thereby creating an enabling environment for businesses by boosting confidence, leading to higher economic growth prospects. CBSL maintained a tight monetary stance during the year, amidst high level of credit growth to the private sector and increasing inflation.

A notable development in May 2017, was the reinstatement of the Generalised System of Preferences Plus (GSP+) by the European Union, conditional on Sri Lanka advancing human and labour rights and working towards sustainable growth and development. Benefiting from this special incentive arrangement and the Generalised System of Preferences (GSP) by the United States, export earnings demonstrated a 10.2 per cent growth in 2017, driven by tea, petroleum products, textiles and garments, and spices.

Standard and Poor's raised the outlook of Sri Lanka's 'B+' rating to 'stable' from 'negative', citing the Government's commitment to uphold its reform momentum through enactments, such as the value added tax (VAT) reform, the Inland Revenue Act and the Liability Management Act, to proactively address the issue of rising sovereign debt maturities in 2019. Sri Lanka's gross official reserves strengthened in 2017, rising to USD 8.0 billion from USD 6.0 billion recorded in the previous year, aided by foreign inflows to the Government securities market and Foreign Direct Investments, particularly channelled towards large-scale infrastructure projects. Driven by these favourable developments, the balance of payment (BOP) improved significantly, recording a surplus of USD 2.1 billion in 2017 [CY2016: Deficit of USD 500 million].

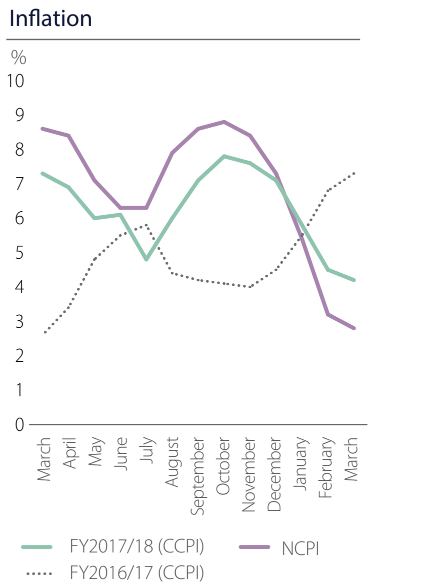
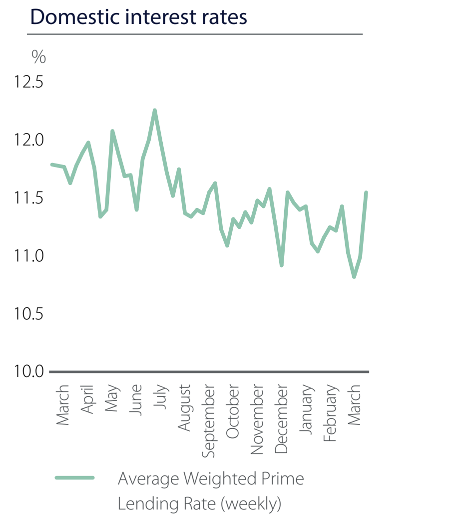
A detailed discussion on the performance of the Sri Lankan economy is found under the Supplementary Information section of this Report. A more comprehensive discussion of the external environment relevant to the businesses is found in the Industry Group Review section of this Report.

The ensuing sections detail the movement of the primary macro-economic variables during the year under review and the resultant impacts on the performance of the Group's businesses.

<table>
<tr><th>Macro-Economic Variable</th><th>Cause</th><th>Impact to JKH</th></tr>
<tr><td>GDP growth


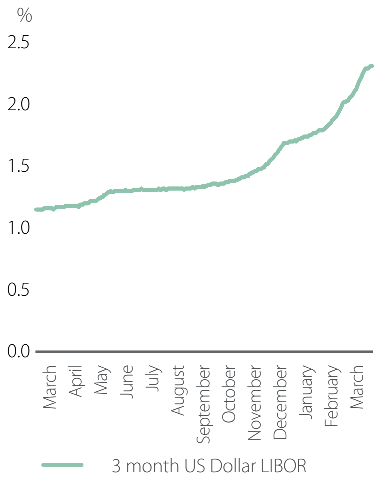
Sri Lanka's GDP grew by 3.1 per cent in 2017, compared to 4.5 per cent in 2016.</td><td>The economic growth in 2017 was mainly supported by growth in the Industrial and Services sectors, which recorded a growth of 3.9 per cent and 3.2 per cent respectively.

The growth of construction activity that supported overall economic growth throughout the post conflict period, with the exception of 2015, decelerated notably during 2017. The Agricultural sector contracted by 0.8 per cent against a backdrop of adverse weather conditions that continued from 2016.</td><td>Whilst the overall performance of the Group demonstrated significant growth over the previous year, the slow-down in economic growth impacted business and consumer sentiment, leading to a moderation of consumer spending and tapering of demand, which particularly impacted the Consumer Foods and Retail industry group.</td></tr>
</table>

Macro-Economic Variable	Cause	Impact to JKH
 Year-on-year headline inflation, based on the NCPI, decreased to 2.8 per cent in March 2018, from 8.6 per cent in March 2017. Year-on-year core inflation, based on the NCPI decreased to 1.90 per cent in March 2018, from 7.0 per cent in March 2017.	Inflationary pressures during the year were compounded by the impact of domestic supply side disruptions, particularly stemming from adverse weather conditions, effects of various taxation policies and increased rates which materialised during the year, and rising international commodity prices. Core inflation, which measures the underlying inflationary pressures of the economy, stood at 4.3 per cent in December 2017, indicating some demand pressures on the economy. Headline inflation peaked in October 2017, as evident in the trend graph. Headline inflation remained high on account of double digit food inflation. However, core inflation moderated during the year, as tight monetary policy measures took effect. With the moderation of food inflation, headline inflation and core inflation decelerated considerably in the first quarter of calendar year 2018.	The rising inflationary trend impacted consumer discretionary spending which led to a moderation in the growth of the Consumer Foods and Retail industry group and the Office Automation business. Whilst margins of the Ice Cream and Beverage businesses were marginally impacted by increases in the prices of certain raw material, the Convenience Foods business was favourably affected by a reduction in the prices of related raw material.
 AWPLR decreased marginally to 11.55 per cent in March 2018 from 11.79 per cent in the previous year. The 3-month treasury bill rate was 8.17 per cent in March 2018 compared to 9.63 per cent in March 2017.	CBSL continued its contractionary monetary policy stance during the year, in view of rising inflationary pressures during most of the year, and accelerating demand side inflationary pressures through continued monetary and credit expansion. To address the lacklustre performance in economic growth, coupled with the positive trends in inflation in the first quarter of the 2018 calendar year, the Monetary Board reduced the Standing Lending Facility Rate (SLFR), which is the upper bound of the policy interest rate corridor of CBSL, by 25 basis points to 8.50 per cent in April 2018. This indicated a shift in policy stance, signalling an end to the tightening cycle of monetary policy.	The Group witnessed an overall increase in finance income despite the gradual decrease in interest rates. The Group took initiatives to invest in more short-to-medium term investments, during the year under review. Towards the latter end of the year, the Group locked in investments at higher rates, based on the Group's rate outlook and liquidity requirements for the year. The Group's finance expense increased primarily on account of an increase in overall debt.

<table>
<tr><th>Macro-Economic Variable</th><th>Cause</th><th>Impact to JKH</th></tr>
<tr><td>

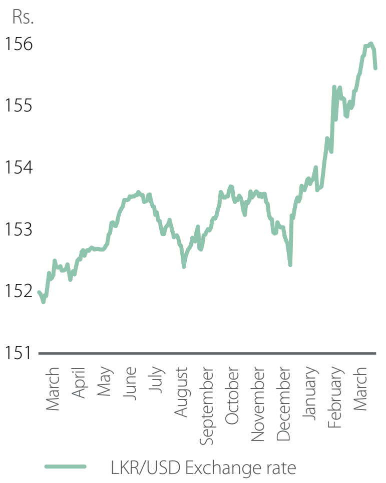
Global interest rates



3-month USD LIBOR increased to 2.31 per cent in March 2018, from 1.15 per cent in March 2017.

</td><td>As anticipated, the Federal Reserve Open Market Committee (FOMC) voted to raise the federal funds rate by 25 basis points to between 1 per cent and 1.25 per cent in June 2017, which was followed by a further rate hike in December 2017, to between 1.25 per cent and 1.5 per cent. The FOMC raised interest rates in March 2018, for the 6th time since the financial crisis, bringing the Fed Fund rate to between 1.5 per cent and 1.75 per cent; which reflects its confidence in the US economy on the back of strengthening labour market conditions and inflation edging up towards the policy makers' 2 per cent target.</td><td>The steady rise of 3-month US Dollar LIBOR rates during the calendar year was in line with expectations. Given the likelihood of further rate increases in 2017 and beyond by the FOMC, and the pricing based on the interest rate swap curve, the Group maintains a partial hedge of the USD 395 million syndicated loan facility as a prudent measure to mitigate the Group's exposure to rate fluctuations. The Group also consciously invested its US Dollar cash holdings in floating rate deposits which helped more than off-set the negative impacts arising from the rise in LIBOR during the year.</td></tr>
<tr><td>

Exchange rates



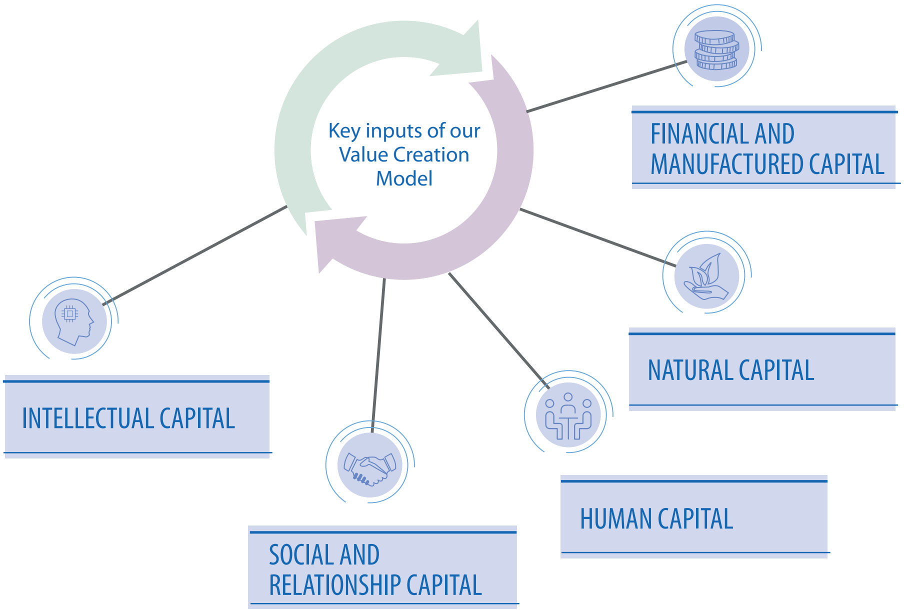
The Rupee depreciated to Rs.155.61 against the US Dollar as at 31 March 2018, compared to its closing rate of Rs.151.99 per US Dollar as at 31 March 2017.

</td><td>The LKR/USD exchange rate remained relatively stable in 2017 under a more market based exchange rate policy implemented by the CBSL. The pressure on the Rupee, which prevailed particularly during the first two months of 2017, moderated with increased foreign investment and export proceeds. The depreciation pressure on the Rupee further eased from mid-2017 with the receipt of foreign proceeds, particularly disbursements of two tranches of the IMF-EFF programme, which contributed towards improved investor confidence.</td><td>The depreciation of the Rupee had a positive financial impact on the Holding Company, given its significant USD cash balance, and on businesses having Dollar denominated income streams, particularly businesses in the Leisure industry group. Given the higher reliance on imported inputs, the Consumer Foods and Office Automation sectors took proactive steps to mitigate exchange rate risks.

In addition to implementing foreign exchange exposure management strategies, the Group continued to maintain, or where relevant, create a "natural hedge" to manage the volatility of the foreign exchange markets. It is noted that the exchange rate exposure arising from the "Cinnamon Life" project is mitigated to an extent since the functional currency of the project company, Waterfront Properties (Private) Limited, is in US Dollars.</td></tr>
</table>

Note : AWPLR - Average Weighted Prime Lending Rate; CBSL - Central Bank of Sri Lanka; GDP - Gross Domestic Product; LIBOR - London Inter-Bank Offer Rate; NCPI - National Consumer Price Index; SDFR rate - Standing Deposit Facility Rate; SLFR rate - Standing Lending Facility Rate; SRR - Statutory Reserve Ratio

Long-term sustainable value creation remains at the core of all Group activities and is the fundamental essence of our business model and business framework. The key inputs of our value creation model are;



The ensuing sections outline the manner in which each Capital is utilised for the execution of the businesses' near, medium and long-term strategies in creating value to all stakeholders concerned. The sections also detail the performance of the Group, under each form of Capital.

In addition to the core operations of each of the business units, the Group makes a conscious and collective effort to cater to wider societal needs, meaningfully enriching and empowering the lives of the surrounding communities, via its corporate social responsibility (CSR) entity, John Keells Foundation ("Foundation"). The Group's CSR initiatives are intrinsically intertwined and connected to social, economic and environment concerns and aligned with the 5Ps of the Sustainable Development Goals (SDGs) - People, Planet, Partnerships, Prosperity and Peace. All initiatives carried out by the Foundation are medium to long term, strategic and sustainable projects that fall into one of six focus areas: Education, Health, Environment, Livelihood Development, Arts & Culture and Disaster Relief, inspired by the Group's CSR vision "Empowering the Nation for Tomorrow". Given the integrated nature of this Report, the Group's CSR initiatives are discussed under the relevant sections.

Further business-specific initiatives of the CSR arm are found in the Industry Group Review section of this Report and the John Keells Foundation website (www. johnkeellsfoundation.com)

THE GROUP'S CSR INITIATIVES ARE INTRINSICALLY INTERTWINED AND CONNECTED TO SOCIAL, ECONOMIC AND ENVIRONMENT CONCERNS AND ALIGNED WITH THE 5PS OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGS) - PEOPLE, PLANET, PARTNERSHIPS, PROSPERITY AND PEACE.

FINANCIAL AND MANUFACTURED CAPITAL

Financial Performance

Revenue

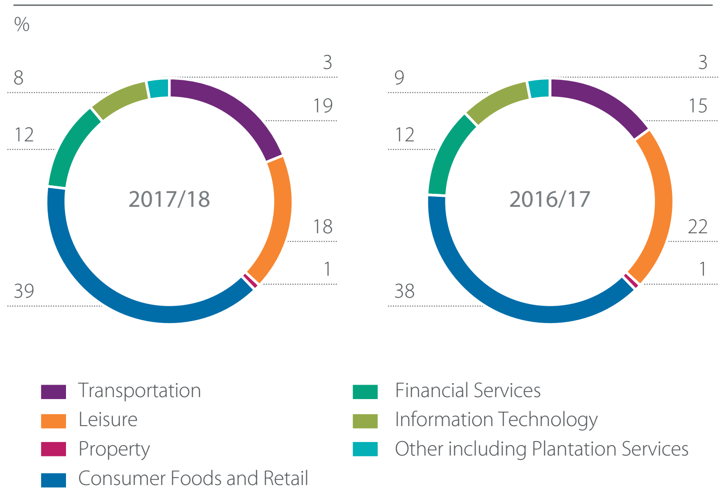
In the year under review, Group revenue increased by 14 per cent to Rs.121.22 billion [2016/17: Rs.106.27 billion], with the Consumer Foods and Retail (CF&R), Transportation and Financial Services industry groups being the primary contributors to revenue growth.
The top three businesses that contributed to revenue growth were:

- Retail - driven by growth in same store sales growth and incremental revenue generated from newly opened outlets
- Bunkering - driven by a significant increase in the base price of bunker fuels in addition to the double-digit volume growth
- Life Insurance - driven by a 22 per cent increase in gross written premiums (GWP)

Revenue emanating from domestic sources was Rs.92.13 billion [2016/17: Rs.81.78 billion].

Group revenue inclusive of equity accounted investees increased by 15 per cent to Rs.137.09 billion [2017/18: Rs.119.62 billion]. Revenue from equity accounted investees increased by 19 per cent to Rs.15.87 billion, compared to the Rs.13.35 billion in 2016/17. The primary increases were from Nations Trust Bank (NTB) and South Asia Gateway Terminal (SAGT).

Revenue



EBIT

Rs.28.16 bn

(2016/17 - Rs.23.32 bn)

One-Off Surplus from Union Assurance

Based on the directive issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) to the entire insurance industry, dated 20 March 2018, the Insurance business of the Group, Union Assurance (UA), transferred Rs.3.38 billion attributable to non-participating and non-unit fund of unit linked business, from the life policyholder fund to the life shareholder fund. It is noted that the distribution of the one-off surplus, held as a part of the restricted regulatory reserve, is subject to meeting governance requirements stipulated by the IRCSL, and upon approval by the IRCSL.

The impact of the one-off surplus on Group performance is detailed below.

Group Performance (Reported)

	2017/18	Growth %
EBIT (Rs.bn)	28.16	21
PBT (Rs.bn)	27.63	21
PAT (Rs.bn)	23.12	28
ROCE (%)	11.9	N/A
ROE (%)	11.1	N/A

Group Performance (Excluding UA's One-Off Surplus)

	2017/18	Growth %
EBIT (Rs.bn)	24.77	6
PBT (Rs.bn)	24.25	6
PAT (Rs.bn)	19.74	9
ROCE (%)	10.6	N/A
ROE (%)	9.5	N/A

IN THE YEAR UNDER REVIEW, GROUP REVENUE INCREASED BY 14 PER CENT TO RS.121.22 BILLION

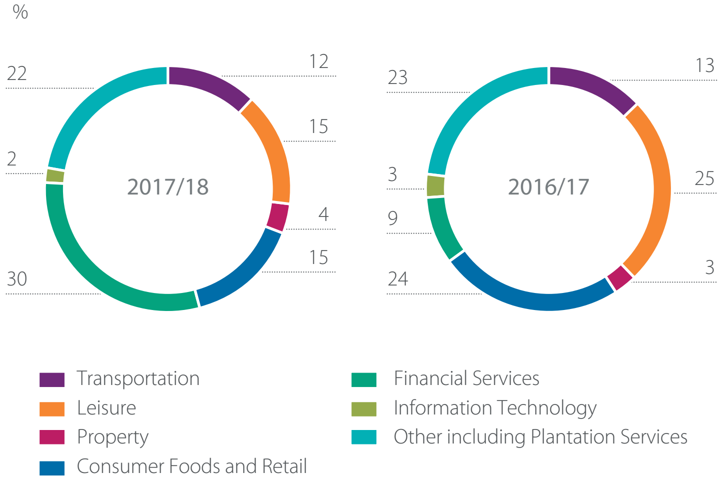
Earnings Before Interest and Tax

During the year under review, earnings before interest and tax (EBIT) increased by 21 per cent to Rs.28.16 billion [2016/17: Rs.23.32 billion], driven by the Financial Services and Other including Plantation Services industry groups.

Fair value gains on investment property (IP) were recorded at Rs.896 million in 2017/18 [2016/17: Rs.484 million], comprising of gains of Rs.613 million at Property, Rs.262 million in the Other including Plantation Services industry group, and Rs.22 million in the CF&R industry group.

In terms of the composition of EBIT, Financial Services was the primary contributor with a 30 per cent contribution, followed by Other including Plantation Services with a 22 per cent contribution and, CF&R and Leisure with contributions of 15 per cent each.

EBIT



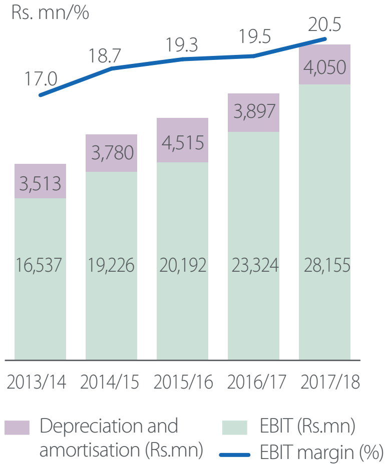
As evident from the above discussion, the EBIT growth outpaced the revenue growth of the Group, which resulted in a marginal improvement of EBIT margins. As discussed in detail in the Outlook section of this Report, the Group has earmarked investments across its businesses which will result in the deployment of a significant quantum of cash. As such, these investments, aimed at increasing capacity and creating platforms for future growth, will result in an increase in the depreciation and amortisation charge of the Group, in the short to medium term, impacting Group EBIT.

During the year under review, earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18 per cent to Rs.32.21 billion [2016/17: Rs.27.22 billion]. The recurring EBITDA stood at Rs.28.88 billion against the Rs.27.03 billion reported in the previous year, a growth of 7 per cent. Recurring adjustments are discussed overleaf.

The depreciation and amortisation charge of the Group stood at Rs.4.05 billion for the year under review [2016/17: Rs.3.90 billion].

The graph that follows illustrates the Group EBIT, EBITDA and EBIT margins; indicating its overall upward trend over the five-year period, demonstrating the robust business performance of the Group.

Group EBIT, EBITDA and EBIT margins



Recurring Adjustments

The recurring performance analysis entails the following adjustments:

- Removal of impacts of fair value gains on investment property (excluding IP gains at the Property industry group). As the Group's land banking strategy is aimed at monetising such assets in the medium term, IP gains are reflective of the core operations of the Property industry group. As such, only IP gains pertaining to industry groups other than Property, has been adjusted at a Group level
- Impairment provision for doubtful debt at SAGT due to a recompiling of debtor balances as discussed in the Industry Group Review section of this Report
- Reassessment of the revenue recognition policy of Rajawella Holdings (Private) Limited on sale of lease hold rights, resulted in the recognition of deferred revenue amounting to Rs.547 million in the current financial year, at an EBIT level
- As per the new Inland Revenue Act No. 24 of 2017, which is effective from 1 April 2018, the deferred tax for the period under review, was computed based on tax rates and tax bases, where applicable, post 1 April 2018. As such, the cumulative tax rate differentials have been adjusted to reflect the deferred tax provision on a recurring basis*
- Aforementioned distribution of the one-off surplus of Rs.3.38 billion at UA

** Note that the share of results of equity accounted investees in the Financial Statements are shown net of all related taxes. Thus, in calculating recurring EBITDA, recurring EBIT and recurring PBT, the performance analysis adjusts for deferred tax provisions of equity accounted investees.*

Recurring EBIT

Post the adjustments discussed above, the recurring EBIT for the year under review increased by 7 per cent to Rs.24.79 billion, compared to Rs.23.13 billion in the previous year. The reported and recurring EBIT margins for each of the industry groups are given below.

EBIT Margins (%)	Reported		Recurring	
	2017/18	2016/17	2017/18	2016/17
Transportation	13.0	16.9	16.3	16.9
Leisure	16.3	22.7	16.3	22.7
Property	105.9	61.6	61.5	61.6
Consumer Foods and Retail	7.8	12.0	7.7	11.8
Financial Services	49.8	14.9	30.2	14.9
Information Technology	4.2	5.6	4.2	5.6
Other including Plantation Services	181.0	182.3	173.4	178.8
Group	20.5	19.5	18.1	19.3

The challenging macro-economic environment and changes in taxation such as the introduction of a tax on added sugar to beverages, was a primary contributor to increased cost pressures across the Group. Against this backdrop, the recurring Group EBIT margin decreased to 18.1 per cent [2016/17: 19.3 per cent]. As evident from the above table, all industry groups, except for the Financial Services industry group, witnessed a deterioration of the recurring EBIT margins. For a detailed discussion on industry group wise EBIT margins, refer the Industry Group Review section of this Report.

Finance Income

Finance income of the Group increased by 12 per cent to Rs.11.27 billion during the year under review [2016/17: Rs.10.03 billion], the composition of which is given in the table below.

Finance Income (Rs. '000s)	2017/18	2016/17
Interest income from life insurance policy holder funds at UA	3,655,295	3,110,973
Interest income of Group excluding UA	6,623,094	5,905,843
Net realised gain on available-for-sale financial assets	10,602	9
Other finance income	979,150	1,016,456
Total	11,268,141	10,033,281

THE LARGEST CONTRIBUTOR TO FINANCE EXPENSES WAS THE LEISURE INDUSTRY GROUP ACCOUNTING FOR 41 PER CENT OF TOTAL FINANCE EXPENSE, FOLLOWED BY OTHER INCLUDING PLANTATION SERVICES (28 PER CENT) AND TRANSPORTATION (11 PER CENT).

Interest income relating to Union Assurance PLC (UA) of Rs.3.66 billion [2016/17: Rs.3.11 billion], net of related costs, is classified under operating segment results on the basis that the interest income from life insurance funds is considered operational income. The interest income of the Group, including UA, increased to Rs.10.28 billion, mainly due to higher interest rates during the year under review. The decrease in other finance income to Rs.979 million is mainly attributable to the decrease in the exchange rate gain on the Company's foreign currency denominated cash holdings to Rs.508 million [2016/17: Rs.583 million]. Other finance income also includes a mark-to-market gain of Rs.319 million on short-term financial instruments of the life insurance fund at UA [2016/17: Rs.267 million].

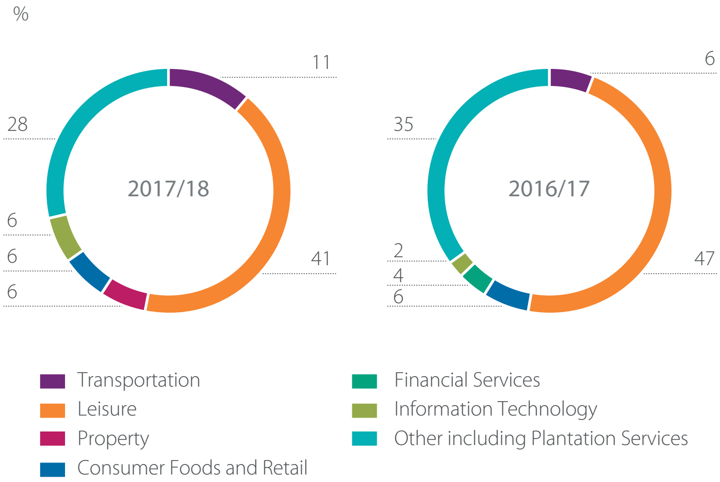
Further details on finance income can be found in the Notes to the Financial Statements section of this Report.

Finance Expense

The finance expense, which includes interest expense, of the Group increased by 19 per cent to Rs.521 million, compared to Rs.436 million recorded in the previous year. The increase in interest rates coupled with an increase in total debt levels of the Group contributed to the increase in finance expense.

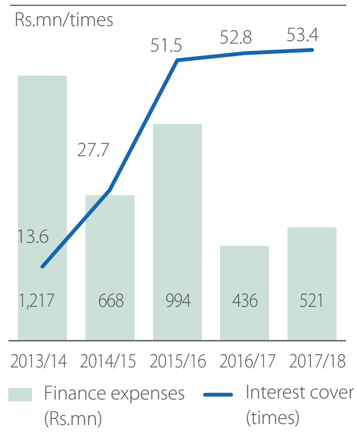
The largest contributor to finance expense was the Leisure industry group accounting for 41 per cent of total finance expense, followed by Other including Plantation Services (28 per cent) and Transportation (11 per cent). Finance expense incurred under the syndicated project development facility of "Cinnamon Life" is capitalised as work-in-progress, in accordance with the Group accounting policy, and in keeping with accounting standards, under other non-current assets.

Finance Expense



The interest cover of the Group, excluding mark-to-market investments, stood at 53.4 times in comparison to 52.8 times in 2016/17, primarily on account of higher earnings.

Finance expenses and interest coverage



Taxation

During the year under review, the Group tax expense decreased by 5 per cent to Rs.4.51 billion [2016/17: Rs.4.77 billion]. The Group tax expense comprised of Rs.3.66 billion from income tax on Group profits and Rs.852 million from withholding tax on inter-company dividends. The decline in the tax expense was mainly on account of a Rs.102 million decrease in withholding tax, stemming from a decline in inter-company dividends in 2017/18.

Income tax on Group profits decreased to Rs.3.66 billion [2016/17: Rs.3.82 billion], whilst the effective tax rate (ETR) on Group profits decreased to 16.3 per cent, as against 20.8 per cent recorded in 2016/17. Despite the increase in overall Group profits, the above is attributed to the following:

- UA does not report an income tax expense as the business continues to report taxable losses. As such, the one-off surplus of Rs.3.38 billion was not liable for tax, thereby contributing to the significant reduction in the ETR of the Group.
- Subdued financial performance of certain businesses taxed at a higher effective tax rate resulted in lower profitability, and lower taxation. As a result, the contribution of such business to Group PBT and Group tax expense has declined, impacting the ETR of the Group.

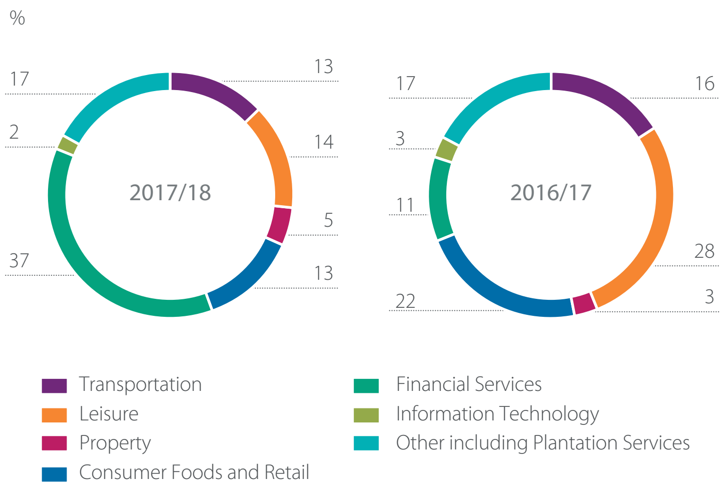
Other including Plantation Services, CF&R and Leisure were the highest contributors to the Group tax expense with Rs.2.26 billion, Rs.1.21 billion and Rs.566 million respectively.

For further details on tax impacts, refer the Notes to the Financial Statements section of this Report.

Profit After Tax

The Group profit after taxation (PAT) stood at Rs.23.12 billion for the year under review, a growth of 28 per cent [2016/17: Rs.18.12 billion]. As indicated in the graphs, the highest contributors to Group PAT were the Financial Services, Other including Plantation Services and Leisure industry groups, with contributions of Rs.8.57 billion [2016/17: Rs.2.04 billion], Rs.3.82 billion [2016/17: Rs.3.10 billion] and Rs.3.34 billion [2016/17: Rs.5.01 billion], respectively. Excluding the gains on investment property and the one-off impacts discussed previously, the recurring Group PAT increased by 11 per cent to Rs.19.96 billion [2016/17: Rs.17.92 billion].

Profit After Tax



The breakdown of Group PAT, between PAT attributable to equity holders and non-controlling interest (NCI) are as follows:

Rs.'000s	2017/18	2016/17	% Change
PAT attributable to equity holders	21,021,031	16,275,158	29
Non-controlling interest (NCI)	2,098,774	1,841,607	14
Group PAT	23,119,805	18,116,765	28

PAT

Rs.23.12 bn

(2016/17 - Rs.18.12 bn)

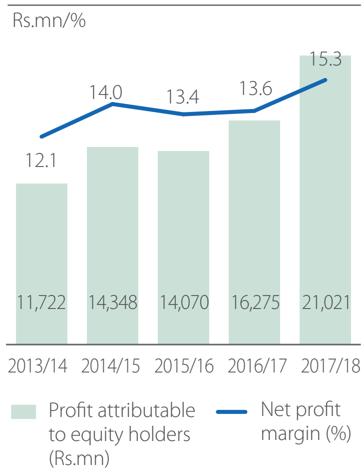
Non-Controlling Interests

Non-controlling interest (NCI) increased by 14 per cent to Rs.2.10 billion. This is mainly due to the increase in profits of Union Assurance PLC, the Life Insurance business, and Rajawella Holdings (Private) Limited (RHL), operators of an 18-hole golf course. The Group consolidates 92.36 per cent and 49.85 per cent of UA's and RHL's profits under PAT attributable to equity holders, respectively. The NCI share of PAT at 9 per cent for 2017/18 is a decrease in comparison to 10 per cent recorded in 2016/17.

PAT Attributable to Equity Holders of the Parent

PAT attributable to equity holders of the Parent increased by 29 per cent to Rs.21.02 billion [2016/17: Rs.16.28 billion]. The net profit margin of the Group increased to 15.3 per cent from 13.6 per cent in the previous year. The recurring net profit attributable to equity holders increased by 14 per cent to Rs.18.32 billion [2016/17: Rs.16.12 billion], whilst the recurring net profit margin of the Group decreased to 13.4 per cent, against the 15.2 per cent recorded in the previous year.

Profit attributable to equity holders and net profit ratio



Return on Capital Employed

	Reported ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2017/18	11.9	=	20.5	x	0.46	x	1.27
2016/17	11.5	=	19.5	x	0.46	x	1.28

The Group return on capital employed (ROCE) increased marginally to 11.9 per cent in comparison to 11.5 per cent recorded in the previous year. The increase mainly stems from improved EBIT margins. The average asset base at Rs.299.86 billion is a 16 per cent growth against the last year's average asset base of Rs.259.12 billion. Total assets as at 31 March 2018 at Rs.322.45 billion is a 16 per cent increase against the last year [2016/17: Rs.277.27 billion]. The increase in the asset base was primarily from the purchase of property, plant and equipment (PPE) amounting to Rs.18.92 billion, revaluation gains on PPE amounting to Rs.9.17 billion, additions to investment property amounting to Rs.4.40 billion and the inclusion of work-in-progress costs related to the "Cinnamon Life" project amounting to Rs.11.55 billion, which was partially offset by reduction in cash and cash equivalents.

For a detailed discussion on the ROCE of each industry group, refer the Industry Group Review section of this Report.

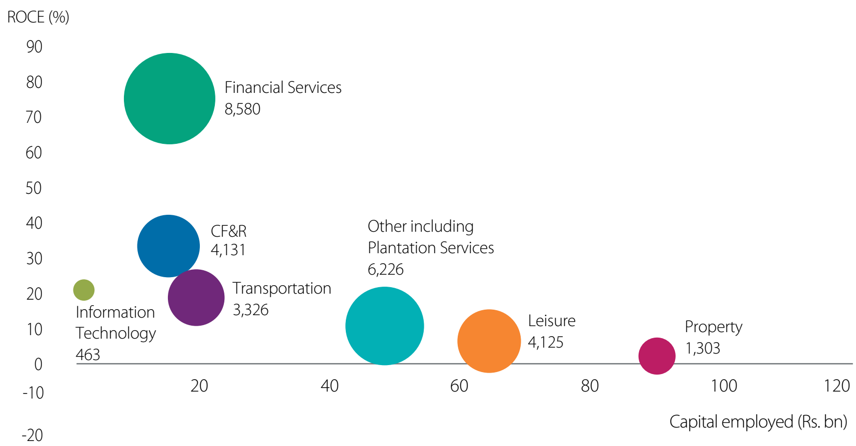
Return on Equity

	Reported ROE (%)	=	Return on assets (%)	x	Common earnings leverage	x	Equity multiplier
2017/18	11.1	=	7.7	x	0.91	x	1.58
2016/17	9.8	=	7.0	x	0.90	x	1.55

The Group return on equity (ROE) increased to 11.1 per cent, compared to 9.8 per cent recorded in the previous year, due to similar impacts as discussed under Group ROCE.

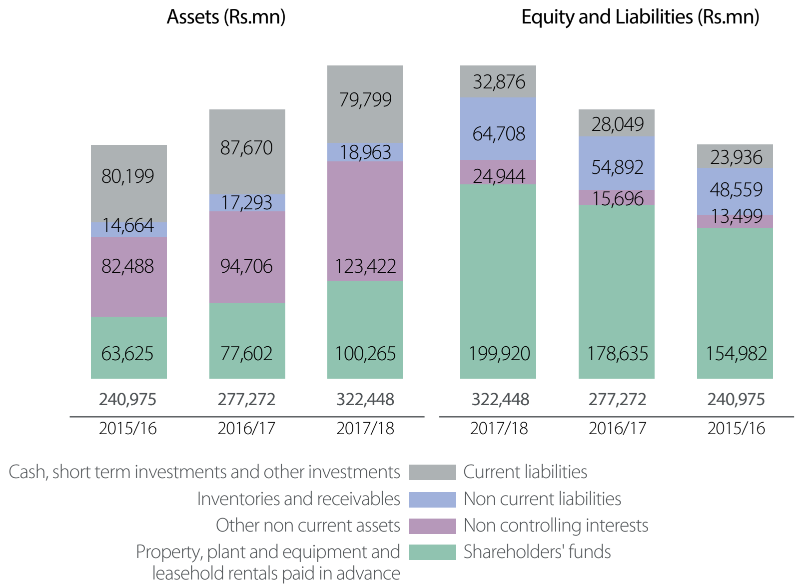
The ensuing graph analyses the industry-group ROCE performance, against the capital employed by the industry group and its contribution to EBIT.

ROCE, Capital Employed and EBIT



Note: size of bubble represents the relative contribution to EBIT in Rs. mn

Financial Position



Group's total assets as at 31 March 2018 stood at Rs.322.45 billion, an increase of Rs.45.18 billion [2016/17: Rs.277.27 billion], mainly on account of additions to non-current assets, property, plant and equipment, investment property and other non-current financial assets. The cash and short-term investments decreased to Rs.75.27 billion [2016/17: Rs.84.29 billion], mainly on account of the investments made by the Group, particularly the Property industry group, including "Cinnamon Life". The increase in other non-current assets was primarily due to work-in-progress costs relating to "Cinnamon Life".

Group debt increased by 31 per cent to Rs.29.72 billion [2016/17: Rs.22.77 billion], on account of the reasons elaborated in the discussion that follows. The increases were primarily from the CF&R, Transportation and Property industry groups with additions of Rs.4.46 billion, Rs.1.51 billion and Rs.1.15 billion, respectively.

The increase in debt, coupled with the reduction in cash holdings of the Group, resulted in net cash of the Group decreasing from Rs.55.31 billion to Rs.33.52 billion. Net cash, excludes short term investments of the life fund of Union Assurance PLC and customer advances from "Cinnamon Life".

Working Capital/Liquidity

'000s	2017/18	2016/17	% change
Current assets	98,761,760	104,963,619	(6)
Current liabilities	32,875,750	28,049,172	17
Working capital	65,886,010	76,914,447	(14)

The decrease in current assets is mainly in lieu of a decrease in short term investments, whilst the increase in current liabilities stems primarily from increases in trade and other payables, short-term borrowings and bank overdrafts.

Considering its strong financial position, the Group is confident of its ability to comfortably meet its short and medium-term funding and debt repayment obligations while pursuing organic and acquisitive growth opportunities. In terms of the composition of the liquid assets of the Group, Other including Plantation Services accounted for more than half of the cash and cash equivalents, of which a majority of assets are in the Holding Company, followed by the Financial Services and Leisure industry groups.

GROUP DEBT

Rs.29.72 bn

(2016/17 - Rs.22.77 bn)

Cash Flow

Cash and cash equivalents in the Statement of Cash Flows comprise of cash and short-term investments with a maturity of three months or less, and net of outstanding bank overdrafts. On this basis, as at 31 March 2018, cash and cash equivalents decreased by Rs.5.22 billion, to Rs.42.43 billion.

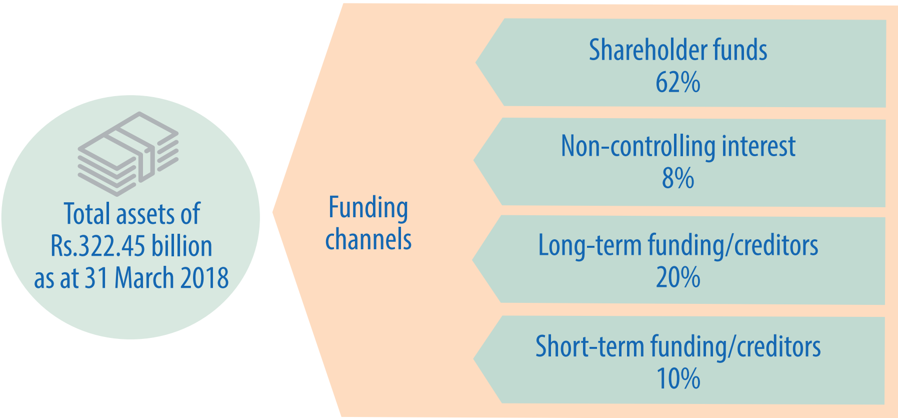
- Net cash flow from operating activities was Rs.16.01 billion for 2017/18, which contributed positively to the cash position
- Net cash flow from investment activities reflected an outflow of Rs.16.64 billion, reducing the cash holdings of the Group. The significant outflow is primarily due to the equity commitments of "Cinnamon Life", acquisition of land at Vauxhall Street and investments towards the new frozen confectionery manufacturing plant, among others
- Net cash used in financing activities was an outflow of Rs.4.59 billion, against the Rs.4.11 billion outflow in 2016/17. The outflow is mainly in lieu of dividend payments at Rs.8.32 billion [2016/17: Rs.7.28 billion], which was partially offset by an increase in net borrowings

CONSIDERING ITS STRONG FINANCIAL POSITION, THE GROUP IS CONFIDENT OF ITS ABILITY TO COMFORTABLY MEET ITS SHORT AND MEDIUM-TERM FUNDING AND DEBT REPAYMENT OBLIGATIONS WHILE PURSUING ORGANIC AND ACQUISITIVE GROWTH OPPORTUNITIES.

Leverage and Capital Structure

Capital Structure

The ensuing details the sources by which the total assets of the Group as at the period end, were funded.



Debt

Group debt increased by 30 per cent to Rs.29.72 billion during the year under review [2016/17: Rs.22.77 billion]. The increase is mainly attributable to debt in lieu of:

- Short term borrowings of Rs.3.09 billion in the Bunkering business to support working capital requirements
- A bank overdraft of Rs.2.87 billion in the Retail sector, utilised to support new store operations and expansions
- Construction of the new frozen confectionery plant in Seethawaka resulting in an incremental debt of Rs.2.20 billion
- Construction of "Cinnamon Life" resulting in an incremental debt of Rs.1.12 billion

Property, CF&R, Leisure and Transportation account for 96 per cent of Group debt with the industry groups contributing Rs.14.59 billion, Rs.5.58 billion, Rs.5.15 billion and Rs.3.27 billion to Group debt, respectively.

Where businesses have foreign currency denominated incomes, borrowings in foreign currency are effected to take advantage of the comparatively lower cost of foreign currency debt. This strategy has been practiced in the Leisure industry group, in particular, where foreign currency receipts are regularly monitored to proactively evaluate the borrowing capacity of the business. Currently, approximately Rs.17.39 billion of overall debt is denominated in foreign currency, primarily due to the increased debt of "Cinnamon Life". The exchange rate exposure arising from the "Cinnamon Life" project is mitigated to an extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars.

	2017/18	2016/17
Current ratio (times)	3.0	3.7
Quick ratio (times)	2.8	3.5
Net working capital (Rs.million)	65,886	76,914
Asset turnover (times)	0.5	0.5
Capital employed (Rs.million)	254,587	217,096
Total debt (Rs.million)	29,722	22,766
Net debt/(cash) (Rs.million)	(33,519)	(55,309)
Debt/equity ratio (%)	13.2	11.7
Net debt/(cash) to equity ratio (%)	(14.9)	(28.5)
Long term debt to total debt (%)	62.3	62.4
Debt/total assets (%)	9.2	8.2
Liabilities to tangible net worth (times)	0.4	0.4
Debt/EBITDA (times)	0.9	0.8
Net debt/EBITDA (times)	(1.0)	(2.0)

Cash and Cash Equivalents

Group cash and cash equivalents as at 31 March 2018 stood at Rs.75.27 billion against Rs.84.29 billion in 2016/17; the decrease is on account of the reasons outlined previously. This comprises of Rs.10.88 billion as cash in hand and at bank and Rs.64.39 under short-term investments. It is pertinent to note that of this, equity investments of the UA life fund amount to Rs.3.82 billion, whilst the restricted regulatory fund at UA amounts to Rs.3.38 billion.

Favourable indicators such as the net cash position of the Group and a comparatively lower debt/equity ratio, indicates the Group's ability to increase its leverage to fund its investment pipeline, as and when required. To this end, the significant cash reserves of the Group, is earmarked for equity commitments of the "Cinnamon Life" project and other investments. Notwithstanding this, the Group is confident of its ability to fund projects, if feasible and as required, thereby optimising equity returns.

Statement of Changes in Equity

Total equity of the Group as at 31 March 2018 stood at Rs.224.86 billion, a Rs.30.53 billion increase from the previous year [2016/17: Rs.194.33 billion]. The main increases were on account of profit after tax of Rs.23.12 billion, other comprehensive income of Rs.7.67 billion, which was partially offset by the dividend of Rs.8.32 billion paid during the year.

Concluding the Group's Financial and Manufactured Capital Review, the section which follows discusses the second form of Capital, Natural Capital.

NATURAL CAPITAL

The Group acknowledges that a sound Natural Capital management strategy is of paramount importance for long term sustainable value creation. The Group has in place a comprehensive environmental management system through which policies and procedures enable sustainable and efficient operation of businesses whilst improving the bottom line. The Group focusses on efficient management of inputs such as energy, water and conservation of bio-diversity, while responsibly managing outputs such as emissions, waste and effluents. The initiatives undertaken by Group companies' as a part of its commitment to managing Natural Capital are discussed in detail in the ensuing sections.

Key indicators under this Capital are as follows:

Standard		2017/18	2016/17*	2015/16
302-1	Energy consumption: non-renewable sources (GJ)	368,333	343,917	213,747
	Energy consumption: non-renewable sources (GJ) per Rs.million of revenue	3.02	3.19	2.26
	Energy consumption- renewable sources (GJ)	109,506	101,112	111,061
	Energy consumption- renewable sources (GJ) per Rs.million of revenue	0.90	0.94	1.18
	Purchased energy- national grid	361,974	350,622	332,961
	Purchased energy- national grid (GJ) per Rs.million of revenue	2.97	3.25	3.52
305-1	Direct greenhouse gas emissions - Scope 1 (MT)	27,532	25,727	15,621
	Greenhouse gas emissions from combustion of biomass	12,187	11,181	12,284
305-2	Indirect greenhouse gas emissions – Scope 2 (MT)	68,534	66,384	63,041
	Total carbon footprint (MT)	96,066	92,111	78,661
	Total carbon footprint (MT) per Rs.million of revenue	0.79	0.85	0.83
303-1	Water withdrawal (m^3)	1,908,422	2,021,739	1,995,008
	Water withdrawal (m^3) per Rs.million of revenue	16.0	19.0	21.1
306-1	Water discharge (m^3)	1,414,546	1,460,799	1,439,138
306-2	Volume of hazardous waste generated (MT)	439	329	285
	Volume of non-hazardous waste generated (MT)	8,820	8,517	7,967
	Waste recycled/reused by Group companies and through 3rd party contractors (%)	41	42	43
307-1	Significant environmental fines	Nil	Nil	Nil

** 2016/17 has been restated to include Cinnamon Air*

With the aim of further strengthening this commitment, and as discussed in the Annual Report 2016/17, the Group has in place, sustainability goals that are to be achieved by 2019/20 which focus on the areas of conserving energy and optimising water usage. These goals are tracked against a baseline year, 2015/16. The Group tracked its performance against the aforementioned goals and the progress made during the year under review is presented in the ensuing sections, as relevant.

Energy and Carbon Footprint

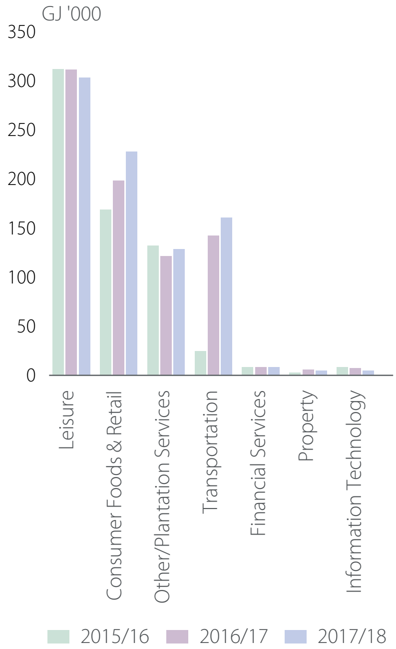
During the year under review, the total energy consumption of the Group was 839,813 GJ [2016/17: 795,651 GJ], which was derived from non-renewable and renewable energy sources, and the national grid.

Total energy consumed in GJ	2017/18	2016/17*	2015/16
1. Energy consumption from non-renewable sources	368,333	343,917	213,747
Diesel	146,413	135,288	135,288
Petrol	24,096	16,978	15,009
Furnace oil	34,034	40,405	37,057
LPG	28,011	28,418	26,393
Jet fuel	135,779	122,828	-
2. Energy consumption from renewable sources	109,506	101,112	111,061
3. Purchased energy - national grid	361,974	350,622	332,961
Total energy consumption	839,813	795,651	657,770

** Cinnamon Air was included under the Group's sustainability reporting scope during the year. For comparison purposes, the 2016/17 data has been restated.*

The Leisure, and CF&R industry groups were the largest consumers of energy, accounting for over 87 per cent of the energy consumed and 80 per cent of the carbon footprint of the Group.

Energy consumption by industry group/sector



2019/20 ENERGY REDUCTION GOAL STATUS

TARGET FOR 2019/20

(12%)

Vs. 2015/16 Baseline

STATUS AS AT 2017/18

4%

Vs. 2015/16 Baseline

Despite continuing efforts towards achieving it's 2019/20 energy goal, the Group recorded a relative increase in energy consumption during its first year of target tracking. Lower levels of operational activity in the Consumer Foods sector in addition to the introduction of enhanced capacity for future requirements contributed towards a reduction in relative energy efficiency, resulting in a higher per operating factor energy usage. It is noted however, that benefits of some business level initiatives implemented will be accrued over time while some of the initiatives are also currently being rolled out. Regardless of the short-term challenges, the Group will continuously strive to achieve its energy reduction goal by 2019/20.

Despite the increase in energy usage, the Group made steady progress towards utilising more renewable energy during the year under review, thereby reducing the unsustainable strain on the national grid and reducing the carbon footprint of the Group. The renewable energy sources used by the Group primarily consist of bio-mass and solar power usage. At a business level, the ensuing is noted:

- Significant investments were made by the Retail sector and the Maldivian Resorts segment in solar power
- Though Tea Smallholder Factories PLC (TSF PLC) was the highest consumer of energy in the Plantation Services sector, 67 per cent of its energy requirement was met through renewable energy sources such as bio-mass purchased from the surrounding communities, thereby contributing to only 3 per cent of the Group's carbon footprint. Whilst such practices have enabled the Group to reduce its environmental impact and cost of operations, it has also provided means of livelihood for the surrounding communities. The Group generated 7.3 million kWh of power from solar power and firewood, constituting 6 per cent of the Group's energy requirement. Additionally, Group companies saved approximately 7,590 GJ, through various energy conservation initiatives.

Further details on these initiatives are found in the Industry Group Review section of the Report.

CARBON FOOTPRINT REDUCTION FROM RENEWABLE ENERGY AND INITIATIVES

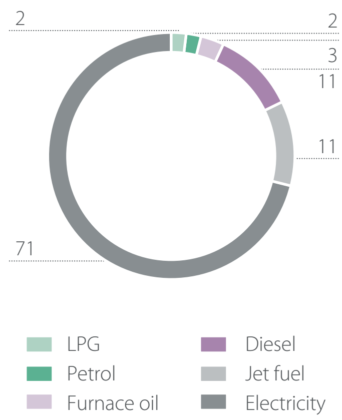
2017/18

1,437 MT

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

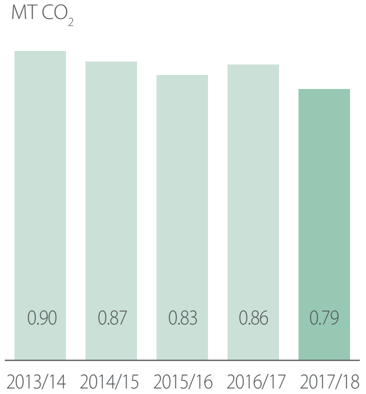
Given that Sri Lanka's national grid is hydro power based, the resultant carbon footprint is lower in comparison to countries producing power exclusively through fossil fuels.

Carbon footprint by energy type



The Group demonstrated continuous improvement in carbon efficiency, recording a 4 per cent increase in its carbon footprint to 96,066 MT [2016/17: 92,111 MT] despite increased operational activity within the Group; with the opening of 22 new Keells outlets resulting in a significant increase in the square footage of the Retail sector and the inclusion of Cinnamon Air to the Group's sustainability reporting scope. It is noted that initiatives such as the adoption of solar panels by retail outlets, assisted the Group in managing the carbon footprint. Scope 1, direct energy carbon footprint, amounted to 27,532 MT, while scope 2, indirect energy carbon footprint amounted to 68,534 MT.

The carbon footprint per Rs. million of revenue on a declining trend signifying the Group's commitment towards reducing its carbon footprint.

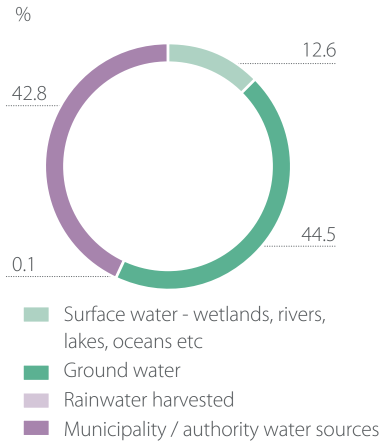


Note: The carbon footprint per Rs. million of revenue depicts an increase in 2016/17 due to the change in reporting scope through the inclusion of Cinnamon Air.

Water Management

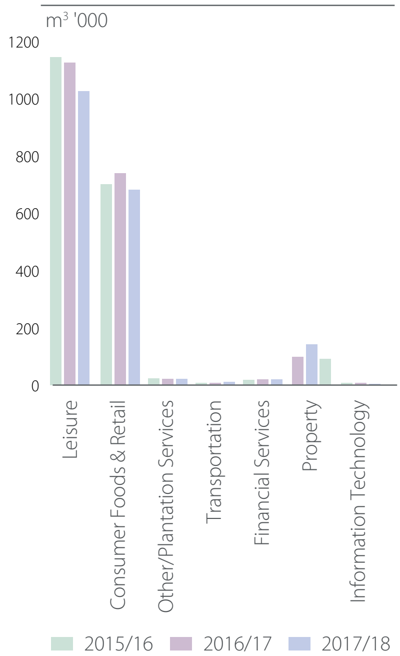
As part of its Natural Capital management strategy, the Group monitors and measures water from all sources, which includes ground water, inland surface water bodies, oceans, pipe-borne water from the National Water Supply and Drainage Board, and rainwater harvesting.

Water withdrawal by source



The Group withdrew a total of 1,908,422 cubic meters of water, resulting in a 6 per cent reduction of consumption against the previous year. Where feasible, the Group seeks to fulfil part of its requirement from green water sources through rainwater harvesting. Given the nature of its operations, the Leisure and CF&R industry groups account for the highest proportion of water consumed, with approximately 89 per cent of the Group's water consumed by these industry groups.

Water withdrawn by industry group/sector



DURING THE YEAR UNDER REVIEW, THE GROUP EXPERIENCED A REDUCTION IN WATER USAGE COMPARED TO THE BASELINE YEAR OF 2015/16.

2019/20 WATER REDUCTION GOAL STATUS

TARGET FOR 2019/20

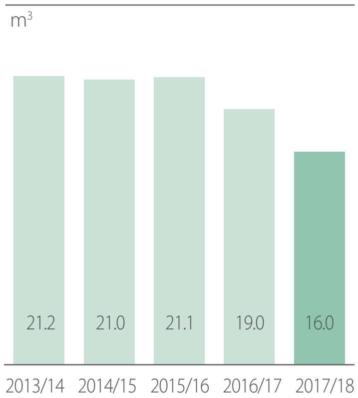
(6%)
Vs. 2015/16 Baseline

STATUS AS AT 2017/18

(7%)
Vs. 2015/16 Baseline

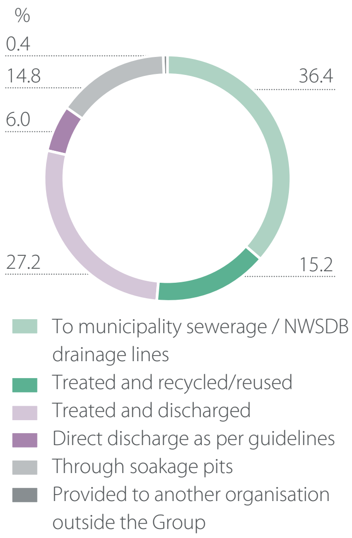
During the year under review, the Group experienced a reduction in water usage compared to the baseline year of 2015/16, achieving the water reduction goal through the commitment of Group companies. The Group will continue to work towards maintaining the reduction achieved this year.

Water usage per Rs. million of revenue, declined during the year signifying the Group's focus and commitment towards its water reduction goal



Where feasible, the Group makes best efforts to reduce its water requirement through the recycling of treated effluent which is brought to an acceptable quality. The Group ensures compliance with regulatory standards, as per relevant Environmental Protection Licenses (EPL) when returning such water to the environment.

Water discharge by method



During the reporting period, the Group discharged 1,414,546 cubic meters of effluent. Of all water discharged to the environment, 42 per cent was treated through on-site sewage treatment plants at various operational locations, 36 per cent was discharged to municipal sewage treatment systems and 15 per cent of water was completely recycled, which, as a percentage of water withdrawn was 11 per cent. Such water was utilised for general cleaning, gardening and flushing mechanisms.

Business units also carry out a range of initiatives such as awareness campaigns and installation of water saving fixtures and equipment.

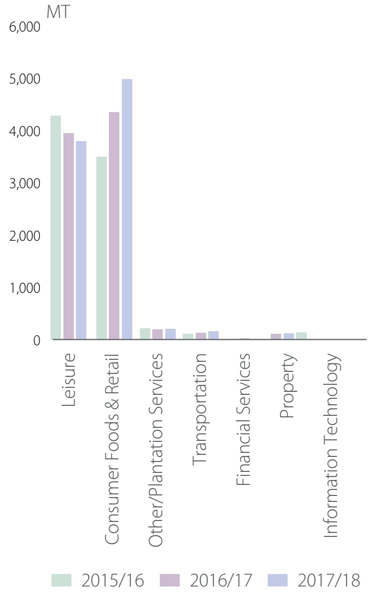
A detailed discussion of water withdrawal and discharge by industry group, as well as water saving initiatives, can be found in the Industry Group Review section of the Report.

Waste Management

Due to increased operational activity across the Group, waste generated increased to 9,260 MT from 8,747 MT in the previous year. Of this, 439 MT was classified as hazardous waste and disposed of through specialised third-party contractors. Of the total waste produced, 41 per cent was recycled or reused by the Group's business units and/or through selected third-party contractors. The Leisure and CF&R industry groups contributed to over 95 per cent of the waste generated by the Group.

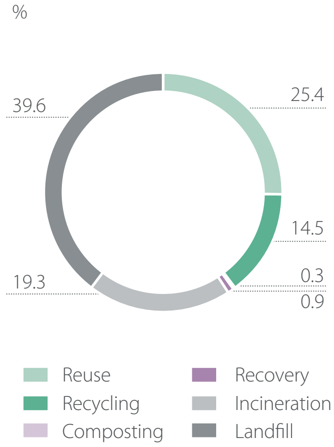
Further details of how such waste was generated, reused and recycled are available in the Industry Group Review section of the Report.

Waste generated by industry group/sector

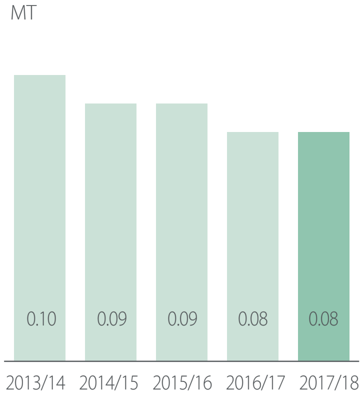


Sewage treatment plant at "Trinco Blu by Cinnamon"

Waste disposal by method



Despite the continued efforts toward waste reduction, the waste generated per Rs. million of revenue declined only marginally



"PLASTICCYCLE" SOCIAL ENTREPRENEURSHIP INITIATIVE

"Plasticcycle" is a social entrepreneurship initiative of the Group launched in July 2017, with the objective of being the catalyst in significantly reducing plastic pollution in Sri Lanka, by encouraging the reduction and rationalisation of single-use plastics, supporting responsible disposal and promoting recycling initiatives.

- Collection of over 5 MT of plastic waste to-date and sent for recycling
- Over 45 specially-designed plastic collection bins placed in the city of Colombo and outskirts in partnership with Elephant House and "Keells"
- 40 additional bins planned for key exit points of the southern expressway in collaboration with Walkers Tours Limited, Beira Enviro Solutions (Private) Limited and the Road Development Authority

CSR Initiatives

In addition to the core operations of the businesses, the Group also makes a conscious and collective effort in environment protection and bio-diversity conservation through the Foundation. Key initiatives aligned with creating value under Natural Capital are as follows:

Nature Field Centre, Rumassala

The Central Environmental Authority (CEA) in collaboration with the Foundation established the Nature Field Centre in Rumassala, in 2008, as a platform to facilitate experiential learning on the environment and bio-diversity conservation particularly among school children. As per the CEA's report, a total of 1,743 visitors, of which 1,579 were school children, participated in the awareness programs conducted by the CEA, during the year in review.

Paper Conservation

The impact of continued collection of waste paper from Group business locations for shredding and recycling is summarised as follows:

During the year:

25,972 kg of waste paper collected

Indirect Saving:

- 441 trees
- 825,390 litres of water
- 103, 888 kWh of electricity
- 45,581 litres of oil
- 77 m^3 of landfill

Fauna and Flora Conservation

The Foundation continued its long-term collaborations on the ensuing initiatives during the year under review:

- "Project Leopard" and "Elephant Research" - with Cinnamon Hotels & Resorts
- "Forestry Project" - with Tea Smallholder Factories PLC and Carbon Company (Pvt) Ltd

Further details are found in the Industry Group Review section of the Report.

Concluding the Group's Natural Capital Review, the following section discusses the third aspect of Capital Management, Human Capital.

HUMAN CAPITAL

The Group's Human Capital is a primary contributor to its earning potential, productivity and long-term sustainability. The Group places significant importance in attracting fresh talent, retaining and motivating talent whilst fostering employee productivity and satisfaction, thereby creating value for both the employee and the Group. The Group's holistic approach to the management of its Human Capital, is founded on the core building blocks of "inspiring people", "caring for people" and "leadership". This framework continually strives towards ensuring diversity, encouraging and facilitating innovation and excellence.

During the year under review, the Group embarked on a journey of human resource technology transformation by launching a project to implement a state-of-the-art human resource information platform that enables proactive management of its Human Capital to replace its HR enterprise resource planning system which has been in place for the last 11 years. Against the backdrop of a constantly changing human resource landscape and diverse workforce, this platform will further empower evolving employee-centric practices. It is expected to bring about a multitude of benefits, including, but not limited to, business efficiency, analytics and employee engagement.

THE GROUP BELIEVES IN COMMUNAL KINSHIP AND ADVOCATES THAT IT IS EVERY CITIZEN'S DUTY TO PROTECT AND FOSTER CROSS-CULTURE ACCEPTABILITY, REGARDLESS OF RACE, RELIGION OR ETHNIC GROUP.

Key indicators pertaining to Human Capital are as follows:

Standard		2017/18	2016/17	2015/16
	Total workforce (employees and contractors' staff)	20,361	20,100	19,522
201-3	Employee benefit liability as of 31 March (Rs. million)	1, 971	1,880	1,650
401-1	Total attrition (%)	26	24	21
	Total attrition (number)	5,904	5,349	4,545
	New hires against total employees (%)	60	55	50
	New hires (number)	7,954	7,097	5,458
403-2	Number of injuries and diseases	209	213	217
	Injury rate (number of injuries per 100 employees)	1.03	1.06	1.11
	Lost day rate (lost days as % of scheduled work days)	0.04	0.04	0.05
	Number of people educated on serious diseases**	724,586	199,802	21,384
	Total absentee days per 100 workforce days	0.0011	0.0011	0.0022
404-1	Average hours of training per employee	47	41	35
404-3	No. of employees receiving performance reviews (%)	100	100	100
408-1	Incidences of child labour (below age 16)	0	0	0
	Incidences of young workers (aged 16-18)*	0	0	0
409-1	Incidents of forced labour during the year	0	0	0

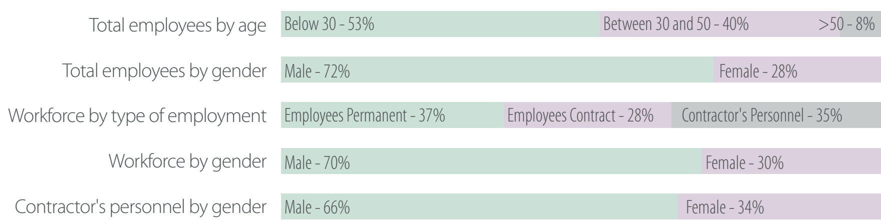
* *Young workers are employed under the guidelines of the Employers' Federation of Ceylon*
** *Significant increase due to island-wide awareness programs conducted by UA*

Employee Diversity

As an equal opportunity employer, the Group encourages workplace diversity in all its forms, and prides its self in continuously innovating, updating and upgrading to foster an enabling and inclusive environment, which promotes a content and productive workforce. The Group's non-discrimination policy commits to maintain a workplace that is free from physical and verbal harassment and discrimination based on race, religion, gender, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion, among others. The Group believes in communal kinship and advocates that it is every citizen's duty to protect and foster cross-culture acceptability, regardless of race, religion or ethnic group.

The workforce as at 31 March 2018 was 20,361 of which 13,315 (65 per cent) were employees and 7,046 (35 per cent) were outsourced personnel (neither staff employees nor seasonal workers). Of the Group's total employees, 503 are placed in the Maldives, with the remainder domiciled in Sri Lanka.

The Group monitors the diversity of its workforce based on age and gender, as illustrated by the following diagrams. In businesses such as the Leisure industry group, active steps have been taken to enhance female participation to better meet business needs. The Group has seen a positive demographic breakdown within the workforce with 53 per cent of its employees being less than 30 years [2016/17: 50 per cent]. The Group has also seen a positive increase in the female population with 36 per cent of employees under the age of 25 being female.



Composition of Key Management Committees

8 member Board of Directors
- 3 members are between the ages of 30-50 whilst 5 members are over the age of 50
- 1 female director

7 Group Executive Committee (GEC) members
- 2 members are between the ages of 30-50 years whilst 5 members are over 50 years
- 1 female member

16 Group Operating Committee (GOC) members (excluding the GEC members)
- 9 members are between the ages of 30-50 whilst 7 members are over the age of 50
- 2 female members

Talent Management

The Group continuously monitors its employee retention, and in particular seeks to address staff attrition in typically high attrition-prone industry groups, by implementing proactive initiatives that engage employees.

The Group's total attrition (for executives and non-executives) excluding the IT Enabled and Retail sectors, where staff turnover is expected to be high and is an industry norm, was 26 per cent. With the increased supply of hotel rooms, some pressure on staff retention was faced by the Sri Lankan Resorts segment and City Hotels sector, which contributed to the higher attrition rate.

During the year under review, Group companies adopted diverse approaches to attract and retain employees. The Group continued to have its partnerships with universities, higher education institutions and vocational training institutions. Its robust Internal Job Posting Programme, which allows employee mobility across the Group, is a unique selling proposition the Group leverages on, to attract and retain high calibre motivated employees. The annual JKH Management Trainee Programme entered its eleventh year and continues to yield the desired benefits to the Group.

Detailed discussions of business-specific initiatives aimed at attracting and retaining employees is found in the Industry Group Review section of the Report.

Participants engaging in a group activity at a corporate training

During the year under review, the Group launched a programme to attract graduates from the Science, Technology, Engineering and Mathematics (STEM) fields to further support the Group's digitisation agenda. To this end, a recruitment campaign was successfully launched covering both local and private universities.

With respect to staff identified as "Talent", the attrition has been negligible with senior management continuing to place extra emphasis on developing and nurturing them. The executive level attrition continues to be relatively lower than attrition at non-executive levels. Further, recruitment based on profile mapping was continued in certain businesses, to ensure a better fit with the needs of the organisation and thereby ensuring longer retention.

Attrition

By gender	Male - 62%	Female - 38%	
By region	Local - 97%	Foreign - 3%	
By age	Below 30 - 83%	Between 30 and 50 - 16%	>50 - 1%

New Hires

By gender	Male - 61%	Female - 39%	
By region	Local - 96%	Foreign - 4%	
By age	Male - 87%	Between 30 and 50 - 12%	>50- 1%

WITH RESPECT TO STAFF IDENTIFIED AS "TALENT", THE ATTRITION HAS BEEN NEGLIGIBLE WITH SENIOR MANAGEMENT CONTINUING TO PLACE EXTRA EMPHASIS ON DEVELOPING AND NURTURING THEM.

Performance Appraisals

The Group's performance management cycle ensures that all employees of the Group undergo regular appraisals. Formal feedback is provided on a bi-annual basis to the executive cadre and once a year to all others, whilst continuous feedback is encouraged. The process, which is underpinned by the need to firstly live the Values of the Group, enables identification of high potentials and successors, and also helps identify and enhance required skills of individuals needing support to achieve business outcomes. It is also noteworthy that the appraisal process encourages employees to contribute to the Group at large, as opposed to the business unit or functional unit they belong to.

Recognition

Recognition of employees is actively encouraged and special budgetary allocations are made for this purpose. Several employee recognition schemes are in place at a Group level and at business unit level, reflecting business specific requirements. Awards that encourage, foster and recognise innovation, support the digitisation movement of the Group and volunteerism in CSR activities have contributed to the strides the Group has made in these areas.

Learning and Development

The Group's learning and development programmes are pivotal for talent retention and ensuring a sustainable competitive advantage. During the year under review, a total of 629,770 training hours [2016/17: 529,468 hours] were provided to Group employees. Each year, training for employees are determined on a needs basis, aligning the business specific requirements with gaps identified in employee skills and the roof competencies. Through the performance management system, employees can request for training when conducting self-appraisals

Advanced leadership programme

INITIATIVES TO INTERNALISE A 'COACHING CULTURE' WERE FURTHER CEMENTED THROUGH TRAINING AND EMPOWERING "PEOPLE COACHES" ACROSS THE GROUP'S SECTORS AND BUSINESS UNITS, AND THE ROLL-OUT OF COACHING-CENTRIC DEVELOPMENT INITIATIVES WITHIN THEIR BUSINESSES.

while supervisors also can nominate employees for training, as required, taking advantage of the Group's extensive training calendar. On average, 47 hours of training were provided per employee per annum amounting to an average of 49 hours for males and 44 hours for females.

In the year under review, the Group launched a partnership with "Coursera"- a global leader of e-learning content providing online education from the world's top universities. Courses were mapped against the Group's Roof competencies and offered to all levels of employees from Executive to Vice President level. The multitude of learning approaches and evolving fields of study based on current requirements of the Group, reaffirms the Group's intuition about the changing dynamics of its employees' development needs.

Initiatives to internalise a 'coaching culture' were further cemented through training and empowering "People Coaches" across the Group's sectors and business units, and the roll-out of coaching-centric development initiatives within their businesses. Additionally, an induction programme was introduced and mandated for all first-time team leaders, aimed at enhancing their people management skills and facilitating a smoother transition from individual performers to team leaders, in addition to creating awareness on the Group's processes and systems that support team leaders.

As a part of its career development strategy, the Group carried out Development Centres throughout the year, and rolled out Leadership and Management development programmes in collaboration with reputed international and local institutes such as the Postgraduate Institute of Management (PIM) and the National University of Singapore (NUS). In addition, "Young Fora" were continued with the intention of developing management skills in executive and above levels through interactions with the business leaders of the Group. The Group continues its career support initiatives to ensure that its employees achieve their full potential.

Total Training Hours

Collective Bargaining

The Group engages with trade unions on an ongoing basis through joint consultative committees and other mechanisms. Formal agreements are found in the CF&R industry group, covering over 799 employees amounting to 6 per cent of the Group's total employee count. TSF PLC follows the wage structures of the plantation industry of the country and the Resort hotels have entered into a memorandum of understanding with staff representatives from one trade union.

Health and Safety

The Group places significant emphasis on ensuring a safe working environment for all its employees, taking steps to ensure that health and safety concerns are prioritised and addressed across the Group. 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." As part of its Human Capital management strategy, incidents are logged, recorded and tracked on a continuous basis. There were no fatalities reported during the year under review. All injuries reported are injuries that resulted in over one lost day.

GENDER-WISE OCCUPATIONAL INJURIES (MALE:FEMALE)

154:55

2016/17: 158:55

REGION-WISE OCCUPATIONAL INJURIES (IN SL:OUTSIDE SL)

197:12

2016/17: 211:02

Note: There were no occupational diseases recorded during the year.

Employee Benefit Plans

In Sri Lanka, employees are eligible for the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) contributions. Employees who are Maldivian nationals or employed in the Maldives are eligible for the Maldives Retirement Pension Scheme (MRPS) contributions. The total contribution made to the trust funds for the reporting year was Rs.129 million (3 per cent of salary contributed by employer) while the total contribution made to the provident fund was Rs.743 million (12- 20 per cent of salary contributed by employer and 8-15 per cent of salary contributed by employee). In Sri Lanka employees are also entitled to retirement gratuity. The employee benefit liability as at 31 March 2018 was Rs.1.97 billion.

Staff Volunteerism

Staff volunteerism is at the heart of the Group's community engagement strategy. Most projects carried out by the Foundation functions with the support of volunteers. The Group's volunteer network enables employees to go beyond their day-to-day work and make a hands-on contribution to the community and environment while the volunteer leave policy enables staff to be released for CSR activities with minimum restraint. Volunteers can vary from project champions, volunteer trainers and trained assistants to those who engage in skill-based volunteerism and administrative support.

Volunteers engaged in vision screening of school children

STAFF VOLUNTEERISM IS AT THE HEART OF THE GROUP'S COMMUNITY ENGAGEMENT STRATEGY.

During the year, over 840 staff volunteers engaged in projects undertaken by the Foundation while over 1,398 volunteer instances, accounting for over 5,411 hours, were recorded for the year, excluding CSR initiatives organised at a sector/business level. The Foundation also commissioned the development of a customised application for streamlining administration and tracking of volunteer engagement which is currently under trial.

The Foundation also collaborated with John Keells Group subsidiaries on the following initiatives during the reporting year:

- Rural BPO Initiative – with InfoMate (Pvt) Limited
- Cinnamon Youth Empowerment Initiative – with Cinnamon Hotels & Resorts

Further details are found in the Industry Group Review section of the Report.

Concluding the Group's Human Capital Review, the following section discusses Social and Relationship Capital, the fourth aspect of Capital Management.

SOCIAL AND RELATIONSHIP CAPITAL

The Group recognises that building Social and Relationship Capital is vital for long term sustainable value creation and thus strives to create and uphold trust and reciprocity among its key stakeholders. In order to further strengthen its engagement strategy, the Group conducted a stakeholder engagement survey during the year under review, through a third party to obtain feedback from stakeholders on the perception and impact of the Group's operations. This facilitated identification of emerging material topics and reinforcing social responsibility. Refer the Sustainability Integration and Stakeholder Engagement section of this Report for a detailed discussion on the results of the survey.

THE GROUP RECOGNISES THAT BUILDING SOCIAL AND RELATIONSHIP CAPITAL IS VITAL FOR LONG TERM SUSTAINABLE VALUE CREATION AND THUS STRIVES TO CREATE AND UPHOLD TRUST AND RECIPROCITY AMONG ITS KEY STAKEHOLDERS.

72 per cent of the Group's economic value distributed was spent on goods, services and utilities locally, with Sri Lanka being defined as local. This definition is based on the number of operations, location of revenue generation and the significant location of operations. Mutually beneficial relationships are sought in relevant industries through sustainable sourcing, with Rs.3.84 billion spent on purchases, mainly fresh produce, by the CF&R industry group and the Sri Lankan Resorts segment. Such initiatives stimulate local economies and encourage small businesses to help fulfil the supply chain requirements of the Group.

As a testament to its commitment to conducting operations in a responsible manner, the Group had no environmental, product related or any other significant fines during the reporting year and did not have any non-compliance with regard to marketing communications.

Key indicators under this Capital are as follows:

Standard		2017/18	2016/17	2015/16
203-1	Community services and infrastructure projects (Rs. million)	125	150	105
204-1	Proportion of purchases from suppliers within Sri Lanka (%)	72	83	81
413-1	Community engagement (no. of persons impacted)	1,455,814	1,010,200	855,364
	Sustainability integration awareness (no. of business partners)	80	80	80
	Business partners screened for labour, environment and human rights	90	90	100
417-1	Proportion of labels carrying ingredients used (%)	80	81	81
	Proportion of labels carrying information on disposal (%)	92	93	76
	Proportion of labels carrying sourcing of components (%)	1	1	1
417-3	Voluntary standards relating to advertising	Group policy based on ICC Code		
419-1	Significant monetary fines*	Nil	Nil	Nil
205-1	Proportion of businesses analysed for risk of corruption (%)	100	100	100

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

Value creation in supply chain through mutually-beneficial relationships

Product Responsibility

The Group strives to ensure and maintain the highest standards for its products and services by adhering to all statutory and regulatory requirements, local and international, as well as global best practices. Group companies ensure the highest quality in processes, responsible marketing and communications, as well as consumer and employee health and safety through robust quality management processes and quality assurance. The ongoing ISO 9001, ISO 22000, ISO 14000 and OHSAS 18001 certifications by the relevant Group companies are testimony to the Group's commitment in this regard.

Supply Chain Management

The Group strongly believes that striving to entrench sustainability in its supply chain helps create value through building mutually beneficial, long-lasting relationships. The Group works closely with its key suppliers to create awareness and disseminate knowledge on sustainability best practices, with supplier fora being carried out for over 80 Group sourced suppliers in Sri Lanka as well as significant suppliers in the Maldives.

Approximately 90 existing suppliers were assessed during the year, while all new suppliers are assessed, prior to being contracted as a pre-requisite to carrying out business. The Group's significant suppliers are assessed in terms of labour practices, upholding human rights and environmental impacts and are additionally assessed for key sustainability impacts, based on the Group's supplier code of conduct, legal and other requirements.

The "Group Initiatives" function also ensures further integration of sustainability within the value chain. Tenders and bids received for high value items sourced by the Group are assessed not only for quality and price but also for social and environmental aspects and impacts. Suppliers are encouraged to actively track and measure sustainability related aspects.

During the previous year, the Group's procurement process migrated to an electronic procurement platform to streamline the Group's sourcing initiatives. The entire sourcing process from supplier identification to contracting, and supplier management for products and services was conducted through the electronic platform, during the year under review. Due to the numerous benefits ranging from shortening of contracting life cycles, increased visibility of the sourcing process, accurate analytics and saving of paper, Group companies have also begun sourcing requirements through this procurement platform.

Social Responsibility

During the year, through various CSR initiatives, 1,455,814 people were impacted, while Rs.125 million was expended in carrying out community service and infrastructure projects. As discussed in the ensuing sections, training and awareness on serious diseases such as HIV & AIDS, dengue, thalassemia and diabetes was also carried out, with a total of 560,748 persons educated during the year, through a mass awareness campaign.

English Language Scholarship Programme (ELSP)

The objective of this initiative is to enhance English language skills of school children and youth from socially and economically disadvantaged backgrounds to improve opportunities for higher learning and sustainable employment. Sri Lanka records a "very low proficiency" under the EF English Proficiency Index ranking 61 of 80 countries in 2017.

ELSP which was initiated in 2004, complements state policy and initiatives to improve English communicative skills of school children in various parts of Sri Lanka. The main focus is 'English for Teens' with over 1,200 scholarships on offer each year to students aged 12-14 years, from less-privileged Government schools.

Career guidance programme for youth in Mullaitivu

"In school, I used to follow my friends thoughtlessly but after I joined Cinnamon Grand, my friends look up to me as a leader and ask for my advice. I know I am an inspiration to them and I feel very privileged."

Subramaniam Norman
Trainee, Kitchen Department, Cinnamon Grand Colombo (Former Vocational Trainee)

Following a reassessment of the English for Teens model, the Foundation in collaboration with an external service provider, commenced the implementation of a new format during the year under review, introducing a two-tier programme to replace the previous three-level structure. The format was expanded to include a 22-hour ICT training module and a soft skills module in the form of a total Immersion Camp. Post completion, the students will be eligible for Cambridge English and International Computer Driving License (ICDL) certifications.

In the reporting year, English for Teens scholarships were offered in 22 locations across all 9 provinces. 1,376 students are registered in the various courses conducted.

John Keells English Day 2017 was held as a location-based event which provided a platform for the John Keells English scholars to showcase their talents through performance of various items, build self-confidence and learn from one another in a competitive environment.

In addition, the following customised programmes were conducted during the year in review:

- The School for the Blind, Ratmalana - A total of 23, grade 1-4 students successfully completed a speech and drama course after sitting for and passing the Colombo Academy of Language Skills and Dramatic Art (CALSDA) examination. A 3-day total immersion pilot programme was conducted benefiting 17 students of grades 9,10 and 11
- 26 customised English scholarships were granted for first year undergraduates of the University of Moratuwa following the Transport and Logistics Management degree programme

Neighbourhood Schools Development Programme

The project, which is implemented in collaboration with Cinnamon Grand, Cinnamon Lakeside and Cinnamon red aims to uplift the quality of education. The year under review saw the expansion of the project to include two Government schools in Colombo 3.

- **Skills development:** 350 students benefited from various initiatives such as English Language and IT scholarships and revision classes in preparation for public examinations.
- **Career guidance:** 134 students benefited from a career guidance workshop comprising sessions on personal effectiveness and leadership, personal grooming and social etiquette, CV preparation and an overview on career prospects available within the John Keells Group
- **Vocational training:** 5 school leavers completed a 6-months vocational training in the hospitality industry
- **Formation of youth clubs:** In the year under review, the Foundation launched a new initiative of facilitating the establishment of youth clubs within the six schools, in order to foster interpersonal skills

Soft Skills for University Undergraduates

During the year in review, the Foundation piloted a total immersion English camp at the University of Ruhuna benefiting 42 undergraduates of the Faculty of Humanities and Social Sciences.

The Foundation had also planned to conduct soft skills workshops at the Universities of Ruhuna, Eastern and Sri Palee. However, the events could not be conducted due to multiple union activities and student unrest that affected the smooth flow of university activities. Discussions were conducted with several steering committees of the University Grants Commission in the reporting year to explore alternative soft skills models including potential for developing e-based learning.

Students of the School for the Blind performing at the closing ceremony of the Total Immersion camp

Popularising Science Education Amongst School Children

The Foundation in collaboration with Sri Lanka Association for the Advancement of Science (SLAAS) completed the third and last phase of the Science Day Programme (SDP) with a total participation of 858 students and 66 teachers from 62 schools of 6 districts. This programme aimed at enhancing the interest of Ordinary Level students in Science as a means of increasing the numbers pursuing Science in higher education and beyond, to better serve the development needs of the country.

John Keells Vision Project

The John Keells Vision Project is primarily an island-wide cataract project, implemented through the Vision 2020 Secretariat of the Ministry of Health, aimed at addressing Sri Lanka's primary cause of preventable blindness. The following initiatives were undertaken during the year under review:

- Funding and volunteer support for a total of 12 eye camps in 5 provinces, resulting in the completion of 972 cataract surgeries in collaboration with the Lions Gift of Sight Hospital. The cumulative number of cataract surgeries since project launch in 2004 is 13,116
- Vision screening was conducted in 110 schools, with over 35,860 school children being tested and 2,284 eye glasses provided free of charge, resulting in a cumulative project total of 10,372 eye glasses

John Keells HIV & AIDS Awareness Campaign

Since 2005, HIV & AIDS awareness sessions have been conducted for varied populations. Sessions are conducted with the aim of effectively addressing aspects of stigma and discrimination while enabling affected persons to develop economic independence. The following initiatives were undertaken, during the year under review:

- A total of 7,360 persons were sensitised on HIV & AIDS resulting in a cumulative total of 124,531 persons to date
- World AIDS Day 2017 was commemorated with the issue of Chairman's message, pinning of the red ribbon, a poster campaign titled "Get Tested" and a quiz
- Several businesses of the Group organised staff awareness sessions, while external sessions were also organised
- The Foundation continued to host its e-learning platform, an interactive learning tool that covers critical information on HIV & AIDS, which is accessible free of charge by any member of the public over the age of 18 years. During the reporting year, 97 persons completed the e-module while a total of 404 persons visited the platform, spending an average time of 10.25 minutes
- The Foundation was awarded the "SLT Zero One Digital Excellence" award under the health and personal care services category for the Best Community Empowerment Programme for the HIV & AIDS e-learning platform

Students testing their knowledge of robotics at the Science Day Programme

PROJECT WAVE (Working Against Violence through Education)

Project WAVE is a long-term CSR project aimed at combating the pervasive issue of gender-based violence and child abuse through education and awareness creation.

Since the launch of the project in 2014, general sensitisation under phase 1 has been conducted across all sectors of the Group, covering more than 99 per cent of staff as at 31 March 2018. The year in review saw the introduction of phase 2 of internal awareness, focussing on sexual harassment in the workplace targeting supervisory level staff. Following the development of related material and a test session for the Foundation Management Committee, interactive sessions were conducted for the Group HR community and senior management of the Group, comprising Assistant Vice President and above levels, impacting a total of 118 staff.

PROJECT WAVE IMPACT TO-DATE

220,825 individuals

Phase 1 and 2

The following initiatives were also conducted during the year:

- The second public awareness campaign against sexual harassment was organised in November 2017 targeting commuters of railways, in commemoration of the International Day for the Elimination of Violence Against Women. 108 staff volunteers from across the Group participated in the campaign centred around three of Colombo's busiest railway stations and railway yards in Colombo. This initiative involved pasting approximately 2,000 stickers inside the compartments and handing out approximately 30,000 information cards to commuters throughout the day. The campaign is estimated to have reached a cumulative total of 100,000 commuters

This is a strong initiative taken to address the pressing issue of sexual harassment in our public transport system. I am happy and proud to be a part of this noble cause for change…."

Lasith Samayawardena
Management Trainee,
John Keells Holdings

Parallel to the public campaign, a 5-day social media campaign against sexual harassment was also undertaken by the Foundation whilst an internal campaign was initiated involving the distribution of glass water bottles among Group staff with the tagline "Zero Tolerance: I stand against Violence"

- Community policing programme in Mullaitivu – Under phase 2 of this pilot collaboration with the Asia Foundation, a two-day programme on gender sensitivity and communication skills was conducted at the Puthukudiyiruppu (PTK) Police Stations, benefiting 49 police officers. Community outreach programs were also conducted benefiting 583 persons. Following the success of this pilot program, a similar programme was initiated centred on the Slave Island Police Station in Colombo 02

Towards enhancing the focus on child abuse prevention under Project WAVE, the following initiatives were implemented during the year under review:

- A child protection sub-committee was set up and an activity plan for the year was developed
- An interactive awareness session on cyber exploitation and violence prevention was conducted for Head Office staff, particularly focussed on parents, educating 37 staff members

Village Adoption

This flagship initiative of the Foundation is aimed at uplifting the lives and living standards of disadvantaged communities by empowering them through relevant skills, capacity building and providing essential infrastructure towards fostering sustainable livelihoods and self-reliance. Its scope covers a wide range of development activities over 5 – 10 years. Initiatives are decided upon through constructive dialogue, translating into a range of development activities that foster the spirit of independence, self-reliance and entrepreneurship. Currently, 4 villages are in development under this project including Iranaipalai and Puthumathalan in Mullaitivu district, Morawewa in Trincomalee district and, the new addition, Nithulemada in the Kandy district. Below are some of the key activities carried out during the reporting year:

- **Livelihood development:** A 6-month family empowerment programme was completed in collaboration with Sri Lanka Red Cross Society (SLRCS) for 30 low income families in the two Mullaitivu villages as a means of identifying and implementing activities to increase their income. A farmer buyer forum was held in Morawewa North towards encouraging paddy farmers to explore crop diversification given the water scarcity in the area
- **Education:** Public examination revision classes were conducted in Mullaitivu, Morawewa and Nithulemada, benefiting a total of 490 students. The Foundation donated 43 musical instruments to Maha Maberiyathanna Tamil Maha Vidyalaya and Senarathwela Maha Vidyalaya
- **Infrastructure development:** The Foundation initiated the development of a community centre for the Puthumathalan fisheries society and completed the refurbishment of the Nithulemada clinic.
- **Water security:** The rehabilitated D8 tank in Morawewa was officially unveiled and handed over to the Farmer Organisation. 27 water filters were also distributed to low-income members of the Halmillewa Women's Society to facilitate access to clean drinking water
- **Gender Empowerment:** Towards supporting gender participation, capacity building and communal harmony in Nithulemada, 2 workshops on motivation and empowerment for village women was organised
- **Career Guidance and Youth Empowerment:** A career guidance workshop was conducted in Mullaitivu benefiting 142 school leavers and vocational trainees. A youth empowerment and career guidance programme is being planned, in Morawewa North in collaboration with SLRCS

Leadership programme at Mahavilachchiya

Safe Drinking Water Initiatives

The ensuing projects, aimed at providing access to safe drinking water facilities, were completed in the reporting year:

- Collaboration with the National Water Supply and Drainage Board (NWSDB) to address Chronic Kidney Disease (CKD). The Foundation commissioned another two reverse osmosis (RO) filtration systems in the Anuradhapura District. This is as part of a master plan of NWSDB to provide access to

Well cleaning undertaken by John Keells Foundation together with Sri Lanka Red Cross Society

Buyer and seller interaction at Kala Pola 2018

good quality water for drinking and cooking purposes in areas known to be at risk of Chronic Kidney Disease (CKD)

- United Nations Global Compact (UNGC) Water Stewardship Project - pilot initiative to provide equitable access to safe drinking water in Meegahakiula (Badulla District) was completed during the reporting year, which is estimated to directly benefit approximately 1,100 persons, including 4 schools

Kala Pola

Kala Pola, an open-air art fair, is a platform which enables artists and sculptors across the country to showcase and market their art. Kala Pola 2018, which marked the event's 25th anniversary, showcased 358 artists, attracting over 28,500 visitors, both local and foreign and generating over Rs.15.3 million in estimated sales revenue. The Children's Art Corner, attracted 170 child artists who revelled in painting and drawing while experimenting with clay work. Special activities to commemorate the Silver Anniversary included the launch of a dedicated website (www.kalapola.lk), launch of a commemorative stamp, a panel discussion as well as a special recognition of Senior Artists.

John Keells Digital Art Gallery

The Foundation continued to maintain and enhance its digital art gallery which serves as an online platform for local artists to showcase their work all year-round free-of-charge while sustaining and enhancing the interest of art patrons. As at 31 March 2018, 925 artists were registered with the Sri Lankan Art Gallery (www.srilankanartgallery.com) while the work of 250 artists selected by a team of curators was on view at the curated site. During the year in review, approximately 27,402 visitors visited the site recording an increase of 114 per cent against the previous year.

Disaster Relief

In the wake of the severe tropical storm that caused floods and landslides in several parts of the country, and the Meethotamulla garbage dumb disaster which destroyed homes and displaced thousands, over 104 John Keells volunteers were mobilised throughout a 24-hour period to sort and pack relief items, while Group staff in affected areas were involved in distribution of relief items. This initiative is estimated to have benefited over 15,000 persons. Other initiatives in this regard, include:

- Meethotamulla garbage landslide - The Foundation in collaboration with Asia Pacific Alliance for Disaster Management, donated 5,000 oxypura face masks for relief workers, and milk powder and biscuits for victims
- Flood Relief - Towards facilitating the resettlement of affected persons, the Foundation in collaboration with SLRCS cleaned 780 wells benefiting 7,479 people and distributed 1,003 school stationary kits to affected school children in Matara, Galle and Kalutara Districts. The Foundation in collaboration with John Keells PLC also funded paint equipment to Morawaka Tea Estates. In addition to efforts by the Foundation, Group businesses engaged in relief activities in their respective business areas. Collection points were set up at all supermarket outlets for the public to donate dry rations and sanitary items, to which the Retail business matched the contribution on a 1 to1 basis

Other Initiatives

The Foundation funded the cost of building material for extensive renovation and repair of water and sanitation facilities of the Welikada Prison for which unskilled labour was provided by the prison inmates under the supervision of Prison officials. The Foundation also contributed towards the building of an Emergency Treatment Unit at the Divisional Hospital, Kirinda. Through the Sunera Foundation, the Foundation also sponsored a workshop in Katugasthota benefiting 34 differently abled children and youth.

As part of the Group's commitment to develop workforce outside of the Group, the Group partnered with the Sri Lanka Institute of Development Administration providing 5 cadets undergoing the induction programme at the institute, the opportunity of a one-month placement in the Group. The aim of this programme was to give insight on how the private sector operates contributing to capacity building and fostering mutually beneficial relationships, for those who undertake public sector employment in future.

Concluding the Group's Social and Relationship Capital Review, the following section discusses Intellectual Capital, the fifth aspect of Capital Management.

Paintings on display at Kala Pola 2018

INTELLECTUAL CAPITAL

Intellectual Capital Review

The Group strongly believes that Intellectual Capital is a vital source of competitive advantage, which, in the long term, will result in a value premium for JKH through innovation and disruption of business models and ultimately serving the needs of an evolving and emerging consumer.

Research and Development

Whilst the Group undertakes research and development at the business unit level, John Keells Research (JKR), the research and development arm of the Group, was established in an attempt to create sustainable value through innovation to enhance the Intellectual Capital base of the Group.

Having successfully filed its first patent for a composite nano-material which enables energy storage, which was developed in collaboration with the National Metallurgical Lab of the Council for Scientific and Industrial Research (CSIR-NML), India in 2016/17, JKR filled a patent application in Taiwan and a Patent Corporation Treaty (PCT) application, which permits patent protection internationally, during the year under review. Biocompatibility and low cost per unit of energy stored are the key benefits exhibited by this novel energy storage material. JKR continued to work towards building prototype energy storage devices that utilise the aforesaid patented technology to enhance the Technology Readiness Level (TRL) of the intellectual property (IP) and to determine the commercial viability of a prototype product.

In addition to the aforementioned initiatives, JKR fabricated several prototype devices including an atmospheric water generator and an electrospinner, during the year under review. JKR also commenced work on a collaborative research project with a university in the USA to develop novel technologies for the conversion of waste to energy.

The relocation to the Technology Incubation Centre at the Nanotechnology and Science Park in Pitipana, Homagama, has proved fruitful thus far, with greater opportunities available for technical collaboration, while contributing towards creating and nurturing an ecosystem of innovation. In May 2017, JKR's own research laboratory commenced operations. The in-house laboratory provides access to sophisticated equipment and analytical services to ensure sole ownership of IP by JKH; eight research projects are currently being conducted in-house.

The research project undertaken in collaboration with the Sri Lanka Institute of Nanotechnology to develop novel composite materials concluded during the year under review. Based on the research finding from this exercise, the article titled "Oxidation protection of carbon fibre by sol-gel derived boron doped yittria-stabilised zirconia coatings", was published in the journal "Materials Science and Engineering: B".

Brand Stewardship

The Group is home to many brands which have gained recognition in their respective spheres over many years. The range of brands under each of the industry groups are depicted below.

TRANSPORTATION
Ports and Shipping
Transportation

LEISURE
City Hotels
Resorts
Destination Management
Hotel Management

PROPERTY DEVELOPMENT
Property Development
Real Estate

CONSUMER FOODS AND RETAIL
Consumer Foods
Retail

FINANCIAL SERVICES
Insurance
Banking
Stock Broking

INFORMATION TECHNOLOGY
IT Services
Office Automation
IT Enabled Services

OTHER INCLUDING PLANTATION SERVICES
Plantation Services
Other

Several brand development initiatives were pioneered in the operational year to create and enhance opportunities to our diverse stakeholders, in keeping with the changing dynamics and ever-evolving trends of the industries. In addition to routine strategies executed by each of the businesses to strengthen their respective brands, the ensuing section discusses the key brand building initiatives, undertaken by the Group in the year under review.

- The Leisure industry group continued to place significant emphasis on systematically executing the "Cinnamon" brand strategy, to create value and brand equity through the hosting of several signature events. To this end, "The Sound of Music", a production by Andrew Lloyd Webber and David Ian, was brought to life by the Asia Broadway Group. Known as one of the most critically-acclaimed productions in history, this iconic musical, that has made its mark on some of the world's most revered stages, including West End and Broadway, was the first Broadway performance of this calibre to be staged in Sri Lanka and the South Asian region, thereby marking a significant milestone in the entertainment industry of South Asia. Some other events organised include "Cinnamon Life presents George Calombaris", "Cinnamon Life presents Jonathan and Angela Scott" and the "Cinnamon Future of Tourism Summit 2017".
- The new "Keells" modern trade brand was developed after extensive study into consumer preferences at a grass-root level, expectations and convenience. The new brand aims to epitomise JMSL's "fresh" promise, service excellence and quality within 5 activity pillars; product, price, place, people and, most importantly, the customer, thereby improving the quality of life for the nation. As a part of this branding strategy, the business initiated a rebranding exercise for its modern trade outlets during the year under review. The layout of the new stores focus on customer convenience, with navigation across the store enabled by colour coded sections demarcating the fresh food, grocery items and in-house bakery. The stores also offer an extensive range of new services which include freshly prepared juices and meals. The brand revamp has been well received with preliminary feedback from customers, exceeding expectations

THE LEISURE INDUSTRY GROUP CONTINUED TO PLACE SIGNIFICANT EMPHASIS ON SYSTEMATICALLY EXECUTING THE "CINNAMON" BRAND STRATEGY, TO CREATE VALUE AND BRAND EQUITY THROUGH THE HOSTING OF SEVERAL SIGNATURE EVENTS.

- The "John Keells Land" brand in the Property industry group was rebranded as "John Keells Properties" in February 2018. The brand consolidates all property developments under three product focusses: Luxe, Metropolitan and Suburban product categories. The rebranding is expected to create a more holistic product portfolio for the end consumer
- The brand value of Union Assurance (UA) increased by 46 per cent to Rs.1.80 billion during the calendar year 2017. This is as per the value derived from the valuation conducted by Brand Finance (UK) in association with Sting Consultants using the "relief of royalty approach", which assumes the company does not own the brand and calculates how much it would cost to license it from a third party. Concurrently, UA was acknowledged with the Global Master Brand Status at the Master Brand Award ceremony organised by CMO Asia and hosted by the World Marketing Congress; the only insurance company in Sri Lanka to be presented this award, while also being recognised as the Most Respected Insurance Company in the LMD magazine's "Most Respected Entities in Sri Lanka" survey in 2017
- John Keells Computer Services (JKCS) and Strategic Group IT (SGIT) launched its unified brand "John Keells IT" (JKIT). JKIT is an umbrella brand which encompasses the software engineering and solutions portfolios of JKCS and SGIT, which also unifies the Group IT knowledge pool to deliver state-of-the-art, cutting-edge software solutions while leveraging on multiple strategic partnerships. The operations under the brand are carried out under 5 main solution pillars namely; strategy, consultancy, digital, technology and operations

Digitisation, Disruption and Open Innovation

During the year under review, the Group continued to identify emerging and current disruptive innovation trends, focussed on developing the digital quotient (DQ) of individuals and businesses. Such initiatives are believed to increase the productivity and efficiency of businesses through the use of digital technologies and disruptive business models, which in turn would create sustainable value to stakeholders.

It is pertinent to note that while the digital infrastructure, tools and services are amply available within the Group, user education and awareness of potential implications from the use of digital services remains a challenge for the Group, and the nation, as a whole. In order to address this challenge, the Group continually attempts to build

JKR's own research laboratory commenced operations, at the Technology Incubation Centre - Nanotechnology and Science Park in Pitipana, Homagama

The newly opened JKX office space

IN LINE WITH INTERNATIONAL BEST PRACTICE, TO FOSTER COLLABORATION AMONG LIKE-MINDED ENTREPRENEURS IN AN 'IDEA-FRIENDLY' ENVIRONMENT, THE GROUP OPENED A CO-WORKING SPACE FOR JKX, WHICH IS BASED ON AN OPEN OFFICE CONCEPT.

employee DQ through training and development, implementation of user-friendly systems and procedures and automation of process with minimal human interaction. To this end, during the year under review, the Group implemented a Managed Security Operations Centre in liaison with a reputed international service provider, to continuously monitor and strengthen the Group's IT infrastructure against vulnerabilities, thereby preventing, detecting, analysing, and responding to cyber security incidents.

In furtherance of the digitisation initiatives rolled out within the Group, John Keells X (JKX) creates a unique platform for disruptive and innovative solutions and also provides initial investments required for start-up businesses and technologies. To this end, JKX launched its second open innovation challenge, "John Keells X - Open Innovation Challenge 2017" in May 2017. The response to the competition was overwhelming with over 300 applications, out of which 20 applicants were shortlisted. The shortlisted applicants were provided with rigorous training and development, including workshops on "Disciplined Entrepreneurship (DE24)", legal aspects of entrepreneurship and valuing start-ups. The ensuing entities emerged winners of the challenge:

- "Direct Pay", an electronic/mobile payment solution for onsite/online financial transactions
- "Greasemonkey.lk", an e-commerce platform dedicated to automotive products and services
- "Helios", a peer-to-peer lending platform which leverages on blockchain technology
- "iLoan", a borrower driven online loan aggregator and powering engine
- "MyTuition.lk", a simple, efficient and interactive learning platform
- "Senzagro", a sensor-based precision agriculture solution

Winners of "John Keells X - Open Innovation Challenge 2017"

The winners of the aforementioned challenge advanced to a six-month accelerator programme, which linked them to a channel of resources, including seed funding, office space, access to support services, mentoring and coaching, among others. The teams were also provided the opportunity of participating in a 'Growth Hacking' workshop, conducted by an Amsterdam based company "Growth Tribe", Europe's first growth hacking academy.

In line with international best practice, to foster collaboration among like-minded entrepreneurs in an 'idea-friendly' environment, the Group opened a co-working space for JKX, which is based on an open office concept. This was created with the aim of creating a conducive ecosystem for young entrepreneurs to thrive.

Training was also provided to selected Group staff on identifying emerging technology and disruptive trends. The STEM programme, as discussed under Human Capital, is also an initiative aimed at fostering and nurturing the DQ of the Group.

Business-specific details pertaining to the value creation under Intellectual Capital is found in the Industry Group Review section of this Report.

GROUP CONSOLIDATED REVIEW
Outlook

Concluding the Capital Management Review, the ensuing is a discussion on the economic outlook for Sri Lanka in the short to medium term, the high-level impacts to the businesses and the overall business strategy of the Group. For a detailed discussion on the strategy and outlook for each industry group, refer the Industry Group Review section of this Report.

Macro-Economic Outlook

The World Bank projects global growth to edge up to 3.1 per cent in 2018, aided by a rebound in manufacturing, investment and trade, against the backdrop of benign financing conditions, generally accommodative policies, improved confidence, and the dissipating impact of the earlier commodity price collapse. Major trade agreements involving the US and the UK that are being renegotiated, as well as the progress of the "Belt and Road Initiative", will have a significant bearing on production, trade and investment across the globe in the medium to long term. However, the outlook is subject to substantial downside risks, including the likelihood of financial stress, increased protectionism, geopolitical tension and most major central banks inclined towards moving away from an accommodative monetary stance, partly given the rate outlook of the US Fed. Non-economic factors such as climate change, natural disasters and increased political risks in certain regions would also pose considerable risks for global economic outcomes. The acceleration of global growth, and the resultant increase in global interest rates, could have diverse effects on the Sri Lankan economy. Increases in oil prices and increasing commodity prices coupled with a strengthening dollar, will weigh negatively on the Balance of Payment (BOP).

Despite the lacklustre performance of the Sri Lankan economy in the calendar year 2017, the Central Bank of Sri Lanka (CBSL) expects the Sri Lankan economy to rebound to 5-5.5 per cent growth in the calendar year 2018, driven by the global economic recovery and increased domestic and foreign investment, particularly channelled towards the industrial zone in Hambantota and the Port City Colombo (PCC). Potential headwinds faced by the private sector include concerns relating to the macro impact of sustained higher oil prices, adverse weather conditions, delays and lack of decisive policy implementation, and a weaker recovery in consumer confidence and discretionary spending.

THE RE-COMMENCEMENT OF LARGE SCALE INFRASTRUCTURE PROJECTS SUCH AS PCC AND CONTINUED INVESTMENT IN INFRASTRUCTURE, INCLUDING THE EXPANSION OF THE COUNTRY'S NETWORK OF EXPRESSWAYS IS EXPECTED TO AID ECONOMIC ACTIVITY WITHIN THE COUNTRY.

The re-commencement of large scale infrastructure projects such as PCC and continued investment in infrastructure, including the expansion of the country's network of expressways, is expected to aid economic activity within the country. The execution of the proposed free trade agreements as well as planned development activities such as the development of the Hambantota Port, the "Western Region Megapolis Planning Project" and economic corridor projects such as the Colombo-Trincomalee Economic Corridor (CTEC) and the North East Economic Corridor will provide stimulus for private sector growth. A prioritisation of these projects by the Government and clear articulation of how the private sector can participate in these ventures would further support increased private investment and stronger growth in the economy. Infrastructure initiatives such as the expansion of capacity in the Port of Colombo, expansion of the passenger terminal at the international airport, timely completion of the Central Expressway project and enhancing power generation capacity are of particular importance.

Despite continued expressed interest by the Government to exit non-core public owned interests to enable private sector investment, both directly and through public-private partnerships, clear measures towards this end have not been forthcoming. The Group believes that such initiatives can aid the sustainable growth of the economy and enable the Government to channel its resources towards further enhancing the social and development infrastructure of the country.

On the external front, the balance of payments (BOP) is expected to strengthen on the back of projected developments in the external sector. Further improvements in exports is projected in the medium term aided by increased volume and enhanced value addition of the export basket, improved competitiveness in export markets due to a more flexible exchange rate policy, and improved market access through improved trade connections through existing and new trade agreements, and in particular the reinstated GSP and GSP+ concessions. A continuation of fiscal

GDP PER CAPITA

ACTUAL

USD 4,065

2017 calendar year

GDP PER CAPITA

ESTIMATE

USD 6,095

2022 calendar year

Source : Central Bank of Sri Lanka

consolidation efforts supported by the Extended Fund Facility from International Monetary Fund (IMF-EFF) would further strengthen macro-economic stability.

Despite the anticipation of foreign inflows, particularly in lieu of large infrastructure projects within the country, the pressure on the exchange rate would continue should higher oil prices sustain, along with stronger growth in the West resulting in a possible moderation of foreign fund flows to emerging and frontier markets. Whilst the depreciation of the Rupee negatively impacts businesses with higher reliance on imported inputs, the Group also benefits through its individual subsidiaries which have direct, and indirect, dollar denominated income streams. The Group's risk strategy of maintaining "natural hedges", where relevant and feasible will mitigate, to a great extent, the volatility arising from possible fluctuations in the exchange rate.

Whilst the Government's efforts to formulate policy frameworks with the support of the IMF and other global regulatory bodies to address the emerging challenges are noteworthy, it is essential that such policies are implemented swiftly and in consultation with key stakeholders. The lack of consultation and engagement with stakeholders, as in the case of the implementation of the Sugar tax, may result in volatility for businesses and all its stakeholders across the value chain.

The Group expects to deploy over USD 600 million over the next few years to fund the Group's investment pipeline, including Cinnamon Life, expansion of its Retail store network and distribution, route to market investments in the Consumer Foods sector and expansion of rooms under management by investing in minority stakes in new hotel ventures, amongst others. Given the gestation period of most of these investments, the realisation of benefits from these investments are expected to accrue from 2020/21 onwards. Whilst the Group is aware that such investments will have a drag down effect on the performance of the Group in the short term, the Group is confident that such investments, which focus on buildings capacity and pursuing a sustainable business model and portfolio, will result in improved returns on capital employed leading to a better performance in the medium to long-term. The need for these investments will be assessed periodically based on the macro-environment and market conditions prevailing at the time such investment decisions are made.

WHILST THE GOVERNMENT'S EFFORTS TO FORMULATE POLICY FRAMEWORKS WITH THE SUPPORT OF THE IMF AND OTHER GLOBAL REGULATORY BODIES TO ADDRESS THE EMERGING CHALLENGES ARE NOTEWORTHY, IT IS ESSENTIAL THAT SUCH POLICIES ARE IMPLEMENTED SWIFTLY AND IN CONSULTATION WITH KEY STAKEHOLDERS. THE LACK OF CONSULTATION AND ENGAGEMENT WITH STAKEHOLDERS, AS IN THE CASE OF THE IMPLEMENTATION OF THE SUGAR TAX, MAY RESULT IN VOLATILITY FOR BUSINESSES AND ALL ITS STAKEHOLDERS ACROSS THE VALUE CHAIN.

Transportation

Given the strategic location of the country and the inherent advantage Sri Lanka possesses as a maritime hub, the Logistics, Ports and Bunkering businesses are expected to benefit from the increase in ship/vessel traffic with further infrastructure expected to support this growth trajectory. Opportunities in the Transportation industry group will continue to be evaluated, particularly considering any opportunities based on the Government's interests in private-public partnerships, such as with the East Container Terminal of the Port of Colombo, and bunkering and related services at Hambantota. The Group is confident of the potential within the Hambantota port, given its strategic positioning along the main East-West shipping route and its integral role within the "Belt and Road" trade and infrastructure initiative.

Leisure

The Leisure industry group is well positioned to capitalise on the projected growth of tourist arrivals to the country, under the umbrella of the "Cinnamon" brand. The growth momentum of arrivals is expected to continue given the favourable fundamentals of the tourism offering in Sri Lanka, such as diverse experiences within close proximity, increasing awareness of the destination, increasing flight connectivity and gradually improving tourism infrastructure. Given the long-term growth prospects of the industry, the Group is actively pursuing investment opportunities and partners to expand the Cinnamon hotel portfolio. The Group is conscious of the high asset base of the industry group, given the regular revaluation of its land and buildings as per the requirements of the applicable accounting standards, and the resultant impact to the overall returns of the Group portfolio. In this light, in line with the global trends, the Group's future expansions will be executed through asset-light investment models, reducing its exposure to bricks-and-mortar with a view to expanding the number of rooms under management with relatively less effective capital deployed. It is noted that although the industry group has a robust pipeline of investment, the benefits of such investments will only accrue in the medium term, given the long gestation periods. The industry group will continue to streamline all processes, policies and standards, contributing to a more effective management of room inventory, yield management and enhanced guest experiences, while deriving synergies on common costs which lend itself to centralisation. Further, in the medium to long term, the opportunity of the Meetings, Incentives, Conferences and Exhibitions (MICE) market, particularly from India, will enable the Group to attract the high spending segment

THE LEISURE INDUSTRY GROUP IS WELL POSITIONED TO CAPITALISE ON THE PROJECTED GROWTH OF TOURIST ARRIVALS TO THE COUNTRY, UNDER THE UMBRELLA OF THE "CINNAMON" BRAND.

of tourists which Sri Lanka has hitherto been unable to satisfy. To this end, "Cinnamon Life" is uniquely positioned to cater towards the emerging requirements of the contemporary tourist and the increasing MICE traffic, positioning Colombo as a hub for business and leisure travel.

Property

In line with Sri Lanka progressing towards an upper middle-income country with growing urbanisation rates, the Property industry group will continue to identify unique product propositions within the residential and commercial property markets, leveraging on the Group's sizeable land bank and its reputation as a leading developer. Driven by the prevalent development opportunities within the industry, the Property industry group will consolidate future property developments under three main product focusses; Luxe, Metropolitan and Suburban. A more holistic approach for property development, under the aforementioned product focusses, is expected to address the volatile trend of revenue recognition of the industry group through the development of a more robust and sustainable pipeline of projects.

THE GROUP'S 2020 SUSTAINABILITY TARGETS, BASED ON SYSTEMATIC AUDITS, ASSESSMENTS AND BENCHMARKING CARRIED OUT FOR INDUSTRY GROUPS SUCH AS LEISURE AND CF&R WHICH CONTRIBUTE SIGNIFICANTLY TO THE GROUP'S TOTAL ENERGY AND WATER USAGE, WILL CONTINUE TO BE MONITORED, WITH INITIATIVES UNDERTAKEN, TO ENSURE TARGET ACHIEVEMENT.

Consumer Foods and Retail

The Consumer Foods sector will focus on expanding its portfolio, remaining relevant to its consumers and widening its footprint by staying ahead of the market through better understanding of consumer trends and needs. Whilst a moderation of consumer spending was witnessed in 2017/18, volumes are expected to recover in the ensuing year, with the long-term growth potential for the business remaining strong on the back of low consumption penetration levels in the country. Whilst the Group had planned to undertake sizeable capacity enhancements in the Beverage business, the decline in volumes particularly after the implementation of a Sugar Tax has resulted in such investments being deferred to the medium term. Given the promising prospects in the Frozen Confectionery business, particularly in the Impulse segment, the Group will continue to place emphasis on expanding its portfolio, leveraging on the newly commissioned plant in Seethawaka which caters to the impulse segment. Continued enhancements of the distributor and dealer management systems, are expected to increase productivity and efficiency of operations.

The Retail sector will capitalise on the low penetration of modern retail in the country, by strategically expanding its retail footprint. The business will seek opportunities in strategically placed locations, particularly in the suburbs, targeting an outlet network of approximately 250 stores by 2022/23, subject to market conditions and feasibility. To complement this aggressive roll out plan, the sector, in liaison with John Keells Logistics Limited, commenced the construction of a state-of-the-art centralised distribution centre to maximise operational efficiencies, to further improve productivity of the business and enhance the offering to its customers. The centralised distribution centre is expected to be operational in the second half of 2019/20.

Financial Services

Leveraging on the Insurance business's strong brand presence and cost-efficient processes, UA will continue to capitalise on the opportunities made available by the low life insurance penetration within the country, complemented by its digital strategy. Bancassurance is also expected to be a key driver of premium growth at UA in the long-term in addition to the anticipated benefits from improving the productivity of the sales force through automation and digital initiatives. Nations Trust Bank will continue to leverage on its renowned customer service, brand promise and delivery network, which will strategically focus on increasing market share across its portfolio, particularly in the SME sector. The Bank will also focus on delivering novel digital banking solutions, such as its digital bank "FriMi" and migrating customers to digital platforms. These measures are expected to assist the Bank in sustaining returns and earnings growth, despite more intense competition for low cost deposits, which exerted pressure on net interest margins across the banking industry.

Sustainability and Risk Management

The Group's 2020 sustainability targets, based on systematic audits, assessments and benchmarking carried out for industry groups such as Leisure and CF&R which contribute significantly to the Group's total energy and water usage, will continue to be monitored, with initiatives undertaken, to ensure target achievement. The Group will also continue its stride towards outperforming selected international benchmarks for carbon footprint, energy consumption and water usage, while also seeking to improve its own performance on the said aspects.

Focus will continue to be placed on integrating the Group's risk management process with its sustainability strategy through consistent tracking and reporting of key risk indicators on areas such as green-house gas emissions, talent attrition, third party claims, non-compliance and stakeholder concerns with regards to the Group's operations. While maintaining the robust sustainability performance management framework, the Group will also work to ensure that sustainability and risk management practices are further entrenched across its significant value chain partners through the implementation of responsible sourcing practices, where practical and relevant.

The Strategy, Resource Allocation and Portfolio Management section is aimed at providing the stakeholders of the Group an insightful view of the manner in which investment decisions of the Group are made.

THE GROUP'S VISION OF "BUILDING BUSINESSES THAT ARE LEADERS IN THE REGION" IS THE CORNERSTONE OF RESOURCE ALLOCATION, PORTFOLIO EVALUATION AND OPERATIONAL DECISIONS OF THE BUSINESS UNITS.

The ensuing pages will explain in detail, the following aspects:

- Strategy of the Group
- Resource allocation and portfolio management
- Portfolio movements

Strategy

The Group's vision of "Building businesses that are leaders in the region" is the cornerstone of resource allocation, portfolio evaluation and operational decisions of the business units. In pursuing its vision, the Group is mindful of the governing principles which form the foundation of all strategies and initiatives that have been planned, are being implemented, or have been implemented, towards achieving the medium to long term objectives of the Group.

As evident from the past, the Group strives to constantly align its portfolio of businesses with the growth sectors of the economy, both current and futuristic, and continuously endeavours to ensure that capital resources are efficiently employed in a manner that will expand the reach of the portfolio, ensure relevance and give the ability to compete at relevant levels, both globally and internationally.

"Cinnamon Life" is one such initiative towards this end. The Consumer Foods and Retail, Leisure, Financial Services, Property and Transportation industry groups are poised to grow in the medium to long term in a local economic environment which is expected to be progressive, and, in the region, where we have accumulated competence in the relevant industry.

Governing Principles

Group-wide strategy is governed by principles and frameworks that are pivotal to ensuring the successful implementation and execution of business strategy. The Group's governing principles are primarily,

- A stakeholder focussed business model;
- A corporate governance philosophy which emphasises performance, in addition to compliance and conformance;
- A risk identification process and management philosophy based on a sound enterprise risk management framework which also places emphasis on re-engineering, process improvement and quality management in ensuring that business processes across the Group are efficient, agile and robust;
- A sustainability development framework; and
- A human resource management system which entails recruiting, retaining, and developing the most talented employees,

which are all in line with international best practice.

Focus is also placed on developing life skills of communities and empowering them in overcoming social, economic and environmental challenges. The local communities are empowered, where possible.

Strategy Mapping

Strategy mapping exercises, concentrating on the short, medium and long-term aspirations of each business, are conducted annually and reviewed, at a minimum, quarterly/half-yearly or as and when a situation so demands.

This exercise entails the following key aspects, among others.

- Progress and deviation report of the strategies formed in the prior year, and current year
- Competitor analysis and competitive positioning
- Analysis of key risks and opportunities
- Management of stakeholders such as suppliers and customers
- Value enhancement through initiatives centred on the various forms of Capital under an integrated reporting framework

The strategies of the various business units, operating in diverse industries and markets, will always revolve around the Group strategy, while considering their domain specific factors. The prime focus always is to enhance value for all stakeholders.

Long-term Aspirations

The Group continually endeavours to deliver unparalleled value to our stakeholders, particularly shareholders. To this end, the Group has in place Financial Goals which are continually monitored to ensure that the Group is moving steadily in the right direction.

Indicator (%)	Goal	Achievement		
		2017/18	2016/17	2015/16
EBIT growth	>20	20.7	15.5	5.0
EPS growth (fully diluted)	>20	27.9	12.6	(15.2)
Cash EPS growth (fully diluted)	>20	23.0	(1.0)	(6.2)
Long-term return on capital employed (ROCE)	15	11.9	11.5	11.1
Long-term return on equity (ROE)	18	11.1	9.8	9.6
Net debt (cash) to equity	50	(14.9)	(28.5)	(30.8)

Medium-term Strategy

During the year under review, in liaison with international industry experts, where applicable, the Group underwent a comprehensive strategy formulation and planning exercise for the medium term which focusses on the ensuing 5 years. Stemming from the vision of "Building businesses that are leaders in the region", and garnered by the governing principles, each business unit developed a five-year strategy and business plan, which was approved by the Group Executive Committee and the Board.

The ensuing section illustrates the comprehensive process followed by each business in developing the business's strategy for the medium term.

Values and Promises	Brand and Business Review	Brand Plan	Long-term Business Plan	Annual Business Plans
• Identification of the core values the business will operate with and the internal Promises that the business will strive to deliver to stakeholders	• Review of global and regional trends • Identification of insights, risks, challenges, opportunities and implications, collated into key themes	• Identifying key activities required to be undertaken under each theme and the articulation of the varied brand-led themes and activities • Identification of KPIs to measure delivery of Promises	• Setting of a long-term goal and agreeing on the core pillars that would deliver growth • Target setting, scheduling activities and identifying workstreams to execute long term initiatives • Identifying operating and capital expenditure along with capability resources	• Articulation and approval of detailed project plans for execution of workstreams • Approval of Annual Business Plan

Performance Measurement

Measure of performance against:

- Promises
- Annual plans and projects
- Long-term initiatives
- Financial objectives

Given the current challenging macro-economic conditions and operating environment, businesses adopted stringent cost control and management processes without unduly compromising the operating expenditures and investments required, towards achieving the targets set out by the five-year strategy process. The Group continues to inculcate a culture of disruptive innovation and digitisation to enable it to drive growth.

Detailed discussion on strategies of each industry group is found in the Industry Group Review section of this Report.

DURING THE YEAR UNDER REVIEW, IN LIAISON WITH INTERNATIONAL INDUSTRY EXPERTS, WHERE APPLICABLE, THE GROUP UNDERWENT A COMPREHENSIVE STRATEGY SESSION FOR THE MEDIUM TERM WHICH FOCUSSES ON THE ENSUING 5 YEARS. STEMMING FROM THE VISION OF "BUILDING BUSINESSES THAT ARE LEADERS IN THE REGION", AND GARNERED BY THE GOVERNING PRINCIPLES, EACH BUSINESS UNIT DEVELOPED A FIVE-YEAR STRATEGY AND BUSINESS PLAN, WHICH WAS APPROVED BY THE GROUP EXECUTIVE COMMITTEE AND THE BOARD.

Strategy Execution

Group strategy is facilitated by an Operating Model, where each business unit is granted operational autonomy within a framework of delegated decision rights and an authority matrix as approved by the Group Executive Committee and the Board of Directors, as applicable, in ensuring speed of decision making, accountability and agility in responding to the needs of the market. Given the diversity of the Group and the multiple management layers within it, agendas, scope and role of these committees and positions are carefully structured to ensure the efficient flow of information, implementation of strategic initiatives, minimisation of the duplication of effort and adherence to the Group's Values.

Refer the Corporate Governance Commentary for a detailed discussion on the execution process.

When allocating funds for various investments, the project evaluation model, discussed in detail in the ensuing sections, strives to strike a balance between optimising immediate portfolio returns and preserving medium to long term growth objectives, whilst ensuring investments will be EPS accretive in the long term.

Resource Allocation and Portfolio Performance

Resource allocation and portfolio management is an imperative action in creating value to all stakeholders through evaluation of the Group's fundamentals which are centred on the forms of Capital. Whilst the Group is presented with opportunities in diverse industries, it continues to follow its four-step, successful and structured methodology indicated in the ensuing section, in evaluating its portfolio and thereby guiding investment and divestment decisions.

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

Regular Assessment of Risk and Reward

All verticals and businesses within each industry group are regularly assessed on key dimensions such as customer orientation and bargaining power, supplier concentration and power, JV partner affiliations and dependence, cyclicality, regulatory structure, performance against the industry and Sri Lankan economy, procedural, regulatory or technological factors that obstruct or restrict operations and the current and potential competitive landscape, among others.

The capital structure for new ventures are stress tested under varied scenarios, which often leads to taking proactive measures, particularly in managing potential foreign exchange risks during both the development and operating phases. Further, ongoing projects are regularly tested and evaluated in partnership with independent and recognised parties to ensure clear, impartial judgment on matters relating to capital structure, economic implications and key risks.

JKH's Hurdle Rate

The present hurdle rate of JKH is at 15 per cent of capital employed which is a function of the weighted average cost of capital (WACC). The WACC is derived from the Group's cost of equity, cost of debt, target capital structure, tax rates and the value creation premium required over and above the WACC. It is pertinent to note that whilst there are fluctuations in the cost of debt in the short term, the hurdle rate has not been revised on the basis that it is a long-term target, and any revision would be warranted only if the above factors are expected to sustain over the long term.

Even though this hurdle rate is utilised as the initial benchmark rate to evaluate the feasibility and opportunity in all projects of the Group, project specific modifiers are also used to get a holistic view of the project under consideration. As such, a country specific risk modifier would be applied for investments with a high proportion of foreign currency investment costs and operational cashflows. To this end, the modifier would use a project specific cost of debt and foreign currency denominated equity return benchmark commensurate with the investment, which in turn would be comparatively analysed against projects with similar risk profiles.

THE GROUP AIMS TO STRIKE A BALANCE BETWEEN OPTIMISING IMMEDIATE PORTFOLIO RETURNS AGAINST RETURNS IN THE FUTURE.

Conceptualising Portfolio Performance

The Group aims to strike a balance between optimising immediate portfolio returns against returns in the future. As such, emphasis is placed on both the return generating capabilities of the business against its capital employed and the earnings potential of the business or project. The Group is conscious of the quantum of capital deployed to businesses, and to this end, places a strong emphasis on evaluating projects in such a manner which optimises capital efficiency, especially in capital intensive businesses such as Leisure. In order to manage the effective quantum of capital deployed, the Group will continue to explore investment structuring options such as asset-light investment models for future hotel projects.

Being a portfolio of businesses, the Group has benefited from contributions from different businesses at varying points of time based on their growth cycle and correlation with overall economic growth in the country. Over the last few years the Group has witnessed a shift in the composition of its earnings with a greater contribution from higher ROCE earning industry groups such as Consumer Foods and Retail, and Financial Services. The conscious and planned strategies of driving growth in these industry groups will, all things being equal, contribute towards an improvement in the ROCE for the Group, whilst concurrently driving absolute earnings growth.

The ensuing section discusses return on capital employed (ROCE) under two key modifiers.

Modifier I – Adjustment for land re-allocations

Properties that are not under the operational banner of non-property related business units and are excess to their current and foreseeable operational requirements, have been allocated to the Property industry group along with the corresponding income. However, it is noted that real estate belonging to the Sri Lankan Resorts segment is excluded as such properties constitute the land bank of the segment for future hotel developments. The properties re-allocated will be a part of a "property play" and plans for development and operation are the responsibility of the Property industry group. "Cinnamon Life" is recognised as a stand-alone play.

Modifier II – Adjustment for investment property and revaluations

Excluding properties in the Property industry group, properties which have been re-rated in keeping with the principle of fair value accounting have been adjusted for the preceding three years in order to obtain a clear and un-skewed view of the ROCE. Given the Group's land banking strategy which is aimed at monetising such assets in the medium term, it is pertinent to note that fair value gains/(losses) on investment property (IP) and revaluation gains/(losses) are reflective of core operations of the Property industry group. As such, IP and revaluation gains pertaining to the Property industry group have not been adjusted for at a Group level.

Industry Group/Sector	2017/18					2016/17
	Capital Employed (Rs. million)	Effective Capital Employed (Rs. million)	Unadjusted ROCE (%)	ROCE after Modifier I (%)	ROCE after Modifier I and II (%)	ROCE after Modifier I and II (%)
Hotel Management	476	476	96.3	96.3	96.3	129.4
City Hotels	32,201	25,579	5.1	5.3	8.1	11.5
Sri Lankan Resorts	15,044	11,935	5.7	5.7	6.3	9.3
Destination Management	1,099	1,085	34.6	34.6	34.6	25.0
Maldivian Resorts	15,086	12,117	4.7	4.7	4.7	8.8
Transportation	19,421	19,379	18.5	18.3	18.4	19.3
Consumer Foods	9,637	8,667	32.0	32.9	34.4	61.7
Retail	5,605	4,560	36.0	36.0	36.5	64.2
Financial Services	15,277	14,480	74.6	74.6	76.4	28.2
Property (Excl. Cinnamon Life)	40,823	30,372	6.0	5.8	5.8	9.8
Cinnamon Life	49,389	46,048	(0.1)	(0.1)	(0.1)	(0.1)
Information Technology	2,158	2,158	20.6	20.6	20.6	26.9
Plantation Services	3,583	2,484	19.4	20.8	15.2	13.7
Core-operational industry groups/sectors	209,800	179,340				
Holding Company, including Centre Functions*	44,787	44,781	9.8	N/A	N/A	N/A
Group	**254,587**	**224,121**	**11.9**	**N/A**	**N/A**	**N/A**

* *Primarily encompasses interest income on the Holding Company's cash and cash equivalents.*

It is pertinent to note that the capital employed base of the Group, is deployed in assets of various forms which generate returns based on the nature of the assets and risk profile. To this end, the ensuing is noted:

Cash and cash equivalents – The significant cash reserves of the Group are earmarked for equity commitments of the "Cinnamon Life" project and other investments in the pipeline. The cash balance of the Group is currently generating sub-optimal returns, well below the Group's hurdle rate, exerting pressure on Group ROCE. Group cash and cash equivalents stood at Rs.75.27 billion as at 31 March 2018, whilst Company cash and cash equivalents stood at Rs.49.65 billion. It is pertinent to note that of this, equity investments of the UA life fund amount to Rs.3.82 billion, whilst the restricted regulatory fund at UA amounts to Rs.3.38 billion.

Extensive land bank – The Group has an extensive land bank which are non-return generating assets. In order to capitalise on opportunities arising in the real estate and property development industry, the Group is pursuing a land banking strategy with a view to monetising such investments in the short to near term. Such acquisitions which are being targeted, mirroring the planned infrastructure rollout in the country where land value appreciation is anticipated, is expected to exert a strain on ROCE in the short term, given the non-return generating nature of land, until such time that these assets are monetised. Considering the growing trend of urbanisation and the need for residential and commercial spaces, the Property industry group will accelerate its pipeline of projects, catering to multiple segments of the market. This will ensure that the cycle of monetisation of the lands of the Property industry group is managed in the context of the timing and its related impact on ROCE.

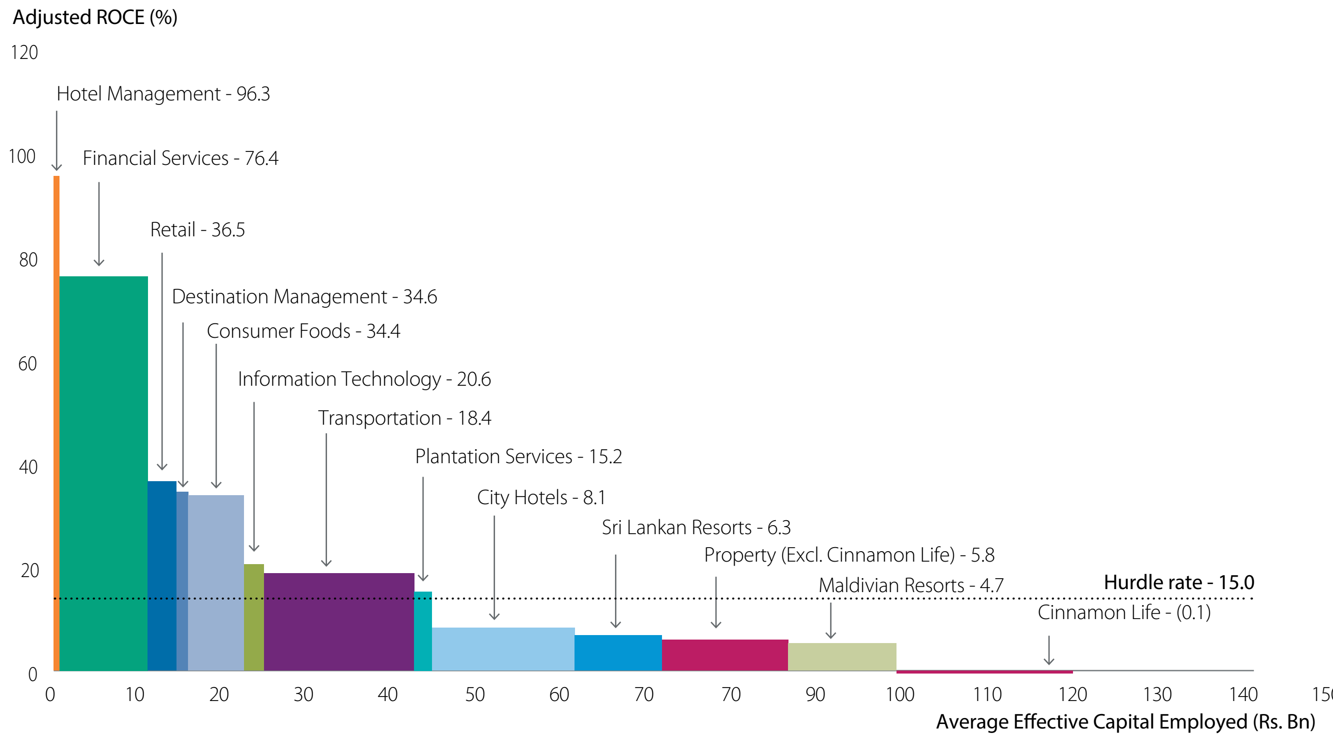
Noteworthy Insights

- The Group expects to deploy a significant quantum of cash, over the next few years, to fund its investment pipeline. The need for these investments will be assessed periodically based on the macro-environment and market conditions prevailing at the time such investment decisions are made. Given the gestation period of these investments, the realisation of benefits from these are expected to accrue in the medium term. Whilst the Group is aware that these investments will impact performance in the short term, the Group is confident that these will result in improved returns, in the medium to long term, while also achieving a better portfolio balance.
- Although the Group's land banking strategy is expected to exert pressure on ROCE in the short term, it will facilitate the development of a robust pipeline of projects when such assets will be monetised, thereby having a positive impact on the ROCE of the Group.

BEING A PORTFOLIO OF BUSINESSES, THE GROUP HAS BENEFITED FROM CONTRIBUTIONS FROM DIFFERENT BUSINESSES AT VARYING POINTS OF TIME BASED ON THEIR GROWTH CYCLE AND CORRELATION WITH OVERALL ECONOMIC GROWTH IN THE COUNTRY.

Performance of the Core-Operational Portfolio

The ensuing discussion is limited to the revenue generating entities of the Group, as this is more reflective of the Group's performance, given its conglomerate setting.



Key highlights of the above illustration are discussed in the ensuing section.

Leisure

The City Hotels sector underperformed mainly on account of relatively flat average room rates and a decline in occupancy due to the increase in room inventory, coupled with increased costs at "Cinnamon Grand", and to a lesser extent, at "Cinnamon Lakeside". Against this backdrop, the adjusted ROCE of the City Hotels sector declined from 11.5 per cent to 8.1 per cent. The adjusted ROCE of the Sri Lankan Resort segment fell to 6.3 per cent against 9.3 per cent in 2016/17, primarily due the lack of profit generation as a result of the closure of "Bentota Beach by Cinnamon" for the reconstruction of a new hotel.

It is pertinent to note that, the asset base of the Sri Lankan Resorts segment includes a large land bank earmarked for development of hotel properties. While monetisation of these properties in the future will be based on development potential, their effects on the capital base due to re-rating have been adjusted for, as mentioned above under "modifier II".

For further details on the land bank refer the Group Real Estate Portfolio section of this Report.

THE STRONG LONG-TERM GROWTH PROSPECTS FOR TOURISM IN THE COUNTRY PRESENT THE LEISURE INDUSTRY GROUP WITH INVESTMENT OPPORTUNITIES, WHICH THE GROUP INTENDS TO CAPITALISE ON THROUGH AN ASSET-LIGHT EXPANSION MODEL.

The ROCE of the Maldivian Resorts segment decreased to 4.7 per cent [2016/17: 8.8 per cent], mainly on account of the partial closure of "Cinnamon Dhonveli Maldives" and "Ellaidhoo by Cinnamon" for refurbishment during the year, coupled with the decrease in occupancies across the Maldivian resorts. It is important to note that the Maldivian Resorts segment has been included in the aforementioned graph and the ROCE analysis, to ensure capturing of all sectors/industry groups. However, for better insight, the return generated from the Maldivian Resorts segment should be appraised against a return of a comparable dollar financed asset as opposed to the Group Rupee hurdle rate of 15 per cent which is based on the Rupee risk-free rate.

The strong long-term growth prospects for tourism in the country present the Leisure industry group with investment opportunities, which the Group intends to capitalise on through an asset-light expansion model. It is envisaged that this would result in an optimal deployment of capital that is accretive to Group portfolio returns.

Given its service-oriented disposition, the Destination Management sector and the Hotel Management sector continued to record ROCEs well above the hurdle rate. The Destination Management sector witnessed an increase in its adjusted ROCE to 34.6 per cent [2016/17: 25.0 per cent], due to an increase in profits combined with a decline in the capital base. The Hotel Management sector witnessed a decline in its ROCE to 96.3 per cent [2016/17: 129.4 per cent], which is attributable to a 22 per cent reduction in its EBIT stemming from a decrease in management fee from the "Cinnamon" hotels (given the reasons outlined above) and an increase in brand marketing costs.

Transportation

The adjusted ROCE of the Transportation industry group decreased marginally to 18.4 per cent from 19.3 per cent in the previous year. This decrease stemmed from a higher proportionate growth in the capital base of the industry group compared to the increase in EBIT, as discussed in the Transportation Industry Group Review section of this Report.

Property

As defined under "modifier 1", properties that are not under the operational banner of non-property related business units and are excess to their current and foreseeable operational needs, have been included under the Property industry group. On this basis, the Property industry group, excluding "Cinnamon Life", recorded a decline in adjusted ROCE to 5.8 per cent [2016/17: 9.8 per cent]. The decrease is mainly attributable to a sharp rise in the capital base arising from the land acquisitions undertaken during the year as a part of the land banking strategy, as discussed under the Property Industry Group Review. Given the nature of land banking, the ROCE of the Property industry group is suppressed below the Group's hurdle rate until the monetisation of such assets. Further, the Group is cognizant that revenue recognition in the Property Development sector has demonstrated a cyclical trend based on the projects completed, and as discussed in the Property industry group review, the business is taking proactive steps to develop a more robust pipeline of projects. During the year under review, the Property industry group's revenue primarily comprised of rental income from its shopping malls.

Cinnamon Life

During the year, Rs.9.45 billion of cash equity and Rs.1.15 billion of debt was infused to "Cinnamon Life" to finance the development costs of the project. As at 31 March 2018, the cumulative figures stood at Rs.24.46 billion and Rs.13.52 billion for cash equity and debt, respectively. The aforementioned cash equity investment at "Cinnamon Life" excludes the land transferred by JKH and its subsidiaries. Note that all project related costs, unless explicitly mentioned, are capitalised in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). Additionally, it is highlighted that the revenue from the pre-sales of the residential apartments of the "Cinnamon Life" project will only be recognised post the commencement of operations.

Consumer Foods and Retail

The Consumer Foods sector recorded a decrease in the adjusted ROCE to 34.4 per cent from 61.7 per cent in the previous year. Subdued performance of the sector stemming from an overall dip in FMCG markets, coupled with an increase in the capital base arising from the completion of the new frozen confectionery plant in Seethawaka, exerted pressure on ROCE.

The Retail sector also experienced a decline in adjusted ROCE to 36.5 per cent from 64.2 per cent the previous year on the back of a sharp rise in the capital base stemming from the opening of 23 new outlets during the year. The cost pertaining to funding and operating the expected pipeline of new stores, is expected to exert pressure on ROCE in the short term. However, the performance is expected to normalise in the medium term, as the performance of new stores ramp up to its potential. The Retail business' investment in the state-of-the-art 225,000 square foot distribution centre (DC) to cater to the expansion of its store network and further enhance and improve operational processes, will exert pressure on ROCE in the short term.

Financial Services

The Financial Services industry group recorded an adjusted ROCE of 76.4 per cent compared to 28.2 per cent recorded in the previous financial year. The significant increase in ROCE is primarily due to the one-off surplus of Rs.3.38 billion at Union Assurance PLC, as discussed in the Financial Services Industry Group Review. Excluding the one-off surplus, the ROCE of the industry group stood at 54.5 per cent. ROCE was also positively impacted by the life insurance surplus of Rs.3.64 billion [2016/17: Rs.1.10 billion] which was the optimum value transfer recommended by the Actuary for 2017. This is expected to normalise in line with the usual course of operations going forward.

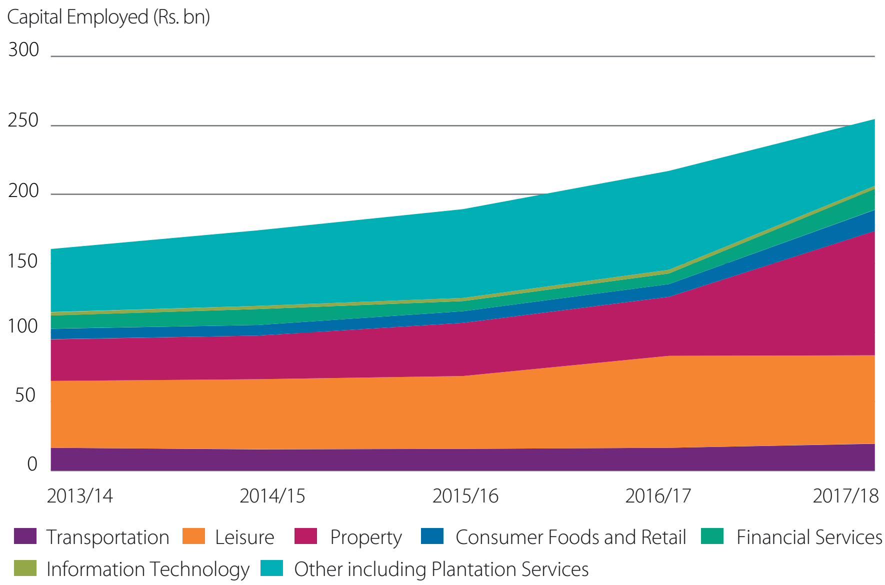
Information Technology and Other including Plantation Services

The adjusted ROCE of the Information Technology industry group decreased to 20.6 per cent [2016/17: 26.9 per cent] stemming from a decline in EBIT as discussed in the Industry Group Review section of this Report. The adjusted ROCE of the Plantations Services sector increased to 15.2 per cent compared to 13.7 per cent recorded in the previous financial year. This increase is attributed to an increase in the sector's capital base that outweighed the effects of an increase in EBIT on account of higher prices of tea.

As such, the Financial Services, Consumer Foods and Retail industry groups and the Hotel Management sector have exceeded the return thresholds of the Group. These businesses, are poised to grow in the medium-term due to encouraging fundamentals and are expected to play a pivotal role in driving profitability within the Group's portfolio. However, given the investments undertaken by some of these businesses, the ROCE of such businesses may see some downward pressure, from its exceptionally high base, till such time the investments start yielding its full potential.

Portfolio Movements

Portfolio movements over the past five years are illustrated below.



GROUP CONSOLIDATED REVIEW

Strategy, Resource Allocation, and Portfolio Management

	2014/15	2015/16	2016/17	2017/18
Investments	Invested Rs.113 million in Saffron Aviation (Private) Limited, the operating company of the domestic aviation operation Cinnamon Air	Invested Rs.4.73 billion in Waterfront Properties (Private) Limited	Invested Rs.4.34 billion in Waterfront Properties (Private) Limited	Invested Rs.9.41 billion in Waterfront Properties (Private) Limited
	Invested Rs.100 million in John Keells Properties Ja-ela (Private) Limited	Invested Rs.243 million in Saffron Aviation (Private) Limited, the operating company of the domestic aviation operation Cinnamon Air	Invested Rs.12.06 million in John Keells Stock Brokers (Private) Limited	JKH was allotted 18,109,079 ordinary non-Voting convertible shares in Nations Trust Bank PLC as part of the Rights Issue that concluded in February 2018, having subscribed to its entitlement of rights and applying for additional shares. The JKH investment amounted to Rs.1.45 billion with the JKH effective economic interest in NTB rising to 32.16 per cent
	Invested Rs.585 million in Waterfront Properties (Private) Limited	JKH, together with its subsidiaries, increased its shareholding in Rajawella Holdings Limited (RHL) from 16.9 per cent to 51.0 per cent. The total investment in RHL of Rs.1.04 billion comprised of a release of an existing sublease of land held by the JKH Group in exchange for shares, a partial buyout from existing shareholders and cash infusions into RHL on a staggered basis	Invested Rs.43.17 million in Saffron Aviation (Private) Limited, the operating company of the domestic aviation operation Cinnamon Air	Invested a total of Rs.6.18 billion in JK Land (Private) Limited. Of this, Rs.4.37 billion was utilised to purchase 334 perches of land from a subsidiary of CT Holdings PLC. Rs.1.80 billion was infused for the development of newly launched development "Tri-Zen"
	KHL invested Rs.199 million for the acquisition of a 426 perch land in Nuwaraeliya			Increase in JKH's shareholding from 50 per cent to 100 per cent through the acquisition of 11 million shares of TransWare Logistics (Private) Limited (TWL) for a consideration of LKR 305 million
	Entered into a lease agreement with MOT to acquire Kekuraalhuveli Island next to Hakuraa, in the Maldives			
Divestments	JKH disposed its 4.3 per cent stake in Expolanka Holdings PLC which resulted in a capital gain of Rs.389 million			JKH divested 915,268 ordinary shares of Union Assurance PLC during the year under review, towards meeting the minimum public float requirement of the CSE Post the reporting period, JKH divested a further 2.36 per cent stake of UA thereby reducing the Group's stake to 90 per cent. UA has requested a transfer from the Main Board to the Diri Savi Board of the CSE
	JKH disposed its 4.0 per cent stake in Access Engineering PLC which resulted in a capital gain of Rs.593 million			
	Union Assurance PLC (UA) sold a 78 per cent stake of Union Assurance General Limited for a consideration of Rs.3.66 billion which resulted in a capital gain of Rs.1.22 billion			
Mergers and restructuring/other	JKH's 100 per cent stake in Nexus Networks (Private) Limited was divested to JayKay Marketing Services (Private) Limited, resulting In an amalgamation, with the surviving entity being JayKay Marketing Services (Private) Limited	Share repurchase by Asia Power (Private) Limited resulted in a capital gain of Rs.82 million		
		90.44 million shares held by JKH were repurchased by John Keells Residential Properties (JKRP) at a value of Rs.1.60 billion		
		24.66 million shares held by JKH were repurchased by UA at a value of Rs.4.14 billion		

GROUP CONSOLIDATED REVIEW

Sustainability Integration and Stakeholder Engagement

The following section provides an overview of the Group's strategy towards entrenching sustainability within its business operations, the policies and methodologies in place for sustainability reporting and the process of defining material sustainability topics, as well as its boundaries and the relevant management approach, from a sustainability context.

Group Sustainability Policy

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

Sustainability Integration

Sustainable development has been a strategic priority for the John Keells Group over the years and has identified the importance of an integrated approach in remaining sustainable and relevant. The Group has ensured a steady linkage between its financial performance and brand image, sound corporate governance, product and service excellence, productive workforce, environmental stewardship and social responsibility.

The following section provides an overview of the Group's strategy towards entrenching sustainability within its business operations, the policies and methodologies in place for sustainability reporting and the process of defining material sustainability topics, as well as its boundaries and the relevant management approach, from a sustainability context.

Sustainability Management Framework

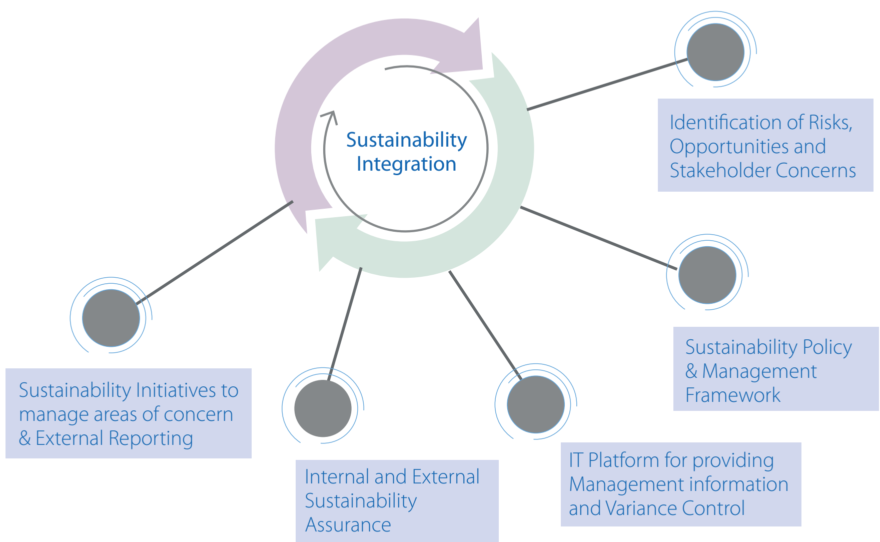
The Group's Sustainability Management framework includes strategies for entrenchment of sustainability, facilitated by a sustainability organisational structure, management information processes for benchmarking, internal and external target setting, gap analysis and reporting as well as awareness creation and sustainability assurance.

This comprehensive management framework is constantly updated and improved to take into consideration the operational requirements of the various companies of the Group, and includes Standard Operating Procedures, common IT platforms for tracking material sustainability disclosures indicators and key risk indicators, internal sustainability assurance in addition to internal audit and external assurance processes.

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

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

Sustainability Integration process



GROUP CONSOLIDATED REVIEW

Sustainability Integration and Stakeholder Engagement

Sustainability Organisational Structure

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

The Division is also responsible for the process by which the Group identifies its significant stakeholders, the identification of materiality 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 to inculcate a culture of sustainability.

The Group has in place a robust sustainability structure with oversight from the Group Executive Committee and the Group Sustainability Committee. Additionally, each business unit has a dedicated Sustainability Champion responsible for sustainability initiatives and its overall sustainability performance, under the supervision of their respective Sector Heads and Heads of Business Units. This structure is used in integrating sustainability within the business operations, as well as assessing and developing the value chain in sustainable practices.

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

THE GROUP HAS COMMENCED A FOCUSSED STRATEGY OF ENCOURAGING ITS SIGNIFICANT SUPPLIERS TO EMBRACE SUSTAINABILITY AS PART OF THEIR OPERATIONS. AS SUCH, THE GROUP CURRENTLY HAS IN PLACE PROCESSES TO ASSESS RISKS OF ENVIRONMENTAL, LABOUR AND SOCIAL IMPACTS EMANATING FROM ITS VALUE CHAIN AND TO CARRY OUT INTERNAL ASSESSMENTS OF SUPPLY CHAIN PARTNERS.

The Group has commenced a focussed strategy of encouraging its significant suppliers to embrace sustainability as part of their operations. As such, the Group currently has in place processes to assess risks of environmental, labour and social impacts emanating from its value chain and to carry out internal assessments of supply chain partners. An annual drive to create awareness through supplier fora for the Group's significant supply chain partners is also carried out and a Code of Conduct for all significant suppliers bidding for the Group's centrally sourced goods and services has been introduced. In addition, the Group's recently introduced Supplier Information Management Platform further enhances the centrally-driven sourcing process, ensuring strengthened transparency during auctions, efficiency in negotiations and minimal paper usage.

Report Content

The annual report is one of the primary methods used by the Group to respond to stakeholder concerns during the financial year. The process of recognising key sustainability related risks, significant stakeholders, assessment of the material topics based on relative importance to both the Group and stakeholders, and to formulate policies and management approaches to manage and mitigate these topics have become an integral part of defining this report.

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

This Report is the Group's third Integrated Annual Report, and has been structured as per the Integrated Reporting framework of the International Integrated Reporting Council, and strives to discuss the inter-connections between the six capitals, the Group's business model and the creation of value. Every year, this report provides a holistic overview including the Group's overall strategy, corporate governance framework, risk management processes and financial and non-financial performance covering all aspects of the triple bottom line. During the last few years, the integrated report has evolved from a Group-centric approach to an approach which provided a sectorial analysis and presentation of relevant material topics for each industry group. The report which provided the highlights of the triple bottom line performance of each industry group, also provided similar information from a Groupwide perspective. The report has been prepared in accordance with the GRI Standards: Core option.

As in the previous year, this year too, each 'Industry Group section and the Group Financial and Sustainability Review' also strives to capture the interrelationships between identified material topics and the significance of these topics in areas such as financial performance, human capital and relationships with community and the environment, with a view to providing information with regard to risks and opportunities and strategy going forward.

This annual report strives to provide a clear, concise and balanced overview to all significant stakeholders identified in the 'Engagement of Significant Stakeholder' section of this Report, providing year-on-year comparisons for both financial and non-financial information relevant to such identified stakeholders. In keeping with the reporting principles for defining report content, and in addition to aspects such as stakeholder inclusiveness and materiality which are further explained in this Report, the disclosures also ensure completeness and contextual information, not only with regards to the Group's performance, but also on sectorial performance of the material topics identified for each industry group as disclosed in the Industry Group Analysis section of this Report. The Group's material topics and its boundaries are also covered in the 'Identification of Sustainability Topics' section of the Report, while further details on policies, commitments, goals and targets, responsibilities, resources and grievance mechanisms and specific too are included as relevant in the 'Management Approach Disclosures' section.

The Report, which is published annually, has been externally verified and assured through an independent assurance process undertaken by DNV GL represented in Sri Lanka by DNV GL Business Assurance Lanka (Private) Limited. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability disclosures contained in this Report are in accordance with standard industry practices and GRI Standards protocols. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant 'Management Approach Disclosures' section and can be found online at www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf

The GRI content index has been utilised to refer to specific information and disclosures required by the GRI Standards. The John Keells Group has been a part of the United Nations Global Compact (UNGC) since 2002 and this Report serves as the Group's Communication on Progress. It also reinforces our commitment to implement the 10 principles of the UNGC initiative. Further enhancing its disclosures to stakeholders, the Group has mapped all of its projects carried out by the John Keells Foundation, Group Sustainability, Human Resources division as well as individual businesses, to the Sustainable Development Goals, in turn aligning these with the six Capitals of Integrated Reporting. A year-on-year comparison is possible subject to the explanations provided with respect to the divestments mentioned previously as well as changes in operational activity as mentioned in the 'Industry Group Review' sections in this Report. In terms of restatements in comparison to the previous year 2016/17, the numbers and statements have been re-arranged wherever necessary to conform to the present year's presentation.

IN ADDITION TO THE ABOVE MENTIONED STUDY, THE GROUP CONSTANTLY ENGAGES WITH ITS SIGNIFICANT STAKEHOLDERS THROUGH FORMAL AND INFORMAL CONSULTATIONS, PARTICIPATION, NEGOTIATIONS, COMMUNICATION, MANDATORY AND VOLUNTARY DISCLOSURES, CERTIFICATION, AND ACCREDITATION.

Scope and Boundary

85 legal entities of the John Keells Group create the financial reporting boundary of this report of which, 77 companies are directly controlled by the Group. The remaining 8 have not been included for sustainability reporting, as they do not fall within direct control of the Group. Of the 77 companies, 26 have been excluded for reporting purposes as they do not carry out any operations that significantly interact with the environment or society at large. Such companies are either non-operational entities, investment entities, land-only holding companies, managing companies or companies that rent out office spaces. The other 51 companies have been listed in the Group Directory and any other exclusions made have been clearly explained under the relevant sustainability topics. Apart from Cinnamon Air and 23 new "Keells" outlets being included in the reporting scope during the reporting period, no other significant changes were made to the reporting scope regarding the organisation's size, structure, ownership, or its supply chain, during the year under review.

Engagement of Significant Stakeholders

The Group conducts its commercial operations in several industry sectors of the economy across different geographical markets. This diversity necessitates developing and sustaining relationships with various stakeholder groups. Stakeholder expectations of the Group would be diverse and numerous considering the large number of stakeholders that the Group engages with. The Group has therefore considered only the stakeholders who have a significant influence over the Group, or who would be significantly impacted by the Group's operations. These groups are identified in the diagrams in the ensuing sections.

During the year, the Group engaged a third-party to carry out a comprehensive stakeholder engagement study, covering significant stakeholders such as customers, value chain partners, regulatory bodies, media and members of the community, cutting across Sectors such as Leisure, Financial Services, Consumer Foods, Retail, Transportation and Plantations as well as the Group as a whole. The objective of the study was to understand the relevance and materiality of the current Sustainability Topics reported and tracked by the Group, to identify any emerging new material Topics impacting the Group or being impacted by the Group and to gauge the current perceptions towards the company or brand.

In addition to the above mentioned study, the Group constantly engages with its significant stakeholders through formal and informal consultations, participation, negotiations, communication, mandatory and voluntary disclosures, certification, and accreditation. In addition, the various methods of engagement and frequency of engagement with significant suppliers have been shown below:

Management Approach Disclosures' section and can be found online at:
https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf

GROUP CONSOLIDATED REVIEW
Sustainability Integration and Stakeholder Engagement

Customers – Individual, Corporate B2B	
Expectations – Meeting customer expectations on product and service features, ensuring high quality and safe products and services delivered in an environmentally and socially responsible manner	
Frequency	Methods of engagement
Annually	Road shows, trade fairs and field visits
Bi-annually	One-on-one meetings, discussion forums, progress reviews
Quarterly	Customer satisfaction surveys
On-going	Information dissemination through printed reports, telephone, SMS, e-mail, corporate website, workshops and business development activities

Employees – Directors, Executives, Non-Executives	
Expectations – Providing a safe and enabling environment, equal opportunity and a culture of meritocracy, enhancement of skills and knowledge, continuous engagement, providing feedback and encouraging work-life balance	
Frequency	Methods of engagement
Annually	Employee satisfaction surveys and dip stick surveys such as Great Place To Work (GPTW), Voice of Employee (VOE), Group-wide year-end get-together
Bi-annually	Performance reviews, skip level meetings
Regularly	Intranet communications through JK Connect and My Portal
On-going	Professional training, development activities and team building through internal and external programmes, joint consultative committees, open door policy at all management levels, sports events, Corporate Social Responsibility programmes

Community – Neighbours, Community, Community Leaders, Society	
Expectations – Stimulating local economy through procurement and providing direct and indirect employment whilst carrying out operations with minimal impact on shared natural resources	
Frequency	Methods of engagement
One-off	Engagement with the community is carried out prior to entry into the community area and on exit via one-on-one meetings, workshops, forums
Monthly	Engagement is then carried out on a monthly basis while operating via one-on-one meetings, workshops, forums
On-going	Corporate Social Responsibility programmes, creating awareness and education

Institutional Investors, Fund Managers, Analysts, Leaders, Multilateral Lenders	
Expectations – Consistent economic performance leading to greater economic value generation	
Frequency	Methods of engagement
Annually	Annual reports, disclosures and reviews
Quarterly	Quarterly reports
Regularly	Investor road shows
On-going	Phone calls, e-mail, written communication, websites, one-on-one meetings

Government, Government Institutions and Departments	
Expectations – Contribution to the country's economy through strategic investments, creating direct and indirect employment, timely payment of taxes and levies and stimulating local economies	
Frequency	Methods of engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
On-going	Engagement with the government is carried out on an on-going basis through meetings, business forums, newsletters, circulars, presentations and briefings, advisory meetings of industry associates

Legal and Regulatory Bodies	
Expectations – Carrying out operations in compliance to all relevant laws and regulations and operating as a responsible corporate citizen adhering to sound corporate governance practices	
Frequency	Methods of engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
On-going	Engagement with the legal and regulatory bodies are carried out on an on-going basis through meetings, periodic disclosures, correspondence with bodies such as local authorities, municipal councils and other institutions such as Consumer Affairs Authority, Department of Inland Revenue, Customs Department, Securities & Exchange Commission, Colombo Stock Exchange and Tourist Board of Sri Lanka

Business Partners, Principals, Suppliers	
Expectations – Fostering long terms business relations and benefiting from the growth of the Group, adherence to contractual obligations, knowledge sharing and active representation in business councils and committees in the relevant industry sectors	
Frequency	Methods of engagement
Annually	Distributor conferences, contract renegotiations and reviews, road shows, supplier assessments, supplier fora
Quarterly	Supplier review meetings, one-on-one meetings
Regularly	Market reports
On-going	Conference calls, e-mails, circulars, corporate website and sourcing, contracting & supplier management platform

Society, Media, Pressure Groups, NGOs, Environmental Groups	
Expectations – Carrying out operations in accordance to social norms, prevailing culture, with minimal impact on society and environment, whilst adhering to all relevant laws and regulations and operating as a responsible corporate citizen adopting sound corporate governance practices	
Frequency	Methods of engagement
On-going	Website, press releases, media briefings, correspondence, disclosures, media coverage, participation in NGO forums, certification and accreditation

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

Key Sustainability Concerns

Based on the above mentioned third-party stakeholder engagement study, no gaps were identified between the outcomes of the views of the Group's stakeholders and the Sustainability Topics currently being reported by the Group. Stakeholders identified that the Group as a sustainable organisation, is not only environmentally and socially responsible, but also has a robust management process in place, obtains relevant quality and environmental certifications and strives to delight the customer. In addition, diversity and inclusiveness were identified by value chain partners as an important element of a sustainable company, and it was appreciated that the Group has undertaken Supplier Forums and AIDS Awareness Campaigns for their employees. As per the study, the Group was recognised by stakeholders as innovative, structured and being ahead of the curve at an overall level and on the sustainability

DURING THE YEAR, THE GROUP HAS RESPONDED TO CUSTOMER FEEDBACK IN A STRUCTURED AND CONSISTENT MANNER, DRIVEN BY THE CENTRALLY DEVELOPED CORPORATE COMMUNICATIONS POLICIES, ESPECIALLY WITH REGARDS TO SOCIAL MEDIA PLATFORMS.

GROUP CONSOLIDATED REVIEW

Sustainability Integration and Stakeholder Engagement

front, while further consistency in adherence to policies and standards at all levels, was encouraged by the stakeholders.

Similar to last year, strong confidence among stakeholders on the Group's corporate and sustainability strategies and performance is seen, based on the fact that no adverse reports relating to environmental and social concerns pertaining to the operations of the Group or its companies have been highlighted during the reporting year. This conclusion has been reached by the Group through continuously monitoring print and electronic media throughout the period, which also now forms part of the Group's process of tracking key risk indicators.

The supplier assessments carried out during this year helped the Group identify material environmental and social concerns emanating from our value chain partners, effectively taking the Group's sustainability focus to our value chain partners as well. In addition, supplier performance management aspects such as quality checks in ensuring that suppliers adhere to regulations and best practices is carried out. In instances where anomalies were found, stakeholder engagements were carried out to ensure the development of such supplier's processes and minimising repetition.

During the year, the Group has responded to customer feedback in a structured and consistent manner, driven by the centrally developed Corporate Communications policies, especially with regards to social media platforms.

The primary concern of shareholders is to ensure not only return on their investment but consistent returns for the long run. However, in addition to the overall economic performance of the company, such investors would also consider the sustainability of the organisation with regards to its environmental performance, social performance and corporate governance. Through its annual reports the Group has responded to concerns raised by stakeholders during the year. During the reporting year, the Group has strengthened its policy frameworks and management approach, where it has become vital to address its material topics and identify potential frontier risks.

SIMILAR TO LAST YEAR, STRONG CONFIDENCE AMONG STAKEHOLDERS ON THE GROUP'S CORPORATE AND SUSTAINABILITY STRATEGIES AND PERFORMANCE IS SEEN, BASED ON THE FACT THAT NO ADVERSE REPORTS RELATING TO ENVIRONMENTAL AND SOCIAL CONCERNS PERTAINING TO THE OPERATIONS OF THE GROUP OR ITS COMPANIES HAVE BEEN HIGHLIGHTED DURING THE REPORTING YEAR.

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

The John Keells Group has always placed great importance in developing the communities within which it operates. The Group's corporate philosophy has always been to be a responsible corporate citizen; and it will continue to do so as it has done for more than 140 years of its existence. The Group also constantly engages with its employees, identifying areas such as employee welfare, training and retention of talent as focus areas.

GROUP CONSOLIDATED REVIEW

Risks, Opportunities and Internal Controls

The John Keells Group enterprise risk management process entails each Group company carrying out its respective enterprise risk identification and review process quarterly, based on a pre-agreed structure. As such, company-specific related risks as well as sector and industry group common risks are analysed and reviewed at various fora such as the monthly Group Management Committees, the quarterly Board Meetings, and finally at the annual comprehensive risk identification and review carried out centrally by the Sustainability, Enterprise Risk Management and Group Initiatives function and by the Group Executive Committee.

Enterprise Risk Management Process Overview

Risks covered at these various levels, include a plethora of operational risks, IT risks including cyber risks, hazard risks, financial risks, fraud and corruption, labour related risks, natural disasters, environmental pollution and supply chain risks. Each Group company also identifies its core sustainability risks, which, though having a relatively low probability of occurrence could have a significant impact on the sustainability of its operations.

The Group's robust corporate governance structure which encompasses the self-linking of risk management, sustainability, corporate social responsibility and internal audit processes, ensures that the impacts of all risks identified for both the business unit and the Group are proactively managed. Continuous horizon scanning helps the Group identify both risks and opportunities with regard to global and regional trends.

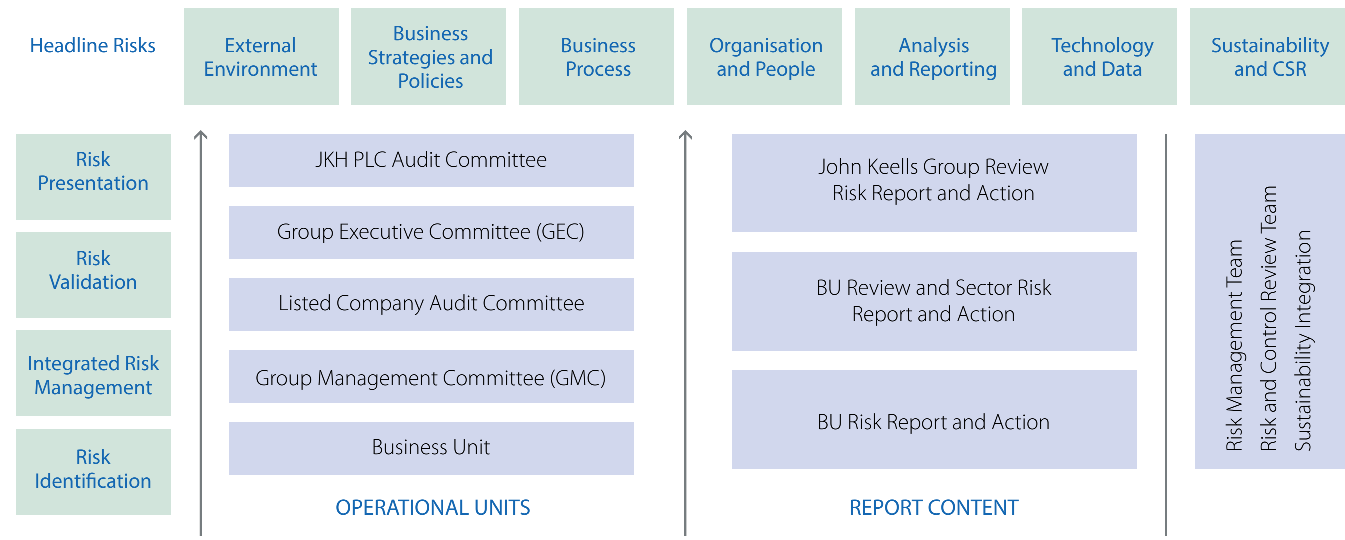
All business unit risks, once validated and reviewed at the industry group level Group Management Committees, are then presented to the Audit Committees of all listed companies and to the Boards of the unlisted companies, together with risk mitigation plans, at least once a quarter. Business units are the ultimate owners of the risks of that business and are responsible for reviewing and monitoring the agreed risk control measures on an ongoing basis. Some components of the agreed risk control measures are often subject to audit by the internal audit team which reports to the respective Audit Committee of the listed companies and to the Audit Committee of John Keells Holdings PLC with respect to all Group companies.

Group Risks

Risks pertaining to the Group, and the identified critical operating risks at business unit level, are reviewed bi-annually by the Group Executive Committee. The risk management cycle is concluded with an annual Group risk report containing a Group-wide risk status, analysis and profile which is presented to the Group Audit Committee and any policy level decisions stemming from this review are incorporated in the next risk review cycle.

Risk Management Process

The risk management process and information flow is depicted below:



During the reporting year, the Group also enhanced its risk management process by introducing an IT solution to manage its Enterprise Risk, Audit, and Incident Management processes. The IT solution makes the Group's Risk Management functions live and virtual, by enabling the maintenance of live, dynamic risk registers which are linked to business goals and responsible personnel - along with the provision of timely alerts on action plans, and escalation processes for risks where action plans are over-due. Key management personnel at all levels (CEOs, Sector Heads, and Presidents) will have virtual visibility of the risks relevant to them. The platform will also facilitate the sharing of best practices across the Group. The Risk Universe, which frames the categorisation of risks, is constantly reviewed, and, as such, was updated for relevance during the last financial year to reflect topical and emerging risks.

Key Impacts, Risks and Opportunities

Risk management is a firmly entrenched component of the corporate governance process of the John Keells Group and has been instrumental in successful corporate craftsmanship and the long-term sustenance of the Group. The structured process for risk management further enhances the Group's value creation process for all its significant stakeholders by ensuring that Group companies effectively identify and mitigate a range of operational, structural, financial and strategic risks. The Group's risk management process also identifies aspects from a triple bottom line perspective, covering risks and impacts to the Group arising from the socio-economic environment it operates in, as well as the risks and impacts emanating from its own operations and from its value chain. Good risk management has enabled the Group to undertake new projects where the reward to risk factor is optimal.

As such, the Group focussed its attention on key areas such as attracting and retaining necessary skills, maintaining good labour relations, enhancing its product responsibility, contribution to the community through infrastructure projects and the overall creation of value for all internal and external stakeholders, during the year.

The Group's operational decisions are also influenced by the 'Precautionary Principle', particularly, from an environmental perspective. As such, the Group considers resource consumption, environmental pollution, environmental degradation and its impacts on the local community, as areas of high priority. As a part of this process, the Group tracks Key Risk Indicators such as natural disasters, emissions, climate change and impacts to bio-diversity, ensuring a minimum impact on the environment within which it operates.

THE GROUP'S OPERATIONAL DECISIONS ARE ALSO INFLUENCED BY THE "PRECAUTIONARY PRINCIPLE", PARTICULARLY, FROM AN ENVIRONMENTAL PERSPECTIVE. AS SUCH, THE GROUP CONSIDERS RESOURCE CONSUMPTION, ENVIRONMENTAL POLLUTION, ENVIRONMENTAL DEGRADATION AND ITS IMPACTS ON THE LOCAL COMMUNITY, AS AREAS OF HIGH PRIORITY.

Discussions on risks, at a Group Level, are contained in the Capital Management section of the Group Consolidated Review section, the Industry Group Review section and the Financial Statements of this Report. Details on risks, opportunities and internal controls specific to business units, sectors and industry groups are discussed in the Industry Group Review section of this Report.

Headline Risks

Macro-economic and Political Environment

	2017/18	2016/17	2015/16
Risk rating	Low	Low	Low

Similar to the last financial year, policy uncertainty and the volatility of the economic environment - both locally and globally - continued during the reporting year. Despite the current lack of clarity, and pace of implementation of key projects, the Group and the business community remain positive about the future of Sri Lanka's economy. Several senior management staff actively participate in key policy making bodies, committed to supporting the Government in its efforts to create sustainable and equitable economic growth. The conditions in the Maldives improved, with the Group working closely with the authorities to support its economic growth. For the aforesaid reasons, this risk remains a Low.

Regulatory Environment

	2017/18	2016/17	2015/16
Risk rating	High	High	High

A degree of uncertainty and volatility still prevails as a result of transitioning legal, regulatory and tax structures. The prolonged prevalence of this uncertainty and impact of the same on our businesses result in the risk rating remaining at a High. The Group's operating model, together with its internal processes, aims to ensure flexibility with, and adaptability to, any unexpected changes in the legal framework. Participation of the Group's senior executives in various industry associations and industry chambers helps to bring clarity and consistency to Government policies and regulations.

Financial Exposure

	2017/18	2016/17	2015/16
Risk rating	Low	Low	Low

The Group Treasury Division, supported by the Executive and Finance functions of the businesses, is responsible for the management of financial risks through ongoing monitoring. Hedging mechanisms, liquidity management strategies, capital structuring and other Board approved strategies, where relevant, are applied across the Group. Given the volatility and uncertainty in the global and local macro-economic environment as witnessed in the previous financial year, the ensuing subsection elaborates on the key elements of financial exposure, the state of the Group's readiness and the general outlook relating to such elements.

Currency/Exchange Rate

Risk rating - Medium

Improving macro-economic conditions meant the Rupee remained relatively stable during the first nine months of the year depreciating approximately 2 per cent per annum against the dollar. However, a strengthening Dollar led to wide fluctuations in the Rupee during the last three months under review, with the Rupee consistently depreciating. Despite the relative stability of the rupee, partial hedges were made on days where import exposure was high. The coverage was against unexpected currency outflows that put downward pressure on the Rupee in a market that lacks depth. Some of the initiatives for managing the currency risk included matching of Dollar revenue streams with Dollar denominated debt to architect "natural hedges"; accumulation of foreign currency funds, where permitted and the deferral of conversions; premature settlement of forex denominated trade liabilities; and the regular review of rates and related contractual pricing in the context of competitiveness.

Interest Rate

Risk rating - Low

Rupee interest rates witnessed a gradual declining trend in the period under review. The bank deposit rates fell steeper than the reduction in the prime lending rate. During the period under review, the Group benefited from most of its Rupee denominated debt being on a variable rate basis. Given the limited drop in the prime lending rate, most Rupee debt was migrated from pricing linked to AWPLR, to pricing linked to other interest rate bases which better reflected the reduction in general interest rates. The Group also benefited from the majority of its excess funds being invested in long tenure deposits before interest rates declined. In order to minimise the rate differential from the US Dollar denominated borrowing cost, the Group continues to move excess Dollars to higher yielding short-term investments.

Credit and Counterparty

Risk rating - Low

The Group continued to liaise with only reputed creditworthy counterparties. All clients are subject to credit verification procedures. They are required to submit bank guarantees/performance bonds/counter guarantees, where applicable. These clients are regularly appraised and the subject arrangements are frequently reviewed. Internally set up exposure limits mitigate the concentration risk in any single counterparty due to internally set exposure limits.

Liquidity

Risk rating - Low

The Group strived to ensure that a product mix of short-term investments and undrawn committed facilities are sufficient to meet the short, medium and long term capital and funding requirements, unforeseen obligations as well as unanticipated opportunities. The daily cash management processes including active cash flow forecasts, matches the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

IN THE FACE OF THE NUMEROUS FOREIGN INVESTMENTS TAKING PLACE IN SRI LANKA, ESPECIALLY BY INTERNATIONAL PLAYERS, THE GROUP REMAINS ALERT WITH REGARD TO ENSURING ITS COMPETITIVENESS. THE GROUP HAS SOUGHT TO MATCH GLOBAL STANDARDS THROUGH BENCHMARKING ITS BUSINESSES TO GLOBAL BEST PRACTICES AND MAINTAINING THE HIGHEST QUALITY LEVELS IN TERMS OF BOTH PRODUCTS AND SERVICES.

For further details and quantification of the aforementioned risks, refer the Notes to the Financial Statements.

Information Technology

	2017/18	2016/17	2015/16
Risk rating	High	High	High

The majority of the Group's IT systems are centralised to ensure uniformity and standardisation across the Group. Whilst the move to consolidate most servers into the Group's central data centre has increased utilisation and reduced unit costs, it has also however increased the risk of concentration. Such risks are mitigated via strict IT protocols, firewalls, business continuity plans and disaster recovery sites and processes. While the Group is comfortable with the risk management of the aforesaid area, the overall score of the risk remains at a High due to the implications of contextual and potential risks such as cyber security. As a preliminary step, the Group has engaged a reputed third-party service provider to establish and manage an "Intelligence Managed Security Operations Centre." While the initial commissioning is due in the first quarter of 2017/18, full implementation will take place in the second quarter.

Global Competition

	2017/18	2016/17	2015/16
Risk rating	Low	Low	Low

In the face of the numerous foreign investments taking place in Sri Lanka, especially by international players, the Group remains alert with regard to ensuring its competitiveness. The Group has sought to match global standards through benchmarking its businesses to global best practices and maintaining the highest quality levels in terms of both products and services. Further, in an effort to keep abreast of digital advancements, the Group is proactively relooking at disruptive and innovative business models, customer engagement and business processes and has put in place a Digitisation Steering Committee to further study emerging practices. In recognition of the constant need for innovation and disruptive thinking, the Group introduced a Chairman's Award for Disruptive Innovation, for which one of the major criteria was the benchmarking of practices against the best in class, both internationally and locally. The risk rating remains at a Low.

Human Resources and Talent Management

	2017/18	2016/17	2015/16
Risk rating	Low	Low	Low

The Group, over the years, has placed a strong emphasis on retaining key talent through performance recognition and reward schemes, succession planning, leadership and career development programmes, ensuring that high quality employees are retained, despite the highly competitive labour environment. Additionally, talent attrition is also tracked as a Key Risk Indicator on a quarterly basis and reported to the Group Executive Committee. The Group conducts many surveys internally to better understand its employee needs and aspirations. Whilst the Group has a robust non-discrimination policy and an effective grievance handling mechanism, it maintains a culture of continuous engagement and dialogue with employees. In addition, the Group's engagement with unions is on a partner basis and this has resulted in better performance-oriented outcomes.

Improving competencies and skills is recognised as a vital factor in maintaining current standards and matching global best practices. The Group achieves this through targeted, business focussed training and development programmes available to all employees across the Group on a needs basis, allowing the Group to retain its ability to position itself as a preferred employer. As a result of these measures, and based on the empirical evidence of past year, the rating for this risk remains a Low.

IMPROVING COMPETENCIES AND SKILLS IS RECOGNISED AS A VITAL FACTOR IN MAINTAINING CURRENT STANDARDS AND MATCHING GLOBAL BEST PRACTICES. THE GROUP ACHIEVES THIS THROUGH TARGETED, BUSINESS FOCUSSED TRAINING AND DEVELOPMENT PROGRAMMES AVAILABLE TO ALL EMPLOYEES ACROSS THE GROUP ON A NEEDS BASIS, ALLOWING THE GROUP TO RETAIN ITS ABILITY TO POSITION ITSELF AS A PREFERRED EMPLOYER.

Environment and Health and Safety

	2017/18	2016/17	2015/16
Risk rating	Low	Low	Low

The Group has in place a robust Environmental Management System with emphasis on socio-environmental policies with respect to energy, emissions, water, discharge, waste and bio-diversity. All companies are required to ensure zero violations of the country's environmental laws and regulations and are encouraged to go beyond compliance, where practicable, in keeping with global best practices such as ISO 14000 Environmental Management certification. The Group continuously strives to reduce its energy consumption, carbon footprint and water consumption, and, as such, Group companies are encouraged to constantly seek out renewable sources of energy and install energy and water efficient equipment. Responsible waste disposal is a key aspect under management focus, and is carried out through training and awareness, converting of waste to energy and the continuous incremental evolvement of processes and systems in reducing/reusing/recycling waste.

The Group makes every effort to ensure a safe working environment for its employees, consumers, customers and third parties, in keeping with its commitment to be a responsible corporate, contributing to the improvement of morale, productivity and efficiency. The provision of safe and healthy products/services for its customers is a top priority for the Group, and relevant, Group companies have obtained OHSAS 8001 Occupational Health and Safety, HACCAP certification and ISO 22000 certification on food safety management systems. Against this background, the risk of Environment and Health and Safety remains a Low.

Reputation and Brand Image

	2017/18	2016/17	2015/16
Risk rating	Low	Low	Low

The Group's Code of Conduct is the foundation of its uncompromising approach to ethical and transparent business conduct with a "zero tolerance" attitude to any Code of Conduct violations. This is further supplemented and strengthened, through the presence of an independent Ombudsperson, Whistleblower mechanisms and Chairman Direct conduits amongst other measures, supporting the governance structure of the Group.

The Group also identifies and mitigates potential brand reputation risks through the tracking and monitoring of such under a sustainability development framework. The numerous strategic infrastructure and community development projects carried out by the John Keells Foundation contributes to further strengthening its stakeholder engagement process. In addition, stringent quality assurance and product standards are maintained and product quality is continually monitored and tracked. In the few instances where public discontent has been identified, the Group took immediate steps to explain the circumstances. All marketing, and public communications, are vetted in ensuring conformance with the Group Marketing and Communications Policy, based on the ICC Code of Advertising and similar. In this light, the Group is confident that the rating of this risk remains a Low.

Supply Chain Risk

	2017/18	2016/17	2015/16
Risk rating	Low	Low	Low

With a strong focus on integrating best practices within its value chain, the Group believes a comprehensive risk management process must also extend to its value chain partners, through regularly assessing risks associated with its supply chain. As such, supplier performance is reviewed on an annual basis with regard to compliance with labour, environmental and other relevant operating regulations of the country. Concurrently, the Group also provides training and knowledge transfer through supplier fora held annually both in Sri Lanka and the Maldives, for its significant value chain partners, assisting to further entrench sustainability within their own business operations, resulting in cost benefits as well as enhancement of their own brand image. The Group's Supplier Code of Conduct also educates suppliers on the expectations of the Group with regards to sustainable and ethical business practices. As a result of these proactive steps taken by the Group, the risk rating remains at a Low.

Risks - the interlinkages

Given the interrelationships between risk management and sustainability, the Capital Management Review of the Consolidated Review section of this Report details the Group's performance with regard to all pillars of the triple bottom line. This is further reinforced through the corporate governance framework, which in turn ensures a strong focus on compliance with regulatory and ethical guidelines, helping the Group operate in line with the principles of sustainable development and continue to focus its efforts in supporting local economies in the geographical areas of its operations. Its sustainable sourcing initiatives ensure, whenever possible and practical, that raw materials for the Group's Consumer Foods sector and goods for the Retail sector are procured locally. This has resulted in the Group contributing to uplifting livelihoods and promoting industry in its areas of operation.

GROUP CONSOLIDATED REVIEW

Investor Relations - Share Information

The following is an overview of the market conditions which prevailed during the year under review, both globally and locally. The section concludes with a discussion on JKH share related information.

Total number of shares in issue as at 31/03/2018	1,387,528,658
Public shareholding as 31/03/2018	98.53%
Stock symbol	JKH.N0000
Newswire codes of the JKH Share	
Bloomberg	JKH.SL
Dow Jones	P.JKH
Reuters	JKH.CM
Global Depositary Receipts (GDR) balance	1,320,942

Global Review

The year under review was characterised by signs of recovery in developed economies, improvement in global growth and rising stock prices. A majority of the anticipated challenges for 2017 ,that dominated 2016, such as the uncertainty emanating from the US Presidential elections and Brexit-triggered recession in the United Kingdom did not materialise. This contributed towards the improvement in market sentiment. Whilst political risk eased in Europe, a strong corporate earnings season and generally positive economic data supported gains in all major markets. However, performance of global equity markets was dampened, to an extent, from the continual tightening cycle followed by the Federal Reserve, the Bank of England raising rates for the first time in over a decade, and heightened geopolitical tensions, despite which market volatility remained near all-time lows in 2017.

Indices

	Value		% Change
	31 March 2018	31 March 2017	
MSCI			
All Country World Index	505.44	448.87	12.6
All Country World Index excluding USA	300.29	264.16	13.7
World (23 Developed markets)	2,066.85	1,853.69	11.5
USA	2,516.93	2,250.91	11.8
Europe	1,750.54	1,570.11	11.5
Europe, Australasia and Far East	2,005.67	1,792.98	11.9
Emerging Markets	1,170.88	958.37	22.2
Frontier Markets	665.42	537.11	23.9
Peer			
SENSEX	32,968.68	29,620.50	11.3
JKSE	6,188.99	5,568.11	11.2
STI	3,427.97	3,175.11	8.0
KLSE	1,863.46	1,740.09	7.1
Local			
ASPI	6,476.78	6,061.94	6.8
S&PSL20	3,650.10	3,438.88	6.1

A resurgence of activity in the US and a record number of Chinese deals resulted in a significant number of Initial Public Offerings (IPOs). Almost 1,700 companies were floated in 2017, the most IPOs since 2007, and an increase of 44 per cent over 2016.

Frontier and emerging markets indices outperformed developed markets, in a period of strong gains across the board with South Korea and China experiencing commendable growth. Furthermore, regional peer markets performed well with Mumbai's Sensex and Jakarta's JKSE both posting double digit growth during the period.

Local Market Review

During the period under review, the All Share Price Index (ASPI) of the Colombo Stock Exchange (CSE) grew by 6.8 per cent to 6,476.78 points [2016/2017: 6,061.94]. The Standard and Poor's Sri Lanka 20 Index (S&P SL 20), which is the weighted average index of selected counters of the CSE based on market capitalisation, liquidity and financial thresholds, stood at 3,650.10 points as at 31 March 2018, recording an increase of 6.1 per cent against the previous financial year [2016/17: 3,438.88]. The overall market capitalisation of the CSE was Rs.3,032.71 billion as at the end of the financial year compared to Rs.2,662.86 billion in the previous year, recording an overall increase of 13.2 per cent.

The growth in the two local indices marks a reversal in the negative trend where the ASPI recorded a decline of 0.2 per cent in 2016/17 and far more significant decline of 11.0 per cent in 2015/16. The market was driven by foreign inflows during the period under review, particularly in the first quarter of the year where foreign purchases outweighed sales by Rs.17.2 billion. Net foreign inflows for the year amounted to Rs.10.8 billion as opposed to Rs.9.5 billion in the previous year. The average daily turnover levels increased by 42 per cent over the corresponding period last year to Rs.1,036 million for the financial year under review driven by an improvement in foreign participation which accounted for 45.7 per cent of total market turnover.

Adverse weather conditions, which impacted economic activity resulted in slower than expected economic growth of 3.1 per cent for 2017, with the consequent decline in discretionary spending impacting earnings of listed entities, with the exception of the banking and insurance sectors. This resulted in a subdued performance of the market in comparison to most regional peers, while local participation in equities remained modest, with local retail, institutional and HNI investors continuing to opt for fixed income and property investments.

The CSE recorded 5 corporate debenture issues during the financial year through which a total of Rs.19.5 billion was raised compared to Rs.78.1 billion in the previous year. Furthermore, a total of Rs.25.5 billion was raised in the form of rights issues in the period under review a decrease of 68.3 per cent over the previous year. New listings at the CSE remained few and far between with just 5 IPO's during the period with Rs.19.8 billion being raised, albeit a significant improvement in comparison to the two previous years.

Key Market Indicators

	2017/18	2016/17	% Change
Overall CSE market capitalisation (Rs.billion)	3,032.71	2662.86	13.9
Net foreign inflows (Rs.billion)	10.8	9.5	13.7
Average daily turnover (Rs.million)	1,036	728	42.3
Amount raised through debentures (Rs.billion)	19.5	78.1	(75.0)
Number of IPOs	5	1	500
Amount raised through IPOs (Rs. million)	19,843	75	26,358

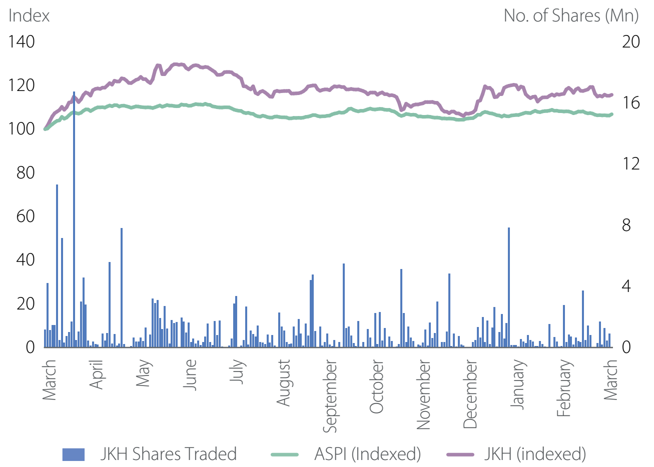
Refer the Group Consolidated Review and Sri Lankan Economy sections of the Report for a detailed discussion of the local economy.

JKH Share

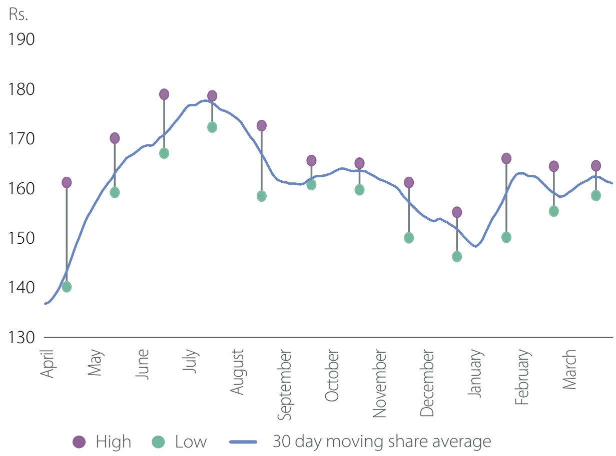
The JKH share appreciated by 15.7 per cent to Rs.159.60 as at 31 March 2018 from Rs.137.90 on 31 March 2017. The performance of the JKH share exceeded the performance of the ASPI and remained largely correlated with movements of the ASPI as exhibited in the graph adjacent.

The beta of the JKH share as of 31 March 2018, stood at 1.03 (the beta is calculated on daily JKH share and the movements measured by ASPI for the five-year period commencing 1 April 2013 to 31 March 2018).The compounded annual growth rate (CAGR) of the JKH share on a capital basis over the 5-year period stood at a negative 0.4 per cent, compared to that of the market which stood at 2.5 per cent for the same period.

JKH share performance vs ASPI (Indexed)



Monthly JKH high and low share prices



Market Information of the Ordinary Shares of the Company

	2017/18	Q4	Q3	Q2	Q1	2016/17
High (Rs.)	180.00	167.00	166.10	179.00	180.00	165.00
Low (Rs.)	138.00	148.50	145.00	157.90	138.00	133.90
Close (Rs.)	159.60	159.60	148.50	162.50	178.80	137.90
Dividends paid per share (Rs.)	6.00	2.00	2.00	-	2.00	5.50
Trading Statistics						
Number of transactions	25,302	4,832	5,464	4,754	10,252	30,106
Number of shares traded '000	260,088	48,175	49,200	56,939	105,774	191,372
Value of all shares traded (Rs.million)	42,049	7,779	7,663	9,527	17,080	27,955
Average daily turnover (Rs.million)	177	134	128	154	300	115
Percentage of total market turnover	17	11	14	17	26	16
Market capitalisation (Rs. million)	221,450	221,450	206,044	225,468	248,079	191,332
Percentage of total market capitalisation	7.3	7.3	7.1	7.7	8.2	7.2

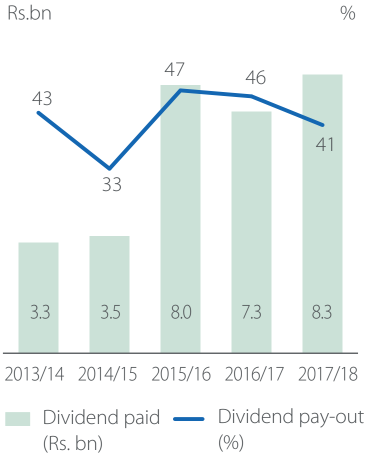
Issued Share Capital

The number of shares in issue by the Company increased to 1,387,528,658 as at 31 March 2018 from 1,387,467,137 as at 31 March 2017. The increase in the share capital was an outcome of the exercise of employee share options (ESOPs). The Global Depository Receipts (GDRs) balance in ordinary share equivalent remained at 1,320,942. Further details of the Company's ESOP plans are found in the ensuing section of this discussion.

Dividend

The Company's dividend policy seeks to ensure a dividend payout that corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to support its investment pipeline and optimise its capital structure, thus ensuring the creation of sustainable shareholder wealth in the short, medium and long term.

Distributions to shareholders and payout ratio



It is pertinent to note that the Group has a sufficient cash balance available to deploy in the funding of new projects, combined with its ability to leverage, if required, even after taking into account the equity commitments of the "Cinnamon Life" project and other investments in the pipeline.

The Company increased its dividend paid per share of Rs.6.00 for the financial year 2017/18 from Rs.5.50 per share in the previous year. The total dividend paid for the financial year increased by 14 per cent to Rs.8.32 billion [2016/17: Rs.7.28 billion]. The payout ratio was at 41 per cent during the year which is a decline in comparison to the payout ratio of 46 per cent in 2016/17.

It should be noted that the Company profits in 2017/18 included a one-off non-cash gain of Rs.8.18 billion pertaining to the exercise undertaken to rationalise the Group's shareholding structure, which is discussed in detail in the Other including Plantation Services Industry Group Review section of the Report. Company profits in 2016/17 included a one-off gain amounting to Rs.2.58 billion for a similar Group shareholding structure rationalisation exercise. Excluding these one-off gains, which are eliminated at the Group reporting level, the dividend payout ratio for 2017/18 and 2016/17 stands at 68 per cent and 55 per cent, respectively.

Earnings Per Share

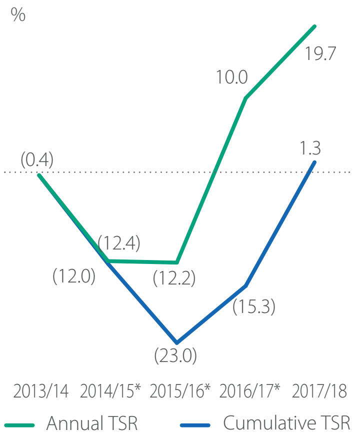
The fully diluted earnings per share (EPS) for the financial year, increased by 27.9 per cent to Rs.15.15 per share [2016/17: Rs.11.84] due to an increase in total profit attributable to equity holders. On a recurring earnings basis, the diluted EPS increased to Rs.13.25 in the current financial year from Rs.10.31 recorded in the previous financial year, thus representing an increase of 28.4 per cent.

The items affecting the rise in profitability are discussed, in depth, in the Group Consolidated Review and Industry Group Review sections of this Report.

Total Shareholder Return

The total shareholder return (TSR) of the JKH share stood at 19.7 per cent for the period under review with JKH significantly outperforming the market where the total return index of the S&P SL 20 recorded a return of 10.2 per cent. On a cumulative basis, over a five-year holding period, the share inclusive of dividends and warrants issued, posted an annualised total return of 0.3 per cent.

Total shareholder return



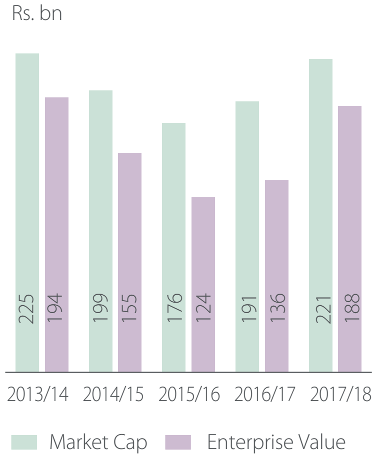
** Includes the proportionate impact arising from the ownership of Warrants*

Market Capitalisation and Enterprise Value

The market capitalisation of the Company increased by 15.7 per cent to Rs.221.45 billion as at 31 March 2018 [2016/17: Rs.191.33 billion]. At the financial year end, JKH represented 7.3 per cent of the total market capitalisation of the CSE [2016/17: 7.2 per cent]. The enterprise value of the Group increased by 38.1 per cent to Rs.187.93 billion [2016/17: Rs.136.02 billion] as at 31 March 2018.

As at 31 March 2018, JKH had a float adjusted market capitalisation of Rs.218.19 billion and 10,960 public shareholders. Thus, the Company is compliant under option 1 of the minimum threshold requirements for the Main Board of the CSE, as per the directive issued in terms of section 13 (c) and 13 (cc) of the Securities and Exchange Commission of Sri Lanka Act No.36 of 1987, circulated on 16 November 2016.

Market capitalisation and enterprise value



Price to Earnings ratio

Index	2017/18	2016/17
JKH	10.5	11.6
CSE	11.4	11.9
SENSEX	23.2	17.9
KLSE	16.9	16.6
JCI	22.1	16.2
STI	11.1	14.8

As seen in the table above, the PER multiple of JKH at 10.5 times is the most attractive amongst the peer group listed.

Price to Book

The price to book value of the Group as at the financial year end was 1.0 times [2016/17: 1.0 times]. The ratio remained flat due to the aforementioned rise in price being offset by an increase in net asset per share to Rs.162.06 [2016/17: Rs.140.06].

	2017/18	2016/17	2015/16
Market capitalisation (Rs. bn)	221.4	191.3	176.0
Enterprise value (Rs. bn)	187.7	136.0	124.2
Market value added (Rs. bn)	21.5	12.7	21.1
EV/EBITDA (times)	5.8	5.0	5.0
Diluted EPS (Rs.)	15.2	11.8	10.5
PER (diluted)	10.5	11.6	12.3
Price to book (times)	1.0	1.0	1.1
Price/cash earnings (times)	9.3	9.9	10.6
Dividend yield (%)	3.8	4.0	5.4
Dividend payout ratio (%)	40.8	45.9	46.7
TSR (%)	19.7	10.0	(12.2)

Composition of Shareholders

	31 March 2018			31 March 2017		
	Shareholders	No. of shares	%	Shareholders	No. of shares	%
Institutions:						
Non-Resident	150	806,536,267	58	147	714,471,877	51
Resident	572	210,262,083	15	710	265,969,422	19
Individuals:						
Non-Resident	229	8,506,192	1	259	9,246,781	1
Resident*	10,014	362,224,116	26	10,872	397,779,057	29
Total	10,965	1,387,528,658		11,988	1,387,467,137	

** Includes Directors, spouses and connected parties*

Distributions of Shareholders

	31 March 2018				31 March 2017			
	Number of shareholders	%	Number of shares held	%	Number of shareholders	%	Number of shares held	%
Less than or equal to 1,000	6,611	60	1,428,641	0	6,801	57	1,591,711	0
1,001 to 10,000	2,861	26	10,167,292	1	3,373	28	11,918,429	1
10,001 to 100,000	1,130	11	34,235,770	3	1,395	12	41,300,569	3
100,001 to 1,000,000	229	2	74,572,025	5	281	2	87,123,469	6
Over 1,000,001	134	1	1,267,124,930	91	138	1	1,245,532,959	90
Total	10,965	100	1,387,528,658	100	11,988	100	1,387,467,137	100

Options Available to Executive Directors Under the Employee Share Option Scheme

	S Ratnayake			K Balendra			G Cooray		
Expiring Year	Granted Shares*	Immediately vesting	To be vested	Granted Shares*	Immediately vesting	To be vested	Granted Shares*	Immediately vesting	To be vested
2018/19	685,167	685,167	-	385,405	385,405	-	111,844	111,844	-
2019/20	606,377	454,782	151,595	341,086	255,814	85,272	105,710	79,282	26,428
2020/21	446,686	222,343	224,343	251,261	125,630	125,631	251,261	125,630	125,631
2021/22	350,000	87,500	262,500	300,000	75000	225,000	300,000	75,000	225,000
2022/23	355,000	-	355,000	375,000	-	375,000	350,000	-	350,000
Total	2,443,230	1,449,792	993,438	1,652,752	841,849	810,903	1,118,815	391,756	727,059

** Adjusted for share subdivisions*

Director's Shareholding

	31 March 2018	31 March 2017
S Ratnayake	9,241,144	9,241,144
K Balendra	10,914,400	10,914,400
G Cooray	207,105	207,105
H Wijayasuriya	-	-
A Omar	-	-
N Fonseka	-	-
A Cabraal	137	137
P Perera	-	-

Executive Director's Shareholding in Group Companies

	Number of shares as at 31 March 2018		
	S Ratnayake	K Balendra	G Cooray
Ceylon Cold Stores PLC	3,344	80,232	-
Trans Asia Hotels PLC	400	-	1,200
John Keells Hotels PLC	142,877	-	-
Asian Hotels and Properties PLC	20,000	-	10,600

Top Twenty Shareholders of the Company

	31 March 2018		31 March 2017	
Shareholder Name	Number of shares	%	Number of shares	%
Broga Hill Investments Limited	141,854,717	10.22	141,854,717	10.22
Mr. S. E. Captain	140,676,895	10.14	149,425,524	10.77
Schroder International Selection Fund	85,596,116	6.17	53,706,223	3.87
Paints & General Industries Limited	83,598,751	6.03	96,064,501	6.92
Melstacorp (Private) Limited	48,519,886	3.50	52,023,842	3.75
HWIC Asia Fund	36,000,982	2.59	29,164,753	2.10
Lux-Aberdeen Global-Asian Smaller Companies Fund	28,413,338	2.05	26,913,338	1.94
Aberdeen Institutional Commingled Funds, LLC	26,583,813	1.92	29,706,813	2.14
Lux-Aberdeen Global-Asia Pacific Equity Fund	26,257,908	1.89	31,257,908	2.25
Edgbaston Asian Equity Trust	24,812,535	1.79	13,971,919	1.01
Lux-Aberdeen Global Emerging Markets Smaller Companies Fund	21,040,581	1.52	25,263,481	1.82
Employees Trust Fund Board	20,359,711	1.47	23,366,748	1.68
Mr. K. Balendra	19,606,476	1.41	19,606,476	1.41
Luxfidelity Funds Pacific F	18,911,322	1.36	8,190,992	0.59
Deutsche Bank AG London	15,512,571	1.12	15,837,770	1.14
Stewart Investors Asia Pacific Fund	15,486,461	1.12	8,769,742	0.63
London-Edinburgh Dragon Trust PLC	15,447,390	1.11	17,947,390	1.29
Mrs. S. A. J. De Fonseka	12,935,666	0.93	12,825,666	0.92
Mrs. C. S. De Fonseka	12,896,423	0.93	12,894,788	0.93
T Rowe New Asia Fund	12,831,617	0.92	-	

Employee Share Option Plan as at 31 March 2018

	Date of Grant	Employee Category	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares[2] Adjusted	Exercised	Cancelled[2]		Outstanding			
								Due to Resignations	Due to Performance	Total	Vested	Unvested	End/Current** Price (Rs.)
Plan 8	01.07.2013		6,426,719	30.06.2018	265.18	9,959,017	-	1,057,331	261,221	8,640,465	8,640,465	-	191.65
Award 1[3]		GEC[1]	2,712,919			4,196,068	-	-	69,580	4,126,488	4,126,488	-	
		Other Executives	3,713,800			5,762,949	-	1,057,331	191,641	4,513,977	4,513,977	-	
Plan 8	01.07.2014		7,428,128	30.06.2019	229.93	9,573,018	-	977,879	125,074	8,470,065	7,020,175	1,449,890	176.04
Award 2[4]		GEC[1]	2,816,845			3,573,423	-	-		3,573,423	3,096,948	476,475	
		Other Executives	4,611,283			5,999,595	-	977,879	125,074	4,896,642	3,923,227	973,415	
Plan 8	25.06.2015		6,781,282	24.06.2020	195.71	8,819,207	35,862	690,293	94,131	7,998,921	4,970,386	3,028,535	149.84
Award 3[5]		GEC[1]	2,244,342			2,931,378				2,931,378	2,079,880	851,498	
		Other Executives	4,536,940			5,887,829	35,862	690,293	94,131	5,067,543	2,890,506	2,177,037	
Plan 9	15.08.2016		9,948,581	14.08.2021	142.83	9,948,581	28,883	350,401	44,995	9,524,302	3,410,010	6,114,292	142.83
Award 1[6]		GEC[1]	2,625,000			2,625,000		-		2,625,000	1,312,500	1,312,500	
		Other Executives	7,323,581			7,323,581	28,883	350,401	44,995	6,899,302	2,097,510	4,801,792	
Plan 9	03.07.2017		10,402,204	02.07.2022	173.25	10,402,204	-	142,140	-	10,260,064	1,013,322	9,246,742	173.25
Award 2[7]		GEC[1]	2,865,000			2,865,000		-	-	2,865,000	660,000	2,205,000	
		Other Executives	7,537,204			7,537,204		142,140	-	7,395,064	353,322	7,041,742	
Total			40,986,914			48,702,027	64,745	3,218,044	525,421	44,893,817	25,054,358	19,839,459	

1 GEC comprises of the Executive Directors and Presidents
2 Adjusted for bonus issues/rights issues/subdivisions
3 Plan 8 (Award 1) - 100 per cent of the options had vested as at 31 March 2018
4 Plan 8 (Award 2) - 75 per cent of the options had vested as at 31 March 2018
5 Plan 8 (Award 3) - 50 per cent of the options had vested as at 31 March 2018
6 Plan 9 (Award 1) - 25 per cent of the options had vested as at 31 March 2018
7 Plan 9 (Award 2) - None of the options had vested as at 31 March 2018 with the exception of retirees

Share Capital

Year ended 31 March	Number of shares in issue (million)
2005	331.63
2006	400.00
2007	552.94
2008	635.99
2009	611.35
2010	619.47
2011	629.69
2012	844.12
2013	857.24
2014	990.29
2015	997.49
2016	1,189.40
2017	1,387.47
2018	1,387.53

GDR History (in terms of ordinary shares, million)

Year ended 31 March	Opening balance	Issued*	Converted/ repurchased	Closing balance
2005	0.65	0.06	-	0.71
2006	0.71	0.14	-	0.85
2007	0.85	0.12	-	0.97
2008	0.97	0.14	-	1.11
2009	1.11	-	0.12	0.99
2010	0.99	-	0.01	0.98
2011	0.98	-	0.03	0.95
2012	0.95	0.32	0.08	1.19
2013	1.19	-	0.06	1.13
2014	1.13	-	0.01	1.12
2015	1.12	-	-	1.12
2016	1.12	-	-	1.12
2017	1.12	0.20	-	1.32
2018	1.32			1.32

1 GDR is equivalent to 2 ordinary shares

* *First issued in 1994/95 and subsequently increased along with bonus issues and subdivision of shares*

Dividends

Year ended 31 March	DPS (Rs.)	Dividends (Rs. '000)
2005	3.00	1,027,497
2006	3.00	1,199,460
2007	3.00	1,412,306
2008	5.00	3,176,302
2009	3.00	1,883,442
2010	3.00	1,843,642
2011	3.00	1,868,707
2012	3.00	2,313,519
2013	3.50	2,982,421
2014	3.50	3,266,718
2015	3.50	3,475,947
2016	7.00	8,037,790
2017	5.50	7,280,497
2018	6.00	8,324,983

Note: Includes special dividends where applicable

History of Scrip Issues, Rights and Repurchases

Year ended 31 March	Issue	Basis	Number of shares (million)	Ex-date
2005	Bonus	1:10	30	13 May 2004
2006	Bonus	1:5	66	11 May 2005
2007	Bonus	1:7	57	13 June 2006
2007	Rights @ Rs.140*	1:5	92	23 January 2007
2007	Bonus	1:7	79	13 March 2007
2009	Repurchase	1:25	26	11 October 2008
2012	Subdivision	4:3	210	30 June 2011
2013	Rights @ Rs.175*	2:13	132	3 October 2013
2016	Subdivision	7:8	143	3 July 2015
2017	Subdivision	7:8	170	30 June 2016

* *Unadjusted prices*

2017/18 Financial Calendar

	Date
Three months ended 30 June 2017	27 July 2017
Six months ended 30 September 2017	2 November 2017
Nine months ended 31 December 2017	30 January 2018
Annual Report 2017/18	30 May 2018
39th Annual General Meeting	29 June 2018
First interim dividend paid on	23 November 2017
Second interim dividend paid on	22 February 2018
Final dividend proposed to be paid on	18 June 2018

2018/19 Financial Calendar

	Date
Three months ended 30 June 2018	On or before 26 July 2018
Six months ended 30 September 2018	On or before 1 November 2018
Nine months ended 31 December 2018	On or before 31 January 2019
Annual Report 2018/19	On or before 31 May 2019
40th Annual General Meeting	On or before 28 June 2019

GROUP CONSOLIDATED REVIEW
Investor Relations - Key Investment Considerations

The following section details the key verticals the Group operates in, the industry potential, outlook and the initiatives that are undertaken to drive growth. Whilst this summation of the key investment considerations of our industry groups is meant to provide a snapshot for ease of understanding, this section should be read in conjunction with the Industry Group Review section of this Report to obtain a more comprehensive understanding of the drivers and strategy of our businesses.

JKH is the largest listed company on the Colombo Stock Exchange

Market capitalisation
USD 1.40 bn

No controlling shareholder
98.5 per cent free float

Foreign shareholding
59%

Debt: Equity ratio
13%

Key Performance Indicators

	2017/18	2016/17	% Change
Revenue including associates (Rs. bn)	137.08	119.62	15
EBITDA (Rs. bn)	32.21	27.22	18
PBT (Rs. bn)	27.63	22.89	21
PAT attributable to equity holders of the parent (Rs. bn)	21.02	16.28	29
EPS (Rs.)	15.15	11.84	28

TRANSPORTATION

Our Businesses	Industry Potential	Strategy and Outlook
• 42 per cent stake in SAGT - container terminal (capacity of 2 million TEUs) • Leading bunkering services provider • Largest cargo and logistics service provider in the country • JV with Deutsche post for DHL air express and AP Moller for Maersk Lanka • GSA for Jet Airways, KLM Royal Dutch Airlines and Gulf Air • Warehousing and supply chain management	• The Port of Colombo is strategically positioned on the main East-West shipping routes • Increased prospects for private sector participation, particularly in the ports and bunkering industries • Current capacity utilisation of the Colombo Port is in excess of 80 per cent, demonstrating the strong potential for capacity led growth	Ports and Shipping, and Bunkering • The Group will explore overall opportunities arising in the Port of Colombo and Port of Hambantota Logistics and Transportation • Evaluate the potential for purpose built and anchored facilities • Increase warehousing footprint • Airline business to strengthen its network of airlines, expanding selling to long-haul sectors

Key Performance Indicators

	2017/18	2016/17
SAGT volumes (TEU)	1,871,011	1,704,419
Port of Colombo volumes (TEU)*	6,446,223	5,803,819
Bunkering volume growth (%)	24	4
Warehouse space under management (CBM)	248,986	192,123

** Source: as per company estimates*

- SAGT Domestic : Transshipment volume mix : 22:78

For further details, refer the Industry Group Review section of this Report: Page 116

Cash balance (Group)

USD 406 mn

The Board comprises of three Executive Directors and five Independent Non-Executive Directors

Group Recurring EBITDA

Rs.28.88 bn

A growth of 7%

Diluted EPS

Rs.15.15

2016/17 : Rs.11.84

Investor Presentations, which include an update on the latest financial results, are available on the corporate website, to provide easier access and in-depth detail of the operational performance of the Group.
https://www.keells.com/resource/investor-presentation.pdf

LEISURE

Our Businesses	Industry Potential	Strategy and Outlook
• "Cinnamon", a well-established hospitality brand in Sri Lanka and Maldives • Diverse product offering based on "Inspired living" • The leading hotel chain in Sri Lanka with ~1,340 rooms under management (~1,000 in Sri Lanka and 340 in Maldives) • Land bank of 173 acres of freehold and 127 acres of leasehold land in key tourism locations • Leading inbound tour operator	• Encouraging growth momentum of tourist arrivals to Sri Lanka (5-year CAGR of 16 per cent - CY2017) • Proximity to India and increased flight connectivity • Infrastructure-led growth driving MICE and corporate tourists • Sought after tourist destination in the region – centred around its natural diversity and cultural heritage • Round trip offering covering key tourist destinations	• Greater focus on asset-light investment models as a part of the strategy to enhance the "Cinnamon" footprint • Better yield management • Investments to enhance brand value and develop digital channels further • Focus on corporate and MICE tourist segments • Continued investment in the "Cinnamon" brand

Key Performance Indicators

	2017/18	2016/17
City Hotels*		
Occupancy (%)	64	69
ARR (USD)	127	133
EBITDA margin (%)	27	36
Sri Lankan Resorts		
Occupancy (%)	81	80
ARR (USD)	91	93
EBITDA margin (%)	28	33
Maldivian Resorts		
Occupancy** (%)	82	89
ARR (USD)	263	261
EBITDA margin (%)	24	33

* *Excluding Cinnamon red*

** *The decline in occupancy is attributable to the partial closure of "Ellaidhoo Maldives by Cinnamon" and "Cinnamon Dhonveli Maldives" for refurbishment*

For further details, refer the Industry Group Review section of this Report: Page 126

PROPERTY

Our Businesses	Industry Potential	Strategy and Outlook
• Reputed property developer in the country with multiple high-rise apartments completed and fully sold • Iconic integrated development "Cinnamon Life" • Land bank ▪ Developable land bank of over 36 acres in central Colombo ▪ Developable freehold lands of approximately 25 acres in close proximity to Colombo city ▪ Over 500-acres of scenic leased land bank with an 18-hole golf course with a developable land extent of approximately 80 acres	• An urban population of 17 per cent, far below regional peers • Emerging suburban multi-family housing market • Upcoming market for units within the city at affordable price points • Significant investments in public infrastructure enabling better connectivity and mobility which contributes to significant land price appreciation • Port City Colombo project, positioning Sri Lanka as a regional financial and trade hub • Increased demand for commercial space	• Land banking strategy pursued to roll-out a robust pipeline of developments • Explore property development opportunities by leveraging on brand equity • Focussed strategies for expansion via developer/ landowner tie-ups • Shift to a broader customer base, targeting domestic demand for high quality housing • Introduction of product categories within the segment, branded ▪ Luxe Spaces ▪ Metropolitan Spaces ▪ Suburban Spaces

Key Performance Indicators

	Occupancy (%)		
	2017/18	2016/17	Change
K-Zone Ja Ela	85	78	9
K- Zone Moratuwa	95	84	13
Crescat	98	99	(1)

Cinnamon Life	Total Units	No of units sold as at 31 March 2018
The Residence at Cinnamon Life	231	124
The Suites at Cinnamon Life	196	104
Cinnamon Life – commercial complex*	10 floors	4 floors

* *Out of a total of 24 floors, 10 will be sold whilst the remaining 14 floors will be a rental/lease model*

Developments

- The concept design for the new joint venture residential development project, "Tri-Zen", comprising of 891 apartments, located in the heart of Colombo, has been finalised with construction expected to commence in the second half of 2018/19
- "Cinnamon Life" is slated for completion in the calendar year 2020 with the residential apartments and office complex ready for hand over and occupation by early 2020

For further details, refer the Industry Group Review section of this Report: Page 140

CONSUMER FOODS AND RETAIL

Our Businesses	Industry Potential	Strategy and Outlook
• Strong market presence in beverages, frozen confectionery and processed meats with high brand recognition • A portfolio of beverages catering to a wide-array of customers • Island-wide distribution network • 80 modern trade outlets uniquely branded to cater to evolving consumer lifestyles	• Per capita consumption of beverages at 10 litres, is below peer markets • Per capita consumption of ice creams at 2 litres, far below developed markets • Emerging "health conscious" consumer and growing need for "convenient" main meal options • Modern trade penetration at 16 per cent, is one of the lowest in the region	Consumer Foods • Expansions in the sugar free and low sugar beverage range • Expanding the beverage offering to products such as flavoured milk, juices and water • The new frozen confectionery plant in Seethawaka is expected to assist CCS in expanding its impulse category and improve profit margins • Convenient and nutritious product extensions catering to "health conscious" consumers Retail • Aggressive expansion of the store footprint; 40 outlets expected in 2018/19, including a centralised Distribution Centre • Increased focus on the brand roll out • Focus on the "Fresh" promise of the business

Key Performance Indicators

Consumer Foods Sector	2017/18	2016/17
Volume growth (%)		
Beverages	(16)	10
Frozen Confectionery	(4)	11
Convenience Foods	3	(4)

- The volume decline was further exacerbated by a sugar tax on carbonated beverages, which was implemented from November 2017 onwards
- Beverage : Frozen Confectionery revenue mix is at 56:44 for 2017/18
- CCS reformulated its flagship flavours to replace approximately 40 per cent of sugar content with the natural sweetener Stevia while also implementing the following initiatives;
  - Launch of sugar free CSD variants - branded "GO Sugar Free"
  - Acceleration of non-CSD product launches (flavoured milk and water branded under Elephant House, and additional flavours for "Fit-O")

Retail Sector	2017/18	2016/17
Same store sales growth (%)	5.7	9.8
Same store footfall growth (%)	3.8	7.1
EBIT margin (%)*	4.0	5.4
PBT margin (%)*	4.0	5.6

* *Impacted by the imposition of control prices on essential items, cost of expanding and operating new stores coupled with the cost associated with rebranding and refitting stores*

- Total outlet count as at 31 March 2018 stood at 80 (23 new additions in 2017/18)

For further details, refer the Industry Group Review section of this Report: Page 148

FINANCIAL SERVICES

Our Businesses

Life Insurance

- GWP growth well above the industry average [CY2017: GWP growth of 22 per cent versus an industry average GWP growth of 13 per cent]
- Operating footprint of over 97 branches, excluding virtual locations
- Agency force of approximately 4,000 personnel
- Third largest producer of new business
- Market share of 14 per cent

Banking

- Economic interest of 32.16 per cent in Nations Trust Bank
- Branch network of over 93 outlets and 136 ATMs
- Strong online presence
- Sri Lanka's first digital bank, "FriMi"

Industry Potential

Life Insurance Industry

- Life Insurance penetration at 0.49 per cent of GDP - one of the lowest penetrated markets in the South Asian region
- Ageing population
- Under-utilised bancassurance and digital distribution channels

Banking Industry

- Industry loans and advances growth of 19 per cent in calendar year 2017
- Industry ROE of 17.5 per cent
- Underdeveloped digital banking infrastructure

Strategy and Outlook

Life insurance

- Focus on bancassurance through the development of differentiated, customer-oriented lifestyle products
- Agency transformation
- Focus on data analytics, innovation and digital improvements for better insight

Banking

- Focus on delivering smart banking solutions and innovative products
- Driving asset growth through risk reward metrics, and cross-selling
- Focus on increasing the offerings to the mass affluent segment for Consumer banking and Corporate and SME segments

Key Performance Indicators

	CY2017	CY2016
Banking		
Growth in loans and advances (%)	25	24
Return on equity (%)	17.4	17.7
Net interest margin (%)	4.4	4.5
NPL ratio (%)	2.7	2.8
Capital adequacy ratio - total capital (%)	10.8	11.4
Life Insurance		
Premium growth (%)	22	19
Market share (%)	14	13
Life fund* (Rs. billion)	29.1	30.3
Capital adequacy ratio (%)	352	411

* *The decline in the life fund is attributable to the one-off surplus transfer from the life policyholder fund to the life shareholder fund, and the life insurance surplus of Rs.3.64 billion [2016/17: Rs.1.10 billion]*

For further details, refer the Industry Group Review section of this Report: Page 162

INFORMATION TECHNOLOGY

- Software solutions and consultation services based on Internet of Things, Robotic Process Automation and other digital stack solutions
- Brand presence in MENA and APAC regions
- Authorised distributor for some of the leading office automation brands in the world
- Strategic partnerships with SAP and Microsoft

- Internet and smart phone penetration at 32 per cent and 28 per cent, respectively, lower than regional peers
- Increased digital adoption within the country driven by smart mobile devices
- Businesses and operations increasingly adopting digital practices

- Establish brand presence in the MENA and APAC regions as a leading digital solutions provider
- Product innovation through design thinking, data analytics and predictive analysis
- Leveraging on improved data connectivity and network coverage, the Office automation business to capitalise on the more tech-savvy modern consumer

For further details, refer the Industry Group Review section of this Report: Page 172

PLANTATION SERVICES

- Leading tea and rubber broker
- Operates 8 tea factories
- Manufacturer of low grown teas

- Sustained growth in global tea consumption with growing demand for value added tea

- Automation of manufacturing processes to yield higher production efficiency and improved quality

For further details, refer the Industry Group Review section of this Report: Page 180

Management Discussion and Analysis

Industry Group Review

Harnessing innovation, dynamism and talent

Transportation

The "MT LM Mahaweli", Sri Lanka's first double hulled, double bottomed bunker barge commissioned by LMS

Ports and Shipping

Transportation

Vision and Scope

The vision of the Transportation industry group is to be recognised as a leading provider of Transportation solutions and related services through a diversified portfolio of businesses in selected markets. These operations comprise of a container terminal in the Port of Colombo, a marine bunkering business, joint venture/associations with leading shipping, logistics and air transportation multinationals, as well as travel and airline services in Sri Lanka and the Maldives.

Contribution to JKH Group

19%	Revenue
12%	EBIT
8%	Capital employed
13%	Carbon footprint

CARBON FOOTPRINT

12,714 MT

(2016/17: 11,309 MT)

EBIT

Rs.3.33 bn

(2016/17: Rs.3.12 bn)

Industry Group Structure

Transportation	
Ports and Shipping Operation of a container terminal in the Port of Colombo as a public-private partnership on a build, operate and transfer (BOT) basis through South Asia Gateway Terminals (SAGT) Associate stake in Maersk Lanka, agents in Sri Lanka and the Maldives for Maersk Line and Safmarine	**Transportation** Logistics services include the operation of : • DHL air express in Sri Lanka • A joint venture with Deutsche Post • Third party logistics (3PL) • Warehousing, trucking and freight forwarding solutions under John Keells Logistics Limited • Freight forwarding business, Mack International Freight (MIF) Marine bunkering and related services under Lanka Marine Services (LMS) as well as airline, aviation, travel and related services through Saffron Aviation (owners and operators of Cinnamon Air), Mack Air and Mackinnons Travels Limited

Key Indicators

Inputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Total assets	21,349	18,065	18	17,163
Total equity	16,154	14,841	9	15,028
Total debt	3,267	1,754	86	878
Capital employed[1]	19,421	16,595	17	15,905
Employees (number)[2]	486	385	26	349

Outputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Turnover[3]	25,619	18,438	39	16,829
EBIT	3,326	3,124	6	2,517
PBT	3,269	3,098	6	2,495
PAT	3,084	2,979	4	2,454
EBIT per employee[4]	6.8	8.1	(16)	7.2
Carbon footprint (MT)[2]	12,714	11,309	12	2,091

1. For equity accounted investees, capital employed is representative of the Group's equity investment in these companies
2. Excludes SAGT, DHL, Maersk Lanka, MIF (formerly known as NDO)
3. Turnover is inclusive of the Group's share of equity accounted investees
4. As per the sustainability reporting bound

External Environment and Operational Review

Global trade witnessed a recovery in the calendar year 2017, driven by a resurgence of Asian trade flows arising from an increase in intra-regional shipments and demand from North America. For the first time since 2014, during the calendar year 2017, world trade growth at 3.6 per cent outpaced GDP growth of 3.1 per cent. The South Asian region, albeit from a lower base, demonstrated the fastest progress with a 7.0 per cent growth in trade. Sri Lanka and the Group continue to be uniquely positioned to capitalise on this opportunity as elaborated in the ensuing discussion.

Sri Lanka's strategic position on the main East-West trade route, linking the Far East with Africa, Europe, and the East Coast of the United States, coupled with its proximity to India and the Bay of Bengal region, provides ideal trade connections and presents a unique geographical advantage. This has enabled Sri Lanka, to transform itself into a leading global shipping and transportation hub particularly by leveraging the Ports of Colombo and Hambantota. This strategic positioning, coupled with aggressive public and private investments catered towards improving domestic handling, transportation services and connectivity within the country, has resulted in Sri Lanka being considered with greater interest as a transport and logistics hub in the region.

Transshipment traffic in the region recorded an increase facilitated by global and regional trade growth and the advent of major shipping lines through acquisitions and alliances with expansive vessel-sharing agreements. The Port of Colombo handled 6.2 million twenty-foot equivalent units (TEUs) during the calendar year 2017, a growth of 8 per cent [CY2016: 5.7 million TEUs]. Sri Lanka's positioning as a ports and shipping hub in the South Asian region was further reinforced when the Port of Colombo was placed 23rd amongst the "World's 30 Best Ports" as per 2017 Alphaliner Rankings and placed 13th with regard to "Best Connectivity in the World" according to the Drewry Port Connectivity Index.

Considering this strategic opportunity and the overall requirement of enhancing productivity and efficiency of the Colombo Port, the Sri Lanka Ports Authority (SLPA), South Asia Gateway Terminals (SAGT) and Colombo International Container Terminal (CICT) entered into a memorandum of understanding (MoU) to collectively promote the Port of Colombo. The MoU is expected to encourage joint initiatives between the three terminal operators and contribute towards the development of the Colombo Port as the main transshipment hub in the region. Investments are underway to extend the physical facilities within the Port of Colombo, given the envisaged increase in volumes in the near term.

SRI LANKA'S POSITIONING AS A PORTS AND SHIPPING HUB IN THE SOUTH ASIAN REGION WAS FURTHER REINFORCED WHEN THE PORT OF COLOMBO WAS PLACED 23RD AMONGST THE "WORLD'S 30 BEST PORTS" AS PER 2017 ALPHALINER RANKINGS AND PLACED 13TH WITH REGARD TO "BEST CONNECTIVITY IN THE WORLD" ACCORDING TO THE DREWRY PORT CONNECTIVITY INDEX.

During the year under review, the Group's Ports and Shipping business, SAGT, recorded an encouraging growth of 10 per cent, handling 1.9 million twenty-foot equivalent units (TEUs) [2016/17: 1.70 million TEUs], with transshipment volumes contributing to approximately 80 per cent of total volume. The increased activity within the Port of Colombo, as discussed above, was a key factor that contributed towards the higher volume growth at SAGT.

SAGT continued to focus on efficiency and terminal productivity during the year under review, through initiatives aimed at improving berth occupancies, increasing the efficacy of yard and gate operations and enhancing vessel productivity. Such efforts proved fruitful, with SAGT being recognised as the "Best Terminal in the Indian Sub-Continent Region" for the second consecutive year by the Singapore-based Global Ports Forum.

Lanka Marine Services (LMS), the Bunkering business of the Group, strengthened its market leadership position during the year under review. LMS witnessed a significant volume growth of 24 per cent in the year on the back of increased port activity, regional shipping movements and the 18 per cent goods and services tax (GST) implemented in India in July 2017, which was subsequently revised to 5 per cent in November 2017. Despite this reduction of GST in India, Sri Lanka continued to witness increased demand for bunker fuel on the back of increased delivery efficiencies and overall growth in ship traffic. The increase in volumes was supported by a sustained increase of the base price of bunker fuel in the year under review which assisted the company to achieve significant topline growth.

Volume growth of LMS was further enhanced by the commissioning of the first double-hulled double-bottomed bunker barge to operate in Sri Lanka in 2017/18, "MT LM Mahaweli" with a capacity of 2,400 MT, enabling the business to better cater to the demand. The overall import capacity of LMS was further augmented through the chartering of "MT Athenia" during the year under review. The new tanker has a capacity to import 8,500 MT and is more efficient in terms of speed and fuel consumption. In keeping with the industry group's focus on sustainable practices by driving efficiency and productivity, the business also launched several digitisation initiatives during the year under review to streamline operations.

LANKA MARINE SERVICES, THE BUNKERING BUSINESS OF THE GROUP, STRENGTHENED ITS MARKET LEADERSHIP POSITION DURING THE YEAR UNDER REVIEW. LMS WITNESSED A SIGNIFICANT VOLUME GROWTH OF 24 PER CENT IN THE YEAR ON THE BACK OF INCREASED PORT ACTIVITY AND REGIONAL SHIPPING MOVEMENTS.

The Logistics business, John Keells Logistics Limited (JKLL), recorded a double digit increase in throughput managed driven by a number of new client engagements secured by the business. JKLL increased its total footprint of managed warehousing space by 25 per cent during the year under review, onboarding a 57,000 sq. ft. new facility in Enderamulla. JKLL secured leasehold rights to a 9-acre plot of land in Kerawalapitiya, Muthurajawela, to construct and operate a large-scale logistics facility. The land is particularly strategic to the business given its proximity to the port and airport. It is encouraging to note that facilities at Peliyagoda, Sedawatte and Seeduwa continued to operate at full capacity.

During the year under review, JKLL's focus on operational enhancements was complemented with investments towards expanding its vehicle fleet and capabilities of handling temperature controlled transport solutions, which were identified as a part of a larger supply chain solution offered to the Retail sector of the Group. The state-of-the-art retail distribution centre developed in collaboration with JayKay Marketing Services Limited - the operators of "Keells" supermarkets, is underway and is expected to be operational in the second half of 2018/19. In view of creating better engagement with its client base and enhancing transparency into the logistics operations, a business intelligence (BI) platform was introduced in the year under review.

More information on the digital initiatives undertaken by the business is elaborated under the Intellectual Capital section of this industry group review.

During the year, JKH purchased the remaining 40 per cent stake of NDO Lanka (Private) Limited, a freight forwarding business, which was previously a joint venture between XPO Logistics Inc. and JKH. Post-acquisition, NDO was renamed Mack International Freight (Private) Limited (MIF), a fully owned subsidiary of JKH. MIF recorded an improvement in performance during the year on the back of increased business generated through the project cargo vertical and rationalisation of operating costs.

DHL Keells (Private) Limited achieved double-digit volume growth in the year under review, driven by both inbound and outbound

SAGT was recognised as the "Best Terminal in the Indian Sub-Continent Region" by the Singapore based Global Ports Forum

A Cinnamon Air plane soars over the cultural triangle

volumes. In line with expectations, the market share of the business recorded an increase on the back of several marketing initiatives undertaken in the year. Continuing its market leadership position, DHL placed more focus on e-commerce driven solutions to support the growing needs of its customer base in the country.

Cinnamon Air continued to maintain its market leadership position in domestic aviation, offering both scheduled and charter services. Cinnamon Air witnessed significant growth of over 20 per cent in its scheduled passenger numbers during the calendar year 2017. The airline continued to be the only scheduled domestic flight operator and continued to offer codeshare flights with Sri Lankan Airlines. During the year, Cinnamon Air surpassed an operational benchmark for the first time, carrying in excess of 10,000 scheduled passengers in a single year. Cinnamon Air received positive feedback from clients on account of enhanced offerings, through increased frequencies and new destinations, and continuous monitoring of its service standards.

The Airlines business witnessed double-digit growth in both air passenger and cargo segments in the year under review. Jet Airways, KLM and Gulf Air represented by Mack Air Limited (MAL), displayed promising growth driven by increases in long-haul frequency. In keeping with the industry group's focus on efficiency and productivity, MAL introduced several digital initiatives to ensure operational excellence. The travel business, Mackinnons Travels Limited (MTL) entered the online travel sphere with the launch of its online engine - macktrip.com. The business also launched a corporate booking tool in the year under review to drive traffic within the digital platform.

Capital Management Review

Progressing from the discussion on the External Environment and Operational Review, the discussion that ensues captures the forms of Capital available, and how each of these Capital are honed to create value for all stakeholders.

The discussion on the Capitals, where relevant is structured to emphasise goals, targets and initiatives undertaken under each of the Capitals.

Goals under relevant Capital → Targets we set for ourselves → Our initiatives

TRANSPORTATION INDUSTRY GROUP REVENUE

Rs.25.62 bn

Growth of 39 per cent

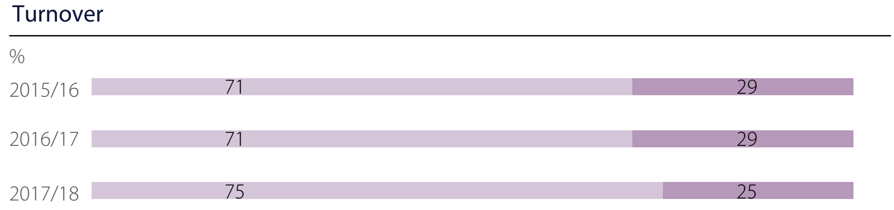
FINANCIAL AND MANUFACTURED CAPITAL

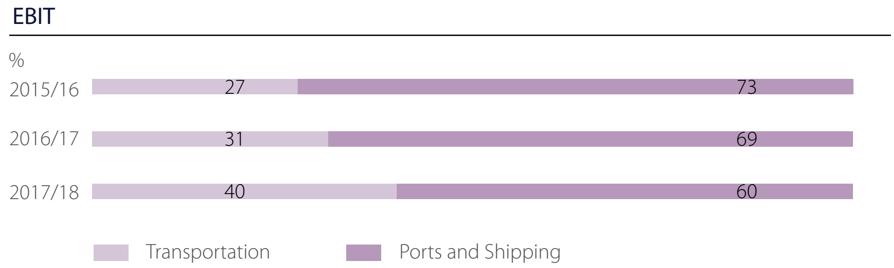
As at 1 April 2017, the Transportation industry group had total assets of Rs.18.06 billion, debt of Rs.1.75 billion and opening equity capital of Rs.14.84 billion.

Financial Performance

Revenue

- The revenue of the Transportation industry group increased by 55 per cent to Rs.17.17 billion [2016/17: Rs.11.11 billion], primarily due to the Bunkering business, Lanka Marine Services (LMS)
- LMS recorded a revenue growth of 54 per cent driven by a significant increase in the base price of bunker fuels in addition to double-digit volume growth
- Revenue, including equity accounted investees, increased by 39 per cent to Rs.25.62 billion [2016/17: Rs.18.44 billion], attributable to the growth in TEUs handled by the Group's Ports and Shipping business and the aforementioned volume increase in the Bunkering business
- The Logistics business, John Keells Logistics Limited (JKLL), demonstrated a revenue growth of 13 per cent in the year under review, whilst the Airlines vertical of the industry group recorded a revenue growth of 31 per cent during the year
- It is noted that over 90 per cent of the revenue composition within the industry group, excluding equity accounted investees, stems from the Bunkering and Logistics businesses





Earnings Before Interest and Tax (EBIT)

- EBIT of the industry group at Rs.3.33 billion was a 6 per cent increase in comparison to Rs.3.12 billion in 2016/17, primarily driven by the performance of SAGT
- Consequent to certain prior period errors in the trade receivables at SAGT, the related debtor balances as at July 2017 were recompiled, and agreed with the company auditors. The resulting financial impacts including an impairment provision for doubtful debt was accounted for in the current year, in addition to a deferred tax provision, as discussed in the Group Consolidated Review section of this Report. Excluding this impact, the EBIT of the industry group at Rs.4.17 billion, is a 33 per cent increase against 2016/17
- The growth in volumes in the Bunkering business, improved performance at DHL Keells and full utilisation of the warehousing facilities contributed towards the improved performance
- The PBT of the Transportation industry group amounted to Rs.3.27 billion compared to the Rs.3.10 billion recorded in 2016/17

THE PBT OF THE TRANSPORTATION INDUSTRY GROUP AMOUNTED TO RS.3.27 BILLION COMPARED TO THE RS.3.10 BILLION RECORDED IN 2016/17.

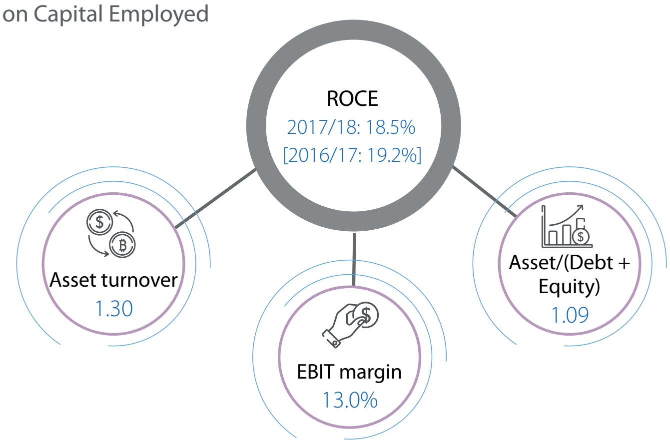
Borrowings and Finance Expense

Total debt as at 31 March 2018 was recorded at Rs.3.27 billion, an increase of 86 per cent against the corresponding year [2016/17: Rs.1.75 billion]. The increase in debt is mainly on account of the increase in short-term debt facilities utilised by LMS to finance the higher working capital requirements in line with the volume growth witnessed during the year. The finance expense of the industry group increased to Rs.57 million, an increase of 124 per cent against the previous year [2016/17: Rs.25 million].

Return on Capital Employed (ROCE)

- ROCE of the industry group was recorded at 18.5 per cent against 19.2 per cent recorded in 2016/17. The decline in the ratio primarily stems from the increase in the capital base arising from the aforementioned increase in total debt. Capital deployment pertaining to the expansion of warehousing space within the Logistics business, commissioning of a new bunker barge "MT Athenia" by LMS and further investments at SAGT impacted the capital base. The ROCE, adjusted for the impact arising from the impairment provision for doubtful debt and deferred tax at SAGT, is 22.7 per cent against the 19.3 per cent reported in the previous year
- EBIT margin of the industry group was recorded at 13.0 per cent against 16.9 per cent recorded in 2016/17. The decrease in the EBIT margin stems from a higher contribution from the low margin Bunkering business, and the lower contribution of SAGT due to the impairment provision for doubtful debt, as discussed above
- The asset turnover increased to 1.30 times compared to the 1.05 times recorded in the previous year as a result of the significant increase in revenue

Return on Capital Employed



Indicators	Ports and Shipping	Transportation
Revenue and growth	Rs.6.32 billion, 17 per cent increase	Rs.19.30 billion, 48 per cent increase
EBIT and growth	Rs.2.01 billion, 7 per cent decrease	Rs.1.32 billion, 37 per cent increase

NATURAL CAPITAL

Transportation, logistics operations and infrastructure, whilst being a requisite for economic growth and value creation in the country, has an impact on natural resources and the environment we operate in. Therefore, the industry group strives to ensure that all its operations are carried out in an environmentally responsible manner, and proactively seeks to minimise negative impacts on the country's Natural Capital. As such, the Transportation industry group operates under the Group's Environment policy, as a means of managing its environmental footprint. In keeping with international best practice, the Transportation industry group placed significant emphasis on reducing its emissions and plastic footprint during the year under review.

The material topics relevant to the industry group identified under Natural Capital are:

- Energy and emissions management
- Waste management

The ensuing section discusses key targets under the aforementioned material topics and its corresponding impacts. The section also entails the various initiatives undertaken with a view to achieving relevant targets.

Carbon Footprint

- Ports and Shipping : 1,633 MT
- Transportation : 11,081 MT

Energy and Emissions Management

Relevance/Implication	Targets	Initiatives
Financial implications and environmental responsibility	• Internal fuel efficiency targets for vehicle and aircraft fleet to reduce fuel consumption and emissions	• Daily monitoring of fuel consumption • Ongoing analysis of sales routes for route optimisation thereby increasing efficiency • Regular planned maintenance to ensure efficient engine performance

Waste Management

Relevance/Implication	Targets	Initiatives
Regulatory and environmental responsibility	• Strict compliance to all regulatory requirements • Adherence to regulations stipulated by the Marine Environmental Pollution Authority (MEPA) and other best practice	• In adherence to the regulatory requirements on polythene and plastic usage, JKLL only used shrink wrap over 21 microns • Plastic sample cans used by LMS were collected and handed over for recycling • Waste resulting from bunkering operations was disposed through a MEPA certified third party contractor to ensure responsible disposal of waste

Performance

The carbon footprint of the Transportation industry group (excluding SAGT, DHL, Maersk Lanka and MIF which are beyond the sustainability reporting boundary) was 12,714 MT, a 12 per cent increase from the previous year. Although JKLL, MAET and Mack Air have shown improved efficiency in their carbon footprint, the increase in carbon footprint was due to increased volumes at LMS resulting from the purchase of an additional barge. It should be noted that increased activity at Cinnamon Air has also been included in the sustainability scope for the year under review. No significant spillages were reported during the year.

Indicators

	2017/18	2016/17*	%
Carbon footprint (MT)	12,714	11,309	12
Waste disposed (kg)	152,851	124,371	23

** Figures have been restated to include Cinnamon Air, to provide an accurate comparison*

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor

	2017/18	2016/17
LMS CO_2 (kg per MT of bunkers sold)	6.7	5.3
JKLL CO_2 (kg per ft^2 of warehouse managed)	1.7	2.4
Mack Air (kg per ft^2 of office space)	12.3	13.6
MAET (kg per ft^2 of office space)	3.7	5.9
Cinnamon Air (kg per flight hour)	12,869	14,063

Waste Generated per Operational Intensity Factor

	2017/18	2016/17
LMS CO_2(kg per MT of bunkers sold)	0.3	0.3
JKLL CO_2 (kg per m^2 of warehouse managed)	0.4	0.3

HUMAN CAPITAL

The Transportation industry group places significant emphasis on health and safety on account of the nature of some of its operations, particularly given the higher likelihood of accidents at warehouses, barges and other facilities. As such, the industry group follows the guidelines facilitated by local regulations, international standards and the Group's health and safety policy which strives to create awareness and provide training on occupational safety to its employees.

In keeping with the diverse demands of the key players and customers, the industry group encourages the growth of the overall industry by investing in its people, thereby producing qualified professionals in the logistics and transportation fields. This continuous investment has led to the industry group's higher inclination towards service quality, dependability and efficiency. Investment in Human Capital is thus considered vital, alongside the investment in infrastructure, processes and systems, in order to sustain and capitalise on the envisaged growth.

The material topics identified under Human Capital for the industry group are as follows:

- Talent management
- Health and safety

The ensuing section discusses key targets under the material topics identified above and its corresponding impacts. The section also entails the various initiatives undertaken with a view to achieving relevant targets.

Number of Employees

- Ports and Shipping : 23
- Transportation : 463

Talent Management

Relevance/Implication	Targets	Initiatives
The need to retain and continuously upgrade skills of existing staff, while developing a resource base of professionals for the country's transportation industry	• Continuous training and skills development • Build a resource base of qualified transportation and logistics professionals	• The Transportation industry group provided 3,436 hours of training to its employees, in line with its strategy to increase focus on staff training and development, to further the capacity and efficiency across operationally critical areas CSR initiatives: • The Transportation industry group continued its long-term strategic CSR collaboration with the University of Moratuwa. The initiative involves the funding and implementation of a scholarship scheme for the students of the Department of Transport and Logistics Management of the Engineering Faculty and is aimed at addressing the skills mismatch within the industry. This is done by developing the knowledge, skills and competencies of undergraduates in the fields of aviation, shipping, logistics and supply chain management or public transport, thereby improving their employability which in turn facilitates economic growth. A summary of the initiatives undertaken in the year under review are as follows; ▪ An aggregate of 26 scholarships were awarded on both a need and merit based scheme ▪ "Immersion" English Language training via a custom-made programme was offered to all the first-year students, benefiting 48 students ▪ A mentoring programme was organised to groom second-year undergraduates to develop their soft skills to become effective managers

Crew members of Cinnamon Air

Health and Safety

Relevance/Implication	Targets	Initiatives
Labour and productivity concerns	• Zero major accidents within logistic centres and one hundred per cent reporting and addressing of near misses • Zero road accidents, traffic violations and customer complaints	• LMS and JKLL renewed the OHSAS 18001-2007 certification for bunkering and warehousing operations ensuring globally recognised health and safety standards are maintained. Additionally, quarterly fire drills and MARPOL compliant oil spill drills were conducted to minimise impact in case of an incident • Fire drills were also carried out during the year at the Mackinnons building which houses multiple business entities

Health and safety practices at JKLL

Performance

The industry group provided 7 hours of training per employee. It is noted that no injuries were recorded during the year under review.

Indicators

	2017/18	2016/17*	%
Injuries and diseases (number)	0	2	(100)
Total hours of training	3,436	2,490	38

** Figures have been restated to include Cinnamon Air, to provide an accurate comparison*

SOCIAL AND RELATIONSHIP CAPITAL

The Transportation industry group, through its diverse product and service offerings, connects multiple entities across and within the borders of the country. Operations throughout the businesses, from ports and shipping to warehousing and aviation, focus on delivering a seamless value-added service to customers and other stakeholders.

The Port of Colombo, within which the Group's Ports and Shipping business SAGT operates, is strategically positioned on the main global East-West shipping route and the Belt and Road Initiative, enabling better connectivity with Africa, Europe, and the East Coast of the US, providing ideal connections for the development of trading and infrastructure networks.

The Bunkering business continued to enhance its procurement contract with a leading petroleum company in India while the Logistics business expanded its service offering during the year to a multitude of industries within the local market thereby diversifying and strengthening its portfolio.

In order to ensure healthy relationships with stakeholders and to mitigate any negative sustainability impacts, businesses continually assess, as necessary, all significant suppliers, including suppliers providing janitorial and other outsourced services.

The significant suppliers within the industry group are illustrated below:

Significant Suppliers

- Outsourced vehicle fleets
- Warehouse operations
- Maintenance, support services and outsourced employees
- Capital equipment

INTELLECTUAL CAPITAL

Service, product quality, and the productivity and efficiency with which each service is provided, are closely monitored metrics within the industry group. In keeping with global transportation and logistics best practice, various productivity and digital enhancement measures were undertaken in the year under review. A summary of the initiatives are as follows;

Operation	Brief Description
Logistics and Warehousing (JKLL)	• A BI platform was launched during the year to provide on-time information and enhanced transparency into operations • All paper based warehousing documentation and data capturing was replaced using tablets, which increased efficiency in gathering relevant information • Roller cage-based product transportation to increase vehicle utilisation and reduce turn-around efficiency
Bunkering (LMS)	• Flow meters were installed onboard "MT LM Mahaweli" during the financial year aimed at improving service and quality standards of the products offered to customers. LMS remains the only operator to implement the above efficiency initiatives • Digital enhancements such as e-signatures for customer nominations, e-invoicing, automatic delivery updates and electronic portals to manage lubricant stocks were carried out in the year under review
Aviation and Transport (MAL and Cinnamon Air)	• Sales applications and digital dash boards were introduced to provide real time metrics for improved efficiency and target tracking • Trained and produced the country's first home-grown amphibious float plane Captains, providing greater incentive and encouragement for domestic flying
Travel Agents (MTL)	• Entered the online travel market space with the launch of macktrip.com • A digital advertising campaign was launched to create brand awareness on macktrip.com, with the objective of increasing online sales

Strategy and Outlook

The positive regional and global trade growth outlook, augmented by the revival of domestic markets, the resurgence in exports expected by the reinstatement of GSP and GSP+ (Generalised System of Preferences) by the US and EU respectively, augurs well for Sri Lanka's transportation, maritime and logistics industries, particularly at the Port of Colombo and the Hambantota Port. Against this backdrop, the increased flow of transshipment cargo through the island will create ample opportunities for Sri Lanka to further position itself as a logistics and maritime hub in the region, by providing integrated and value-added services.

In addition to its strategic location, the competitive advantage of the Colombo Port lies in its ability to cater to deep draft vessels and its terminal productivity. Although constant productivity measures are undertaken at the terminals, capacity constraints would gradually become a limiting factor for terminal operations - affecting both existing volumes and future volumes, particularly given that the overall capacity utilisation at the Port of Colombo is currently over 80 per cent. In view of the increased and envisaged growth in trade flows through South Asia, regional peers, such as in Singapore and Malaysia, have aggressively invested towards enhancing capacity in its port operations. India has also invested towards enhancing capacity with a view to increase capacity to 3,200 million metric tonnes (MMT) by 2020 from its current installed capacity of 1,065 MMT emanating from its 12 main ports. Given the envisaged growth in Sri Lanka's primary source of throughput and growth in trade across the region, the development of the East Container Terminal (ECT) is more pronounced. As such, in view of the future growth prospects of the Port of Colombo through capacity led growth, an expansion of the terminals within the Colombo South Harbour is required.

IN ADDITION TO ITS STRATEGIC LOCATION, THE COMPETITIVE ADVANTAGE OF THE COLOMBO PORT LIES IN ITS ABILITY TO CATER TO DEEP DRAFT VESSELS AND ITS TERMINAL PRODUCTIVITY. ALTHOUGH CONSTANT PRODUCTIVITY MEASURES ARE UNDERTAKEN AT THE TERMINALS, CAPACITY CONSTRAINTS WOULD GRADUALLY BECOME A LIMITING FACTOR FOR TERMINAL OPERATIONS - AFFECTING BOTH EXISTING VOLUMES AND FUTURE VOLUMES, PARTICULARLY GIVEN THAT THE OVERALL CAPACITY UTILISATION AT THE PORT OF COLOMBO IS CURRENTLY OVER 80 PER CENT.

The Ports and Shipping business of the Group will continue to explore its options in enhancing terminal efficiency and productivity through investment in digital initiatives and state-of-the-art technology, whilst adhering to global best practice. SAGT will evaluate investments aimed at increasing the throughput managed, thereby contributing to an increase in capacity handled.

LEVERAGING ON THE OPPORTUNITIES EXPECTED TO MATERIALISE FROM THE HAMBANTOTA PORT OPERATIONS, THE TRANSPORTATION SECTOR WILL CONTINUE TO EVALUATE POTENTIAL PROJECTS, BOTH INDIVIDUALLY AND JOINTLY, WITH STRATEGIC PARTNERS. THE GROUP IS CONFIDENT OF THE POTENTIAL WITHIN THE HAMBANTOTA PORT, GIVEN ITS STRATEGIC POSITIONING ALONG THE MAIN EAST-WEST SHIPPING ROUTE AND ITS INTEGRAL ROLE WITHIN THE "BELT AND ROAD" TRADE AND INFRASTRUCTURE INITIATIVE.

SAGT will also look to consolidate its operations considering the envisaged trade flow to the country to provide high value added and integrated services, while focussing on a better mix of transshipment to domestic containers to optimise profitability.

The overall bunkering market displayed promising growth in the year under review and is expected to retain a similar momentum in light of increased activity within the Port. Regional demand, coupled with new demand created by the PCC project and other large-scale investments both in the Hambantota and Trincomalee Ports, are also expected to contribute towards growth. LMS will leverage on its strong brand and existing relationships to strengthen its position as the supplier of choice in Sri Lanka, while also committing to improve customer experience through digital initiatives and other related processes.

The bunker market in Sri Lanka is currently curtailed due to the limited availability of bonded tank space, which has significantly impacted the regional competitiveness of the industry. This, together with the proposed "Global Sulphur Cap" (a regulatory requirement for a significant reduction in the sulphur content of the fuel oil used by ships, initiated by the International Maritime Organisation (IMO)), which is expected to be implemented in January 2020, exacerbates the need for capacity enhancement in terms of fuel oil storage with low sulphur content. The bunkering industry is in constant dialogue with relevant Government entities to resolve matters arising in this regard.

The Logistics business will continue to engage with key clients and evaluate the potential for purpose built and anchored facilities. JKLL will focus on expanding its warehousing footprint leveraging on the envisaged growth in the logistics space within the country to cater to both domestic and international demand. The business will focus on aggressively on-boarding new anchor clients for the facilities while also retaining and expanding the current product portfolio managed within the existing facilities. As such, the Kerawalapitiya land allocated by the Government for warehousing will be developed and operational in the second half of 2018/19. The strategically located state-of-the-art warehousing facility will provide customers with leading-edge technological solutions for all logistics and warehousing needs. The Group is confident that the new facility will also generate further efficiencies given its location in proximity to the highway network connecting the Southern and Northern corridors of the country.

Leveraging on the opportunities expected to materialise from the Hambantota Port operations, the Transportation sector will continue to evaluate potential projects, both individually and jointly, with strategic partners. The Group is confident of the potential within the Hambantota Port, given its strategic positioning along the main East-West shipping route and its integral role within the "Belt and Road" trade and infrastructure initiative.

The Airlines business of the Group will leverage on the existing portfolio of airlines represented by the company to improve overall market share in both passenger and cargo volumes. MAL will focus on strengthening its network of airlines, expand selling to long-haul sectors while Cinnamon Air will focus on potential expansion opportunities arising from the growth in tourist arrivals to the country. The significant growth trajectory of tourist arrivals will provide opportunity to place Sri Lanka as a leading network destination for the Airline segment. Based on the current trend in tourist arrivals, with greater emphasis on the South and East Asian markets to Sri Lanka, both MAL and Cinnamon Air will focus on creating industry and customer awareness through multiple channels. The convenience of faster connectivity between cities and Sri Lanka's growing popularity as a destination for short stays are expected to contribute towards improved performance of the Airline segment.

Leisure

An aerial view of "Ellaidhoo Maldives by Cinnamon"

Vision and Scope

Representing JKH's largest asset exposure, the Leisure industry group comprises of two city hotels that offer approximately 34 per cent of the current 5-star room capacity in Colombo, a lean luxury hotel, in Colombo, eight resort hotels spread across prime tourist locations in Sri Lanka and three resorts in the Maldives with a product offering which leverages on the natural diversity of the country under the brand "Cinnamon Hotels & Resorts". The Leisure industry group also operates a destination management business in Sri Lanka.

Contribution to JKH Group

18%	Revenue
15%	EBIT
25%	Capital employed
40%	Carbon footprint

CARBON FOOTPRINT

38,835 MT

(2016/17: 40,670 MT)

EBIT

Rs.4.13 bn

(2016/17: Rs.5.92 bn)

Industry Group Structure

Leisure

- **City Hotels**
  - Cinnamon Grand - 501 rooms
  - Cinnamon Lakeside - 346 rooms
  - Cinnamon red - 240 rooms
- **Resorts**
  - **Sri Lankan**: 8 resort hotels in Sri Lanka ~ 1,000 rooms
  - **Maldivian**: 3 resort hotels in the Maldives - 340 rooms
- **Destination Management**
  - Walkers Tours and Whittall Boustead Destination Management operations in Sri Lanka

In addition to the aforementioned sectors, Cinnamon Hotel Management Limited (CHML) functions as the hotel management arm of the Leisure industry group

Key Indicators

Inputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Total assets	73,612	71,996	2	57,653
Total equity	58,752	60,690	(3)	47,782
Total debt	5,154	5,874	(12)	4,664
Capital employed[1]	63,906	66,564	(4)	52,446
Employees (number)[2]	4,823	5,041	(4)	5,073

Outputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Revenue[3]	25,298	26,136	(3)	24,306
EBIT	4,125	5,924	(30)	5,134
PBT	3,909	5,721	(32)	4,968
PAT	3,343	5,008	(33)	4,367
EBIT per employee	0.9	1.2	(27)	1.0
Carbon footprint (MT)	38,835	40,670	(5)	40,767

1. For equity accounted investees the capital employed is representative of the Group's equity investment in these companies
2. As per the sustainability reporting boundary
3. Turnover is inclusive of the Group's share of equity accounted investees

External Environment and Operational Review

Sri Lanka continues to gain traction as one of the most sought-after destinations in the region with the rich bio-diversity of the island nation, its diverse landscape ranging from rain forests to pristine beaches and authentic cultural experience collectively creating a unique product offering for leisure travel. It is against this backdrop, that Sri Lanka secured the titles "Asia's Leading Destination" and "Leading Adventure Tourism Destination" for the first time at the World Travel Awards 2017. The tourism industry continues to be recognised as one of the key growth industries of the country, considering its impact on the economy, employment generation and related multiplier effects.

Sri Lanka recorded 2,116,407 tourist arrivals during the 2017 calendar year, a growth of 3 per cent against the previous year [CY2016: 2,050,832 arrivals]. The industry recorded receipts of USD 3.92 billion, a growth of 11 per cent over the previous year [CY2016: USD 3.52 billion]. The Western European and East Asian regions were the largest contributors towards overall arrivals growth, each demonstrating growth of 6 per cent and 5 per cent respectively. India was the largest country-wise contributor to arrivals with 384,628 arrivals [CY2016: 356,729 arrivals], a growth of 8 per cent during the year while China remained the second largest contributor towards overall growth in arrivals, recording arrivals of 268,952, despite a marginal decline in the year under review. The United Kingdom recorded arrivals of 201,879 [CY2016: 188,159], a growth of 7 per cent during the year.

The arrivals growth for the year 2017/18 stood at 7 per cent [2016/17: 5 per cent]. The subdued growth rate is mainly on account of the adverse weather conditions which prevailed in the country in the months of May and June, the subsequent travel advisories following the outbreak of dengue fever. The overall arrivals impact that was anticipated following the 12-day state-of-emergency declared by the Government in March 2018, has been well managed given the immediate action towards curtailing the situation, which was limited to one locality in the country. The industry group witnessed normalisation of arrivals to its Resort properties faster than expected, albeit resulting in a few cancellations in the short term. Despite the impact of the March 2018 adverse travel advisories, arrivals in the first three months of the calendar year 2018 was at 707,924 arrivals, a growth of 17 per cent against the previous year.

SRI LANKA RECORDED 2,116,407 TOURIST ARRIVALS DURING THE 2017 CALENDAR YEAR, A GROWTH OF 3 PER CENT AGAINST THE PREVIOUS YEAR. THE INDUSTRY RECORDED RECEIPTS OF USD 3.92 BILLION, A GROWTH OF 11 PER CENT OVER THE PREVIOUS YEAR.

As anticipated, occupancies of the city hotels were impacted by the supply of new room inventory during the calendar year 2017 from "Movenpick", "Jetwing Colombo 7", "Shangri-la" and "Mandarina", among others. However, it is heartening to note that the total number of room nights occupied in the city increased by 14 per cent, particularly driven by the 3-star category, underscoring the steady absorption of new room capacity within the sector.

Despite the marginal decline in market share on the back of an increasingly competitive operating environment, "Cinnamon Grand" (CG) and "Cinnamon Lakeside" (CL) witnessed an increase in their fair share in the year under review. Occupancies of CG and CL

AS MENTIONED IN THE JKH ANNUAL REPORT 2016/17, 62 STANDARD ROOMS AND BEACH BUNGALOWS AT "ELLAIDHOO MALDIVES BY CINNAMON" AND 24 OVER WATER SUITES AT "CINNAMON DHONVELI MALDIVES" WERE REFURBISHED IN THE FIRST HALF OF 2017/18. THE REFURBISHMENT WAS COMPLETED IN OCTOBER 2017 AND BOTH PROPERTIES ARE CURRENTLY FULLY OPERATIONAL.

were reported at 65 per cent and 63 per cent respectively. Although CL's occupancy was in line with last year, occupancy at CG was impacted by the decline in corporate arrivals to the city. The average room rates (ARR) at CG and CL were maintained at USD 129 and USD 125 respectively, in line with overall arrivals to the city which recorded a marginal growth in the year. During the year under review, CG completed the planned soft refurbishment of 247 rooms. "Cinnamon red" (CR) maintained an average occupancy rate of 85 per cent during the year under review, despite the aforementioned increase in room inventory and the growth in the informal sector, highlighting the efficacy of this business model. All three City hotels maintained their restaurant revenue in line with the previous year despite the significant increase in the food and beverage offerings within the city, underscoring the unparalleled culinary service experience at the "Cinnamon" hotels.

During the year under review, the Sri Lankan Resorts segment recorded promising growth, operating at an average occupancy of 81 per cent and an ARR of USD 91 [2016/17: 80 per cent, USD 93]. The segment performed well despite the increased supply of rooms in the informal and graded sector, particularly stemming from additions in the coastal areas of the country. As stated in the JKH Annual Report 2016/17, "Bentota Beach by Cinnamon" was closed in May 2017 for the construction of a new hotel. Construction work is currently underway, whilst architecturally conserving the original structure and heritage elements of the main building, with expected completion by end 2019.

Maldives recorded 1,389,542 tourist arrivals during the calendar year 2017, a growth of 8 per cent [CY2016: 1,286,135 arrivals] driven by the European, and Asia Pacific markets. North East Asia; the largest segment of the Asia Pacific source market contracted marginally, while Western Europe, the second largest segment of the market grew by 6 per cent. China remained the largest country-wise contributor to arrivals, albeit seeing a 6 per cent contraction to 306,530 arrivals in the year under review. The unfavourable political climate of the country which resulted in travel advisories from key source market during the year under review, contributed towards slower growth in arrivals. Although the Maldivian Resorts segment witnessed a recovery of average room rates, increased room supply in the formal sector exerted pressure on occupancies across the industry. Despite this decline in occupancy, the resorts maintained occupancy levels above the industry average of the country.

"Cinnamon", in furtherance of its focus on bringing world-class entertainment to Sri Lanka, hosted "The Sound of Music" the first Broadway performance of its calibre in the country

As mentioned in the JKH Annual Report 2016/17, 62 standard rooms and beach bungalows at "Ellaidhoo Maldives by Cinnamon" and 24 over water suites at "Cinnamon Dhonveli Maldives" were refurbished in the first half of 2017/18. The refurbishment was completed in October 2017 and both properties are currently fully operational.

The operating environment of the Destination Management sector continued to be challenging on account of the evolving clientele and preference towards direct bookings. Aggressive marketing strategies implemented during the year, coupled with attractive offering enabled the sector to exceed expectations during the year under review.

The Leisure industry group continued consolidating the "Cinnamon" brand through its life style centric brand building exercises and signature events such as the Future of Tourism Summit, guest appearance by world renowned chef George Calombaris and the theatrical performance of "The Sound of Music", a production by Andrew Lloyd Webber and David Ian. "The Sound of Music" was the first Broadway performance of this calibre to be staged in Sri Lanka and the South Asian region marking a significant milestone in the entertainment industry. Sales for the performance were very encouraging, underscoring the need for diversified entertainment offerings in Colombo. "Cinnamon" aims to spearhead the opportunity to bring world-class entertainment to Sri Lanka, especially against a backdrop where tourism is set to be the prime foreign exchange earner for the country. World-renowned classics such as "The Sound of Music" showcases memorable performances that can captivate audiences, and in turn create hype for Colombo's entertainment scene, thereby promoting Sri Lanka as an entertainment hub in South Asia.

Refer the Intellectual Capital section of this industry group report for further details.

Capital Management Review

Progressing from the discussion on the External Environment and Operational Review, the discussion that ensues captures the forms of Capital available, and how each of these forms of Capital are honed to create value for all stakeholders.

The discussion on the Capitals, where relevant is structured to emphasise goals, targets and initiatives undertaken within each of the Capitals.

Goals under relevant Capital → Targets we set for ourselves → Our initiatives

LEISURE INDUSTRY GROUP REVENUE

Rs.25.30 bn

Decline of 3 per cent

FINANCIAL AND MANUFACTURED CAPITAL

As at 1 April 2017, the Leisure industry group had total assets of Rs.72.00 billion, debt of Rs.5.87 billion and an opening equity capital of Rs.60.69 billion.

Financial Performance

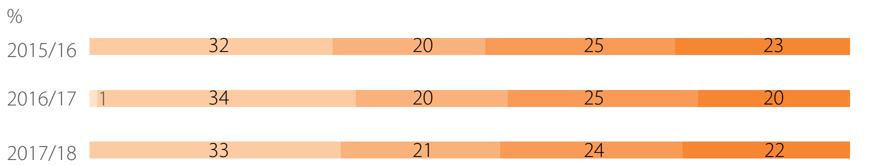
Revenue

- Revenue of the Leisure industry group decreased by 3 per cent to Rs.25.30 billion [2016/17: Rs.26.14 billion] in the year under review
- As noted in the Annual Report 2016/17, the decline was anticipated as a result of the closure of "Bentota Beach by Cinnamon" for the construction of a new hotel, and the partial closures of "Cinnamon Dhonveli Maldives" and "Ellaidhoo Maldives by Cinnamon" for refurbishments
- The revenue of the City Hotels sector recorded a decline of 5 per cent in the year under review, primarily driven by a decline in occupancies as a result of the increase in room inventory within Colombo
- The Maldivian Resorts segment recorded a 5 per cent decline in revenue, in comparison to 2016/17, as a result of the aforementioned partial closures of the two resort hotels. The performance of the segment was further exacerbated by the increase in room supply in the formal sector which exerted pressure on occupancies across the industry
- Revenue of the Sri Lankan Resorts segment remained flat at Rs.5.39 billion driven by stable occupancies and ARR across its properties, despite the increased competition, particularly in the coastal areas, and the closure of "Bentota Beach by Cinnamon"
- Revenue of the Destination Management sector also remained flat at Rs.5.24 billion in the year under review

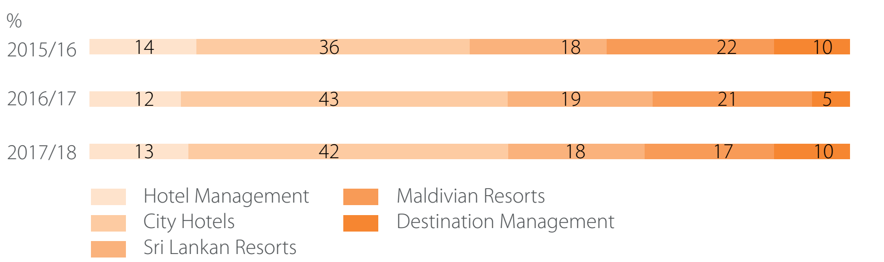
Earnings Before Interest and Tax (EBIT)

- The EBIT of the industry group declined by 30 per cent to Rs.4.13 billion in the year under review [2016/17: Rs.5.92 billion] mainly on account of the City Hotels sector and the Maldivian Resorts segment
- Lower room revenue from the City Hotels sector contributed towards the decline in EBIT to Rs.1.73 billion [2016/17: Rs.2.55 billion] whilst the partial closure of two Maldivian resorts coupled with increased online travel agency (OTA) related costs contributed towards the decline in EBIT of the Maldivian Resorts segment to Rs.697 million [2016/17: Rs.1.21 billion]
- EBIT of the Sri Lankan Resorts segment, Destination Management sector and the Hotel Management sector stood at Rs.742 million, Rs.404 million and Rs.550 million, respectively, against Rs.1.14 billion, Rs.313 million and Rs.704 million in the previous year. The variance within the Sri Lankan Resorts segment and the Destination Management sector is resultant from the closure of "Bentota Beach by Cinnamon" and prudent cost management within the Destination Management sector
- The PBT of the industry group decreased by 32 per cent to Rs.3.91 billion

Turnover



EBIT



	City Hotels	Resorts		Destination Management	Hotel Management
		Sri Lankan	Maldivian		
Revenue and growth	Rs.8.41 billion, 5 per cent decrease	Rs.5.39 billion, remained flat	Rs.6.15 billion, 5 per cent decrease	Rs.5.24 billion, remained flat	Rs.111 million, 29 per cent decrease
EBIT and growth	Rs.1.73 billion, 32 per cent decrease	Rs.742 million, 35 per cent decrease	Rs.697 million, 43 per cent decrease	Rs.404 million, 29 per cent increase	Rs.550 million, 22 per cent decrease

Borrowings and Finance Expense

Total debt as at 31 March 2018 was Rs.5.15 billion whilst the finance expense for the industry group increased by 6 per cent to Rs.216 million [2016/17: Rs.204 million]. This is mainly attributable to the US Dollar denominated debt obtained for the head lease extension at "Cinnamon Dhonveli Maldives".

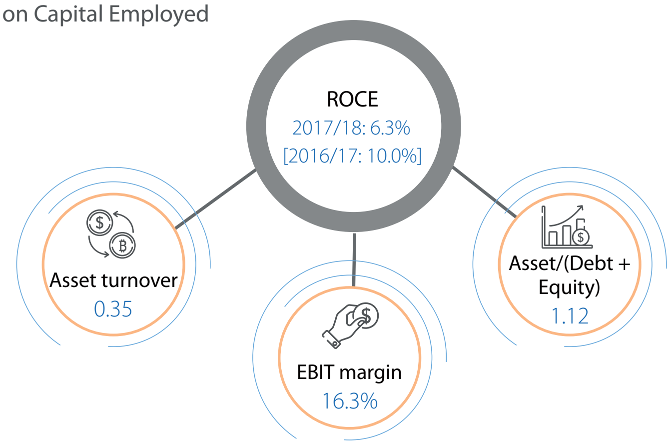
Return on Capital Employed (ROCE)

- ROCE of the industry group was recorded at 6.3 per cent compared to the 10.0 per cent recorded in the previous year. The ratio was impacted by the aforementioned 30 per cent decrease in EBIT
- The ROCE adjusted for the revaluation gains arising from the preceding three years is 7.9 per cent against 11.4 per cent in the previous year

Refer Strategy, Resource Allocation and Portfolio Management section of this Report for further information

- The asset turnover decreased to 0.35 times compared to the 0.40 times recorded in the previous financial year, as a result of the increase in the asset base due to revaluation gains and additions to property, plant and equipment. The asset turnover adjusted for revaluation gains is 0.42 compared to the 0.46 reported in 2016/17

Return on Capital Employed



NATURAL CAPITAL

As a sought after tourist destination in the region, Sri Lanka has leveraged heavily on the rich bio-diversity and immersive cultural experiences surrounding it. Therefore, preserving Sri Lanka's natural resources is a vital aspect of sustainable tourism.

The industry group strives to operate with minimal impact to the environment in accordance with the John Keells Group's sustainability policy and the "Cinnamon" brand's sustainability strategy which ensures the responsible management of inputs such as energy and water, and outputs such as emissions, effluents and waste by all operational units in order to assure sustainable value creation.

'Aquaponics' farming model introduced at "Habarana Village by Cinnamon"

The material aspects relevant to the Leisure industry group, identified under Natural Capital are:

- Energy and emissions management
- Water and effluent management
- Waste management
- Bio-diversity

The ensuing section discusses key targets under the aforementioned material aspects and its corresponding impacts. The section also entails the various initiatives undertaken with a view to achieving relevant targets.

Carbon Footprint

- City Hotels : 18,404 MT
- Resorts : 19,711 MT
  - Sri Lankan : 12,264 MT
  - Maldivian : 7,447 MT
- Destination Management : 476 MT
- Hotel Management : 243 MT

Energy and Emissions Management

Relevance/Implication	Targets	Initiatives
Financial implications, stakeholder expectations of sustainable tourism practices, regulatory requirements, brand image and reputation of the industry group's businesses	• Reduction of carbon footprint through continuous monitoring and energy efficient equipment and practices • Utilisation of renewable energy sources to reduce the carbon footprint where feasible • Replace or upgrade equipment with energy efficient alternatives where required • Alignment with international benchmarks • Ensure that the emissions are within the tolerance levels stipulated by the Environmental Protection License (EPL)	• The City and Resort hotels continued to create value through lower environmental impact and cost savings. Existing lighting was replaced with LED lighting in guest and staff areas resulting in annualised energy savings of over 284,000 kWh • Installation of magnetic bearing chiller compressors at "Cinnamon Lakeside", to minimise energy loss due to friction led to savings of approximately 1 million kWh annually • "Ellaidhoo Maldives by Cinnamon" installed a solar photovoltaic (PV) system, generating annual savings of 77,031 kWh which has significantly reduced the resort's dependence on fossil fuel, resulting in cost saving and carbon footprint reduction • "Cinnamon Dhonveli Maldives" replaced standard air conditioners with energy efficient inverter type air conditioning units, saving over 9,700 kWh of energy during the year • "Cinnamon Lakeside" reused kitchen waste oil to operate the boiler resulting in savings of over 7,000 litres of furnace oil annually, reducing its dependency on fossil fuel and thereby contributing to a reduced carbon footprint • Maintenance of ISO 14001 environmental management certifications across all hotel properties, enabling a more environment friendly experience • Better management of utilities and reduction of possible wastage, through centralised monitoring of electricity, water and gas across "Cinnamon Lodge Habarana", "Habarana Village by Cinnamon", "Trinco Blu by Cinnamon" and "Cinnamon Citadel Kandy". Utilities are monitored using a Utility Management System (UMS), which enables the resorts to have access to accurate, real-time data • Walkers Tours increased the number of hybrid vehicles in its fleet by 19 per cent during the year to reduce fuel consumption and emissions. The company also invested in a local hydro power project to offset the carbon footprint by 2,207 tonnes of carbon equivalent and thereby certified as having a carbon neutral fleet by Carbon Neutral UK

Solar photovoltaic system installed at "Ellaidhoo Maldives by Cinnamon"

Water and Effluent Management

Relevance/Implication	Targets	Initiatives
Financial, regulatory and brand reputation implications	• Reduce the Leisure industry group's withdrawal of water • Alignment with international benchmarks • Ensure all effluents meet the requisite water quality standards	• "Cinnamon red" installed water droppers in all its guest room showers to regulate flow rates to conserve water. This resulted in savings of 2,100 cubic meters annually. Only one cooling tower was used for air conditioning purposes which also contributed to an annual saving of 1,200 cubic meters

Waste Management

Relevance/Implication	Targets	Initiatives
Regulatory and brand reputation implications	• Strive to achieve zero waste to landfill status as a long term goal through comprehensive waste management strategies including monitoring, classification, segregation, recycling, composting and bio gas recovery	• All City Hotels and Resorts continued to segregate waste prior to disposal as a part of promoting the concept of "reduce, reuse and recycle" • "Cinnamon Wild Yala", "Cinnamon Citadel Kandy" and "Habarana Village by Cinnamon" produced bio-gas using 58,000kg of food waste generated during the year, thereby reducing the usage of non-renewable energy and minimising the environmental impact • "Cinnamon Dhonveli Maldives" and "Ellaidhoo Maldives by Cinnamon" conducted beach clean ups and underwater clean ups, while "Cinnamon Hakuraa Huraa Maldives" also conducted a reef clean up, engaging staff and creating environmental awareness • "Cinnamon Grand" in line with the Group's "Plasticcycle" project replaced the use of plastic cups with paper cups. Previously, approximately 14,000 plastic cups were used and disposed monthly

Bio-Diversity

Relevance/Implication	Targets	Initiatives
Regulatory and brand reputation implications	Minimal impact to bio-diversity hot spots • Ensure long term value creation, given the proximity of Resorts to biologically diverse areas • Regular impact assessments to ascertain any impacts on bio-diversity and the environment, resulting from operations	• The "Cinnamon Elephant Project" based at "Cinnamon Lodge Habarana" is an on-going two year research project on elephant gathering, behavioural and dispersion patterns in the Anuradhapura District. The project which is conducted in collaboration with John Keells Foundation and the Centre for Conservation and Research track elephant migration patterns towards improving the management of elephant habitats and reducing human-elephant conflict for long term conservation. The project also enhances tourist experience through greater exposure to elephant viewing and greater access to related information. 72 adult male elephants have been individually identified under the initiative and photo IDs prepared During the reporting year, Tara and Biso, two matriarch elephants of two different herds from Minneriya and Kaudulla were fitted with GPS satellite collars in collaboration with the Department of Wildlife Conservation (DWC) to study the annual movement of the two respective herds. As a result of these tracking devices, the team was able to obtain an image of Tara's new elephant calf named 'Tharaka' on 26 January 2018, enabling the DWC to determine the exact birth date and time of an elephant calf born in the wild, for the first time • "Project Leopard", initiated in 2008 by Cinnamon Nature Trails in collaboration with John Keells Foundation, was launched with the aim of minimising the human-leopard conflict with special focus on uplifting farmer livelihood. Leopard-proof pens have been donated to farmers around the periphery of Yala National Park as means of protecting the leopard population from retaliation attacks by cattle farmers **Impact:** • 81 pens donated to 76 cattle farmers (since project inception) • Increase in average monthly income of cattle farmers by 23 per cent each year • Average earning from the sale of excess cattle is approximately Rs.62,000 per family per year • Zero reported calf killings since the use of pens commenced • Zero reported retaliatory killing of leopard by cattle farmers

Tara from Minneriya was fitted with a GPS satellite collar

Name of Resort hotel and geographic location	Feature of biological diversity in proximity to site	Distance from site	Subsurface land at site (m^2)	Extent of site (km^2)	Protected through legislation IUCN/UNESCO etc	Status of EPL obtained
Bentota Beach by Cinnamon	Marine ecosystems	Adjacent	Nil	0.0446	Flora and Fauna Protection Ordinance 1937 IUCN Category 2- National Park	Yes
Cinnamon Bey Beruwala	Marine ecosystems	Adjacent	Nil	0.045		Yes
Trinco Blu by Cinnamon	Marine ecosystems	Adjacent	Nil	0.1143		Yes
Hikka Tranz by Cinnamon	Marine ecosystems	Adjacent	3,600	0.0176		Yes
Habarana Village by Cinnamon	Minneriya tank sanctuary	15 km	Nil	0.0378		Yes
Cinnamon Wild Yala	Yala national park	Adjacent	Nil	0.0405		Yes
Cinnamon Lodge Habarana	Minneriya tank sanctuary	15 km	Nil	0.1031		Yes
Cinnamon Citadel Kandy	Mahaweli river and freshwater ecosystems	Adjacent	Nil	0.0234	Flora and Fauna Protection Ordinance 1937 IUCN Category 4- Habitat/Species Management Area	Yes
Cinnamon Dhonveli, Maldives	Marine ecosystems	Adjacent	Nil	0.1496	The Environmental Protection and Preservation Act	Yes
Ellaidhoo Maldives by Cinnamon	Marine ecosystems	Adjacent	Nil	0.0556		Yes
Cinnamon Hakuraa Huraa Maldives	Marine ecosystems	Adjacent	Nil	0.0543		Yes

Performance

The Leisure industry group's carbon footprint during the reporting year was 38,835 MT. Additionally, 1,026,289 cubic meters of water was withdrawn while 3,788,942 kg of waste was generated by the industry group.

Indicators

	2017/18	2016/17	%
Carbon footprint (MT)	38,835	40,670	(5)
Water withdrawn (m^3)	1,026,289	1,126,765	(9)
Waste disposed (kg)	3,788,942	3,952,477	(4)

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor

	2017/18	2016/17	%
Sri Lankan Resorts segment CO_2 kg per guest night	22.18	22.77	(3)
Maldivian Resorts segment CO_2 kg per guest night	36.32	31.15	17
City Hotels sector CO_2 kg per guest night	45.78	56.89	(20)
Destination Management sector CO_2 kg per client serviced	7.69	7.72	0

Water Withdrawal per Operational Intensity Factor

	2017/18	2016/17	%
Sri Lankan Resorts segment in litres water withdrawn per guest night	859	937	(8)
Maldivian Resorts segment in litres water withdrawn per guest night	702	603	16
City Hotels sector in litres water withdrawn per guest night	985	1,226	(20)

Waste Generated per Operational Intensity Factor

	2017/18	2016/17	%
Sri Lankan Resorts segment in kg waste generated per guest night	2.11	2.31	(8)
Maldivian Resorts segment in kg waste generated per guest night	4.88	4.44	10
City Hotels sector in kg waste generated per guest night	3.96	4.57	(13)

HUMAN CAPITAL

As a service driven industry, service delivery and quality is of paramount importance to the Leisure industry group. As an industry group that contributes significantly to the Group's cumulative training hours, consistent investment in building a professionally trained and experienced staff cadre will enable the creation of a competitive advantage and unparalleled service quality to customers while improving employee skills and productivity.

The Leisure industry group places significant importance on providing a safe working environment for its employees through education and training on safe practices in the workplace. The material aspects identified under the Leisure industry group, under Human Capital are:

Talent management

Health and safety

The section below contains the implications of each material aspects, targets for the long term and the initiatives undertaken during the year to meet the targets.

Number of Employees

- City Hotels : 2,177
- Resorts : 2,267
  - Sri Lankan : 1,764
  - Maldivian : 503
- Destination Management : 225
- Hotel Management : 154

Talent Management

Relevance/Implication	Targets	Initiatives
Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality	• Maintenance of "Cinnamon" brand standards - Provision of a target number of training hours and on-going training, to develop the skills of the workforce • Talent retention	• The Sri Lankan and Maldivian Resorts continued the Talent Acceleration Programme (TAP) and Management Acceleration Programme (MAP) enabling the Resorts to fill supervisory and executive category vacancies internally while strengthening skills and career progression opportunities for all its employees • All Resorts continue to offer classroom and on-the-job training to all employees in order to improve skills, productivity, service quality and value. The Leisure industry group offers 56 hours of training per employee • During the reporting year, Cinnamon Hotels & Resorts initiated the Youth Empowerment programme as its overarching strategic CSR initiative supported by John Keells Foundation in order to increase employability of school leavers and youth of the respective areas, equipping them with the skills and practical exposure required to obtain employment in the hospitality or related industries

Regular trainings for hotel staff by local and foreign internal trainers

Impact:

- Structured internships
- Neighbourhood schools programmes inclusive of English and IT training
- Youth Empowerment initiative benefit a total of 429 youth in 5 districts

- Walkers Tours provided chauffeur guide training for 123 chauffeurs, organised field visits for 16 individuals interested in entering the tourism industry as chauffeurs.

Health and Safety

Relevance/Implication	Targets	Initiatives
The businesses within the sector to ensure safe working conditions	• Minimal occupational health and safety incidents • Safe working conditions and practices	• All Group hotels continue to maintain OHSAS 18001, an occupational health and safety standards certification in addition to maintaining ISO 22000 certification for food safety. Such standards improve employee productivity in addition to ensuring guest health and safety • Food hygiene, first aid, fire awareness and emergency evacuation trainings were carried out across all properties on a regular basis contributing to maintaining safe working conditions and guest health and safety • WTL conducted first aid training for safari jeep drivers in Habarana and Wilpattu, which is expected to benefit both drivers and customers • Resort Hotels and City Hotels collectively conducted 3,500 hours and 242 hours of HIV & AIDS awareness sessions and gender equality (WAVE) training for its staff members, to create greater awareness in order to combat the prevalent issues in the society • City Hotels conducted 4,888 hours of staff training to improve their English communication skills • City Hotels conducted trainings for 5,895 individuals on health and safety practices for associates

Indicators

	2017/18	2016/17	%
Injuries and diseases (number)	81	88	(8)
Total hours of training	269,469	289,431	(7)

SOCIAL AND RELATIONSHIP CAPITAL

The Group recognises the importance of building stakeholder relationships and engages proactively with the communities and its value chain partners to ensure sustainable operations. The industry group creates value through working collaboratively with the community to improve the well-being of the community within which it operates, in addition to focussing on youth empowerment through CSR initiatives. The industry group also supports such development through dissemination of knowledge and best practices to strengthen the supply chain and thereby the service quality of Leisure operations. Local purchases made is also expected to foster entrepreneurship within the community while supporting growth within the local economy.

The material aspects identified for the Leisure industry group under Social and Relationship Capital are as follows:

- Supply chain sustainability
- Community development

THE INDUSTRY GROUP CREATES VALUE THROUGH WORKING COLLABORATIVELY WITH THE COMMUNITY TO IMPROVE THE WELL-BEING OF THE COMMUNITY WITHIN WHICH IT OPERATES, IN ADDITION TO FOCUSSING ON YOUTH EMPOWERMENT THROUGH CSR INITIATIVES.

Relevance/Implication	Targets	Initiatives
• Supply chain and sustainable sourcing - assessing and educating significant suppliers to ensure mitigation of negative impacts with respect to environment, labour and human rights aspects • Community development- Community engagement and collaborative operations within the community to maintain/ create good relations	• Engagement with significant supply chain partners - encourage environmentally friendly and socially responsible activities • Stimulate local economies through sourcing of fresh produce and other outsourced services	• Regular audits on food safety, supplier awareness programmes and supplier assessments were carried out both at hotel and central purchasing office (CPO) level to ensure overall food safety standards are met by food suppliers. This ensures the maintenance of guest health and safety while enhancing the knowledge of food suppliers on best practice • "Cinnamon Hakuraa Huraa Maldives" harvested 630kg of vegetables using carbonic fertilizer from the organic farm operated by the hotel under the "Green Essentials Eco-Friendly Living" initiative • "Habarana Village by Cinnamon" piloted 'aquaponics'- a farming model which combines farming fish and growing plants using soil-less processes. This project aims to build a climatically adaptable farming methodology in line with the growing demand for organic vegetables • WTL continued to conduct bi-annual inspections of all ancillary suppliers such as safari jeep suppliers and boat excursion providers to ensure consistency in quality and signing of agreements to ensure adherence to quality standards • "Cinnamon Colomboscope" 2017, a contemporary and multidisciplinary arts festival was held for the 5th consecutive time in September 2017 at the former Colombo Terminus Railway Station in Maradana. A total of 68 local and foreign artists showcased their art with 3,050 visitors estimated to have attended the event. The participation of 28 local artists and 12 local speakers were sponsored by John Keells Foundation while a total of 92 John Keells staff volunteers engaged in providing on-site support • "Cinnamon Wild Yala" in collaboration with John Keells Foundation built an emergency treatment unit at the Kirinda Divisional Hospital impacting approximately 6,000 permanent residents of the surrounding community • "Cinnamon Lodge Habarana" organised HIV & AIDS awareness on behalf of John Keells Foundation for a total of 5,756 security forces personnel. The sessions focussed on methods of prevention whilst also highlighting the stigma and discrimination faced by persons living with HIV

The significant suppliers within the industry group are illustrated below:

Significant Suppliers - Hotels and Resorts

- Amenities
- Food and beverage suppliers
- Travel agents and travel websites
- Casual employees

Significant Suppliers - Destination Management

- Hotel and other accommodation
- Contracted retail stores
- Freelance national guides
- Jeep and boat suppliers
- Foreign travel agents and tour operators
- Outsourced fleet

INTELLECTUAL CAPITAL

The value created through the "Cinnamon" brand is an ongoing and continuously evolving journey achieved through service quality and other lifestyle centric initiatives. The Group strives to create value to evolving and dynamic stakeholders, ranging from direct customers, to suppliers and the Group's own workforce. "Cinnamon" has now become a culmination of accumulated knowledge of our staffers, best practices within the industry and an iconic lifestyle brand.

THE GROUP STRIVES TO CREATE VALUE TO EVOLVING AND DYNAMIC STAKEHOLDERS, RANGING FROM DIRECT CUSTOMERS, TO SUPPLIERS AND THE GROUP'S OWN WORKFORCE. "CINNAMON" HAS NOW BECOME A CULMINATION OF ACCUMULATED KNOWLEDGE OF OUR STAFFERS, BEST PRACTICES WITHIN THE INDUSTRY AND AN ICONIC LIFESTYLE BRAND.

A summary of the initiatives undertaken by the Leisure industry group follows;

Initiative	Brief Description
Cinnamon Future of Tourism Summit	• A thought leadership initiative organised by Cinnamon Hotels & Resorts to educate and promote the theme of technology, innovation and authenticity, in the context of using and promoting our attractions sustainably • The event which catered to 400 participants had 13 distinguished speakers including global experts on Tourism and Responsible Travel, Heads of Innovation in Key Travel Organisations, Technology and Innovation consultants and Travel Trend Analysts
Cinnamon Colomboscope	• Conceptualised by the European Union National Institute for Culture (EUNIC) and supported by John Keells Foundation, the event was conducted for the fifth consecutive time in September 2017 • Organised by an independent local team under the theme "Re/Evolution", focussing on the environment and its intersection with arts and culture • The festival supported local and international artists to create engaging, daring work that connects with the world based on the theme • The 2017 festival consisted of film screenings, audio and visual performances, the main exhibition and an online exhibition. Through a series of workshops, artists' talks and thematic conversations, the festival fostered valuable knowledge exchange between Sri Lankan and foreign artists, local and international technology specialists and the audience • A total of 68 local and foreign artists showcased their art while over 3,050 visitors are estimated to have attended the 6-day festival

Initiative	Brief Description
Guest appearance by George Calombaris	• Held in June 2017, the event series consisted of two Greek inspired dinners, high tea event and a Masterclass that offered a select few of the audience an opportunity to cook, dine and interact with George Calombaris
Cinnamon Sri Lanka Photo Contest 2017	• Held from January to April 2017, this international competition strengthened, national brand equity both locally and internationally • The event was instrumental in strengthening the global photo library on Sri Lankan destinations while creating greater social engagement among travellers • The grand winner was entitled to the status of "Cinnamon Travel Photographer of the Year" and a grand prize of USD 5000 and a 3 week curated all expenses paid photography tour of Sri Lanka
The Sound of Music	• Held in February 2018, at the Nelum Pokuna theatre Colombo • Renowned as one of the most critically-acclaimed productions in history, the iconic musical was brought to life by the Asia Broadway Group – one of the world's best live touring bodies • The first-ever event of its calibre to be performed in Sri Lanka to date

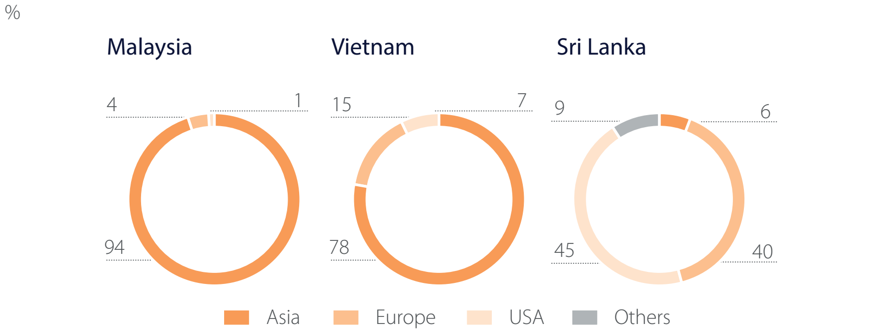
Strategy and Outlook

Tourist arrivals to Sri Lanka are expected to continue its current growth trajectory towards achieving the 4.5 million arrivals target for 2020 set by the Sri Lanka Tourism Development Authority (SLTDA), primarily driven by newly emerging source markets such as China and India. The value proposition offered by Sri Lanka, where diverse attractions catering to the demands of tourists, can be easily accessed within a short period of time coupled with increased flight connectivity, the proximity to India and better services is expected to be instrumental in attracting arrivals.

Whilst arrivals to Sri Lanka recorded a moderate increase of 3 per cent to 2.1 million during the calendar year 2017, arrivals fell short of its initial target of 2.2 million for the year due to adverse weather conditions, health advisories, and the partial closure of the Airport as discussed previously. Despite these challenges, the Group is confident that the arrivals to the country can grow exponentially in the long-term given the growth in outbound travel in the region.

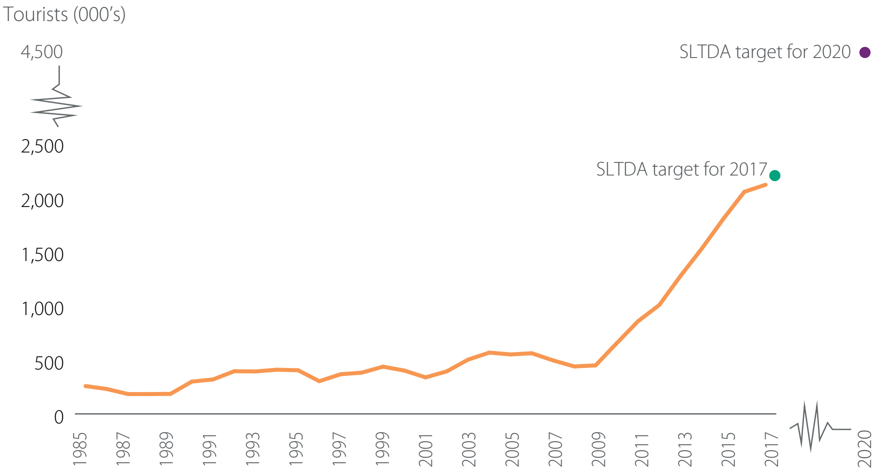
As indicated by the above diagram, the proportion of tourist arrivals from the Asian region to Sri Lanka is far below its regional peers, indicating the significant potential for growth in arrivals. To this end, expected direct flight connectivity from several commercial airlines focussed on regional travel, particularly from India, is anticipated to be a key contributor for arrivals growth. Furthermore, India's forecasted GDP growth of 7.3 per cent in 2018/19, propelling it to become the world's fastest growing economy, according to the World Bank's Global Economic Prospects report, is expected to augur well for Sri Lanka and its travel industry.

Composition of tourist arrivals



Source: Government Tourism websites

Annual tourist arrivals to Sri Lanka



Source: SLTDA

A conducive and consistent policy environment enabled by the Government will be instrumental in driving tourism and attaining the aforesaid target for 2020. As per the Government's proposal, the mandatory registration of hotels under SLTDA will enable better regulation of the industry and help maintain and monitor a minimum standard while creating a better structured revenue stream from the industry. The Budget 2018 has also proposed the introduction of a Value Added Tax (VAT) refund scheme for tourists at the point of departure on VAT paid on goods purchased in Sri Lanka. The proposal which is

GIVEN THE ARRIVALS TARGET FOR 2020, THE GOVERNMENT TOGETHER WITH MULTIPLE PRIVATELY-OWNED HOSPITALITY PARTNERS CONTINUE TO ENGAGE AND PARTICIPATE IN TRAVEL ROADSHOWS SUCH AS THE RECENTLY CONCLUDED JEDDAH AND AUSTRALIAN SHOWCASES. THE GOVERNMENT FUNDED DIGITAL MEDIA CAMPAIGN WHICH IS EXPECTED TO KICK-OFF IN MAY WILL CREATE FURTHER TRACTION FOR SRI LANKA AS A PREFERRED TRAVEL DESTINATION IN THE SOUTH ASIAN REGION.

to be enacted from May 2018 is commendable and is a positive step towards developing Sri Lanka as a regional shopping hub.

Given the arrivals target for 2020, the Government together with multiple privately-owned hospitality partners continue to engage and participate in travel roadshows such as the recently concluded Jeddah and Australian showcases. The Government funded digital media campaign which is expected to kick-off mid-2018 will create further traction for Sri Lanka as a preferred travel destination in the South Asian region. Continued investment and public-private partnerships in this regard bodes well for the future, to develop Sri Lanka as a unique holiday destination for travellers.

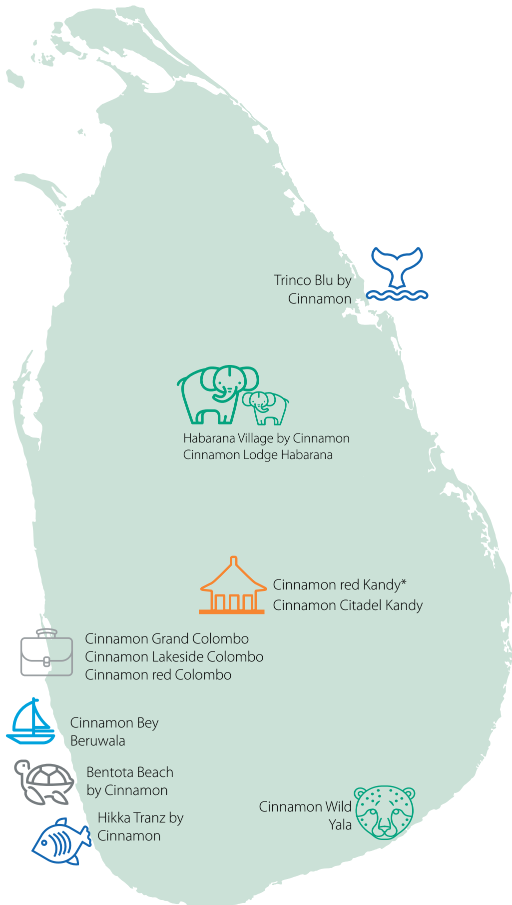
Apart from the policy changes and initiatives discussed above, the spillover effects of large scale investment projects such as Port City Colombo (PCC), continued investment in public infrastructure, road networks and general connectivity within the country coupled with measures to expand the capacity at the Bandaranaike International Airport (BIA), will be crucial in driving arrivals and catering to the envisaged future demand and promoting Colombo as a unique tourist destination in the South Asian region. The interim terminal at the BIA which focusses on the departures terminal, being the most congested area in the past, is expected to accommodate an additional capacity of approximately 2 million passengers. It is noted that the interim terminal is a short-term solution, till such time the second phase of the BIA expansion is completed.

The infrastructure development together with Sri Lanka's developing potential as a shopping and MICE hub will drive higher business and leisure travel into the country. The anticipated pipeline of new room inventory in the near term is quite modest, and as such a significant increase in room inventory is required over the medium term to cater to the envisaged growth in arrivals. The need to expand the existing supply of rooms is further validated by the overall room inventory relative to expected tourist inflows being well below that of other regional destinations such as Thailand, Malaysia, Vietnam and Cambodia. Currently, over 99 leisure related developments have received approval for construction according to the SLTDA. However, the visibility on the materialisation of such room inventory and its entrance in to the market is low.

THE SRI LANKA RESORTS SEGMENT WILL CONTINUE ITS UNIQUE OFFERING WHILE EMBODYING STRONG POINTS OF THE DESTINATION SUCH AS THE HERITAGE AND IMMERSIVE CULTURAL EXPERIENCE OF SRI LANKA.

Cognizant of the long-term growth prospects of the industry, the Group is actively pursuing investment opportunities and partners to expand the Cinnamon hotel portfolio. The Group is conscious of the high asset base of the industry group, given the regular revaluation of its land as per the requirements of the applicable accounting standards. In this light, in line with the global trends, the Group's future expansions will be executed through asset-light models, reducing its exposure to bricks-and-mortar, with a view to expand the number of rooms under management.

The Leisure industry group will continue to explore opportunities to expand its investment pipeline in the ensuing years, benefits of which will be accrued from 2020/21, given the gestation period of the projects. The growth within the industry group for the ensuing years will therefore be led by better yield management, enhanced investment to create further brand value and the development of digital channels. Further information on segment specific strategies are elaborated in the discussion that follows.



* Proposed

The City Hotels sector, is expected to witness significant growth in the corporate and MICE tourist segments driven by the high infrastructure and connectivity spend in the heart of the country as discussed above. The City Hotels sector will pursue unique business and leisure tourist segment specific strategies aimed at catering to a diverse clientele with special focus on attracting increased clients from India and the other neighbouring regions. The significant growth in regional travel, is expected to create unique opportunities within the city, centric to entertainment and lifestyle as pursued by "Cinnamon". All three city hotels, complemented by the "Cinnamon" brand, are well positioned to cater to both the leisure segment and the business and corporate travellers emanating from the regional markets.

The Sri Lanka Resorts segment will continue its unique offering while embodying strong points of the destination such as the heritage and immersive cultural experience of Sri Lanka. The segment will continue to drive occupancies through volume driven strategies and other unique offerings to its customers.

Expanding the "Cinnamon" footprint in the Central province of the country, the Group will invest in a new hotel project, "Cinnamon red Kandy". Construction of the hotel is expected to commence in the second half of 2019/20. The capital deployed for the project will be based on an asset-light investment model and the Group will maintain a minority stake in line with this strategy. To this end, the Group's investment in the project will be approximately USD 5 million, of the total estimated project cost of USD 31 million, for which the rooms under the management of "Cinnamon" will increase by 210 rooms.

The portfolio of the Sri Lankan Resorts segment will be further strengthened post the completion of "Bentota Beach by Cinnamon"

THE PORTFOLIO OF THE SRI LANKAN RESORTS SEGMENT WILL BE FURTHER STRENGTHENED POST THE COMPLETION OF "BENTOTA BEACH BY CINNAMON" WHICH IS EXPECTED TO BE OPERATIONAL IN THE LATTER HALF OF 2019. THE PROPOSED NEW HOTEL, WHICH PRESERVES THE ORIGINAL ARCHITECTURE AS DESIGNED BY GEOFFREY BAWA, WITH ITS DESIGNS INSPIRED BY THE OLD DUTCH FORT, WILL BE POSITIONED AS THE FLAGSHIP BEACH PROPERTY OF THE SEGMENT.

which is expected to be operational in the latter half of 2019. The proposed new hotel, which preserves the original architecture as designed by Geoffrey Bawa, with its designs inspired by the old Dutch fort, will be positioned as the flagship beach property of the segment. The unique location, architecture and heritage of the 5-star property, coupled with an unparalleled F&B offering is expected to further strengthen and enhance the "Cinnamon" brand presence within the industry. The property will be re-launched as "Cinnamon Beach Bentota", in line with its iconic service offering.

The performance of the Maldivian Resorts segment is expected to remain subdued as a result of the political instability witnessed within the country, which may continue until the conclusion of the Presidential elections in August 2018. However, considering the recent improvement in performance and the significant traction "Cinnamon" has created within the market, the segment will continue to follow a tactical pricing strategy whilst driving volume through online sales. The segment will also focus on targeting new source markets.

Given the significant potential to market a unique product offering, "Cinnamon Hakuraa Huraa Maldives" will be closed for twenty months for refurbishment of its water bungalows and swimming pool. The refurbished hotel is expected to be operational in December 2019.

The Destination Management sector will leverage on its presence in the European and Middle Eastern markets and continue to focus on China and India as the main drivers of growth. The sector will also continue to enhance the user experience of the website to encourage higher direct bookings while also improving process efficiency, scalability of operations and productivity of the business in catering to evolving customer needs.

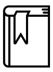
As such, the future prospects for the Leisure industry group continue to be promising and the Group will be vigilant in capitalising on opportunities to expand the portfolio reach while focussing on its asset-light strategy.

Property

The construction of "Cinnamon Life" is progressing with encouraging momentum

Property Development

Real Estate



Vision and Scope

The property arm of the Group consists of the Property Development and Real Estate sectors. The Property Development sector is currently engaged in the development of the "Cinnamon Life" integrated development project and the management of the 18-hole championship standard golf course in Rajawella along with its land bank. The Real Estate sector includes the property division of Asian Hotels and Properties PLC - the developers of "The Crescat Residencies", "The Monarch", "The Emperor", and the upmarket shopping mall "Crescat Boulevard". The sector operations also include "K-Zone" malls in Moratuwa and Ja-Ela The sector has also successfully developed and sold properties such as the "OnThree20" and the recently completed "7th Sense" project on Gregory's Road.

Contribution to JKH Group

1%	Revenue
5%	EBIT
35%	Capital employed
1%	Carbon footprint

CARBON FOOTPRINT

804 MT

(2016/17: 924 MT)

EBIT

Rs.1.30 bn

(2016/17: Rs.690 mn)

Industry Group Structure

Property

Property Development
Development and sale of residential and commercial properties

Operating the 18 hole champion standard golf course and managing the land bank in Rajawella, Kandy

Real Estate
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 Ja-Ela.

Key Indicators

Inputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Total assets	100,030	48,329	107	43,935
Total equity	75,627	29,097	160	26,947
Total debt	14,585	13,439	9	11,647
Capital employed	90,212	42,536	112	38,594
Employees (number)	258	244	6	102

Outputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Turnover	1,231	1,121	10	4,342
EBIT	1,303	690	89	1,675
PBT	1,270	665	91	1,643
PAT	1,051	623	69	1,585
EBIT per employee	5.1	2.8	79	16.4
Carbon footprint (MT)	804	924	(13)	525

All numbers above are inclusive of Rajawella Holdings Limited

External Environment and Operational Review

During the year under review, the overall property market continued to witness strong growth with the development and construction of condominiums across all market segments in Colombo and its suburbs driven by growing urbanisation. The Central Business District (CBD) has witnessed a rapid build-up of high-end developments, most notable of which are; "Cinnamon Life", "Shangri-La Residencies", "ITC Colombo One", "Altair", "Colombo City Centre", "Luna Tower", "Capitol Twin Peaks", "The Destiny" and "Tata One Colombo", amongst others. The Port City Colombo (PCC) project; a 267-hectare reclamation adjacent to the CBD, is also progressing rapidly with reclamation due to be completed in the following year. The PCC, which is expected to have an implementation phase of around 20 years, will progressively uplift the overall pace of property development within the city of Colombo, and will attract steady investments into the city over the next few years.

In tandem with this, investments in public infrastructure are expected to drive, and facilitate, substantial urban transformation which will bode well for the Property industry group at large. A few of the projects which will have an impact on transforming the urban infrastructure, and are currently part of the Governments plans, are listed below:

- Completion of the Outer Circular Highway which links the Colombo-Katunayake Expressway to the Southern Expressway
- Port Access Elevated Highway which links Airport Expressway to the PCC and essentially the CBD
- The ongoing Colombo sewerage system improvement
- The waste-to-energy project in the North of the city
- The proposed investments in railway modernisation and light rail transit link between Colombo and a suburb, Malabe

Over the recent years, a clear trend towards denser urbanisation is visible towards the suburbs of the city of Colombo. A robust market for suburban multi-family housing is emerging and is primarily supplied by a range of smaller scale developers. The demand for such housing solutions is expected to continue its growth trajectory given the increasing land prices in Colombo and the cost of construction of single family homes.

Despite the generally conducive growth environment in the country, the lack of skilled labour, rising construction costs and land prices, coupled with the layered tax and tariff system for construction materials, continue to hamper profitability within the industry. High construction costs, mainly stemming from the exposure to imported construction material, in addition to the cost of sourcing foreign skilled labour, is a continuing concern in the property development market. Given this exposure, the exchange rate volatility is a primary variable of concern which affects construction costs in the industry. Additionally, the introduction of other taxes such as the value added tax (VAT) on the sale of residential condominium units, which was later deferred to April 2019, will have a negative effect on the cost base of real estate developers, and, ultimately, the cost of ownership of residential housing from a home owner's point of view. Further, the introduction on capital gains tax on property

A CLEAR TREND TOWARDS DENSER URBANISATION IS VISIBLE TOWARDS THE SUBURBS OF THE CITY OF COLOMBO. A ROBUST MARKET FOR SUBURBAN MULTI-FAMILY HOUSING IS CLEARLY EMERGING AND IS PRIMARILY SUPPLIED BY A RANGE OF SMALLER SCALE DEVELOPERS. THE DEMAND FOR SUCH HOUSING SOLUTIONS IS EXPECTED TO CONTINUE IN ITS GROWTH TRAJECTORY GIVEN INCREASING LAND PRICES IN COLOMBO AND THE COST OF CONSTRUCTION OF SINGLE FAMILY HOMES.

DURING THE YEAR UNDER REVIEW, THE PROPERTY INDUSTRY GROUP ANNOUNCED THE LAUNCH OF ITS LATEST RESIDENTIAL DEVELOPMENT, "TRI-ZEN"; AN 891-APARTMENT JOINT VENTURE RESIDENTIAL DEVELOPMENT WITH INDRA TRADERS (PRIVATE) LIMITED.

transactions will also hamper the return profiles of developers and investors alike.

However, it is heartening that the Government announced the removal of restrictions on the purchase of property by foreign parties/ companies. The formal enactment of this amendment, combined with a newly introduced long-term visa scheme, will help drive external demand within the industry given the lucrative investment opportunities and prospects in the country. Furthermore, the Central Bank of Sri Lanka's efforts in moving towards a more systematic regulation, by creating a property index in conjunction with the industry, encourages enhanced visibility to the sector, thus providing an independent perspective on property prices.

During the year under review, the Property industry group announced the launch of its latest residential development, "Tri-Zen"; a 53-storey, 891-residential apartment joint venture development with Indra Traders (Private) Limited. The construction of the complex will commence in the second half of 2017/18, at Union Place, Colombo 2, with expected completion in 2022/23. This unique development will target a broader section of the market with apartments offered at attractive price points. The project has many unique state-of-the art features and is poised to continue JKH's trend of driving transformation and innovation in Colombo's real estate market. Pre-sales have commenced, and initial bookings are very encouraging.

The construction of "Cinnamon Life" is progressing with encouraging momentum with the completion of the super structure of buildings expected in the second half of 2018/19. The installation of the façade of the hotel commenced in May 2018 while the six-lane bridge, which is the main access point of the hotel, will be completed towards the latter half of the year. Currently, over 1,600 workers are employed on site. Pre-sales for residential spaces continue to be encouraging with over 60 per cent of the floor area being sold as at 31 March 2018. The project is slated for completion in the calendar year 2020 with the residential apartments and office complex ready for hand over and occupation by early 2020. It is pertinent to note that revenues emanating from the sale of the residential and commercial spaces will be recognised only upon the completion of the "Cinnamon Life" project.

The mall operations of the Group witnessed steady growth in the year under review, with all properties recording increased occupancies and footfall growth on the back of various events, promotional campaigns and other complementary activities. The "Crescat Boulevard" mall maintained its position as a leading retail destination within the City of Colombo. The 145,000 square foot mall also maintained occupancy levels near full capacity throughout the financial year. "K-Zone" Moratuwa maintained an average occupancy of 79 per cent [2016/17: 85 per cent] while "K-Zone" Ja-Ela maintained an average occupancy of 85 per cent [2016/17: 84 per cent] in the year under review.

Rajawella Holdings Limited, which owns a long-term lease over 500 acres of land in Digana, including an 18-hole Donald Steele designed golf course, entered into a partnership for management of the golf course with Troon International in 2018/19. Troon International is the largest golf course operator in the world with over 2.5 million members worldwide. The partnership is expected to enhance the visibility of the golf course to players across the globe, thereby driving membership growth. A total of 8 golf tournaments were held during the financial year. A major refurbishment of the golf course and relaying of the fairways are currently underway.

In order to capitalise on opportunities arising in the real estate and property development industry of the country, the industry group is currently pursuing a land banking strategy with a view to monetising such investments in the short to near term. The steady execution and development of projects in the near term is expected to generate a robust cashflow cycle for the industry group. In light of this, the Group consolidated a large part of its property assets into a property holding company; J K Land (Private) Limited, established in September 2017. Whittal Boustead Limited (WBL); a wholly owned subsidiary of JKH is being positioned as the operating/ development management company for the Group's development pipeline. Driven by the prevalent development opportunities within the industry group, the Group engaged in re-evaluating its brand presence within the market. To this end, "John Keells Land" was rebranded "John Keells Properties".

The 16th green at the Donald Steele designed golf course in Digana

CONSTRUCTION OF "CINNAMON LIFE" IS PROGRESSING WITH ENCOURAGING MOMENTUM WITH THE COMPLETION OF THE SUPER STRUCTURE OF BUILDINGS EXPECTED IN THE SECOND HALF OF 2018/2019.

PROPERTY INDUSTRY GROUP REVENUE

Rs.1.23 bn

Growth of 10 per cent

In line with its overarching strategy, the Property industry group has aggressively pursued the development of a robust pipeline of projects to enable growth in the recognition of revenue and profits over the medium term on a sustained basis. In view of this strategy, the Group, through Vauxhall Land Development (Private) Limited (VLDL), acquired a 2.09-acre plot of land on Vauxhall Street for a consideration of Rs.4.37 billion. This asset was consolidated with an existing land plot of 3.56-acres, transferred from WBL, and 3.73 acres of land owned by Finlays Colombo Limited through a joint venture agreement signed in March 2018. The joint venture entity (VLDL), which is approximately 60 per cent owned by JKH, now has a contiguous 9.38-acre property in one of the prime areas of the Colombo CBD. Master planning for development of this land has already been initiated.

The Property industry group is also in the process of finalising the acquisition of approximately 100 perches of land located in the heart of Colombo, for a niche residential development which is expected to be launched in the last quarter of 2018/19. The Group, which owned a 50 per cent stake in TransWare Logistics (Private) Limited, acquired the remaining shareholding of 50 per cent for a consideration of Rs.305 million during the year. TransWare Logistics (Private) Limited owns an 18-acre site in Thudella, Ja-Ela, North of Colombo – in close proximity to the Airport Expressway. Master planning of this 18-acre suburban site is underway.

Capital Management Review

Progressing from the discussion on the External Environment and Operational Review, the discussion that ensues captures the forms of Capital available, and how each of these forms of Capital are honed to create value for all stakeholders.

The discussion on the Capitals, where relevant is structured to emphasise goals, targets and initiatives undertaken under each of the Capitals.

Goals under relevant Capital → Targets we set for ourselves → Our initiatives

FINANCIAL AND MANUFACTURED CAPITAL

As at 1 April 2017, the Property industry group had total assets of Rs.48.33 billion, debt of Rs.13.44 billion and an opening equity capital of Rs.29.10 billion.

Financial Performance

Revenue

- Revenue of the Property industry group at Rs.1.23 billion, was a 10 per cent increase against 2016/17
- It should be noted that the revenue from the "Cinnamon Life" project will only be recognised post the commencement of operations
- The mall operations of the industry group; Crescat, K-Zone Ja Ela and K-Zone Moratuwa, recorded a 4 per cent increase in revenue driven by higher occupancies and rental rates while Rajawella Holdings Limited (RHL) also recorded a 397 per cent increase in revenue as result of the recognition of deferred revenue arising from the re-assessment of the revenue recognition policy at RHL on the sale of lease hold rights

Earnings Before Interest and Tax (EBIT)

The EBIT discussion that follows is inclusive of investment property (IP) and revaluation gains/(losses). Given the land banking strategy of the Property industry group, with a view to monetising such lands in the near term through development and sales, the Group is of the view that IP and revaluation gains/(losses) is integral to the industry group's core operations.

- EBIT of the industry group increased by 89 per cent to Rs.1.30 billion on the back of RHL and IP gains Vauxhall Land Development Limited (VLDL) amounting to Rs.309 million. The recurring EBIT of the industry group adjusted for the one-off at RHL is Rs.757 million

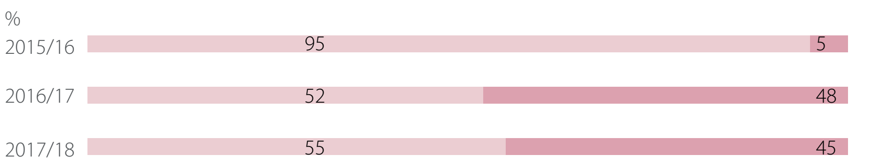
Profit Before Tax (PBT)

- PBT of the industry group increased by 91 per cent to Rs.1.27 billion [2016/17: Rs.665 million

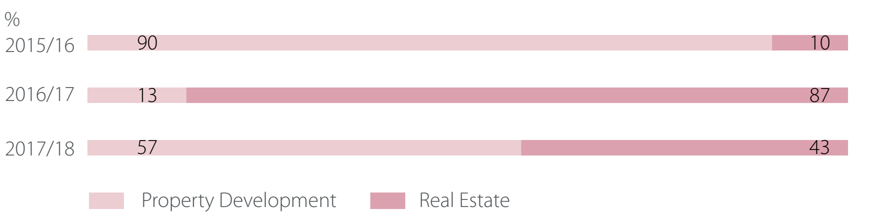
Borrowings and Finance Expenses

Total debt as at 31 March 2018 was Rs.14.59 billion, which largely comprised of borrowings pertaining to the "Cinnamon Life" project. The finance expense of the industry group increased by 31 per cent to Rs.34 million [2016/17: Rs.26 million], the largest contributor to the finance expense was K- Zone Ja Ela in lieu of the facilities undertaken to fund working capital requirements. It should be noted that interest during construction on "Cinnamon Life" is capitalised in to the project cost in accordance with the accounting standards, and therefore, is not reflected under finance expenses.

Turnover



EBIT

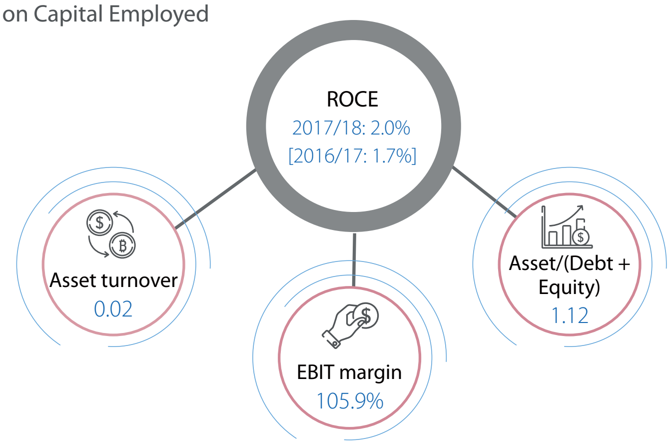


Return on Capital Employed (ROCE)

- ROCE of the industry group was 2.0 per cent, compared to 1.7 per cent recorded in the previous year. The marginal increase in ROCE is mainly attributable to the significant increase in EBIT against a lower relative increase in the asset base. Investments in lieu of the land banking strategy of the industry group, infusion of cash equity to Waterfront Properties (Private) Limited in order to fund the ongoing project expenses associated with the construction of the "Cinnamon Life" project and the aforementioned gain on investment property are the main contributors to the increase in the asset base of the industry group
- In order to compute an adjusted ROCE which reflects the return on the current portfolio of the Property industry group, the debt and equity infusions to the "Cinnamon Life" project were eliminated considering the gestation period of the project, in addition to adjusting the investment property and revaluation gains. The adjusted ROCE on this basis is 2.3 per cent [2016/17: 4.3 per cent]
- The EBIT margin of the industry group was 106 per cent in the year under review against 61.6 per cent recorded in the previous year. This substantial increase stems as a result of the aforementioned IP gains, as outlined above
- The asset turnover remained flat at 0.02 times in the year under review, primarily as a result of the more than proportionate growth of the average asset base in lieu of the land banking strategy. The asset turnover, adjusted for the impacts from "Cinnamon Life", is 0.03 times compared to 0.05 times recorded in 2016/17

Refer the Strategy, Resource Allocation and Portfolio Management section of this Report for details pertaining to the aforementioned adjustments and calculations

Return on Capital Employed



Indicators	Property Development	Real Estate
Revenue and growth	Rs.676 million, 15 per cent increase	Rs.554 million, 4 per cent increase
EBIT and growth	Rs.737 million, 747 per cent increase	Rs.566 million, 6 per cent decrease

NATURAL CAPITAL

In engaging in its core value creation activities of development and sale of residential and commercial real estate, the Property industry group identifies and recognises its impact on natural resources in its area of operation. As such, the Group places increased emphasis on minimising material impacts to natural resources.

The industry group has made a conscious effort to reduce its energy and water usage while monitoring the responsible discharge of effluents in line with the Group's environmental policies, guidelines and industry best practice.

The material topics relevant to the Property industry group, identified under Natural Capital are as follows:

- Energy and emissions management
- Waste management and effluent discharge

Carbon Footprint

- Property : 804 MT

The ensuing section discusses key targets under the aforementioned material topics and its corresponding impacts. The section also entails the various initiatives undertaken with a view to achieving relevant targets.

Energy and Emissions Management

Relevance/Implication	Targets	Initiatives
Financial implications and environmental responsibility	• Reduce energy consumption	• Continuous replacement of fluorescent and incandescent lamps with LED lamps throughout the industry group premises, which resulted in an accumulated annual savings of 45,140 kWh • Improvements were made to operational processes such as chiller management, isolation of lighting areas and scheduled preventative maintenance which led to savings of 12,772 kWh

Waste Management and Effluent Discharge

Relevance/Implication	Targets	Initiatives
• Compliance with Government regulations, industry regulations and prerequisites of lending agencies • Implications on brand image and the environment	• Maintain effluent discharge parameter within Environmental Protection License (EPL) limits • Re-use waste water where applicable	• WBL installed a drip-irrigation system that uses condensed water from air conditioners to water plants at the property • Continued awareness programs and trainings were conducted on minimising water usage for caretakers and residents at RHL • Waste is segregated across the property industry group and paper, plastic and other applicable dry waste is recycled via contracted third party recyclers • K-Zone Ja-Ela disposed of its food waste by way of regular supplies to local farmers as animal feed while the organic waste was composted within the Mall premises • Given "Cinnamon Life" project's proximity to Beira lake, added filter systems and extensions to existing filter systems were implemented to ensure that all water discharged from sediment tanks meet the required high standards

Indicators

	2017/18	2016/17	%
Carbon footprint (MT)	804	924	(13)
Waste disposed (kg)	117,735	105,437	12

HUMAN CAPITAL

The overall real estate and property market has been experiencing rapid growth in the recent years creating a high demand for outsourced personnel of both skilled and unskilled labour categories. The shortage of labour within the sector is a primary challenge faced by the industry group as discussed in the External Environment and Operational Review of this industry group report. Given the nature of the industry, the health and safety of its outsourced contractors' personnel is considered a material topic and impacts the well-being and the productivity of the workforce. The relevance, targets and initiatives under this material topic is tabulated overleaf.

Number of Employees

- Property : 256

Training carried out for contractor's personnel of the Property industry group

Indicators

The table below excludes the safety incidents reported by its construction contractors and as such the industry group continues to engage with its contractors to minimise such instances

	2017/18	2016/17	%
Injuries and diseases (number)	1	1	-
Total hours of training	2,448	1,716	43

Occupational Health and Safety

Initiative	Targets	Brief Description
• Monitor occupational health and safety incidents and practices in the supply chain while continuously assessing risks faced by the Property industry group due to its business model of utilising third party construction contractors	• Uphold health and safety standards within the value chain • Maintain OHSAS 18001:2007 certification at all shopping malls	• Food sample testing was carried out in all shopping malls at prescribed intervals to ensure the maintenance of food hygiene standards • Employee training programmes on first aid, fire safety, food hygiene and basic health and safety were carried out throughout the industry group to uplift service quality • Continued the dengue prevention initiatives through the identification of stagnant water areas and installation of drain lines to maintain clean conditions on all sites • All shopping malls continued to maintain OHSAS 18001:2007 certificate. Relevant surveillance audits and internal audits were carried out for maintenance, housekeeping and security, in addition to annual management reviews

SOCIAL AND RELATIONSHIP CAPITAL

Given the rapid expansion of the Sri Lankan property market, the Property industry group seeks to differentiate itself through enhanced emphasis on its Social and Relationship Capital. The industry group maintains quality standards of its products, its reputation as a responsible corporate citizen and positions itself as one of the foremost service providers within the industry.

The relevance, targets and initiatives under this material aspect is tabulated below.

Supplier Development and Social Responsibility

Initiative	Targets	Brief Description
Engrain sustainability in its supply chain through supplier engagement and assessment, for both existing and new operations, thereby reducing operational and reputational risks to the business	• Environmental and social impact assessments prior to the commencement of new projects • Uphold health and safety standards within the value chain	• A total of 518 training sessions on safety while working on high rise floors were conducted for the contracted labour force and supervisory staff at "Cinnamon Life" • 6,947 training sessions were completed including on the spot training, special training and refreshment trainings on areas such as safe lifting, signal men and traffic management, for contacted staff at "Cinnamon Life" • Other training carried out at "Cinnamon Life" includes monthly emergency evacuation drills, first aid training, fire warden training and advance fire-fighting training • All companies within the industry group reviewed and tested their business continuity plans on a regular basis to ensure risk management and adaptability • All suppliers are required to sign off on a sustainability check-list, where the industry group maintains stringent criteria for pre-qualification of suppliers/contractors • The Property industry group, in collaboration with John Keells Foundation, continued to refurbish and maintain the Slave Island Railway Station, including its water and sanitation and garden facilities, to enhance commuter experience

Impact:
- Investment: Rs.673,692
- Users benefited: 714,100

Health and safety training conducted at "Cinnamon Life"

The significant suppliers within the industry group are illustrated below:

- Significant Suppliers
  - Construction contractors
  - Architects and interior designers
  - Engineers

The significant suppliers specific to Rajawella Holdings Limited is depicted below:

- Significant Suppliers
  - Amenities
  - Food and beverage suppliers
  - Travel agents and travel websites
  - Casual employees

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

INTELLECTUAL CAPITAL

The Property industry group constantly strives to enhance product quality and scope, in order to deliver value to its end consumer. In this light the following initiatives were undertaken within the industry group to maintain product and service quality while enhancing the scope of the business and its products.

Initiative	Brief Description
Product Development	• The Property industry group launched "Tri-Zen" under is Metropolitan product category, in the second half of 2017/18. The project is designed to include smart, efficient living spaces complemented by a variety of urban community facilities • Tri-Zen will be optimised through the incorporation of cutting edge smart home features
Marketing initiatives	• Promotional activities for "Cinnamon Life" have been carried out in Toronto, Canada and India
Brand capital	• "John Keells Land" was rebranded "John Keells Properties" in February 2018 • Three sub-brands - Luxe, Metropolitan and Suburban are to be rolled out in line with the emerging product segments in the pipeline

Strategy and Outlook

Property and real estate development in the country is expected to continue its growth trajectory in the near term, driven by the need for residential and commercial spaces, investment in infrastructure and an emerging upper middle-class consumer base.

The long term strategy of the Property industry group will focus on positioning "John Keells Properties" as the premier developer in the country, through the differentiation of its product offering by driving innovation in the sector. Cognizant of the envisaged growth, the industry group is in the process of evaluating and consolidating a robust pipeline of projects to enable enhanced and sustained earnings over the medium and long term.

While the Group will continue developments in the premium segment, it will also diversify into high density, upper middle-income housing in and around the CBD. Complemented by the increasing demand for suburban multi-family housing, the Group believes that this segment will offer a significant opportunity within the industry. Product categories within this segment will be branded Luxe Spaces, Metropolitan Spaces, and Suburban Spaces, respectively. This shift to a broader customer base will target primary domestic demand for high quality housing from an emerging upper middle-income category of the population.

"Tri-Zen" will be the first development under the Metropolitan Spaces category. Work on the project has moved forward rapidly, and pre-sales have commenced as outlined in the External Environment and Operational Review of this industry group report. "Tri Zen" will be followed by a Metropolitan Space development on the newly consolidated 9.37-acre property on Vauxhall Street. An international design competition is currently underway for the masterplan of the said property.

In keeping with the overarching strategy and investment pipeline of the industry group, a land banking strategy is being pursued to roll-out a sustained pipeline of developments under the Suburban Spaces category. Acquisitions are being targeted, mirroring the planned infrastructure roll-out in the country where land value appreciation is anticipated. In this light, the development of an 18-acre site in close proximity to the Colombo Katunayake expressway is being master planned for the first Suburban Spaces development which is expected to be launched by the end of 2019/20.

While the core strategy of the Group will remain focussed on the residential space in the near term, the commercial office market also presents an opportunity which is being examined. Commercial office space occupancy in the city is above 95 per cent, and demand is projected to be robust in the medium term. The Group will explore opportunities to leverage on its expertise and synergies in developing competitive commercial properties.

"Cinnamon Life" is expected to capitalise on the envisaged tourism growth trajectory given its unique integrated product offering. To this end, growth is expected from key tourist segments, including regional business, leisure and MICE tourists which will bode well for the project. The recent developments within the tourism sector such as the ongoing promotional activities to boost the country as a preferred destination and Sri Lanka's potential to become a regional shopping and entertainment hub will continue to create further traction for the lifestyle-oriented branding and positioning of "Cinnamon Life".

Refer the Leisure industry group section for further details.

Demand for both the golf course, as well as real estate at the Rajawella property, is expected to see a substantial uptick with the construction of the Central expressway. The segment from Colombo to Kurunegala is expected to be completed in calendar year 2020. In addition to a substantial refurbishment and repositioning of the championship golf course under Troon management, the Group will also commence planning of the next phase of real estate development, which would be launched in tandem with the achievement of substantial progress on the expressway.

Consumer Foods and Retail

A re-branded "Keells" outlet

Vision and Scope

The Consumer Foods sector is home to a portfolio of leading consumer brands including "Elephant House" soft drinks and ice creams, as well as the "Krest" range of processed meats; all leaders in their respective categories and supported by a well-established island-wide distribution channel. The Consumer Foods sector competes in three major categories namely beverages, frozen confectionery and convenience foods.

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

Consumer Foods

Retail

Contribution to JKH Group

39%	Revenue
15%	EBIT
6%	Capital employed
40%	Carbon footprint

CARBON FOOTPRINT

38,381MT

(2016/17: 33,407 MT)

EBIT

Rs.4.13 bn

(2016/17: Rs.5.49 bn)

Industry Group Structure

Consumer Foods and Retail

Consumer Foods

Ceylon Cold Stores (CCS)
Produces and markets a portfolio of soft drinks under the "Elephant House" brand, an energy drink under the "Wild Elephant" brand, an isotonic sports drink, "F5", a fruit based tea drink, "Twistee", a fruit flavoured drink "Fit-O", flavoured milk branded under "Elephant House" (EH) and "Imorich" ice creams and related confectionery product

Keells Food Products (KFP)
Produces and markets a range of processed meat products under the "Krest" and "Elephant House" brand names in addition to a ready-to-eat range

Retail

JayKay Marketing Services (JMSL) operates the "Keells" chain of modern retail outlets and the "Nexus Mobile" loyalty programme

Key Indicators

Inputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Total assets	26,062	18,275	43	15,862
Total equity	9,665	8,414	15	7,803
Total debt	5,577	1,121	397	812
Capital employed	15,242	9,535	60	8,616
Employees	5,427	4,446	22	3,692

Outputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Turnover[3]	53,211	45,812	16	36,458
EBIT	4,131	5,486	(25)	4,497
PBT	4,098	5,466	(25)	4,472
PAT	2,892	3,896	(26)	3,229
EBIT per employee	0.8	1.2	(38)	1.2
Carbon footprint	38,381	33,407	15	29,060

External Environment and Operational Review

Sri Lanka recorded a GDP growth of 3.1 per cent in the calendar year 2017, a notable slowdown in comparison to the growth of 4.5 per cent recorded in 2016. Against this backdrop, the impact of changes in other macro-economic indicators such as interest rates, inflation and the exchange rate, consumer discretionary spend was subdued, resulting in a decline in volumes across several categories in the FMCG market. The uptick in inflation, particularly in essential commodities and fresh produce, coupled with subdued consumer spending also impacted the retail industry, although to a lesser extent as spending is somewhat insulated by consumer necessity spend.

During the year under review, the Beverage business witnessed a 16 per cent decline in volumes stemming from the overall tapering of demand on discretionary food items, exacerbated by the introduction of an excise duty on the sugar content of carbonated soft drinks (CSD) by the Government of Sri Lanka (GoSL) with effect from 9 November 2017. The introduction of the tax resulted in an excise duty of 50 cents per gram of added sugar or Rs.12 for one litre of drinks, whichever is higher, to be levied on CSDs, with immediate effect, as per the Budget 2018. Given the significant value of the tax, the selling prices across the CSD portfolio increased by approximately 40 per cent.

In anticipation of the trends for health conscious products and the need to reduce the sugar content of products within the beverages space, the business had taken proactive steps towards the reduction and replacement of the calorific sugar content among selected flavour variants of the current CSD portfolio. Whilst the Government's efforts to reduce sugar consumption is commendable, the Group believes that a more systematic approach towards engaging the industry would be better suited for the country. As such, although anticipated in the medium term, the sudden introduction of such policies, negatively impacted the medium-term plans of CCS and other industry players, where stability and consistency of policy and dialogue with all stakeholders could have resulted in a more beneficial outcome.

It should be noted that the installation of a new bottling line at an investment of Rs.2.80 billion, as discussed in the JKH Annual Report 2016/17, has been deferred, on the back of lower CSD volumes post the introduction of excise duty on added sugar content, which has resulted in lower capacity utilisation within the current facility. The project will be re-evaluated as and when the market demand conditions stabilise based on the introduction of reformulated new products.

Along with the industry, CCS will continue to engage with relevant regulatory bodies to collaboratively work towards meeting the objective of sugar reduction through reformulation of recipes and innovation in a manner that is beneficial to the customer, Government, and sustainability of the business and its value chain and related stakeholders, which include small scale farmers, distributors and retailers. As an immediate response to the regulatory developments, CCS implemented the following initiatives;

- Reformulation of the flagship flavours of the CSD portfolio using the natural sweetener - Stevia
- Launch of a sugar free CSD variant for many of its flavours within the portfolio - branded "GO Sugar Free"
- Acceleration of non-CSD product launches

WHILST THE GOVERNMENT'S EFFORTS TO REDUCE SUGAR CONSUMPTION IS COMMENDABLE, THE GROUP BELIEVES THAT A MORE SYSTEMATIC APPROACH TOWARDS ENGAGING THE INDUSTRY WOULD BE BETTER SUITED FOR THE COUNTRY.

"Imorich", the premium segment of the Frozen Confectionery business

IN LINE WITH OTHER COUNTRIES IN THE REGION, THE GROUP EXPECTS A SHIFT IN THE BULK-TO-IMPULSE SEGMENT DEMAND DYNAMICS, WITH A GREATER CONSUMER INCLINATION TOWARDS THE IMPULSE MARKET IN THE MEDIUM TO LONG TERM.

CCS undertook reformulations to replace a further 15 per cent of the calorific sugar content, over and above the 30 per cent reduction achieved in 2016/17, of its flagship CSD flavours with Stevia; a natural sweetener with zero calories. The flagship flavours included Necto, Orange Crush and Cream Soda, among others. In addition to the reformulation of these products, CCS launched the "GO Sugar Free" range in April 2018, a beverage portfolio consisting of the same flavour portfolio, although with no calorific sugar content. The portfolio currently consists of Necto, Orange Crush and Cream Soda flavours in five pack sizes and will be expanded to encompass a larger range in the near term.

In furtherance of the Beverage business' strategy to diversify its portfolio to create a more balanced mix of CSD and non-CSD variants, the business launched its third fruit drink flavour variant in "mixed fruit" under the brand "Fit-O". Preliminary volume sales of "Fit-O", which was launched in November 2016 in keeping with evolving consumer trends and life styles, has been above expectations in the year under review. With the aim of gradually rebalancing the beverage portfolio and creating value to our consumers through nutritious lifestyle beverage options, CCS launched a ready-to-drink (RTD) flavoured milk in April 2018. The product is available in chocolate, vanilla and strawberry flavours. CCS will continue to leverage on its "Elephant House" brand strength and distribution network with the launch of such products, enabling the business to capture market share.

Please refer the Intellectual Capital section of this Report for further information.

The export market for beverages witnessed encouraging growth of 11 per cent primarily driven by the UK and the EU markets in the year under review, underscoring the demand for the diverse flavour portfolio of "Elephant House" which includes its flagship flavours; Ginger beer, Necto and Orange Crush.

The performance of the Frozen Confectionery (FC) business of the Group was subdued during the period under review leading to a volume reduction of 4 per cent as a result of the aforementioned tapering of demand and the slowdown in consumer discretionary spending. The bulk segment of the industry group recorded a decline of 12 per cent while the impulse segment recorded a marginal increase of 0.2 per cent in the year under review. However, despite the general contraction in the overall market, the premium segment of the Frozen Confectionery business, "Imorich", witnessed encouraging growth in the year under review, albeit off a lower base.

In line with other countries in the region, the Group expects a shift in the bulk to impulse segment demand dynamics, with a greater consumer inclination towards the impulse market in the medium to long term. Against this backdrop, given the expectation of growth in the impulse segment of the FC business, the Group invested Rs.4.2 billion in a new ice cream production facility in Seethawaka in 2016/17. The construction of this facility, which houses state-of-the-art technology and infrastructure, has reached completion and commenced commercial operations in the first quarter of 2018/19. The factory will significantly enhance the production capacity of the business and has provisions for further expansion of capacity. This facility is also expected to positively impact the margins of the business, creating

The Beverage business has an extensive portfolio that consists of 18 sub-brands

State-of-the-art equipment at the new ice cream production facility in Seethawaka

further economies of scale and operational efficiencies while allowing the business to enhance its impulse offering.

The business continued to maintain its leadership position in the frozen confectionery market in the Maldives with a volume growth of 13 per cent in the year under review.

CCS's wide network of beverage and FC retail outlets of over 90,000 and 35,000 continued to witness enhanced efficiencies stemming from the Distribution Management System (DMS) which enables the analysis of real time information and monitoring of sales force productivity. Sales force automation via hand held devices has also been completed across both the Beverage and FC businesses contributing to higher efficiencies within the sector.

CCS continued to place significant emphasis on brand and service quality development of "Elephant House", product pack sizes, packaging and various other cost management measures and productivity enhancement initiatives to drive profitability.

- In recognition of the high-quality standards and the unique taste profile, CCS were recognised at the SLIM-Nielsen People's Awards of 2017 following a consumer survey;
  - "Elephant House Cream Soda" won the People's Beverage Brand of the Year
  - People's Youth Choice Brand of the year for the 12th consecutive time in March 2018

- Recognised among the top 20 most valuable Sri Lankan brands by leading international brand consultancy, "Interbrand" (the only consumer foods brand to be highlighted within the top 20)

Please refer the Intellectual Capital section of this Report for further information.

Keells Food Products (KFP) recorded a volume growth of 3 per cent during the year under review. The volume uptick was driven by the growth in the sausage segment, particularly within the modern trade channel. The crumbed range of the "Krest" product portfolio, particularly the chinese rolls range, witnessed encouraging growth during the year.

Evolving consumer lifestyles, attitudes towards cooking and consumption habits have led to increased emphasis on convenience and nutrition. As such, demand for easy-to-prepare and ready-to-eat single serve products which are nutritious, convenient and provide value-for-money are expected to be on a growth trajectory. To capitalise on this opportunity, KFP launched its first ready-to-eat (RTE) range of products with special focus on convenience meals which replicates home cooking. The range included frozen meals such as spaghetti, pasta, chicken fried rice and biriyani, in addition to the ambient curry range, where commercial test marketing has begun. The export market performance of KFP was in line with expectations. Exports to Maldives recorded a growth of 87 per cent in the year under review.

KFP LAUNCHED ITS FIRST READY-TO-EAT (RTE) RANGE OF PRODUCTS WITH SPECIAL FOCUS ON CONVENIENCE MEALS WHICH REPLICATES HOME COOKING.

During the year under review, the Retail sector of the Group continued to outperform market growth, driven by the rapid expansion of new stores, underscoring the value created by the brand and the service offering. However, the rate of growth and the margins of the Retail sector was impacted by the slowdown in consumer discretionary spending as discussed previously. The tightening macro-economic conditions coupled with price ceilings imposed on some essential goods negatively impacted the average basket value (ABV) and the gross margins of the business, in the year under review. Overall growth within the business was driven by same store footfall growth of 5.6 per cent, against 10.5 per cent recorded in the previous year, reflective of the challenging environment witnessed during the year. The moderation of growth in same store sales was also impacted by the rapid store expansion plans of the sector and the corresponding "cannibalisation" effect it entailed, particularly in instances where new stores were opened in proximity to existing stores.

The year under review marked the largest store expansion in the history of the business, during which the business opened 23 conforming stores while discontinuing 7 existing stores resulting in a total of 80 stores as at 31 March 2018. Although the Retail business planned for an initial roll out of 40 new retail stores in 2017/18, this was subsequently pared down to accommodate the new brand roll out. The pace of new store roll outs was also impacted due to longer than anticipated timelines to obtain building approvals and legal clearances pertaining to land.

The spread of the retail outlets has evolved from a high concentration in the Western province to the suburban areas of the country. Based on extensive research and in consultation with international retail consultants, as outlined in the ensuing section, JayKay Marketing Services (JMSL) initiated a review of its brand position to identify ways to further differentiate itself from competition through better serving the needs of its customers. This exercise included an extensive study of consumer lifestyles and preferences, both current and emerging, and the delivery of the brand promise of the Retail sector. As part of this exercise, a new brand identity was developed and incorporated in all new stores opened post December 2017. All existing outlets are expected to be refitted and rebranded by December 2018.

Out of the 80 outlets in operation, 12 are in conformance with the new brand guidelines as at 31 March 2018. The new "Keells" modern trade brand and the core purpose of the brand was developed and fine-tuned after extensive study into consumer preferences and expectations at a grass-root level. The new store format was developed to epitomise JMSL's "fresh" promise, service excellence and quality within 5 activity pillars; product, price, place, people and the customer. The layout of the new stores focusses on customer convenience, with navigation across the store enabled by colour coded sections demarcating the fresh food, grocery items and in-house bakery. The stores also offer an extensive range of new services for added convenience of its customers which include freshly prepared meals, including pastas and pizzas, and juices. The brand revamp has been well received, with preliminary feedback from customers exceeding expectations, while it is also reflected in the financial performance where new stores have performed well above feasibility.

The world foods section of a newly branded "Keells" outlet

Keeping in line with the overall brand revamp, the business will continue to launch products under its private label, "Keells", several of which were launched in March 2018. The products will be consolidated under the following product tiers, namely; "Good", "Better", "Organic", "Lite" and "Free From". The range will feature dry packaged food items such as sugar, dhal, canned fish, rice and milk, amongst others, while the household range will feature many other items.

As discussed under Human Capital, attrition remained a key challenge throughout the retail industry. In order to cater to the staffing requirements of the new outlet pipeline in the near-term, JMSL successfully conducted a "1,000 job" recruitment drive to employ and train 1,000 non-executive cadre employees.

Please refer the Human Capital section of this Report for further information.

JMSL WILL INVEST IN A STATE OF THE ART 225,000 SQUARE FOOT CENTRALISED DISTRIBUTION CENTRE (DC) TO CATER TO THE EXPANSION OF ITS STORE NETWORK AND FURTHER ENHANCE AND IMPROVE THE OPERATIONAL PROCESSES AND THE "FRESH" SUPPLY CHAIN.

The new store layout at the "Keells" in Attidiya

JMSL will invest in a state-of-the-art 225,000 square foot centralised distribution centre (DC) to cater to the expansion of its store network and further enhance and improve the operational processes and the "fresh" supply chain. The new DC will enable the business to centralise all its dry goods, thereby maximising efficiencies, while it will also handle fresh and chilled products. Site preparation for construction commenced in May 2018. The DC is expected to be operational by March 2020.

The Nexus Mobile loyalty programme continued to be a key tool in retaining and attracting customers. The membership reached a landmark of 900,000 customers, making it one of the most successful loyalty programmes in the country. The sector continued to leverage on data analytics as a tool to better understand consumption patterns and target promotions and offers which specifically benefited its customer base.

Capital Management Review

Progressing from the discussion on the External Environment and Operational Review, the discussion that ensues captures the forms of Capital available, and how each of these forms of Capital are honed to create value for all stakeholders.

The discussion on the Capitals, where relevant is structured to emphasise goals, targets and initiatives under each of the Capitals.

CONSUMER FOODS AND RETAIL INDUSTRY GROUP REVENUE

Rs.53.21 bn

Growth of 16 per cent

Goals under relevant Capital → Targets we set for ourselves → Our initiatives

FINANCIAL AND MANUFACTURED CAPITAL

As at 1 April 2017, the Consumer Foods and Retail industry group had total assets of Rs.18.28 billion, debt of Rs.1.12 billion and an opening equity capital of Rs.8.41 billion.

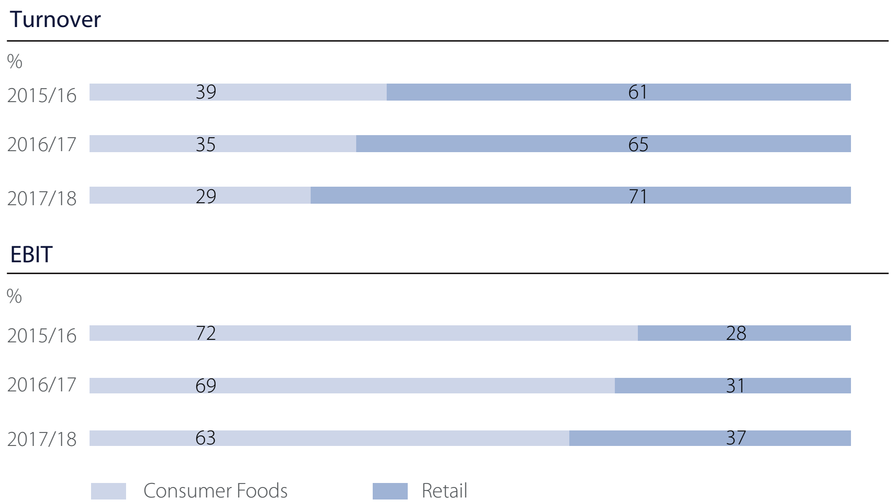
Financial Performance

Revenue

- Revenue of the industry group increased by 16 per cent to Rs.53.21 billion in the year under review [2016/17: Rs.45.81 billion]
- The Retail sector recorded a revenue of Rs.37.59 billion [2016/17: Rs.29.81 billion], a 26 per cent increase against the comparative period, driven by same store footfall growth and incremental revenue generated from newly opened outlets, which have performed beyond expectations in the year under review
- The growth in revenue of the Retail sector was marginally offset by a 2 per cent decrease in revenue of the Consumer Foods sector to Rs.15.62 billion [2016/17: Rs.16.00 billion]
- The revenue decrease in the Consumer Foods sector was on account of both the Beverage and Frozen Confectionery businesses recording volume declines of 16 per cent and 4 per cent, respectively. The decline in volumes stemmed from the continued tapering of demand arising from subdued consumer discretionary spending. The volume decline in the Beverage business was further exacerbated by the implementation of a sugar tax from November 2017 onwards, which resulted in substantial price increases across the industry
- Revenue of the Convenience Foods business was recorded at Rs.2.27 billion during the year under review [2016/17: Rs.2.30 billion]

Earnings Before Interest and Tax (EBIT)

- The industry group recorded an EBIT of Rs.4.13 billion [2016/17: Rs.5.49 billion], a decrease of 25 per cent against the previous financial year
- The decline in EBIT is mainly on account of the Consumer Foods sector, and to a lesser extent, the Retail sector. Whilst being impacted by lower volumes and the resultant decline in scale efficiencies, the Consumer Foods sector was also impacted by an increase in cost of sales stemming from increased material costs including excise duty paid on added sugar. It is noted that the material cost per litre of beverage and ice cream produced increased by 17 per cent and 7 per cent, respectively
- EBIT of the Retail sector was Rs.1.53 billion, a decrease of 9 per cent against the previous year [2016/17: Rs.1.68 billion] As stated, the Retail sector margins were impacted by the imposition of controlled prices on certain essential commodities. The investment and marketing costs associated with the re-branding initiative and the capacity building in preparation for the store roll out also resulted in higher than anticipated costs, resulting in a decrease in EBIT
- KFP recorded an EBIT of Rs.353 million [2016/17: Rs.401 million], a decrease of 12 per cent against the previous year. The decline in EBIT was primarily driven by an increase in marketing and promotional costs pertaining to the rebranding of "Krest" during the year
- The EBIT of the industry group included fair value gains on investment property amounting to Rs.22 million [2016/17: Rs.92 million] pertaining to CCS. The recurring EBIT, excluding the fair value gains on investment property, was Rs.4.11 billion in comparison to the Rs.5.39 billion recorded in the previous year
- The PBT of the industry group decreased by 25 per cent to Rs.4.10 billion [2016/17: Rs.5.47 billion] whilst the recurring PBT decreased by 24 per cent to Rs.4.08 billion [2016/17: Rs.5.37 billion]
- Going forward, given the investment pipeline of the industry group and the related financing costs such investments will entail, an analysis of EBIT will be more reflective of the true operational performance of the industry group compared to PBT.



It is pertinent to note that the modern trade industry, in general, operates at lower profitability margins, relative to the rest of the JKH Group given the nature of the Retail business. With the opening of new stores, margins are expected to further dilute on the back of new stores operating at lower margins in the preliminary 12 months of operations, where sales ramp up significantly in the second and third years. The Group, while acknowledging this, is confident that this impact on margins is temporary, given this phase of expansion.

Borrowings and Finance Expense

Total debt of the industry group increased substantially to Rs.5.58 billion from Rs.1.12 billion reported in the previous year as a result of the overdraft facility maintained by the Retail sector to fund daily liquidity requirements, and the debt draw down by CCS for the construction of a new frozen confectionery plant. Accordingly, the finance expense for the industry group increased by 71 per cent to Rs.33 million [2016/17: Rs.19 million]. The Group expects a further increase in finance expenses in the near term, given the pipeline of investments envisaged for the Retail sector with the store expansions and the construction of the centralised distribution centre, a majority of which will be funded with borrowings.

Return on Capital Employed (ROCE)

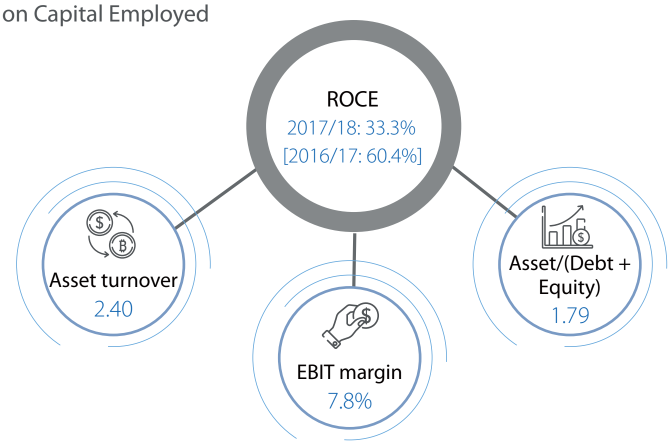
- The ROCE of the industry group declined to 33.3 per cent in the year under review, in comparison to the 60.4 per cent recorded in 2016/17. As anticipated, the decline in the ratio is primarily on account of the increase in the industry group's capital base, given the higher capital deployment towards store expansion and the frozen confectionery manufacturing plant.

The ROCE adjusted for fair value gains and revaluation gains of the preceding three years, is recorded at 34.5 per cent against the 61.4 per cent reported in 2016/17.

Refer the Strategy, Resource Allocation and Portfolio Management section of this Report for further details.

- The EBIT margin of the industry group decreased to 7.8 per cent, in comparison to 12.0 per cent in 2016/17. The contraction of the EBIT margin primarily stemmed from the higher operational cost base of the Retail sector coupled with the higher EBIT contribution from the Retail sector, which is inherently a lower margin business. The EBIT margin of the Retail sector stood at 4 per cent against the 6 per cent recorded in the previous year. The EBIT margin of the Consumer Foods sector decreased to 17 per cent from the 24 per cent reported in the previous year due to the volume decline and the increase in material costs, as discussed previously. The recurring EBIT margins for the industry group adjusted for investment property gains was recorded at 7.7 per cent against 11.8 per cent recorded in 2016/17
- The asset turnover of industry group was recorded at 2.40 times in comparison to the 2.68 times recorded in the previous year. The movement of the ratio was expected, given the significant increase in the asset base as outlined previously. It should be noted that the outlet roll-out of the Retail sector will have a further bearing on the ratio in the short term, as it will significantly impact the asset base of the industry group while revenue will accrue gradually over the first 1-2 years of operations

Return on Capital Employed



Indicator	Consumer Foods	Retail
Revenue and growth	Rs.15.62 billion, 2 per cent decrease	Rs.37.59 billion, 26 per cent increase
EBIT and growth	Rs.2.60 billion, 32 per cent decrease	Rs.1.53 billion, 9 per cent decrease

NATURAL CAPITAL

The Consumer Foods and Retail industry group continued to proactively carry out initiatives to minimise the impact on the environment, given its significant contribution to the Group's carbon, energy and water footprint. All operations of the businesses, including supply chain management, are carried out as per the Group's Environmental and Energy Management policy, whilst adhering to, and going beyond, all required environmental laws and regulations through continuous monitoring and testing.

The material topics relevant to the Consumer Foods and Retail industry group, identified under Natural Capital are as follows:

- Energy and emissions management
- Waste and effluent management

The ensuing section discusses key targets under the aforementioned material topics and its corresponding impacts. The section also entails the various initiatives undertaken with a view to achieving relevant targets.

Carbon Footprint

- Consumer Foods : **15,504 MT**
- Retail : **22,877 MT**

Energy and Emissions Management

Relevance/Implication	Targets	Initiatives
Financial, regulatory and brand reputation implications	Reduction of energy consumption and the resultant reduction in carbon footprint through various initiatives and better management of infrastructure	• Installation of dissolved oxygen sensor and Variable Speed Drive to reduce energy consumption in effluent treatment plants resulting in a 66,000 kWh annual energy saving at the CCS factory • Optimisation of blow mould pressure from 35-bar to 28-bar and the removal of the compressed air blower from date coder resulting in 12,975 kWh annual energy savings at CCS • Continuous replacement of fluorescent and metal halide lights with LED lights within all premises of the industry group • CCS continued to sustainably source its carbon dioxide requirement from overseas, which is purified from a by-product of a fertilizer manufacturing plant, thereby offsetting the need for combustion of fossil fuel • JMSL adopted a building design that ensures energy savings by incorporating skylights, LED lighting, operational guidelines and efficient cooling systems. The design has been implemented in over 35 stores, with plans to ensure all stores built in future adhere to this design guideline. 23 stores were built according to this specification in 2017/18

INSTALLATION OF SOLAR PANELS AT "KEELLS" OUTLETS

JMSL initiated a project for the installation of solar panel systems in "Keells" outlets. Installations were completed in 10 outlets in the year under review, with plans to gradually roll out the project in other outlets.

Total installed capacity in 10 outlets	1,367 kW
Estimated total electricity generation per annum	1,996,010 kWh
Estimated annual reduction in carbon footprint	1,360 MT

Water and Effluent Management

Relevance/Implication	Targets	Initiatives
Regulatory and brand reputation implications	• Water conservation- Reduce the industry group's withdrawal of water • Alignment with international benchmarks • Ensure all effluents meet the requisite water quality standards	• Improvements made to the effluent treatment plant, including introduction of new equalisation tank, increased de-watering of and settling characteristics of sludge holding tanks and auto dosing of chemicals at the Ranala CCS factory has resulted in 22,500 m^3 water savings per annum • CCS, KFP and selected JMSL outlets continued the reuse of waste water for gardening and general cleaning purposes within its premises • Reuse of the pasteurizer cooling water at the CCS frozen confectionery factory, resulting in savings of 42,000 m^3 annually

INDUSTRY GROUP REVIEW
Consumer Foods and Retail

Indicators

	2017/18	2016/17	%
Carbon footprint (MT)	38,381	33,407	15
Water withdrawn (m^3)	681,366	740,255	(8)
Waste disposed (kg)	4,981,207	4,352,611	14

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor

	2017/18	2016/17
CCS CO_2 kg per litre produced	0.1	0.1
KFP CO_2 kg per kg of processed meat produced	0.9	0.9
JMSL CO_2 kg per sq. ft. of outlet area	29.9	32.4

Water Withdrawal per Operational Intensity Factor

	2017/18	2016/17
CCS water withdrawn - litres per litre produced	4.5	4.5
KFP water withdrawn - litres per kg of processed meat produced	17.9	14.2
JMSL water withdrawn - litres per sq. ft. of outlet area	200.5	271.4

Waste Generated per Operational Intensity Factor

	2017/18	2016/17
CCS waste generated - kg per litre produced	0.02	0.02
KFP waste generated - kg per kg of processed meat produced	0.18	0.17
JMSL waste generated - kg per sq. ft. of outlet area	2.41	2.41

Impacts Through Other Initiatives

The industry group made significant efforts to reduce the use of plastic and polythene through several initiatives, as summarised below;

- JMSL continued its "Red Bag" initiative, providing affordable eco-friendly re-usable bags to customers and promoting reuse of the bags
- JMSL rewarded its customers with green discounts for bringing their own eco-friendly reusable bags; approximately 35,000 reuses were recorded in a quarter
- JMSL provided customers with an option of an entirely organic degradable bag for fresh produce at a concessionary rate at 28 selected "Keells" stores, while all bakeries switched to paper bags for packaging
- JMSL further conducted customer and staff awareness campaigns on polythene reduction; an 18 per cent reduction on packing material was realised as a result of these efforts
- KFP reduced its single use polythene bag usage by 46 per cent by placing controls at various points in their factory premises and by promoting the reuse of such material wherever possible

HUMAN CAPITAL

Human Capital plays a vital role in the operating model of the Consumer Foods and Retail industry group. As such, great emphasis is placed on providing continuous training to its staff and other suppliers, with the aim of developing skills and productivity, creating a safe and healthy work environment as well as providing a higher standard of service to its customers.

Number of Employees

- Consumer Foods : 1,322
- Retail : 4,105

The material aspects relevant to the Consumer Foods and Retail industry group identified under Human Capital are Health and safety, and training and talent retention. The relevance of such material aspects, including initiatives undertaken to meet internal targets are as follows:

1,000 new employees were recruited as a result of the "1,000 Jobs" campaign

Health and Safety, Training and Talent Retention

Initiative	Targets	Brief Description
Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality	• Provide regular feedback, necessary training and development throughout the year to develop employees • Maintain a healthy working relationship with employee unions through constant dialogue and joint consultative committees • Minimise occupational health and safety incidents • Identify and meet the training needs of the staff and reduce employee attrition • Encourage healthy labour relations	• The industry group provided regular health and safety trainings to its employees, including fire safety and first aid training • CCS and KFP continued to maintain OHSAS certification and streamlined its organisational processes through continuous monitoring and process improvements to ensure a safe working environment • The Retail sector conducted training via interactive videos and material to more than 3,000 of its outlet employees • "Keells Retail Academy" (KRA) established an online interactive platform for training store employees. 2583 of employees have been exposed to the platform as at 31 March 2018 • Safety gear were fixed to slicers and band saws in meat counters. This was complemented by providing guidelines and instructions for safe use of machinery • Health and safety awareness campaigns were carried out using novel methods of engagement for the outlet employees, where trainings were conducted via in store radio channels and printed material • Extensive training was provided for outlet executives to develop skills and capabilities to progress to the next tier of employment • Successful implementation of the "1,000 Jobs" campaign - an extensive island-wide recruitment campaign for the aggressive expansion of the sector, resulted in the recruitment of 1,000 new employees

Indicators

It is pertinent to note that a majority of the injuries were minor in nature and no fatalities were recorded pertaining to the job.

	2017/18	2016/17	%
Injuries and diseases (number)	90	89	1
Total hours of training	334,897	172,981	94

SOCIAL AND RELATIONSHIP CAPITAL

The industry group strives to build sustainable relationships with its supply chain partners, consumers and all other stakeholders in order to continuously enhance the value created across the industry group. Sourcing high quality, fresh raw material while also enhancing the development of the local economy is one such strategy employed to create value through operations. The industry group purchases raw materials locally, optimising the cost of purchase and ensuring that the Group maintains its social license to operate.

The Group proactively engages with its diverse farmer communities, to create awareness on industry best practices to promote sustainable farming initiatives, among others. The farmers are required to adhere to agricultural practices that are environmentally friendly and produce high yields while also benefiting from guaranteed volume and price schemes offered by the Frozen Confectionery and Beverage businesses. Companies in the industry group annually assess all significant suppliers, including suppliers providing janitorial and outsourced services, to gauge and remedy any negative sustainability impacts, as applicable.

The material topics relevant to Consumer Foods and Retail identified under Social and Relationship Capital are as follows:

Supply chain and sustainable sourcing
Community engagement

SOURCING HIGH QUALITY, FRESH RAW MATERIAL WHILE ALSO ENHANCING THE DEVELOPMENT OF THE LOCAL ECONOMY IS ONE SUCH STRATEGY EMPLOYED TO CREATE VALUE THROUGH OPERATIONS. THE INDUSTRY GROUP PURCHASES RAW MATERIALS LOCALLY, OPTIMISING THE COST OF PURCHASE AND ENSURING THAT THE GROUP MAINTAINS ITS SOCIAL LICENSE TO OPERATE.

Supply Chain and Sustainability Sourcing

Relevance/Implication	Targets	Initiatives
Ensure a continuous supply of raw material which reduces risk, enhances brand reputation and benefits local businesses	• Boosting agricultural activity in villages, enhancing the quality and sustainability of agricultural practices, raising income levels and standards of living in diverse communities while improving stakeholder relationships and perceptions • Source all ingredients and produce required within Sri Lanka; with exceptions only due to the shortage of raw materials • Assess all significant suppliers for environmental, social and labour risks • Adhere to the Group's policies on labour, child and forced labour with the aim of ensuring no such instances	• The Retail sector's sustainable sourcing initiatives target improvements in the fresh produce supply chain to ensure safe and fresh produce, benefiting farmers in Sooriyawewa, Thambuttegama, Jaffna and Sigiriya. Related activities in this regard are listed below: ▪ 50+ free soil tests were provided for farmers, upon request ▪ Free technical assistance • The Retail sector continued its commitment to minimise fresh produce wastage via several initiatives, as summarised below. ▪ Adoption of best practice on raw material sourcing where quality of produce is assured in terms of freshness, size, and appearance. Consequently, the farmers too have adapted to the process to provide the best of the harvest to the collection centres ▪ Use of standard crates to transport fresh produce from collection centres to the distribution centres and finally to "Keells" stores, standard crates are used to minimise damage to produce during transport. Standard crates are provided to farmers to transport their produce to Collection Centres • Community bays have been set up for local and medium scale suppliers to display and market their products at 15 "Keells" stores with an average sale of Rs.85,000 generated per month • CCS continued its long-term ginger and vanilla "outgrower" programmes through the provision of financial assistance and facilitation of technical advice and material via local authorities; ▪ Ginger farmers – substantial quantities of ginger were purchased at a guaranteed price for our flagship product "Elephant House Ginger Beer". CCS also supported the farmers to increase their yield and utilisation of land by introducing a mechanism where ginger was grown in compost filled poly-sack bags (provided by CCS) ▪ Vanilla farmers – as a means of protecting the local vanilla industry, CCS continued to purchase its vanilla beans from the Kandy Vanilla Growers Association ▪ Treacle farmers in Waralla and Deniyaya, and jaggery farmers in Neluwa benefited from guaranteed purchasing schemes introduced by CCS • KFP continued its sustainable sourcing of pork, chicken, spices and vegetables from 5,060 farmers

Standard crates used to transport fresh produce to minimise damage and reduce wastage

The significant suppliers within the industry group are illustrated below:

Significant Suppliers - Consumer Foods

- Plastic packaging containers
- Glass bottles
- Dairy suppliers
- Poultry and meat suppliers
- Sugar suppliers

Significant Suppliers - Retail

- Dry food product suppliers
- Frozen and chilled products
- Fresh meat suppliers
- Vegetable and fruit farmers
- Household items
- Third party tenants (within premises)
- Janitors
- Security

Community Engagement

Key impacts from these initiatives are summarised below.

	Number of Farmers	Total Annual Supply (Kg)	Total Annual Payment (Rs.)
KFP	5,060	2,871,839	742,535,462
CCS	2,957	128,724	168,691,942
JMSL	1,917	18,421,913	2,318,223,466

Product	Total annual supply (Kg)	Number of farmers
Meat	2,528,640	2,530
Spices	78,222	2,500
Cashew Nuts	36,525	1,300
Vanilla	95	1,025
Ginger	40,725	352
Kithul Jaggery	21,529	60
Vegetables	264,977	30
Treacle	29,850	15

Relevance/ Implication	Targets	Initiatives
Community focus and brand reputation	Build ongoing and sustainable relationships in order to promote social responsibility and integration within the community	• In keeping with the Consumer Foods sector's strategic focus of promoting health and wellness, CCS continued to support the John Keells Foundation's vision project comprising of an island-wide cataract initiative and the school vision screening programme in the Colombo district implemented in collaboration with the Ministry of Health • Disaster relief efforts in Ratnapura and Matara resulted in the collection of donations worth Rs.3.5 million at "Keells" which was matched one-for-one by the business. This initiative benefited 580+ families in the affected areas • JMSL continued the "We Donate" project diverting unused vegetable and fruit to volunteer groups and charities in an effort to alleviate hunger and minimise wastage. The programme donated an average of 200 kg of produce quarterly to 5 active charities

INTELLECTUAL CAPITAL

The Consumer Foods and Retail industry group constantly strives for excellence in its service and product quality. The Consumer Foods sector ensured the continuous safety in its production process and supply chain while the Retail sector ensured ethical sourcing, fresh high quality produce and world class services to consumers. The industry group's businesses have obtained international quality standards with assurance renewed annually through third party verification. Both CCS and KFP adhere to standards stipulated by the Sri Lanka Standards Institute and are on par with international best practice with respect to process excellence.

The material aspects identified under Intellectual capital are as follows:

- **Product and service quality**
- **Responsible labelling and marketing communications**
- **Technological enhancements towards enhancing process excellence**

Relevance/Implication	Targets	Initiatives
Financial, regulatory, brand reputation and business continuity implications	• Responsible reformulation of recipes to ensure the highest standard of nutrition and adherence to health regulations and guide lines • Formulation of new products and portfolio extensions to create value for money products • Ensuring effective and responsible communication of nutrition facts and raw materials used -	• The calorific sugar content in beverages was reduced through the use of Stevia; a natural sweetener with zero calories. As such, the sugar content of major CSD brands was further reduced by approximately 45 per cent • Sugar free variants of several flavours of the CSD portfolio were developed • New flavour variants were introduced in the "Fit-O" fruit juice category; the non-CSD portfolio was also reformulated to include natural flavours • Three types of flavoured milk formulations were developed using fresh milk. No added skimmed milk powders were used in the reformulation to ensure the highest standard of nutrition and flavour profile • KFP launched RTE convenience frozen meals which included frozen white and red rice variants , spaghetti, pasta , chicken fried rice, biriyani among others • The company also launched its ambient curry range which included the following flavours; ▪ Polos curry ▪ Ambarella curry ▪ Dry fish curry • JMSL obtained SLS certification for over 50 Keells stores and in-store bakeries • CCS changed the packaging of its product "Twistee" from PET to tetra packaging in an effort to better preserve the quality of the product. The change in packaging has also enabled longer shelf life and efficiencies in the product's supply chain • Of the 537 stock keeping units which are either manufactured by the Consumer Foods sector or obtained via private labelling arrangements at the Retail sector, ▪ 80 per cent carried information on the ingredients use ▪ 1 per cent carried information on raw material sourcing ▪ 42 per cent and 92 per cent carried information on safe use, and responsible disposal of products, respectively

Strategy and Outlook

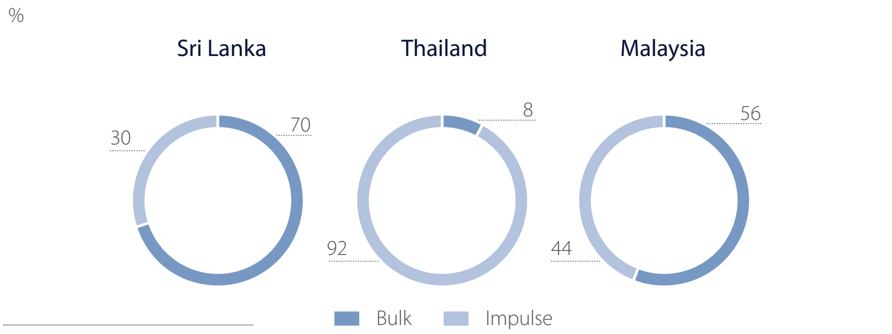
The subdued consumer confidence is likely to continue in the first half of the ensuing financial year given the Government's continued fiscal consolidation efforts, depreciation of the Sri Lankan Rupee and upward revision of fuel prices through the introduction of a fuel pricing formula. Notwithstanding these impacts, there were signs of a pick-up in consumer demand in some product categories. Despite the uncertainty surrounding the near term performance of consumer markets, the growth in prosperity and the resultant changes in consumer consumption and life styles are anticipated to drive growth in the medium and long term. Although off a relatively lower base, the Group expects growth from the outskirts of Colombo to be significantly higher than growth stemming from urban markets. Against this backdrop, the businesses within the Consumer Foods sector will continue to explore options to venture in to different verticals within the consumer foods industry thereby broadening its scope and portfolio.

The Sri Lanka per capita beverage consumption, at 10 litres, continues to be well below its regional average, signifying a unique opportunity within the industry. CCS will capitalise on this opportunity through a strong pipeline of products catered to the ever-evolving life styles of consumers. CCS will also invest in research, development and innovation to expand the sugar free range; "GO Sugar Free", while also striving to reduce the sugar quantum in beverages up to a 50 per cent in a range of selected flagship products through natural substitutes such as "Stevia", while keeping the flavour profile intact.

Coupled with the implementation of excise duty on sugar which resulted in higher selling prices and the emergence of a health-conscious consumer, the long-term growth potential of the carbonated soft drinks industry may be moderate and not reach the significantly higher per capita consumption levels seen in other countries. Despite this expected moderation of growth, the overall prospects for the beverage industry continue to be promising, given the uptake of alternate beverage options by the health-conscious consumers. Against this backdrop, driven by the evolving needs of the health-conscious consumer, the business will also seek to expand its beverage offering to products such as dairy, juices and water. The Group is confident that the return profiles of such products, which are already well established in the market, are lucrative and will generate promising growth for the Beverage business in the long-term. CCS will leverage on the "Elephant House" brand presence and its established distribution network in doing so. To this end, CCS will also explore enhancement in the flavour profiles, in both the flavoured milk and fruit juice segments, with a view to strike a more robust balance between CSD and non-CSD beverages, in order to strategically position itself to capitalise on the long-term prospects of the Beverage industry, as discussed in the External Environment and Operational Review section of this industry group report.

The penetration of ice cream continues to be low in comparison to developed countries, with per capita ice cream consumption currently standing at 2.0 litres. Additionally, as indicated by the graphs below, the bulk-impulse mix of regional markets are highly skewed towards the impulse markets, demonstrating the significant potential for the impulse category in the overall ice creams market. To this end, CCS projects a similar shift in the mix over a period of time and has taken a multitude of steps towards enhancing capacity and expanding the range, to cater to such envisaged demand.

Bulk : Impulse mix compared to regional peers



Source: Company sources

SRI LANKA'S MODERN TRADE PENETRATION AT 16 PER CENT IS ONE OF THE LOWEST IN THE REGION, SIGNIFYING THE OPPORTUNITY AND NEED FOR FURTHER EXPANSION IN THIS SECTOR.

The impulse production facility is expected to be pivotal to the long-term growth prospects of the business, given its scalability and operational efficiencies as discussed in the External Environment and Operational Review section of this Report. In addition to production efficiencies, the facility will enhance the scope and the portfolio of the business, mitigating the need to import impulse products under the "Elephant House" brand at a higher cost. As such, the production of impulse products domestically will further improve margins of the business and availability of products. However, it is noted that the significant investment in this facility and associated depreciation of the infrastructure coupled with the financing expenditure, is likely to impact the financial performance of the business in the short term. To ensure successful distribution from factory to customer, particularly given the significant capacity enhancement, the Frozen Confectionery business will place significant emphasis on retail channel development by way of investment in trade development activities, freezers and coolers, among other route to market initiatives to maximise the benefit from the installed capability.

The expansion of the Convenience Foods portfolio is an ongoing priority, given the greater emphasis on the "health conscious" consumer and the growing need for "convenient" main meal options. As such, KFP will launch its first instant rice range and canned convenience food range in the ensuing year, developed to deliver on nutrition and convenience. The Group believes that the RTE meals range, inclusive of the "Instant rice" range, will revolutionise the convenience meals market in Sri Lanka, paving the way for the business to increase its market share as a trusted and leading convenience meals provider, over its other processed food competition. Added focus will also be placed in the ensuing year on KFP's export strategy, which is aimed at increasing volumes to the Maldives.

Sri Lanka's modern trade penetration at 16 per cent is one of the lowest in the region, signifying the opportunity and need for further expansion in this sector (Thailand: 40 per cent, Malaysia: 49 per cent, Indonesia: 12 per cent). It should be noted that the population per store in Sri Lanka is also significantly higher than that of other comparable countries, although this statistic should also be looked at in the context of store format, population density and other country specific factors. Leveraging on this unique opportunity, coupled with the growth in urbanisation and connectivity within the country, the Retail business of the Group will continue to invest in expanding its store footprint with greater emphasis on expanding outside the Western province. Investments of approximately USD 90 million will be undertaken over the next 2 years to significantly grow the outlet network, in addition to the investment in the Distribution Centre. Whilst margins will be negatively impacted as a result of this investment phase due to new stores taking time to ramp up sales, the funding costs associated with the investments will reflect in the PBT of the business. EBIT and EBIT margins will be reflective of the underlying growth of the business which will remain encouraging. Overall, EBIT and PBT margins will reach a steady state in the ensuing years once the aggressive store roll out normalises, where the base of existing stores in any case will be much higher. The Retail sector anticipates to roll out 250 stores by 2022/23.

In terms of the ability to expand the outlet network, securing the required land for development within proximity to residential neighbourhoods in the suburban areas has proved to be challenging so far. However, it is encouraging that the business has been able to secure a number of land plots for development as at 31 March 2018.

The Group acknowledges that the key challenges faced by the Retail sector will primarily stem from managing labour and ensuring consistent quality and process excellence across its store footprint. To this end, further investments will be made to improve and optimise the store layout and offering under the new brand guidelines in the ensuing years, thereby enhancing the brand value to epitomise the "fresh" promise of the retail operation. As mentioned previously, it is noted that the new brand is expected to be rolled out across all existing operational stores by November 2018. The brand revamp is expected to contribute towards positioning the business amongst its customers, and also places the business in good stead to withstand impacts from international competition, which materialised for the first time in Sri Lanka in 2017/18.

The Retail business will continue to focus on differentiating the shopping experience to its customers through the quality of its produce, particularly in the fresh products ranges, whilst also driving service standards and customer care. Nexus Mobile, the loyalty programme of the Retail business, will continue to add value, enabling the business to identify key trends in customers and shopping lifestyles using data analytics.

Financial Services

During the year under review, NTB launched "FriMi" Sri Lanka's first digital bank

Vision and Scope

The segment is engaged in a broad range of financial services across insurance, commercial banking, debt trading, fund management, leasing and stock broking, with a vision of becoming leaders in the respective segments through proactive customer centricity and digital adoption

Insurance

Banking and Leasing

Stock Broking

Contribution to JKH Group

13%	Revenue
30%	EBIT
6%	Capital employed
1%	Carbon footprint

CARBON FOOTPRINT

1,417 MT

(2016/17: 1,391 MT)

EBIT

Rs.8.58 bn

(2016/17: Rs.2.10 bn)

Industry Group Structure

Financial Services

Insurance
Union Assurance (UA) offers comprehensive insurance solutions in the life insurance segment while general insurance solutions are offered through its equity accounted investee Fairfirst Insurance Limited

Banking
Nations Trust Bank (NTB) offers complete banking solutions through its network of branches for corporate, retail and SME clients, and is the sole acquirer and the exclusive issuer of the flagship centurion product range of American Express cards in Sri Lanka

Stock Broking
John Keells Stock Brokers (JKSB) is one of the leading stock broking companies in Sri Lanka and has a number of trade execution relationships with leading foreign securities houses

Key Indicators

Inputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Total assets	47,494	41,725	14	35,878
Total equity	15,024	7,592	98	7,135
Total debt	253	138	83	106
Capital employed[1]	15,277	7,730	98	7,240
Employees (number)[2]	827	814	2	803

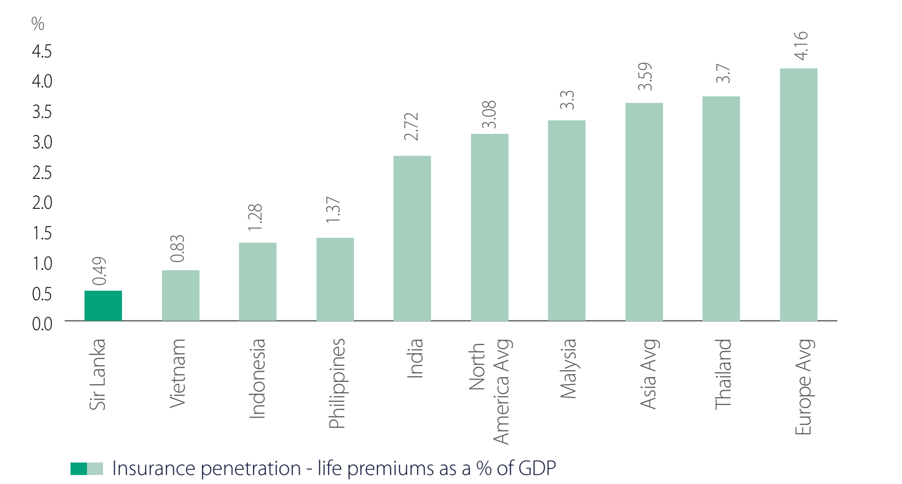
Outputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Turnover[3]	17,221	14,056	23	11,896
EBIT	8,580	2,097	309	2,301
PBT	8,579	2,097	309	1,699
PAT	8,569	2,042	320	1,718
EBIT per employee	10.4	2.6	303	2.9
Carbon footprint (MT)	1,417	1,391	2	1,407

1. For equity accounted investees the capital employed is representative of the Group's equity investment in these companies
2. As per the sustainability reporting boundary
3. Revenue is inclusive of the Group's share of equity accounted investees

External Environment and Operational Review

The expansion of Sri Lanka's financial services industry continued in the calendar year 2017, with the industry recording a growth of 9.4 per cent and accounting for 13.4 per cent of Sri Lanka's GDP.

Insurance penetration



On the policy front, several measures were enacted by the Central Bank of Sri Lanka to promote a dynamic and resilient financial services industry. These include the introduction of a transparent market-based auction framework for Government securities issuances, the new Foreign Exchange Act to augment the performance and efficacy of foreign exchange transactions, the implementation of Basel III including the strengthening of the framework to regulate non-banking financial institutions, and measures to digitise and further streamline the payment and settlement infrastructure, among others.

THE EXPANSION OF SRI LANKA'S FINANCIAL SERVICES INDUSTRY CONTINUED IN THE CALENDAR YEAR 2017, WITH THE INDUSTRY RECORDING A GROWTH OF 9.4 PER CENT AND ACCOUNTING FOR 13.4 PER CENT OF SRI LANKA'S GDP.

The life insurance industry continued its growth momentum, recording a 13 per cent growth in gross written premiums (GWP) generating Rs.72 billion in CY2017 [CY2016: Rs.64 billion]. Life Insurance penetration in Sri Lanka witnessed a marginal increase from 0.48 per cent to 0.49 per cent of GDP in the calendar year 2016 but remains one of the lowest penetrated markets in the South Asian region, underscoring the significant potential available for the business.

Union Assurance PLC (UA), the Life Insurance business of the Group, performed well during the calendar year, recording a GWP of Rs.10.12 billion, a growth of 22 per cent, which was well above the average industry growth of 13 per cent. The growth in GWP was predominately driven by product development initiatives, particularly in the retirement and health segments, reforms in agency structure and transformation initiatives in the distribution channel.

The agency channel grew by 20 per cent during the year while the bancassurance channel, albeit from a lower base, recorded a growth of 53 per cent, where growth in both channels were driven by restructuring of the leadership of the respective channels, realigning incentive and recognition structures and a focus on talent acquisition. It is encouraging to note that preliminary sign-ups with banks to expand the bancassurance channel has been promising and signifies the prospects of this channel.

UA, which is now in its 30th year of operations in the Life insurance market, was the third largest new business producer in the industry, recording a 25 per cent growth in new business and regular premiums during the calendar year 2017. Against this backdrop, UA's market share surpassed 14 per cent as at 31 December 2017 a growth of 1.2 percentage points over the previous year.

On the regulatory front, as stipulated by the new Inland Revenue Act No. 24 of 2017, effective from 1 April 2018, life insurance companies will be taxed on the surplus transferred to shareholders from the policy holders fund, and the investment income generated on the shareholder fund net of expenses incurred in the production of such income, as opposed to the previous tax basis; "I-E" (Investment income - Management Expenses).

Union Assurance PLC is liable to income tax at 28 per cent in 2017 (2016 - 28 per cent) in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto. Currently, UA does not have an income tax expense as the business continues to report taxable losses.

As per the actuarial valuation carried out during the calendar year, the Life Insurance business generated a surplus of Rs.3.64 billion.

As per the Insurance Regulatory Commission of Sri Lanka (IRCSL) guidelines, UA transferred a one - off surplus of Rs.3.38 billion attributable to non-participating and non-unit fund of unit linked business, from the life policyholder fund to the life shareholder fund. Distribution of such reserve is restricted by IRCSL guidelines. UA continued to work closely with the IRCSL to optimise the implementation of regulations that enable industry growth while safeguarding policyholder interests.

A detailed discussion of the financial implications of the one-off surplus follows in the Financial and Manufactured Capital section of this discussion

UA executed multiple digital initiatives to keep abreast with industry trends while providing cutting-edge products and services to its clients. To this end, the business invested in "eBaoTech"; a system which enables automation and real-time analysis of internal processes. The system migration will facilitate efficiencies in key aspects of the claim settlement process and the simplification and acceleration of product creation and modification. This will also pave way for seamless flow of information within the operational process to assure end-to-end excellence in service delivery, and in developing evolving products that will enhance value to end consumers. In keeping with creating value to the end consumer, UA launched several new products such as;

- "Union Pension Advantage" - a universal life product that builds a fund for retirement, targeting the retirement needs of the ageing population in Sri Lanka
- "Union Smart Health Plus+" - a life insurance product which serves beyond protection, interlinking and driving healthy lifestyle choices to create value

Fairfirst Insurance Limited, the General Insurance business in which the Group has a stake of 22 per cent, recorded encouraging premium growth of 34 per cent during the calendar year 2017, with a market share of 11 per cent.

The overall performance of the Banking industry was driven by asset growth of 15 per cent via the expansion of credit and investment portfolios against a backdrop of strong credit demand. Total advances within the industry increased by 19 per cent on account of increased lending towards key growth sectors of the economy; tourism, transport and trade.

UA, WHICH IS NOW IN ITS 30TH YEAR OF OPERATIONS IN THE LIFE INSURANCE MARKET, WAS THE THIRD LARGEST NEW BUSINESS PRODUCER IN THE INDUSTRY, RECORDING A 25 PER CENT GROWTH IN NEW BUSINESS AND REGULAR PREMIUMS DURING THE CALENDAR YEAR 2017.

THE OVERALL PERFORMANCE OF THE BANKING INDUSTRY WAS DRIVEN BY STRONG ASSET GROWTH OF 15 PER CENT VIA THE EXPANSION OF CREDIT AND INVESTMENT PORTFOLIOS AGAINST A BACKDROP OF STRONG CREDIT DEMAND.

Nations Trust bank (NTB) witnessed encouraging growth in the year under review driven by strong growth in loans and advances, and deposits. The growth of loans and advances, and deposits at 25 per cent and 28 per cent, exceeded the industry average of 19 per cent and 18 per cent, respectively. It should be noted that the growth in loans and advances was primarily driven by the Retail, SME and Corporate loan book, and to a lesser extent, by the growth in Leasing, resulting in the continuous rebalancing of the portfolio as initiated in the calendar year 2016. On the regulatory front, the removal of the interest rate ceiling of 24 per cent on credit cards with effect from July 2017 augured well for NTB, partially off-setting the impact of the marginal contraction in net interest margins (NIMs) during the calendar year 2017 [CY2017: 4.4 per cent against CY2016: 4.5 per cent].

The launch of the product "Max Bonus" with a focus on current account and savings account (CASA) sales at branches, the launch of digital solutions with cross sales initiatives within the bank to capture the full wallet and the cash flow cycle of the customers, collectively enabled NTB to improve the CASA to total deposits to 28 per cent. NTB's cost to income (CI) ratio improved to 52 per cent during the year [CY2016: 56 per cent] as a result of increased volumes resulting in higher net interest income (NII) while lean initiatives supported the improvement of productivity and management of costs. NTB also implemented an Asset Liability Management (ALM) System) to strengthen the analytical capabilities and thereby increase the spread of the Bank. This system which encompasses gap analyses, value-at-risk (VaR) methods, stress testing tools and risk reporting capabilities enables better visibility of risk limits and triggers and aids robust monitoring of risk.

In furtherance of the Bank's focus on expanding the SME portfolio, NTB secured a USD 50 million facility from the International Finance Corporation during the year under review. The Bank also raised Rs.3.20 billion of capital by way of a rights issue of 40,105,614 ordinary non-voting convertible shares in February 2018 which permits shareholders to convert shares on a quarterly basis to ordinary voting shares. JKH applied for an allotment of shares in addition to its entitlement in the NTB rights issue, amounting to an investment of Rs.1.45 billion resulting in an increase in the effective economic interest of JKH in the Bank to 32.16 per cent. Given the capital adequacy requirements, the Bank issued a Basel III - compliant debenture of Rs.3.5 billion in order to further strengthen the Tier 2 capital of the Bank. The issue which was opened on 11 April 2018 was oversubscribed. Dividends were paid in the form of scrip dividends in the proportion of 1:38.46, pursuant to which a further 5,991,740 ordinary shares and 1,042,499 ordinary non-voting convertible shares were listed on the Colombo Stock Exchange (CSE). Capital adequacy remained well within regulatory requirements with Tier I and total capital ratios at 10.8 per cent and 13.9 per cent respectively at the end of CY2017.

The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL), by letter dated 12 October 2017, informed the Bank that the Monetary Board of the CBSL has permitted the John Keells Group and Central Finance Group to retain their respective current voting shareholdings in the Bank till 31 December 2020, and to reduce it to 15 per cent, each, with effect from that date. The Monetary Board has also required the Bank to limit the voting rights of the John Keells Group and Central Finance Group to 10 per cent with effect from 31 March 2018.

The year under review marked a significant milestone for the Bank in terms of delivering inspired innovative banking solutions with the launch of "FriMi"; the country's first digital bank, which enables any Sri Lankan to open a bank account using a smart phone. "FriMi" is a next-generation bank account, payment system and e-wallet that will offer convenience, speed and added value to the diverse customers using one integrated digital platform. "FriMi" also provides easy and simple options to the merchants to accept cashless payments through QR codes or mobile to mobile transfers, seamlessly to their bank accounts. The bank is confident this is a game changer which will shape the future

DESPITE SUBDUED LOCAL INVESTOR SENTIMENT THE STOCK BROKING BUSINESS OF THE GROUP, JOHN KEELLS STOCK BROKERS (JKSB) WITNESSED GROWTH IN THE YEAR UNDER REVIEW.

of banking in Sri Lanka. NTB also launched "Kaffeine Labs"; Sri Lanka's first financial sector innovation lab to explore and deliver futuristic solutions which will support the strategy of the bank to bring about a transformative customer experience. The innovation lab also held the first ever hackathon in Sri Lanka's financial services sector, which helped aspiring, future entrepreneurs to showcase their innovations and compete for start-up funding. "Kaffeine Labs" is expected to provide the bank with a new dimension; a tech start-up culture being developed alongside a prudent banking culture to challenge the status quo and disrupt prevailing business models.

In furtherance of its digitally driven strategy NTB launched open API (Application Programme Interface) banking in April 2018. The platform enables users to build applications and services around the bank, thereby integrating NTB's services directly into the user/business' own systems to create an efficient communication platform between the bank and own operations. NTB is confident that the introduced platform will provide a myriad of opportunities within the SME and start-up space while also propelling the Sri Lankan banking industry into the future.

During the year under review, the Colombo Stock Exchange produced positive returns against the negative trend displayed in 2016. Increase in foreign inflows during the period under review giving rise to a significant increase in the average daily turnover and other favourable long term macro related factors such as passing of the new Inland Revenue Act, the Foreign Exchange Act, the completion of the Hambantota port deal and clarity on the monetary policy stance of the CBSL, supported the performance of the CSE. However, extreme weather conditions, higher inflation, a slowdown in consumption, and an increase in taxes for certain sectors had a negative bearing on earnings of listed corporates except for Banking and Insurance sectors influencing the performance of the indices and thereby the performance of the Stock Broking industry.

Further details on the overall stock market and its performance can be found in the Share Information section of this Report.

Despite subdued local investor sentiment the Stock Broking business of the Group, John Keells Stock Brokers (JKSB) witnessed growth in the year under review. On the regulatory front, all broking businesses were mandated to maintain a minimum shareholder fund requirement of Rs.100 million with effect from 1 January 2018 in order to further strengthen the stability of the industry.

JKSB also focussed on aligning its processes and systems with client needs and introduced efficiency enhancing and cost management initiatives in front office and back office operations of the company.

The NTB smart branch at the World Trade Centre, Colombo

Capital Management Review

Progressing from the discussion on the External Environment and Operational Review, the discussion that ensues captures the forms of Capital available, and how each of these forms of Capital are honed to create value for all stakeholders.

The discussion on the Capitals, where relevant is structured to emphasise goals, targets and initiatives undertaken under each of the Capitals

Goals under relevant Capital → Targets we set for ourselves → Our initiatives

FINANCIAL SERVICES INDUSTRY GROUP REVENUE

Rs.17.22 bn

Growth of 23 per cent

FINANCIAL AND MANUFACTURED CAPITAL

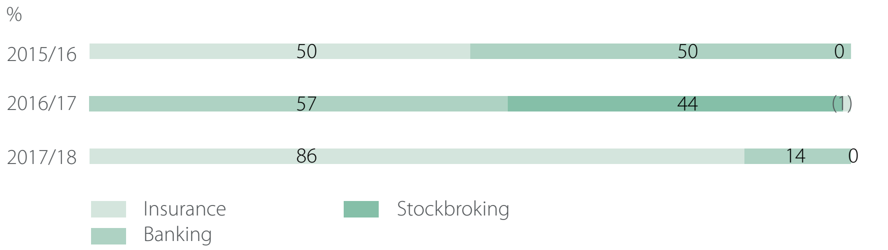
As at 1 April 2017, the Financial Services industry group had total assets of Rs.41.72 billion, debt of Rs.138 million and an opening equity capital of Rs.7.59 billion.

Financial Performance

Profit After Tax

- As the key businesses within the industry group comprise of the Banking and Insurance sectors, the ensuing discussion will predominantly focus on PAT, in order to capture the net earnings of the businesses as reflected in the financial statements of the Group
- PAT of the industry group increased by Rs.6.53 billion to Rs.8.57 billion in the year under review [2016/17: Rs.2.04 billion]
- The significant increase in profits in the industry group was on account of the Life Insurance business; Union Assurance PLC (UA) which recorded a 566 per cent increase in PAT to Rs.7.23 billion in the year under review [2017/18: Rs.1.09 billion]. UA recorded an annual life insurance surplus of Rs.3.64 billion [2016/17: Rs.1.10 billion] and a one-off surplus of Rs.3.38 billion.
- It should be noted that the life insurance surplus of Rs.3.64 billion [2016/17: Rs.1.10 billion] was the optimum value transfer for 2017 as indicated by the independent actuary. This is expected to normalise in line with the usual course of operations going forward
- The earnings of the Insurance business excluding the one-off surplus as discussed in the Group Consolidated Review section of this Report is Rs.3.85 billion an increase of 255 per cent against the previous year. Similarly, PAT of the industry group, excluding the one-off surplus, is recorded at Rs.5.19 billion, an increase of 154 per cent
- Fairfirst Insurance Limited; the associate company having interests in the general insurance business, witnessed a PAT increase of 86 per cent in the year under review driven by healthy topline growth as outlined in the External Environment and Operational Review section of this industry group report
- The Group's share of PAT of equity accounted investee, NTB, increased by 31 per cent to Rs.1.17 billion on the back of the strong growth in loans and advances
- John Keells Stock Brokers (JKSB) recorded a PAT growth of 164 per cent in the year under review

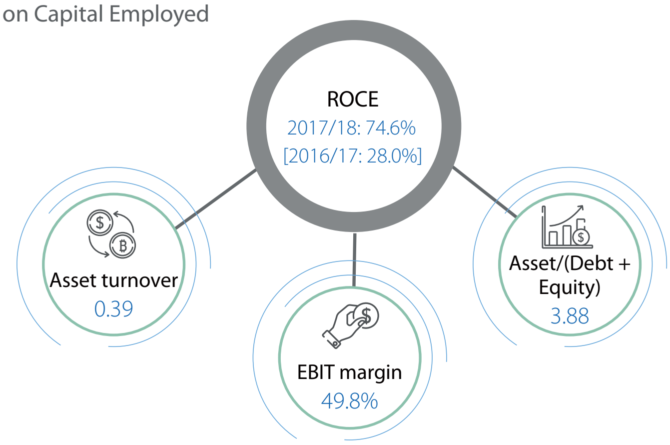
PAT



Borrowings and Finance Expense

Total debt pertaining to the industry group as at 31 March 2018 was Rs.253 million, an increase of 83 per cent [2016/17: Rs.138 million] against the comparative year. The finance expense of the industry group increased to Rs.337 thousand, an increase of 74 per cent against the previous year [2016/17: Rs.194 thousand] primarily as a result of a notional interest expense recorded at UA

Return on Capital Employed



Return on Capital Employed (ROCE)

- The ROCE of the industry group was recorded at 74.6 per cent as compared to the previous year's ROCE of 28 per cent. The increase is primarily attributable to the higher earnings reported by the Insurance business. The ROCE of the industry group excluding the one-off surplus of Rs.3.38 billion is 54.5 per cent
- The asset base of the industry group increased by 14 per cent to Rs.47.49 billion
- The asset turnover of the business was reported at 0.39 times compared to the 0.36 times in 2016/17

PAT OF THE INDUSTRY GROUP INCREASED BY RS.6.53 BILLION TO RS.8.57 BILLION IN THE YEAR UNDER REVIEW [2016/17: RS.2.04 BILLION]

Indicators	Insurance	Banking	Stockbroking
Revenue and growth	Rs.11.59 billion, 20 per cent increase	Rs.5.45 billion, 27 per cent increase	Rs.184 million, 61 per cent increase
EBIT and growth	Rs.7.38 billion, 501 per cent increase	Rs.1.17 billion, 31 per cent increase	Rs.23 million, 192 per cent increase

NATURAL CAPITAL

The Financial Services industry group has a comparatively lower exposure to natural resources than other industry groups given the service-oriented nature of its businesses. Regardless, the industry group continuously strives to minimise negative environmental impacts from operations while creating value to its many stakeholders.

Indicators

	2017/18	2016/17	%
Carbon footprint (MT)	1,417	1,391	2

Carbon Footprint

- Insurance : 1,393 MT
- Stockbroking : 23 MT

Initiative	Brief Description
Minimising environmental impacts through sustainable energy conservation initiatives and better management of infrastructure across operations	• Installation of timer switches on split type air condition units at both head office and branches resulting in savings of over 117,000 kWh of energy annually • Installation of master key switches at head office enabling control of electricity usage after office hours resulting in savings of over 12,000 kWh of energy annually • Replacement of traditional lighting with LED lights at branches conserving over 155,000 kWh of energy annually
Responsible disposal of electronic waste and other through certified third party vendors	• Responsible disposal of over 200 florescent bulbs annually • Recycling of 20,000 kg of paper • Recycling of used toners and 1,330 kg of e-waste • Segregation of waste generated at all branches within the industry group leading to the disposal of 45 kg of food waste per day for use as animal feed in farms and recycling of used plastic and polythene • Operating of waste water treatment plants at selected branches enabling responsible discharge of treated water

HUMAN CAPITAL

The Financial Services industry group continued its initiatives to enhance its Human Capital productivity through training and development, especially the sales agents of UA.

As such UA implemented a number of initiatives to augment operational performance aimed at enhancing the value of Human Capital during the year under review.

To this end, incentive schemes of agents were revised in line with best practice, operating structure was de-layered to enable better flow of information and multiple strategies were executed for attracting and retaining talent, particularly pertaining to agents.

The material topics relevant to the Financial Services industry group identified under Human Capital are as follows:

- Talent management
- Occupational health and safety

The ensuing section discusses key targets under the aforementioned material topics and its corresponding impacts. The section also entails the various initiatives undertaken with a view to achieving relevant targets.

Number of Employees

- Insurance : 802
- Stockbroking : 25

Talent Management

Relevance/Implication	Targets	Initiatives
The need to retain and continuously upgrade the skills of existing staff, while developing a resource base of professionals	Build a high performing employee cadre and an agency force through training, development and education	• Conducting manager development programmes for career progression through skills development. The programme was extended to include outdoor adventure based exercises with focus on providing experiential learning opportunities to the participants • Workshops designed specifically to build leadership and competency development of employees to ensure employee satisfaction and retention • Continuation of programmes such as the "Ladder Project" and "Executive Development Programme"; aimed at empowering young entrants and strengthening the career path of the executive cadre respectively • Outsourced industry specific training programmes for the top tier of sales management • UA launched "Infinity Club" to recognise top achievers of the agency force which accounts for a significant portion of the workforce • Recognition of sales service advisors and team leaders for long-standing service periods • Launch of "eConsultant Insurance" in order to develop a digital and professional advisor force to cater to evolving consumer needs • Strengthening of the Bancassurance channel through better incentives and encouraging high performers through recognition

Occupational Health and Safety

Relevance/Implication	Targets	Initiatives
Providing a safe working environment to improve employee productivity	Strive to ensure a safe and healthy work environment	• The annual fire evacuation drill was carried out at the UA head office in association with the Colombo Fire Brigade

Indicators

	2017/18	2016/17	%
Injuries and diseases (number)	29	30	(3)
Total hours of training	10,462	13,553	(23)

SOCIAL AND RELATIONSHIP CAPITAL

The Financial Services industry group continued to conduct operations within statutory and regulatory requirements in line with global best practice, creating value to its stakeholders by providing world class services and high-quality products, while operating in accordance with the highest ethical standards and maintaining customer confidentiality.

The industry group constantly engages with the community through a range of initiatives catered towards creating a more empowered community, which in turn creates greater productivity and efficiency within the economy to drive growth.

The material topics identified under the industry group are:

- Customer satisfaction
- Community engagement
- Ethics, fraud and corruption

The ensuing section is a discussion on the relevant targets identified under each of the material topics and the related initiatives that were undertaken in view of achieving the stated targets

The significant suppliers within the industry group are illustrated below:

Significant Suppliers

- Janitors
- Security

Customer Satisfaction

Relevance/Implication	Targets	Initiatives
Negative impact on key customer accounts, investor and client confidence	• Maintain high quality standards within the operating environment enabling the efficient and productive delivery of services	• Value addition through various digital initiatives and implementation of paperless operations, where possible • Development and launch of several innovative digital solutions such as FriMi

Community Engagement

Relevance/Implication	Targets	Initiatives
Proactive community engagement towards building trust and promoting brand image	• Ensure sound living standards within the community that the company operates in • Awareness and prevention of diseases such as Dengue and Diabetes in the country	• UA launched its CSR brand, titled "Union Manushyathwaya – Danuwath, Suwapath, Yahapath Hetak", with the aim of promoting health and well-being around the country through the dissemination of vital information on diseases such as Thalassemia, Dengue and Diabetes • Prevention of Epidemic Diseases - UA in collaboration with the Divisional Ministry of Health (DMOH) and the Public Health Department (PHD) of the Colombo Municipal Council (CMC) conducted island-wide dengue awareness programs ▪ Dengue sticker campaign ▪ Direct mailer campaign ▪ Pilot Project : Kirulapone **Impact:** • 100,000 stickers contributed for public display • 335,569 subscribers on the mailing campaign • First phase of the dengue pilot project executed within Kirulapone - commenced in January 2017 impacting 750 families • Cleanup and inspection at Maliyadeva Girl's College • Total investments: Rs.2,272,184 • The industry group conducted programmes to create awareness on Thalassemia and the prevention of such diseases in collaboration with the Ministry of Health. The programme had a special focus on educating children, school teachers and parents on prevention and care **Impact:** • Number of programmes conducted: 22 • Number of total screening conducted: 82 • Total Investment: Rs.2,610,349

Thalassemia awareness and prevention programme organised by UA to help educate children and school teachers

Relevance/Implication	Targets	Initiatives
		• The industry group also developed diabetes pre-screening programme models with the PHD and the DMOH offices in commemoration of the World Diabetes Day 2017 aimed at identifying individuals at a potential risk of diabetes and directing them towards preventive medical attention **Impact:** • An island-wide Diabetes campaign with 38 screening programmes were carried out together with the Ministry of Sports and the MBC Network in August and September 2017 • A direct mailer campaign was also implemented targeting an audience of over 90,000 persons, particularly women and young girls

Ethics, Fraud and Corruption

Relevance/Implication	Targets	Initiatives
Impact on brand reputation and possible regulatory non-compliance	• Zero breaches of the Code of Conduct specified by the Group, particularly pertaining to fraud and corruption	• A thorough coverage of corruption and unethical behaviour under the overall risk management process of the Group, particularly considering the relevance to the Financial Services industry group • Intermittent/recurring internal reviews and audits as a continuous approach towards mitigating fraud and corruption

INTELLECTUAL CAPITAL

Given the dynamic nature of the financial markets, the Financial Services industry group takes proactive steps to innovate and strengthen processes and product offerings to its customers. Listed below are some of the initiatives undertaken during the year under review.

Initiative	Brief Description
Product development	• Launch of "Union Pension Advantage Plan" by UA which allows the insured to receive monthly pension payments, commencing from a chosen retirement age • Development of "Union Investment Plus", a single premium investment policy developed and launched targeting reinvestment of maturity payouts • Introduction of "Lady Care Critical Illness Cover", an additional cover attached to the life policy where a lump sum is paid to the policyholder in the event of diagnosis of a listed critical illness • Launch of "FriMi"; Sri Lanka's first digital bank, next-generation bank account, payment system and e-wallet that will offer convenience, speed and added value to the Bank's diverse customer base • Launch of "Kaffeine lab", an innovation centre, core to the Bank's strategy of institutionalising innovation, disruption and change as the Bank invests in developing into a lifestyle partner • Launch of open API (Application Programme Interface) banking in April 2018
Efficiency and productivity related improvements at UA	• UA enhanced automated underwriting rules to facilitate speedy acceptance of new proposals thereby encouraging advisors to submit proposals digitally to save paper. 94 per cent of all proposals are now submitted digitally. • Improvements made to the Bancassurance channel through the introduction of "Activity Management Module" for leads management. This enables monitoring and tracking activities related to the leads, particularly viewing and monitoring the status of leads that respective banks have given, thereby fostering clear visibility and increasing transparency • Simplification of policy documents through video based explanatory guides and QR codes to communicate policy conditions • System development for "eConsultants", a new platform that enables the sales channel to work from anywhere with any customer across the world
Brand consolidation, social media and communications	• UA's brand value increased by 46 per cent to Rs.1.80 billion, in 2017/18 while also being recognised as the Most Respected Insurance Company in the Insurance industry in the LMD Most Respected Entities 2017 • NTB launched a cloud-based HR system which automated all aspects of staff administration, enhancing the user experience for staff and making HR processes simple • Launch of "Ask Amanda" - a Facebook messenger based Chatbot, which is a chat-based product recommendation engine which provides life insurance solutions for targeted audience through Facebook campaigns while facilitating further features to view policy/benefit details and submit claims for existing customers

Initiative	Brief Description
Awards and accolades	• UA was recognised as one of the 20 Great Places to Work in Sri Lanka for the 5th consecutive year by the Great Place to Work Institute • UA HR practices were recognised with two awards at Sri Lanka Best Employer brand awards organised by the World HRD Congress. UA achieved the title 'Best Employer Brand Award' along with the 'Dream Employer of the Year' award • UA won the platinum award for people development at the SLITAD people development awards 2017, organised by Sri Lanka Institute of Training and Development [SLITAD] becoming the only company to win the above title for 2 consecutive years • NTB won a category award for Corporate Governance at the Corporate Citizen Sustainability Awards 2017, conducted by the Ceylon Chamber of Commerce attesting to the soundness and effectiveness of the corporate governance practices and frameworks implemented by the Bank. • NTB's "FriMi" recognised as one of the top 30 best retail financial services by Asian Banker

Strategy and Outlook

The Central Bank of Sri Lanka (CBSL) expects the Sri Lankan economy to rebound to 5-5.5 per cent growth in the calendar year 2018, driven by the global economic recovery and increased domestic and foreign investment, particularly channelled towards large infrastructure projects. Given these developments and the envisaged increase in per capita income, the future prospects for the Life Insurance industry continue to be promising on the back of insurers playing a more active role in providing long term health and annuity solutions to an ageing population, particularly given the absence of a government pension scheme for all citizens and severe under penetration within the country in comparison to other regional peers.

Leveraging on the Insurance business's strong brand presence and cost-efficient processes, UA will continue to capitalise on the opportunities made available by the low life insurance penetration within the country, complemented by its digital strategy. UA will continue to capitalise on key customer segments and channels that demonstrate significant potential such as bancassurance through the development of differentiated, customer-oriented lifestyle products. Investments in this regard will continue to be a key focus area of the Life Insurance business in order to foster sustainable value creation. Agency transformation is expected to deliver end-to-end operational excellence from the initial point of contact, to underwriting and claim settlement. The business will also focus on data analytics for better insight in evaluating the market and devising product and growth strategies in the near term.

UA will continue to drive dynamic technological advancements through innovations and improvements aimed at driving efficiency and simplicity for better customer service. Higher emphasis will also be placed on creating innovative insurance solutions, which look beyond traditional insurance product designs, to encompass and integrate customised lifestyle solutions, similar to past initiatives such as "GOYO" and "Union Smart Health Plus+".

The requirement for training and development of its agency force continues to be identified by the management as a priority investment for the long-term sustainability and growth of the business. To this end, UA will continue its investments into the transformation of the agency cadre and bancassurance cadre. Given the service centricity of the business transformation, strategies will focus on the continuous improvement of the agency force through skills development and the retention of this trained talent pool. Coupled with experienced staff, UA will aim to grow the life insurance business through enhanced operational excellence by leveraging on its strong brand presence, a differentiated product portfolio, and IT enabled cost effective processes.

The overall dynamics of the Banking industry are expected to continuously evolve, driven by disruptive business models and technology with customers increasingly adopting convenient and credible platforms and channels, both globally and locally. Such evolving preferences, coupled with Sri Lanka's growth trajectory and the Government's vision of positioning Colombo as a regional financial hub, is expected to create lucrative opportunities in the Banking industry. To this end, NTB will continue to focus on delivering smart banking solutions and creating innovative products for its customers.

The Bank will continue to establish its position, driving growth across all business verticals. Operations will continue within an enhanced and comprehensive framework of policies to include more robust monitoring and wider measurement tools. It is also pertinent to note that SLFRS 9 will be implemented across the industry in 2018/19, principally changing the Bank's loan loss provision method from an incurred loss provisioning approach to a forward looking provisioning approach. The impact assessment for the implementation is currently underway to ensure compliance in 2018/19.

To cater to the evolving needs of customers, whilst driving growth across all business verticals, the Bank will focus on optimising the existing branch network and strengthening the Bank's offering to the mass affluent market through a gradual rebalancing of its portfolio. The Bank will continue to drive asset growth through risk reward metrics, execute strategies such as cross-selling to grow the existing customer base and re-engineer the operating model whilst enhancing the overall customer experience through innovation. The Bank will also focus on delivering digital banking solutions and migrating customers to digital platforms. Strategies will also focus on increasing the offerings to Corporate and SME clients.

The Stock Broking business will continue to pursue foreign tie-ups in order to strengthen its presence in the international markets whilst simultaneously working towards expanding its local client base through continued engagement via customer forums and one-on-one meetings aimed at local corporates, fund managers and high net worth individuals (HNWI).

The SEC Act, which is to be gazetted in 2018, is a positive step towards fostering better regulation and transparency. Initiatives such as the demutualising of the stock exchange in line with international best practice, the offering of a wider array of instruments, introduction of civil sanctions enabling greater flexibility in terms of enforcement actions, particularly relating to insider trading and market misconduct, will augur well for the long-term success of equity markets. Additionally, the broking industry, in liaison with the CSE and SEC, is expected to make further headway in upgrading the available infrastructure to include facilities that help better manage risk and enhance trading and settlement efficiency.

Information Technology

A conference room at the new JKIT head office

IT Services

Office Automation

IT Enabled Services

Vision and Scope

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

Contribution to JKH Group

8%	Revenue
2%	EBIT
1%	Capital employed
1%	Carbon footprint

CARBON FOOTPRINT

592 MT

(2016/17: 1,076 MT)

EBIT

Rs.463 mn

(2016/17: Rs.621 mn)

Industry Group Structure

Information Technology		
IT Services John Keells Computer Services (JKCS) offer software products and services to a wide range of clients in Sri Lanka and overseas • Core focus areas are in software engineering services and products targeted at the aviation and leisure industries	**Office Automation** John Keells Office Automation (JKOA) is the authorised distributor for the following office automation brands • Sole distributor for Toshiba B&W and colour digital multi-function printers (MFPs), offering managed print solutions and print now pay later (PNPL) digital copier rental solutions. • National distributor for Samsung Smart phones. Authorised distributor for Asus commercial series notebooks • Samsung Laser printers, hotel TV's, large format displays (LFD), RISO digital duplicators, RISO Comcolour printers, full colour inkjet printer Posiflex and FEC POS systems, Bixolon receipt and label printers, tabs, accessories, Lava mobiles and Hitachi projectors	**IT Enabled Services** Provider of shared service solutions in the finance, accounting, payroll verticals and data entry services to the JKH Group and external clients under InfoMate (operates with approximately 150 seats)

Key Indicators

Inputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Total assets	3,831	4,777	(20)	4,116
Total equity	1,342	1,983	(32)	1,951
Total debt	816	348	134	339
Capital employed[1]	2,158	2,331	(7)	2,289
Employees (number)[2]	659	1,075	(39)	985

Outputs(Rs.mn)	2017/18	2016/17	% Change	2015/16
Turnover	11,069	11,107	(0.3)	8,262
EBIT	463	621	(25)	161
PBT	431	612	(30)	148
PAT	360	468	(23)	96
EBIT per employee	0.7	0.6	22	0.2
Carbon footprint	592	1,076	(45)	1,269

1. For equity accounted investees the capital employed is representative of the Group's equity investment in these companies
2. As per the sustainability reporting bound

External Environment and Operational Review

Digital disruption, technological dynamism and process innovation has garnered significant traction across global industries in the past few years, on the back of enhanced connectivity, growth in digital infrastructure and social media platforms. The IT sector of the Group which provides digital solutions across a multitude of industries has witnessed a significant shift in the IT solutions required across its clientele. Client and consumer expectations regarding digital interaction is very dynamic, demanding the modern IT organisation to be more agile, innovative and flexible in creating solutions. In keeping with evolving consumer trends, the sector has become adept in creating innovative solutions and efficient and practical product designs using approaches such as design thinking, data analytics, predictive analysis and internet of things (IoT), among others.

Over the recent years, Sri Lanka has witnessed a significant growth in connectivity driven by higher penetration of electronic devices and growth within the telecommunications infrastructure in the country. The country's leading telecommunications provider noted that during the course of 2017, the broadband penetration level in the country increased exponentially driven by the growth in digital infrastructure, increased affordability of smartphones and successive reduction in broadband tariffs. The Sri Lanka Broadband Survey report for the calendar year 2017 indicates that over 95 per cent of the population access the internet through smart phones, while 16 per cent of the population are constantly connected to the internet.

DIGITAL DISRUPTION, TECHNOLOGICAL DYNAMISM AND PROCESS INNOVATION HAS GARNERED SIGNIFICANT TRACTION ACROSS GLOBAL INDUSTRIES IN THE PAST FEW YEARS, ON THE BACK OF ENHANCED CONNECTIVITY, GROWTH IN DIGITAL INFRASTRUCTURE AND SOCIAL MEDIA PLATFORMS.

In light of the significant digital adoption across the country, John Keells Office Automation (JKOA) recorded encouraging volume growth in its mobile phone category during the year under review. Although impacted by the general slowdown in consumer discretionary spending, the category recorded a volume growth of 15 per cent underscoring the significant growth potential of the product category. In light of the significant potential and leveraging on its service quality and brand recognition, JKOA secured exclusive agency rights for the full range of Samsung products in 14 out of 25 districts of the country. Samsung together with JKOA launched "Samsung S9" and "Samsung S9+" in March 2018, while releasing "Samsung Note 8" in September 2017. Impacted by the general slowdown in consumer discretionary spend during the year under review, JKOA recorded volume declines across the other product categories; notebooks and copiers. Despite recording a marginal contraction in volumes, JKOA maintained its market share in the notebook and copier product segments. The business also launched a new product range within its copier product line for Toshiba - e STUDIO in May 2017. In line with the Group's digitisation initiatives, these products were

THE GROUP'S BPO OPERATIONS IN SRI LANKA, INFOMATE, INCREASED ITS EXTERNAL CLIENT PORTFOLIO THUS CONCLUDING THE FINANCIAL YEAR SECURING OVER 40 PER CENT OF ITS REVENUE THROUGH ITS EXTERNAL CLIENT BASE. THE BUSINESS CARRIED OUT SEVERAL ROADSHOWS AND PITCHES, SECURING A SIGNIFICANT CLIENT BASE, INCLUDING CLIENTS FROM AUSTRALIA, THE UNITED KINGDOM AND THE NORDIC REGION, CAPTURING MORE KNOWLEDGE INTENSIVE BUSINESS SERVICES.

marketed exclusively through digital channels, particularly through social media platforms, underscoring the customer reach and potential of such channels.

JKOA implemented a number of initiatives aimed at improving business efficiency and customer satisfaction. To this end, JKOA adopted a business-wide customer support module to enhance visibility and efficiency throughout the value chain, from sales agents to end consumers. The system enables the platform to create a value adding experience for end consumers, leading to higher consumer satisfaction and reduced after-care response time.

As discussed in the Annual Report 2016/17, John Keells Computer Services (JKCS), the software engineering and product vertical of the IT Services sector, and Strategic Group IT (SGIT), the Centre function which supports the IT requirements of the Group, launched its unified brand "John Keells IT" (JKIT) in August 2017. JKIT is an umbrella brand which encompasses the solution portfolios of both SGIT and JKCS, with a presence in the Asia Pacific (APAC), Middle Eastern and North African (MENA) markets. The operations under the brand are carried out under 5 main solution pillars; strategy, consultancy, digital, technology and operations.

The brand, leveraging on strategic partnerships with SAP, Microsoft and its own intellectual property (IP) created under "JKIT", has made headway in establishing itself in the aviation, hospitality, retail, manufacturing, real estate and public sectors in the year under review. JKIT takes a design centric approach based on design thinking on bimodal IT strategy powered by cutting edge solutions and techniques which include Internet of Things (IoT), Artificial Intelligence(AI), Robotic Process Automation(RPA) and big data among others.

In light of expanding its market presence in the MENA region, JKIT set up a branch office in Business Bay, Dubai in August 2017, while also exploring the possibility of setting up a branch in Malaysia.

During the year under review, JKIT secured 14 new clients in the software services vertical, both external and internal, leveraging on cross functional synergies within the Group. The multiple client engagements, both internally and externally, have resulted in significant knowledge enhancement and exposure in developing solutions for the Group as well. This is showcased in some of the projects and initiatives which JKIT undertook during the year under review;

- The business developed robotic process automation (RPA) tools for a leading apparel manufacturer in Sri Lanka to automate several backend processes of the business
- Initiated work on developing a cabin crew management system for a leading Middle Eastern airline
- Implemented digital platforms within the Retail sector for warehouse management and the tax division of the Group to ensure robust operations and an efficient process execution

JKCS, THE SOFTWARE ENGINEERING AND PRODUCT VERTICAL OF THE IT SERVICES SECTOR, AND STRATEGIC GROUP IT (SGIT), THE CENTRE FUNCTION WHICH SUPPORTS THE IT REQUIREMENTS OF THE GROUP, LAUNCHED ITS UNIFIED BRAND "JKIT" IN AUGUST 2017.

- Implementation of elements of IoT and data analytics within the Leisure, Retail and the Property industry groups of JKH
  - Development of customer analytics tools for Cinnamon hotels
  - Ongoing collaboration with the Property industry group to enable smart homes, living space and parking units
  - Group-wide launch of John Keells Employee Self Service (JESS); an interactive mobile application which is a single user platform for employee information access

The brand has allocated unified skilled labour resources towards creating composite solutions for clients while also evaluating a business wide Customer Relationship Management (CRM) system to enable better management and servicing of customers.

The Group's BPO operations in Sri Lanka, InfoMate, increased its external client portfolio thus concluding the financial year securing over 40 per cent of its revenue through its external client base. The business carried out several roadshows and pitches, securing a significant client base, including clients from Australia, the United Kingdom and the Nordic region, capturing more knowledge intensive business services. Clients secured include a globally acclaimed pharmaceutical company and a leading American commercial real estate services company, among others.

During the year under review, the Group divested its stake in its subsidiary, John Keells BPO Solutions India (Private) Limited, in September 2017 for a consideration of Rs.633 million, resulting in a capital gain of Rs.29 million, which is recognised under "Other Income" in the Group Consolidated income statement. The BPO business in India failed to reach the scale and market opportunity the Group had anticipated which led to the decision to divest the business.

Capital Management Review

Progressing from the discussion on the External Environment and Operational Review, the ensuing brief captures the forms of Capital available, and how each of these forms of Capital are enhanced to create value for all stakeholders.

The discussion on Capitals, where relevant, is structured to emphasise goals, targets and initiatives undertaken under each of the Capitals.

Goals under relevant Capital | Targets we set for ourselves | Our initiatives

INFORMATION TECHNOLOGY INDUSTRY GROUP REVENUE

Rs.11.07 bn

Decline of 0.3 per cent

FINANCIAL AND MANUFACTURED CAPITAL

As at 1 April 2017, the Information Technology (IT) industry group had total assets of Rs.4.78 billion, debt of Rs.348 million and an opening equity capital of Rs.1.98 billion.

Financial Performance

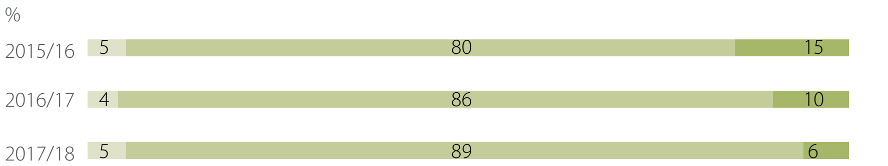
Revenue

- During the year under review, the IT industry group recorded a revenue of Rs.11.07 billion [2016/17: Rs.11.11 billion], with JKOA being the largest contributor.
- Excluding the BPO business in India (John Keells BPO Solutions India (Private) Limited) which was divested in September 2017, revenue of the industry group increased by 5 per cent to Rs.10.51 billion [2016/17: Rs.10.04 billion].
- JKOA recorded an increase in revenue of 3 per cent driven by price increases in some product categories
- John Keells Computer Services (JKCS) recorded an increase in revenue of 22 per cent as a result of higher volumes arising from entering new foreign markets
- Infomate, the Group's BPO operations in Sri Lanka, recorded a revenue growth of 69 per cent as a result of an expansion in its client base

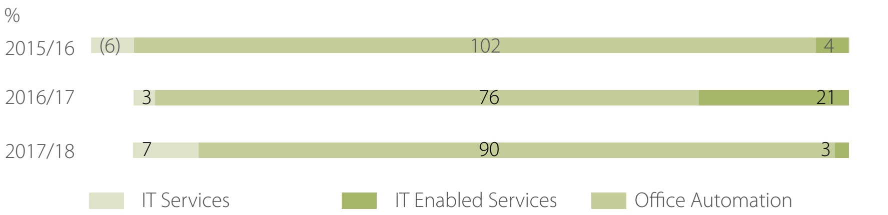
Earnings Before Interest and Tax (EBIT)

- EBIT of the industry group decreased by 25 per cent to Rs.463 million [2016/17: Rs.621 million]. The decrease is mainly on account of the previous year including a full year's EBIT from the Group's BPO operations in India. EBIT of the industry group excluding the BPO business was recorded at Rs.428 million against Rs.530 million recorded in the previous year
- The divestment of the BPO business which resulted in the recognition of a capital gain of Rs.29 million has been recognised under "Other Income" in the Group Consolidated Income Statements
- The decrease in the industry group EBIT was marginally offset by the EBIT recorded by JKCS, which represented an increase of 85 per cent for the financial year, driven by the aforementioned growth in revenue.

Turnover



EBIT



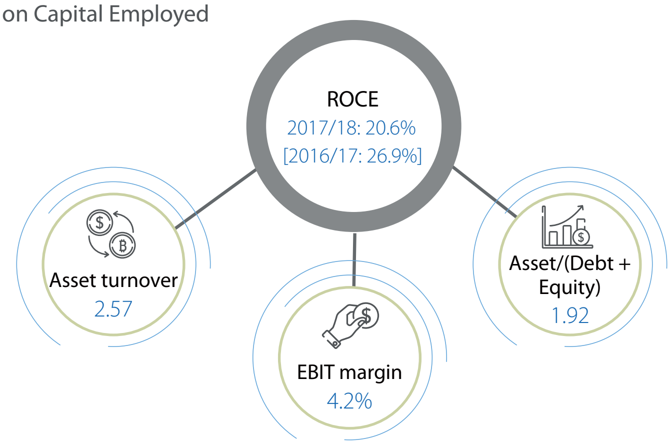
Borrowings and Finance Expense

Total debt of the industry group increased to Rs.816 million, a significant increase against the previous year [2016/17: Rs.348 million]. The increase in debt is primarily driven by bank facilities undertaken by JKOA. The finance expenses of the industry group increased by 231 per cent to Rs.32 million as a result of the increase in total debt levels combined with the higher interest rates on short term financing.

Return on Capital Employed (ROCE)

- The ROCE of the industry group was recorded at 20.6 per cent in the year under review, compared to 26.9 per cent recorded in the previous year. The decrease in ROCE is largely attributable to the decrease in EBIT, as outlined above, combined with the growth in the capital base as a result of the increased funding requirements
- The EBIT margins of the industry group decreased to 4.2 per cent from the 5.6 per cent reported in the previous year. Depressed margins were mainly on account of the decline in EBIT from the Office Automation business
- The asset turnover of the industry group was reported at 2.57 times compared to the 2.50 times reported in 2016/17 due to the aforementioned decline in revenue

Return on Capital Employed



Indicator	IT Services	Office Automation	IT Enabled Services
Revenue and growth	Rs.558 million, 22 per cent increase	Rs.9.85 billion, 3 per cent increase	Rs.660 billion, 42 per cent decrease
EBIT and growth	Rs.34 million, 83 per cent increase	Rs.418 million, 11 per cent decrease	Rs.11 million, 92 per cent decrease

NATURAL CAPITAL

The Information Technology industry group identifies that managing its carbon footprint and energy usage are material aspects of operating within the industry. In order to ensure operations are in line with the Group's Environmental policy, the industry group proactively monitors energy usage and continues to invest in energy efficient solutions through the adoption of new technologies. Electronic waste generated by the industry group is disposed of in a responsible manner, through third parties who reuse and recycle electronic waste, thereby operating responsibly and minimising the environmental impact.

The material topics relevant to the Information Technology industry group, identified under Natural Capital are as follows:

- Energy and emissions management
- Waste management

Carbon Footprint

- IT Services : 140 MT
- Office Automation : 235 MT
- IT Enabled : 80 MT

Energy and Emissions Management

Relevance/Implication	Targets	Initiatives
Financial implications and environmental responsibility	• Minimising electricity use by adhering to energy targets, efficient practices and awareness campaigns	• JKCS conducted heat insulation at all office premises to improve air conditioning efficiency and thereby reduce energy consumption • JKOA replaced existing lighting with LED lighting, and installed inverter type air condition units., which resulted in an annualised energy saving of 45,522 kWh • JKCS installed LED lighting at office premises as an initiative to reduce energy consumption

Waste Management

Relevance/Implication	Targets	Initiatives
Environmental and social responsibility, especially in terms of disposing e-waste and paper	• Responsible disposal and reduction in generation of e-waste and paper waste	• As per the Group's electronic waste policy the businesses responsibly disposed of its electronic waste through an e-waste disposal partner • All businesses consciously seek to minimise paper usage and all used paper waste was recycled through a certified contracted partner

Indicators

The JK BPO operation was divested as discussed in the External Environment and Operational Review section of this industry group report, and thus was excluded from the sustainability reporting scope after the first quarter of the year under review which has led to the significant decrease in the carbon footprint for the industry group.

	2017/18	2016/17	%
Carbon footprint (MT)	592	1,076	(45)

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

HUMAN CAPITAL

The management of Human Capital in a competitive industry such as the Information Technology industry is of significant importance, particularly given the need to ensure sustained service quality to consumers. Against this backdrop, the industry group has invested in training and development of staff to ensure the maintenance of such quality, whilst creating value to employees through strengthening career development and skill enhancement. The industry group continuously engages with universities and institutions, through workshops and internship programmes, enabling the Group to improve skills of potential recruits and also to increase the visibility of the businesses.

With the nature of the work in the Information Technology industry group being largely office based, businesses make it a priority to ensure such working conditions are of an acceptable standard for employees. Aspects such as ergonomic concerns, lighting and air quality are all considered with respect to the working environment. Given the 24 hour operations of some of the companies in the industry group, provisions are also made to ensure the safe commute of employees.

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

- Talent management
- Health and safety

The section below contains the implications of each material topics, targets for the long term and the initiatives undertaken during the year to meet the targets.

Number of Employees

- IT Services : 273
- Office Automation : 213
- IT Enabled Services : 173

Talent Management

Relevance/Implication	Targets	Initiatives
The need to retain and continuously upgrade the skills of existing staff, to ensure a pool of potential talent within the Group given the dynamic nature of the industry	• Continuous improvement of training, focussed on improving skills and knowledge • Engagement with local universities to build a pool of potential employees with requisite soft skills	• InfoMate, in collaboration with John Keells Foundation (JKF) and the Foundation for Advancing Rural Opportunity (FARO), continued their long-term collaboration, where some of the Group's invoicing functions are outsourced. This has enabled 48 rural and suburban youth in Mahavilachchiya, Seenigama and Jaffna to secure sustainable employment opportunities in close proximity to their respective residences **Impact:** • Total earnings recorded from the initiative : Rs.10 mn • Earnings have increased over 19 per cent from 2016/17 • Quality improvement of work completed has been measured in collaboration with internal quality checks and root causes analysis to ensure continuous improvement • JKF continued to support the formed BPOs in Mahavilachchiya, Seenigama and Jaffna through funding of infrastructure such as computers and office equipment while facilitating general training and sensitisation for the associates • JKF successfully conducted a leadership development programme for all three BPOs, which is being followed up by a mentoring programme for the respective leadership teams • JKCS and InfoMate continued to engage with local universities and higher education institutes, by providing soft skills training as part of its recruitment. A number of graduates from the aforementioned initiative were provided internship opportunities and on-the-job training at JKCS

Indicators

JKBPO which provided a significant number of training hours has been excluded from the sustainability reporting scope after the first quarter of 2017/18.

	2017/18	2016/17	%
Injuries and diseases (number)	2	0	-
Total hours of training	4,554	43,556	(90)

Health and Safety

Relevance/Implication	Targets	Initiatives
Providing a safe and conducive environment given the long hours spent at work stations	• Strive to ensure a safe and healthy working environment in line with the Group's Health and Safety Policy	• Group companies continuously reviewed their business continuity plans (BCPs) • Fire safety trainings were conducted for all companies

SOCIAL AND RELATIONSHIP CAPITAL

The increased reliance of companies on information technology creates a need for employment of IT literate individuals. The Information Technology industry group engages with rural communities to create shared value through building IT literate youth, by providing job opportunities at BPO's which translates into strengthening the recruitment pipeline with fresh talent for the industry. This also contributes to increased employability of youth creating upliftment of livelihood within the community. In line with Group practices, all significant suppliers of the Information Technology industry group have been identified in the diagram below. The suppliers have been assessed for any negative impacts on the environment, labour and human rights topics.

- As part of an ongoing CSR initiative, JKOA donated a 1,000L-1,500L water purifier to Hatharaskotuwa Kanishta Vidyalaya to facilitate better access to clean drinking water. This will benefit approximately 150 students and staff members, in addition to 100 families in the areas surrounding the school premises.

Workspaces at the new JKIT office

The significant suppliers within the industry group are illustrated below:

Significant Suppliers

- Outsourced operational functions
- Outsourced support staff seasonally
- Janitors
- Security
- Transportation providers

INTELLECTUAL CAPITAL

Through continuous monitoring of the quality of solutions offered, innovation and technical know-how, the IT industry group attempts to create value to all stakeholders. To this end, the following measures were undertaken to ensure continuous quality enhancement in product design, scope and functionality.

Initiative	Brief Description
Innovative product design and technology dissemination within the Group	• Smart buildings and smart parking units designed for "Tri-Zen"; the metropolitan 891-unit residential development project launched by the Property industry group • Creation employee self-service and other IoT platforms • "Evinta" and "Zhara" software products developed for aviation and hospitality industries respectively • Automation of freezer processes in line with the food safety regulations in the City Hotel operations • Software development and implementation for inventory and distributor management within the "Keells" outlets of the Retail sector and JKOA

Initiative	Brief Description
Brand development	• "JKIT" was formed through the amalgamation of the solution portfolios of both JKCS and SGIT in April 2017 • Presence established within Dubai, Saudi Arabia and UAE in the MENA region • JKOA brand operations consolidated through social media and other digital channels
Strategic partnerships	• JKIT partners with SAP and Microsoft to deliver a higher quality service rendering within its operational sphere • JKOA is the authorised distributor of mobile devices for Samsung in the country

Strategy and Outlook

Technological innovation, digital enhancement and connectivity are expected to be the key growth drivers of global businesses. Against this backdrop, improved network coverage and data connectivity, conducive policies, rapid growth of the telecommunications industry coupled with a significant uptick in the dissemination of digital know how and devices, particularly in the form of smart phones, is expected to augur well for Sri Lanka. The Group, cognizant of the prospects within this industry, will continue to evaluate opportunities in developing products and services across the verticals which incorporate futuristic digital solutions focussing on aspects such as IoT, immersive technologies and Artificial Intelligence (AI), smart buildings and cloud services, among others. Cross-pollination of different technologies would be a near term priority of the Group to ensure future ready product design and business models.

Given the overall advancement in IT infrastructure, coupled with increasing disposable incomes, the demand for smart phones is expected to continue its current growth trajectory. Capitalising on this opportunity, JKOA will continue to market and distribute smart phones by leveraging on its expertise, partnerships and alliances, and product offering. The business will continue to focus on tech savvy modern millennial consumers, capturing market share through the launch of modern lifestyle oriented products which offer convenience. Focus will also be placed on driving sales for both notebooks and tabs in order to achieve market leadership in these product segments. A number of training initiatives and performance based reward programmes are also expected to be introduced in an effort to attract and retain talent.

As discussed in the External Environment and Operational Review section of this industry group report, JKOA will continue to focus on measures aimed at improving productivity and efficiency within the sales and after care operations, to ensure high service quality to the end consumer. Additionally, the business will implement the concept of sales gamification - the use of game mechanics and leader boards to motivate sales operations, to create a competitively engaging, yet collaborative, work environment that fosters positive behaviour. Implementation of gamification is expected to increase product know-how, better management of inventory and higher productivity among employees, thereby creating a holistic experience for end-consumers and related stakeholders.

The company will additionally implement digital platforms to consolidate inventory management and improve distribution productivity as a focus area of the business aimed at ensuring a seamless transfer of information and transparency within the different operational functions.

JKCS and SGIT will continue to invest in establishing the "John Keells IT" brand while capturing new business within the APAC and MENA regions. JKIT will continue to leverage on its strategic partnerships with SAP, Microsoft, and IBM, among others, to expand its client and partner footprint, while placing significant emphasis on reviewing, transforming and rationalising product and service portfolios. The implementation of Value Added Taxes across the MENA region is an encouraging opportunity for JKIT to provide digital platforms and software systems to integrate and automate the process of payment and calculation.

The business will continue to cross-pollinate digital solutions within the operations of the Group with a higher focus on incorporating digital stack extensions, elements of IoT and data analytics to ensure the creation of a more composite dashboard of information. JKIT will also analyse the establishment of co-innovation units together with universities and other strategic customers and partners to crowd source ideas and invest in research and development, to enhance the brand competency matrix. Given the multitude of strategies in place to expand its offering, the Group expects a significant growth in the pipeline of business, for JKIT.

As discussed under the Group Consolidated Review section of this Report, it is pivotal to note that while the digital infrastructure, tools and services are available within the Group, user education and awareness of potential implications from the use of digital services remains a challenge for the Group, and the nation, as a whole. SGIT will look into the possibility of conducting workshops and other training programmes in areas such as cyber security, among others, to bridge this gap.

InfoMate, the Sri Lanka based BPO operation, is expected to continue its current momentum, achieving market share through expansion to acquire clients. Focus will be placed on acquiring high-end data entry jobs while also enhancing its strategic client portfolio. The business will continue to evaluate the possibility of automation of several processes as an efficiency measure, including adopting robotic process automation.

The on-going digitisation initiatives rolled out across the Group presents a significant opportunity for the businesses within this industry group, particularly with focussed attention on IT and digitisation solutions sought within the Group. In order to capitalise on this opportunity, the Group will continue to evaluate cross sale opportunities in order to create synergies across industry groups. This will connect the skills, expertise and infrastructure required to roll out such initiatives which are already resident within the various verticals of the Group. Holistic products and services with end-to-end solutions, as envisioned, are expected to augur well for the Information Technology industry group in the medium to long term.

Other Including Plantation Services

A tea tasting at John Keells PLC; a leading tea and rubber broker

Vision and Scope

The Plantation Services sector includes the operations of tea factories, tea and rubber broking and pre-auction produce warehousing. Tea Smallholder Factories PLC (TSF PLC) is among the top manufacturers of orthodox low grown teas and is also recognised as a top quality producer of CTC teas in Sri Lanka. John Keells PLC is one of the leading tea brokers in the country and its warehousing facility is the largest for pre-auction produce in the country.

The "Other" sector consists of John Keells Holdings PLC including Centre Functions such as John Keells Research and Strategic Group Information Technology (SGIT), as well as several auxiliary companies. SGIT supports the Group's information technology requirements, consulting services and SAP implementation services to external clients.

Plantation Services

Other

Contribution to JKH Group

3%	Revenue
22%	EBIT
19%	Capital employed
3%	Carbon footprint

CARBON FOOTPRINT

3,324 MT

(2016/17: 3,334 MT)

EBIT

Rs.6.23 bn

(2016/17: Rs.5.38 bn)

Industry Group Structure

Other including Plantation Services

- **Plantation Services**
  - John Keells PLC- leading tea and rubber broker
  - Tea Smallholder Factories PLC- operates 8 tea factories and is a leading manufacturer of low grown teas in the country, including the CTC variety
  - John Keells Warehousing- operates a state-of-the-art warehouse for pre-auction produce
- **Other**
  - JKH and Other businesses (Centre Functions/divisions)
  - Strategic Group Information Technology (SGIT) supports the Group's IT requirements and provides consultancy services and SAP implementation services to external companies

Key Indicators

Inputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Total assets	50,070	74,105	(32)	66,370
Total equity	48,301	71,715	(33)	61,835
Total debt	69	91	(24)	2,304
Capital employed[1]	48,370	71,805	(33)	64,140
Employees (number)	835	830	1	882

Outputs (Rs.mn)	2017/18	2016/17	% Change	2015/16
Turnover[2]	3,440	2,953	17	2,663
EBIT	6,226	5,381	16	3,907
PBT	6,078	5,229	16	3,772
PAT	3,820	3,101	23	2,343
EBIT per employee	7.5	6.5	15	4.4
Carbon footprint	3,324	3,334	(0.3)	3,543

1. For equity accounted investees the capital employed is representative of the Group's equity investment in these companies
2. Revenue is inclusive of the Group's share of equity accounted investees

External Environment and Operational Review

Global tea prices witnessed a significant uptick in the year under review, with strong demand driven by increasing oil prices, removal of trade sanctions on Iran by the USA and a strengthened Russian currency, among others, which augured well for key tea importing countries. Global tea production statistics indicate a marginal increase of 2 per cent in the production of tea, predominantly from China, Malawi and Tanzania.

Sri Lanka, recorded a crop growth of 5 per cent in the year under review, with a total output of 307 million kilograms in CY2017 [CY2016:292 million kilograms]. Sri Lanka recorded annual tea export revenue of Rs.233.34 billion during the calendar year 2017, an increase of 27 per cent against the previous year, despite the setbacks witnessed within the year, including temporary export bans to Russia and Japan. It should be noted that the authorities worked expeditiously to resolve the sanctions imposed by Russia in December 2017. The sanctions imposed by Japan which were enforced as a result of exceeding the maximum residue level of glyphosate; a weedicide used in tea plantations, was also effectively resolved in the latter half of the year under review by the Ministry of Plantations industries, following which, tea exports re-commenced. Barring such developments, the average price at the Colombo Tea Auction recorded an all-time high of Rs.618.14 per kg in comparison to the elevational average of Rs.468.61 per kg recorded in calendar year 2016. The average sales price for low grown teas in Sri Lanka increased by approximately 30 per cent during the 2017 calendar year, due to a shortage in supply of green leaf on account of erratic weather patterns that affected the country towards the second half of the financial year.

Tea Smallholder Factories PLC (TSF PLC) witnessed a marginal growth in volumes during the year under review, although impacted by extreme weather conditions which was further exacerbated by the limited availability of green leaf amongst manufacturers. Similar to prior years, TSF PLC adopted a number of cost management initiatives and efficiency measures in order to improve productivity and better manage costs, particularly in view of the challenges witnessed during the year under review.

TSF PLC, in an effort to enhance the long-term viability of smallholder land, initiated the "Smallholder development project"; a project focussed on replanting on unproductive tea land. The initiative, which commenced in 2010, has resulted in 204.75 acres of tea land being re-planted to date. The company also leased out one of the eight factories in operation for a period of 5 years.

The performance of John Keells PLC (JK PLC) was in line with expectations, mainly on account of higher demand for tea globally. However, affected by erratic weather patterns and the resulting loss of crops, the business witnessed a marginal decrease in its market

SRI LANKA, RECORDED A CROP GROWTH OF 5 PER CENT IN THE YEAR UNDER REVIEW, WITH A TOTAL OUTPUT OF 307 MILLION KILOGRAMS IN CY2017 [CY2016:292 MILLION KILOGRAMS]. SRI LANKA RECORDED ANNUAL TEA EXPORT REVENUE OF RS.233.34 BILLION DURING CY2017.

DURING THE YEAR, THE GROUP LAUNCHED "PLASTICCYCLE", AN INITIATIVE TO "REFUSE, REDUCE, REUSE AND RECYCLE" THE USE OF PLASTIC IN THE COUNTRY. THE PROJECT AIMS TO COMBAT PLASTIC POLLUTION WITHIN THE COUNTRY THROUGH EDUCATION AND AWARENESS WITHIN THE COMMUNITY.

share. The business' conscious strategy to focus on procuring tea which met predefined quality standards and refining the supplier network of the business proved lucrative among the foreign and local buyers, with more entities recognising the business for its superior quality. Coupled with productivity improvement initiatives, the business is confident of its ability to enhance long-term value for multiple stakeholders through this strategy.

John Keells Holdings PLC carried out a second exercise to consolidate and streamline the ownership structure of some of its Group investments, both privately owned and listed on the Colombo Stock Exchange (CSE). The restructuring exercise was carried out in order to reduce the complexity of the shareholding structure by limiting the tiers of ownership in its subsidiary companies to two, where possible.

Accordingly, select Group companies holding investments in other subsidiaries transferred its respective investments to JKH, at valuations independently verified by the Group's auditors. The exercise was completed via a combination of share buybacks between the unquoted entities within the Group and its subsidiaries for a consideration of either cash or owners' shares. The total transaction value of this exercise was Rs.9.95 billion, in cash and non-cash terms.

In furtherance of the Group-wide digitisation initiative to cultivate the digital quotient within the Group, JKH launched the second phase of "John Keells X - Open Innovation Challenge 2017" in May 2017. The programme accommodated over 300 applicants out of which 20 applicants were shortlisted for training, mentoring and other workshops. JKX selected six winners to participate in a six month accelerator programme following a demonstration day in November 2017. A co-working space was also developed for the participants under the programme with the aim of creating a conducive ecosystem to foster growth, innovation and creativity.

Please Refer the Intellectual Capital section of this industry group Report for further information.

John Keells Research (JKR), the research and development arm of the Group, following the patenting of a novel energy storage material in 2016/17, actively evaluated opportunities for building a prototype energy storage device which would utilise the patented technology to enhance the Technology Readiness Level (TRL) of the said intellectual property.

Since relocating to the Technology Incubation Centre at the Nanotechnology and Science Park in Pitipana, Homagama, JKR continued to leverage on its expertise by exploiting greater opportunities for collaboration while contributing towards creating and nurturing an ecosystem of innovation. To this end, JKR's own research laboratory commenced operations in May 2017, marking a significant milestone. This facility will be instrumental in enhancing JKR's capabilities in conducting in-house projects, thus ensuring sole ownership of Intellectual Property by JKH. Eight research projects are currently being conducted in-house.

In addition to the above, JKR is conducting research to develop a reinforcing material using agricultural waste in collaboration with a leading university in the USA. Research and development is currently conducted at the JKR laboratory in consultation with the university.

During the year, the Group launched "Plasticcycle", an initiative to "refuse, reduce, reuse and recycle" the use of plastic in the country. The project aims to combat plastic pollution within the country through education and awareness within the community, while also providing means by which plastic can be disposed of responsibly with a view to promote greater recycling. The bin initiative is supported by the Consumer Foods and Retail industry group and backed by the commitment of Sri Lanka Recyclers Association to collect and recycle the waste through its members. The pilot phase of the project commenced within

"PLASTICCYCLE" SOCIAL ENTREPRENEURSHIP INITIATIVE

- "Plasticcycle" has enabled the collection and recycling of over 5 MT of plastic waste. items facilitated by the Sri Lanka Recyclers Association.
- Over 45 specially-designed collection bins have been placed in and around the city of Colombo encouraging responsible disposal of single-use plastic waste
- The Project expanded to place an additional 40 plastic collection bins adjacent to key exit points on the Southern Expressway to collect and recycle PET bottles carried by commuters.

two identified municipal wards in Colombo 2. The project has currently expanded to other areas in the vicinity as well and has engaged various stake holder groups such as the Government authorities, recyclers, collectors, environmental protection bodies, John Keells Group staff, and school children. With a view to expanding the initiative beyond Colombo, Plasticcycle collaborated on a new project in partnership with Walkers Tours Limited (WTL), Beira Enviro Solutions (Private) Limited and the Road Development Authority (RDA) to collect and recycle PET bottles carried by commuters on the Southern Expressway. The project when completed will result in the placement of an additional 40 bins adjacent to key exit points which will subsequently be recycled into value added products that are sold in both the local and international markets.

More information on the initiative can be found on the "Plasticcycle" website launched in August 2018; www.plasticcycle.lk.

The performance and developments under Strategic Group Information Technology (SGIT), which supports the Group's IT requirements, in addition to providing consultancy services and SAP implementation services to external companies, is discussed under the Information Technology industry group, given the amalgamation of SGIT services with John Keells Computer Services, under the unified brand, "John Keells IT".

OTHER INCLUDING PLANTATION SERVICES INDUSTRY GROUP REVENUE

Rs.3.44 bn

Growth of 17 per cent

Capital Management Review

Progressing from the discussion on the External Environment and Operational Review, the discussion that follows captures the forms of Capital available, and how each of these forms of Capital are combined to create value for all stakeholders.

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Goals under relevant Capital → Targets we set for ourselves → Our initiatives

FINANCIAL AND MANUFACTURED CAPITAL

As at 1 April 2017, the Other including Plantation Services industry group had total assets of Rs.74.10 billion, debt of Rs.91 million and an opening equity capital of Rs.71.71 billion.

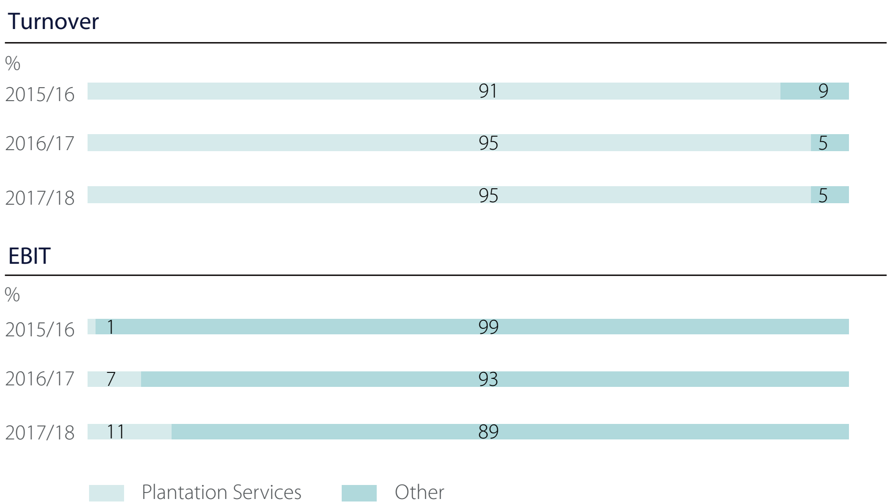
Financial Performance

Revenue

- Revenue of the Other including Plantation Services industry group consisted of the Plantations sector, as there are no other significant operating businesses in this cluster. Revenue from the Plantations sector increased by 17 per cent to Rs.3.28 billion, driven by higher average tea sales price recorded during the year as discussed under the External Environment and Operational Review section of this industry group report
- TSF PLC was the primary revenue contributor with a revenue of Rs.2.68 billion, a 16 per cent increase against the previous year [2016/17: Rs.2.31 billion]. JK PLC recorded a revenue growth of 23 per cent to Rs.517 million compared to Rs.421 million reported in 2016/17

Earnings Before Interest and tax

- EBIT for the industry group, inclusive of the Holding Company, recorded a 16 per cent increase to Rs.6.23 billion compared to Rs.5.38 billion reported in the previous year. The growth in EBIT is mainly attributable to the interest income generated on the Group's Rupee and US dollar portfolios and exchange gains recorded at the Company on its foreign currency denominated cash holdings. Interest income increased due to higher interest rates during the year
- The EBIT of JKH PLC at Company level, includes a capital gain of Rs.8.18 billion pertaining to the exercise undertaken to rationalise and simplify the Group's shareholding structure. The exercise, as discussed in the External Environment and Operational Review section of this industry group report, was carried out to restructure the shareholding of the Group companies which had multiple layers of ownership. This exercise was executed via a hybrid model which consisted of both share and cash transfers within JKH PLC and its quoted and unquoted subsidiaries. It should also be noted that the capital gain was eliminated at a Group consolidated level.
- The EBIT of the industry group includes investment property gains of Rs.262 million [2016/17: Rs.101 million] emanating from properties held by TSF PLC and JK PLC. The recurring EBIT adjusted for the above is Rs.5.96 billion, an increase of 13 per cent, against Rs.5.28 billion recorded in 2016/17
- The PBT of the industry group was Rs.6.08 billion, an increase of 16 per cent against the previous year [2016/17: Rs.5.23 billion]



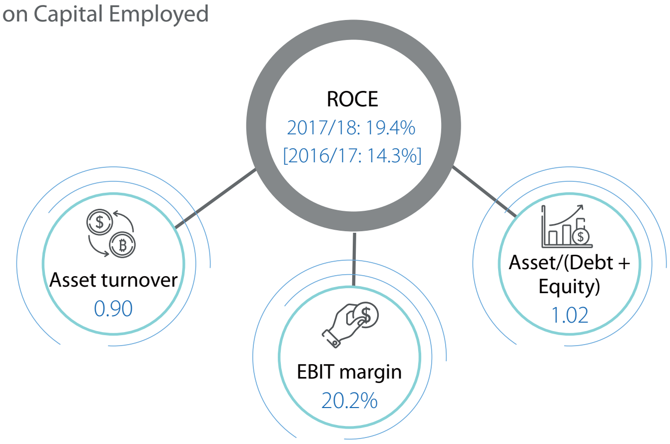
Borrowings and Finance Expense

Total debt as at 31 March 2018 was recorded at Rs.69 million, a 24 per cent decrease against the comparative year [2016/17: Rs.91 million]. The finance expense of the industry group increased to Rs.148 million, a increase of 10 per cent against the previous year [2016/17: Rs.135 million]. It should also be noted that the Company does not have any long-term borrowings subsequent to the repayment of the IFC loan facility in 2016/17.

Return on Capital Employed (ROCE)

- Given that a majority of JKH Company earnings materialise at an EBIT level, the ratio is artificially inflated and is not indicative of the true performance of the Company, including the industry group. As such, the ensuing ROCE discussion is limited to a discussion of the Plantations sector
- ROCE of the Plantations sector was recorded at 19.4 per cent compared to the 14.3 per cent reported in the previous year. The increase in the ratio is primarily attributable the increase in EBIT as outlined above
- The EBIT margin for the sector improved to 20.2 per cent from 13.9 per cent reported in the previous year
- Asset turnover for the sector was reported at 0.90 times against 0.83 times reported in 2016/17

Return on Capital Employed



Indicators	Plantation Services	Others
Revenue and growth	Rs.3.28 billion, 17 per cent increase	Rs.164 million, 6 per cent increase
EBIT and growth	Rs.662 million, 71 per cent increase	Rs.5.56 billion, 11 per cent increase

NATURAL CAPITAL

Given the vital inputs required from natural resources, the effective management of Natural Capital is essential for the Plantations Services sector. Sustainable practices throughout the supply chain; from cultivation to distribution is of significant importance in being an impactful value creator. Ongoing collaboration and partnerships with international conservation bodies help to disseminate international best practice and standards within the operating model of the sector, while recognising the growing demand for eco-friendly and sustainable products. Along with the Centre Functions of the Group, the industry group seeks to reduce its use of energy through process efficiencies and continuous monitoring, in meeting the Group's environmental and energy management policy.

Tea harvesting at a small holder property of Hingalgoda tea factory

The material topics of the industry group are classified as follows:

Energy and emissions management

Waste and effluent management

The ensuing section discusses key targets under the aforementioned material topics and its corresponding impacts. The section also entails the various initiatives undertaken with a view to achieving relevant targets.

Carbon Footprint

- Plantation Services : 2,816 MT
- Other : 508 MT

Energy and Emissions Management

Relevance/Implication	Targets	Initiatives
• Financial and regulatory implications • Environmental and social responsibility	• Continuous assessment of existing facilities, machinery and processes for energy efficiency and the implementation of improvements, as required • Implementation of process improvements through innovation to reduce emissions whilst maintaining productivity	• Introduction of variable frequency drives (VFDs) for tea rolling at Halwitigala tea factory resulted in estimated annual energy savings of 10,000 kWh • Automation of the tea rolling process at Halwitigala tea factory resulted in improvement in productivity • Designing and construction of fast drying firewood sheds covered with UV treated polythene to create increased combustion efficiency of biomass within the Plantations sector

Waste Management

Relevance/Implication	Targets	Initiatives
Regulatory implications and environmental responsibility	• Continuous and rigorous monitoring to ensure all waste water, from factory cleaning and waste generated from biomass combustion, is disposed of responsibly, with no contamination of the environment, in line with Environmental Protection License (EPL) requirements	• Wood ash created through generation of energy is disposed by way of a certified third party • TSF PLC, in collaboration with JKF and the Carbon Consulting Company (Private) Limited (CCC) continued its tree planting initiative for the 4th consecutive year to increase the coverage of vegetation in the Galle district. The initiative involved a total area of 15.3 acres of land • Enrichment of 35 tea smallholders livelihoods, through the sale of non-timber forest products such as medicines, fruits, shading materials, livestock feed **Impact:** 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION • Number of volunteers : 10 • Number of trees planted: 3,000 • Survival rate : 92 per cent • Number replanted as a means to replace casualties: 336 plants • Other impacts: livelihood of the smallholders were enhanced, preservation of natural habitat and the bio-diversity of the site

Indicators

	2017/18	2016/17	%
Carbon footprint (MT)	3,324	3,334	(0.3)
Waste disposed (kg)	205,827	191,986	7

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor

	2017/18	2016/17
TSF PLC CO_2 (kg per kg of tea produced)	0.6	0.6
JK PLC and JKW CO_2 (kg per ft^2 of floor area)	1.4	1.2

ENRICHMENT OF 35 TEA SMALLHOLDERS LIVELIHOODS, THROUGH THE SALE OF NON-TIMBER FOREST PRODUCTS SUCH AS MEDICINES, FRUITS, SHADING MATERIALS, LIVESTOCK FEED.

HUMAN CAPITAL

Investment in Human Capital is carried out through training and development activities conducted on a needs-basis, whilst ensuring that workplace health and safety is a priority. In light of this, the Group initiated human resource technology transformation, to launch a state-of-the-art human resource information platform.

Material topics relevant to the industry group, identified under Human Capital, are as follows:

- Health and safety
- Training and Development

Number of Employees

- Plantation Services : 637
- Other : 198

Training and Development

Relevance/Implication	Targets	Initiatives
Ensuring functionally skilled and motivated staff, particularly at the Centre Functions, is considered important in facilitating Group-wide synergies	• Ensure Group-wide synergies are created through continuous enhancement of knowledge and skills	• Provided 4,504 hours of training to employees in the industry group, with 5.4 hours of training per employee, resulting in increased productivity

Health and safety

Relevance/Implication	Targets	Initiatives
Businesses need to ensure safe working conditions, with a special focus on occupational health and safety	• Minimising health and safety incidents and providing a safe and healthy working environment for staff	• OHSAS ISO 18001 Certification obtained for 7 out of the 8 smallholder factories • Training and awareness on worker health and safety was conducted in line with the OHSAS 18001 standard in all factories • Training and awareness programmes on food safety were conducted in line with ISO 22000:2005 standard for the employees; no product quality violations were reported in the year under review

Performance

	2017/18	2016/17*	%
Injuries and diseases (number)	6	3	100
Total hours of training	4,504	5,742	(22)

** All reported incidents were in the Plantations sector*

SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship Capital is of significant importance to the Plantations Services sector, particularly TSF PLC, given that the surrounding community is an integral part of its supply chain. Building trust through ongoing corporate social responsibility initiatives, such as replanting on unproductive tea lands, community projects which assist in livelihood development, and the dissemination of knowledge and best practices through extension services, assists the Plantation Services sector in consolidating mutually beneficial relationships and producing socially desirable outcomes. Such activities are carried out both at a business level and through the John Keells Foundation.

All significant suppliers are identified and assessed for any negative impacts on environmental, labour and human rights aspects and companies within the sector work closely with their supply chain to improve the sustainability practices throughout the value chain.

The significant suppliers within the industry group are illustrated below:

Significant Suppliers
- Tea smallholder farmers
- Tea plantations

BUILDING TRUST THROUGH ONGOING CORPORATE SOCIAL RESPONSIBILITY INITIATIVES, SUCH AS REPLANTING ON UNPRODUCTIVE TEA LANDS, COMMUNITY PROJECTS WHICH ASSIST IN LIVELIHOOD DEVELOPMENT, AND THE DISSEMINATION OF KNOWLEDGE AND BEST PRACTICES THROUGH EXTENSION SERVICES, ASSISTS THE PLANTATION SERVICES SECTOR IN CONSOLIDATING MUTUALLY BENEFICIAL RELATIONSHIPS AND PRODUCING SOCIALLY DESIRABLE OUTCOMES.

Supplier Development and Social Responsibility

Relevance/Implication	Targets	Initiatives
Sharing of knowledge and best practice on cultivation, with tea smallholders, to ensure higher yields and quality green leaf. This benefits both the tea factories and the smallholder community	• Assist livelihood development of smallholders through improved yields, providing alternative sources of income, while simultaneously improving agricultural practices and environmental conservation • Ensuring business sustainability by building and maintaining relationships with smallholder communities to ensure a steady supply of green leaf	• TSF PLC continued its tea replanting project to replant unproductive tea lands, with 6 projects undertaken to-date, with an approximate coverage of 23.25 acres in 2017/18. 6,300 tea plants were planted in the year under review. The project aims to improve supplier livelihood whilst simultaneously retaining the company's supplier bases. • Distribution of 44,000 tea plants to smallholders • Distribution of 40 tons of compost fertiliser to smallholder tea lands to assist soil enrichment and sustainable agricultural practices • Services to disseminate knowledge on good agricultural practices (GAP) were provided to suppliers through seminars/workshops and field advisory visits enhancing their technical skills • TSF PLC collaborated with JKF in conducting eye camps and facilitating surgeries under JKF's "Vision Project" to its smallholders and residents in the vicinity of their operations

Impact:

- Total number of eye camps held : 4
- Total number of participants : 784
- Cataract surgeries - 18 smallholders
- Total investment : Rs.141,010

Tea small holder beneficiary of Neluwa Medagama Tea Factory

INTELLECTUAL CAPITAL

The Other including Plantation Services industry group executed many projects and initiatives during the year, aimed at ensuring value creation among the many stakeholders within the industry group. The efficiency efforts, innovation, operational models and research and development efforts undertaken by the Group are tabulated below.

DURING THE YEAR UNDER REVIEW JKR FABRICATED SEVERAL PROTOTYPE DEVICES, INCLUDING AN ATMOSPHERIC WATER GENERATOR AND AN ELECTROSPINNER.

Initiative	Brief Description
Operational Efficiency	• Introduction of lean efficiency methods within the Plantation sector to ensure lower production costs • A project has been launched to implement an HRIS system within the Group. This enables proactive management of Human Capital and will replace the HR ERP which has been in place for the last 11 years. This platform will further empower employee-centric practices by making them future ready. It is expected to bring about a multitude of benefits, including, but not limited to, business efficiency, analytics and employee engagement
Research and Development	• The research project undertaken in collaboration with the Sri Lanka Institute of Nanotechnology to develop novel composite materials has concluded. Based on the findings of this study, an article titled "Oxidation protection of carbon fibre by sol-gel derived Boron doped Yittria-stabilised Zirconia coatings" was published in "Materials Science & Engineering B" • During the year under review JKR fabricated several prototype devices, including an Atmospheric Water Generator and an Electrospinner

Initiative	Brief Description
Plasticcycle	• A social entrepreneurship initiative titled "Plasticcycle" was launched in July 2017, with the objective of facilitating the reduction of plastic pollution in Sri Lanka • Enabled the collection and recycling of over 5 MT of plastic items facilitated by the Sri Lanka Recyclers Association • 50 specially-designed recyclable plastic collection bins have been placed at "Keells" outlets, the Slave Island Railway Station, Crow Island beach park, Cinnamon Lakeside, John Keells Group company office premises and the Marine Environment Protection Authority, encouraging responsible disposal of single-use plastic items
JKX	• JKH launched the second phase of "John Keells X - Open Innovation Challenge 2017" in May 2017 • Applications from over 300 applicants were evaluated to shortlist 20 • The 6 winners of the challenge were announced in November 2018, with advancement to the JKX 6month Accelerator Programme. This programme allows them to tap into a wealth of JKH resources including seed funding, office space, access to support services such as legal, secretarial and finance among others

Strategy and Outlook

The global demand for tea is expected to continue its current growth momentum driven by a stable to positive outlook for oil and other commodities. The Sri Lankan market witnessed significant growth in export volumes and tea prices in the calendar year 2017 and is expected to continue this growth trajectory, particularly given the expected regulatory standards to be imposed by the Ministry of Plantations Industries governing the quality of the produce exported from Sri Lanka. Further, Sri Lanka will continue to capture market share, leveraging on the promotional campaign initiated by the Sri Lanka Tea Board in 2017/18. The country will execute targeted strategies towards capturing market share in India and China which represent approximately 50 per cent of global tea consumption. In addition to these markets, Sri Lanka will also capitalise on the growing market in the USA through product extensions such as green tea, fruit tea, herbal tea and other specialty variations.

In light of recent developments within the industry, TSF PLC will pursue its policy of manufacturing high quality products whilst diversifying in to CTC from orthodox tea, thereby extending its product range. A more diversified portfolio is expected to improve the overall prospects for the business, particularly given the ability to cater to different market trends within key markets. TSF PLC will continue to work alongside smallholders, building brand loyalty and helping guarantee a continuous supply to the company. The company will also continue implementing measures to reduce manufacture related costs while driving efficiency within operations. Replantation of unproductive tea land owned by the smallholders will continue in 2018/19. This initiative will be complemented by the introduction of sustainable plantation methods which protect the sustainability of the operational model.

JK PLC will focus on providing high quality produce in line with the global best practice, thereby ensuring Ceylon tea is branded as a pure, un-adulterated product.

JKR will continue to focus on its core areas of research and identified projects. As previously discussed, the research arm of the Group will continue to test the commercial viability and marketability of the energy storage prototype developed through rigorous testing. Alongside these developments, JKR will also continue its ongoing collaboration with a university in the USA to develop reinforcing material using Sri Lankan agricultural waste. The vertical will also work alongside local universities to foster research and development projects in several areas of interest.

Plasticcycle; the Group's social entrepreneurship initiative to reduce plastic pollution in Sri Lanka, is currently in the process of forming new collaborative partnerships to enhance the reach of the initiative beyond Colombo. The Group will continue to support the initiative while also striving to entrench the same values in the operating model of the business and its many stakeholders.

PLASTICCYCLE; THE GROUP'S SOCIAL ENTREPRENEURSHIP INITIATIVE TO REDUCE PLASTIC POLLUTION IN SI LANKA, IS CURRENTLY IN THE PROCESS OF FORMING NEW COLLABORATIVE PARTNERSHIPS TO ENHANCE THE REACH OF THE INITIATIVE BEYOND COLOMBO. THE GROUP WILL CONTINUE TO SUPPORT THE INITIATIVE WHILE ALSO STRIVING TO ENTRENCH THE SAME VALUES IN THE OPERATING MODEL OF THE BUSINESS AND ITS MANY STAKEHOLDERS.

Financial Statements

Developing sustainable financial strength

INDEX TO THE FINANCIAL INFORMATION

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 39th Annual Report of your Company which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Capital Management Review, Industry Group Review and all the other relevant information for the year ended 31st March 2018. Disclosures which appear in the Share Information section form a part of the Annual Report of the Board of Directors as it is a requirement of the Companies Act No. 07 of 2007.

Principal Activities

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

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report. There were no significant changes to the principal activities of the Company or its subsidiaries during the year.

Corporate Vision and Values

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

Review of Business Segments

A review of the financial and operational performance and future business developments of the Group, sectors, and its business units are described in the Management Discussion and Analysis section of the Annual Report. Significant changes to business combinations and acquisition of non-controlling interests are provided in Note 9 to the Financial Statements. These reports, together with the audited financial statements, reflect the state of affairs of the Company and the Group. Segment wise contribution to Group revenue, results, assets and liabilities are provided in Note 7 to the Financial Statements.

Future Developments

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

Financial Statements

Financial Statements of the Company and Group for the year ended 31 March 2018, which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) with the inclusion of the signatures of the Chairman, Group Finance Director and Group Financial Controller, are given from page 200 to 286 and form a part of the Integrated Annual Report.

John Keells Holdings PLC

For the year ended 31 March In LKR '000s	2018	2017
Profit after tax	21,222,229	16,152,442
Other adjustments	(4,083)	(5,310)
Balance brought forward from the previous year	47,213,561	39,337,754
Amount available for appropriation	68,431,707	55,484,886
1st interim dividend of LKR. 2.00 per share (2017-LKR. 2.00) paid out of dividend received.	(2,775,002)	(2,721,458)
2nd interim dividend of LKR. 2.00 per share (2017-LKR. 2.00) paid out of dividend received.	(2,775,047)	(2,774,933)
Final dividend declared of LKR. 2.00 per share (2017-LKR. 2.00) to be paid out of dividend received.*	(2,775,057)	(2,774,934)
Balance to be carried forward to the next year	60,106,601	47,213,561

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

Financial Results and Appropriations

Revenue

Revenue generated by the Company amounted to LKR. 1,348 Mn (2017 – LKR. 1,126 Mn), whilst Group revenue amounted to LKR. 121,215 Mn (2017 – LKR. 106,273 Mn). Contribution to Group revenue, from the different business segments is provided in Note 7 to the Financial Statements.

Profit and Appropriations

The profit after tax of the Company was LKR. 21,222 Mn (2017 – LKR. 16,152 Mn) whilst the Group profit attributable to equity holders of the parent for the year was LKR. 21,021 Mn (2017 - LKR. 16,275 Mn).

The Company's total comprehensive income net of tax was LKR. 21,152 Mn (2017 - LKR. 16,123 Mn), and the Group total comprehensive income attributable to parent was LKR. 28,619 Mn (2017 - LKR. 25,694 Mn).

Dividend and Reserves

As required by Section 56(2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained certificates from the auditors, prior to declaring all dividends. A final dividend will be paid on 18 June 2018 to those shareholders on the register as of 5 June 2018.

Accounting Policies

All the significant accounting policies adopted by the Company and Group are mentioned in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review. For all periods up to and including the year ended 31 March 2018, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Capital Expenditure

The Company's and Group's capital expenditure on property, plant and equipment amounted to LKR. 86 Mn (2017 - LKR. 11 Mn) and LKR. 18,922 Mn (2017 -LKR. 4,332 Mn) respectively and all other related information and movements have been disclosed in Note 21 to the Financial Statements.

Additions of intangible assets of the Company and Group during the year amounted to LKR. 33 Mn (2017 - LKR. 7 Mn) and LKR. 218 Mn (2017 - LKR. 114 Mn) respectively and all other related movements are disclosed in Note 24 to the Financial Statements.

Valuation of Land, Buildings and Investment Properties

All land and buildings owned by Group companies were revalued during the financial year ended 31 March 2018 and the carrying value amounted to LKR. 70,741 Mn (2017 - LKR. 52,615 Mn). All information related to revaluation is given in Note 21.3 to the Financial Statements.

Investment properties of business units, when significantly occupied by Group companies, are classified as property, plant and equipment in the consolidated financial statements in compliance with LKAS 40.

The Group revalued all its investment properties as at 31 March 2018, and the carrying value amounted to LKR. 12,427 Mn (2017- LKR. 5,366 Mn). All information related to revaluation of the investment properties are provided in Note 23 to the Financial Statements.

Details of Group Real Estate as at 31 March 2018 are disclosed in the Group Real Estate Portfolio in the Supplementary Information section of the Annual Report.

Investments

Detailed description of the long term investments held as at the reporting date, is given in Notes 25, 26 and 27 to the Financial Statements.

Stated Capital

Stated Capital as at 31 March 2018 for the Company amounted to LKR. 62,802 Mn (2017 - LKR. 62,790 Mn). The movement and composition of the Stated Capital are disclosed in the Statement of Changes in Equity and in Note 33.1 to the Financial Statements.

Revenue Reserves

Revenue reserves as at 31 March 2018 for the Company and Group amounted to LKR. 62,882 Mn (2017 - LKR. 49,988 Mn) and LKR. 87,266 Mn (2017 - LKR. 77,193 Mn), respectively. The movement of the revenue reserve is disclosed in the Statement of Changes in Equity.

Share Information

The distribution and composition of shareholders and the information relating to earnings, dividends, net assets, market value per share and share trading is given in the Share Information section of the Annual Report. As additional disclosures, the Company's Board of Directors' (including their close family members) shareholdings, options available under the employee share option (ESOP) plans as at 31 March 2018, market capitalisation, public holding percentage and number of public shareholders are given in the Share Information section of the Annual Report.

Major Shareholders

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed in the Share Information section of the Annual Report.

Equitable Treatment of Shareholders

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

The Board of Directors

The Board of Directors of the Company as at 31 March 2018 and their brief profiles are given in the Board of Directors section of the Annual Report.

Retirement and Re-Election of Directors

In accordance with Article 84 of the Articles of Association of the Company, M A Omar and M P Perera retire by rotation and being eligible, offer themselves for re-election.

Review of The Performance of The Board

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

Board Committees

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

Interests Register and Interests in Contracts

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

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

The Directors have all made a general disclosure relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any Director. The Interest Register is available at the registered head office of the Company, in keeping with the requirements of the section 119 (1) (d) of the Companies Act No 7 of 2007.

Share Dealings

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

Given below are the particulars of subsidiaries' interest register;

Ceylon Cold Stores PLC

- A R Rasiah - Sale of 3,425 shares

Indemnities and Remuneration

The Board approved the payment of remuneration of the following Executive Directors for the period of 1 April 2017 to 31 March 2018 comprising of;

An increment from 1 July 2017 based on the individual performance rating obtained by the Executive Directors in terms of the performance management system of the John Keells Group;

A short term variable incentive based on the individual performance, organization performance and role responsibility based on the results of the financial year 2016/2017, and Long Term Incentive Plan in the form of Employee Share Options in John Keells Holdings PLC.

John Keells Holdings PLC
- S C Ratnayake
- A D Gunewardene***
- J R F Peiris***
- K N J Balendra
- J G A Cooray

Asian Hotels and Properties PLC
- R J Karunarajah
- S Rajendra

Ceylon Cold Stores PLC
- J R Gunaratne
- D P Gamlath**

Union Assurance PLC
- A D Pereira

Cinnamon Hotel Management Ltd
- B J S M Senanayake

Walkers Tours Ltd
- V Leelananda

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

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

Asian Hotels and Properties PLC
- C J L Pinto
- J G A Cooray*
- J R Gunaratne*

Ceylon Cold Stores PLC
- K N J Balendra*
- J G A Cooray*

John Keells PLC
- K N J Balendra*
- J G A Cooray*

John Keells Hotels PLC
- J G A Cooray*
- J R Gunaratne*

Keells Food Products PLC
- D P Gamlath**
- K N J Balendra*
- J G A Cooray*

Tea Smallholders Factories PLC
- A S Jayatilleke
- K N J Balendra*
- J G A Cooray*
- S K L Obeyesekera*

Trans Asia Hotels PLC
- C J L Pinto
- J G A Cooray*
- J R Gunaratne*

* Appointed w.e.f. 1 January 2018
** Appointed w.e.f. 1 November 2017
*** Retired w.e.f. 31 December 2017

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

Directors' Remuneration

Details of the remuneration and other benefits received by the Directors are set out in Note 43.7 to the Financial Statements.

Related Party Transactions

The Company's transactions with Related Parties, given in Note 43 to the Financial Statements have complied with Colombo Stock Exchange Listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Employee Share Option Plan (ESOP)

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

The Directors confirm that the Company has not granted any funding to employees to exercise options.

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at the date of the Directors' report as required by the Listing Rules of the Colombo Stock Exchange are given under the Share Information section of the Annual Report.

The highest, lowest and the closing prices of the Company shares were LKR. 180.00, LKR. 138.00 and LKR. 159.60 respectively.

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 Human Capital section of the Capital Management Review section of the Annual Report.

The number of persons employed by the Company and Group as at 31 March 2018 was 180 (2017 - 162) and 13,619 (2017 – 13,211), respectively.

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

Supplier Policy

The Group applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items properly charged in accordance with these agreed terms. As at 31 March 2018 the trade and other payables of the Company and Group amounted to LKR. 332 Mn (2017 - LKR. 330 Mn) and LKR. 16,077 Mn (2017 - LKR. 14,136 Mn), respectively.

The Group strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into work-plans. During the previous year, the Group's procurement process migrated to an electronic procurement platform to streamline the Group's sourcing initiatives. The entire sourcing process from supplier identification to contracting, and supplier management for products and services was conducted through the electronic platform, during the year under review. Due to the numerous benefits ranging from shortening of contracting life cycles, increased visibility of the sourcing process, accurate analytics and saving of paper, Group companies have also begun sourcing requirements through this procurement platform.

Ratios and Market price information

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given under the Performance Highlights section of this Report.

Corporate Governance

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems & structures required to ensuring best practices in Corporate Governance and their effective implementation. The table from page 51 to 54 shows the manner in which the Company has complied with Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The Corporate Governance Commentary is given from page 28 to 54.

Sustainability

The Group pursues its business goals based on a model of stakeholder governance. Findings of the continuous internal stakeholder engagements have enabled the Group to focus on material issues such as the conservation of natural resources and the environment as well as material issues highlighted by other stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which is continuously evolving based on the above mentioned stakeholder engagements.

This is the Group's third Integrated Annual Report, which presents a comprehensive capital's discussion on its financial and non-financial performance, in a bid to provide its stakeholders with holistic information relating to its value creation proposition. The Group has sought independent third-party assurance from DNV GL represented in Sri Lanka by DNV Business Assurance Lanka (Private) Limited in relation to the non-financial information contained in this Report. In addition, the Report also adheres to the Global Reporting Initiative (GRI) Standards: Core option and has obtained the 'GRI Materiality Disclosures Service' check.

Research and Development

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

Environmental Protection

The Group complies with the relevant environmental laws, regulations and endeavours 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.

Corporate Social Responsibility

The John Keells Foundation, which is funded by JKH and its subsidiaries, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly towards its stakeholders and to bring about sustainable development in all areas of business efficiently and effectively. The CSR initiatives, including completed and on-going projects, are detailed in the Group Consolidated Review section in the Annual Report.

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

Donations

Total donations made by the Company and the Group during the year amounted to LKR. 0.5 Mn (2017 - LKR. 14 Mn) and LKR. 8 Mn (2017 - LKR. 34 Mn), respectively. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or, where relevant provided for, except as specified in Note 44 to the Financial Statements, covering contingent liabilities.

Compliance with Laws and Regulations

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

Enterprise Risk Management and Internal Controls

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

Internal Controls and Assurance

The Board, through the involvement of the Group Business Process Review Division, takes steps to gain assurance on the effectiveness over the financial, operational and risk management control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Group, compliance with laws and regulations and established policies and procedures of the Group. The head of the Group Business Process Review Division has direct access to the Chairman of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee on matters pertaining to the Company.

Events After the Reporting Period

There have been no events subsequent to the reporting period, which would have any material effect on the Company or on the Group other than those disclosed in Note 48 to the Financial Statements.

Going Concern

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

Appointment and Remuneration of Independent Auditors

Messrs Ernst & Young, Chartered Accountants, are willing to continue as Auditors of the Company, and a resolution proposing their reappointment will be tabled at the Annual General Meeting.

The 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 3 firms of Chartered Accountants across the Group, namely, Ernst & Young, KPMG and PricewaterhouseCoopers. Details of audit fees are set out in Note 17 to the Financial Statements. The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries.

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

Annual Report

The Board of Directors approved the consolidated financial statements on 25 May 2018. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 30 May 2018.

Annual General Meeting

The Annual General Meeting will be held at the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, on Friday, 29 June 2018 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
25 May 2018

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

- Presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and

- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring a final dividend of LKR. 2.00 per share for this year, to be paid on 18 June 2018.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in Note 44 to the Financial Statements covering contingent liabilities.

By order of the Board

Keells Consultants (Pvt) Ltd.
Secretaries
25 May 2018

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JOHN KEELLS HOLDINGS PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of John Keells Holdings PLC. ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of land and buildings As at reporting date 31 March 2018, land and buildings (including buildings on leasehold land) carried at fair value, classified as Property, Plant & Equipment and Investment Property amounted to LKR. 70.7 Bn and LKR. 12.4 Bn respectively. The fair value of such property was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in notes 21.3 and 23 to the financial statements.	Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following; • Assessed the competency, capability and objectivity of the external valuers engaged by the Group • Read the external valuer's report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property • Engaged our internal specialised resources to assess the reasonableness of the valuation techniques, per perch price and value per square foot We have also assessed the adequacy of the disclosures made in notes 21.3 and 23 to the financial statements relating to the valuation technique and estimates used by the external valuers.

Key Audit Matter	How our audit addressed the key audit matter
Insurance contract liabilities The Group has significant insurance contract liabilities of LKR. 30 Bn which represents 31% of the Group's total liabilities. Further, the change in contract liabilities due to the transfer of one off surplus amounting to LKR. 3,382 Mn has been recognised in the income statement during the current financial year. The valuation of the insurance contract liabilities and the measurement of the one off surplus in relation to the life business required the application of significant assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus and expenses and assessing the completeness and accuracy of the information used in the underlying valuations. Changes in such significant assumptions used in the valuation of the insurance contract liabilities directly impacts the income statement.	Our audit procedures focused on the valuations performed by the external actuary engaged by the subsidiary company of the Group and included the following; • Involved the component auditor of the subsidiary company to perform the audit procedures to assess the reasonability of the assumptions and test the key controls on a sample basis over the process of estimating the insurance contract liabilities. • Engaged our internal expert to assess the reasonability of the assumptions used in the valuations of the insurance contract liabilities • Reviewed the adequacy of the disclosures and the movement in the insurance contract liabilities.

Other information included in the 2018 Annual Report

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

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

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

Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

25 May 2018
Colombo

INCOME STATEMENT

For the year ended 31st March In LKR '000s	Note	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Continuing operations					
Sale of goods		81,974,902	68,238,202	-	-
Rendering of services		39,240,170	38,034,899	1,347,707	1,126,353
Revenue	13	121,215,072	106,273,101	1,347,707	1,126,353
Cost of sales		(91,932,377)	(75,158,110)	(632,347)	(564,049)
Gross profit		29,282,695	31,114,991	715,360	562,304
Dividend income	14	-	-	8,574,886	10,469,023
Other operating income	15.1	2,084,111	1,765,187	8,213,099	2,607,861
Selling and distribution expenses		(4,226,827)	(3,900,667)	-	-
Administrative expenses		(12,488,091)	(11,435,797)	(1,134,661)	(903,969)
Other operating expenses	15.2	(3,190,163)	(3,170,105)	(72,925)	(941,172)
Results from operating activities		11,461,725	14,373,609	16,295,759	11,794,047
Finance cost	16	(520,797)	(436,278)	(72,019)	(89,397)
Finance income	16	11,268,141	10,033,281	6,291,920	5,540,768
Change in insurance contract liabilities	35.2	(2,449,379)	(4,869,288)	-	-
Change in contract liability due to transfer of one off surplus	35	3,381,934	-	-	
Change in fair value of investment property	23	896,380	483,554	-	-
Share of results of equity accounted investees (net of tax)	26.3	3,596,430	3,302,955	-	-
Profit before tax	17	27,634,434	22,887,833	22,515,660	17,245,418
Tax expense	20.1	(4,514,629)	(4,771,068)	(1,293,431)	(1,092,976)
Profit for the year		23,119,805	18,116,765	21,222,229	16,152,442
Attributable to:					
Equity holders of the parent		21,021,031	16,275,158		
Non-controlling interests		2,098,774	1,841,607		
		23,119,805	18,116,765		
		LKR.	LKR.		
Earnings per share					
Basic	18.1	15.15	11.85		
Diluted	18.2	15.15	11.84		
Dividend per share	19	6.00	5.50		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 208 to 286 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

		GROUP		COMPANY	
For the year ended 31st March In LKR '000s	Note	2018	2017	2018	2017
Profit for the year		23,119,805	18,116,765	21,222,229	16,152,442
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		1,101,842	1,089,650	-	-
Net gain on cash flow hedges		265,815	331,679	-	-
Share of other comprehensive income of equity accounted investees		511,589	272,648	-	-
Net gain / (loss) on available-for-sale financial assets		731,605	(302,773)	(66,510)	(24,087)
Net other comprehensive income to be reclassified to Income Statement in subsequent periods		2,610,851	1,391,204	(66,510)	(24,087)
Other comprehensive income not to be reclassified to Income Statement in subsequent periods					
Revaluation of land and buildings		9,169,124	10,361,135	-	-
Share of other comprehensive income of equity accounted investees		17,199	3,830	-	-
Re-measurement gain / (loss) on defined benefit plans	37	(22,762)	(110,758)	(4,083)	(5,310)
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		9,163,561	10,254,207	(4,083)	(5,310)
Tax on other comprehensive income	20.2	(4,106,764)	49,444	-	-
Other comprehensive income for the period, net of tax		7,667,648	11,694,855	(70,593)	(29,397)
Total comprehensive income for the period, net of tax		30,787,453	29,811,620	21,151,636	16,123,045
Attributable to :					
Equity holders of the parent		28,618,650	25,694,454		
Non-controlling interests		2,168,803	4,117,166		
		30,787,453	29,811,620		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 208 to 286 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March In LKR '000s	Note	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
ASSETS					
Non-current assets					
Property, plant and equipment	21	87,259,873	64,396,373	127,878	93,913
Lease rentals paid in advance	22	13,004,939	13,206,058	-	-
Investment property	23	12,427,058	5,366,180	-	-
Intangible assets	24	2,010,191	2,118,160	44,484	30,801
Investments in subsidiaries	25	-	-	67,967,918	42,987,395
Investments in equity accounted investees	26	22,335,347	17,718,887	10,165,655	8,910,800
Non-current financial assets	27	32,878,254	27,666,621	267,111	2,789,980
Deferred tax assets	20.4	171,503	143,548	-	-
Other non-current assets	28	53,599,347	41,692,316	20,724	16,254
		223,686,512	172,308,143	78,593,770	54,829,143
Current assets					
Inventories	29	6,689,541	5,605,712	-	-
Trade and other receivables	30	12,273,372	11,687,429	70,730	118,076
Amounts due from related parties	43.1	139,640	111,639	404,364	286,735
Other current assets	31	4,390,258	3,265,327	198,977	99,442
Short term investments	32	64,386,093	79,174,327	49,157,472	60,243,280
Cash in hand and at bank		10,882,856	5,119,185	496,591	304,265
		98,761,760	104,963,619	50,328,134	61,051,798
Total assets		322,448,272	277,271,762	128,921,904	115,880,941
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	33	62,802,327	62,790,080	62,802,327	62,790,080
Revenue reserves		87,265,501	77,193,184	62,881,658	49,988,495
Other components of equity	33.2	49,852,263	38,651,568	1,952,125	1,504,876
		199,920,091	178,634,832	127,636,110	114,283,451
Non-controlling interest		24,944,488	15,695,543	-	-
Total equity		224,864,579	194,330,375	127,636,110	114,283,451
Non-current liabilities					
Insurance contract liabilities	35	30,230,539	31,700,278	-	-
Interest-bearing loans and borrowings	36	18,521,034	14,202,636	-	-
Deferred tax liabilities	20.4	7,089,179	2,336,241	-	-
Employee benefit liabilities	37	1,971,420	1,880,287	208,788	217,910
Other deferred liabilities	38	191,403	838,891	-	103,218
Other non-current liabilities	39	6,704,368	3,933,882	-	-
		64,707,943	54,892,215	208,788	321,128
Current liabilities					
Trade and other payables	40	16,077,499	14,136,040	332,191	330,078
Amounts due to related parties	43.2	5,168	10,434	5,377	210,029
Income tax liabilities	20.3	2,078,807	2,395,379	671,634	635,532
Short term borrowings	41	3,128,508	1,380,238	-	-
Interest-bearing loans and borrowings	36	2,062,465	2,918,854	-	-
Other current liabilities	42	3,513,214	2,944,118	5,327	16,441
Bank overdrafts		6,010,089	4,264,109	62,477	84,282
		32,875,750	28,049,172	1,077,006	1,276,362
Total equity and liabilities		322,448,272	277,271,762	128,921,904	115,880,941

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

Suran Wijesinghe
Group Financial Controller

The Board of Directors is responsible for these financial statements.

S C Ratnayake
Chairman

J G A Cooray
Group Finance Director

The accounting policies and notes as set out in pages 208 to 286 form an integral part of these financial statements.

25 May 2018
Colombo

STATEMENT OF CASH FLOWS

For the year ended 31st March In LKR '000s	Note	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	17,230,043	14,249,210	(162,151)	(143,117)
(Increase) / Decrease in inventories		(1,083,829)	(940,879)	-	-
(Increase) / Decrease in trade and other receivables		770,174	(585,975)	108,921	38,775
(Increase) / Decrease in other current assets		(1,160,879)	(320,693)	(99,535)	37,903
(Increase) / Decrease in other non-current assets		(11,906,507)	(6,135,168)	(4,470)	(3,840)
Increase / (Decrease) in trade, other payables and other non-current liabilities		4,070,175	2,200,730	(307,588)	(3,617)
Increase / (Decrease) in other current liabilities		578,591	820,376	(11,114)	153
Increase / (Decrease) in insurance contract liabilities		(1,469,739)	4,494,996	-	-
Cash generated from operations		7,028,029	13,782,597	(475,937)	(73,743)
Finance income received		11,069,018	9,536,363	5,338,590	4,221,631
Finance cost paid		(520,797)	(302,583)	(70,187)	(63,216)
Dividend received		2,942,698	2,854,182	8,273,468	10,789,765
Tax paid		(4,204,461)	(4,630,808)	(1,257,330)	(803,000)
Gratuity paid		(302,309)	(219,443)	(50,815)	(9,412)
Net cash flow from operating activities		16,012,178	21,020,308	11,757,789	14,062,025
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		(10,319,886)	(4,331,582)	(85,673)	(11,110)
Purchase of intangible assets	24	(217,562)	(114,398)	(32,544)	(6,746)
Addition to investment property	23	(4,397,290)	(4,220)	-	-
Purchase of lease rights	22	-	(2,657,012)	-	-
Acquisition of business, net of cash acquired	9.1	(78,584)	-	-	-
Investment in equity accounted investee	9.3	(1,804,500)	-	-	-
Increase in interest in subsidiaries		-	-	(17,366,523)	(4,840,893)
Increase in interest in equity accounted investees		(1,629,147)	(44,172)	(1,131,089)	(43,178)
Proceeds from sale of property, plant and equipment and intangible assets		262,819	157,919	19,507	211
Proceeds from sale of non-current investments		285,114	-	874,690	36,357
Proceeds from sale of financial instruments - fair valued through profit or loss		944,936	1,242,075	-	-
Purchase of financial instruments - fair valued through profit or loss		(1,128,585)	(1,285,594)	-	-
(Purchase) / disposal of short term investments (net)		5,871,794	(5,443,340)	5,421,442	(1,681,845)
(Purchase) / disposal of non-current financial assets (net)		(4,462,133)	(5,270,637)	(7,871)	1,311
Grants received for investing activities		32,560	80,800	-	-
Net cash flow from/(used in) investing activities		(16,640,464)	(17,670,161)	(12,308,061)	(6,545,893)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		9,016	4,088,103	9,016	4,088,103
Changes in non-controlling interest		(173,574)	65,660	-	-
Payment of other deferred liabilities		-	(115,406)	-	-
Dividend paid to equity holders of parent		(8,324,983)	(7,280,497)	(8,324,983)	(7,280,497)
Dividend paid to shareholders with non-controlling interest		(882,760)	(1,279,179)	-	-
Proceeds from long term borrowings	36	5,832,308	3,300,907	-	-
Repayment of long term borrowings		(2,795,723)	(3,443,821)	-	(1,469,884)
Proceeds from (repayment of) other financial liabilities (net)		1,748,270	558,995	-	-
Net cash flow from/(used in) financing activities		(4,587,446)	(4,105,238)	(8,315,967)	(4,662,278)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,215,732)	(755,091)	(8,866,239)	2,853,854
CASH AND CASH EQUIVALENTS AT THE BEGINNING		47,643,605	48,398,696	39,989,189	37,135,335
CASH AND CASH EQUIVALENTS AT THE END		42,427,873	47,643,605	31,122,950	39,989,189
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments	32	37,555,106	46,788,529	30,688,836	39,769,206
Cash in hand and at bank		10,882,856	5,119,185	496,591	304,265
Unfavourable balances					
Bank overdrafts		(6,010,089)	(4,264,109)	(62,477)	(84,282)
Total cash and cash equivalents		42,427,873	47,643,605	31,122,950	39,989,189

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 208 to 286 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31st March In LKR '000s	Note	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
A Profit before working capital changes					
Profit before tax		27,634,434	22,887,833	22,515,660	17,245,418
Adjustments for:					
Finance income		(11,268,141)	(10,033,281)	(6,291,920)	(5,540,768)
Dividend income		-	-	(8,574,886)	(10,469,023)
Finance costs		520,797	436,278	72,019	89,397
Share based payment expense	34	517,374	444,346	170,759	119,822
Change in fair value of investment property		(896,380)	(483,554)	-	-
Share of results of equity accounted investees		(3,596,430)	(3,302,955)	-	-
Profit on sale of non-current investments	15.1	(28,575)	-	(8,183,167)	(2,574,003)
Depreciation of property, plant and equipment	21.1, 21.2	3,236,226	2,874,071	32,555	33,042
Provision for impairment losses	15.2	23,445	34,332	40,712	900,419
(Profit) / loss on sale of property, plant and equipment and intangible assets	15.1, 15.2	(67,475)	41,183	(354)	(17)
Amortisation of lease rental paid in advance	22.1	458,459	592,983	-	-
Amortisation of intangible assets	24	325,531	333,046	18,861	19,765
Amortisation of other deferred liabilities		(1,805)	(19,669)	-	-
Gratuity provision and related costs	37	371,908	327,633	37,610	32,831
Accumulated unrecognised (gain)/loss (net)		(31,392)	-	-	-
Unrealised (gain) / loss on foreign exchange (net)		32,067	116,964	-	-
		17,230,043	14,249,210	(162,151)	(143,117)

STATEMENT OF CHANGES IN EQUITY

COMPANY In LKR '000s	Stated capital	Other capital reserve	Available for sale reserve	Revenue reserve	Total equity
As at 1 April 2016	58,701,977	958,310	126,307	41,121,860	100,908,454
Profit for the year	-	-	-	16,152,442	16,152,442
Other comprehensive income	-	-	(24,087)	(5,310)	(29,397)
Total comprehensive income	-	-	(24,087)	16,147,132	16,123,045
Exercise of share warrants	3,176,842	-	-	-	3,176,842
Exercise of share options	911,261	-	-	-	911,261
Share based payments	-	444,346	-	-	444,346
Final dividend paid - 2015/16	-	-	-	(1,784,105)	(1,784,105)
Interim dividends paid - 2016/17	-	-	-	(5,496,392)	(5,496,392)
As at 31 March 2017	62,790,080	1,402,656	102,220	49,988,495	114,283,451
Profit for the year	-	-	-	21,222,229	21,222,229
Other comprehensive income	-	-	(66,510)	(4,083)	(70,593)
Total comprehensive income	-	-	(66,510)	21,218,146	21,151,636
Exercise of share options	9,016	-	-	-	9,016
Share based payments	3,231	513,759	-	-	516,990
Final dividend paid - 2016/17	-	-	-	(2,774,934)	(2,774,934)
Interim dividends paid - 2017/18	-	-	-	(5,550,049)	(5,550,049)
As at 31 March 2018	62,802,327	1,916,415	35,710	62,881,658	127,636,110

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 208 to 286 form an integral part of these financial statements.

GROUP In LKR '000s	Attributable to equity holders of the parent										
	Stated capital	Restricted regulatory reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other capital reserve	Available for sale reserve	Revenue reserve	Total	Non controlling interests	Total equity
As at 1 April 2016	58,701,977	-	20,846,190	7,080,979	-	958,310	(170,217)	67,564,513	154,981,752	13,498,570	168,480,322
Profit for the year	-	-	-	-	-	-	-	16,275,158	16,275,158	1,841,607	18,116,765
Other comprehensive income	-	-	8,148,602	1,222,916	312,529	-	(192,087)	(72,664)	9,419,296	2,275,559	11,694,855
Total comprehensive income	-	-	8,148,602	1,222,916	312,529	-	(192,087)	16,202,494	25,694,454	4,117,166	29,811,620
Exercise of share warrants	3,176,842	-	-	-	-	-	-	-	3,176,842	-	3,176,842
Exercise of share options	911,261	-	-	-	-	-	-	-	911,261	-	911,261
Share based payments	-	-	-	-	-	444,346	-	-	444,346	-	444,346
Final dividend paid - 2015/16	-	-	-	-	-	-	-	(1,784,105)	(1,784,105)	-	(1,784,105)
Interim dividends paid - 2016/17	-	-	-	-	-	-	-	(5,496,392)	(5,496,392)	-	(5,496,392)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	659,992	659,992	(1,939,171)	(1,279,179)
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	-	-	46,682	46,682	18,978	65,660
As at 31 March 2017	62,790,080	-	28,994,792	8,303,895	312,529	1,402,656	(362,304)	77,193,184	178,634,832	15,695,543	194,330,375
Profit for the year	-	-	-	-	-	-	-	21,021,031	21,021,031	2,098,774	23,119,805
Other comprehensive income	-	-	5,150,294	1,131,696	253,403	-	1,027,363	34,863	7,597,619	70,029	7,667,648
Total comprehensive income	-	-	5,150,294	1,131,696	253,403	-	1,027,363	21,055,894	28,618,650	2,168,803	30,787,453
Exercise of share options	9,016	-	-	-	-	-	-	-	9,016	-	9,016
Share based payments	3,231	-	-	-	-	513,759	-	-	516,990	-	516,990
Transfer of one - off surplus	-	3,123,554	-	-	-	-	-	(3,123,554)	-	-	-
Final dividend paid - 2016/17	-	-	-	-	-	-	-	(2,774,934)	(2,774,934)	-	(2,774,934)
Interim dividends paid - 2017/18	-	-	-	-	-	-	-	(5,550,049)	(5,550,049)	-	(5,550,049)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	499,883	499,883	(1,382,643)	(882,760)
Acquisition, disposal and changes in non-controlling interest	-	-	626	-	-	-	-	(34,923)	(34,297)	8,462,785	8,428,488
As at 31 March 2018	62,802,327	3,123,554	34,145,712	9,435,591	565,932	1,916,415	665,059	87,265,501	199,920,091	24,944,488	224,864,579

Figures in brackets indicate deductions.

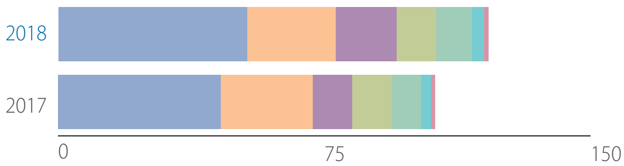
The accounting policies and notes as set out in pages 208 to 286 form an integral part of these financial statements.

GROUP PERFORMANCE SUMMARY

Revenue

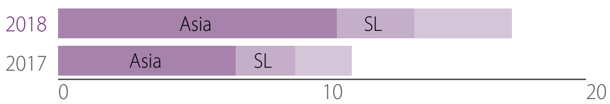
Group

LKR. 121.22 Bn 14%



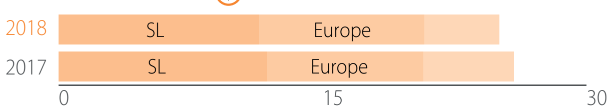
Transportation

LKR. 17.17 Bn 55%



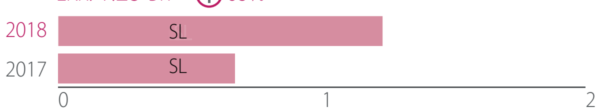
Leisure

LKR. 25.04 Bn 3%



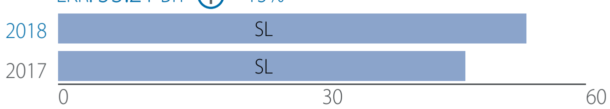
Property

LKR. 1.23 Bn 83%



Consumer Foods & Retail

LKR. 53.21 Bn 15%

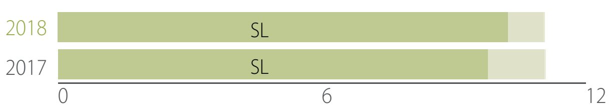


Financial Services

LKR. 10.06 Bn 21%

Information Technology

LKR. 11.07 Bn 0.3%



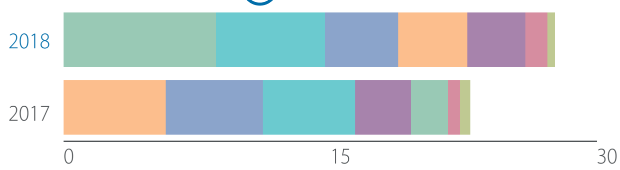
Others

LKR. 3.44 Bn 17%

PBT

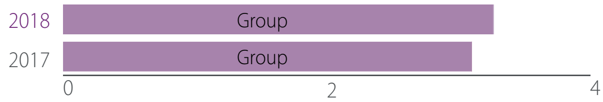
Group

LKR. 27.63 Bn 21%



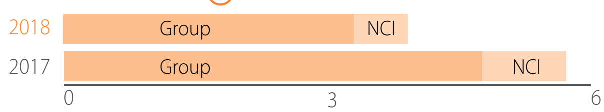
Transportation

LKR. 3.27 Bn 6%



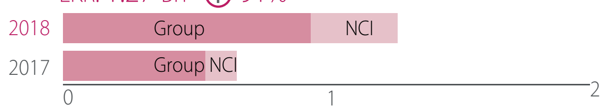
Leisure

LKR. 3.91 Bn 32%



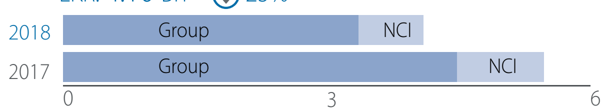
Property

LKR. 1.27 Bn 91%



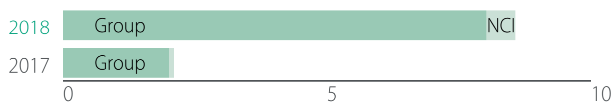
Consumer Foods & Retail

LKR. 4.10 Bn 25%



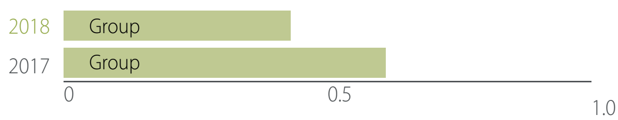
Financial Services

LKR. 8.57 Bn 309%



Information Technology

LKR. 0.43 Bn 30%



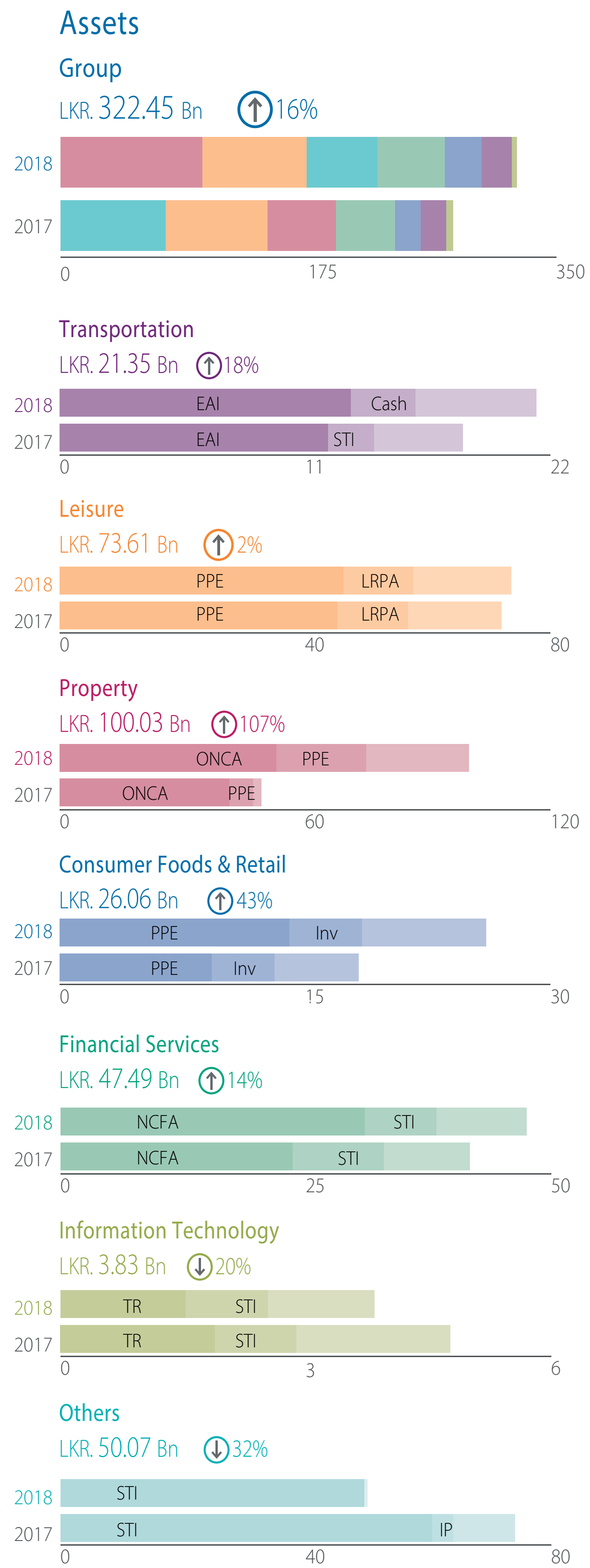
Others

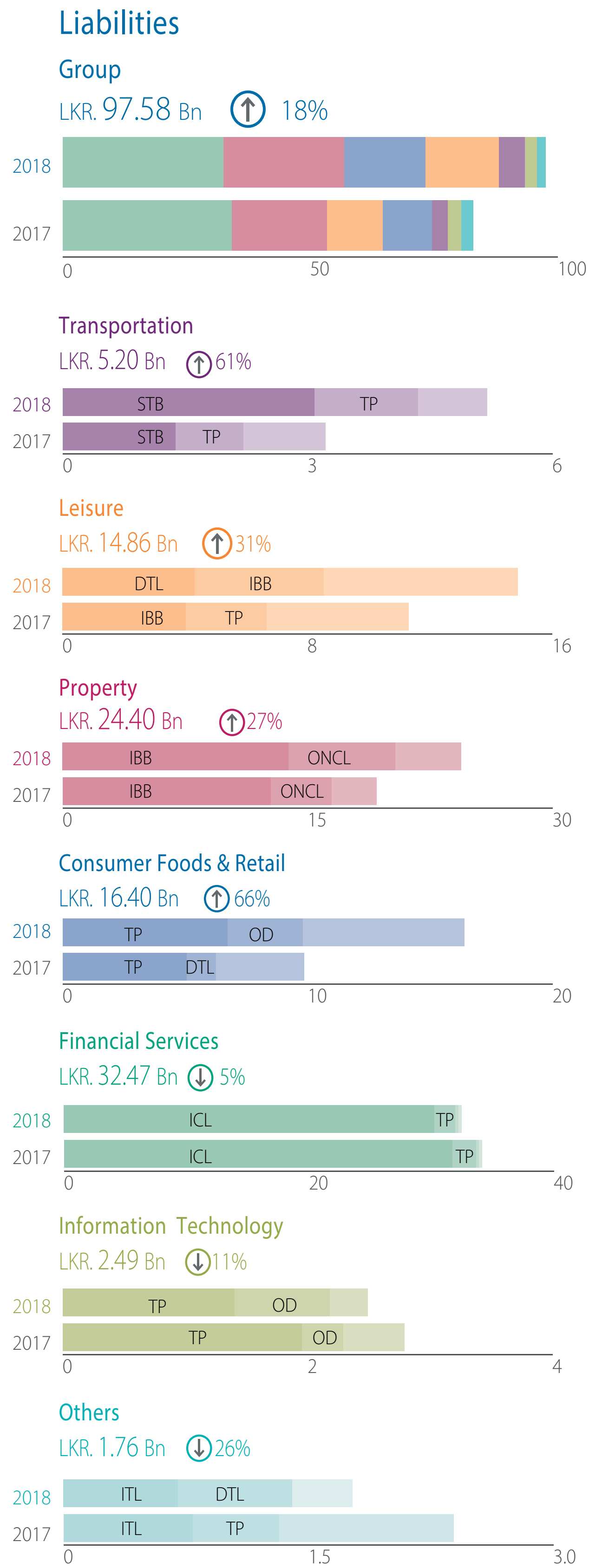
LKR. 6.08 Bn 16%

All values are in LKR billions

Geographical segment analysis (by location of customers)
- Sri Lanka (SL)
- Asia (excluding Sri Lanka)
- Europe
- Others

Group - Attributable to equity holders of the parent
NCI - Attributable to non controlling intererst





All values are in LKR billions

Cash	Cash in hand and at bank	ONCA	Other non-current assets	DTL	Deferred tax liabilities	OD	Bank overdrafts
EAI	Equity accounted investees	PPE	Property, plant and equipment	IBB	Interest bearing borrowings	ONCL	Other non-current liabilities
Inv	Inventories	STI	Short term investments	ICL	Insurance contract liabilities	STB	Short term borrowings
LRPA	Lease rental paid in advance	TR	Trade and other receivables	ITL	Income tax liabilities	TP	Trade and other payables
NCFA	Non-current financial assets						

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE AND GROUP INFORMATION

1. Corporate information

Reporting entity

John Keells Holdings PLC. is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2.

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

John Keells Holdings PLC. became the holding company of the Group during the financial year ended 31 March 1986.

Consolidated financial statements

The financial statements for the year ended 31 March 2018, comprise "the Company" referring to John Keells Holdings PLC. as the holding Company and "the Group" referring to the companies that have been consolidated therein.

Approval of financial statements

The financial statements for the year ended 31 March 2018 were authorised for issue by the Board of Directors on 25 May 2018.

Principal activities and nature of operations of the holding Company

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

Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

Statements of compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

2. Group information

Subsidiaries , associates and joint ventures

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

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

3 Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets and available-for-sale financial assets that have been measured at fair value.

Presentation of functional currency

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

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

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

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

All values are rounded to the nearest rupees thousand (LKR. '000) except when otherwise indicated.

The significant accounting policies are discussed with relevant individual notes.

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

Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

4 Summary of significant accounting policies

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

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

Other significant accounting policies not covered with individual notes.

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

Current versus non-current classification

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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

Foreign currency translation, foreign currency transactions and balances

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss of the item.

Foreign operations

The statement of financial position and income statement of overseas subsidiaries, joint ventures and associates which are deemed to be foreign operations are translated to Sri 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.

5 Significant accounting judgements, estimates and assumptions

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

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

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

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

a) Valuation of land and buildings and investment property
b) Impairment of non-financial assets
c) Share based payments
d) Taxes
e) Employee benefit liability
f) Valuation of insurance contract liabilities

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

Amendments to Sri Lanka Accounting Standard - LKAS 7 Statement of Cash flows, effective on or after 1 January 2017, require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has provided the information for both the current and the comparative period along with relevant note.

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

The Group intends to adopt these standards, if applicable, when they become effective.

Accounting Standard	Summary of the Requirements	Possible Impact on Consolidated Financial Statements
SLFRS 9 - Financial Instruments [Effective on or after 1 January 2018 (early adoption permitted)]	SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Classification and Measurement, impairment and hedge accounting. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.	The Group has adopted the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity. Group will implement changes in classification of certain financial instruments. **Classification and measurement** The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of SLFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The equity shares in listed and non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI. Therefore, the application of SLFRS 9 will not have a significant impact. Debt securities are expected to be measured at fair value through OCI under SLFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under SLFRS 9. Therefore, reclassification for these instruments is not required. **Impairment** SLFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. **Hedge accounting** The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under SLFRS 9. As SLFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of SLFRS 9 will not have a significant impact on the Group's financial statements.

Accounting Standard	Summary of the Requirements	Possible Impact on Consolidated Financial Statements
		Other adjustments In addition to the adjustments described above, on adoption of SLFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them will be adjusted as necessary.
SLFRS 15 - Revenue from Contracts with Customers [Effective on or after 1 January 2018 (early adoption permitted)]	SLFRS 15 establishes a comprehensive framework for determining whether, how much, and when, revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes	The Group has adopted the new standard on the required effective date and is not expected to have material changes to the comparative information. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group completed the diagnostic phase of SLFRS 15 adaptation in the 2016/17 financial year with the assistance of external consultants, which was continued with a more detailed analysis completed in the 2017/18 financial year. **Sale of goods** Under SLFRS 15, revenue will be recognised upon satisfaction of performance obligation. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods **Rendering of services** Currently, the Group recognises service revenue by reference to the stage of completion. Under SLFRS 15, the Group shall determine at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group shall recognise the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.
SLFRS 16 - Leases [Effective on or after 1 January 2019 (early adoption permitted)]	SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.	The Group completed the diagnostic phase of SLFRS 16 adaptation in the 2017/18 financial year with the assistance of external consultants. In 2018/19, the Group will continue to assess the potential effect of SLFRS 16 on its consolidated financial statements.
IFRIC 15 - Agreements for the construction on real state [Deferred application until SLFRS 15 Revenue from Contracts with Customers comes into effect]	This interpretation clarifies whether LKAS 18, 'Revenue' or LKAS 11 'Construction contracts' should be applied to particular transactions. It also explains the point at which revenue and related expenses from a sale of real estate unit should be recognised, if an agreement between a developer and a buyer is reached before the construction of the real estate unit is completed.	Considering the latest developments in revenue recognition (the "five-step model"), the Institute of Chartered Accountants of Sri Lanka has decided to grant an option for entities to defer application of IFRIC 15 until SLFRS 15 Revenue from Contracts with Customers comes into effect. The Group has not adopted IFRIC 15 which is related to recognition of revenue of construction of real estate. The Group has deferred application of this IFRIC based on the ruling issued by CA Sri Lanka.

6. Changes in accounting standards and standards issued but not yet effective (Contd.)

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

- Income Taxes (Amendments to LKAS 12)
- Long-term Interests in Associates (Amendments to LKAS 28)
- Prepayment Features with Negative Compensation (Amendments to SLFRS 9)
- Insurance Contracts (Amendments to SLFRS 4)
- Share Based Payment (Amendments to SLFRS 2)
- Annual Improvements Cycle - 2014-2016
- Disclosure of Interests in Other Entities (Amendments to SLFRS 12)

GROUP BUSINESS, OPERATIONS AND MANAGEMENT

7 Operating segment information

Accounting policy

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The operating segments represent this business structure.

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

The activities of each of the operating business segments of the Group are detailed in the Group directory in the Supplementary section of the Annual report.

As such for management purposes, the Group is organised into business units based on their products and services and has seven operating business segments as follows:

Transportation

Business of the transportation operating segment offers an array of transportation related services in Sri Lanka and the region and these operations comprise of South Asia Gateway Terminals (Pvt) Ltd. 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.

7.1 Business segments

	Transportation		Leisure		Property	
For the year ended 31st March **In LKR '000s**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
External revenue	17,168,713	11,109,677	25,039,582	25,873,790	1,230,664	1,121,204
Inter segment revenue	513,291	365,421	23,911	27,325	216,707	206,678
Total segment revenue	17,682,004	11,475,098	25,063,493	25,901,115	1,447,371	1,327,882
Elimination of inter segment revenue						
Net revenue						
Segment results	1,008,706	2,652,278	3,752,508	5,713,936	685,996	540,625
Finance cost	(57,178)	(25,488)	(215,924)	(203,544)	(33,829)	(25,858)
Finance income	133,797	117,449	460,814	458,531	100,114	93,077
Change in fair value of investment property	-	-	-	-	613,033	290,341
Share of results of associates	2,208,836	2,274,792	63,066	53,473	2,574	-
Eliminations / adjustments	(25,039)	(1,920,821)	(151,140)	(301,526)	(98,287)	(233,629)
Profit / (loss) before tax	3,269,122	3,098,210	3,909,324	5,720,870	1,269,601	664,556
Tax expense	(184,998)	(119,057)	(566,411)	(713,304)	(218,144)	(41,058)
Profit/ (loss) for the year	3,084,124	2,979,153	3,342,913	5,007,566	1,051,457	623,498
Purchase and construction of PPE*	475,296	95,716	3,111,043	1,275,820	9,108,123	36,369
Addition to IA*	558	9,176	-	-	-	2,240
Depreciation of PPE*	109,998	101,630	1,733,890	1,588,847	27,147	18,589
Amortisation of IA*	2,006	1,975	59,089	67,092	773	661
Amortisation of LRPA*	-	-	413,778	569,140	32,327	20,307
Gratuity provision and related costs	16,243	13,946	130,819	114,363	3,975	3,273

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

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

Leisure

The leisure operation segment encompasses two five star city hotels in Colombo and seven resort hotels spread in prime tourist locations all over Sri Lanka and three resorts in Maldives offering beaches, mountains, wildlife and cultural splendour under the 'Cinnamon Hotels and Resorts' brand. The leisure operating segment also has destination management businesses in Sri Lanka.

Property

The property operating segment concentrates primarily on development and sale of residential apartments.

Consumer Foods and Retail

The consumer foods and retail operating segment competes in the two major categories namely manufacturing and retailing.

Financial Services

The financial services operating segment offers a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing.

Information Technology

The information technology operating segment comprises from software services and information integration to office automation which offers end-to-end ICT services and solutions.

Others

This operating segment includes plantation services sector which operates tea factories, tea and rubber broking and pre-auction produce warehousing. This segment also consists of John Keells Holdings PLC. including its divisions / centre functions such as John Keells Capital and Strategic Group IT (SGIT), as well as other companies providing ancillary services.

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

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments' information, is measured differently from operating profit or loss in the consolidated financial statements. However, except the Financial Services segment, other segments' financing activities are managed on a Group basis and are not allocated to operating segments. Transfer pricing between operating segments are carried out in the ordinary course of business.

Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
53,211,014	45,812,242	10,056,203	8,296,409	11,069,226	11,107,277	3,439,670	2,952,502	121,215,072	106,273,101
365,887	363,698	5,880	110	267,795	221,044	958,706	767,899	2,352,177	1,952,175
53,576,901	46,175,940	10,062,083	8,296,519	11,337,021	11,328,321	4,398,376	3,720,401	123,567,249	108,225,276
								(2,352,177)	(1,952,175)
								121,215,072	106,273,101
3,970,048	5,146,899	7,100,609	935,269	653,569	(571,917)	(282,219)	(2,078,119)	16,889,217	12,338,971
(33,043)	(19,318)	(337)	(194)	(32,345)	(9,770)	(148,141)	(135,060)	(520,797)	(419,232)
149,034	251,544	157,086	187,201	43,333	49,434	6,313,281	5,559,911	7,357,459	6,717,147
21,559	92,005	-	-	-	-	261,788	101,208	896,380	483,554
-	-	1,321,954	974,690	-	-	-	-	3,596,430	3,302,955
(9,575)	(4,720)	-	-	(233,617)	1,143,772	(66,597)	1,781,362	(584,255)	464,438
4,098,023	5,466,410	8,579,312	2,096,966	430,940	611,519	6,078,112	5,229,302	27,634,434	22,887,833
(1,205,807)	(1,570,344)	(10,082)	(55,140)	(70,760)	(143,373)	(2,258,427)	(2,128,792)	(4,514,629)	(4,771,068)
2,892,216	3,896,066	8,569,230	2,041,826	360,180	468,146	3,819,685	3,100,510	23,119, 805	18,116,765
5,721,849	2,682,990	39,992	67,965	281,226	139,532	184,419	33,190	18,921,948	4,331,582
27,600	18,471	148,495	62,807	8,565	14,957	32,344	6,747	217,562	114,398
1,015,206	830,197	71,066	80,210	145,539	122,090	133,380	132,508	3,236,226	2,874,071
14,345	11,789	221,923	220,609	8,734	11,153	18,661	19,767	325,531	333,046
11,180	2,361	-	-	-	-	1,175	1,175	458,459	592,983
108,476	91,621	26,848	24,678	21,570	20,138	63,977	59,614	371,908	327,633

7 Operating segment information (Contd.)

7.2 Business segments

	Transportation		Leisure		Property	
As at 31st March In LKR '000s	2018	2017	2018	2017	2018	2017
Property, plant and equipment	876,075	500,463	43,858,172	43,251,774	4,071,495	2,318,107
Lease rentals paid in advance	-	-	11,356,004	11,495,184	230,543	245,301
Investment property	118,000	487,000	4,119,798	2,148,400	27,830,177	5,230,949
Intangible assets	12,624	14,072	315,102	374,191	2,191	2,963
Non-current financial assets	139,889	74,073	5,670,565	5,710,380	634,176	432,679
Other non-current assets	20,268	11,163	32,091	25,343	53,068,496	41,379,103
Segment non-current assets	1,166,856	1,086,771	65,351,732	63,005,272	85,837,078	49,609,102
Investments in equity accounted investees	10,760,644	11,118,544	545,216	512,143	1,807,074	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non-current assets						
Inventories	717,600	522,461	333,244	337,494	15,348	15,255
Trade and other receivables	2,178,988	1,685,506	3,404,368	3,474,959	57,923	941,864
Short term investments	133,943	2,053,279	5,389,308	8,188,744	954,858	987,176
Cash in hand and at bank	2,880,564	290,699	1,737,255	2,198,542	3,970,514	973,122
Segment current assets	5,911,095	4,551,945	10,864,175	14,199,739	4,998,643	2,917,417
Other current assets						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest-bearing loans and borrowings	-	-	8,127,078	6,650,926	13,608,177	12,548,001
Employee benefit liabilities	75,411	84,859	694,772	638,131	45,603	29,435
Other deferred liabilities	-	1,640	154,622	120,007	-	558,435
Other non-current liabilities	10,760	10,267	-	-	6,520,687	3,730,151
Segment non-current liabilities	86,171	96,766	8,976,472	7,409,064	20,174,467	16,866,022
Deferred tax liabilities						
Eliminations / adjustments						
Total non-current liabilities						
Trade and other payables	1,289,228	847,988	2,114,734	2,074,128	1,919,764	1,382,676
Short term borrowings	3,088,538	1,389,643	1,017,946	3,487,404	-	-
Interest-bearing loans and borrowings	-	-	1,300,868	2,662,075	222,014	181,645
Bank overdrafts	260,280	374,011	877,192	1,847,574	749,299	709,561
Segment current liabilities	4,638,046	2,611,642	5,310,740	10,071,181	2,891,077	2,273,882
Income tax liabilities						
Other current liabilities						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	7,077,951	5,638,716	76,215,907	77,205,011	90,835,721	52,526,519
Total segment liabilities	4,724,217	2,708,408	14,287,212	17,480,245	23,065,544	19,139,904

Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2018
14,059,724	9,290,844	2,006,816	1,498,964	390,547	260,153	1,253,554	1,287,795	66,516,383	58,408,100
146,263	174,701	-	-	-	-	39,505	40,679	11,772,315	11,955,865
228,601	207,042	-	-	-	-	1,094,511	3,434,063	33,391,087	11,507,454
50,943	37,685	206,363	891,546	28,134	28,305	44,482	30,802	659,839	1,379,564
269,910	226,097	30,999,887	23,645,619	59,566	57,131	332,715	2,827,038	38,106,708	32,973,017
850,421	553,357	85,909	51,378	15,086	15,994	34,298	21,603	54,106,569	42,057,941
15,605,862	10,489,726	33,298,975	26,087,507	493,333	361,583	2,799,065	7,641,980	204,552,901	158,281,941
-	-	9,222,413	6,088,200	-	-	-	-	22,335,347	17,718,887
								171,503	143,548
								738,596	738,596
								(4,111,835)	(4,574,829)
								223,686,512	172,308,143
4,454,705	3,840,380	14,624	14,966	865,099	676,063	311,025	217,483	6,711,645	5,624,102
3,150,392	2,720,088	921,287	1,415,290	1,848,633	1,938,636	1,165,431	1,084,448	12,727,022	13,260,791
1,031,410	553,219	7,319,257	9,318,833	1,076,246	994,577	49,515,436	60,565,974	65,420,458	82,661,802
632,781	232,360	535,402	336,648	574,487	580,119	583,808	456,679	10,914,811	5,068,169
9,269,288	7,346,047	8,790,570	11,085,737	4,364,465	4,189,395	51,575,700	62,324,584	95,773,936	106,614,864
								4,390,258	3,265,327
								(1,402,434)	(4,916,572)
								98,761,760	104,963,619
								322,448,272	277,271,762
-	-	30,230,539	31,700,278	-	-	-	-	30,230,539	31,700,278
1,958,333	289,896	-	-	27,483	-	12,000	12,000	23,733,071	19,500,823
575,015	549,079	141,964	138,656	113,939	106,889	333,479	333,238	1,980,183	1,880,287
36,925	55,490	-	-	-	-	527	103,991	192,074	839,563
172,921	193,464	-	-	-	-	-	-	6,704,368	3,933,882
2,743,194	1,087,929	30,372,503	31,838,934	141,422	106,889	346,006	449,229	62,840,235	57,854,833
								7,089,179	2,336,241
								(5,221,471)	(5,298,859)
								64,707,943	54,892,215
7,016,964	5,293,347	1,708,655	1,955,235	1,553,540	1,994,141	598,646	768,391	16,201,531	14,315,906
-	-	-	-	-	-	12,074	12,074	4,118,558	4,889,121
533,495	65,000	-	-	6,088	10,134	-	-	2,062,465	2,918,854
3,085,078	766,477	252,566	137,849	782,730	338,122	74,945	90,515	6,082,090	4,264,109
10,635,537	6,124,824	1,961,221	2,093,084	2,342,358	2,342,397	685,665	870,980	28,464,644	26,387,990
								2,078,807	2,395,379
								3,513,214	2,944,118
								(1,180,915)	(3,678,315)
								32,875,750	28,049,172
								97,583,693	82,941,387
24,875,150	17,835,773	42,089,545	37,173,244	4,857,798	4,550,978	54,374,765	69,966,564	300,326,837	264,896,805
13,378,731	7,212,753	32,333,724	33,932,018	2,483,780	2,449,286	1,031,671	1,320,209	91,304,879	84,242,823

7 Operating segment information (Contd.)

7.3 Geographical segments, based on the location of assets

	Sri Lanka		Asia (excluding Sri Lanka)		Others		Group Total	
In LKR '000s	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets	275,789,003	235,720,710	24,537,834	27,414,975	-	1,761,120	300,326,837	264,896,805
Segment liabilities	81,047,795	71,369,556	10,257,084	12,855,813	-	17,454	91,304,879	84,242,823
Investments in equity accounted investees	22,335,347	17,718,887	-	-	-	-	22,335,347	17,718,887
Segment revenue	114,485,216	98,692,457	6,729,855	7,580,644	-	-	121,215,071	106,273,101
Segment results	15,997,865	12,093,968	891,352	858,550	-	(613,547)	16,889,217	12,338,971
Purchase and construction of property, plant and equipment	17,840,321	3,823,767	1,081,628	505,004	-	2,811	18,921,949	4,331,582
Purchase and construction of intangible assets	217,562	114,398	-	-	-	-	217,562	114,398
Purchase of lease rights	-	177,062	-	2,479,950	-	-	-	2,657,012
Depreciation of property, plant and equipment	2,859,956	2,471,879	376,270	402,062	-	130	3,236,226	2,874,071
Amortisation of intangible assets	325,531	333,046	-	-	-	-	325,531	333,046
Amortisation of lease rental paid in advance	60,079	39,241	398,380	553,742	-	-	458,459	592,983
Gratuity provision and related costs	371,434	326,106	474	1,527	-	-	371,908	327,633

7.4 Business segment analysis

	Group					
	2018			2017		
For the year ended 31st March In LKR '000s	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
Transportation	15,834,106	1,334,607	17,168,713	10,275,518	834,159	11,109,677
Leisure	-	25,039,582	25,039,582	-	25,873,790	25,873,790
Property	676,320	554,345	1,230,665	587,363	533,841	1,121,204
Consumer Foods & Retail	53,211,013	-	53,211,013	45,812,242	-	45,812,242
Financial Services	-	10,056,203	10,056,203	-	8,296,409	8,296,409
Information Technology	9,573,829	1,495,397	11,069,226	9,250,749	1,856,528	11,107,277
Others	2,679,634	760,036	3,439,670	2,312,330	640,172	2,952,502
Group external revenue	81,974,902	39,240,170	121,215,072	68,238,202	38,034,899	106,273,101

7.5 Geographical segment analysis (by location of customers)

	Group	
For the year ended 31st March In LKR '000s	2018	2017
Sri Lanka	92,133,099	81,776,854
Asia (excluding Sri Lanka)	13,261,691	9,225,727
Europe	11,034,245	9,667,726
Others	4,786,037	5,602,794
Group external revenue	121,215,072	106,273,101

8 Basis of consolidation and material partly owned subsidiaries

Accounting policy

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of reporting period. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control over an investee

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

Subsidiaries that are consolidated have been listed in the Group directory under Supplementary section of the annual report.

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

	% Holding
Rajawella Holdings Ltd.	49.85
Mack Air Services Maldives (Pte) Ltd.	49.00
Tea Smallholder Factories PLC.	37.62

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

Transactions eliminated on consolidation

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

Loss of control

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

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

Non-controlling interest (NCI)

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

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

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

8.1 Material partly-owned subsidiaries

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

	LEISURE		CONSUMER FOODS & RETAIL	
In LKR '000s	2018	2017	2018	2017
Summarised income statement for the year ended 31 March				
Revenue	26,793,664	28,134,885	54,358,496	46,834,239
Operating cost	(21,389,257)	(20,438,667)	(49,642,387)	(40,941,279)
Finance cost	(215,924)	(367,870)	(33,043)	(19,318)
Finance income	460,814	622,856	149,034	251,544
Change in fair value of investment property	397,600	243,400	21,559	92,005
Profit before tax	6,046,897	8,194,604	4,853,659	6,217,191
Tax expense	(538,572)	(715,716)	(1,205,807)	(1,570,344)
Profit for the year	5,508,325	7,478,888	3,647,852	4,646,847
Other comprehensive income	1,029,264	9,968,550	31,251	209,357
Total comprehensive income	6,537,589	17,447,438	3,679,103	4,856,204
Profit/(loss) allocated to NCI	520,966	842,273	521,716	730,983
Dividend paid to NCI	580,460	1,016,875	437,843	717,319
Summarised statement of financial position as at 31 March				
Current assets	10,864,175	14,199,739	9,269,288	8,033,574
Non-current assets	65,351,732	63,005,272	15,605,862	17,620,783
Total assets	76,215,907	77,205,011	24,875,150	25,654,357
Current liabilities	5,310,740	11,472,392	10,635,537	7,822,565
Non-current liabilities	8,976,472	8,055,181	2,743,194	2,275,496
Total liabilities	14,287,212	19,527,573	13,378,731	10,098,061
Accumulated balances of NCI	12,414,526	12,680,462	2,410,370	2,351,519
Summarised cash flow information for the year ended 31 March				
Cash flows from operating activities	7,455,908	12,072,010	3,796,062	4,977,847
Cash flows from/(used in) investing activities	(3,696,335)	(2,900,274)	(5,944,099)	(3,066,146)
Cash flows from/(used in) financing activities	(3,031,700)	(5,534,896)	709,362	(3,891,090)
Net increase / (decrease) in cash and cash equivalents	727,873	3,636,840	(1,438,675)	(1,979,389)

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

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

Material partly-owned subsidiary	Effective holding % of Non-Controlling Interest 2017/18	2016/17
Leisure		
Ahungalle Holiday Resorts (Pvt) Ltd.	19.68%	19.68%
Asian Hotels and Properties PLC.	21.44%	21.44%
Beruwala Holiday Resorts (Pvt) Ltd.	20.22%	20.22%
Ceylon Holiday Resorts Ltd.	20.40%	20.76%
Cinnamon Holidays (Pvt) Ltd.	19.68%	19.68%
Fantasea World Investments (Pte) Ltd.	19.68%	19.68%
Habarana Lodge Ltd.	21.01%	21.01%
Habarana Walk Inn Ltd.	20.66%	20.66%
Hikkaduwa Holiday Resorts (Pvt) Ltd.	20.40%	20.76%
International Tourists and Hoteliers Ltd.	20.22%	20.22%
John Keells Hotels PLC.	19.68%	19.68%
John Keells Maldivian Resorts (Pte) Ltd.	19.68%	19.68%
Kandy Walk Inn Ltd.	20.97%	20.97%
Nuwara Eliya Holiday Resorts (Pvt) Ltd.	19.68%	19.68%
Rajawella Hotels Company Ltd.	19.68%	19.68%
Resort Hotels Ltd.	20.75%	20.75%
Serene Holidays (Pvt) Ltd.	1.26%	1.26%
Tranquility (Pte) Ltd.	19.68%	19.68%
Trinco Walk Inn Ltd.	19.68%	19.68%
Trans Asia Hotels PLC.	17.26%	17.26%
Travel Club (Pte) Ltd.	19.68%	19.68%
Trinco Holiday Resorts (Pvt) Ltd.	19.68%	19.68%
Walkers Tours Ltd.	1.49%	1.49%
Wirawila Walk Inn Ltd.	19.68%	19.68%
Yala Village (Pvt) Ltd.	24.67%	24.67%
Consumer Foods & Retail		
Ceylon Cold Stores PLC.	18.64%	18.64%
JayKay Marketing Services (Pvt) Ltd.	18.64%	18.64%
Keells Food Products PLC.	11.37%	11.47%
The Colombo Ice Company (Pvt) Ltd.	18.64%	18.64%

Accounting judgements,estimates and assumptions

Consolidation of entities in which the Group holds less than a majority of voting rights (de facto control).

The Group considers that it controls some subsidiaries even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of those subsidiaries with equity interest. The remaining equity shares in those subsidiaries are widely held by many other shareholders, and there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Considering the Group balances, none of the individual partly-owned subsidiaries have material non-controlling interest. However, the above information has been presented on the aggregated interests in similar entities namely, the Leisure and Consumer Foods and Retail (CFR) segment, based on the nature and risks of the products and services.

9 Business combinations and acquisitions of non-controlling interests

Accounting policy

Business combinations & goodwill

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration 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 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 may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected

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

to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation, goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill

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

9.1 Obtaining control of subsidiaries

Mack International Freight (Pvt) Ltd.

In June 2017, Mack International Freight (Pvt) Ltd. (formerly known as NDO Lanka (Pvt) Ltd.), became a fully owned subsidiary of the Group, arising from the buyout of the 40% stake from the other venture partner, for a nominal value by John Keells Holdings PLC.

The fair value of assets acquired and liabilities assumed were as follows:

	Fair value recognised on acquisition
ASSETS	
Cash	3,211
Trade and other receivables	125,200
Other current assets	26,425
Non-current financial assets	23,335
Non-current assets	524
Property, plant and equipment	1,445
LIABILITIES	
Bank overdrafts	(153,795)
Income tax liabilities	(12,040)
Other current liabilities	(795)
Trade and other payables	(64,588)
Employee benefit liabilities	(7,535)
Total identifiable net assets at fair value	(58,613)
Share of net assets acquired	(23,445)
Goodwill	23,445
Purchase consideration	-
Bank overdraft directly settled by other venture partner	72,000
Cash & cash equivalent acquired	(150,584)
Net cash outflow on acquisition of the subsidiary	(78,584)

9.2 Investment in subsidiaries - 2017/18

Waterfront Properties (Pvt) Ltd.

John Keells Holdings PLC. (JKH) invested a further LKR. 9,406 Mn (2017 - LKR. 4,341 Mn) in Waterfront Properties (Pvt) Ltd., a subsidiary of JKH involved in developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated Resort.

Trans-Ware Logistics (Pvt) Ltd.

In November 2017, Trans-Ware Logistics (Pvt) Ltd., became a fully owned subsidiary of the Group, arising from the buyout of the 50% stake from the other venture partners, for a cash consideration of LKR. 305 Mn by John Keells Holdings PLC.

Vauxhall Land Developments (Pvt) Ltd.

The Group, through Vauxhall Land Development (Pvt) Ltd (VLDL), acquired a 2.09-acre plot of land on Vauxhall Street for a consideration of LKR. 4,373 Mn. This asset was consolidated with an existing land plot of 3.56-acres, transferred from Whittall Boustead (Pvt) Ltd, and 3.72 acres of land owned by Finlays Colombo Ltd through a joint venture agreement signed in March 2018. Vauxhall Land Developments (Pvt) Ltd, which is 60.28% owned by JKH, now has a contiguous 9.38-acre property in one of the prime areas of the Colombo Central Business District.

9.3 Investment in equity accounted investees

Braybrooke Residential Properties (Pvt) Ltd.

In September 2017, the Group acquired a 50% stake with a total investment of LKR. 1,804 Mn in Braybrooke Residential Properties (Pvt) Ltd. (formerly known as Indra Holdings (Pvt) Ltd.). This Company plans to develop a residential apartment project of 891 units branded as "Tri-Zen" at Union Place, Colombo 2.

Nations Trust Bank PLC. (NTB)

In January 2018, the shareholders of NTB approved to issue ordinary non-voting convertible shares of the bank by way of a rights issue to meet the enhanced capital requirements arising from the introduction of Basel III, SLFRS 9 accounting standard and also to meet the expected growth in the loan book. The JKH Group subscribed to its entitlement of rights and also applied for additional rights. In total, the Group was allotted 18,109,079 shares at a price of LKR. 80 per share which amounted to a total investment by the Group of LKR. 1,449 Mn. The JKH Group has an economic interest of 32.16% in NTB.

9.4 Disposal of a subsidiary

John Keells BPO Solutions India (Pvt) Ltd.

In September 2017, the Group disposed of its 100% interest in John Keells BPO Solutions India (Pvt) Ltd. for a sales consideration of LKR. 634 Mn.

The fair value of assets and liabilities disposed were as follows:

	Value recognised on disposal
ASSETS	
Cash	277,276
Short term investments	65,789
Trade and other receivables	287,142
Other current assets	81,657
Property, plant and equipment	48,741
LIABILITIES	
Bank overdrafts	(3,828)
Income tax liabilities	(27,756)
Other current liabilities	(5,121)
Trade and other payables	(109,937)
Employee benefit liabilities	(8,763)
Total identifiable net assets at fair value	605,200
Gain on disposal	28,575
Sales consideration	633,775
Deferred sales consideration	(75,213)
Cash & cash equivalent disposed	(273,448)
Net cash inflow on disposal of non current investment	285,114

10 Financial risk management objectives and policies

The Group has loans and other receivables, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group also holds other financial instruments such as available for sale and fair value through profit or loss financial instruments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group is exposed to market risk, credit risk and liquidity risk.

10.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

		2018						
As at 31 st March In LKR '000s	Notes	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
Group								
Government securities	10.1.2	24,901,319	-	-	3,440,812	-	28,342,231	24%
Corporate debt securities	10.1.3	4,828,338	-	-	1,188,991	-	6,017,329	5%
Deposits with bank	10.1.4	172,748	-	-	55,939,666	-	56,112,414	48%
Loans to executives	10.1.5	934,297	-	222,885	-	-	1,157,182	1%
Loans to life policyholders	10.1.6	1,048,966	-	-	-	-	1,048,966	1%
Preference Shares	10.1.7	275,114	-	-	-	-	275,114	0%
Interest rate swap	10.1.8	598,097	-	-	-	-	598,097	1%
Trade and other receivables	10.1.9	-	-	11,448,660	-	-	11,448,660	10%
Reinsurance receivables	10.1.10	-	-	333,249	-	-	333,249	0%
Premium receivable	10.1.11	-	-	268,578	-	-	268,578	0%
Amounts due from related parties	10.1.12	-	-	-	-	139,640	139,640	0%
Cash in hand and at bank	10.1.13	-	10,882,856	-	-	-	10,882,856	10%
Total credit risk exposure		32,758,879	10,882,856	12,273,372	60,569,469	139,640	116,624,216	100%
Financial assets at fair value through P&L	10.3.3.1	-	-	-	3,816,624	-		
Available-for-sale investments	10.3.3.2	119,375	-	-	-	-		
Total equity risk exposure		119,375	-	-	3,816,624	-		
Total		32,878,254	10,882,856	12,273,372	64,386,093	139,640		
Company								
Government securities	10.1.2	-	-	-	-	-	-	-
Corporate debt securities	10.1.3	-	-	-	-	-	-	-
Deposits with bank	10.1.4	105,510	-	-	49,157,472	-	49,262,982	98%
Loans to executives	10.1.5	86,140	-	23,549	-	-	109,689	0%
Trade and other receivables	10.1.9	-	-	47,181	-	-	47,181	0%
Amounts due from related parties	10.1.12	-	-	-	-	404,364	404,364	1%
Cash in hand and at bank	10.1.13	-	496,591	-	-	-	496,591	1%
Total credit risk exposure		191,650	496,591	70,730	49,157,472	404,364	50,320,807	100%
Available-for-sale investments	10.3.3.2	75,461	-	-	-	-		
Total equity risk exposure		75,461	-	-	-	-		
Total		267,111	496,591	70,730	49,157,472	404,364		

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments, investments, and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

10.1.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available).

Following table shows the maximum risk positions.

2017						
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
17,750,289	-	-	24,450,907	-	42,201,196	35%
4,244,764	-	-	1,436,526	-	5,681,290	5%
3,276,582	-	-	49,853,042	-	53,129,624	44%
733,037	-	184,626	-	-	917,663	1%
902,300	-	-	-	-	902,300	1%
267,275	-	-	-	-	267,275	0%
331,679	-	-	-	-	331,679	1%
-	-	11,034,918	-	-	11,034,918	9%
-	-	214,342	-	-	214,342	0%
-	-	253,543	-	-	253,543	0%
-	-	-	-	111,639	111,639	0%
-	5,119,185	-	-	-	5,119,185	4%
27,505,926	5,119,185	11,687,429	75,740,475	111,639	120,164,654	100%
-	-	-	3,433,852	-		
160,695	-	-	-	-		
160,695	-	-	3,433,852	-		
27,666,621	5,119,185	11,687,429	79,174,327	111,639		
-	-	-	16,690,302	-	16,690,302	26%
-	-	-	268,306	-	268,306	0%
2,576,339	-	-	43,284,672	-	45,861,011	72%
71,669	-	18,652	-	-	90,321	0%
-	-	99,424	-	-	99,424	0%
-	-	-	-	286,735	286,735	1%
-	304,265	-	-	-	304,265	1%
2,648,008	304,265	118,076	60,243,280	286,735	63,600,364	100%
141,972	-	-	-	-		
141,972	-	-	-	-		
2,789,980	304,265	118,076	60,243,280	286,735		

10 Financial risk management objectives and policies (Contd.)

10.1.2 Government securities

As at 31 March 2018 as shown in table above, 24% (2017-35%) of debt securities comprise investments in government securities consisting of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

10.1.3 Corporate debt securities

As at 31 March 2018, corporate debt securities comprise 5% (2017-5%) of the total investments in debt securities, out of which 69% (2017 – 91%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

	GROUP			
	2018		2017	
As at 31st March Fitch ratings	In LKR '000s	Rating % of total	In LKR '000s	Rating % of total
AA+	-	-	812,063	14%
AA	284,753	5%	25,572	0%
AA-	518,442	9%	1,887,448	34%
A+	1,464,969	24%	1,699,653	30%
A	1,891,125	31%	751,104	13%
A-	1,126,015	19%	422,857	7%
BBB+	732,025	12%	82,593	2%
Total	6,017,329	100%	5,681,290	100%

10.1.4 Deposits with bank

Deposits with bank mainly consist of fixed and call deposits .

As at 31 March 2018, fixed and call deposits comprise 87% (2017- 92%) and 87% (2017- 95%) for the Group and Company respectively were rated "A+" or better.

	GROUP				COMPANY			
	2018		2017		2018		2017	
As at 31st March Fitch ratings	In LKR '000s	Rating % of total	In LKR '000s	Rating % of total	In LKR '000s	Rating % of total	In LKR '000s	Rating % of total
AAA	387,619	1%	98,936	0%	-	-	-	-
AA+	23,575,985	42%	17,584,755	33%	19,866,538	41%	17,283,582	37%
AA	4,021,056	7%	5,204,255	10%	4,070,587	8%	4,833,086	11%
AA-	19,006,484	34%	23,048,321	43%	17,369,327	35%	20,234,776	44%
A+	1,727,461	3%	2,967,207	6%	1,512,538	3%	1,291,148	3%
A	6,802,124	12%	2,612,559	5%	6,002,314	12%	604,828	1%
A-	591,685	1%	1,613,591	3%	441,678	1%	1,613,591	4%
Total	56,112,414	100%	53,129,624	100%	49,262,982	100%	45,861,011	100%

10.1.5 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 promissory notes as collateral for the loans granted.

10.1.6 Loans to life policyholders

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

10.1.7 Preference Shares

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

10.1.8 Interest rate swap

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

10.1.9 Trade and other receivables

As at 31st March In LKR '000s	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Neither past due nor impaired	6,242,130	3,357,908	10,055	79,574
Past due but not impaired				
0-30 days	2,688,856	4,411,225	4,166	9,738
31–60 days	987,250	1,199,016	17,748	8,914
61–90 days	307,675	263,358	4,331	-
> 91 days	1,222,749	1,803,411	10,881	1,198
Impaired	691,590	1,050,357	-	-
Gross carrying value	12,140,250	12,085,275	47,181	99,424
Less: impairment provision				
Individually assessed impairment provision	(81,658)	(418,296)	-	-
Collectively assessed impairment provision	(609,932)	(632,061)	-	-
Total	11,448,660	11,034,918	47,181	99,424

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

The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

10.1.10 Reinsurance receivables

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

10.1.11 Premium receivable

Only designated institution are employed as intermediary parties by Union Assurance PLC.

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

10.1.12 Amounts due from related parties

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

The Company balance consists of the balances from affiliate companies.

10.1.13 Cash and cash equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

10.2 Liquidity risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its short and medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk 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.

10 Financial risk management objectives and policies (Contd.)

10.2.1 Net debt/(cash)

As at 31st March In LKR '000s	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Short term investments	64,386,093	79,174,327	49,157,472	60,243,280
Cash in hand and at bank	10,882,856	5,119,185	496,591	304,265
Adjustments to liquid assets	(12,028,016)	(6,218,187)	-	-
Total liquid assets	63,240,933	78,075,325	49,654,063	60,547,545
Interest-bearing loans and borrowings (Non-current)	18,521,034	14,202,636	-	-
Short term borrowings	3,128,508	1,380,238	-	-
Interest-bearing loans and borrowings (Current)	2,062,465	2,918,854	-	-
Bank overdrafts	6,010,089	4,264,109	62,477	84,282
Total liabilities	29,722,096	22,765,837	62,477	84,282
Net debt / (cash)	(33,518,837)	(55,309,488)	(49,591,586)	(60,463,263)

10.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

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

Group In LKR '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	2,327,985	1,680,425	1,400,490	14,585,385	1,084,159	128,618	21,207,062
Trade and other payables	16,077,499	-	-	-	-	-	16,077,499
Amounts due to related parties	5,168	-	-	-	-	-	5,168
Short term borrowings	3,128,508	-	-	-	-	-	3,128,508
Bank overdrafts	6,010,090	-	-	-	-	-	6,010,090
	27,549,250	1,680,425	1,400,490	14,585,385	1,084,159	128,618	46,428,327

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 based on contractual undiscounted (principal plus interest) payments.

Group In LKR '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	2,969,995	1,040,496	1,149,113	1,141,074	501,146	10,355,654	17,157,478
Trade and other payables	14,136,040	-	-	-	-	-	14,136,040
Amounts due to related parties	10,434	-	-	-	-	-	10,434
Short term borrowings	1,380,238	-	-	-	-	-	1,380,238
Bank overdrafts	4,264,109	-	-	-	-	-	4,264,109
	22,760,816	1,040,496	1,149,113	1,141,074	501,146	10,355,654	36,948,299

Maturity analysis

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

Company	WITHIN 1 YEAR	
As at 31st March In LKR '000s	2018	2017
Trade and other payables	332,191	330,078
Amounts due to related parties	5,377	210,029
Bank overdrafts	62,477	84,282
	400,045	624,389

10.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of the following types of risk:
* Interest rate risk
* Currency risk
* Equity price risk
* Commodity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2018 and 2017.

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 2018 and 2017.

10.3.1 Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points		Effect on profit before tax LKR '000s	
For the Year ended 31 March	Rupee borrowings	Other currency borrowings	Group	Company
2018	+116	+96	203,405	-
	-116	-96	(203,405)	-
2017				
	+188	+53	115,552	-
	-188	-53	(115,552)	-

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.

10 Financial risk management objectives and policies (Contd.)

10.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury analyses the market condition of foreign exchange and provides market updates to the Group Executive Committee (GEC), with the use of external consultants' advice. Based on the suggestions made by Group treasury, the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decision rights given by the Board of Directors.

10.3.2.1 Effects of currency transaction on forward contract

The following table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts. Currently these financial instruments are categorised under trade and other receivables.

	Increase/(decrease) in basis points USD	Effect on profit before tax LKR '000s
For the Year ended 31 March		Group
2018	+3%	(49,614)
	-3%	49,614
2017		
	+4%	(44,617)
	-4%	44,617

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

10.3.2.2 Effects of currency translation

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

Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

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

For the Year ended 31 March		Group		Company
	Increase/(decrease) in exchange rate USD	Effect on profit before tax LKR '000s	Effect on equity LKR '000s	Effect on profit before tax LKR '000s
2018	+3%	647,150	1,440,806	497,613
	-3%	(647,150)	(1,440,806)	(497,613)
2017	+4%	1,169,224	1,490,189	841,661
	-4%	(1,169,224)	(1,490,189)	(841,661)

Assumptions

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

10.3.3 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

10.3.3.1 Financial assets at fair value through Profit and loss

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

As at 31st March	GROUP 2018 LKR '000s	%	2017 LKR '000s	%
Banks finance and insurance	2,160,179	57%	1,678,946	49%
Beverage food and tobacco	96,964	3%	12,353	0%
Construction and engineering	123,427	3%	116,745	3%
Diversified holdings	488,139	13%	591,424	18%
Manufacturing	717,644	19%	856,378	25%
Motors	10,255	0%	-	-
Other services	16,428	0%	-	-
Telecommunications	203,588	5%	178,006	5%
	3,816,624	100%	3,433,852	100%

10.3.3.2 Available-for-sale investments

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

10.3.3.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the market index, with all other variables held constant, of the Group & Company's profit before tax and equity due to changes in the fair value of the listed equity securities.

For the Year ended 31 March	GROUP Change in year-end market price index	Effect on profit before tax LKR '000s	Effect on equity LKR '000s
2018	7%	267,164	-
	-7%	(267,164)	-
2017	0%	-	-
	0%	-	-

10.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its 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.

As at 31st March	GROUP 2018	2017	COMPANY 2018	2017
Debt / Equity	13.2%	11.7%	0.0%	0.1%

11 Fair value measurement and related fair value disclosures

Fair value measurement

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

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

Accounting policy

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

11 Fair value measurement and related fair value disclosures (Contd.)

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and building and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets.

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

11.1 Fair value measurement hierarchy - Group

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

FINANCIAL ASSETS	Level 1		Level 2		Level 3		Total	
As at 31st March In LKR '000s	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets held for trading	2,286,170	1,678,122	-	-	-	-	2,286,170	1,678,122
Designated at fair value through profit or loss	1,837,274	2,187,708	142,317	132,683	-	-	1,979,591	2,320,391
Interest rate swap	-	-	598,097	331,679	-	-	598,097	331,679
Available for sale	7,458,240	6,659,083	150	150	119,031	160,369	7,577,421	6,819,602
Total	11,581,684	10,524,913	740,564	464,512	119,031	160,369	12,441,279	11,149,794

NON FINANCIAL ASSETS	Note	Level 3 2018	Level 3 2017	Total 2018	Total 2017
Assets measured at fair value					
Land and buildings	21.1	56,359,091	40,092,971	56,359,091	40,092,971
Buildings on leasehold land	21.1	14,382,337	12,522,459	14,382,337	12,522,459
Investment property	23	12,427,058	5,366,180	12,427,058	5,366,180
Total		83,168,486	57,981,610	83,168,486	57,981,610

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

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

11.2 Fair value measurement hierarchy - Company

FINANCIAL ASSETS	Level 3	
As at 31st March In LKR '000s	2018	2017
Available for sale	75,461	141,972

11.3 Reconciliation of fair value measurements of level 3 financial instruments

The Group and Company carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In LKR '000s	Available-for-sale financial assets Group	Available-for-sale financial assets Company
As at 1 April 2017	160,369	141,972
Sales	-	-
Total gains and losses recognised in OCI	(41,338)	(66,511)
As at 31 March 2018	119,031	75,461

Fair valuation done as at 31 March 2018 for all unquoted equity shares are classified as Level 3 within the fair value hierarchy using discounted cash flow valuation methodology. Fair value would not significantly vary if one or more of the inputs were changed.

12. Financial instruments and related policies

Accounting policy

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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

Financial assets - Subsequent measurement

The subsequent measurement of financial assets depends on their classification. For purposes of subsequent measurement financial assets are classified in four categories:

· Financial assets at fair value through profit or loss
· Loans and receivables
· Held-to-maturity investments
· Available for sale financial assets

Financial assets at fair value through profit or loss

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.

12. Financial instruments and related policies (Contd.)

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income under the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Income Statement in finance costs and removed from the available-for-sale reserve.

Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in the Income Statement.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortised to the Income Statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Income Statement.

Financial assets - derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

· The rights to receive cash flows from the asset have expired

· The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

AFS Financial assets

For available-for-sale financial investments, the group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value (less any impairment loss) is removed from other comprehensive income. Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

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.

12. Financial instruments and related policies (Contd.)

Financial liabilities - Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. For purposes of subsequent measurement financial liabilities are classified in two categories:

· Loss Loans and borrowings
· Financial guarantee contracts

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Income Statement.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Financial liabilities - Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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

12.1 Financial assets and liabilities by categories in accordance with LKAS 39

GROUP	Loans and receivables		Financial assets at fair value through profit or loss	
As at 31st March In LKR '000s	2018	2017	2018	2017
Financial instruments in non-current assets / non-current liabilities				
Non-current financial assets	7,539,791	9,474,413	123,738	96,016
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets / current liabilities				
Trade and other receivables / Payables	12,273,372	11,687,429	-	-
Amounts due from / Due to related parties	139,640	111,639	-	-
Short term investments / Short term borrowings	59,448,699	70,970,351	4,142,023	3,902,497
Cash in hand and at bank / Bank overdrafts	10,882,856	5,119,185	-	-
Interest-bearing loans and borrowings	-	-	-	-
Total	90,284,358	97,363,017	4,265,761	3,998,513

For financial assets both at fair value through profit and loss and available-for-sale financial assets the carrying amount and fair value are equal.

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.

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.

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.

Cash Flow Hedges

Interest rate swaps

The Group has entered into interest rate swap that is a cash flow hedge for the Group's exposure to interest rate risk on its borrowings

These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

	Financial assets by categories						Financial liabilities by categories	
	Available-for-sale financial assets		Held - to - maturity investments		Total		Financial liabilities measured at amortised cost	
	2018	2017	2018	2017	2018	2017	2018	2017
	7,183,319	6,639,030	18,031,406	11,457,162	32,878,254	27,666,621	-	-
	-	-	-	-	-	-	18,521,034	14,202,636
	-	-	-	-	12,273,372	11,687,429	16,077,499	14,136,040
	-	-	-	-	139,640	111,639	5,168	10,434
	394,102	180,572	401,269	4,120,907	64,386,093	79,174,327	3,128,508	1,380,238
	-	-	-	-	10,882,856	5,119,185	6,010,089	4,264,109
	-	-	-	-	-	-	2,062,465	2,918,854
	7,577,421	6,819,602	18,432,675	15,578,069	120,560,215	123,759,201	45,804,763	36,912,311

12. Financial instruments and related policies (Contd.)

12.2 Financial assets and liabilities by categories in accordance with LKAS 39

COMPANY	Financial assets by categories						Financial liabilities by categories	
	Loans and receivables		Available-for-sale financial assets		Total		Financial liabilities measured at amortised cost	
As at 31st March In LKR '000s	2018	2017	2018	2017	2018	2017	2018	2017
Financial instruments in non-current assets / non-current liabilities								
Non-current financial assets	191,650	2,648,008	75,461	141,972	267,111	2,789,980	-	-
Financial instruments in current assets / current liabilities								
Trade and other receivables / Payables	70,730	118,076	-	-	70,730	118,076	332,191	330,078
Amounts due from / Due to related parties	404,364	286,735	-	-	404,364	286,735	5,377	210,029
Short term investments	49,157,472	60,243,280	-	-	49,157,472	60,243,280	-	-
Cash in hand and at bank / Bank overdrafts	496,591	304,265	-	-	496,591	304,265	62,477	84,282
Total	50,320,807	63,600,364	75,461	141,972	50,396,268	63,742,336	400,045	624,389

For financial assets both at fair value through profit and loss and available-for-sale financial assets, the carrying amount and fair value are equal.

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology. Fair value of held to maturity investments amounts to LKR. 19,006 Mn (2017 - LKR. 14,725 Mn) for the Group.

The Group has designated financial assets amounting to LKR. 6,925 Mn (2017 - LKR. 3,999 Mn) upon initial recognition, as fair value through profit or loss.

The management assessed that, cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

12.3 Derivative financial instruments

GROUP

As at 31st March Cash-flow hedges	Contract notional amount In USD '000s	2018 Fair value In LKR '000s	2017 Fair value In LKR '000s
Interest rate swaps	75,000	598,097	331,679

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

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

13 Revenue

Accounting policy

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 recognized 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 recognized only to the extent that the expenses incurred are eligible to be recovered.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

Life insurance business - gross written premium

Gross written premiums on life and investment contracts with discretionary participating features (DPF) are recognised as revenue when receivable from the policyholder (policies within the 30 day grace period are considered as due). For single premium business, revenue is recognised on the date on which the policy is effective.

Turnover based taxes

Companies in the Group pay turnover based taxes including value added tax in accordance with the respective statutes.

13.1 Revenue

	GROUP		COMPANY	
For the year ended 31 March In LKR '000s	2018	2017	2018	2017
Gross revenue	121,417,678	106,483,869	1,347,707	1,126,353
Turnover tax	(202,606)	(210,768)	-	-
Net revenue	121,215,072	106,273,101	1,347,707	1,126,353

14 Dividend income

Accounting policy

Dividend

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

	COMPANY	
For the year ended 31 March In LKR '000s	2018	2017
Dividend income from investments in subsidiaries and equity accounted investees	8,574,886	10,469,023

15 Other operating income and other operating expenses

Accounting policy

Gains and losses

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

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

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

Other income and expenses

Other income and expenses are recognised on an accrual basis.

15.1 Other operating income

		GROUP		COMPANY	
For the year ended 31 March **In LKR '000s**	**Note**	**2018**	**2017**	**2018**	**2017**
Promotional income and commission fee		1,386,312	1,062,548	-	-
Exchange gains		161,874	282,572	-	-
Profit on sale of property, plant and equipment		67,475	-	354	17
Profit on sale of non current investments	9.4, 43.8	28,575	-	8,183,167	2,574,003
Write back of dealer deposits		9,216	8,789	-	-
Sundry income		430,659	411,278	29,578	33,841
		2,084,111	1,765,187	8,213,099	2,607,861

The gain on share restructure/repurchase of LKR 8,183 Mn at the Company level relates to a capital gain pertaining to the exercise undertaken to rationalise the Group's shareholding structure. The exercise, as discussed in note 43.8, was carried out to restructure the shareholding of the Group companies which had multiple layers of ownership. The exercise was executed via a model which consisted of both share and cash transfers within the Company and its unquoted subsidiaries. It should also be noted that the capital gain was eliminated at the Group consolidation level.

15.2 Other operating expenses

	GROUP		COMPANY	
For the year ended 31 March **In LKR '000s**	**2018**	**2017**	**2018**	**2017**
Nations building tax	1,182,224	1,105,567	27,407	22,909
Loss on sale of property, plant and equipment	-	41,183	-	-
Impairment losses on non financial assets	23,445	34,332	40,712	900,419
Heat, light and power	623,328	630,507	-	-
Other overheads	1,361,166	1,358,516	4,806	17,844
	3,190,163	3,170,105	72,925	941,172

16 Net finance income

Accounting policy

Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Finance costs

Finance costs comprise of interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

	GROUP		COMPANY	
For the year ended 31 March In LKR '000s	2018	2017	2018	2017
Net finance income				
Finance income				
Interest income	10,278,389	9,016,816	5,707,729	4,908,325
Dividend income on				
Financial assets at fair value through profit or loss	134,965	164,269	-	-
Available-for-sale financial assets	76,364	49,289	76,364	49,289
Investment related direct expenses	(59,182)	(47,432)	-	-
Net gain on				
Financial assets at fair value through profit or loss	319,175	267,176	-	-
Available-for-sale financial assets	10,602	9	-	
Exchange gains	507,828	583,154	507,827	583,154
Total finance income	11,268,141	10,033,281	6,291,920	5,540,768
Finance cost				
Interest expense on borrowings	(520,797)	(436,278)	(72,019)	(89,397)
Total finance cost	(520,797)	(436,278)	(72,019)	(89,397)
Net finance income	10,747,344	9,597,003	6,219,901	5,451,371

17 Profit before tax

Accounting policy

Expenditure recognition

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

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

17 Profit before tax (Contd.)

	GROUP		COMPANY	
For the year ended 31 March In LKR '000s	2018	2017	2018	2017
Profit before tax				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	366,959	363,411	192,881	154,024
Remuneration to non executive directors	47,037	47,470	17,360	16,920
Costs of defined employee benefits				
Defined benefit plan cost	371,908	327,633	37,610	32,831
Defined contribution plan cost - EPF and ETF	872,819	841,237	79,033	65,944
Staff expenses	11,458,870	11,166,845	609,705	567,671
Share based payments	517,374	444,346	170,759	119,822
Auditors' remuneration				
Audit	42,266	40,239	5,974	5,609
Non-audit	18,162	24,342	6,758	4,846
Depreciation of property, plant and equipment	3,236,226	2,874,071	32,555	33,042
Amortisation of intangible assets	325,531	333,046	18,861	19,765
Amortisation of lease rentals paid in advance	458,459	592,983	-	-
Impairment losses	23,445	34,332	40,712	900,419
Operating lease payments	782,452	913,962	-	-
(Profit)/loss on sale of property, plant and equipment and intangible assets	(67,475)	41,183	(354)	(17)
Donations	8,256	34,135	505	13,505

18 Earnings per share

Accounting policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

18.1 Basic earnings per share

		GROUP	
For the year ended 31 March In LKR '000s	Note	2018	2017
Profit attributable to equity holders of the parent		21,021,031	16,275,158
Weighted average number of ordinary shares	18.3	1,387,497	1,373,936
Basic earnings per share		15.15	11.85

18.2 Diluted earnings per share

Profit attributable to equity holders of the parent		21,021,031	16,275,158
Adjusted weighted average number of ordinary shares	18.3	1,387,969	1,374,525
Diluted earnings per share		15.15	11.84

18.3 Amount used as denominator

	GROUP	
For the year ended 31 March In LKR '000s	2018	2017
Ordinary shares at the beginning of the year	1,387,468	1,189,404
Bonus element on share split 2016/17	-	169,915
Effect of share options exercised / Warrants exercised	29	14,617
Weighted average number of ordinary shares in issue before dilution	1,387,497	1,373,936
Effects of dilution from:		
Share option plans	472	589
Adjusted weighted average number of ordinary shares	1,387,969	1,374,525

19 Dividend per share

	COMPANY			
For the year ended 31 March	2018		2017	
	LKR	In LKR '000s	LKR	In LKR '000s
Equity dividend on ordinary shares declared and paid during the year				
Final dividend (Previous years' final dividend paid in the current year)	2.00	2,774,934	1.50	1,784,105
Interim dividends	4.00	5,550,049	4.00	5,496,392
Total dividend	6.00	8,324,983	5.50	7,280,497

20 Taxes

Accounting policy

Current tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act & has complied with the related Gazette Notifications issued by the Ministry of Finance .

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

20 Taxes (Contd)

- In respect of deducible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

No deferred tax asset or liability has been recognised in the companies which are enjoying the Board of Investment (BOI) Tax Holiday period, if there are no qualifying assets or liabilities beyond the tax holiday period.

Sales tax

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

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

20.1 Tax expense

		GROUP		COMPANY	
For the year ended 31 March In LKR '000s		2018	2017	2018	2017
Current income tax					
Current tax charge	20.5	3,240,376	3,461,444	1,293,431	1,092,976
(Over)/Under provision of current tax of previous years		(63,223)	21,503	-	-
Irrecoverable economic service charge	20.7	-	199	-	-
10% Withholding tax on inter company dividends		681,700	943,718	-	-
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	20.2	655,776	344,204	-	-
	20.6	4,514,629	4,771,068	1,293,431	1,092,976

20.2 Deferred tax expense

For the year ended 31 March In LKR '000s	GROUP 2018	GROUP 2017
Income statement		
Deferred tax expense arising from;		
Accelerated depreciation for tax purposes	276,204	149,894
Revaluation of investment property to fair value	209,417	26
Retirement benefit obligations	(16,269)	(38,970)
Benefit arising from tax losses	3,786	222,940
Others	182,638	10,314
Deferred tax charged directly to Income Statement	655,776	344,204
Other comprehensive income		
Deferred tax expense arising from;		
Actuarial losses on defined benefit obligations	(4,849)	(19,880)
Revaluation of land and building to fair value	4,111,613	28,237
Net gain/loss on available for sale financial assets	-	(57,801)
Total deferred tax charged/(credited) directly to OCI	4,106,764	(49,444)

Deferred tax has been computed at 28% for all standard rate companies (including listed companies) and at 14% for leisure sector companies and at rates as disclosed in notes 20.10 and 20.11.

Temporary differences associated with the undistributed reserves in subsidiaries for which a deferred tax liability has not been recognised, amounts to LKR. 2,197 Mn (2017 - LKR. 2,117 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.

20.3 Income tax liabilities

As at 31st March In LKR '000s	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
At the beginning of the year	2,395,379	1,873,472	635,532	345,555
Charge for the year	3,177,153	3,482,947	1,293,431	1,092,976
Payments and set off against refunds	(3,505,765)	(2,961,040)	(1,257,329)	(802,999)
Acquisitions / (disposal) of subsidiary	12,040	-	-	-
At the end of the year	2,078,807	2,395,379	671,634	635,532

20 Taxes (Contd)

20.4 Deferred tax

	GROUP			
	ASSETS		LIABILITIES	
As at 31st March In LKR '000s	2018	2017	2018	2017
At the beginning of the year	143,548	129,837	2,336,241	2,029,371
Charge and release	41,619	11,591	4,555,968	306,351
Acquisition/(disposal) of subsidiary	-	-	(55,243)	-
Transfers / exchange translation difference	(13,664)	2,120	252,213	519
At the end of the year	171,503	143,548	7,089,179	2,336,241
The closing deferred tax asset and liability balances relate to the following;				
Revaluation of land and building to fair value	-	-	4,141,179	229,549
Revaluation of investment property to fair value	(9,966)	-	670,556	51,252
Accelerated depreciation for tax purposes	41,144	59,399	2,265,415	2,155,280
Employee benefit liability	78,183	62,620	(218,782)	(240,655)
Losses available for offset against future taxable income	61,630	18,557	(162,405)	(51,920)
Net gain/loss on Available for Sale Financial Assets	-	-	-	(35,959)
Others	512	2,972	393,216	228,694
	171,503	143,548	7,089,179	2,336,241

The Group has tax losses amounting to LKR. 10,562 Mn (2017 - LKR. 9,147 Mn) that are available to offset against future taxable profits of the companies in which the tax losses arose.

A deferred tax liability for the Group amounting to LKR. 350 Mn (2017 – LKR. 230 Mn) has been recognised on the impact pertaining to the current year's on declared dividends of subsidiaries and the Group's portion of distributable reserves of equity accounted investees.

The New Income Tax Act No.24 of 2017 was certified on 24th October 2017 and is effective from 01 April 2018. Accordingly, Income tax provisions for the year ended 31 March 2018 were made based on rates applicable for the Year of Assessment 2017/18 with Deferred tax for the same period computed based on rates applicable post 1 April 2018.

Accounting judgements, estimates and assumptions
The Group is subject to income tax and other taxes including VAT. Significant judgement was required to determine the total provision for current, deferred and other taxes due to uncertainties that exist with respect to the interpretation of the applicability of tax 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 contingent liabilities amounting to LKR. 1,371 Mn (2017 – LKR. 1,168 Mn). These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited as the reporting date.

Further details on contingent liabilities are disclosed in note 44 in the financial statements.

20.5 Reconciliation between current tax charge and the accounting profit

	GROUP		COMPANY	
For the year ended 31st March In LKR '000s	**2018**	**2017**	**2018**	**2017**
Profit before tax	27,634,434	22,887,833	22,515,660	17,245,418
Dividend income from Group companies	11,269,163	14,165,500	-	-
Share of results of equity accounted investees (net of tax)	(3,596,430)	(3,302,955)	-	-
Other consolidation adjustments	14,820,285	3,908,163	-	-
Profit after adjustment	50,127,452	37,658,541	22,515,660	17,245,418
Exempt profits	(1,460,681)	(1,554,480)	(929,053)	(889,488)
Income not liable for income tax	(15,163,860)	(6,131,108)	(8,197,016)	(2,585,646)
Resident dividend	(9,453,819)	(14,194,939)	(8,651,250)	(10,518,312)
Adjusted accounting profit chargeable to income taxes	24,049,092	15,778,014	4,738,341	3,251,972
Disallowable expenses	9,237,723	9,571,337	589,297	1,338,095
Allowable expenses	(6,041,067)	(4,949,360)	(703,149)	(666,521)
Utilization of tax losses	162,058	(421,603)	-	-
Qualifying payment deductions	(5,388)	(54,692)	(5,093)	(20,059)
Taxable income	27,402,418	19,923,696	4,619,396	3,903,487
Income tax charged at				
Standard rate of 28%	2,796,298	2,885,195	1,293,431	1,092,976
Other concessionary rates	444,078	576,249	-	-
Current tax charge	3,240,376	3,461,444	1,293,431	1,092,976

20.6 Reconciliation between tax expense and the product of accounting profit

Adjusted accounting profit chargeable to income taxes	24,049,092	15,778,014	4,738,341	3,251,972
Tax effect on chargeable profits	3,324,785	3,445,175	1,326,735	910,552
Tax effect on non deductible expenses	441,725	493,075	84,380	337,310
Tax effect on deductions claimed	(385,504)	(156,497)	(123,697)	(172,889)
Net tax effect of unrecognised deferred tax assets for the year	171,562	12,426	6,013	18,003
Net tax effect of unrecognised deferred tax assets for prior years	9,128	1,469	-	-
Under/(over) provision for previous years	(63,222)	21,503	-	-
Deferred tax due to rate differentials	164,455	-	-	-
Other income based taxes				
Irrecoverable economic service charge	-	199	-	-
10% Withholding tax on inter company dividends	681,700	943,718	-	-
Deferred tax on withholding tax of affiliated companies dividends	170,000	10,000	-	-
Tax expense	4,514,629	4,771,068	1,293,431	1,092,976

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

20 Taxes (Contd)

20.7 Economic service charge (ESC)

For the year ended 31st March In LKR '000s	GROUP 2018	 2017
Irrecoverable economic service charge	-	199
	-	199

20.8 Tax losses carried forward

For the year ended 31st March In LKR '000s	GROUP 2018	 2017	COMPANY 2018	 2017
Tax losses brought forward	9,146,951	9,207,044	1,230,471	1,230,471
Adjustments on finalisation of liability	492,233	208,727	-	-
Tax losses arising during the year	1,031,125	381,107	-	-
Utilisation of tax losses	(108,407)	(649,927)	-	-
	10,561,902	9,146,951	1,230,471	1,230,471

20.9 Details of investment relief

	Year of investment	Cost of approved investment In LKR '000s	Relief claimed/forgone on investment In LKR '000s	Liability to additional tax on disposal of investment
Ceylon Cold Stores PLC. (CCS)	2011/2012	256,702	256,702	-
	2012/2013	167,091	167,091	-
	2013/2014	72,801	72,801	-

CCS was eligible for qualifying payment relief granted under Section 34(2)(s) of the Inland Revenue Act No. 10 of 2006 and amendments thereto, and has now fully claimed the relief.

20.10 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	Ended on 31 March 2018
John Keells Computer Services (Pvt) Ltd.	- do -	- do -	- do -
John Keels Office Automation (Pvt) Ltd.	- do -	- do -	- do -
Cinnamon Hotel Management Ltd. (formerly known as Keells Hotel Management Services Ltd.)	- do -	- do -	- do -
John Keells Computer Services (Pvt) Ltd.	On-shore activities for payment in foreign currency	- do -	- do -
John Keells International (Pvt) Ltd.	- do -	- do -	- do -
InfoMate (Pvt) Ltd.	- do -	- do -	- do -

Company / Sector	Basis	Exemptions or concessions	Period
John Keells Holdings PLC.	On-shore activities for payment in foreign currency	Exempt	Ended on 31 March 2018
Lanka Marine Services (Pvt) Ltd.	Export consignment sales of Petroleum Products	- do -	- do -
John Keells Properties Ja-Ela (Pvt) Ltd.	New undertaking engaged in construction of commercial buildings	- do -	9 years from 1st April 2015
South Asia Gateway Terminals (Pvt) Ltd.	Operation of any port terminal in Sri Lanka	- do -	20 years from September 1999
Sancity Hotels & Properties Ltd.	Construction and operation of a tourist hotel	- do -	12 years from 1st year of profit or 2 years from operations
John Keells Warehousing (Pvt) Ltd.	Operation and maintenance of facilities for storage	10%	Ended on 31 March 2018
John Keells Logistics (Pvt) Ltd. (sites which are not covered by the BOI agreement)	- do -	- do -	- do -
Leisure sector	Promotion of tourism	12%	- do -
Mackinnons Travels (Pvt) Ltd.	- do -	- do -	- do -
Consumer Foods and Retail sector	Qualified export profits	- do -	- do -
Lanka Marine Services (Pvt) Ltd.	- do -	- do -	- do -
Mackinnons Mackenzie Shipping (Pvt) Ltd.	Provision of services to foreign ships	- do -	- do -

Exemptions / concessions granted under the Board of Investment Law

Beruwala Holiday Resorts (Pvt) Ltd.	Construction and operation of a tourist hotel	Exempt	8 years from 1st year of profit or 2 years from operations
Saffron Aviation (Pvt) Ltd.	Domestic airline	- do -	8 years from 1st year of profit or 2 years from operations
John Keells Residential Properties (Pvt) Ltd.	Real estate developer	- do -	8 years from April 2011
Trinco Holiday Resorts (Pvt) Ltd.	For upgrading and refurbishment of a hotel in the Eastern Province	- do -	10 years from 1st year of profit or 2 years from operations
South Asia Gateway Terminals (Pvt) Ltd.	"Port Services" at Queen Elizabeth Quay	- do -	20 years from September 1999
British Overseas (Pvt) Ltd.	Infrastructure Development	- do -	9 years from 1st April 2013
Waterfront Properties (Pvt) Ltd.	Integrated super luxury tourist resort	- do -	10 years from 1st year of profit or 3 years from operations
Asian Hotels and Properties PLC.	Construction and operation of office, apartment complex and a hotel	2% of turnover	15 years from 1st April 2014

20 Taxes (Contd)

20.11 Income tax rates of off-shore subsidiaries (Contd)

20.11 Income tax rates of off-shore subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Pvt)Ltd.	30.9%
	Serene Holidays (Pvt) Ltd.	25%
Mauritius	John Keells BPO Holdings (Pvt) Ltd.	3% (Effective)
	John Keells BPO International (Pvt) Ltd.	3% (Effective)
Republic of Maldives	Fantasea World Investments (Pte) Ltd.	15%
	Tranquility (Pte) Ltd.	15%
	Travel Club (Pte) Ltd.	15%
	John Keells Maldivian Resorts (Pte) Ltd.	15%
	Mack Air Services Maldives (Pte) Ltd.	15%
Singapore	John Keells Singapore (Pte) Ltd.	17% (Max)

DETAILED INFORMATION TO THE STATEMENT OF FINANCIAL POSITION

21 Property , plant and equipment

Accounting policy

Basis of recognition

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

Basis of measurement

Property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

Derecognition

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

Depreciation

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

The estimated useful life of assets is as follows:

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Impairment of property plant and equipment

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

21 Property , plant and equipment (Contd)

21.1 Property , plant and equipment - Group

As at 31 st March In LKR '000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
Cost or valuation				
At the beginning of the year	40,878,100	14,890,285	9,032,328	9,521,490
Additions	9,160,852	1,215,166	907,276	1,277,513
Acquisition/(disposal) of subsidiary	-	(117,041)	-	(382,609)
Disposals	(134,444)	(41,713)	(171,036)	(571,545)
Revaluations	8,873,564	295,560	-	-
Transfers (From revaluation adjustment)	(166,176)	(200,306)	-	-
Impairment/Derecognition	-	-	-	-
Transfers	(1,308,471)	807,489	110,237	782,317
Exchange translation difference	-	92,875	13,240	(24,536)
At the end of the year	57,303,425	16,942,315	9,892,045	10,602,630
Accumulated depreciation and impairment				
At the beginning of the year	(785,129)	(2,367,826)	(4,109,009)	(5,846,342)
Charge for the year	(449,242)	(420,695)	(696,440)	(1,050,180)
(Acquisition)/disposal of subsidiary	-	80,160	-	371,670
Disposals	133,904	15,602	157,504	539,712
Transfers (From revaluation adjustment)	166,176	200,306	-	-
Impairment / derecognition	-	-	-	-
Transfers	(10,043)	-	6,795	3,224
Exchange translation difference	-	(67,525)	(16,082)	22,074
At the end of the year	(944,334)	(2,559,978)	(4,657,232)	(5,959,842)
Carrying value				
As at 31 March 2018	56,359,091	14,382,337	5,234,813	4,642,788
As at 31 March 2017	40,092,971	12,522,459	4,923,319	3,675,148

21.2 Property , plant and equipment - Company

In LKR '000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2018	Total 2017
Cost					
At the beginning of the year	3,704	251,336	77,512	332,552	413,816
Additions	64	35,959	49,650	85,673	11,110
Disposals	-	(1,949)	(44,000)	(45,949)	(92,374)
At the end of the year	3,768	285,346	83,162	372,276	332,552
Accumulated depreciation and impairment					
At the beginning of the year	(3,445)	(198,989)	(36,205)	(238,639)	(297,777)
Charge for the year	(133)	(21,472)	(10,950)	(32,555)	(33,042)
Disposals	-	1,796	25,000	26,796	92,180
At the end of the year	(3,578)	(218,665)	(22,155)	(244,398)	(238,639)
Carrying value					
As at 31 March 2018	190	66,681	61,007	127,878	
As at 31 March 2017	259	52,347	41,307		93,913

Motor vehicles Freehold	Motor vehicles Leasehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2018	Total 2017
644,722	13,292	1,005,032	4,332,700	504,487	597,991	81,420,427	68,093,794
117,682	37,903	-	581,930	341,055	5,282,571	18,921,948	4,331,582
1,707	-	-	-	-	142	(497,801)	-
(83,154)	-	(32,802)	(290,444)	(68,442)	(64,596)	(1,458,176)	(977,623)
-	-	-	-	-	-	9,169,124	10,361,135
-	-	-	-	-	-	(366,482)	(311,900)
-	-	-	-	-	-	-	(183,524)
4,065	-	14,039	213,393	-	(2,400,925)	(1,777,856)	(36,378)
1,797	-	-	152	-	(688)	82,840	143,341
686,819	51,195	986,269	4,837,731	777,100	3,414,495	105,494,024	81,420,427
(404,742)	(6,857)	(548,526)	(2,808,385)	(147,238)	-	(17,024,054)	(15,357,419)
(63,676)	(5,686)	(75,475)	(419,239)	(55,593)	-	(3,236,226)	(2,874,071)
(1,325)	-	-	-	-	-	450,505	-
60,310	-	29,234	260,940	65,626	-	1,262,832	778,521
-	-	-	-	-	-	366,482	311,900
-	-	-	-	-	-	-	150,243
-	-	-	10,672	-	-	10,648	36,378
(1,867)	-	-	(938)	-	-	(64,338)	(69,606)
(411,300)	(12,543)	(594,767)	(2,956,950)	(137,205)	-	(18,234,151)	(17,024,054)
275,519	38,652	391,502	1,880,781	639,895	3,414,495	87,259,873	
239,980	6,435	456,506	1,524,315	357,249	597,991		64,396,373

21.3 Revaluation of land and buildings

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation was carried out on 31 March 2018.

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

21 Property , plant and equipment (Contd)

21.3 Revaluation of land and buildings (Contd.)

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

Property	Name of the Chartered Valuation Surveyor	Method of valuation*	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to Fair Value
Land						
Nuwara Eliya Holiday Resort (Pvt) Ltd.	S Fernando	DCC	LKR. 450,000	-	-	Positive
Land & Building						
Asian Hotels and Properties PLC.	P B Kalugalagedara	OMV / DCC	LKR.15,000,000 - LKR.17,500,000	LKR. 2,000 - LKR.13,000	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd.	- do -	DCC	LKR. 550,000 - LKR. 850,000	LKR. 3,000 - LKR. 10,500	-	Positive
Ceylon Cold Stores PLC.	- do -	DCC	LKR. 140,000 - LKR. 160,000	LKR. 500 - LKR. 5,000	-	Positive
Kandy Walk Inn Ltd.	S Fernando	OMV	LKR. 600,000 - LKR. 1,100,000	LKR. 1,000 - LKR. 10,000	-	Positive
Keells Food Products PLC.	P B Kalugalagedara	OMV	LKR. 400,000	LKR. 400 - LKR. 2,000	-	Positive
Keells Realtors Ltd. (Ferguson Road, Colombo 15. Lot A IN, SP 2016)	- do -	OMV	LKR. 1,500,000	LKR. 500 - LKR. 1,500	-	Positive
Mackinnons Keells Ltd.	- do -	DCC	LKR. 8,000,000	LKR. 1,500	-	Positive
Tea Smallholder Factories PLC.	- do -	DCC	LKR. 2,000,000	LKR. 1,100	-	Positive
John Keells Thudella Properties (Pvt) Ltd.	P P T Mohideen	DCC	LKR. 225,000	LKR. 500 - LKR. 2,250	-	Positive
Trinco Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	DCC	LKR.250,000	LKR.1,000 - LKR. 6,500	-	Positive
Union Assurance PLC.	- do -	DCC	LKR. 6,000,000 / LKR. 15,000,000	LKR. 500 / LKR. 4,250	-	Positive
Vauxhall Land Developments (Pvt) Ltd.	- do -	OMV	LKR.14,000,000	-	-	Positive
Building on leasehold land						
Ceylon Holiday Resorts Ltd.	P B Kalugalagedara	OMV	-	LKR. 1,000 - LKR. 3,500	-	Positive
Keells Food Products PLC.	- do -	OMV	-	LKR. 150 - LKR. 1,500	-	Positive
Habarana Lodge Ltd.	S Fernando	DCC	-	LKR. 500 - LKR. 10,250	-	Positive
Habarana Walk Inn Ltd.	- do -	DCC	-	LKR. 2,500 - LKR. 8,000	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	DCC	-	LKR. 2,500 - LKR. 5,400	-	Positive
Jaykay Marketing Service(Pvt) Ltd.	-do-	IM	-	-	6%	Negative
John Keells Warehousing (Pvt) Ltd.	K T D Tissera	DCC	-	LKR.1,500 - LKR. 2,500	-	Positive
Rajawella Holdings Ltd.	P B Kalugalagedara	DCC	-	LKR. 6,250 - LKR. 50,000	-	Positive
Trans Asia Hotels PLC.	-do-	DCC	-	LKR. 350 - LKR. 8,000	-	Positive
Yala Village (Pvt) Ltd.	S Fernando	OMV	-	LKR. 1,000 - LKR. 8,000	-	Positive

Effective date of valuation was 31 March 2018 except for Union Assurance PLC. which was valued at 31 December 2017.

*Summary description of valuation methodologies;

Open market value method (OMV)

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

Direct capital comparison method (DCC)

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

Contractors method (CM)

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

Investment method (IM)

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

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

	GROUP	
As at 31st March In LKR '000s	2018	2017
Cost	31,903,882	18,226,653
Accumulated depreciation and impairment	(2,877,180)	(2,796,120)
Carrying value	29,026,702	15,430,533

Group land and buildings with a carrying value of LKR. 4,817 Mn (2017 - LKR. 7,331 Mn) have been pledged as security for term loans obtained, details of which are disclosed in note 36.3.

Group property, plant and equipment with a cost of LKR. 5,560 Mn (2017 - LKR. 5,983 Mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets of the Company amounts to LKR. 611 Mn (2017 – LKR. 148 Mn).

The amount of borrowing costs capitalised during the year ended 31 March 2018 was LKR. 126.6 Mn (2017 - LKR. 1.8 Mn).

22 Leases

Accounting Policy

Leases

The determination of whether an arrangement contains a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with SLFRS 1.

Lease rentals paid in advance

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

22.1 Lease rentals paid in advance

	GROUP	
As at 31st March In LKR '000s	2018	2017
At the beginning of the year	13,206,058	10,888,158
Addition for the year	-	2,657,012
Transfers	(17,258)	-
Amortisation for the year	(458,459)	(592,983)
Exchange gain / (loss)	274,598	253,871
At the end of the year	13,004,939	13,206,058

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

22 Leases (Contd)

22.2 Details of lease rentals paid in advance

Property	Land extent (in acres)	Lease period	Amount 2018 In LKR '000s	Amount 2017 In LKR '000s
Fantasea World Investment (Pte) Ltd. Chaaya Lagoon Hakuraa Huraa, Republic of Maldives	18.90	33 years from 27-08-2014	323,726	326,141
John Keells Warehousing (Pvt) Ltd. Muthurajawela	6.00	50 years from 19-09-2001	35,846	36,935
Rajawella Holdings Ltd. Digana	517.09	99 years from 02-12-1996	1,464,257	1,496,584
Tea Smallholder Factories PLC. Karawita Tea Factory	4.98	50 years from 15-08-1997	2,569	2,655
The Colombo Ice Company (Pvt) Ltd. Avissawella	9.30	50 Years from 18-07-2016	146,263	174,701
Tranquility (Pte) Ltd. Chaaya Island Dhonveli, Republic of Maldives	17.16	38 Years from 26-08-2010	9,027,806	9,121,221
Trans Asia Hotels PLC. Colombo	7.65	99 years from 07-08-1981	769,048	781,452
Travel Club (Pte) Ltd. Chaaya Reef Ellaidhoo, Republic of Maldives	13.75	24 years from 04-08-2006	1,179,786	1,207,738
Yala Village (Pvt) Ltd. Kirinda	11.25	30 years from 27-11-1997	55,638	58,631
			13,004,939	13,206,058

23 Investment property

Accounting policy

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

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at least every 3 years by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

As at 31st March In LKR '000s	GROUP 2018	GROUP 2017
Carrying value		
At the beginning of the year	5,366,180	4,878,406
Additions	4,397,290	4,220
Transfers	1,767,208	-
Change in fair value during the year	896,380	483,554
At the end of the year	12,427,058	5,366,180
Freehold property	12,019,147	5,189,917
Leasehold property	407,911	176,263
	12,427,058	5,366,180
Rental income earned	567,885	562,215
Direct operating expenses incurred	191,467	187,545

Accounting judgements, estimates and assumptions

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC) by the independent valuers. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The changes in fair value are recognised in the Income Statement. The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate.

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

Property	Name of the Chartered Valuation Surveyor	Method of valuation*	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to Fair Value
Freehold property						
Ahungalla Holiday Resort (Pvt) Ltd.	S Fernando	DCC	LKR. 375,000	-	-	Positive
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	P B Kalugalagedara	IM	-	-	6.25%	Negative
Ceylon Cold Stores PLC. Inner Harbour Road, Trincomalee	P B Kalugalagedara	DCC	LKR. 1,100,000	LKR. 1,000 - LKR. 2,250	-	Positive
Facets (Pvt) Ltd.	S Fernando	DCC	LKR. 425,000	-	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd.	P B Kalugalagedara	DCC	LKR. 950,000	LKR. 5,500	-	Positive
John Keells PLC.	P B Kalugalagedara	OMV	LKR. 350,000 - LKR. 450,000	-	-	Positive
Keells Realtors Ltd. Ferguson Road, Colombo 15.	P B Kalugalagedara	OMV	LKR. 1,800,000	LKR. 1,000	-	Positive
Resort Hotels Ltd.	P B Kalugalagedara	DCC	LKR. 130,000	-	-	Positive
Trinco Walk Inn Ltd.	P B Kalugalagedara	DCC	LKR. 150,000	-	-	Positive
Vauxhall Land Developments (Pvt) Ltd.	P B Kalugalagedara	OMV	LKR. 14,000,000	-	-	Positive
Wirawila Walk Inn Ltd.	S Fernando	IM	-	-	8%	Negative
Whittal Boustead (Pvt) Ltd.	P B Kalugalagedara	DCC	LKR. 1,750,000	-	-	Positive
Leasehold property						
Tea Smallholder Factories PLC.						
Stores Complex, Peliyagoda	P B Kalugalagedara,	DCC	LKR. 2,000,000	LKR. 1,100	-	Positive
Bengamuwa Village, Pasgoda	K D Tissera	CM	LKR. 1,500,000	LKR. 500 - LKR. 1,000	-	Positive

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

24 Intangible assets

Accounting policy

Basis of recognition

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

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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

Internally generated intangible assets, excluding capitalized development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

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

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

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

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

Present value of acquired in-force business (PVIB)

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

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

Purchased software

Purchased software is recognised as an intangible asset and is amortised on a straight line basis over its useful life.

Intangible assets

	Software			
As at 31 st March In LKR '000s	Developed	Purchased	Licenses	WIP
Cost/carrying value				
At the beginning of the year	563,956	255,645	626,623	6,448
Additions	1,018	149,053	60,889	6,602
Transfers	5,610	-	-	(5,610)
Impairment	-	-	-	-
At the end of the year	570,584	404,698	687,512	7,440
Accumulated amortisation and impairment				
At the beginning of the year	(169,975)	(146,956)	(555,348)	-
Amortisation	(67,402)	(35,553)	(35,160)	-
At the end of the year	(237,377)	(182,509)	(590,508)	-
Carrying value				
As at 31 March 2018	333,207	222,189	97,004	7,440
As at 31 March 2017	393,981	108,689	71,275	6,448

Software license

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised as an intangible asset, when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the assets,
- how the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

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

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

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

				Group		Company	
	PVIB	Goodwill	Other	Total 2018	Total 2017	Software licenses 2018	Software licenses 2017
	2,249,000	738,596	49,500	4,489,768	4,376,422	497,827	491,081
	-	-	-	217,562	114,398	32,544	6,746
	-	-	-	-	-	-	-
	-	-	-	-	(1,052)	-	-
	2,249,000	738,596	49,500	4,707,330	4,489,768	530,371	497,827
	(1,499,329)	-	-	(2,371,608)	(2,038,562)	(467,026)	(447,261)
	(187,416)	-	-	(325,531)	(333,046)	(18,861)	(19,765)
	(1,686,745)	-	-	(2,697,139)	(2,371,608)	(485,887)	(467,026)
	562,255	738,596	49,500	2,010,191		44,484	
	749,671	738,596	49,500		2,118,160		30,801

24 Intangible assets (Contd.)

Present value of acquired in-force business (PVIB)

Upon acquiring a controlling stake in Union Assurance PLC. (UA), the Group has recognised in the consolidated financial statements an intangible asset representing the present value of future profits on UA's portfolio of long term life insurance contracts, known as the present value of acquired in-force business (PVIB) at the acquisition date. Further, PVIB recognised at the acquisition date will be amortised over the estimated life of the business acquired and reviewed annually for any impairment in value.

	Net carrying value of goodwill
As at 31st March **In LKR '000s**	**2018**
Goodwill	
Goodwill acquired through business combinations have been allocated to 5 cash generating units (CGU's) for impairment testing as follows;	
Airlines Services	5,054
Cinnamon Hotels and Resorts	166,248
Consumer Foods and Retail	299,293
Financial Services	265,360
Logistics, Ports and Shipping	2,641
	738,596

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

Accounting judgements, estimates and assumptions

Impairment of goodwill

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

Gross margins

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

Discount rates

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

Inflation

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

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the 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.

25 Investment in subsidiaries

Accounting policy

Investment In subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. Following initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

25.1 Carrying value

		COMPANY	
For the year ended 31st March In LKR '000s	Note	2018	2017
Investment in subsidiaries			
Quoted	25.2	20,066,449	19,216,229
Unquoted	25.3	47,901,469	23,771,166
		67,967,918	42,987,395

25.2 Group quoted investment

	GROUP		COMPANY			
As at 31 st March	Number of shares	Effective holding %	Number of shares	Effective holding %	2018 In LKR '000s	2017 In LKR '000s
Cost						
Group quoted investments						
Asian Hotels and Properties PLC.	347,824,190	78.56	347,824,190	78.56	5,324,044	5,301,660
Ceylon Cold Stores PLC.	77,321,208	81.36	67,155,812	70.61	1,563,192	1,450,473
John Keells Hotels PLC.	1,169,598,478	80.32	1,169,598,478	80.32	7,102,140	7,102,140
John Keells PLC.	52,834,784	86.90	52,834,784	86.90	468,923	458,036
Keells Food Products PLC.	22,937,250	88.63	20,364,054	79.86	1,223,691	1,052,311
Tea Smallholder Factories PLC.	11,286,000	37.62	11,286,000	37.62	64,452	63,466
Trans Asia Hotels PLC.	184,107,284	82.74	97,284,256	48.64	1,609,523	1,604,606
Union Assurance PLC.	54,429,042	92.36	54,429,042	92.36	2,710,484	2,183,537
					20,066,449	19,216,229

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
Market Value				
Group quoted investments				
Asian Hotels and Properties PLC.	17,460,774	19,304,243	17,460,774	19,304,243
Ceylon Cold Stores PLC.	73,455,148	62,707,500	63,798,021	54,425,503
John Keells Hotels PLC.	10,877,266	11,695,985	10,877,266	11,695,985
John Keells PLC.	3,122,536	2,699,857	3,122,536	2,699,857
Keells Food Products PLC.	2,979,549	3,385,845	2,645,291	2,771,008
Tea Smallholder Factories PLC.	383,724	270,864	383,724	270,864
Trans Asia Hotels PLC.	17,490,192	13,826,457	9,242,004	7,306,048
Union Assurance PLC.	8,115,370	7,858,892	8,115,370	7,239,378
	133,884,559	121,749,643	115,644,986	105,712,886

25 Investment in subsidiaries (Contd.)

25.3 Group unquoted investments

	GROUP		COMPANY			
As at 31st March	2018		2018			2017
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Ahungalla Holiday Resort (Pvt) Ltd.	13,275,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	219,725,653	79.78	-	-	2,553	1,352
British Overseas (Pvt) Ltd.	61	61.00	61	61.00	-	-
Ceylon Holiday Resorts Ltd.	18,260,784	79.60	-	-	3,285	2,742
Cinnamon Hotels Management Ltd.	1,000,000	100.00	1,000,000	100.00	227,578	161,507
Cinnamon Holiday (Pvt) Ltd.	20,000	80.32	-	-	-	-
Facets (Pvt) Ltd.	15,000	100.00	15,000	100.00	-	-
Fantasea World Investments (Pte) Ltd.	7,299	80.32	-	-	2,444	1,736
Habarana Lodge Ltd.	12,981,548	78.99	-	-	3,867	3,369
Habarana Walk Inn Ltd.	4,321,381	79.34	-	-	2,123	1,643
Hikkaduwa Holiday Resorts (Pvt) Ltd.	107,596,700	79.60	-	-	1,557	1,138
InfoMate (Pvt) Ltd.	2,000,000	100.00	2,000,000	100.00	32,374	29,488
International Tourists and Hoteliers Ltd.	38,490,901	79.78	-	-	-	-
J K Packaging (Pvt) Ltd.	1,450,000	100.00	1,450,000	100.00	-	-
J K Thudella Properties (Pvt) Ltd.	45,346,760	100.00				
JayKay Marketing Services (Pvt) Ltd.	282,239,025	81.36	-	-	137,358	111,355
John Keells BPO Holdings (Pvt) Ltd.	19,000,000	100.00	-	-	-	-
John Keells BPO International (Pvt) Ltd.	1,500,000,000	100.00	-	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd.	32,843,578	100.00	-	-	-	-
John Keells Computer Services (Pvt) Ltd.	9,650,000	100.00	9,650,000	100.00	118,672	115,738
John Keells Computer Services UK (Pvt) Ltd.	100	100.00	100	100.00	9	9
John Keells Foods India (Pvt) Ltd.	8,999,990	88.63	-	-	-	-
John Keells International (Pvt) Ltd.	199,160,000	100.00	199,160,000	100.00	662,788	659,292
John Keells Land (Pvt) Ltd.	1,595,704,758	100.00	1,595,704,758	100.00	15,957,048	-
John Keells Logistics (Pvt) Ltd.	19,999,998	100.00	19,999,998	100.00	215,284	209,049
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	80.32	-	-	13,396	9,934
John Keells Office Automation (Pvt) Ltd.	500,000	100.00	500,000	100.00	50,541	40,291
John Keells Properties (Pvt) Ltd.	101,804	100.00	101,804	100.00	815	192,169
John Keells Properties Ja-ela (Pvt) Ltd.	95,436,000	100.00	-	-	-	954,360
John Keells Residential Properties (Pvt) Ltd.	2,081,698	100.00	2,081,698	100.00	20,817	20,817
John Keells Singapore (Pte) Ltd.	160,000	80.00	160,000	80.00	4,209	4,209
John Keells Software Technologies (Pvt) Ltd.	800,000	100.00	800,000	100.00	-	-
John Keells Stock Brokers (Pvt) Ltd.	1,500,000	90.04	360,000	24.00	58,234	46,772
John Keells Teas Ltd.	12,000	100.00	12,000	100.00	14,561	11,903
John Keells Warehousing (Pvt) Ltd.	12,000,000	86.90	-	-	3,662	2,680
Kandy Walk Inn Ltd.	6,165,484	79.03	-	-	2,998	2,291
Keells Consultants (Pvt) Ltd.	928	100.00	928	100.00	1,196	1,094
Keells Realtors Ltd.	7,500,000	95.81	5,100,000	40.00	119,124	119,124
Keells Shipping (Pvt) Ltd.	50,000	100.00	50,000	100.00	502	502
Lanka Marine Services (Pvt) Ltd.	34,805,470	99.44	34,805,470	99.44	1,371,833	1,352,042

	GROUP		COMPANY			
As at 31st March	2018		2018			2017
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Mack Air (Pvt) Ltd.	89,260	100.00	89,260	100.00	20,943	14,629
Mack Air Services Maldives (Pvt) Ltd.	4,900	49.00	4,700	47.00	2,021	2,021
Mack Freight Lanka (Pvt) Ltd.	13,000,000	100.00	13,000,000	100.00	-	-
Mackinnon Keells Ltd.	31,966,951	100.00	31,966,951	100.00	670,166	364,476
Mackinnon Mackenzie and Company (Shipping) Ltd.	139,092	100.00	139,092	100.00	65,789	-
Mackinnon Mackenzie and Company of (Ceylon) Ltd.	1,244	100.00	1,244	100.00	29,122	-
Mackinnons Travels (Pvt) Ltd.	499,996	100.00	499,996	100.00	23,533	19,888
Mortlake (Pvt) Ltd.	43	100.00	43	100.00	20,000	20,000
Nuwara Eliya Holiday Resort (Pvt) Ltd.	31,606,252	80.32	-	-	-	-
Rajawella Holdings Ltd.	13,063,936	49.85	11,573,339	45.18	801,707	801,707
Rajawella Hotels Company Ltd.	3,157,384	80.32	-	-	-	-
Resort Hotels Ltd.	106,107	79.60	-	-	-	-
Serene Holidays (Pvt) Ltd.	800,000	98.35	-	-	-	-
The Colombo Ice Company (Pvt) Ltd.	100,000,000	81.36	-	-	-	-
Tranquility (Pte) Ltd.	637,499	80.32	-	-	4,459	3,187
Trans-ware Logistics (Pvt) Ltd.	5,539,929	100.00	5,539,929	100.00	105,583	114,577
Travel Club (Pte) Ltd.	29,059	80.32	-	-	2,352	1,811
Trinco Holiday Resort (Pvt) Ltd.	8,120,005	80.32	-	-	2,275	1,684
Trinco Walk Inn Ltd.	3,000,007	80.32	-	-	-	-
Vauxhall Land Developments (Pvt) Ltd.	1,305,314,696	60.28	-	-		-
Walkers Tours Ltd.	3,737,634	98.05	3,737,634	98.05	156,848	169,351
Waterfront Properties (Pvt) Ltd.	3,291,588,159	96.18	2,560,663,733	77.79	25,094,567	15,002,663
Whittall Boustead (Pvt) Ltd.	5,341,105	100.00	5,341,105	100.00	1,604,485	2,904,582
Whittall Boustead (Travel) Ltd.	22,452,271	100.00	22,452,271	100.00	267,040	292,230
Wirawila Walk Inn Ltd.	1,646,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	75.33	-	-	1,751	1,754
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	80.32	-	-	-	-
					47,901,469	23,771,166

26 Investment in equity accounted investees

Accounting policy

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

Associate companies incorporated in Sri Lanka of the Group which have been accounted for under the equity method of accounting are:
Capitol Hotel Holdings (Pvt) Ltd.
Maersk Lanka (Pvt) Ltd.
Nations Trust Bank PLC.
Saffron Aviation (Pvt) Ltd.
South Asia Gateway Terminals (Pvt) Ltd.
Fairfirst Insurance Ltd.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures incorporated in Sri Lanka entered into by the Group, which have been accounted for using the equity method, are:
Braybrooke Residential Properties (Pvt) Ltd.
DHL Keells (Pvt) Ltd.
Sentinel Reality (Pvt) Ltd.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

26 Investment in equity accounted investees (Contd.)

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

The accounting policies of associate companies and joint ventures conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed below.

Equity method of accounting has been applied for associates and joint ventures using their corresponding/matching 12 month financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

	GROUP				COMPANY			
As at 31 st March	Number of shares	Effective Holding %	2018 In LKR '000s	2017 In LKR '000s	Number of shares	Effective Holding %	2018 In LKR '000s	2017 In LKR '000s
26.1 Investments in joint ventures								
Braybrooke Residential Properties (Pvt) Ltd.	102	50.00	1,804,500	-	-		-	-
DHL Keells (Pvt) Ltd.	1,000,000	50.00	10,000	10,000	1,000,000	50.00	10,000	10,000
Mack International Freight (Pvt) Ltd.	-	-	-	63,041	-	-	-	-
Sentinel Reality (Pvt) Ltd.	6,037,500	40.16	60,924	59,313				
26.2 Investments in associates								
Quoted								
Nations Trust Bank PLC. - Voting shares	70,744,303	29.90	1,561,355	1,561,355	47,320,605	20.00	1,105,779	1,011,052
Nations Trust Bank PLC. - Non voting shares	18,579,879	45.15	1,627,535	-	14,506,193	35.25	1,160,128	-
Unquoted								
Capitol Hotel Holdings (Pvt) Ltd.	3,254,832	19.47	325,483	325,483	3,254,832	19.47	325,483	325,483
Fairfirst Insurance Ltd.	68,902,870	20.32	689,718	689,718				
Maersk Lanka (Pvt) Ltd.	30,000	30.00	150	150	30,000	30.00	150	150
Saffron Aviation (Pvt) Ltd.	24,887,160	40.00	248,872	248,872	24,887,160	40.00	-	-
Saffron Aviation (Pvt) Ltd. - Preference shares	21,774,750		217,748	217,748	21,774,750		217,748	217,748
South Asia Gateway Terminals (Pvt) Ltd.	159,826,750	42.19	7,346,367	7,346,367	159,826,750	42.19	7,346,367	7,346,367
Cumulative profit accruing to the Group net of dividend			4,908,661	4,335,610				
Share of net assets of equity accounted investees			3,534,034	2,861,230				
			22,335,347	17,718,887			10,165,655	8,910,800

Group's shareholding in Nations Trust Bank PLC. (NTB)

The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) has by letter dated 12 October 2017 informed NTB that the Monetary Board of the CBSL has permitted the John Keells Group to retain its current shareholding in voting shares in the Bank till 31 December 2020 and to reduce it to 15 per cent with effect from that date. The Monetary Board has also required NTB to limit the voting rights of the John Keells Group to 10 per cent with effect from 31 March 2018. NTB will continue to be an associate company of the JKH Group. As at 31st March 2018, the JKH Group has an economic interest of 32.16% in NTB.

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
Market Value				
Quoted - Nations Trust Bank PLC.				
Voting shares	5,709,065	5,102,425	3,818,773	3,412,993
Non voting shares	1,466,881	-	1,145,264	-

26.3 Summarised financial information of equity accounted investees

	South Asia Gateway Terminals (Pvt) Ltd.		Other associates		Joint ventures		Total	
As at 31 st March In LKR '000s	2018	2017	2018	2017	2018	2017	2018	2017
Group share of;								
Revenue	5,901,220	4,955,789	8,039,374	6,641,880	1,932,883	1,751,781	15,873,477	13,349,450
Operating expenses including cost of sales	(3,826,709)	(2,988,281)	(5,709,288)	(5,075,534)	(1,667,191)	(1,543,168)	(11,203,188)	(9,606,983)
Net finance income	59,240	35,867	25,337	137,738	16,144	11,185	100,721	184,790
Tax expense	(310,328)	(6,746)	(783,697)	(555,997)	(80,555)	(61,559)	(1,174,580)	(624,302)
Share of results of equity accounted investees	1,823,423	1,996,629	1,571,726	1,148,087	201,281	158,239	3,596,430	3,302,955
Other comprehensive income	159,448	227,569	370,622	48,909	(1,281)	-	528,789	276,478

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

	South Asia Gateway Terminals (Pvt) Ltd. 2018	South Asia Gateway Terminals (Pvt) Ltd. 2017	Other associates 2018	Other associates 2017	Joint ventures 2018	Joint ventures 2017	Total 2018	Total 2017
Group share of;								
Total assets	7,067,218	6,900,020	99,866,059	74,855,266	800,343	618,552	107,733,620	82,373,868
Total liabilities	(1,694,649)	(1,260,608)	(88,039,687)	(67,857,907)	(407,187)	(266,426)	(90,141,523)	(69,384,941)
Net assets	5,372,569	5,639,412	11,826,372	6,997,359	393,156	352,126	17,592,097	12,988,897
Goodwill	4,674,278	4,674,278	55,712	55,712	13,260	-	4,743,250	4,729,990
	10,046,847	10,313,690	11,882,084	7,053,071	406,416	352,126	22,335,347	17,718,887
Contingent liabilities	-	-	-	-	-	-	-	-
Capital commitments	-	-	128,355	409,975	-	-	128,355	409,975
Other commitments and Guarantees	-	-	55,678,928	42,201,702	-	-	55,678,928	42,201,702
Dividend received	2,251,731	2,321,179	540,967	383,003	150,000	150,000	2,942,698	2,854,182

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

26 Investment in equity accounted investees (Contd.)

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

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 recognized 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.

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

Fairfirst Insurance Ltd.

Revenue recognition

General insurance business-gross written premium

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

Insurance contract liabilities - general

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

27 Non current financial assets

		GROUP		COMPANY	
As at 31 st March In LKR '000s	Note	2018	2017	2018	2017
Quoted equity investments		344	326	-	-
Unquoted equity investments	27.1	119,031	160,369	75,461	141,972
Non equity investments	27.2	32,758,879	27,505,926	191,650	2,648,008
		32,878,254	27,666,621	267,111	2,789,980

27.1 Unquoted equity investments

	GROUP			COMPANY		
As at 31 st March In LKR '000s	Number of shares	2018	2017	Number of shares	2018	2017
Asia Power (Pvt) Ltd.	388,527	75,461	141,972	388,527	75,461	141,972
Other equity instruments	-	43,570	18,397	-	-	-
		119,031	160,369		75,461	141,972

27.2 Non equity investments

		GROUP		COMPANY	
As at 31 st March In LKR '000s	Note	2018	2017	2018	2017
Bank deposits		105,510	3,154,685	105,510	2,576,339
Debentures		4,828,338	4,244,764	-	-
Preference shares		275,114	267,275	-	-
Government securities		24,901,319	17,750,289	-	-
Loans to executives	27.3	934,297	733,037	86,140	71,669
Loans to life policyholders		1,048,966	902,300	-	-
Cash flow hedge		598,097	331,679	-	-
Deposits with non bank institutions		67,238	121,897	-	-
		32,758,879	27,505,926	191,650	2,648,008

27.3 Loans to executives

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
At the beginning of the year	917,663	786,790	90,321	92,803
Loans granted / transfers	761,627	635,300	50,851	66,469
Acquisition / (disposal) of subsidiaries	5,010	-	-	-
Recoveries	(527,118)	(504,427)	(31,483)	(68,951)
At the end of the year	1,157,182	917,663	109,689	90,321
Receivable within one year	222,885	184,626	23,549	18,652
Receivable after one year	934,297	733,037	86,140	71,669
	1,157,182	917,663	109,689	90,321

28 Other non current assets

		GROUP		COMPANY	
As at 31 st March In LKR '000s	Note	2018	2017	2018	2017
Pre paid staff cost		260,589	178,726	20,724	16,254
Work-in-progress - Waterfront project	28.1	52,554,047	41,007,979	-	-
Non current advances		784,711	505,611	-	-
		53,599,347	41,692,316	20,724	16,254

28 Other non current assets (Contd.)

28.1 Work-in-progress - Waterfront project

	GROUP	
As at 31 st March In LKR '000s	2018	2017
Freehold property*	9,887,194	9,598,213
Leasehold property*	3,616,534	3,618,350
Other constructions in progress	33,051,125	21,538,694
Contractor advances	5,999,194	6,252,722
	52,554,047	41,007,979

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

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

Details of the Waterfront Integrated Resort Project

The company is engaged in the development and construction of an integrated complex with an approximate area of 4,500,000 square feet, comprising of offices, residential units, a hotel and conference centre, retail and associate facilities and a car park.

Details of property	Leasehold	Freehold
Extent:	3A- 0R -6.35P	7A- 0R -16.63P
Lessor:	Board of Investment of Sri Lanka	-
Period:	99 years from 12/02/2014	-
Lease commitment:	Upfront Lease rental of LKR. 3.03Bn	-

29 Inventories

Accounting policy

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

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

- Raw materials - On a weighted average basis
- Finished goods and work-in-progress - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs
- Other inventories – At actual cost

	GROUP	
As at 31 st March In LKR '000s	2018	2017
Inventories		
Raw materials	509,381	527,124
Finished goods	4,953,602	3,977,944
Produce stocks	309,974	216,443
Other stocks	916,584	884,201
Total Inventories at the lower of cost & net realisable value	6,689,541	5,605,712

30 Trade and other receivables

		GROUP		COMPANY	
As at 31 st March In LKR '000s	Note	2018	2017	2018	2017
Trade and other receivables		11,448,660	11,034,918	47,181	99,424
Reinsurance receivables	30.1	333,249	214,342	-	-
Premiums receivable		268,578	253,543	-	-
Loans to executives	27.3	222,885	184,626	23,549	18,652
		12,273,372	11,687,429	70,730	118,076

30.1 Reinsurance receivables

As at 31 st March In LKR '000s	GROUP 2018	2017
Reinsurance receivables on outstanding claims	140,065	90,342
Reinsurance receivables on settled claims	193,184	124,000
	333,249	214,342

31 Other current assets

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
Prepayments and non cash receivables	2,710,819	1,803,924	136,394	60,301
Tax refunds	1,679,439	1,461,403	62,583	39,141
	4,390,258	3,265,327	198,977	99,442

32 Short term investments

		GROUP		COMPANY	
As at 31 st March In LKR '000s	Note	2018	2017	2018	2017
Quoted equities at market value	32.1	3,816,624	3,433,852	-	-
Debentures		698,760	1,381,855	-	268,306
Bank deposits (more than 3 months and less than 1 year)		21,486,559	23,335,897	18,468,636	20,205,768
Government securities (more than 3 months and less than 1 year)		829,044	4,234,194	-	-
		26,830,987	32,385,798	18,468,636	20,474,074
Debentures (less than 3 months)		490,231	54,671	-	-
Bank deposits (less than 3 months)		34,453,107	26,517,145	30,688,836	23,078,904
Government securities (less than 3 months)		2,611,768	20,216,713	-	16,690,302
Reported in statement of cash flow		37,555,106	46,788,529	30,688,836	39,769,206
		64,386,093	79,174,327	49,157,472	60,243,280

32 Short term investments (Contd.)

32.1 Quoted equities at market value

	Number of Shares		Cost		Market value	
As at 31 st March	2018	2017	2018 In LKR '000s	2017 In LKR '000s	2018 In LKR '000s	2017 In LKR '000s
Access Engineering PLC.	6,020,811	4,005,642	154,813	105,508	123,427	95,334
Aitken Spence Hotel Holdings PLC.	490,393	364,900	34,934	25,931	16,428	12,844
Aitken Spence PLC.	-	125,493	-	9,004	-	4,418
Alumex PLC.	-	3,044,222	-	60,761	-	57,840
Central Finance Company PLC.	590,800	590,800	54,445	54,445	59,021	50,927
Chevron Lubricants Lanka PLC.	244,400	942,314	16,129	113,683	25,540	160,193
Colombo Dockyard PLC.	-	281,715	-	60,500	-	21,410
Commercial Bank of Ceylon PLC. (Non voting)	742,932	664,896	53,777	47,645	77,265	68,551
Commercial Bank of Ceylon PLC.	448,081	402,280	45,728	41,100	60,849	52,457
DFCC Bank PLC.	462,480	482,072	78,099	81,550	54,018	54,956
Dialog Axiata PLC.	14,752,754	15,752,754	156,531	167,142	203,588	178,006
Diesel and Motor Engineering PLC.	22,062	22,062	33,340	33,340	10,257	12,353
Distilleries Company of Sri Lanka PLC.	1,223,767	-	9,068	-	29,016	-
Hatton National Bank PLC.	4,370,865	3,306,868	753,626	525,175	918,679	662,197
Hayleys Fabric PLC.	7,254,039	-	119,349	-	90,675	-
Hemas Holdings PLC.	2,053,563	1,479,150	169,330	94,808	256,490	160,784
HNB Assurance PLC.	336,266	336,266	23,645	23,645	28,246	19,537
John Keells Holdings PLC.	-	1,230,182	-	188,208	-	169,642
Melstacorp PLC.	3,980,221	4,117,164	218,745	222,061	231,649	243,736
National Development Bank PLC.	1,082,026	1,087,945	195,141	198,072	144,018	151,877
Nestle Lanka PLC.	31,601	-	52,958	-	55,270	-
People's Insurance PLC.	-	1,453,951	-	25,320	-	26,607
Peoples Leasing and Finance PLC.	4,516,116	4,516,116	79,105	79,105	71,355	70,451
Piramal Glass PLC.	22,777,934	14,118,350	137,670	84,110	132,112	79,063
Sampath Bank PLC.	2,302,134	2,013,070	528,853	413,261	690,640	521,385
Seylan Bank PLC.	819,383	-	60,816	-	56,088	-
Textured Jersey Lanka PLC.	8,894,237	6,176,049	312,283	203,891	283,726	228,514
The Lion Brewery Ceylon PLC.	129,327	-	70,737	-	67,948	-
Tokyo Cement Company (Lanka) PLC.	685,432	2,175,777	6,968	99,377	37,013	132,722
Tokyo Cement Company (Lanka) PLC. (Non voting)	2,028,407	3,736,714	42,564	137,786	93,306	198,048
			3,408,654	3,095,428	3,816,624	3,433,852

Above list comprises of the investments made by Union Assurance PLC.

33 Stated capital and other components of equity

Accounting policy

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

33.1 Stated capital

As at 31 st March	2018		2017	
	Number of shares In '000s	Value of shares In LKR '000s	Number of shares In '000s	Value of shares In LKR '000s
Fully paid ordinary shares				
At the beginning of the year	1,387,468	62,790,080	1,189,404	58,701,977
Share options exercised	61	12,247	6,869	911,261
Sub division of shares	-	-	169,915	-
Exercise of share warrants	-	-	21,280	3,176,842
At the end of the year	1,387,529	62,802,327	1,387,468	62,790,080

The number of shares in issue as at 31-03-2018, include global depository receipts (GDRs) of 1,320,942 (2017 - 1,320,942). Further information on the composition of shares in issue is given under the share information section of the annual report.

44,893,817 shares (2017 - 35,415,944) have been reserved to be issued under the employee share option plan as at 31 March 2018.

33.2 Other components of equity

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
Revaluation reserve	34,145,712	28,994,792	-	-
Foreign currency translation reserve	9,435,591	8,303,895	-	-
Other capital reserve	1,916,415	1,402,656	1,916,415	1,402,656
Restricted regulatory reserve	3,123,554	-	-	-
Cash flow hedge reserve	565,932	312,529	-	-
Available for sale reserve	665,059	(362,304)	35,710	102,220
	49,852,263	38,651,568	1,952,125	1,504,876

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

Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

The other capital reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Restricted regulatory reserve

Based on the direction issued by the IRCSL dated 20 March 2018 and subsequent approval, UA PLC. has transferred Rs. 3,382 Mn (attributable to equity holders of the parent LKR. 3,124 Mn) attributable to non - participating and non unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF). The distribution of one - off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL.

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

Available for sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

34 Share-based payment plans

Accounting Policy

Employee share option plan - Equity-settled transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 1 April 2013 onwards.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 18.2).

Employee share option scheme

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

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Share-based payment plans

	GROUP		COMPANY	
For the year ended 31 st March In LKR '000s	2018	2017	2018	2017
Total expense arising from share-based payment transactions	517,374	444,346	170,759	119,822

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year;

	GROUP				COMPANY			
As at 31 st March	2018		2017		2018		2017	
	No.	WAEP	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	35,465,363	164.43	23,372,526	197.46	12,379,456	166.43	7,501,984	198.60
Granted during the year	10,402,204	173.25	9,998,000	142.83	3,100,564	173.25	2,692,274	142.83
Transfers	-	-	-	-	1,221,229	167.13	1,256,175	167.37
Adjustment due to sub division of shares	-	-	3,301,351	172.59	-	-	1,062,440	173.68
Adjustment due to share warrants	-	-	136,944	190.96	-	-	43,309	190.96
Exercised during the year	(56,232)	146.24	(3,224)	149.84	(10,176)	146.48	-	-
Expired during the year	(917,518)	162.31	(1,340,234)	167.31	(370,902)	159.01	(176,726)	164.93
Outstanding at the end of the year	44,893,817	166.69	35,465,363	164.43	16,320,171	168.10	12,379,456	166.43
Exercisable at the end of the year	25,054,358	171.59	15,044,992	177.30	10,753,779	171.78	5,583,774	178.46

Accounting judgements, estimates and assumptions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

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

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

As at 31 st March	2018 Plan no 9 award 2	2017 Plan no 9 award 1	2016 Plan no 8 award 3	2015 Plan no 8 award 2	2014 Plan no 8 award 1
Dividend yield (%)	3.99	2.18	1.44	1.42	2.07
Expected volatility (%)	17.54	21.05	19.19	19.34	27.50
Risk free interest rate (%)	11.48	11.91	8.13	8.70	11.26
Expected life of share options (Years)	5.00	5.00	5.00	5.00	5.00
Weighted average share price at the grant date (LKR.)	173.25	142.83	171.25	229.93	253.16
Weighted average remaining contractual life for the share options outstanding (Years)	3.00	3.00	3.00	3.00	3.00
Weighted average fair value of options granted during the year (LKR.)	56.27	56.29	64.62	61.93	81.54
Exercise price for options outstanding at the end of the year (LKR.)	173.25	142.83	171.25	229.93	253.16
Exercise price for options outstanding at the end of the year (LKR.) [adjusted as at 31st March 2018]	173.25	142.83	149.84	176.04	191.65

35 Insurance contract liabilities

Accounting policy

Insurance contract liabilities - life

The long term and unit link insurance business provisions are based on the recommendation of the independent external actuary following annual valuation of the life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the actuary.

35.1 Insurance contract liabilities

	GROUP	
As at 31 st March In LKR '000s	2018	2017
Insurance contract liabilities	29,595,566	31,161,611
Unclaimed benefits	634,973	538,667
	30,230,539	31,700,278

Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act, No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non participating liabilities are discounted using the risk free yields. The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non guaranteed benefits, and discount the cash flows using the fund based yield of the participating insurance fund. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

35 Insurance contract liabilities (Contd.)

Liability adequacy test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

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

Accounting judgements, estimates and assumptions

Product classification

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

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the company issues and reinsurance contracts that the company holds.

Contracts where the company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary participating features (DPF)

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

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

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

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

Valuation of insurance contract liabilities

Mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates were the assumptions used for the valuation of insurance contract liabilities. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

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

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

Valuation of life insurance fund

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

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

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

The valuation of the conventional life insurance fund as at 31 December 2017 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of LKR. 3,438 Mn was transferred from the conventional life insurance fund to the shareholders fund for the year 2017. Subsequent to the transfer the conventional life fund stood at LKR. 26,912 Mn.

Similarly the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of LKR. 204 Mn was transferred from the non unit fund to the shareholders fund for the year 2017. Subsequent to the transfer the non unit fund stood at LKR. 38 Mn.

In the opinion of the consultant actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2017 is adequate to cover the liabilities of the funds.

One - off surplus arising from change in policy liability valuation

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

The amount reported as the one-off surplus of LKR. 5,868 Mn in the 2016 financial statements was based on the internal actuarial valuation. Subsequently as directed by the IRCSL, the Company obtained an independent actuarial valuation certification from Willis Towers Watson India Private Limited who confirmed it as LKR. 4,636 Mn. The one off surplus has been further reduced to LKR. 3,817 Mn in line with the "Minimum One - off Surplus" calculation basis provided in the IRCSL guidelines. As the adjustments of LKR. 2,050 Mn were due to estimate changes, the difference has been adjusted in the current year to reflect the above accordingly.

The one off surplus comprises of LKR. 432.5 Mn attributable to participating business and LKR. 2.5 Mn attributable to unit linked fund and LKR. 3,382 Mn attributable to non participating and non unit fund of unit linked business.

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

As at 31 st December In LKR '000s	2017	2016
Conventional life insurance		
Balance as at 1 January	27,703,410	23,581,967
Increase in life insurance fund before surplus transfer to share holders	5,950,069	5,123,562
Transfer to shareholders	(3,438,283)	(1,100,000)
Transfer of one-off surplus from non participating fund	(3,393,900)	-
Net change in unclaimed benefits	90,761	97,881
Balance as at 31 December - Conventional life insurance	26,912,057	27,703,410
Non unit fund of linked life insurance contracts		
Balance as at 1 January	186,272	149,271
Increase in non unit fund of linked life insurance before surplus transfer to share holders	39,259	35,396
Transfer to shareholders	(203,717)	-
Transfer of one-off surplus from non participating fund	11,966	-
Net change in unclaimed benefits	3,776	1,605
Balance as at 31 December - Non unit fund of linked life insurance	37,556	186,272
	26,949,613	27,889,682

35 Insurance contract liabilities (Contd.)

Liability adequacy test (LAT) - Life insurance contract liabilities

As at 31st December 2017, liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited who concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was required to be made for any premium deficiency.

35.2 Change in life insurance contract liabilities

The results of Union Assurance PLC.'s (UA) life business segment is consolidated into the Group's Consolidated Income Statement. The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policy holders during the year.

For the year ended 31st March In LKR '000s	2018	2017
Revenue	9,871,833	8,181,868
Cost of sales	(4,808,512)	(3,262,922)
Gross profit	5,063,321	4,918,946
Operating expenses including distribution and administration expenses	(2,634,554)	(2,331,918)
Net finance income	4,060,855	3,556,360
Profit attributable to shareholders of UA	(7,422,177)	(1,274,100)
Change in contract liability due to transfer of one off surplus	3,381,934	-
Change in insurance contract liabilities	2,449,379	4,869,288

36 Interest-bearing loans and borrowings

36.1 Movement

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
At the beginning of the year	17,121,490	16,698,430	-	1,482,508
Cash movement				
Loans obtained	5,832,308	3,300,907	-	-
Repayments	(2,817,099)	(3,443,821)	-	(1,469,884)
Non cash movement				
Accrued Interest	21,376	-	-	-
Amortization of transaction cost	-	8,992	-	8,992
Exchange difference	425,424	556,982	-	(21,616)
At the end of the year	20,583,499	17,121,490	-	-
Repayable within one year	2,062,465	2,918,854	-	-
Repayable after one year	18,521,034	14,202,636	-	-
	20,583,499	17,121,490	-	-

Group interest bearing borrowings include finance lease obligations amounting to LKR. 34 Mn (2017 - 10 Mn) details of which are disclosed in the following note.

36.2 Finance leases

	GROUP	
As at 31 st March In LKR '000s	2018	2017
At the beginning of the year	10,134	44,865
Leases obtained	37,903	-
Repayments	(18,860)	(38,556)
Adjustments / transfers	4,394	3,825
At the end of the year	33,571	10,134
Finance lease obligations repayable within one year		
Minimum lease payments	10,732	10,254
Finance charges	(4,644)	(120)
Present value of minimum lease payments	6,088	10,134
Finance lease obligations repayable after one year		
Minimum lease payments	34,661	-
Finance charges	(7,178)	-
Present value of minimum lease payments	27,483	-

36.3 Security and repayment terms
Group companies

	Lending Institution	Nominal Interest rate	Repayment terms	Details of collaterals	2018 In LKR '000s	2017 In LKR '000s
Beruwala Holiday Resorts (Pvt) Ltd.	HNB	1 month SLIBOR based plus margin	74 monthly instalments commencing from April 2013	LKR. 3,395 Mn Primary floating mortgage bond over hotel property	309,683	439,683
	Sampath Bank	6 month LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee from John Keells Hotels PLC., of USD 4 Mn	15,590	75,950
	SCB	1 month LIBOR based plus margin	16 quarterly instalments commencing from February 2014	-	-	243,040
	HSBC	3 month LIBOR based plus margin	20 quarterly instalments commencing from March 2018	-	169,346	-
Ceylon Cold Stores PLC.	DFCC	3 month AWDR based plus margin	60 monthly instalments commencing from October 2012	-	-	15,000
Habarana Lodge Ltd.	Sampath Bank	6 month LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotel PLC. of USD 2 Mn	15,590	75,950

36 Interest-bearing loans and borrowings (Contd.)

36.3 Security and repayment terms (Contd.)

	Lending Institution	Nominal Interest rate	Repayment terms	Details of collaterals	2018 In LKR '000s	2017 In LKR '000s
Habarana Lodge Ltd.	Habib Bank	1 month LIBOR based plus margin	48 monthly instalments commencing from July 2013	-	-	6,076
	HSBC	1 month LIBOR based plus margin	8 equal quarterly instalments of USD 30,000	-	46,770	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	DFCC	1 month AWPLR based plus margin	66 monthly instalments commencing from November 2013	Primary mortgage over lease rights of LKR. 940 Mn and LKR. 60 Mn over movable plant, machinery and equipment	208,495	403,495
	Sampath Bank	3 month LIBOR based plus margin	20 quarterly instalments commencing from October 2013	Corporate guarantee of John Keells Hotels PLC. for the LKR. equivalent of outstanding USD loan value	62,360	167,280
John Keells Maldivian Resorts (Pte) Ltd.	Sampath Bank	6 month LIBOR based plus margin	The loan is payable within 90 days	-	-	1,477,455
John Keells Properties Ja-Ela (Pvt) Ltd.	HSBC	1 month COF based plus margin	60 monthly instalments commencing from December 2016	General terms and conditions for LKR. 450 Mn signed relating to the term loan	376,360	394,907
Keells Food Products PLC.	DFCC	3 month AWDR plus margin	60 monthly instalments commencing from December 2013 with 1 year grace period	Primary mortgage bond on the building and assets at Pannala	33,495	83,704
Kandy Walk Inn Ltd.	HSBC	1 month LIBOR based plus margin	60 monthly instalments commencing from October 2013 with 1 year grace period	-	-	91,840
The Colombo Ice Company (Pvt) Ltd.	HSBC	COF based plus margin	60 monthly instalments commencing from February 2016 with 1 year grace period	Corporate guarantee of Ceylon Cold Stores PLC. for LKR. 3.8 Bn	2,458,333	256,192
Trans Asia Hotels PLC.	HNB	Fixed rate (annually reviewed)	16 quarterly instalments commencing from September 2016	-	292,313	370,256
Tranquility (Pte) Ltd.	HSBC	3 month LIBOR plus margin	Quarterly instalments after 1 year grace period commencing from July 2017	Primary mortgage over the resort situated at Kanuoiy Huraa, Kaafu Atoll, Republic, Maldives	2,572,350	-
Travel Club (Pte) Ltd.	HSBC	1 month LIBOR based plus margin	12 quarterly instalments commencing from September 2017	-	233,850	303,800
Trinco Holiday Resorts (Pvt) Ltd.	Sampath Bank	6 month LIBOR based plus margin	20 quarterly instalments commencing from April 2014	Corporate guarantee of John Keells Hotels PLC. for the LKR. equivalent of USD 1.158 Mn	36,306	70,360
	Sampath Bank	3 month AWPLR based minus margin	83 monthly instalments commencing from July 2014	Letter of comfort from John Keells Hotels PLC.	187,800	205,000
	HSBC	1 month LIBOR based plus margin	Capital repayment of USD 34,700 per quarter commencing from May 2018 and USD 104,100 per quarter commencing from May 2019	-	54,097	-

	Lending Institution	Nominal Interest rate	Repayment terms	Details of collaterals	2018 In LKR '000s	2017 In LKR '000s
Waterfront Properties (Pvt) Ltd.	Syndicated loan through SCB	1 month LIBOR based plus margin	13 quarterly instalments commencing from September 2019	Freehold and leasehold land of LKR. 11.4 Bn. Additionally, as a part of the sponsor support, John Keells Holdings PLC. has pledged 10.09 Bn of its shares in Waterfront Properties (Pvt) Ltd.	13,453,831	12,334,739
Yala Village (Pvt) Ltd.	Habib Bank	1 month AWPLR based minus margin	30 monthly instalments commencing from July 2014	-	11,667	39,666
	Sampath Bank	6 month LIBOR based plus margin	20 quarterly instalments commencing from July 2013	-	11,692	56,963
					20,549,928	17,111,356
John Keells BPO Solutions India (Pvt) Ltd.	DLF Assets (Pvt) Ltd.	-	Finance lease	-	-	10,134
John Keells Office Automation	Central Finance	-	Finance lease	-	33,571	-
					20,583,499	17,121,490

37 Employee benefit liabilities

Accounting Policy

Employee contribution plans - EPF/ETF

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

Employee defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in other comprehensive income.

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
Employee benefit liabilities				
At the beginning of the year	1,880,287	1,660,880	217,910	189,181
Current service cost	173,128	144,936	13,640	12,967
Acquisitions	7,535	-	-	-
Transfers	-	-	24,272	10,528
Acquisition/(disposal) of subsidiary	(8,763)	-	-	-
Interest cost on benefit obligation	198,780	182,697	23,970	19,864
Payments	(302,309)	(219,443)	(75,087)	(19,940)
(Gain)/Loss arising from changes in assumptions	22,762	110,758	4,083	5,310
Exchange translation difference	-	459	-	-
At the end of the year	1,971,420	1,880,287	208,788	217,910
The expenses are recognised in the income statement in the following line items;				
Cost of sales	190,969	149,829	12,017	11,387
Selling and distribution expenses	31,863	30,862	-	-
Administrative expenses	149,076	146,942	25,593	21,444
	371,908	327,633	37,610	32,831

37 Employee benefit liabilities (Contd.)

Accounting judgements , estimates and assumptions

Employee benefit liability

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

As at 31 st March In LKR '000s	2018	2017
Discount rate	9.00% - 10.5%	9.5% - 11.00%
Future salary increases	6.00% - 10.00%	6.00% - 10.00%

37.1 Sensitivity of assumptions used

A one percentage change in the assumptions would have the following effects:

	GROUP		COMPANY	
As at 31 st March In LKR '000s	2018	2017	2018	2017
Discount rate:				
1% Increase	(73,010)	(85,863)	(6,682)	(6,691)
1% Decrease	101,525	64,966	7,281	7,363
Salary Increment rate:				
1% Increase	90,843	65,922	7,709	7,863
1% Decrease	(77,137)	(96,150)	(7,219)	(7,331)

37.2 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

	GROUP		COMPANY	
	2018 In LKR '000s	2017 In LKR '000s	2018 In LKR '000s	2017 In LKR '000s
Within the next 12 months	273,562	286,965	74,985	60,239
Between 1 and 2 years	223,855	363,244	4,949	65,281
Between 2 and 5 years	650,931	522,475	51,316	21,792
Between 5 and 10 years	741,218	618,230	75,516	58,446
Beyond 10 years	81,854	89,373	2,022	12,152
Total expected payments	1,971,420	1,880,287	208,788	217,910
Weighted average duration (years) of define benefit obligation	5.87	5.41	8.29	10.20

38 Other deferred liabilities

Accounting policy

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Deferred revenue

Deferred revenue is the money received for goods or services which have not yet been delivered. According to the revenue recognition principle, it is recorded as a liability until delivery is made , at which time it is converted to revenue.

	GROUP		COMPANY	
As at 31st March In LKR '000s	2018	2017	2018	2017
Other deferred liabilities				
Government grants	527	772	-	-
Deferred revenue	190,876	838,119	-	-
Deferred purchase consideration	-	-	-	103,218
	191,403	838,891	-	103,218

39 Other non current liabilities

Accounting policy

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

	GROUP	
As at 31st March In LKR '000s	2018	2017
Advances received	6,531,447	3,740,418
Deposits	172,921	193,464
	6,704,368	3,933,882

40 Trade and other payables

Accounting policy

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

	GROUP		COMPANY	
As at 31st March In LKR '000s	2018	2017	2018	2017
Trade and other payables				
Trade and other payables	15,535,469	13,665,569	332,191	330,078
Reinsurance payables	375,410	277,284	-	-
Advances and deposits	166,620	193,187	-	-
	16,077,499	14,136,040	332,191	330,078

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

41 Short term borrowings

	GROUP	
As at 31st March In LKR '000s	2018	2017
Bank borrowings	3,128,508	1,380,238
	3,128,508	1,380,238

42 Other current liabilities

Accounting policy

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

	GROUP		COMPANY	
As at 31st March In LKR '000s	2018	2017	2018	2017
Other current liabilities				
Non refundable deposits	1,905,811	1,481,641	2,566,	2,566
Other tax payables	1,607,403	1,462,477	2,761	13,875
	3,513,214	2,944,118	5,327	16,441

43 Related party transactions

Terms and conditions of transactions with related parties

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 subsidiaries, joint venture and associate companies have been disclosed in the Group Directory under the Supplementary Information section of the Annual Report.

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

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2017 audited financial statements, which required additional disclosures in the 2017/18 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions,

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2017 audited financial Statements, which required additional disclosures in the 2017/18 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

43.1 Amounts due from related parties

		GROUP		COMPANY	
As at 31st March In LKR '000s	Note	2018	2017	2018	2017
Subsidiaries	43.5	-	-	300,185	215,115
Equity accounted investees	43.5	139,640	111,639	104,179	71,620
Key management personnel		-	-	-	-
		139,640	111,639	404,364	286,735

43.2 Amounts due to related parties

		GROUP		COMPANY	
As at 31st March In LKR '000s	Note	2018	2017	2018	2017
Subsidiaries	43.6	-	-	4,892	209,182
Equity accounted investees	43.6	5,168	10,434	485	847
Key management personnel		-	-	-	-
		5,168	10,434	5,377	210,029

43.3 Transactions with related parties

		GROUP		COMPANY	
For the year ended 31st March In LKR '000s	Note	2018	2017	2018	2017
Subsidiaries					
Purchases of goods		-	-	8,948	5,004
Rendering of services	43.5	-	-	878,686	701,748
Receiving of services	43.6	-	-	59,314	48,918
Rent paid		-	-	38,537	38,729
Dividend received		-	-	5,632,188	7,614,841
Equity accounted investees					
Sale of goods		8,475	12,460	-	-
Rendering of services	43.5	642,105	468,353	348,635	281,929
Receiving of services		315,937	330,436	191	193
Interest received	43.4	246,709	200,565	124,336	87,567
Interest paid	43.4	1,724	7,844	2	-
Dividend received		-	-	2,942,698	2,854,182
Key management personnel (KMP)					
Sale of goods		-	-	-	-
Close family members of KMP					
Sale of goods		-	-	-	-
Companies controlled / jointly controlled / significantly Influenced by KMP and their close family members					
Sale of goods		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		259,884	254,297	67,260	58,907

43.4 Transactions with related parties - Associates

	GROUP		COMPANY	
For the year ended 31st March In LKR '000s	2018	2017	2018	2017
Nations Trust Bank PLC.				
Interest received	246,709	200,565	124,336	87,567
Interest paid	1,724	7,844	2	-

The Group and Company held interest bearing deposits of LKR. 6,802 Mn (2017 - LKR. 2,491 Mn) and LKR. 6,002 Mn (2017 - LKR. 604 Mn) respectively, at Nations Trust Bank PLC. as at 31 March 2018.

43 Related party transactions (Contd.)

43.5 Related parties transactions and balances

	COMPANY			
	Rendering of services		Amounts due from	
For the year ended/As at 31st March In LKR '000s	2018	2017	2018	2017
Subsidiaries				
Asian Hotels and Properties PLC.	50,411	34,493	5,809	3,109
Ceylon Cold Stores PLC.	69,791	54,234	35	58
Cinnamon Hotel Management Services Ltd.	100,272	92,943	12,896	16,170
InfoMate (Pvt) Ltd.	26,694	23,010	1,835	1,789
JayKay Marketing Services (Pvt) Ltd.	153,730	79,814	25,153	9,268
John Keells Logistics (Pvt) Ltd.	18,807	17,715	3,236	1,208
John Keells Office Automation (Pvt) Ltd.	28,211	28,291	7,994	1,517
John Keells PLC.	18,373	16,323	1,430	-
Keells Food Products PLC.	26,004	22,790	3,700	2,199
Lanka Marine Services Ltd.	12,525	10,129	1,228	1,040
Mack Air (Pvt) Ltd.	12,668	11,422	2,205	879
Mackinnons Keells Ltd.	2,754	2,476	103	124,589
Mackinnons Travels (Pvt) Ltd.	13,015	12,133	-	-
Rajawella Holdings Ltd.	3,162	-	5	-
Trans Asia Hotels PLC.	29,721	24,298	-	-
Union Assurance PLC.	52,023	51,396	19,904	32,929
Walkers Tours Ltd.	38,995	34,610	188,929	3,696
Waterfront Properties (Pvt) Ltd.	49,374	37,831	4,007	3,606
Whittall Boustead (Pvt) Ltd.	22,843	16,456	2,869	-
Other subsidiaries	149,313	131,384	18,847	13,058
	878,686	701,748	300,185	215,115
Joint ventures	296,663	270,305	100,514	70,923
Associates	51,972	11,624	3,665	697
	348,635	281,929	104,179	71,620

43.6 Related parties transactions and balances

	Receiving of services		Amounts due to	
Subsidiaries				
Asian Hotels and Properties PLC.	6,101	5,334	-	-
InfoMate (Pvt) Ltd.	6,372	8,157	-	-
Mack Air (Pvt) Ltd.	-	1,809	-	-
Mackinnons Travels (Pvt) Ltd.	22,487	18,046	2,019	2,221
Rajawella Holdings Ltd	-	-	-	203,104
Trans Asia Hotels PLC.	4,573	4,552	841	2,176
Whittall Boustead (Pvt) Ltd.	9,131	8,744	-	905
Other subsidiaries	10,650	2,276	2,032	776
	59,314	48,918	4,892	209,182
Joint ventures	191	193	-	-
Associates	-	-	485	847
	191	193	485	847

43.7 Compensation of key management personnel

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

	GROUP		COMPANY	
For the year ended 31st March In LKR '000s	**2018**	**2017**	**2018**	**2017**
Short-term employee benefits	413,996	410,881	210,241	170,944
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Retirement benefits	51,610	-	51,610	-
Share based payments	163,799	133,911	109,007	55,747
	629,405	544,792	370,858	226,691

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

As at 31 March 2018, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

	2018			2017	
Expiry date	Adjusted exercise price LKR	Outstanding at the end of period	Exercisable at the end of period	Outstanding at the end of period	Exercisable at the end of period
30.06.2018	191.65	2,295,814	2,295,814	2,295,814	1,721,859
30.06.2019	176.04	2,038,537	1,717,508	2,038,537	1,019,268
24.06.2020	149.84	1,675,073	1,115,408	1,675,073	418,766
14.08.2021	142.83	1,575,000	862,500	1,575,000	-
02.07.2022	173.25	1,740,000	660,000	-	-

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

43.8 Gain on share restructure/repurchase transaction - John Keells Holdings PLC.

In the current year, the Company carried out the second phase of an exercise to restructure the shareholding of the Company's investments in a few of its unlisted subsidiaries to reduce the complexity of the shareholding structure. Accordingly, selected companies holding investments in other subsidiaries, transferred its respective investments to the Company, at valuations independently verified with the assistance of external consultants. The exercise was completed via a combination of share buybacks between the unquoted entities within the Group, and its subsidiaries for a consideration of either cash or owners' shares.

For the year ended 31st March	2018		2017	
In LKR '000s	Transaction Value	Gain	Transaction Value	Gain
Shares brought back from				
John Keells Properties (Pvt) Ltd.	685,161	493,807	-	-
Keells Consultants (Pvt) Ltd.	56,161	55,686	380,145	378,140
Mack Air Ltd.	1,755	1,704	1,007,985	960,978
Mackinnon Keells Ltd.	46,666	35,356	900,664	897,647
Mackinnon Mackenzie and Company of (Ceylon) Ltd.	32,797	32,784	239,745	238,093
Mortlake Ltd.	-	-	378,410	98,074
Walkers Tours Ltd.	155,328	122,963	-	-
Whittall Boustead (Pvt) Ltd.	8,495,166	7,304,149	1,093	1,071
Whittall Boustead Travel (Pvt) Ltd.	44,160	14,396	-	-
Transware Logistics (Pvt) Ltd.	436,028	122,322	-	-
	9,953,222	8,183,167	2,908,042	2,574,003

44 Contingent liabilities

Accounting policy

Provisions, contingent assets and contingent liabilities

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

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

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

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

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

The contingent liabilities of the Group and the Company as at 31 March 2018, relates to the following:

John Keells Holdings PLC. (JKH)

The contingent liability of the Company as at 31 March 2018, relates to the following;

GST & VAT Assessments for the year of assessment 2002/03

The Company has lodged valid appeals against the asses sments raised and is contesting these under the appellate procedure.

Income tax assessment relating to year of assessment 2006/07

The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2018 is estimated at LKR. 123 Mn.

Ceylon Cold Stores PLC. (CCS)

The contingent liability of CCS as at 31 March 2018, relates to the following;

Income tax assessments relating to years of assessments 2011/12, 2012/2013 and 2013/2014

Assessments were raised by the IRD in November 2014, November 2015 and May 2016 assessing the income from write back of deposits on returnable containers and crates amounting to LKR. 202 Mn, LKR. 43 Mn and LKR. 41 Mn respectively. The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2018 is estimated at LKR. 35 Mn.

Ceylon Holiday Resorts Ltd (CHR)

The contingent liability of CHR as at 31 March 2018, relates to the following;

Income tax assessments relating to years of assessments 2012/13, 2013/2014 and 2014/2015

Assessments were raised disallowing a part of the management fee claimed by the company. The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2018 is estimated at LKR. 11.1 Mn.

Lanka Marine Services (Pvt) Ltd. (LMS)

The contingent liability of LMS as at 31 March 2018, 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

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 company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Income tax assessments relating to years of assessments 2002/03, 2003/04 and 2004/05
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 Commissioner General of Inland Revenue (CGIR) has appealed against the decision of TAC and it is currently before the Court of Appeal.

Income tax assessments relating to years of assessments 2005/06, 2006/07, 2007/08 and 2008/09
The company has lodged valid appeals against the assessments raised on export status claimed by the company and is contesting these under the appellate procedure and the status of each of the appeals are as follows:

2005/06 and 2006/07 The Tax Appeals Commission determined that it has no jurisdiction in respect of appeals relating to these two years. An appeal made by the CGIR is currently before the Court of Appeal.

2007/08, 2008/09, 2009/10 and 2011/12 – The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Income tax Assessment relating to year of assessment 2010/2011,2012/2013 and 2013/2014
The company has lodged valid appeals against the assessments raised on export status claimed by the company and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2018 is estimated at LKR. 1,117 Mn.

Mackinnons Travels (Pvt) Ltd (MTL)

The contingent liability of MTL as at 31 March 2018, relates to the following;

VAT Assessments received for years of assessments 2009/10 and 2010/2011
The company has appealed against the assessments raised on the grounds that the services provided by it as an Airline Agent qualify for zero rating under item 7 of the Gazette Extraordinary No.1267/5 of 17.12.2002. The CGIR has appealed against the decision of TAC and it is currently before the Court of Appeal.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31 March 2018 is estimated at LKR. 26 Mn.

Trans Asia Hotels PLC. (TAH)

The contingent liability of the TAH as at 31 March 2018, relates to the following;

Income tax assessments relating to years of assessments 2012/13, 2013/2014 and 2014/2015
Assessments were raised disallowing a part of the management fee claimed by the company. The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2018 is estimated at LKR. 59 Mn.

Union Assurance PLC. (UA)

The contingent liability of UA PLC. as at 31 March 2018, relates to the following;

Income Tax Assessments received for years of assessments 2010/11, 2011/2012, 2012/13, 2013/14 and 2014/15
The assessments were raised for the above three years of assessment by making life insurance income liable to pay income taxes of LKR. 13 Mn, LKR. 132 Mn, LKR. 411 Mn, LKR. 175 Mn and LKR. 862 Mn respectively. The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the Company has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010 /11, 2011/12, 2012/13, 2013/14 and 2014/15 and accordingly have concluded that the above assessments have no rationale or basis in law.

45 Capital and other commitments

	GROUP		COMPANY	
As at 31st March In LKR '000s	2018	2017	2018	2017
Capital commitments approved but not provided for	64,624,866	66,186,343	-	-
Guarantees	299,044	180,913	117,000	180,913
	64,923,910	66,367,256	117,000	180,913

46 Lease commitments

	GROUP	
As at 31st March In LKR '000s	2018	2017
Lease rentals due on non-cancellable operating leases;		
Within one year	965,899	562,965
Between one and five years	2,472,142	1,084,140
After five years	8,252,530	5,391,496
	11,690,571	7,038,601

Company	Lessor	Leased properties
Details of leases		
Ceylon Cold Stores PLC.	CISCO Speciality Packaging (Pvt) Ltd.	Pet Bottle Plant
Ceylon Holiday Resorts Ltd.	Sri Lanka Tourist Board	Land occupied.
Hikkaduwa Holiday Resorts (Pvt) Ltd.	Sri Lanka Tourist Board	Land occupied.
Fantasea World Investment (Pte) Ltd.	Government of Maldives	Land occupied.
Habarana Lodge Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Habarana Walk Inn Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Jaykay Marketing Services (Pvt) Ltd.	Land owners	Land occupied.
Keells Food Products PLC.	Pannala Divisional Secretariat	Land occupied.
The Colombo Ice Company (Pvt) Ltd.	Board of Investment of Sri Lanka	Land occupied.
Travel Club (Pte) Ltd.	Government of Maldives and a sub lease with Ellaidhoo Investments (Pte) Ltd.	Land occupied.
Tranquility (Pte) Ltd.	Government of Maldives	Land occupied.
Yala Village (Pvt) Ltd.	Sri Lanka Tourist Board	Land occupied.
Waterfront Properties (Pvt) Ltd.	Board of Investment of Sri Lanka	Land occupied.

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

47 Assets pledged

Assets pledged for facilities obtained is given in note 36.3 to the financial statements.

48 Events after the reporting period

Final dividend

The Board of Directors of the Company have declared a final dividend of LKR 2.00 per share for the financial year ended 31 March 2018. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company satisfied the solvency test in accordance with section 57 of the Companies Act No. 07 of 2007, and obtained a certificate from the auditors, prior to declaring the dividend, which is to be paid on 18 June 2018.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2018.

Supplementary Information

Creating value to every stakeholder we serve

HISTORY OF THE JOHN KEELLS GROUP

1870-1970

- 1870: Two English brothers, George and Edwin John set up E. John & Co, a firm of produce and exchange brokers
- 1948: The firm merged with two other London based tea brokers, and thereby evolved into a private liability company by the name of E. John, Thompson, White & Company Ltd
- 1960: Amalgamated with Keell and Waldock Ltd., another long-established produce, share and freight broking company. The company changed its name to John Keell Thompson White Ltd

1971-1990

- 1973: Walkers Tours and Travels (Ceylon) Ltd, a leading inbound tour operator, was acquired
- 1974: The firm became a Rupee quoted public company. Changed its name to John Keells Ltd1986: A newly incorporated John Keells Holdings (JKH) acquired a controlling stake in John Keells Limited and obtained a quotation on the Colombo Stock Exchange (CSE) amidst a heavily over-subscribed public share issue

1991-2000

- 1991: Acquired the Whittalls Group of Companies, and thus gained control of Ceylon Cold Stores, Ceylon Holiday Resorts, and Union Assurance. The acquisition was one of the largest deals of the time
- 1994: JKH became the first Sri Lankan company to obtain a listing abroad, by way of issuing Global Depository Receipts (GDRs) on the Luxembourg Stock Exchange
- 1996: Velidhu Resort Hotel, an 80-roomed island resort in the Maldives, was acquired. This marked the Group's first major overseas investment
- 1999: Nations Trust Bank (NTB) was established, in a joint venture with the International Finance Corporation (IFC) and Central Finance Co. Ltd. The South Asia Gateway Terminal (SAGT) commenced operations to own, operate, and develop the Queen Elizabeth Quay at the Port of Colombo
- 2000: JKH became the first Sri Lankan company to obtain the SL-AAA credit rating from Fitch Ratings. The firm was also admitted as a full member of the World Economic Forum and was also rated among the best 300 small companies in the world by the Forbes Global magazine

2001-2007

- 2003: JKH acquired Asian Hotels and Properties, thereby gaining control of 40 per cent of the five-star room capacity in Colombo
- 2004: John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. The Group's CSR arm, the John Keells Social Responsibility Foundation was established as a non-profit
- 2005: The Group launched its hotel brands "Cinnamon Hotels and Resorts" and "Chaaya Hotels and Resorts". JKH entered into a MoU to develop a third resort in the Maldives and also acquired 80 per cent of the Yala Village Hotel. Keells Plantations was sold off, thus marking the Group's exit from the ownership of plantations. A joint venture with Raman Roy Associates was embarked upon, to enter the BPO space
- 2006: A lease was acquired on the Dhonveli Beach and Spa and the Ellaidhoo Tourist Resort in the Maldives. The Group increased its stake in SAGT by 8 per cent to 34 per cent. John Keells Holdings Ltd was renamed John Keells Holdings PLC.
- 2007: Cinnamon Island Alidhoo commenced operations. The Group signed a long-term funding arrangement amounting to USD 75 Mn with IFC

2008-2010

- 2008: JKH acquired a further 8.4 per cent in SAGT and also increased stakes in UA, CCS, JKL and KFPL. The stake in AMW was divested
- 2009: JKH's market capitalisation surpassed USD 1 billion. The Trans Asia Hotel was re-branded and re-launched as Cinnamon Lakeside. The Group released its first standalone Sustainability Report, in full compliance with the Global Reporting Initiative (GRI-G3) framework
- 2010: The head lease of Alidhoo Island was divested while the head lease of Dhonveli Island was acquired for a period of 18 years. Construction of "OnThree20", a 475-unit apartment complex in the heart of Colombo commenced. Walkers Tours and Whittall Boustead became the only destination management companies to obtain both ISO 9001 and ISO 14001 certifications. Ceylon Cold Stores added "KIK" as its cola brand in its portfolio of soft drinks. JKH also acquired 5.6 Mn shares of Union Assurance PLC., and increased its stake to 95.6 per cent

2011-2014

- 2011/12: "The Emperor" apartment project at Crescat City, Colombo reached completion
- 2012/13: Cinnamon Bey, a 200 room five-star resort was launched. "K-Zone", a 140,000 sq. ft. mall was opened in Ja-Ela, Colombo. Keells Food Products PLC.. and Union Assurance PLC. successfully raised LKR. 1.2 billion and LKR. 720 Mn respectively, via rights issues
- 2013/14: The market capitalisation of JKH exceeded USD 2 billion for the first time in the Group's history. The "Waterfront" integrated resort project was announced to the public. JKH was recognised as one of the top 15 great places to work in Sri Lanka through a survey conducted by the Great Place to Work Institute
- 2014/15: "Cinnamon red", the first lean luxury hotel in Sri Lanka, was launched. The "OnThree20" residential development project was successfully completed. Union Assurance was segregated as per a regulatory directive, and the General Insurance segment was divested. JayKay Marketing Services (Private) Limited merged with Nexus Networks (Private) Limited, with JMSL being the surviving entity. Divested stakes in Expo Lanka Holdings PLC. and Access Engineering PLC.

2015 – To Present

- 2015/16: Waterfront Properties (Private) Limited raised the necessary debt funding for the "Cinnamon Life" project, by way of the largest syndicated debt facility obtained by a local firm. A controlling stake in Rajawella Holdings Ltd (RHL) was acquired for LKR. 1.04 billion. SAGT was ranked number one in South Asia and number four in the world for terminal productivity by the Journal of Commerce, USA. The Group raised LKR. 8 billion by converting 50 Mn warrants
- "7th Sense" on Gregory's Road a high-end, niche, residential development was completed
- 2016/17: "John Keells X: Open Innovation Challenge 2016" was launched, creating a unique platform for disruptive and innovative solutions. John Keells Research filed for its first patent for a novel energy source material that was developed through a research project undertaken in collaboration with the National Metallurgical Lab of the Council for Scientific and Industrial Research (CSIR-NML) in India
- 2017: Please refer the "Year at a Glance" section of the JKH Annual Report

DECADE AT A GLANCE

31 March LKR Mn	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
OPERATING RESULTS										
Group revenue	121,215	106,273	93,710	91,852	86,706	85,408	75,924	60,500	47,980	41,023
EBIT	28,155	23,324	20,192	19,226	16,537	16,677	14,192	11,425	7,908	7,986
Finance cost	(521)	(436)	(994)	(668)	(1,217)	(1,081)	(1,416)	(796)	(1,370)	(1,695)
Share of results of equity accounted investees (net of tax)	3,596	3,303	2,781	2,778	3,089	3,440	2,809	2,641	2,556	2,340
Profit before tax	27,634	22,888	19,198	18,557	15,320	15,595	12,778	10,629	6,538	6,291
Tax expense	(4,515)	(4,771)	(3,406)	(2,812)	(2,362)	(2,162)	(1,827)	(1,566)	(986)	(1,326)
Profit after tax	23,120	18,117	15,792	15,745	12,958	13,433	10,951	9,063	5,552	4,965
Attributable to:										
Equity holders of the parent	21,021	16,275	14,070	14,348	11,721	12,113	9,689	8,245	5,201	4,733
Non-controlling interests	2,099	1,842	1,722	1,397	1,237	1,320	1,262	818	351	232
	23,120	18,117	15,792	15,745	12,958	13,433	10,951	9,063	5,552	4,965
CAPITAL EMPLOYED										
Stated capital	62,802	62,790	58,702	50,703	49,749	26,480	25,111	24,612	23,322	22,525
Capital reserves and other components of equity	49,852	38,652	28,715	24,501	21,845	20,635	13,226	9,560	7,574	7,437
Revenue reserves	87,266	77,193	67,565	62,594	51,304	42,704	33,001	25,415	18,936	15,545
	199,920	178,635	154,982	137,798	122,898	89,819	71,338	59,587	49,832	45,507
Non-controlling interest	24,944	15,696	13,499	12,279	11,421	11,152	8,624	7,608	6,430	4,960
Total equity	224,864	194,331	168,481	150,077	134,319	100,971	79,962	67,195	56,262	50,467
Total debt	29,722	22,766	20,750	23,934	26,139	20,107	20,054	14,641	17,453	21,596
	254,586	217,097	189,231	174,011	160,458	121,078	100,016	81,836	73,715	72,063
ASSETS EMPLOYED										
Property, plant and equipment (PP&E)	87,260	64,396	52,737	49,563	47,406	49,200	34,246	28,628	29,989	29,965
Non-current assets other than PP&E	136,427	107,912	93,376	78,030	71,969	59,787	52,397	47,436	34,104	33,456
Current assets	98,762	104,964	94,863	90,493	82,206	49,934	47,412	34,228	34,566	28,718
Liabilities net of debt	(67,862)	(60,175)	(51,745)	(44,075)	(41,123)	(37,843)	(34,039)	(28,456)	(24,944)	(20,076)
	254,587	217,097	189,231	174,011	160,458	121,078	100,016	81,836	73,715	72,063
CASH FLOW										
Net cash flows from operating activities	16,012	21,020	20,513	20,855	8,041	14,568	16,476	8,501	9,485	4,146
Net cash flows from / (used in) investing activities	(16,640)	(17,670)	(9,567)	(1,255)	(19,710)	(16,199)	(9,003)	(4,469)	(5,823)	(3,972)
Net cash flows from / (used in) financing activities	(4,587)	(4,105)	(7,717)	(4,838)	25,446	(1,320)	496	(6,791)	(636)	2,332
Net increase / (decrease) in cash and cash equivalents	(5,215)	(755)	3,229	14,762	13,777	(2,951)	7,969	(2,759)	3,026	2,506
KEY INDICATORS										
Basic earnings per share (Rs.)	15.20	11.9	10.5	12.6	10.5	10.7	9.5	8.2	5.2	4.7
Interest cover (no. of times)	54	52.8	51.5	27.7	13.6	15.4	10.0	14.4	5.8	4.7
Net assets per share** (Rs.)	144.0	128.7	111.7	99.3	88.6	64.7	51.4	43.0	35.9	32.8
Enterprise value (EV)	187,926	136,022	124,182	155,675	124,182	203,615	166,143	175,672	109,548	42,815
EV / EBITDA	5.8	5.0	5.0	6.6	10.0	10.0	13.1	13.1	10.9	4.3
ROE (%)	11.1	9.8	9.6	11.0	11.0	15.0	14.7	15.1	10.9	10.6
Debt / equity ratio (%)	13.2	11.7	12.3	15.9	19.5	19.9	25.0	21.8	31.0	42.8
TSR (%)	19.7	(10.0)***	(12.2)***	(12.0)***	(0.4)***	21.7	58.2	204.3	(43.1)	15.7
Dividend payout (Rs. Mn)	8,325	7,280	8,038	3,476	3,267	2,982	2,314	1,844	1,883	3,176
Current ratio (no. of times)	3.0	3.7	4.0	2.6	2.4	2.0	2.0	1.8	2.1	1.8
Market price per share unadjusted (Rs.)	159.6	137.9	148.0	199.4	227.0	247.0	206.0	285.6	184.0	62.8
Market price per share diluted (Rs.)	159.6	137.9	129.5	192.7	173.8	238.2	152.6	34.6	66.0	62.0
Revenue growth rate (%)	14.1	13.4	1.6	5.9	4.1	9.7	25.5	26.1	17.0	-1.9
USD closing rate (Rs.)	155.9	151.9	147.7	133.5	130.7	126.8	128.1	110.4	114.0	115.5
USD average rate (Rs.)	153.6	148.0	139.2	131.2	130.1	129.9	112.6	112.1	115.0	109.8

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

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2018.

*** Includes the proportionate impact arising from the ownership of warrants.

*** Price earnings ratio (diuted) derived using market price per share (diluted) and EPS (diluted)

ECONOMIC VALUE STATEMENT

	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services	
For the year ended 31st March LKR. Mn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Direct economic value generated										
Revenue	17,687	11,517	26,794	28,135	1,610	1,459	54,358	46,834	10,065	8,298
Finance income	136	242	2,253	2,849	364	591	895	998	4,084	3,512
Share of results of equity accounted investees	2,209	2,275	63	53	2	-		-	1,322	975
Profit on sale of assets and other income	92	2,009	439	281	783	1,032	1,554	1,296	66	62
Valuation gain on IP	-	-	-	-	613	290	22	92	-	-
	20,124	16,043	29,549	31,318	3,372	3,372	56,829	49,220	15,537	12,847
Economic value distributed										
Operating costs	15,284	11,210	13,631	12,208	2,638	1,540	44,363	33,428	6,684	9,135
Employee wages and benefits	932	451	4,826	4,569	220	390	3,738	4,078	142	851
Payments to providers of funds	902	1,139	5,576	6,744	407	824	2,063	4,507	365	514
Payments to government	162	168	1,161	1,352	53	69	3,190	3,155	6	63
Community investments	6	3	35	55	1	1	30	43	-	5
	17,286	12,971	25,229	24,928	3,319	2,824	53,384	45,211	7,197	10,568
Economic value retained										
Depreciation	110	102	1,734	1,589	37	19	1,015	830	71	80
Amortisation	2	2	473	636	33	21	26	14	222	221
Profit after dividends	2,726	2,968	2,113	4,165	(17)	508	2,404	3,165	8,047	1,978
Retained for reinvestment / growth	2,838	3,072	4,320	6,390	53	548	3,445	4,009	8,340	2,279

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

Information Technology		Others		Total		Eliminations/ Adjustments		Group Total			
2018	2017	2018	2017	2018	2017	2018	2017	2018	%	2017	%
11,348	11,337	4,448	3,757	126,310	111,337	(5,095)	(5,064)	121,215	87.17	106,273	87.21
44	52	14,925	16,152	22,701	24,396	(11,433)	(14,363)	11,268	8.10	10,033	8.23
-	-		-	3,596	3,303	-	-	3,596	2.59	3,303	2.71
317	71	8,840	4,060	12,091	8,812	(10,007)	(7,047)	2,084	1.50	1,765	1.45
-	-	261	101	896	484	-	-	896	0.64	484	0.40
11,709	11,460	28,474	24,070	165,594	148,332	(26,535)	(26,474)	139,059	100.00	121,858	100.00
9,175	8,710	7,989	10,622	99,764	86,853	(6,106)	(5,305)	93,658	67.35	81,548	66.92
1,210	1,362	1,196	1,045	12,264	12,746	-	-	12,264	8.82	12,746	10.46
568	513	8,924	7,987	18,805	22,228	(8,771)	(13,889)	10,034	7.22	8,339	6.84
248	271	1,443	1,207	6,263	6,285	-	-	6,263	4.50	6,285	5.16
6	3	46	34	124	144	-	-	124	0.09	144	0.12
11,207	10,859	19,598	20,895	137,220	128,256	(14,877)	(19,194)	122,343	87.98	109,062	89.50
145	122	124	133	3,236	2,875	-	-	3,236	2.33	2,875	2.36
9	11	19	21	784	926	-	-	784	0.56	926	0.76
348	468	8,733	3,023	24,354	16,275	(11,658)	(7,280)	12,696	9.13	8,995	7.38
502	601	8,876	3,177	28,374	20,076	(11,658)	(7,280)	16,716	12.02	12,796	10.50

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

Income Statement

for information purposes only

	GROUP		COMPANY	
For the year ended 31 March In USD 000	2018	2017	2018	2017
Continuing operations				
Sale of goods	525,817	449,231	-	-
Rendering of services	251,701	250,394	8,645	7,415
Revenue	777,518	699,625	8,645	7,415
Cost of sales	(589,688)	(494,787)	(4,056)	(3,713)
Gross profit	187,830	204,838	4,589	3,702
Dividend income	-	-	55,002	68,920
Other operating income	13,368	11,621	52,682	17,168
Selling and distribution expenses	(27,112)	(25,679)	-	-
Administrative expenses	(80,103)	(75,285)	(7,278)	(5,951)
Other operating expenses	(20,463)	(20,870)	(468)	(6,196)
Results from operating activities	73,520	94,625	104,527	77,643
Finance cost	(3,341)	(2,872)	(462)	(589)
Finance income	72,278	66,052	40,359	36,476
Change in insurance contract liabilities	(15,711)	(32,056)	-	-
Change in fair value of investment property	5,750	3,183	-	-
Change in contract liability due to transfer of one off surplus	21,693	-	-	-
Share of results of equity accounted investees (net of tax)	23,069	21,744	-	-
Profit before tax	177,258	150,676	144,424	113,530
Tax expense	(28,958)	(31,409)	(8,297)	(7,195)
Profit for the year	148,300	119,267	136,127	106,335
Attributable to:				
Equity holders of the parent	134,838	107,143		
Non-controlling interests	13,462	12,124		
	148,300	119,267		
Earnings per share				
Basic	0.10	0.08		
Diluted	0.10	0.08		

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 year end USD/LKR. 155.90 (2017 - 151.90) 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 31 March	2018	2017	2018	2017
In USD 000				
ASSETS				
Non-current assets				
Property, plant and equipment	559,717	423,939	820	618
Lease rentals paid in advance	83,418	86,939	-	-
Investment property	79,712	35,327	-	-
Intangible assets	12,894	13,944	285	203
Investments in subsidiaries	-	-	435,971	282,998
Investments in equity accounted investees	143,267	116,648	65,206	58,662
Non-current financial assets	210,893	182,137	1,713	18,367
Deferred tax assets	1,100	945	-	-
Other non-current assets	343,806	274,472	133	107
	1,434,807	1,134,351	504,128	360,955
Current assets				
Inventories	42,909	36,904	-	-
Trade and other receivables	78,726	76,942	454	777
Amounts due from related parties	896	735	2,594	1,888
Other current assets	28,161	21,497	1,276	655
Short term investments	412,996	521,227	315,314	396,598
Cash in hand and at bank	69,807	33,701	3,185	2,003
	633,495	691,006	322,823	401,921
Total assets	2,068,302	1,825,357	826,951	762,876
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	402,837	413,365	402,837	413,365
Revenue reserves	559,753	508,184	403,346	329,088
Other components of equity	319,771	254,454	12,520	9,905
	1,282,361	1,176,003	818,703	752,358
Non-controlling interest	160,003	103,328	-	-
Total equity	1,442,364	1,279,331	818,703	752,358
Non-current liabilities				
Insurance contract liabilities	193,910	208,692	-	-
Interest-bearing loans and borrowings	118,801	93,500	-	-
Deferred tax liabilities	45,473	15,380	-	-
Employee benefit liabilities	12,645	12,378	1,339	1,435
Other deferred liabilities	1,228	5,523	-	680
Other non-current liabilities	43,004	25,898	-	-
	415,061	361,371	1,339	2,115
Current liabilities				
Trade and other payables	103,127	93,061	2,131	2,173
Amounts due to related parties	33	69	34	1,383
Income tax liabilities	13,334	15,769	4,308	4,184
Short term borrowings	20,067	9,086	-	-
Interest-bearing loans and borrowings	13,229	19,216	-	-
Other current liabilities	22,535	19,382	34	108
Bank overdrafts	38,551	28,072	401	555
	210,876	184,655	6,908	8,403
Total equity and liabilities	2,068,301	1,825,357	826,950	762,876

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 year end USD/LKR. 155.90 (2017 - 151.90) have been used to convert the income statement and statement of financial position.

GROUP REAL ESTATE PORTFOLIO

Owning company and location	Buildings in (Sq. Ft)	Land in acres Freehold	Land in acres Leasehold	Net book value 2018 LKR '000s	Net book value 2017 LKR '000s
PROPERTIES IN COLOMBO					
John Keells PLC.					
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	0.08	-	1,249	1,249
Keells Realtors Ltd.					
427 & 429, Ferguson Road, Mattakkuliya, Colombo 15.	27,750	1.22	-	348,870	311,599
Mackinnon Keells Ltd.					
Leyden Bastian Road, York Street, Colombo 1.	31,656	0.45	-	606,608	506,083
Union Assurance PLC.					
20, St. Michaels' Road, Colombo 3.	57,916	0.58	-	1,600,000	1,121,751
Vauxhall Developments (Pvt) Ltd					
199 ,Union Place Colombo 2. and No.148, Vauxhall Street Colombo 2.	111,142	3.56	-	8,400,876	-
188, 188/1,188 2/1,190,192 Vauxhall Street, Colombo 2 and 42, Dawson Street, Colombo 2.	-	2.09	-	5,015,309	-
186,186/3 Vauxhall Street, Colombo 2	-	3.73	-	8,344,000	-
Whittall Boustead (Pvt) Ltd.					
199 ,Union Place, Colombo 2.	-	-	-	-	446,800
148, Vauxhall Street, Colombo 2.	-	-	-	-	2,397,687
	228,464	11.71	-	24,316,912	4,785,169
PROPERTIES OUTSIDE COLOMBO					
Ceylon Cold Stores PLC.					
Kaduwela.	313,024	27.35	-	1,348,994	1,264,323
Trincomalee.	19,071	1.06	-	228,601	207,042
Facets (Pvt) Ltd.					
Ahungalla.	-	6.31	-	428,700	400,000
John Keells BPO Solutions India (Pvt) Ltd.					
Gurgaon, Haryana.	-	-	-	-	39,822
John Keells PLC.					
17/1, Temple Road, Ekala, Ja-Ela.	-	3.77	-	286,850	226,500
JK Properties Ja-Ela (Pvt) Ltd					
No 525, Negambo Road, Kapuwatta, Ja-Ela.	144,631	6.60	-	1,872,500	1,758,000
JK Tudella Properties (Pvt) Ltd.					
Tudella, Ja-Ela.	64,670	17.77	-	557,611	-
John Keells Warehousing (Pvt) Ltd.					
Muthurajawela.	126,743	-	6.00	345,846	315,057
Keells Food Products PLC.					
41, Temple Road, Ekala, Ja-Ela.	51,768	3.00	1.00	278,036	240,411
Gonawala , Pannala	32,454	-	4.08	211,793	222,651
Rajawella Holdings Ltd.					
Mahaberiatenna, Kandy.	59,032	-	517.09	2,003,013	1,915,363
Tea Smallholder Factories PLC.					
Broadlands.	56,478	4.14	-	69,000	54,000
Halwitigala.	48,747	9.61	-	62,500	61,000
Hingalgoda.	63,676	17.00	-	86,000	83,000
Karawita.	80,364	-	4.98	116,069	97,655
Kurupanawa.	51,410	11.80	-	76,500	59,000
Neluwa.	48,888	5.27	-	70,000	67,000
New Panawenna.	44,568	10.59	-	51,000	48,000
Pasgoda.	40,091	-	7.24	58,911	48,000
Peliyagoda.	31,629	-	0.98	349,000	176,263

Owning company and location	Buildings in (Sq. Ft)	Land in acres Freehold	Leasehold	Net book value 2018 LKR '000s	2017 LKR '000s
PROPERTIES OUTSIDE COLOMBO					
The Colombo Ice Company (Pvt) Ltd.					
Awissawella	-	-	9.30	146,263	174,701
Transware-Logistics (Pvt) Ltd.					
Tudella, Ja-Ela.	-	-	-	-	476,256
Union Assurance PLC.					
06, Rajapihilla Road, Kurunegala.	27,904	0.20	-	270,209	218,834
Whittall Boustead Ltd.					
150, Badulla Road, Nuwara Eliya.	4,343	0.46	-	134,500	96,811
	1,309,491	124.93	550.67	9,051,896	8,249,689
HOTEL PROPERTIES					
Asian Hotels and Properties PLC.					
Cinnamon Grand Premises, Colombo 2.	648,793	8.03	-	26,973,981	25,159,212
Crescat Boulevard, Colombo 2.	145,196	-	-	2,621,000	2,416,250
Ahungalla Holiday Resort (Pvt) Ltd.					
Ahungalla.	-	6.51	-	279,600	152,790
Beruwala Holiday Resorts (Pvt) Ltd.					
Cinnamon Bey, Beruwala.	425,684	11.39	-	3,650,025	3,406,000
Ceylon Holiday Resorts Ltd.					
Bentota Beach Hotel, Bentota.	236,524	2.32	11.02	181,295	291,173
Fantasea World Investments (Pte) Ltd.					
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	150,412	-	18.90	1,166,697	1,183,395
Habarana Lodge Ltd.					
Cinnamon Lodge, Habarana.	202,999	-	25.48	743,800	715,100
Habarana Walk Inn Ltd.					
Chaaya Village, Habarana.	121,767	-	9.34	320,921	308,100
Hikkaduwa Holiday Resort (Pvt) Ltd.					
Chaaya Tranz, Hikkaduwa.	233,965	0.29	4.36	1,211,391	1,175,799
Kandy Walk Inn Ltd.					
Cinnamon Citadel, Kandy.	173,900	6.57	-	1,616,915	1,438,299
Nuwara Eliya Holiday Resort (Pvt) Ltd					
Nuwara Eliya.	-	3.35	-	313,900	290,911
Resort Hotels Ltd.					
Medway Estate, Nilaveli.	4,485	41.73	-	867,900	834,500
Trans Asia Hotels PLC.					
Cinnamon Lake Side, Colombo 2.	448,791	-	7.65	6,021,627	5,688,301
Tranquility (Pte) Ltd.					
Cinnamon Island Alidhoo, Republic of Maldives.	246,358	-	17.16	9,978,261	9,690,056
Travel Club (Pte) Ltd.					
Chaaya Reef Ellaidhoo, Republic of Maldives.	170,877	-	13.75	1,759,032	1,529,257
Trinco Holiday Resorts (Pvt) Ltd.					
Chaaya Blu, Trincomalee.	120,910	13.24	-	1,129,389	1,015,396
Trinco Walk Inn Ltd.					
Club Oceanic, Trincomalee.	-	14.64	-	265,514	208,967
Wirawila Walk Inn Ltd.					
Randunukelle Estate, Wirawila.	-	25.15	-	86,880	86,883
Yala Village (Pvt) Ltd.					
Cinnamon Wild, Tissamaharama.	113,509	-	11.25	496,638	474,431
	3,444,170	133.22	118.91	59,684,766	56,064,820
Improvements to Keells Super outlets of Jay Kay Marketing Services (Pvt) Ltd on leased hold properties				3,119,855	2,087,993
Consolidated value of land & buildings, lease rentals paid in advance and investment property	4,982,125	269.86	669.58	96,173,429	71,187,671

SRI LANKAN ECONOMY

Summary Indicator	Units	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP Growth (2010 base)	%			8.4	9.1	3.4	5.0	5.0	4.5	3.1
GDP Growth (2002 base)	%	3.5	8.0	8.2	6.3	7.2	7.4	5.7		
GDP(current prices: 2010 base)	Rs. billion		6,414	7,219	8,732	9,592	10,361	10,951	11,907	13,289
GDP(current prices: 2002 base)	Rs. billion	4,835	5,604	6,543	7,579	8,674	9,785	10,660		
GDP(current prices: 2010 base)	USD billion		56.7	65.3	68.4	74.3	79.4	80.6	81.8	87.2
GDP(current prices: 2002 base)	USD billion	42.1	49.6	59.2	59.4	67.2	74.9	78.4		
GDP per Capita (USD) Growth : 2010 base	%			14.0%	7.1%	7.7%	5.9%	0.5%	0.4%	5.4%
GDP per Capita (USD) Growth : 2002 base	%	2.1%	16.7%	18.3%	3%	12%	11%	8%		
GDP per capita (market prices: 2010 base)	Rs.000		310	346	428	466	499	522	562	620
GDP per capita (market prices: 2002 base)	Rs.000	236	271	314	371	422	471	508		
GDP per capita (market prices: 2010 base)	USD		2,744	3,129	3,351	3,609	3,821	3,842	3,857	4065
GDP per capita (market prices: 2002 base)	USD	2,057	2,400	2836	2,908	3,265	3,608	3894		
Inflation (CCPI 2013=100) annual average	%							2.2	4	6.6
Inflation (CCPI 2006/07=100) annual average	%	3.5	6.2	6.7	7.6	6.9	3.3	0.9	3.7	-
Inflation (NCPI 2013=100) annual average	%							3.8	4	7.7
Current Account Balance	USD billion	-0.2	-1.1	-4.6	-4.0	-2.5	-2.0	-1.9	-1.7	-2.3
Current Account % of GDP*	%	-0.5	-1.9	7.1	-5.8	-3.4	-2.5	-2.3	-2.1	-2.6
Population	Million	20.5	20.7	20.9	20.4	20.6	20.8	21.0	21.2	21.4
Exchange Rate (Annual Average)	LKR/USD	114.9	113.1	110.6	127.6	129.1	130.6	135.9	145.6	152.46
Exchange Rate Change (Annual Average)	%	6.1	-1.6	-2.2	15.4	1.2	1.1	4.1	7.1	4.7
12m T-Bill yield (yr-end)	%	9.3	7.6	9.3	11.7	8.3	6.0	7.3	10.2	8.9
Prime Lending Rate (yr-end)	%	10.9	9.3	10.8	14.4	10.1	6.3	7.5	11.5	11.6
M2b Money supply growth	%	18.6	15.8	19.1	17.6	16.7	13.4	17.8	18.4	16.7
Exports	USD billion	7.1	8.6	10.6	9.8	10.4	11.1	10.5	10.3	11.4
Imports	USD billion	10.2	13.5	20.3	19.2	18.0	19.4	18.9	19.2	21.0
Balance of Payments*	% of GDP	6.5	1.6	-1.6	0.2	1.3	1.7	-1.8	-0.6	2.4
Budget Deficit*	% of GDP	-9.9	-7.0	-6.2	-5.6	-5.4	-5.7	-7.6	-5.4	-5.5
Unemployment Rate	%	5.8	4.9	4.2	4.0	4.4	4.3	4.7	4.4	4.2
All Share Index (yr-end)	Points	3386	6636	6074	5643	5913	7299	6895	6228	6369
Tourist Arrivals	No.' 000	447.9	654.5	856.0	1,006	1275	1527	1,798	2,051	2,116

* Uses rebased GDP (2010 base) from 2010 onwards

Sri Lanka's economic growth decelerated considerably in 2017, slowing down from 4.5 per cent in 2016 to 3.1 per cent - the slowest growth since the start of the 2010 base. Prolonged severe weather conditions continued to affect the Agricultural sector, while growth in the Industrial and the Services sectors remained modest as well, moderating from that of the previous year. Poor weather conditions also contributed to several food supply disruptions throughout the year which resulted in inflation edging up in 2017, averaging higher at 6.6 per cent (CCPI - 2013 base) compared to the 4.0 per cent average in 2016. In addition to the unfavourable supply side factors, revisions to taxation policies and rates implemented by the Government during the previous year, such as the VAT revision, saw their effects realise fully during the year and thereby, further contributed to the rise in inflation.

Given the significantly high level of credit growth to the private sector seen over the past few years, coupled with an accelerating pace of inflation, the CBSL maintained a contractionary monetary policy stance throughout 2017. Following the rate hike in July 2016, the Bank raised key policy rates by 25 basis points in March 2017. In response, credit demand decelerated notably, particularly towards the latter half of the year, reducing from around 20 per cent levels at the beginning of the year to 14.7 per cent YOY (Year-on-Year) growth by end-2017. This tightening stance was also advocated by the International Monetary Fund (IMF) under its Extended Fund Facility (EFF) which was put in place in mid-2016 to support the country's economic reform agenda amid worsening debt levels and external financing conditions. Under the recommendation of the IMF, the CBSL has laid down the roadmap to move towards an inflation targeting monetary framework from the previous monetary targeting framework.

Key market rates saw a slight increase during the year with the Average Weighted Prime Lending Rate (AWPLR) rising by a mere 3 basis points to 11.55 per cent by end-2017 from 11.52 per cent at the end of 2016. Meanwhile, the Average Weighted Deposit Rate (AWDR) saw a more notable rise of 90 basis points to 9.07 per cent by the end of 2017, in line with the CBSLs continued tightening stance.

Amidst an easing in private sector credit growth, broad money supply decelerated considerably in 2017, reducing to 16.7 per cent compared to the 18.4 per cent growth in 2016. Overall, credit to the private sector saw an absolute increase of Rs.617.4 billion, relatively less than the Rs.754.8 billion increase in the previous year. Net credit to the Government saw an increase of 10.0 per cent, while credit to public corporations rose by 3.9 per cent during the year.

Sri Lanka's Balance of Payments (BOP) improved considerably in 2017, recording a surplus of US$ 2.1billion from the US$ 500Mn deficit seen in the previous year. This was largely on the back of increased inflows to the Financial Account, despite an expansion in the deficit in the Current Account to 2.6 per cent of GDP. Increased import demand over and above the improvement in export performance contributed to a widening of the trade deficit to USD 9.6billion in 2017 from a deficit of USD 8.9billion seen in the previous year. The prolonged inclement weather conditions led to accelerated fuel imports by way of increased thermal power generation, while higher rice imports to meet the domestic market shortages also contributed significantly to the expansion of the trade deficit. On the other hand, improved global market conditions, such as the reinstatement of GSP plus concessions and higher average tea prices, helped in the growth of export earnings.

Meanwhile, poor performance in tourism earnings and workers' remittances during the year aggravated the overall fall in the Current Account. The partial closure of the Bandaranaike International Airport for renovations in early 2017, followed by the outbreak of Dengue fever and poor weather conditions, all contributed to restricted growth in tourist arrivals during the year resulting in a mere 3.2 per cent increase in tourism earnings in 2017 compared to the 18 per cent rise in the previous year. Concurrently, workers' remittance inflows recorded a contraction of 1.1 per cent over the year amidst geopolitical tensions in the Middle East alongside a reduction in labour migration, standing at USD 7.2 billion by end-2017.

Sri Lanka benefitted from easing global financial conditions and favourable investor sentiments towards emerging markets during the year, with foreign inflows into the Sri Lankan government securities market rising by Rs.61.8billion during the year. This, along with reduced debt repayments, saw limited depreciatory pressure on the currency during the year, which weakened by a mere 2.0 per cent against the USD in 2017. In the meantime, Foreign Direct Investments recorded an all-time high of USD 1.9 billion in 2017, with a notable 77.5 per cent increase from USD 1.1 billion seen in the previous year. This was led by the proceeds from the Hambantota Port lease to China and Colombo Port City Project among several other positive developments.

Aided by these inflows, along with a successful sovereign bond issuance in May 2017, the proceeds of a foreign currency term financing facility and the receipt of two tranches of the International Monetary Fund Extended Fund Facility (IMF EFF) during the year, Sri Lanka's gross official reserves strengthened in 2017, rising to USD 8.0 billion from USD 6.0 billion in the previous year. Under the guidance of the IMF, the Central Bank aims to improve the reserve position to USD10.0 billion by the end of 2018.

According to the Central Bank Annual Report, Sri Lanka achieved a surplus in the Primary balance of the Budget for the first time since 1992. However, the overall budget deficit expanded to 5.5 per cent of GDP in 2017 from 5.4 per cent in the previous year. The deviation from the envisaged path was particularly due to higher interest payments, costs on disaster relief measures and a shortfall in Non-tax Revenue during the year. Nevertheless, the Government continued its efforts on a revenue-based consolidation programme, which included upward revisions to tax rates, a broadening of the tax base and strengthening of tax administration. This saw tax revenue increase to 12.6 per cent of GDP from 12.3 per cent in 2016. However, a decline in non-tax revenue, mainly due to poor performance by State Owned Enterprise (SOBEs), weighed down the total revenue to 13.8 per cent of GDP from 14.2 per cent seen in 2016. Reflecting efforts taken to rationalise recurrent expenditure, Total expenditure also declined to 19.4 per cent of GDP in 2017, below the 19.6 per cent seen in the prior year.

The GDP growth for the full year of 2017 was recorded at 3.1 per cent YOY. Out of the three major sub sectors of GDP; Industry and Services recorded growth rates of 3.9 per cent and 3.2 per cent YOY respectively, while the Agricultural sector recorded a decline of 0.8 per cent YOY.

Growth in the Agricultural sector in 2017 was significantly disturbed by inclement weather conditions experienced through most of the year. However, the sector witnessed a strong recovery in the last quarter of 2017, leading to a contraction of a mere 0.8 per cent YOY in 2017 – as opposed to the decline of3.0 per cent YOY recorded in the previous year. The overall contraction was mainly led by oleaginous fruits (coconut, king coconut, oil palm), vegetable and rice sub-categories which saw declines of 19.5 per cent, 16.2 per cent and 4.0 per cent YOY, respectively.

On the other hand, the forestry and logging industry grew at a stellar 22.0 per cent YOY during the year. Additionally, the tea industry also saw improved performance of 4.8 per cent YOY– partly due to base effects of continuous declines recorded in the last 3 years.

The Industrial sector grew at 3.9 per cent YOY in 2017, below the 5.8 per cent growth reported in the previous year. This growth was mainly driven by the mining and quarrying sub-category which grew at5.9 per cent YOY, followed by the textiles manufacturing industry which showed 5.7 per cent growth. Meanwhile, the construction sub-sector recorded a modest growth of 3.1 per cent during the year, a slowdown from the 8.3 per cent growth seen last year.

The services sector, the most significant component of GDP registered a growth of 3.2 per cent YOY in 2017, below the 4.7 per cent growth recorded in 2016, reflecting a slowdown in a majority of the service activities. Financial service activities led the Service sector growth, rising by9.4 per cent YOY, followed by real estate and wholesale and retail trade activities. The real estate category recorded a YOY growth of 4.7 per cent, while growth in wholesale and retail trade improved slightly to 3.8 per cent YOY in 2017, from a2.5 per cent increase recorded in the previous year.

In spite of the moderation in overall economic growth, domestic consumption demand in real terms recovered to 0.6 per cent in 2017 from the 3.3 per cent decline in the previous year (2010 base). This low growth is likely attributable to the tightened monetary environment as well as tighter fiscal policies implemented within the last year. Meanwhile, real growth in investment expenditure reduced to 17.2 per cent in 2017, from the 27.1 per cent rise recorded in 2016. However, total domestic demand in real terms improved to 6.8 per cent from 6.3 per cent a year ago.

Growth in aggregate domestic savings and national savings moderated from the pace seen in the previous year, rising by 18.4 per cent and 15.2 per cent YOY respectively. This was mainly due to an increase in Government dis-savings due to fiscal slippages despite the improvement in revenue. Private savings, on the other hand, recorded a healthy growth amid a tightened monetary environment. However, owing to the relatively higher investment spending, the savings- investment gap increased to 2.6 per cent of GDP in 2016 from 2.1 per cent in the prior year.

Headline inflation, under the new base (2013=100), reached an annual average of 6.6 per cent in 2017 – higher than the 4.0 per cent average recorded in 2016. Headline inflation remained at elevated levels throughout the year, peaking at 7.8 per cent YOY in October. The last quarter of 2017 saw an overall decline in prices, ending the year at 7.1 per cent YOY in December. The price movements were largely owing to a shortage in food supply during the year due to severe weather conditions. Several tariff revisions – which took place in the previous year – also saw their effects fully realise during 2017, further contributing to the upward movement in headline inflation.

On the external front, Sri Lanka's trade account widened considerably during 2017 on account of increased import expenditure, induced by inclement weather, offsetting the improvement in export performance. Export earnings recorded a growth of10.2 per cent YOY in 2017, recording an all-time high earnings value of USD 11.4 billion for the year. This was largely owing to improved international market conditions during the year, such as the synchronised growth in advanced countries, the regaining of the GSP plus concession, as well as higher average tea prices in the global market. Exports of tea, petroleum products, textiles and garments, and spices were the main contributors to the upturn, recording increases of 20.5 per cent, 51.4 per cent, 3.0 per cent and 28.1 per cent YOY, respectively. Overall import expenditure expanded by 9.4 per cent in 2017, reporting the highest ever import bill of USD 21 billion for the year – largely due to weather induced imports. A 15.9 per cent growth in expenditure on Intermediate goods led the overall increase in imports, mainly due to a substantial increase in Fuel imports. Fuel import expenditure increased by 38.2 per cent YOY, owing to higher import volumes for increased thermal power generation in place of hydro power during the persistent periods of drought, coupled with higher oil prices in the international market. Increased expenditure on consumer goods also contributed to the expansion in imports, mainly owing to a 13.1 per cent YOY growth in food and beverage imports. This was largely due to the measures taken by the Government to fulfil domestic market shortages of rice production. However, expenditure on investment goods recorded a contraction of 1.7 per cent in 2017, caused by a 4.4 per cent YOY decline in machinery and equipment imports.

GLOSSARY

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ADJUSTED ROCE AND ROE
Adjusted for the 2013 Rights Issue, 2015 and 2016 Warrant Issues, "Cinnamon Life" debt, revaluation of property, plant and equipment and equipment for 2015/16, 2016/17 and 2017/18, in addition to the recurring adjustments.

ASSET TURNOVER
Revenue including associate company revenue divided by average total assets.

BETA
Covariance between daily JKH share return and market return divided by variance of daily market return, over a 5 year period.

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt.

CAPITAL STRUCTURE LEVERAGE (CSL)
Average total assets divided by average shareholders' equity.

CASH EARNINGS PER SHARE
Profit attributable to equity holders of the parent adjusted for non cash items minus share of associate company profits plus dividends from associate companies divided by the weighted average number of ordinary shares in issue during the period.

COMMON EARNINGS LEVERAGE (CEL)
Profit attributable to equity holders of the parent divided by profit after tax.

CONTINGENT LIABILITIES
A condition or situation existing as at the date of the Report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

CURRENT RATIO
Current assets divided by current liabilities.

DEBT/EQUITY RATIO
Debt as a percentage of shareholders' funds and non-controlling interests.

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

DIVIDEND PAYABLE
Final dividend per share multiplied by the latest available total number of shares as at the date of the report.

DIVIDEND PAYOUT RATIO
Dividend paid as a percentage of Company profits adjusted for non-cash gains items.

DIVIDEND YIELD
Dividends adjusted for changes in number of shares in issue as a percentage of the share price (diluted) at the end of the period.

EARNINGS PER SHARE (BASIC)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT
Earnings before interest and tax (includes other operating income).

EBIT MARGIN
EBIT divided by turnover inclusive of share of associate company turnover.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION
Tax expense divided by profit before tax.

ENTERPRISE VALUE (EV)
Market capitalisation plus net debt/(net cash).

INTEREST COVER
Consolidated profit before interest and tax over interest costs

LIABILITIES TO TANGIBLE NET WORTH
Total non current and current liabilities including contingent liabilities divided by tangible net worth.

LONG TERM DEBT TO TOTAL DEBT
Long term loans as a percentage of total debt.

MARKET CAPITALISATION
Number of shares in issue at the end of the period multiplied by the market price at the end of the period.

MARKET VALUE ADDED
Market capitalisation minus shareholders' funds.

NET ASSETS
Total assets minus current liabilities, long term liabilities, and non-controlling interests.

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NET DEBT (CASH)
Total debt minus (cash plus short term deposits).

NET PROFIT MARGIN
Profit after tax attributable to equity holders of the parent divided by total revenue including share of associates.

PRICE EARNINGS RATIO
Market price per share (diluted) over diluted earnings per share.

PRICE TO BOOK RATIO
Market price per share (diluted) over net asset value per share.

PRICE TO CASH EARNINGS
Diluted market price per share divided by diluted cash earnings per share.

PUBLIC HOLDING
Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK RATIO
Cash plus short term investments plus receivables, divided by current liabilities.

RECURRING EBIT/RECURRING PROFIT AFTER TAX/RECURRING PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
Profit, as applicable, adjusted for the modifications discussed under the Group Consolidated Review section of the Report: Page 62.

RETURN ON ASSETS
Profit after tax divided by the average total assets.

RETURN ON CAPITAL EMPLOYED (ROCE)
Consolidated profit before interest and tax as a percentage of average capital employed.

RETURN ON EQUITY (ROE)
Profit attributable to shareholders as a percentage of average shareholders' funds.

SCOPE 1 AND SCOPE 2
The GHG Protocol has established a classification of GHG emissions called 'Scope': Scope 1, Scope 2 and Scope 3. The GHG emissions standard published by the International Organization for Standardization (ISO), 'ISO 14064', represents these classifications of Scope with the following terms:

1. Direct GHG emissions = Scope I
2. Energy indirect GHG emissions = Scope 2

SHARE TURN RATIO
Total volume of shares traded during the year divided by average number of shares in issue.

SHAREHOLDERS' FUNDS
Total of stated capital, other components of equity and revenue reserves.

TANGIBLE NET WORTH
Total equity less intangible assets and deferred tax assets.

TOTAL DEBT
Long term loans plus short term loans and overdrafts.

TOTAL EQUITY
Shareholders' funds plus non-controlling interest.

WORKING CAPITAL
Current assets minus current liabilities.

CONTRIBUTION TO NATIONAL AND INTERNATIONAL GOVERNANCE AND ADVOCACY ORGANISATIONS

Senior management personnel of the Group, hold positions of membership on numerous professional and governance bodies and participate in various sub committees and projects initiated by such bodies. The management, in addition, contributes to industry-specific, national and international governance policy and advocacy through the participation and sharing of views at such fora. The Group views these memberships and dialogues 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 and nation as a whole.

As such below is a list of the main memberships of industry or other associations, and national or international advocacy organizations held by members of the Group Executive Committee:

- Council and Nominated Members of the Employers Federation
- Member of the Board of Sri Lanka Institute of Nano Technology
- Member of the Tourism Advisory Committee
- Member of the Advisory Committee for Investment Promotion
- Member of the Steering Committee for establishment of the National Science Centre in Sri Lanka
- Board Director of Board of Investment
- Members of the Board and Committees of the Ceylon Chamber of Commerce such as Main Committee, Co-Chair of the National Agenda Committee on Logistics & Transport, Chairperson of the Legislation Sub Committee, Economic Planning Steering Committee
- Members of the Sri Lanka Institute of Directors
- Member of the National Labour Advisory Committee
- International Vice President for South Asia and International Management Council Member of the Chartered Institute of Logistics & Transport
- Vice President of the Indo-Lanka Chamber of Commerce
- Member of the National Maritime Policy Steering Committee and Chair on the Sub Committee on Logistics & Regulatory Harmonisation
- Council Member of the International Management Council and International Vice President of the Chartered Institute of Logistics & Transport
- Vice President of the Indo-Lanka Chamber of Commerce
- President of the Beverage Association of Sri Lanka
- Member of the Food Advisory Committee of the Ministry of Health

The Management during the year, contributed to industry-specific and national agenda and policies, through the participation at various fora covering a plethora of aspects ranging from corporate governance, leadership, risk management and digitization, to tax legislation and strategy, accountancy and finance, infrastructure finance, capital markets, Sri Lankan investments in ports and logistics and prevention of harassment to promote increased participation of women in the Hospitality Sector.

INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

DNV·GL

Scope and Approach

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of John Keells Holdings PLC ('JKH' or 'the Company') to carry out an independent assurance engagement for the non-financial - qualitative and quantitative information (sustainability performance) reported in JKH's Annual Report 2017/18 ('the Report') in its printed format for the financial year ending 31st March, 2018. The sustainability disclosures in this Report are prepared by JKH considering the key requirements of the International Integrated Reporting Council's (IIRC's) <IR> Framework and in accordance with the Core option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards').

We performed our verification (Type 2, Moderate level) activities based on AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) and DNV GL's assurance methodology VeriSustainTM , which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI Guidelines. Our assurance engagement was planned and carried out in February 2018 – May 2018.

The intended user of this assurance statement is the Management of JKH. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement.

The reporting Topic Boundaries of sustainability performance are based on internal and external materiality assessment carried out by the Company and covers JKH's operations in Sri Lanka and Maldives. The Report does not include performance data and information related to the activities of non-operational entities, investment entities and companies holding only land, over which JKH does not exercise operational and management control. This is as set out in the Report in the section 'Scope and Boundary'.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

Responsibilities of the Management of JKH and of the Assurance Providers

The Management of JKH have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing this assurance work, DNV GL's responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL provides a range of other services to JKH, none of which in our opinion, constitute a conflict of interest with this assurance work.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our Opinion

- Review of JKH's approach to stakeholder engagement and materiality determination process and the outcome as reported in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues disclosed within the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Site visits to sample operations of the Group: (i) Cinnamon Lakeside at Colombo (Cinnamon Hotels and Resorts), (ii) the office of JK Office Automation in Colombo (John Keells Office Automation), and (iii) Keells Super retail outlet at Attidiya (JayKay Marketing Services) - to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting Assessments;
- Review of supporting evidence for key claims and data in the Report;
- Review of the processes for gathering and consolidating the specified performance data related to identified material topics and, for a sample, checking the data consolidation in context to the Principle of Completeness as per VeriSustain.
- An independent assessment of JKH's reporting against the GRI Standards and the reporting requirements for the GRI Standards: Core option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The reported data on economic performance, and other financial data are based on audited financial statements issued by the Company's statutory auditors.

Opinion

On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe JKH's adherence to the GRI Standards: Core option of reporting including the GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016 and disclosures related to the following GRI Standards which have been chosen by JKH to bring out its performance against its identified material topics:

1 The VeriSustain protocol is available on www.dnvgl.com
* *Assurance Engagements other than Audits or Reviews of Historical Financial Information.*

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Economic

- GRI 201: Economic Performance 2016 – 201-1, 201-3;
- GRI 203: Indirect Economic Impacts 2016 – 203-1, 203-2;
- GRI 204; Procurement Practices 2016 – 204-1;
- GRI 205: Anti-corruption 2016 – 205-1;

Environmental

- GRI 302: Energy 2016 – 302-1, 302-2, 302-4;
- GRI 303: Water 2016 – 303-1, 303-2;
- GRI 305: Emissions 2016 – 305-1, 305-2;
- GRI 306: Effluents and Waste 2016 – 306-1, 306-2, 306-3;
- GRI 307: Environmental Compliance 2016 – 307-1;
- GRI 308: Supplier Environmental Assessment 2016 – 308-1;

Social

- GRI 401: Employment 2016 – 401-1;
- GRI 403: Occupational Health and Safety 2016 – 403-2;
- GRI 404: Training and Education 2016 – 404-1, 404-3;
- GRI 406: Non-discrimination 2016 – 406-1;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1;
- GRI 407: Freedom of Association and Collective Bargaining 2016 – 407-1;
- GRI 408: Child Labor 2016 – 408-1;
- GRI 409: Forced or Compulsory Labor 2016 – 409-1;
- GRI 414: Supplier Social Assessment 2016 – 414-1;
- GRI 417: Marketing and Labelling 2016 – 417-1, 417-3;
- GRI 419: Socioeconomic Compliance 2016 – 419-1.

Observations

Without affecting our assurance opinion, we also provide the following observations evaluating the Report's adherence to the AA1000AS principles:

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

The key sustainability topics JKH focuses through its disclosures have been identified and prioritized by the company. These material topics are adequately brought out within the Report along with JKH's management systems, decision making processes and strategies and demonstrate value creation over the short, medium and long term.

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report describes JKH's strategic approach to stakeholder engagement and methods used to address significant stakeholder concerns and feedback on material issues, across various industry sectors of the Company. The continuous improvements through systems introduced for better management control, upgrading of services for value creation and increased transparency towards strengthening relationships with key stakeholders was evident during our assurance process and are adequately brought out in the Report.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out how JKH has demonstrated its commitment towards ensuring sustainable performance on its identified material topics to respond to its stakeholder issues through its policies, strategies, management systems and governance mechanisms, and these are fairly reflected within the Report. The Company has set and deployed targets, objectives and action plans for key material issues especially environmental aspects such as energy, water and compliance, and reviews feedback from key stakeholders on a frequent basis.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified at Corporate Office and at sampled operational sites were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected. JKH uses a software to capture and analyze data related to its sustainability performance on its material topics from all sites of operations on a quarterly basis.

Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and the process for gathering information developed by JKH for its sustainability performance reporting to be appropriate, and the qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data and its reliability. Nothing has come to our attention that has proved to us that information provided to us was inconsistent, inaccurate and unreliable. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

Additional principles as per DNV GL VeriSustain

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported?

The Report has incorporated the key requirements of the <IR> framework in describing its business model and value creation related to six capitals. Also, the Report has fairly brought out economic, environmental and social disclosures against topics identified as material across JKH's

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boundary and its supply chain, including performance indicators, and disclosures on management approach covering the strategy, management approach, monitoring systems against the identified GRI Standards including requirements related to Core option of reporting.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The disclosures within the Report, related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation along with key concerns and challenges faced during the period.

Opportunities for Improvement

The following is an excerpt from the observations and further opportunities for improvement reported to the management of JKH and are not considered for drawing our conclusion on the Report; however, they are generally consistent with the Management's objectives:

- It would be worthwhile if the Group might decide reporting disclosures of outcomes of supply chain risk assessment across all geolocations and its diverse business to build credence of the Report.
- JKH may reinforce Due Diligence in its entire supply chain to assess, evaluate and mitigate negative impacts, if any, in context to Human Rights and Labour Practices.
- JKH may further strengthen the awareness levels of key personnel on material topics related to business, through regular and frequent awareness and engagement sessions.

For DNV GL,

Rathika de Silva
Country Head
DNV GL Business Assurance Lanka (Private) Limited, Colombo, Sri Lanka

Kiran Radhakrishnan
Lead Verifier - Sustainability Services
DNV GL Business Assurance India Private Limited, India.

Prasun Kundu
Assurance Reviewer
Global Service Responsible - Social Accountability
DNV GL Business Assurance India Private Limited, India.

24th May 2018, Colombo, Sri Lanka

AA1000
Licensed Assurance Provider
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GROUP DIRECTORY

John Keells Holdings PLC. has business interests across seven industry groups, namely, Transportation, Leisure, Property, Consumer Foods & Retail, Financial Services, Information Technology and Other including Plantation Services. The Group consists of subsidiaries and associates companies with significant business operations in Sri Lanka, India and the Maldives. The holding company is located at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. 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 which are the legal entities and for which the Group is accountable and has direct control. The companies not included for reporting on Sustainability Performance are companies in which the Group does not exercise significant management control, and companies which are non-operational, are investment entities, land only holding companies, investment holding companies, managing companies and rental of office spaces, which do not carry out any operations. Such companies have been clearly identified below.

While all core business activities are carried out in-house, the use of outsourced products and services by Group companies are limited to activities where in it as industry practice to do so, it has been proven to be an efficient and effective business model or a non-core business activity.

The customer base serviced by the John Keells Group of companies can be classified primarily into three sections as illustrated below.

Individuals	Businesses & Corporates	Government
Consumer Foods & Retail, Property, Leisure, Financial Services	IT, Transportation, Leisure, Other (Plantation Services), Financial Services	IT

"*The company is a non-operational company/ investment company/ holding company or owner of real estate
**The company has not been considered for sustainability reporting as the Group does not exercise management control over the entity

TRANSPORTATION

Ports and Shipping

Keells Shipping (Pvt) Ltd. (PV 1272) (100%)
Shipping agency representation & logistics services
Incorporated in 1996
No. 11, York Street, Colombo 1. T. 2475509
Directors: S C Ratnayake-Chairman,
R M David, A Z Hashim
Stated capital: LKR.500,000

Mackinnon Mackenzie & Co (Shipping) Ltd.
(PB 359) (100%)
Shipping agency representation & logistics services
Incorporated in 1973
4, Leyden Bastian Road, Colombo 1. T. 2475423
Directors: S C Ratnayake-Chairman,
R M David, A Z Hashim
Stated capital: LKR.5,000,000

Maersk Lanka (Pvt) Ltd. (PV 2550) (30%)**
Shipping agency representation & freight forwarding services
Incorporated in 1992
Level 16, "Park Land", 33, Park Street, Colombo 02.
T. 4794800
Directors: W T Ellawala, R M David, Marc Eugene, Franck Dedenis, Sandun Bandara, Zeeshan Mukhi
Stated capital: LKR.10,000,000

South Asia Gateway Terminals (Pvt) Ltd.
(PV 326) (42.19%)**
Ports & shipping services
Incorporated in 1998
Port of Colombo, P.O. Box 141, Colombo 1.
T. 24575509
Directors: S C Ratnayake- Chairman,
R M David, C.K. Cheng, A.Hassan, J.M. Bevis
K N J Balendra , P Sondergaard, J G A Cooray,
S S Jakobsen, R M W B C Rajapaksa, A Z Hashim, D C Alagaratnam, M P Dissanayake, P G Dassanayake
Stated capital: LKR.3,788,485,900

Logistics

DHL Keells (Pvt) Ltd. (PV 1307) (50%)**
International express courier services
Incorporated in 1986
No. 148, Vauxhall Street, Colombo 2.
T. 2304304, 4798600
Directors: S C Ratnayake-Chairman,
A Z Hashim, Y B A Khan, S P Wall
Stated capital: LKR.20,000,020

John Keells Logistics (Pvt) Ltd. (PV 318) (100%)
Integrated supply chain management
Incorporated in 2006
No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T. 2475574
Directors: S C Ratnayake-Chairman,
R M David, A Z Hashim
Stated capital: LKR.200,000,000

Mack International Freight (Pvt) Ltd. (PV 831) (100%)
International freight forwarding and clearing & forwarding
Incorporated in 1980
No. 11, York Street, Colombo 1. T. 7671671
Directors: S C Ratnayake-Chairman,
R M David, A Z Hashim
Stated capital: LKR.130,000,000

Saffron Aviation (Pvt) Ltd. (PV 84728) (40%)
Domestic air line operations
Incorporated in 2012
No.11,York Street , Colombo 01. T. 2475502
Directors: J G A Cooray-Chairman,
R M David, B A B Goonetilleke, K Balasundaram,
F Omar, A Z Hashim,
Stated capital: LKR.622,179,000

Lanka Marine Services (Pvt) Ltd. (PV 475) (99.44%)
Importer & supplier of heavy marine fuel oils
Incorporated in 1993
4, Leyden Bastian Road, Colombo 1.
T. 2475410-421
Directors: S C Ratnayake-Chairman,
R M David , A Z Hashim
Stated capital: LKR.350,000,000

Mackinnon Mackenzie & Co of Ceylon Ltd.
(PB 348) (100%)*
Foreign recruitment agents & consultants
Incorporated in 1975
No. 11, York Street, Colombo 1. T. 2475509
Directors: S C Ratnayake-Chairman, R M David
Stated capital: LKR.90,000

Trans-ware Logistics (Pvt) Ltd. (PV 3134) (100%)*
Renting of storage space
Incorporated in 1994
No 11, York Street, Colombo 01. T. 2475545/539
Directors: S C Ratnayake-Chairman,
A Z Hashim, R M David, D C Alagaratnam,
S Rajendra, N N Mawilmada
Stated capital: LKR.220,000,080

Air Lines

Mack Air (Pvt) Ltd. (PV 868) (100%)
General sales agents for airlines in Sri Lanka
Incorporated in 1980
No. 11 , York Street, Colombo 1.
T. 2475375, 2475335
Directors: S C Ratnayake-Chairman,
R M David, A Z Hashim
Stated capital: LKR.12,500,000

Mackinnons Travels (Pvt) Ltd. (PV 1261) (100%)
IATA accredited travel agent and travel related services
Incorporated in 1971
No. 186, Vauxhalll Street, Colombo 2.
T. 2318600
Directors: S C Ratnayake Chairman,
R M David, A Z Hashim
Stated capital: LKR.5,000,000

Mack Air Services Maldives (Pte) Ltd.
(C/I 35-2000) (49%)*
General sales agents for airlines in the Maldives
Incorporated in 2000
4th Floor, STO Aifaanu Building,
Boduthakurufaanu Magu, Male 20-05
Republic of Maldives.
T. +9603334708 - 09
Directors: S C Ratnayake-Chairman,
R M David, S Hameed, A Shihab, A Z Hashim
Stated capital: LKR.677,892

GROUP DIRECTORY

LEISURE

Hotel Management

Cinnamon Hotel Management Ltd. (PB 7) (100%)
Operator & marketer of resort hotels
Incorporated in 1974
No.117 Sir Chittampalam A. Gardiner Mawatha, Colombo 02. T. 2306600, 2421101-8
Directors: S C Ratnayake-Chairman,
J E P Kehelpannala, B J S M Senanayake,
R J Karunarajah, K N J Balendra, J R Gunaratne
Stated capital: LKR.19,520,000

John Keells Hotels PLC. (PQ 8) (80.32%)*
Holding company of group resort hotel companies in Sri Lanka & Maldives
Incorporated in 1979
No.117, Sir Chittampalam A,Gardiner Mawatha,Colombo 02. T. 2306600
Directors: S C Ratnayake-Chairman,
J E P Kehelpannala, B J S M Senanyake,
J G A Cooray, J R Gunaratne, N B Weerasekera,
T L F W Jayasekara, K N J Balendra,
A K Moonasinghe
Stated capital: LKR.9,500,246,939

Sentinel Realty (Pvt) Ltd. (PV 80706) (41.91%)**
Investment company for Hotel Development land
Incorporated in 2011
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306000
Directors :B A B Goonettileke-Chairman,
J G A Cooray, S Rajendra, K Balasundaram
Stated capital: LKR.132,288,080

City Hotels

Asian Hotels and Properties PLC. - Cinnamon Grand. (PQ 2) (78.56%)
Owner & operator of the five star city hotel "Cinnamon Grand"
Incorporated in 1993
77, Galle Road, Colombo 03. T. 2437437, 2497442
Directors: S C Ratnayake-Chairman,
K N J Balendra - Managing Director, J G A Cooray,
R J Karunarajah, S Rajendra, S K G Senanayake,
S A Jayasekara, C J L Pinto, J R Gunaratne
Stated capital: LKR.3,345,118,012

Trans Asia Hotels PLC. (PQ 5) (82.74%)
Owner & operator of the five star city hotel "Cinnamon Lakeside".
Incorporated in 1981
No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T. 2491000
Directors: S C Ratnayake-Chairman,
K N J Balendra, J G A Cooray, J R Gunaratne
N L Gooneratne, C J L Pinto, J C Ponniah
E H Wijenaike, R.J.Karunaraj
Stated capital: LKR.1,112,879,750

Capitol Hotel Holdings Ltd. (PB 5013) (19.47%)**
Developer of City Business Hotels
Incorporated in 2012
No.117, Sir Chittampalam A,Gardiner Mawatha,Colombo 02. T. 2306000
Directors: M S Weerasekera-Chairman
W R K Wannigama , D A Kannangara,
M D R Gunatilleke, L C H Leow, A J Pathmarajah,
K N J Balendra, R J Karunarajah
Stated capital: LKR.1,168,800,100

Resort Hotels - Sri Lanka

Beruwala Holiday Resorts (Pvt) Ltd. (PV 69678) (79.78%)
Owner & operator of "Cinnamon Bey" in Beruwala
Incorporated in 2009
Moragolla Beruwala. T. 2306600, 034 2297000
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated Capital: LKR.2,338,150,000

Ceylon Holiday Resorts Ltd*- Bentota Beach Hotel. (PB 40) (79.60%)
Owner & operator of "Bentota Beach by Cinnamon" in Bentota
Incorporated in 1966
Galle Road, Bentota.
T. 034 2275176, 034 2275266
Directors: S C Ratnayake- Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.1,561,745,304

Nuwara Eliya Holiday Resorts (Pvt) Ltd*(PV98357) (80.32%)
owner of real estate
Incorporated in 2014
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306000
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated Capital: LKR.320,344,820

Hikkaduwa Holiday Resorts (Pvt) Ltd. (PV 71747) (79.60%)
Owner & operator of "Hikka Tranz by Cinnamon" in Hikkaduwa
Incorporated in 2010
P.O Box 1, Galle Road, Hikkaduwa. T. 091 2298000
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.1,062,635,460

Habarana Lodge Ltd. (PB 38) (78.99%)
Owner & operator of "Cinnamon Lodge" in Habarana
Incorporated in 1978
P.O Box 2, Habarana.
T. 066 2270011-2, 066 2270072
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.341,555,262

Habarana Walk Inn Ltd. (PB 33) (79.34%)
Owner & operator of "Habarana Village by Cinnamon" in Habarana
Incorporated in 1973
P.O Box 1, Habarana.
T. 066 2270046-7, 066 2270077
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.126,350,000

International Tourists and Hoteliers Ltd. (PB 17) (79.78%)*
Owner of real estate
Incorporated in 1973
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306600, 2421101-8
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.1,939,760,925

Kandy Walk Inn Ltd. (PB 395) (79.03%)
Owner & operator of "Cinnamon Citadel" in Kandy
Incorporated in 1979
No.124, Srimath Kuda Ratwatte Mawatha, Kandy.
T. 081 2234365-6, 081 2237273-4
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.115,182,009

Rajawella Hotels Company Ltd. (PB 92) (80.32%)*
Owner of real estate
Incorporated in 1992
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306000
Directors: S C Ratnayake-Chairman,
J R Gunaratne, D C Alagaratnam
Stated capital: LKR.35,111,762

Resort Hotels Ltd. (PB 193) (79.60%)*
Owner of real estate
Incorporated in 1978
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306780, 2421101-8
Directors: S C Ratnayake-Chairman,
J R Gunaratne
Stated capital: LKR.7,889,150

Trinco Holiday Resorts (Pvt) Ltd.(PV 69908) (80.32%)
Owner & Operator of "Trinco Blu by Cinnamon" in Trincomalee
Incorporated in 2009
Alles Garden, Uppuvelli, Sampathiv Post
T. 026 2222307, 026 2221611
Directors: S C Ratnayake-Chairman
J R Gunaratne, B J S M Senanayake
Stated Capital: LKR.357,000,000

Trinco Walk Inn Ltd. (PB 168) (80.32%)*
Owner of Real Estate
Incorporated in 1984
Alles Garden, Uppuveli, Sampathiv Post,
Trincomalee. T. 026 2222307, 011 2306600
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.119,850,070

Wirawila Walk Inn Ltd. (PB 89) (80.32%)*
Owner of real estate
Incorporated in 1994
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306780, 2421101-8
Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.19,274,150

Ahungalla Holiday Resorts (Pvt) Ltd. (PV 85046) (80.32%)*
Owner of real estate
Incorporated in 2012
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02 T. 2306000

Directors: S C Ratnayake-Chairman,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.133,150,000

Yala Village (Pvt) Ltd. (PV 2868) (75.33%)

Owner & operator of "Cinnamon Wild" in Yala
Incorporated in 1999
P.O Box 1, Kirinda, Tissamaharama.
T. 047 2239449-52
Directors: M A Perera-Chairman
S C Ratnayake-Deputy Chairman, J A Davis,
J G A Cooray, B J S M Senanayake, J.R. Gunaratne
Stated capital: LKR.369,427,600

Resort Hotels - Maldives

Fantasea World Investments (Pte) Ltd. (C 143/97) (80.32%)

Owner & operator of "Cinnamon Hakuraa Huraa" in Maldives
Incorporated in 1997
2nd Floor, H Maizan Building,
Sosun Magu, Male, Republic of Maldives.
T. 00960 6720014, 00960 6720064, 00960 6720065
Directors: S C Ratnayake-Chairman,
J E P Kehelpannala-Managing Director,
B J S M Senanayake, J R Gunaratne
Stated capital: LKR.341,573,190

John Keells Maldivian Resorts (Pte) Ltd. (C 208/96) (80.32%)

Hotel holding company in the Maldives
Incorporated in 1996
2nd Floor, H. Maizan Building,
Sosun Magu, Male, Republic of Maldives.
T. 00960 3329083, 00960 3304601, 00960 3313738
Directors: S C Ratnayake-Chairman,
J E P Kehelpannala- Managing Director,
J R Gunaratne, K N J Balendra, B J S M Senanayake
Stated capital: LKR.3,978,671,681

Tranquility (Pte) Ltd. (C 344/2004) (80.32%)

Owner and operator of "Cinnamon Dhoinveli" in Maldives
Incorporated in 2004
2nd Floor, H Maizan Building,
Sosun Magu, Male, Republic of Maldives.
T. 00960 6640055, 00960 6640012
Directors: S C Ratnayake-Chairman,
J E P Kehelpannala-Managing Director,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.552,519,608

Travel Club (Pte) Ltd. (C 121/92) (80.32%)

Operator of "Cinnamon Ellaidhoo" in Maldives
Incorporated in 1992
2nd Floor, H.Maizan Building,
Sosun Magu, Male, Republic of Maldives
T. 00960 6660839, 00960 6660663, 00960 6660664
Directors: S C Ratnayake-Chairman,
J E P Kehelpannala-Managing Director,
J R Gunaratne, B J S M Senanayake
Stated capital: LKR.143,172,000

Destination Management

Serene Holidays (Pvt) Ltd. (U63040MH2006PTC164985) (98.35%)

Tour operators
Incorporated in 2006
110, Bldg 2, Rolex Shopping Centre Premises
CHS Ltd, STN Road, NR Prashant Hotel,
Goregoan (W).
Mumbai, Mumbai City, Maharashtra, 400062
T. 091-22 42105210 99
Directors: K N J Balendra-Chairman, V Leelananda,
C Somasunderam,
Stated capital: INR. 2,000,000

Walkers Tours Ltd. (PB 249) (98.05%)

Inbound tour operators
Incorporated in 1969
No.117, Sir Chittampalam A, Gardiner Mawatha,
Colombo 02. T. 2306306
Directors: S C Ratnayake-Chairman,
V Leelananda, K N J Balendra, J G A Cooray,
J R Gunaratne
Stated capital: LKR.51,374,200

Whittall Boustead (Travel) Ltd. (PB 112) (100%)

Inbound tour operators
Incorporated in 1977
No.117, Sir Chittampalam A, Gardiner Mawatha,
Colombo 02. T. 2306384
Directors: S C Ratnayake-Chairman,
V Leelananda, J.R. Gunaratne
Stated capital: LKR.250,410,000

Cinnamon Holidays (Pvt) Ltd. (PV 101005) (80.32%)

Service providers of Inbound and outbound Tours
Incorporated in 2015
No.117, Sir Chittampalam A, Gardiner Mawatha,
Colombo 02. T. 2306000
Directors: S C Ratnayake-Chairman, J R Gunaratne
Stated capital: LKR.200,000

PROPERTY

Property Development

Asian Hotels and Properties PLC. - Crescat. Boulevard, The Monarch, The Emperor. (PQ 2) (78.56%)

Developer of 'Crescat Residencies', 'The Monarch' & ' The Emperor' Residential Towers, Developer and manager of 'Crescat Boulevard ' shopping Mall
Incorporated in 1993
No.89, Galle Road, Colombo 3. T. 2152100
Directors: S C Ratnayake-Chairman,
K N J Balendra-Managing Director, J G A Cooray,
R J Karunarajah, S Rajendra, S K G Senanayake,
S A Jayasekara , C J L Pinto, J R Gunaratne
Stated capital: LKR.3,345,118,012

British Overseas (Pvt) Ltd. (PV 80203) (61%)

Developer of "7th Sense" Residential Tower
Incorporated in 2011
No.186, Vauxhall Street, Colombo 02.
T. 2152100
Directors : S C Ratnayake-Chairman,
D C Alagaratnam, N N Mawilmada, S Rajendra,
S P G N Rajapakse
Stated capital: LKR.1,000

Rajawella Holdings Ltd. (PB27) (49.85%)

Operates an 18 hole, Donald Street Designed Golf Course in Digana
Incorporated in 1991
P O Box 7, Rajawella, Kandy. T. 2152100
Directors: S C Ratnayake-Chairman,
S Rajendra, C B Thornton (Alt. C J Holloway),
G R Bostock Kirk (Alt. E C Oxlade), S E Captain
(Alt. R S Captain), K N J Balendra, J.G.A.Cooray
Stated Capital: 784,690,140

John Keells Residential Properties (Pvt) Ltd.. (PV 75050) (100%)

Developer of "On320" Residential Towers
Incorporated in 2010
No.186, Vauxhall Street, Colombo 02. T. 2152100
Directors: S C Ratnayake-Chairman, S Rajendra
Stated capital: LKR.925,200,000

John Keells Properties Ja-Ela (Pvt) Ltd. (PV 76068) (100%)

Developer & Manager of ' K-Zone Ja-Ela' Shopping Mall
Incorporated in 2010
No.186, Vauxhall Street, Colombo 02. T. 2152100
Directors: S C Ratnayake-Chairman, S Rajendra,
N N Mawilmada
Stated capital: LKR.954,360,000

Vauxhall Land Developments (Pvt) Ltd. (PV125587) (60.28%)

Owner of Real Estates
Incorporated in 2017
No.186, Vauxhall Street, Colombo 02.
T. 2152100
Directors: S C Ratnayake-Chairman, J G A Cooray,
S Rajendra, G R Chambers, H A S Crawford
Stated capital: LKR.21,655,209,200

Braybrooke Residential Properties (Pvt) Ltd (PV19165) (50%)

Investor of Braybrooke Residential Towers (Pvt) Ltd
Incorporated in 1998
No.186, Vauxhall Street, Colombo 02.
T. 2152100
Directors: S C Ratnayake-Chairman, J G A Cooray,
S Rajendra, N N Mawilmada, Y S H I K Silva,
Y S H R S Silva, A D B Talwatte, C P Palansuriya
Stated capital: LKR.1,403,970,000

J K Thudella Properties (Pvt) Ltd. (PV 129825) (100%)

Owner of Real Estates
Incorporated in 2018
No.186, Vauxhall Street, Colombo 02.
T. 2152100
Directors: S C Ratnayake-Chairman,
S Rajendra, N N Mawilmada,
Stated capital: LKR.453,467,600

John Keells Properties (Pvt) Ltd. (PV 1034) (100%)*

Renting of office space
Incorporated in 2006
No.186, Vauxhall Street, Colombo 02. T. 2152100
Directors: S C Ratnayake-Chairman,
S Rajendra
Stated capital: LKR.240,000,030

Keells Realtors Ltd. (PB 90) (95.81%)*

Owner of Real Estates
Incorporated in 1977
No.186, Vauxhall Street, Colombo 02. T. 2152100
Directors: S C Ratnayake-Chairman,
S Rajendra
Stated capital: LKR.75,000,000

GROUP DIRECTORY

Whittall Boustead (Pvt) Ltd - Real Estate Division. (PV 31) (100%)*
Renting of office space
Incorporated in1958
No. 148, Vauxhall Street,Colombo 2. T. 2152100
Directors: S C Ratnayake-Chairman,
S Rajendra, N N Mawilmada
Stated capital: LKR.99,188,800

Waterfront Properties (Pvt) Ltd. (PV 82153) (96.18%)
Developer of Hotels,Apartments, offices & Shopping Malls
Incorporated in 2011
No.186, Vauxhall Street, Colombo 02. T. 2152100
Directors : S C Ratnayake-Chairman, S Rajendra,
K N J Balendra, J G A Cooray, D C Alagaratnam
Stated capital: LKR.32,316,964,230

J K Land (Pvt) Ltd. (PV 84272) (100%)
Investment Company for Property Sector
Incorporated in 2017
No.186, Vauxhall Street, Colombo 02. T. 2152100
Directors : S C Ratnayake-Chairman,
S Rajendra, N N Mawilmada
Stated capital: LKR.15,957,047,600

CONSUMER FOODS AND RETAIL

Consumer Foods

Ceylon Cold Stores PLC. (PQ 4) (81.36%)
Manufacture & Marketing of Beverages and frozen confectionery. and the holding company of JayKay Marketing Services (Pvt) Ltd.
Incorporated in 1926
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2318798
Directors: S C Ratnayake-Chairman,
J R Gunaratne, D P Gamlath, K N J Balendra,
J G A Cooray, M Hamza, R S W Wijeratnam,
S T Ratwatte
Stated capital: LKR.918,200,000

The Colombo Ice Company (Pvt) Ltd. (PV 113758) (81.36%)*
Manufacturing and Marketing of frozen confectionery
Incorporated in 2016
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306000
Directors: S C Ratnayake-Chairman,
J R Gunaratne, D P Gamlath
Stated capital: LKR.1,250,000,000

Keells Food Products PLC. (PQ 3) (88.63%)
Manufacturer and distributor of Processed meat, breaded meat and convenience food products.
Incorporated in 1982
P.O Box 10, No.16, Minuwangoda Road, Ekala Ja-Ela. T. 2236317, 2236364
Directors: S C Ratnayake-Chairman,
J R Gunaratne, D P Gamlath
S De Silva, A E H Sanderatne, I. Samarajiva,
P D Samarasinghe, K N J Balendra, J G A Cooray
Stated capital: LKR.1,294,815,000

John Keells Foods India (Pvt) Ltd. (U15122MH2008FTC180902) (88.63%)*
Marketing of Branded meat and convenience food products
Incorporated in 2008
Luthra and Luthra Chartered Accountants
A 16 / 9 , Vasant Vihar, New Delhi -110057, India.
T. 0091 1142591823, 0091 1126148048, 26151853, 26147365 Fax: +91-11-2614 5222
Directors: S C Ratnayak-Chairma,
J R Gunaratne
Stated capital:LKR.220,294,544 (INR 90,000,000)

Retail

JayKay Marketing Services (Pvt) Ltd. (PV 33) (81.36%)
Owns and Operates the "Keells Super" chain of supermarkets and "Nexus Mobile" loyalty card programme.
Incorporated in 1980
No.117, Sir Chittampalam A,Gardiner Mawatha,Colombo 02. T. 2316800
Directors: S C Ratnayake- Chairman,
K N J Balendra, J G A Cooray, K C Subasinghe
Stated capital: LKR.1,198,000,000

FINANCIAL SERVICES GROUP

John Keells Stock Brokers (Pvt) Ltd. (PV 89) (90.04%)
Share broking services
Incorporated in 1979
No. 186,Vauxhall street, Colombo 02.
T. +94(0) 11 230 6250, +94(0) 11 234 2066-7
Directors: S C Ratnayake-Chairman,
K N J Balendra, J R Gunaratne
Stated capital: LKR.57,750,000

Nations Trust Bank PLC. (PQ 118) (32.16%)**
Commercial banking and leasing operations
Incorporated in 1999
No. 242, Union Place, Colombo 2. T. 4313131
Directors:K N J Balendra-Chairmen,
M Jafferjee, Dr. K De Soysa, D P De Silva,
N S Panditaratne, K O V. S M S Wijesinghe
R N K Fernando, J G A Cooray, C L K P Jayasuriya
H Raghavan, C D'Souza, R D Rajapaksa,
N I R De Mel
Stated capital: LKR.8,865,522,737

Union Assurance PLC. (PQ 12) (90.00%)
Life insurance underwriters
Incorporated in 1987
No.20, St. Michaels' Road, Colombo 3. T. 2990990
Directors: S C Ratnayake-Chairman
D C Alagaratnam, S Rajendra, A S De Zoysa,
G F C De Saram, H A J De Silva Wijeyeratne,
A D Pereira
Stated capital: LKR.1,000,000,000

Fairfirst Insurance Ltd. (PB 5180) (20.32%)**
General insurance underwriters
Incorporated in 2014
33, St. Michaells Road, Colombo 03. T. 2428000
Directors: R Athappan-Chairman
A D Pereira, C Ratnaswami, A S Wijesinha
C D Wijegunawardene, S Malhotra, S Jha
Stated Capital: LKR.3,131,949,000

INFORMATION TECHNOLOGY

IT Services

John Keells Computer Services (Pvt) Ltd. (PV 652) (100%)
Software services
Incorporated in 1998
No. 148, Vauxhall Street, Colombo 2.
T. 2300770-77
Directors: S C Ratnayake-Chairman,
D C Alagaratnam, S Rajendra
Stated capital: LKR.96,500,000

J K O A Mobiles (Pvt) Ltd. (PV 136) (100%)
Marketer of software packages
Incorporated in 1992
No. 148, Vauxhall Street, Colombo 2.
T. 2300770-77
Directors: S C Ratnayake-Chairman,
D C Alagaratnam, S Rajendra
Stated capital: LKR.8,000,000

Office Automation

John Keells Office Automation (Pvt) Ltd. (PV 127) (100%)
Distributor/Reseller and Services Provider in Office Automation(OA), Retail Automation (RA) and Mobile Devices
Incorporated in 1992
Corporate Office: 90 Union Place, Colombo 2.
Technical Services:148 Vauxhall Street, Colombo 2.
T. 2313000, 2431576, 2445760
Directors: S C Ratnayake-Chairman,
J G A Cooray, D C Alagaratnam
Stated capital: LKR.5,000,000

IT Enabled Services

InfoMate (Pvt) Ltd. (PV 921) (100%)
IT enabled services
Incorporated in 2005
No.4, Leyden Bastian Road, Colombo 1.
T. (94) 112149700
Directors: S C Ratnayake-Chairman,
D C Alagaratnam
Stated capital: LKR.20,000,000

John Keells BPO Holdings (Pvt) Ltd. (C 60882) (100%)*
Holding company of AuxiCogent group companies
Incorporated in 2006
IFS Court, 28, Cybercity, Ebene, Mauritius.
T. (230) 467 3000
Directors: S C Ratnayake-Chairman,
P Bissoonauth, Z H Niamut
Stated capital: LKR.1,988,300,000

John Keells BPO International (Pvt) Ltd. (C 070137) (100%)*
Investment holding company
Incorporated in 2007
IFS Court, 28, Cybercity, Ebene, Mauritius.
T. (230) 467 3000
Directors: S C Ratnayake-Chairman,
P Bissoonauth, Z H Niamut
Stated capital: LKR.1,616,700,008

John Keells BPO Solutions Lanka (Pvt) Ltd. (PV 3458) (100%)*
BPO operations in Sri Lanka
Incorporated in 2006
No.4, Leyden Bastian Road, Colombo 1.
T. (94) 2300770-77
Directors: S C Ratnayake-Chairman,
D C Alagaratnam
Stated capital: LKR.335,797,260

OTHERS

Plantation Services

John Keells PLC. (PQ 11) (86.90 %)
Produce Broking and Real Estate Ownership
Incorporated in 1960
No 186, Vauxhall street, Colombo 02. T. 2306000
Directors: S C Ratnayake-Chairman,
K N J Balendra, J G A Cooray, V A A Perera,
A Gunawardhana, C N Wijewardene,
B A I Rajakarier
Stated capital: LKR.152,000,000

John Keells (Teas) Ltd. (PV 522) (100%)
Manager eight bought leaf tea factories
Incorporated in 1979
No.117, Sir Chittampalam A, Gardiner Mawatha,Colombo 02. T. 2306518
Directors: S C Ratnayake-Chairman,
D C Alagaratnam, S Rajendra
Stated capital: LKR.120,000

John Keells Warehousing (Pvt) Ltd. (PV 638) (86.90%)
Warehousing of Tea and Rubber
Incorporated in 2001
No.93,1st Avenue, Muturajawela, Hendala, Wattala Muturajawala. T. 4819560
Directors: S C Ratnayake-Chairman,
D C Alagaratnam, S Rajendra
Stated capital: LKR.120,000,000

Tea Smallholder Factories PLC. (PQ 32) (37.62%)
Owner and operator of Bought Leaf factories
Incorporated in 1991
No.4, Leyden Bastian Road, Colombo 1.
T. 2 335 880, 2149994
Directors: S C Ratnayake-Chairman
K N J Balendra, J G A Cooray, E H Wijenaike,
R E Rambukwella, A S Jayatilleke, M de Silva,
S K L Obeysekere
Stated capital: LKR.150,000,000

Centre & Others

Facets (Pvt) Ltd. (PV1048) (100%)*
Owner of real estate
Incorporated in 1974
No.117, Sir Chittampalam A,Gardiner Mawatha,Colombo 02. T. 2306000
Directors: S C Ratnayake-Chairman,
D C Alagaratnam
Stated capital: LKR.150,000

John Keells Holdings PLC. (PQ 14)
Group holding company & function based services
Incorporated in 1979
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2306000, 2421101-9
Directors: S C Ratnayake-Chairman,
K N J Balendra-Deputy Chairman, J G A Cooray,
M A Omar, D A Cabraal, A N Fonseka, M P Perera,
S S H Wijesuriya
Stated capital: LKR. 62,802,327,511

John Keells International (Pvt) Ltd. (PV 46) (100%)*
Regional holding company providing administrative & function based services
Incorporated in 2006
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02.
T. 2306000, 2421101-9
Directors: S C Ratnayake-Chairman,
D C Alagaratnam
Stated capital: LKR.1,991,600,000

J K Packaging (Pvt) Ltd. (PV 1265) (100%)*
Printing and packaging services provider for the export market
Incorporated in 1979
No 148, Vauxhall street,Colombo 02. T. 2475308
Directors: S C Ratnayake-Chairman,
R M David, D C Alagaratnam
Stated capital: LKR.14,500,000

John Keells Singapore (Pte) Ltd. (199200499C) (80%)*
International trading services
Incorporated in 1992
No.3, Raffles Place,#07-01,
Bharat Building, Singapore-048617.
T. 65 67329636
Directors: S C Ratnayake- Chairman,
R M David, R Ponnampalam, D C Alagaratnam,
J R Gunaratne
Stated capital: LKR.9,638,000

Keells Consultants (Pvt) Ltd. (PB 3) (100%)
Company secretarial services to the group
Incorporated in 1974
No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo 02. T. 2421101-9
Directors: S C Ratnayake-Chairman,
D C Alagaratnam, N W Tambiah
Stated capital: LKR.160,000

Mackinnons Keells Ltd. (PB 8) (100%)*
Rental of office spaces
Incorporated in 1952
No. 4, Layden Bastian Road, Colombo 1.
T. 2152100
Directors: S C Ratnayake-Chairman,
S Rajendra
Stated capital: LKR.327,800,000

Mortlake (Pvt) Ltd. (PV 756) (100%)*
Investment company
Incorporated in 1962
No. 148, Vauxhall Street, Colombo 2.
T. 2475308
Directors: S C Ratnayake-Chairman,
R M David, D C Alagaratnam, S Rajendra
Stated capital: LKR.3,000

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
GRI 101: Foundation 2016							
GRI 102: General Disclosures 2016							
	Organizational Profile						
	102-1 Name of the organisation	3				22	
	102-2 Activities, brands, products, and services	8, 80				22	
	102-3 Location of headquarters	3				22	
	102-4 Location of operations	3				22	
	102-5 Ownership and legal form	3				22	
	102-6 Markets served	3, 8				22	
	102-7 Scale of the organisation	3, 9, 60 - 73				22	
	102-8 Information on employees and other workers	71 - 73				11, 12	3
	102-9 Supply chain	13 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf 75, 123, 136, 147, 159, 169, 178				21	
	102-10 Significant changes to the organization and its supply chain	10, 11				22	
	102-11 Precautionary Principle or approach	100				13	2
	102-12 External initiatives	94 - 95				4	7
	102-13 Membership of associations	299					
	Strategy						
	102-14 Statement from senior decision-maker	14 - 20				1	7
	Ethics and integrity						
	102-16 Values, principles, standards, and norms of behaviour	28				2	
	Governance						
	102-18 Governance structure	30				2	7
	Stakeholder engagement						
	102-40 List of stakeholder groups	96 - 97				3	6
	102-41 Collective bargaining agreements	73				11, 12	3
	102-42 Identifying and selecting stakeholders	2 - 3 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				3	6
	102-43 Approach to stakeholder engagement	96 - 97				3	6
	102-44 Key topics and concerns raised	97 - 98					

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
	Reporting practice						
	102-45 Entities included in the consolidated financial statements	303 - 307					
	102-46 Defining report content and topic Boundaries	4, 94 2 - 3 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6, 7
	102-47 List of material topics	2 - 3 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				3	6
	102-48 Restatements of information	95				22, 23	
	102-49 Changes in reporting	4, 95 2 - 3 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	
	102-50 Reporting period	4					
	102-51 Date of most recent report	95					
	102-52 Reporting cycle	4				22, 23	7
	102-53 Contact point for questions regarding the report	319				22, 23	
	102-54 Claims of reporting in accordance with the GRI Standards	4, 94				22, 23	7
	102-55 GRI content index	308 - 315					
	102-56 External assurance	19, 95, 300 - 302				24	7
Material Topics							
GRI 200: Economic Standard Series							
Economic Performance							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 201: Economic Performance 201	201-1 Direct economic value generated and distributed	290 - 291					1
	201-3 Defined benefit plan obligations and other retirement plans	74					1
Indirect Economic Impacts							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	75					4
Procurement Practices							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22,23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	75					1
Anti-corruption							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	75				19, 20	
GRI 300: Environment Standard Series							
Energy							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	66 - 68				3	2
	302-4 Reduction of energy consumption	68				3	2

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Water							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 303: Water 2016	303-1 Water withdrawal by source	68				4	2
Bio Diversity							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 304: Bio Diversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	133				6	2
Emissions							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	68				3	2
	305-2 Energy indirect (Scope 2) GHG emissions	68				3	2

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Effluents and Waste							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	69				3	2
	306-2 Waste by type and disposal method	70				3	2
	306-3 Significant spills	121				3	2
Environmental compliance							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	67				15, 16	2
	308-1 Supplier Environmental Assessment	75				15	
GRI 400: Social Standard Series							
Employment							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	71				11, 12	3

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
Occupational Health and Safety							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	71, 73				11, 12	3, 7
Training and Education							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	72 - 73				11, 12	3
	404-3 Percentage of employees receiving regular performance and career development reviews	71				11, 12	3
Diversity and equal opportunity							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	71				11, 12	3

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission: Part Omitted	Omission: Reason	Omission: Explanation	UNGC Principles	Code of Best Practice on Corporate Governance 2013
Freedom of association and collective bargaining							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	73				11, 12	3
Child Labour							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	71				7, 8	3
Local communities							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	12, 74 - 79					4
Forced or Compulsory Labor							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission			UNGC Principles	Code of Best Practice on Corporate Governance 2013
			Part Omitted	Reason	Explanation		
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	71				7, 8	3
Supplier social assessment							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	75				7, 11	
Marketing and Labelling							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	75, 160					5
	417-3 Incidents of non-compliance concerning marketing communications	75					5
Socioeconomic Compliance							
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2 - 5 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf				22, 23	6
	103-2 The management approach and its components	6 - 14 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
	103-3 Evaluation of the management approach	6 - 15 of https://www.keells.com/resource/Management_Approach_Disclosures_2017_18.pdf					
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	75				19, 20	5

NOTICE OF MEETING

Notice is hereby given that the Thirty Ninth Annual General Meeting of John Keells Holdings PLC will be held on 29 June 2018 at 10:00 a.m. at The Forum Area (Sixth Floor), The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longdon Place), Colombo 7.

The business to be brought before the meeting will be:

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 2018 with the Report of the Auditors thereon.

3. to re-elect as Director, Mr. M A Omar, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. M A Omar is contained in the Board of Directors section of the Annual Report.

4. to re-elect as Director, Ms. M P Perera, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Ms. M P Perera is contained in the Board of Directors section of the Annual Report.

5. to re-appoint Auditors and to authorise the Directors to determine their remuneration.

6. to consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board
JOHN KEELLS HOLDINGS PLC

Keells Consultants (Private) Limited
Secretaries
30 May 2018

Notes:

i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

ii. A Proxy need not be a member of the Company.

iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed herein.

iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.

v. If a poll is demanded, a vote can be taken on a show of hands or by a poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual member and his/her proxy holder are both present at the meeting, only the member's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

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. KRISHAN NIRAJ JAYASEKARA BALENDRA	or failing him
MR. JOSEPH GIHAN ADISHA COORAY	or failing him
MR. MOHAMED ASHROFF OMAR	or failing him
MR. DAMIEN AMAL CABRAAL	or failing him
MR. ANTHONY NIHAL FONSEKA	or failing him
MS. MARIE PREMILA PERERA	or failing her
DR. SHRIDHIR SARIPUTTA HANSA WIJAYASURIYA	

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Ninth Annual General Meeting of the Company to be held on 29 June 2018 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. M A Omar, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as Director, Ms. M P Perera, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-appoint Auditors and to authorise the Directors to determine their remuneration.		

Signed on this .... day of .... Two Thousand and Eighteen.

....

Signature/s of Shareholder/s

NOTE: INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2, not later than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the 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.

Please fill in the following details:

Name : ....

Address : ....

....

....

Jointly with : ....

Share Folio No. : ....

CORPORATE INFORMATION

Name of Company
John Keells Holdings PLC

Legal Form
Public Limited Liability Company
Incorporated in Sri Lanka in 1979
Ordinary Shares listed on the Colombo Stock Exchange
GDRs listed on the Luxembourg Stock Exchange

Company Registration No.
PQ 14

Directors
S C Ratnayake - Chairman
K N J Balendra - Deputy Chairman
J G A Cooray - Group Finance Director
D A Cabraal
A N Fonseka
M A Omar
M P Perera
S S H Wijayasuriya

Senior Independent Director
A N Fonseka

Audit Committee
A N Fonseka - Chairman
D A Cabraal
M P Perera

Human Resources and Compensation Committee
D A Cabraal - Chairman
M A Omar
S S H Wijayasuriya

Nominations Committee
M A Omar - Chairman
M P Perera
S C Ratnayake
S S H Wijayasuriya

Related Party Transactions Review Committee
M P Perera - Chairperson
D A Cabraal
A N Fonseka
S C Ratnayake

Registered Office of the Company
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6000
Internet : www.keells.com
Email : jkh@keells.com

Secretaries
Keells Consultants (Pvt) Limited
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6245
Facsimile : +94 11 243 9037

Investor Relations
John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6161
Facsimile : +94 11 230 6160
Email : investor.relations@keells.com

Sustainability, Enterprise Risk Management and Group Initiatives
186 Vauxhall Street, Colombo 2, Sri Lanka
Telephone : +94 11 230 6189
Facsimile : +94 11 230 6249
Email : sustainability@keells.com

Contact for Media
Corporate Communications Division
John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6191
Email : jkh@keells.com

Auditors
Ernst & Young
Chartered Accountants
P.O. Box 101
Colombo, Sri Lanka

Bankers for the Company
Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon
Deutsche Bank A.G.
DFCC Bank
Habib Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
MCB Bank
National Savings Bank
Nations Trust Bank
NDB Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Depository for GDRs
Citibank N.A. New York

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