

CONNECTED



John Keells Holdings PLC
Annual Report 2015/16

CONNECTED

The John Keells story has been telling itself for over 145 years; a complex narrative of partnership, innovation, enterprise and endurance. A balance between corporate prudence, entrepreneurship and the satisfaction of societal needs has underlined, and is reflected in, our business model, resulting in our present dominance in several of the nation's valuable industry sectors.

Today we are benchmarked by many, as one of Sri Lanka's most respected diversified companies with interests in shipping and logistics, consumer foods, hospitality, property development, retail, financial services, information technology and the manufacture and brokering of tea. We have a pool of exceptionally talented employees who bring a variety of skills, experience and innovative ideas to the work we do each day. The John Keells team includes over twelve thousand people, from diverse backgrounds. Recent investments, by our Group, in long-term projects are expected to significantly multiply the direct and indirect employment generated.

Yet through all of this runs the single thread of John Keells' intent; to create and share value by building sustainable businesses of excellence, integrity and worth. Diverse networks and synergies have evolved between John Keells and its many local and global partners, linking businesses, consumers, individuals, families and communities and the thousands of people whose lives we touch every day. We believe that their success is ours.

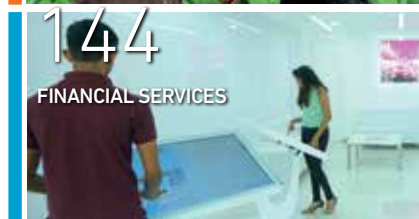
Our society centric projects and initiatives have empowered, and enriched, the lives of individuals and communities in villages and cities across the island. Ours is an open-systems organisation constantly aligning itself to the environment we operate in and striving to satisfy our aspiration "To empower the nation for tomorrow". Simply stated, it is a continuous effort to investing in self-sufficiency and prosperity in every transaction, across our entire chain of value.

Our consistent financial performance and manifest ability to generate sustainable long-term value facilitate the endurance of these relationships, bringing together the John Keells Group and the many stakeholders we serve; all seamlessly CONNECTED to drive the engine of value that is your Company today.



John Keells Holdings PLC

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About Us

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

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

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

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



www.keells.com

Introduction to the Report

We are pleased to present our first Integrated Report in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

This Report reflects on:

- The value creation model of the Group combining the different forms of Capital 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, whilst being comprehensive and detailed, we have ensured that the commentaries in certain sections are limited to a helicopter view of the events and progress within the year, whilst the Group's standard policies, operating guidelines and management approaches are available on the corporate website.

SCOPE AND BOUNDARY

The John Keells Annual Report 2015/16 is a reflection of the Group's integrated approach of management (during the period from 1 April 2015 to 31 March 2016) and 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. Material events post this reporting period, up to the sign off date by the Board of Directors on 25 May 2016, have been included in this Report, ensuring a more relevant and up to date Report.

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

STANDARDS AND PRINCIPLES

Reporting

- Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

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 and Corporate Social Responsibility Reporting

- "In accordance"-Core of Global Reporting Initiative (GRI) GRI4 Sustainability Reporting Guidelines
- IFC Sustainability Framework Performance Standard
- United Nations Sustainable Development Goals
- United Nations Global Compact Advanced Principles

in the Group Directory 2015/16. 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.

ADOPTION OF THE INTEGRATED REPORTING GUIDELINES

Towards our continuous stride in achieving a more cohesive and efficient approach to corporate reporting, the Group voluntarily adopted the Integrated Reporting Framework of the IIRC. 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; strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability; have been given due consideration when preparing and presenting this Report.

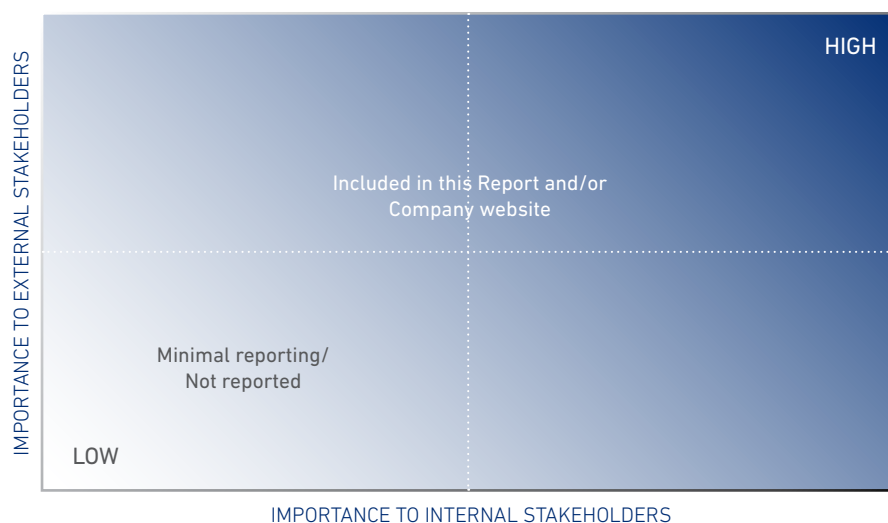
“ The seven guiding principles in integrated reporting; strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability; have been given due consideration when preparing and presenting 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 to our businesses and stakeholders, both internal and external, in the short, medium and long term. Our focus on materiality, through emphasis on 26 material aspects recognised by both internal and external stakeholders, is vital as we drive performance, improve our sustainability framework and institutionalise the Group's corporate governance philosophy at all levels.

The Group conducts an independent external stakeholder engagement every three to four years in ascertaining aspects material to its significant stakeholders. In addition, materiality is also assessed internally in ascertaining the aspects material to the Group and to fine-tune and streamline its strategy and processes to manage these material issues. The outcome of these studies is prioritised using a materiality matrix, representing the level of significance to the Group and its external stakeholders, and is then disclosed as per the clearly defined aspects under the GRI G4 guidelines, as further described in the Material Aspects section of this report.

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.



INFORMATION VERIFICATION

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 assurance engagement for the non-financial information prepared "in accordance"-Core based on GRI G4 Guidelines

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 group view of the management. 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 situation 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.

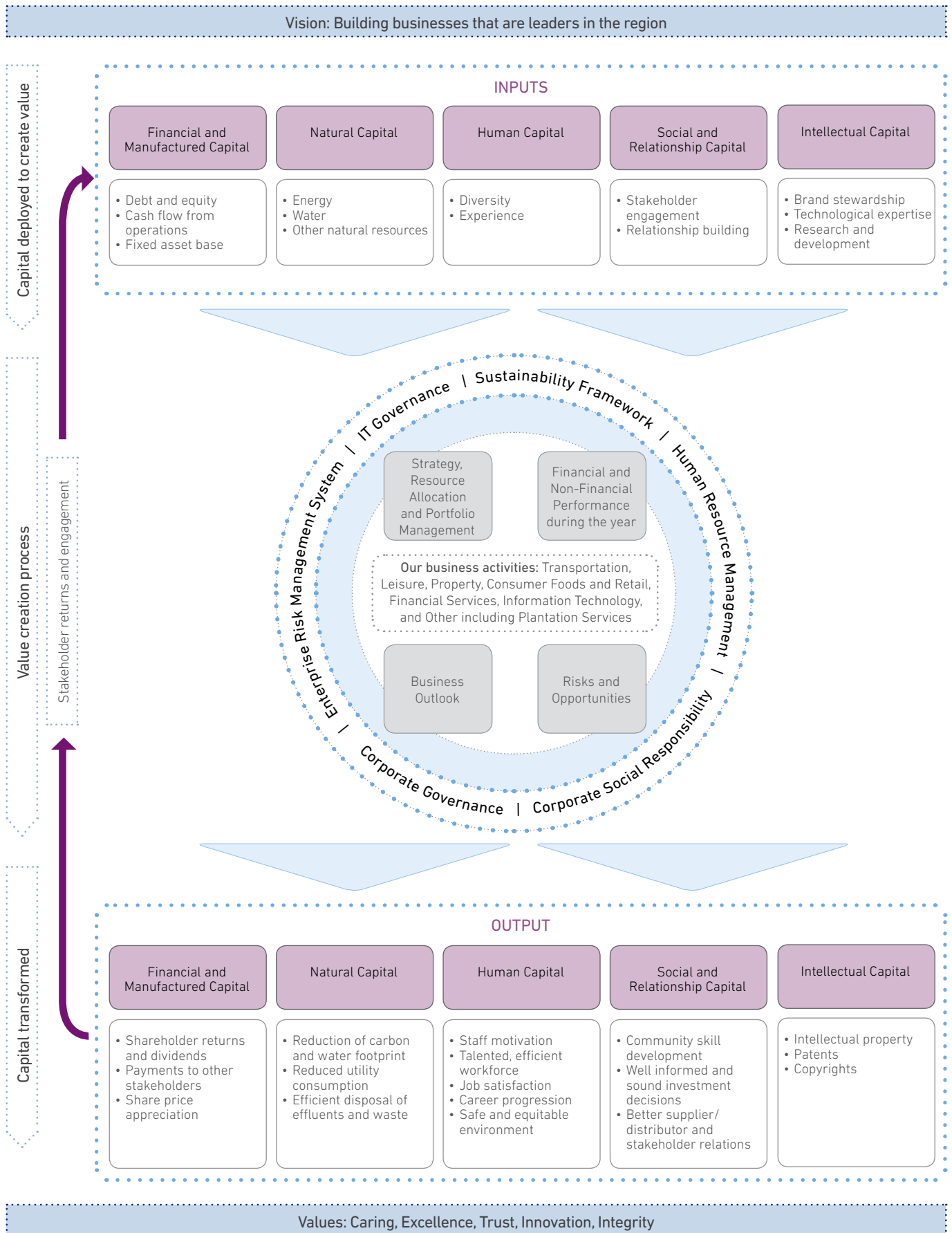
As you flip through the pages of this Report, we trust you will find a relevant, transparent and noteworthy value proposition entrenched within the John Keells Group that strives to achieve the highest form of stakeholder satisfaction.



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.






























Our Business Model



	Inputs	Activities	Outputs	Outcomes
<p>Financial and Manufactured Capital</p> <ul style="list-style-type: none"> • Financial Capital: The pool of funds that is available for use in the production of goods or the provision of services • Manufactured Capital: Manufactured physical objects that are available to the Group for use in the production of goods and/or the provision of services 	<ul style="list-style-type: none"> • Shareholder funds and debt • Cash flow from operations • Land bank • Machinery and equipment 	<ul style="list-style-type: none"> • Effective and responsible investment of shareholder funds • Business development activities • Cost reduction initiatives 	<ul style="list-style-type: none"> • Shareholder returns and dividends • Payments to other stakeholders • Share price appreciation 	<ul style="list-style-type: none"> • Financial stability • Financial growth • Creation of wealth
<p>Natural Capital</p> <p>All renewable and non-renewable environmental stocks that provide goods and services of the Group</p>	<ul style="list-style-type: none"> • Energy • Water • Other natural resources 	<ul style="list-style-type: none"> • Adoption of Global Goals • Environment impact assessments and mitigation of impact • Rollout of carbon footprint reduction initiatives • Adoption of water and waste management processes 	<ul style="list-style-type: none"> • Disposal of all effluent and waste efficiently • Reduction of carbon footprint • Reduced utility consumption through better monitoring 	<ul style="list-style-type: none"> • Sustainable natural resource utilisation • Bio-diversity preservation
<p>Human Capital</p> <p>The employees' competencies, capabilities and experience, including their ability to understand, develop and implement the Group's strategy. This encompasses their motivation for improving processes, goods and services, and their ability to lead, manage and collaborate</p>	<ul style="list-style-type: none"> • Employee diversity • Experience 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Staff motivation • Talented and efficient workforce • Job satisfaction • Career progression • Safe and equitable environment 	<ul style="list-style-type: none"> • Alignment of workforce with company vision • Profitable businesses through improved productivity and efficiency
<p>Social and Relationship Capital</p> <p>The institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. Social and Relationship Capital includes key relationships, and the trust and loyalty that the Group has developed and strives to build and protect with customers, suppliers and business partners</p>	<ul style="list-style-type: none"> • Occupational health and safety initiative • Dedicated CSR team within the Group • Community development • Investor relations and stakeholder management 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Community skill development • Well informed and sound investment decisions • Better supplier/ distributor and stakeholder relations 	<ul style="list-style-type: none"> • Brand visibility and reputation • Strengthened supply chain
<p>Intellectual Capital</p> <p>Intangibles that provide competitive advantage, including:</p> <ul style="list-style-type: none"> • Intellectual property, such as patents, copyrights, software systems, procedures and protocols • The intangibles that are associated with the brand and reputation that the Group has developed over time 	<ul style="list-style-type: none"> • Brand stewardship • Research and development • Technological expertise 	<ul style="list-style-type: none"> • Development of intangible infrastructure, processes and procedures to improve efficiency • New product development • Innovation 	<ul style="list-style-type: none"> • Intellectual property • Patents • Copyrights 	<ul style="list-style-type: none"> • Evolving businesses to suit the ever changing, dynamic consumer • Better prepared businesses to face disruptive business models

Organisational Structure

INDUSTRY GROUPS, SECTORS AND PRIMARY BRANDS

<p>Transportation</p> 	<p>Ports and Shipping Transportation</p>	  
<p>Leisure</p> 	<p>City Hotels Resorts Destination Management Hotel Management</p>	 
<p>Property</p> 	<p>Property Development Real Estate</p>	   
<p>Consumer Foods and Retail</p> 	<p>Consumer Foods Retail</p>	     
<p>Financial Services</p> 	<p>Insurance Banking and Leasing Stock Broking</p>	 
<p>Information Technology</p> 	<p>Information Technology Office Automation IT Enabled Services</p>	  
<p>Other including Plantation Services</p> 	<p>Plantation Services Other</p>	 

Centre Functions			
Corporate Communications	Corporate Finance and Strategy	Group Business Process Review and Insurance	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



Disseminating the Values for Tomorrow

John Keells Foundation

Year at a Glance 2015/16

May 2015

John Keells Research partnered with the University of Maine, USA to develop reinforcing fibres using agricultural waste.



June 2015

JKH announced a subdivision of shares, whereby 7 of its existing shares were subdivided into 8 shares.

Waterfront Properties (Private) Limited, concluded the required debt financing for the "Cinnamon Life" project.



August 2015

JKH was ranked first in the LMD Magazine's "Most Respected Entities in Sri Lanka" survey for the tenth time since the inception of the survey in 2005.

September 2015

Union Assurance PLC (UA) successfully concluded a share repurchase (10 shares for every 32 shares held) which resulted in a cash inflow of Rs.4.14 billion to JKH.

JKH acquired a controlling stake in Rajawella Holdings Limited (RHL) for a total investment commitment of Rs.1.04 billion.

SAGT was ranked number one in South Asia and number four in the World for Terminal productivity by the Journal of Commerce, USA.



October 2015

The refurbishment of Cinnamon Lakeside was completed.



November 2015

JKH concluded the conversion of 50.3 million 2015 Warrants in to ordinary shares and received Rs.7.97 billion.

JKH topped the Business Today Magazine's list of Sri Lanka's top 25 companies for 2014/15.



JKH paid a special dividend of Rs.3.50 per share on account of the cash inflow to JKH from the UA share repurchase.

December 2015

"7th Sense" on Gregory's Road, the high end niche residential development, was completed.



JKH was awarded the Silver award in the "Overall Excellence in Annual Financial Reporting" category at the 51st Annual Report Awards Ceremony organised by the Institute of Chartered Accountants of Sri Lanka.

January 2016

The 50th Keells Super outlet was opened in Kohuwala.



Financial Achievements and Goals

Indicator (%)	Goal	Achievement		
		2015/16	2014/15	2013/14
EBIT growth	>20	5.0	16.3	(1.2)
EPS growth (fully diluted)	>20	(2.5)	15.7	71.2
Cash EPS growth (fully diluted)	>20	7.8	13.9	100.9
Long term return on capital employed (ROCE)	15	11.1	11.5	11.7
Long term return on equity (ROE)	18	9.6	11	11
Net debt (cash) to equity	50	(30.8)	(28.8)	(23.2)

Performance Highlights

FINANCIAL HIGHLIGHTS - THREE YEAR PERFORMANCE

Year ended 31 March		2015/16	2014/15	(%)	2013/14 Restated
Earnings Highlights and Ratios					
Group revenue - consolidated	Rs.million	93,282	91,852	2	86,706
Group revenue - including equity accounted investees	Rs.million	100,419	98,090	2	97,152
Group profit before interest and tax (EBIT)	Rs.million	20,192	19,226	5	16,537
Group profit before tax ¹	Rs.million	19,198	18,557	3	15,320
Group profit after tax ¹	Rs.million	15,792	15,746	0	12,958
Group profit attributable to equity holders	Rs.million	14,070	14,348	(2)	11,722
Dividends ²	Rs.million	8,038	3,476	131	3,267
Diluted earnings per share	Rs.	12.09	12.41	(3)	12.33
Cash earnings per share	Rs.	16.14	14.96	8	15.11
Interest cover	No. of times	20.3	28.8	(30)	13.6
Return on equity (ROE)	%	9.6	11.0	(13)	11.0
Pre-tax return on capital employed (ROCE)	%	11.1	11.5	(3)	11.7
Balance Sheet Highlights and Ratios					
Total assets	Rs.million	240,975	218,086	10	201,581
Total debt	Rs.million	20,750	23,934	(13)	26,139
Net debt (cash) ³	Rs.million	(51,849)	(43,224)	20	(31,182)
Total shareholders' funds	Rs.million	154,982	137,798	12	122,897
No. of shares in issue	Millions	1,189	997	19	990
Net assets per share ⁴	Rs.	130.30	115.85	12	103.33
Debt/equity	%	12.3	15.9	(23)	19.5
Net debt (cash)/equity ³	%	(30.8)	(28.8)	7	(23.2)
Debt/total assets	%	8.6	11.0	(22)	13.0
Market/Shareholder Information					
Market price of share as at 31 March (actual)	Rs.	148.00	199.40	(26)	227.00
Market price of share as at 31 March (diluted)	Rs.	148.00	174.48	(15)	227.00
Market capitalisation	Rs.million	176,032	198,899	(11)	244,796
Enterprise value ³	Rs.million	124,182	155,675	(20)	193,614
Total shareholder return ⁵	%	(12.2)	(12.0)	(2)	(0.4)
Price earnings ratio (PER) (diluted)	No. of times	12.2	14.1	(13)	18.4
Dividend payout	%	46.7	33.5	39	44.2
Dividend per share	Rs.	7.00	3.50	100	3.50
Dividend yield	%	4.73	2.01	135	1.54

1 As per accounting standards, 2014/15 profits have been reclassified to reflect associate profits being net of tax as opposed to 2013/14 being gross of tax

2 Cash dividends paid during the year

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

4 Net assets per share has been calculated, for all periods, based on the number of shares in issue as at 31 March 2016

5 Includes the proportionate impact arising from the ownership of the 2015 and 2016 Warrants

NON FINANCIAL HIGHLIGHTS - THREE YEAR PERFORMANCE

Indicator	2015/16	2014/15	2013/14	
FINANCIAL CAPITAL				
EC1	Economic value retained (Rs.million)	9,873	14,589	12,985
NATURAL CAPITAL				
EN3	Direct energy consumption (GJ)	325,785	353,328	384,115
	Direct energy (GJ) per Rs.million of revenue	3.44	3.86	4.44
	Indirect energy consumption (GJ)	330,525	311,263	296,747
	Indirect energy (GJ) per Rs.million of revenue	3.49	3.40	3.43
EN15	Direct greenhouse gas emissions - scope 1 (MT)	15,699	16,332	17,892
EN16	Energy indirect greenhouse gas emissions - scope 2 (MT)	62,579	58,933	56,184
	Total carbon footprint (MT)	78,278	75,264	74,076
	Total carbon footprint (MT) per Rs.million of revenue	0.83	0.82	0.86
EN8	Water withdrawal (m ³)	1,904,911	1,803,061	1,734,403
	Water withdrawal (m ³) per Rs.million of revenue	20.10	19.87	19.60
EN22	Water discharge (m ³)	1,439,267	1,390,650	1,336,363
EN23	Waste generated (MT)	8,251	7,803	7,971
	Waste recycled/re-used by Group companies and through third party contractors (%)	43	43	41
EN29	Significant environmental fines ¹	Nil	Nil	Nil
HUMAN CAPITAL				
	Total workforce (employees and contractors' staff)	19,522	18,981	19,771
EC3	Employee benefit liability as of 31 March (Rs.million)	1,650	1,495	1,326
LA1	Attrition of new hires (as a percentage of total new hires)	10	16	18
LA6	Number of injuries and diseases ²	217	199	231
	Injury rate (number of injuries per 100 employees)	1.15	1.05	1.15
	Lost day rate (lost days as a percentage of total person days)	0.05	0.05	0.04
	Number of people educated on serious diseases	21,384	16,323	30,027
LA9	Average hours of training per employee	35	40	47
LA11	No. of employees receiving performance reviews (%)	100	100	100
HR5	Incidences of child labour (below age 16)	Nil	Nil	Nil
	Incidences of young workers (aged 16-18) ³	Nil	Nil	Nil
HR6	Incidents of forced labour during the year	Nil	Nil	Nil
SOCIAL AND RELATIONSHIP CAPITAL				
EC7	Community services and infrastructure projects (Rs.million)	105	58	59
EC9	Proportion of purchases from suppliers within Sri Lanka (%)	81	81	77
S01	Community engagement (no. of persons impacted)	855,364 ⁴	59,278	35,856
	Sustainability integration awareness (number of business partners)	80	80	70
	Business partners screened for labour, environment and human rights	100	90	64
PR3	Proportion of labels carrying ingredients used (%)	81	80	81
	Proportion of labels carrying information on disposal (%)	76	60	61
	Proportion of labels carrying sourcing of components (%)	1	1	1
PR6	Voluntary standards relating to advertising	Group policy based on ICC Code		
PR9	Significant fines for product/service issues ¹	Nil	Nil	Nil
S02	Proportion of businesses analysed for risk of corruption (%)	100	100	100
S08	Significant fines for violation of laws/regulations ¹	Nil	Nil	Nil

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

2 Figures include the sales agents of Union Assurance PLC, who are not employees

3 Young workers are employed under the guidelines of the Employers' Federation of Ceylon

4 This excludes people impacted indirectly and includes the commuters using the Slave Island Railway Station

Chairman's Message

Our Report focusses on the Group's value creation process...

I am pleased to present the integrated Annual Report and the Financial Statements for the financial year ended 31 March 2016.

This year's Report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council which focusses on the reporting of the Group's value creation process. I trust our Report will provide you with an in-depth understanding of this process and how it connects with the stakeholder centric strategies and actions which are founded on the principles of compliance, conformance, good governance, ethical conduct and sustainable development.

Group revenue increased marginally by 2 per cent to Rs.93.28 billion. Revenue growth was impacted by the substantial decrease in oil prices affecting revenues in the Bunkering business and the divestment of the General Insurance business in 2014/15.

The Group PBT at Rs.19.20 billion was a 3 per cent increase over the PBT of Rs.18.56 billion recorded in the previous year. The Group recurring profit before tax (PBT) of Rs.18.94 billion for the financial year ended 31 March 2016 was an increase of 10 per cent over the recurring 2014/2015 PBT of Rs.17.29 billion, which excludes the impacts of fair value gains on investment property and the capital gain on the disposal of Union Assurance General Limited. Although the profit attributable to equity holders of the parent at Rs.14.07 billion was a decrease of 2 per cent over the Rs.14.35 billion in the previous year, the recurring profit attributable to equity holders of the parent at Rs.13.85 billion, this year, represented an increase of 5 per cent over the Rs.13.14 billion recorded in the previous year.

Rs.18.94 Bn



Group recurring PBT

A growth of 10 per cent

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

- Group revenue increased by 2 per cent to Rs.93.28 billion.
- Group profit before tax increased by 3 per cent to Rs.19.20 billion. Recurring profit before tax increased by 10 per cent to Rs.18.94 billion.
- Profit attributable to equity holders of the parent decreased by 2 per cent to Rs.14.07 billion. Recurring profit attributable to equity holders of the parent increased by 5 per cent to Rs.13.85 billion.
- The Company PBT increased by 52 per cent to Rs.17.69 billion. The increase was mainly on account of the capital gain of Rs.3.10 billion arising from the share repurchase of Union Assurance PLC.
- Net cash flow from operating activities was Rs.20.51 billion.
- Return on capital employed (ROCE) decreased to 11.1 per cent from 11.5 per cent in the previous year.
- Return on equity (ROE) decreased to 9.6 per cent from 11.0 in the previous year.
- Debt to equity ratio decreased to 12.3 per cent compared to 15.9 per cent in the previous financial year.
- Diluted earnings per share decreased by 3 per cent to Rs.12.09.
- Cash earnings per share increased by 8 per cent to Rs.16.14.
- The total shareholder return (TSR) in 2015/2016 was a negative 12.2 per cent.
- The carbon footprint per one million rupees of revenue increased marginally by 1 per cent to 0.83 metric tons.

As was highlighted last year, the investment in the "Cinnamon Life" project and the regular revaluation of assets under Fair Value Accounting principles have short to medium term implications on our ROCE and ROE ratios. This is discussed in detail in the Group Consolidated Review section of this Report. The ROCE and the ROE, adjusted for these impacts and other unusual non-operating incomes, are 14.3 per cent and 11.8 per cent respectively. We are confident that investments which we are making today in pursuing a sustainable long term future will result in improved returns on our capital employed in the medium to long term.

Despite the challenging operating environment in the year under review, the underlying business performance was satisfactory. The economic policy

pronouncements of the Government signalled its desire to encourage public-private partnerships and exit investments in non-core public owned interests and, this, we believe would give rise to opportunities for the Group, given our strong balance sheet. From a portfolio and diversification perspective, the investments in our Consumer Foods and Retail businesses have borne fruit, contributing towards a diverse stream of cash flows and a more balanced portfolio, where an increasingly higher proportion of profits are generated from businesses with significant long term growth potential. The Group is currently evaluating significant investment opportunities across its industry groups, some of which are more fully described in the Industry Group Review section of this Report.

The Annual Report contains discussions on the macroeconomic factors and their 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 2015/16.

Transportation Industry Group

The Transportation industry group reported revenues, including the share of revenues from the associate companies, of Rs.16.83 billion and a PAT of Rs.2.45 billion, contributing 16 per cent each to Group revenue and PAT respectively. Although South Asia Gateway Terminals (SAGT) recorded a decline in volumes, as expected, due to continuous deployment of larger, more cost effective vessels requiring a deep draft, overall volumes in the Port of Colombo continued to grow with the additional capacity being absorbed rapidly with a total capacity utilisation close to 70 per cent. Whilst this will result in future growth for SAGT, it also necessitates early development of the East Container Terminal, which is potentially a growth opportunity for our Ports business. You will be pleased to note that SAGT was ranked number one in South Asia and number four in the World for Terminal productivity by the Journal of Commerce, USA, in September 2015. Whilst Lanka Marine Services (LMS) maintained its position as the market leader, the performance of the Bunkering business was negatively impacted by the significant decline in oil prices which impacted revenue, and, to an extent, margins. LMS also built on its procurement strategy and supplier relationships towards improving both its operational efficiency and profitability. In the year under review, DHL Keells improved its market leadership position. Cinnamon Air performed in line with expectations with the airline gradually establishing its brand, and presence, in the market. John Keells Logistics increased its total warehouse footprint under management with the facility in Seeduwa becoming fully utilised during the year.

Rs.2.45 Bn

**Transportation
Profit After Tax**

“ From a portfolio and diversification perspective, the investments in our Consumer Foods and Retail businesses have borne fruit, contributing towards a diverse stream of cash flows and a more balanced portfolio, where an increasingly higher proportion of profits are generated from businesses with significant long term growth potential. ”

Leisure Industry Group

The Leisure industry group reported revenues, including share of revenues from associated companies, of Rs.24.31 billion and a PAT of Rs.4.37 billion, contributing 23 per cent and 28 per cent to Group revenue and PAT respectively. The industry group continued to maintain its position as the largest contributor to Group PAT. During the calendar year 2015, arrivals to Sri Lanka reached 1,798,380, representing a year-on-year growth of 18 per cent. Augmented by focussed destination marketing initiatives, and improved flight connectivity, China and India recorded a 68 per cent and 30 per cent increase in arrivals, respectively, in 2015. Arrivals from other regions also demonstrated encouraging growth.

In the year under review, Cinnamon Lakeside was partially closed for refurbishment and this impacted the City Hotel sector performance. The new product has been well accepted and this was confirmed by a substantial occupancy increase in the fourth quarter. The increased room inventory arising out of entrants into the 3-4 star segments of the market, and the resultant competitive pricing, exerted pressure on the sector's average room rates during the period under review. However, occupancy in the city, overall, was strong in the fourth quarter and this is an encouraging trend. Cinnamon red, the select-service hotel, performed beyond expectations in its first full year of operations. With new capacity expected to come in over the next few years, especially into the city, there is an urgent need for the country to enhance its product offering to attract the higher spending tourists.

Rs.4.37 Bn

**Leisure
Profit After Tax**

Despite the increase in competition within the sector, Sri Lankan Resorts recorded an overall improvement in occupancies. The increase is mainly on account of the strategies such as increasing web sales, enhancing the destination management company base and customising the product offering to the Chinese market, which were implemented during the year. During the year under review, the combined impact of economic and political volatility in Russia and the Ukraine, and the uncertain political landscape that prevailed in the Maldives towards the latter part of 2015, curtailed the year-on-year growth in tourist arrivals to both Sri Lanka and the Maldives. The tourist arrivals to the Maldives grew by a marginal 2 per cent. Whilst the depressed growth in arrivals and the increased prominence of the informal sector resulted in a decline in occupancies, in the formal sector, overall, compared to the previous year, occupancies at our hotels in the Maldives remained above the industry average. The performance of the Destination Management sector was above expectations due to the strategies, undertaken during the year, in a few select markets.

Property Industry Group

The Property industry group reported revenues of Rs.4.34 billion and a PAT of Rs.1.59 billion, contributing 4 per cent and 10 per cent to Group revenue and PAT respectively. During the year under review, all 475 units of the "OnThree20" residential development project were handed over to the buyers. The construction of "7th Sense" on Gregory's Road was completed during the second quarter of the year under review, with 95 per cent of the apartments being sold as at 31 March 2016. In September 2015, the Group increased its shareholding in Rajawella Holdings Limited (RHL), the owners of over 500 acres of land including a Donald Steel designed golf course, from 17 per cent to 51 per cent at a total investment commitment of Rs.1.04 billion. A master plan is currently being developed in order to maximise the development potential of the land plots. Rajawella will complement the Group's property and leisure portfolios. The "Cinnamon Life" project is progressing with satisfactory demand for both residential

Chairman's Message

and commercial spaces. As announced in January 2016, the project encountered some unforeseen delays, and as such, the construction of "Cinnamon Life" is now expected to be completed in 2019.

Consumer Foods and Retail Industry Group

The Consumer Foods and Retail industry group recorded revenues of Rs.36.46 billion and a PAT of Rs.3.23 billion, contributing 35 per cent and 20 per cent to Group revenue and PAT respectively. The Consumer Foods sector recorded strong growth in profitability with both Ceylon Cold Stores (CCS) and Keells Food Products (KFP) contributing to the improved performance. The encouraging trend in consumer sentiment on the back of increased disposable income, together with the expansion of the product portfolio in line with evolving consumer tastes and preferences, resulted in higher volumes being recorded under both the Beverage and Ice Cream businesses. Continued focus on the distribution network, production efficiencies and cost control, further enabled healthy improvement in margins which contributed towards the strong growth, overall. In the year under review, KFP also recorded an improved performance, aided by a double digit growth in volumes and improved operational efficiencies arising from measures implemented in the prior year.

The Retail sector recorded a strong increase in performance on the back of an encouraging double digit growth in footfall as the emphasis on improving the service quality, product offering and consumer awareness, bore fruit in contributing towards enhancing the overall shopping experience. The new outlets opened in recent years are performing above expectations. The penetration of modern Fast Moving Consumer Goods (FMCG) retail in the country is still low compared to more developed regional countries and this presents a significant opportunity for growth. With a number of new locations having been identified, already, the sector will continue to

Rs.36.46 Bn

Consumer Foods and Retail Revenue

strategically expand its store network, while improving its distribution centre to optimise supply, storage and delivery productivity. 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.

Financial Services Industry Group

The Financial Services industry group recorded revenues, including the share of revenues from associate companies, of Rs.11.90 billion and a PAT of Rs.1.72 billion, contributing 11 per cent each to Group revenue and PAT. This financial year marked the first full year of operations for the Life Insurance business under Union Assurance PLC (UA) post the segregation of the Life and General insurance businesses. During the year, UA demonstrated an encouraging double digit growth in Gross Written Premiums (GWP).

Rs.11.90 Bn

Financial Services Revenue

The banking industry recorded a healthy growth, driven, mainly by the strong credit demand stemming from both private and public sectors. However, performance was dampened to an extent due to increased

pressure on net interest margins due to rising funding costs in the second half of the year and intensified competitive pressures. Notwithstanding the challenging operating environment, Nations Trust Bank (NTB) recorded a double digit growth in both deposits and credit, which trended above the industry average. In line with its 5 year mapping strategy which was developed in 2013, NTB continued its focus on lean management initiatives together with increased automation and greater reliance on digital channels.

Information Technology Industry Group

The Information Technology industry group recorded revenues of Rs.8.26 billion and a PAT of Rs.96 million, contributing 8 per cent and 1 per cent to Group revenue and PAT respectively. The Office Automation business maintained its market share in both the mobile and copier markets, driven by increased volumes and revenue from new products. The increase in consumer purchasing power coupled with the increased substitution of feature phones with smart phones drove volumes in the Mobile Phone segment whilst the company's extensive dealer network enabled retention of market share in the Copier segment.

Other including Plantation Services

The Plantation Services sector recorded revenues of Rs.2.42 billion, contributing 2 per cent to Group revenue, and a PAT of Rs.6 million. Similar to the previous year, continuing political unrest and economic volatility in key tea export destinations, coupled with low oil prices which significantly impacted their purchasing power resulted in a sharp decline in tea prices and negatively impacted the profitability of the Plantations Services sector. Others, comprising of the Holding Company and other investments, and the Plantation Services sector, together, recorded revenues of Rs.2.66 billion and a PAT of Rs.2.34 billion for 2015/16, contributing 3 per cent and 15 per cent to Group revenue and PAT respectively. The increased PAT is mainly a result of the exchange gains recorded at the Company on its foreign currency denominated cash holdings.

“ The Retail sector recorded a strong increase in performance on the back of an encouraging double digit growth in footfall as the emphasis on improving the service quality, product offering and consumer awareness, bore fruit in contributing towards enhancing the overall shopping experience. ”

“ The value creation process of the Group has been built around our loyal and committed employees, and I wish to pay tribute to them for their contribution to what has been a challenging year. ”

Employees

The value creation process of the Group has been built around our loyal and committed employees, and I wish to pay tribute to them for their contribution to what has been a challenging year. Over the years, we have attracted the best and the brightest talent towards building a strong team that reflects the diversity of the customers we serve. We continue to engage and encourage our employees to perform to the best of their ability through a performance oriented culture founded on ethical and transparent behaviour which, in turn, promotes sustainable and profitable growth. 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”.

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

Sustainability

Similar to last year, this Report has been prepared “In accordance”-Core of the GRI (G4) Guidelines and has obtained the GRI Materiality Disclosures check. The Report contains the overall sustainability strategy, framework and performance of the Group and has also been independently assured by DNV GL represented in Sri Lanka by DNV Business Assurance Lanka (Private) Limited.

The Group is in the process of setting reduction targets against baseline figures for its carbon footprint and water withdrawal. Whilst these targets are Group-wide, particular focus will be given to the most carbon and water-intensive industry groups, namely Leisure and Consumer Foods and Retail. As part of its sustainability strategy, and alongside its comprehensive risk management process, the Group seeks continuously 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. This has extended to its value chain in recent years through ongoing engagements and awareness creation through supplier fora, implementation of a supplier code of conduct and on-site assessments of our significant suppliers.

I am pleased to announce that this year too we have made significant progress on the agenda items reported in last year’s Integrated Annual Report. Although the Group’s carbon footprint increased by 4 per cent to 78,278 MT as a result of higher levels of operational activity during the year under review, key industry groups such as Leisure and Consumer Foods and Retail experienced a combined reduction of 9 per cent in carbon footprint per rupees million of revenue, reflecting the positive results of the initiatives embarked upon in these areas. During the year under review, water withdrawal increased by 5 per cent to 1,904,911 cubic meters in these key industry groups. However, there was a combined reduction of 10 per cent in water withdrawal, per million rupees of revenue. Waste generated also increased by 6 per cent to 8,251 MT due to the aforementioned increase in operational activity across the Group.

From an employee perspective, 218 incidences of occupational injuries and diseases were recorded this year, whilst Group employees received, on an average, 35 hours of training per person. The training hours for employees are determined on a needs basis, aligning business specific requirements with gaps identified in respect of both operating and roof competencies as outlined in the Group Learning and Development policy guidelines.

Corporate Social Responsibility

The John Keells Group continues to be a participant of the United Nations Global Compact Initiative and is fully committed to the newly-adopted Sustainable Development Goals. Corporate Social Responsibility (CSR) is an integral part of our business and it permeates throughout the organisation.

Considering the diversity and geographical breadth of the businesses within the Group, we recognise our responsibility to make a positive difference in the communities in which we operate in.

At this moment our thoughts are with those persons, including our employees, and their families, whose lives have been severely disrupted by the unprecedented floods and landslides. The Group took immediate measures to assist those affected, by providing urgent relief items. I am moved by the spontaneous volunteerism of our employees in these efforts and this is living evidence of our deeply entrenched affinity with society. The Group will continue to monitor the situation and will take further steps as necessary. We will also work with John Keells Foundation in exploring ways to restore the livelihoods of affected persons.

The focus of our CSR activities continues to be on six key areas, namely, Education, Health, Environment, Community/Livelihood Development, Arts and Culture and Disaster Relief. These projects have been inspired and sustained over time by our CSR vision “Empowering the Nation for Tomorrow”. The CSR initiatives of the Group are centrally planned and implemented by John Keells Foundation (Foundation), a company limited by guarantee which is also registered as a “Voluntary Social Service Organisation” with the Ministry of Social Welfare. Whilst further details are available under the Group Consolidated Review and Industry Analysis 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 1,200 school children completed classes, under the foundation, pre-intermediate and intermediate level courses.

Soft Skills and Industrial Training for University Undergraduates

A total of 1,275 undergraduates from multiple faculties benefitted from the workshops conducted under “The Final Step” initiative in the Sabaragamuwa and Uva-Wellassa Universities.

Project WAVE (Working Against Violence through Education)

This project, aimed at combating gender based violence and child abuse through awareness raising, made substantive strides in its second year, sensitising a total of 8,182 persons, of which 5,026 persons were Group staff.

Chairman's Message

The John Keells Vision Project

A total of 16 eye camps and 8 cataract clinics were conducted in all 9 provinces, resulting in the completion of 2,049 cataract surgeries. Under the School Screening Programme in the Colombo District – a new initiative undertaken in the reporting year with the Ministry of Health and John Keells Foundation in collaboration with Ceylon Cold Stores PLC – vision screening was conducted in 63 schools, testing over 35,984 school children, including a donation of spectacles to 2,812 school children.

HIV and AIDS Awareness Campaign

A total of 15,629 were sensitised on HIV and AIDS including Group staff as well as external entities. The Foundation also launched a web-based e-module, hosted free-of-charge on its website, to mark World AIDS Day on 1 December 2015.

Batticaloa Teaching Hospital Emergency and Accident Project

In line with its commitment to facilitate public health services to disadvantaged communities, the John Keells Group released the first half of its pledged sponsorship of Rs.26 million during the reporting year to facilitate the building of an emergency medical treatment unit.

Chronic Kidney Disease (CKD) Prevention

The Foundation also initiated a pilot with the National Water Supply and Drainage Board (NWSDB) in the Trincomalee District involving the supply and installation of two Reverse Osmosis (RO) filtration Systems as part of an overall plan to address CKD issues.

Elephant Research Project

As part of the Group's commitment to elephant conservation and research, the Foundation provided a sponsorship for "Sri Lanka Elephant 2016" – a trilingual outdoor exhibition to showcase the current status of elephants in Sri Lanka, presented by The Federation of Environmental Organisations (FEO). The exhibition was held in 12 cities around the country, many of which are heavily affected by the human-elephant conflict.

Our Volunteers

During the year in review, the John Keells Foundation recorded a total of 1,611 engagements by 624 employee volunteers across the John Keells Group in respect of activities conducted by the Group. This number excludes volunteer activities at the business or sector level.

Dividends

Your Board declared a final dividend of Rs.1.50 per share to be paid on the 13th of June 2016. The first and second interim dividends for the year were Rs.4.50 per share and Rs.1.00 per share respectively. The first interim dividend included a special dividend of Rs.3.50 per share on account of the cash inflow of Rs.4.14 billion to the Company from the share repurchase made by Union Assurance PLC. Accordingly, the total pay-out in the year under review was Rs.8.04 billion compared to Rs.3.48 billion in the previous financial year.

2015 Warrant

Subsequent to the exercise and conversion of the 2015 Warrant, 50,281,136 voting shares of the Company were listed on the Colombo Stock Exchange on 26 November 2015. Based on the final conversion of 2015 Warrants into ordinary shares, the Company received a sum of Rs.7.97 billion.

Subdivision of Shares

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

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 during the year.

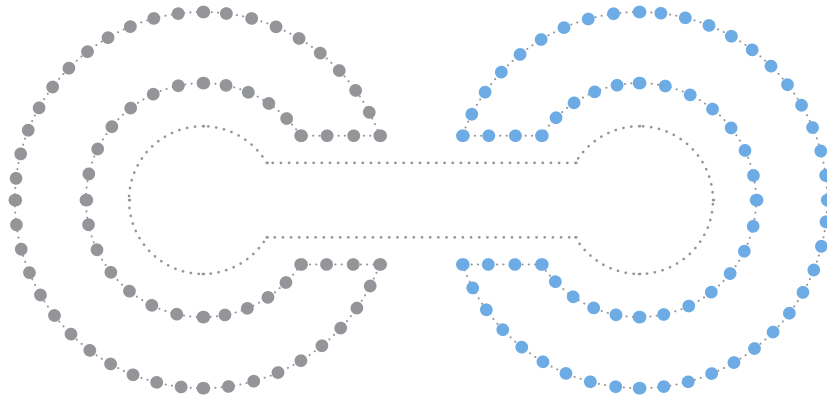
Mr. Franklyn Amerasinghe and Mr. Tarun Das, being over the age of 70 years and having served the Board for over 10 years, have informed us that they would not be seeking re-election at the Annual General Meeting of the Company. I would like to place on record our sincere appreciation to them for the invaluable contribution made during their tenure and wish them the very best in their future endeavours.

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



Susantha Ratnayake
Chairman

25 May 2016



COHESIVE

This section introduces the Board of Directors and Senior Management Committees that oversee the Group of Companies. It also offers a detailed analysis of the John Keells Group governance framework; the mandatory requirements complied with as well as the Group's own internal benchmarks of good governance.

GOVERNANCE

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Board of Directors

Susantha Ratnayake* Chairman

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

Ajit Gunewardene* Deputy Chairman

Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of the Board for over 23 years. He is a Director of several companies in the John Keells Group and is the Chairman of Union Assurance PLC. He is a member of the Board of SLINTEC, a company established for the development of nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology. He is also a member of the Tourism Advisory Committee appointed by the Minister of Tourism Development and a member of the Steering Committee for establishment of the National Science Centre in Sri Lanka appointed by the Minister of Science, Technology and Research. He has also served as the Chairman of the Colombo Stock Exchange and Nations Trust Bank PLC. Ajit has a Degree in Economics and brings over 33 years of management experience.

Ronnie Peiris* Group Finance Director

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

He has over 40 years of finance and general management experience in Sri Lanka and abroad. He is a Fellow of the Chartered Institute of Management Accountants, UK, Association of Chartered Certified Accountants, UK, and the Society of Certified Management Accountants, Sri Lanka and holds an MBA from the University of Cape Town, South Africa. Previously, the Chairman of the Sri Lanka Institute of Directors, he is currently a member of the Committee of the Ceylon Chamber of Commerce.

Franklyn Amerasinghe Senior Independent Director

Appointed to the Board during 1999/2000, Franklyn Amerasinghe is the former CEO and Director General of the Employers' Federation of Ceylon. He was thereafter attached to the International Labour Organisation as a Senior Specialist in the social dialogue sector in charge of Employers' Organisations in East Asia up to October 2002. A Bachelor of Law and a Lawyer by profession, he is currently a consultant and trainer in social dialogue, human resource management, corporate social responsibility and industrial relations, both in Sri Lanka and abroad. He has authored books on a wide range of subjects and published papers in some international and local journals. He is a Founder Trustee of the Association for Dialogue and Conflict Resolution and a Founder Director of the Skills Development Fund. He is also a Board member of the International Centre for Ethnic Studies and the Commercial Arbitration Board of the Institute for the Development of Commercial Law and Practice (ICLP).

Amal Cabraal Non-Executive Director

Appointed a Director on 1 November 2013, Amal Cabraal is the former Chairman and Chief Executive Officer of Unilever Sri Lanka. He has over 3 decades of business experience in general management, marketing and sales and apart from Sri Lanka, he has served with Unilever in the United Kingdom, India and Bangladesh.

He is an alumnus of INSEAD-France and holds an MBA from the University of Colombo, a Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK.

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

Dr. Indrajit Coomaraswamy Non-Executive Director

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

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

Tarun Das
Non-Executive Director

Tarun Das has spent his professional career in the development and promotion of Indian industry. Starting in November 1963 with the predecessor body of Confederation of Indian Industry (CII) he was the Director General and Chief Executive of CII from April 1967 to May 2004 and Chief Mentor from June 2004 to October 2009. His leadership of the organisation over three decades has led to strengthening business and strategic ties between India and the world.

He is Founding Trustee, Ananta Aspen Centre; Ananta Centre and Council on Energy Environment and Water (CEEW); member, Board of Governors, Rajiv Gandhi Indian Institute of Management, Shillong and Indian Council for Research on International Economic Relations (ICRIER); member, Board of Trustees, Sasakawa India Leprosy Foundation (SILF); Public Interest Foundation (PIF); Institute of Economic Growth; Bharatiya Yuva Shakti Trust (BYST); Singapore India Partnership Foundation (SIPF) and India@75 Foundation, Confederation of Indian Industry (CII); member, Apex Council on India@75, Confederation of Indian Industry (CII); member, Advisory Board, CII- Triveni Water Institute and World Wildlife Fund (WWF); Lifetime Trustee, the Aspen Institute, USA.

He is Co-Chair of US – India Strategic Dialogue; US-India-Japan Strategic Dialogue; India-Japan Strategic Dialogue, India- Israel Forum and member of India- Singapore Strategic Dialogue; India-China Strategic Dialogue; India- Turkey Forum, US-India Climate Change Dialogue and Trilateral Commission.

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

He has been conferred with Padma Bhushan in 2006, one of the highest Civilian Awards, for contribution in the field of Trade and Industry, by the President of India. He has also been conferred the Honorary Commander of the Most Excellent Order of the British Empire (CBE) for contribution to Indo-British relations in 1998 and Singapore National Award (Public Service Medal) in 2004 by the Singapore Government for contribution to strengthening economic ties between India and Singapore. In 1996 he was given Honorary Doctorate in Science by the University of Warwick, UK and in 2011 by the Tel Aviv University in Israel for extraordinary commitment in promoting the Indian Economy in the global arena.

He has authored a new book, "Crossing Frontiers".

Nihal Fonseka
Non-Executive Director

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 Non-Executive Director of DFCC Bank PLC, Chairman of the Group Audit Committee of Brandix Lanka Limited, President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK, Director of the Employees' Trust Fund Board and a member of the National Procurement Commission.

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

Ashroff Omar
Non-Executive Director

Ashroff Omar is a Director of Phoenix Ventures Limited, Chief Executive Officer of Brandix Lanka Limited and serves as Director on many of its subsidiary companies.

He is the founder Chairman of the Joint Apparel Association Forum (JAAF) and former Chairman of the Sri Lanka Apparel Exporters Association.

He serves as a Director of the Sri Lanka Institute of Nanotechnology (SLINTEC), and is Chairman of the Advisory Committee on Garments - Export Development Board (EDB).

He is the Hon. Consul General of the Republic of Finland, a Chartered member of The Textile Institute International, UK and a senior member of the Society of Plastics Engineers, Connecticut, USA.

Premila Perera
Non-Executive Director

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 2000/2001, 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 and currently serves as an Independent Director and Chairperson of the Audit Committee of Ceylon Tobacco Company PLC, and is also a Non-Executive Director of Holcim (Lanka) Limited.

Group Executive Committee

Dilani Alagaratnam President

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

Krishan Balendra President

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

Gihan Cooray President

Gihan Cooray is responsible for the Retail sector, the Corporate Finance and Strategy division, Group Treasury function, John Keells Capital - the investment banking arm of the Group and John Keells Research. He is also a Non-Executive Director of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a member of the sub-committee on Economic, Fiscal and Policy Planning of the Ceylon Chamber of Commerce.

Romesh David President

Romesh David leads the Transportation industry group of JKH. He has been with the JKH Group for 36 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. He is a member of the Executive Committee of the Council for Business with Britain and Co-Chair of the CCC National Agenda Committee on Logistics and Transport. He serves on the Council of the Chartered Institute of Logistics and Transport – Sri Lanka and was recently appointed to the International Management Council of the Chartered Institute of Logistics and Transport as an International Vice President. He serves on the Advisory Council of the Sri Lanka Logistics and Freight Forwarders Association and 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.

Sanjeeva Fernando President

Sanjeeva Fernando is responsible for the IT industry group and the Plantation Services sector. He possesses over 28 years of senior managerial experience in diverse businesses and capacities. He joined the John Keells Group in 1993 and has headed the Group's Printing and Packaging businesses and Bunkering businesses. He was previously the Head of the Transportation and Logistics sector overseeing the Group's airline, travel, freight forwarding, shipping and bunkering businesses in Sri Lanka, India and the Maldives. Sanjeeva was also involved in setting up and developing the Group's IT Enabled Services business (BPO) in Gurgaon, India and resided in India from 2007 until 2012 whilst overlooking the rest of the IT businesses in the Group. He is a Director of John Keells PLC and Tea Smallholder Factories PLC. A printer by profession, Sanjeeva qualified from the London School of Printing and is a member of the London Institute of Printing.

Jitendra Gunaratne President

Jitendra Gunaratne is responsible for the Consumer Foods sector. Prior to his appointment as President, he oversaw the Plantations and Retail sectors. His 36 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.

Suresh Rajendra President

Suresh Rajendra is responsible for the Property industry group of the John Keells Group and also serves as a Director of Union Assurance PLC and Asian Hotels and Properties PLC. He has over 21 years of experience in the fields of finance, property and real estate, travel and tourism, and business development acquired both in Sri Lanka and overseas. Prior to joining the Group, he was the head of commercial and business development for NRMA Motoring 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

Zafir Hashim Executive Vice President

Zafir Hashim is the Head of the Transportation Sector and has been with the Group for 13 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 23 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, Sector Head of the City Hotels sector, currently overlooks the management of the Cinnamon Grand, Cinnamon Lakeside and Cinnamon red. A career hotelier counting over three decades, both in the local and international hospitality industry; he held the position of General Manager in several hotels in the United Kingdom, lastly being the Marriott Marble Arch, London. He is a Director of Asian Hotels and Properties PLC and Trans Asia Hotels PLC. He read for his Masters in Hospitality and Business Studies from the Thames Valley University, London.

Vasantha Leelananda Executive Vice President

Vasantha Leelananda is Head of the Destination Management sector and counts over 37 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 the inbound travel operations in Sri Lanka. Vasantha holds an MBA from the University of Leicester.

He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO), a Board member of the Sri Lanka Convention Bureau from 2003 to 2007, Board member of the Sri Lanka Institute of Tourism and Hotel Management from 2007 to 2010 and served as a Board member of American Chamber of Commerce (AMCHAM) from 2012 to 2014. He is currently a Board member of the Responsible Tourism Partnership which is affiliated to the Travel Foundation UK and a Board member of the Sri Lanka Tourism Promotion Bureau (SLTPB).

Chandrika Perera Executive Vice President

Chandrika Perera was appointed as the Chief Financial Officer of the Leisure industry group in March 2005. She has been with the Group for 33 years. She held the position of Group Financial Controller from 1999 to 2005. A Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Society of Certified Management Accountants, Sri Lanka, she holds an MBA (Finance) from the University of Southern Queensland. She is currently serving on the Technical Committee for the National Conference of Chartered Accountants

Mano Rajakariar Executive Vice President

Mano Rajakariar, has been the Group Financial Controller since April 2005. He has been with the Group for over 20 years in many capacities including serving as the Sector Financial Controller of the Plantations sector and heading the Shared Services implementation within the Group. He has over 27 years of experience in audit, finance and general management acquired both in Sri Lanka and overseas. Mano is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants, UK. He currently serves as a member of the Statutory Accounting Standards Committee, the Financial Reporting Standards Implementation and Interpretation Committee, the IFRS Education Committee, the Tax Faculty and the Examinations Committee of the Institute of Chartered Accountants of Sri Lanka. He also serves as a member in the Task Force to provide recommendations on law reforms in relation to the accounting profession established by CA Sri Lanka. Mano is also a member of the Taxation sub-committee of the Ceylon Chamber of Commerce.

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 29 years of experience in Sri Lanka and in the UK, primarily in management consultancy, project infrastructure, finance, and audit. Prior to joining the Group in 2002, he worked for the Government 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.

Group Operating Committee

Sunimal Senanayake Executive Vice President

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

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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 and has over 20 years of experience in the ICT industry both in Sri Lanka and the USA, with over 15 years in C-level management. Ramesh is a Hayes-Fulbright Scholar and holds to his credit a MSc (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 Jayawardenepura, 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 International School of Management, Paris at present. He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society. He has active memberships in several other professional institutions and is a visiting faculty member for several post-graduate programmes. He is also the Chair of the SLASSCOM CIO Council and is actively involved with the ICTA and the Presidential Task Force on IT in steering IT to greater heights within the country. He is also a member of the Gartner Research Circle.

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Charitha Subasinghe Executive Vice President

Charitha Subasinghe is the 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 a MBA from the University of Colombo.

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Nadija Tambiah Executive Vice President

Nadija Tambiah Head of Legal and Secretarial is a law graduate from the University of Manchester, United Kingdom, a Barrister at Law (Middle Temple), UK and is also qualified an Attorney at Law in Sri Lanka. She also heads the Corporate Social Responsibility arm of John Keells Holdings PLC. She has been involved in most of the strategic transactions of the John Keells Group during her 20 year tenure with the Group. She serves as a member of the Steering Committee on Arbitration and Mediation at the Ceylon Chamber of Commerce.

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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.

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Suran Wijesinghe Executive Vice President

Suran Wijesinghe, joined the Group in January 2004 as the Sector Financial Controller of the Financial Services industry group and was appointed as the Chief Financial Officer of the same industry group in July 2010. He is a Director of Nations Trust Bank PLC and has over 30 years of experience in the fields of auditing and financial and general management which has been acquired while serving in organisations both locally and overseas. Suran is a Fellow member of both the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants, UK.

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Corporate Governance Commentary

1. Executive Summary

The corporate governance framework at John Keells Holdings PLC (JKH) 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.

Accordingly, 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 in 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 Act (SEC) 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 jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The systems and procedures are continuously assessed against the core principles of accountability, participation and transparency which have been embedded and adopted by all business units in the Group, and updated as necessary.

The ensuing sections describe the following in greater detail:

- The components of the JKH Corporate Governance System
- The monitoring mechanisms in place to ensure strict compliance to the Group’s Governance policy in order to gain assurance of its effectiveness
- The outlook and emerging challenges for corporate governance



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

Key Corporate Governance Initiatives Undertaken at JKH for the Year 2015/16

- Appointment to Boards of JKH subsidiaries were previously made on the recommendation of the JKH Nominations Committee, which acted as the Nominations Committee for the whole Group, as permitted by the SEC. However, in 2015/16, in instances where a listed subsidiary had another listed subsidiary of its own, a Nomination Committee was formed at the level of the first level subsidiary company to make recommendations on Board appointments at its own listed subsidiary.
- The performance evaluation process of the Chairman-CEO was reviewed and revised in keeping with best practices.
- The Group Business Process Review division contracted a Forensic Data Analytic Vendor to assist in enhancing the internal controls within JKH by providing management, authorised approvers and Internal Auditors early “cautionary triggers”, via a user friendly dashboard, using “real-time” data which highlight transaction exceptions and outliers.
- A comprehensive review of the Segregation of Duties (SoD) of all the roles and individuals who execute transactions across an entire business process under Sarbanes-Oxley (SOX) guidelines was undertaken.
- Expansion of the Group Risk Management policy to cover cyber security risks.

Highlights of the 36th Annual General Meeting Held on 26 June 2015

- Mr. A Gunewardene, who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected a Director of the Company.
- Dr. I Coomaraswamy, who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected as a Director of the Company.
- Ms. P Perera, who retired in terms of Article 91 of the Articles of Association of the Company, was re-elected as a Director of the Company.
- An Ordinary Resolution was passed such that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. T Das, who is 76 years, and as such, Mr. Das was re-elected a Director of the Company.
- An Ordinary Resolution was passed such that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. F Amerasinghe, who is 70 years, and as such, Mr. Amerasinghe was re-elected a Director of the Company.
- Re-appointment of Ernst and Young as the External Auditors of the Company.

Key Governance Disclosures

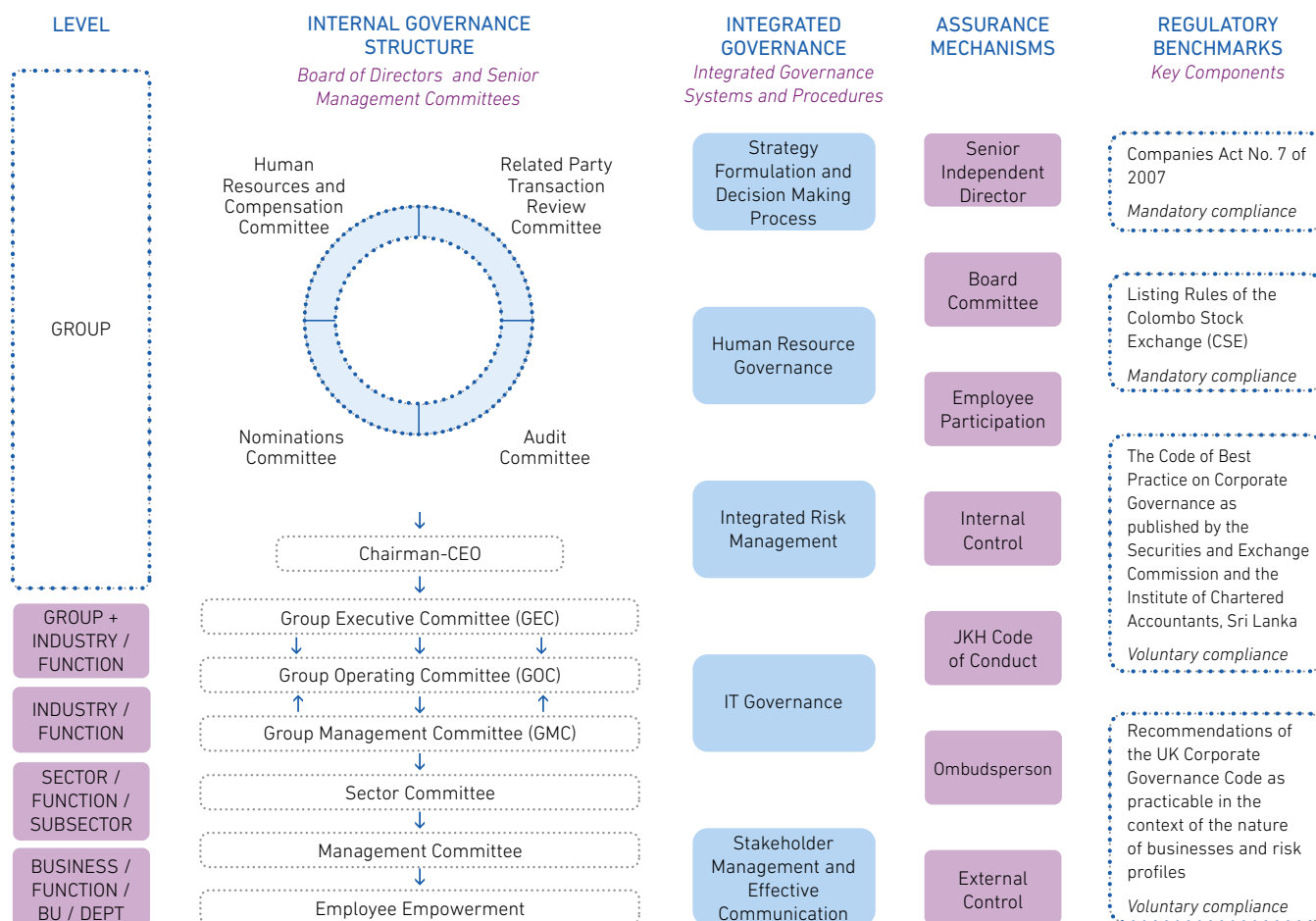
	Reference section
The Governance System	Section 2
Board related disclosures	Section 3.1
Audit Committee report	Section 3.2.1
Human Resource Committee report	Section 3.2.2
Nominations Committee report	Section 3.2.3
Related Party Transaction Review Committee report	Section 3.2.4
Combined role of Chairman-CEO	Section 3.3
Group Executive Committee and other Management Committees	Section 3.5
Human Resource Governance	Section 4.2
Communication with shareholders	Section 4.5
Assurance mechanisms	Section 5
Outlook and emerging challenges	Section 7
Governance compliance summary	Section 8

Corporate Governance Commentary

2. The Corporate Governance System

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

JKH Corporate Governance System Within a Sustainability Development Framework



- All 4 Board Sub-Committees are chaired by Independent Directors appointed by the Board
- The Chairman-CEO attends the Human Resource and Compensation Committee with the Group Finance Director and President-HR as frequent attendees
- Audit Committee is attended by Chairman-CEO, Group Finance Director, Group Financial Controller, Head of Group Business Process Review and External Auditors
- The Group Operating Committee (GOC) acts as the glue binding the various businesses within the Group towards identifying and extracting Group synergies and driving Group initiatives
- Only the key components are depicted in the diagram due to space constraints

2.1 Internal Governance Structure

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

2.2 Assurance Mechanisms

Discussed in section 5 of this Commentary, this comprises of the “bodies and mechanisms” which are employed in enabling regular review of progress against objectives, with

a view to highlighting deviations and quick redress, and in providing assurance that actual outcomes are in line with expectations and suggesting best practices, as appropriate.

2.3 Regulatory and Performance Benchmarks

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

3. Internal Governance Structure

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

- the Board of Directors;
- Board Sub-Committees;
- Senior Management Committees; and
- Employee Empowerment.

As depicted in the Governance framework, 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, integrated risk management, IT governance and stakeholder management and effective communication.

3.1 The Board of Directors

3.1.1 Board Responsibilities

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

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

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

- Increased the number of shares of the Company in issue by way of a share subdivision whereby seven existing ordinary shares were subdivided to eight ordinary shares.

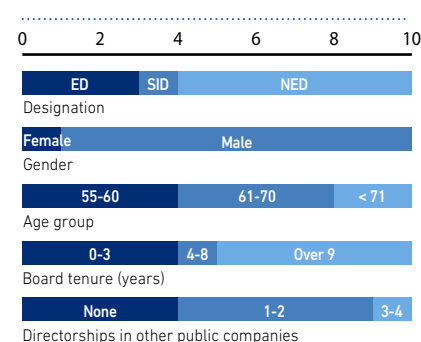
“JKH is conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in ensuring that the skills representation is in alignment with current and future needs of the Group.”

- Increased the Group's shareholding in Rajawella Holdings Limited (RHL) from 17 per cent to 51 per cent, at a total investment cost of Rs.1.04 billion.
- Declared a special dividend of Rs.3.50 per share, in addition to the base dividend of Rs.1.00 per share, as a first interim dividend for the financial year 2015/16 in November 2015. The payment of the special dividend was enabled by the cash inflow of Rs.4.14 billion to the Company from the share repurchase made by Union Assurance PLC.
- Approved entering into a partial hedge of the USD 395 million syndicated loan facility, obtained by Waterfront Properties (Private) Limited for the development of "Cinnamon Life", as a measure to mitigate the interest rate exposure of the Group.

3.1.2 Board Composition

As at 25 May 2016, the Board comprised of 10 Directors, with 7 of them being Non-Executive and Independent. The Group policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

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



3.1.3 Board Skills

Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business, administration, banking, finance, law, economics, marketing and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgment. Further details of their qualifications and experience are provided under the Board Profiles section of the Annual Report.

JKH 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 ensuring that the skills representation is in alignment with current and future needs of the Group. Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.

3.1.4 Access to Independent Professional Advice

In order to preserve the independence of the Board and to strengthen the decision making, the Board seeks independent professional advice, in furtherance of their duties, at the Group's expense. This is coordinated through the Board Secretary as and when requested. During the year, the Board contacted experts on the remuneration paid to the Executive Directors and Senior Management Personnel.

3.1.5 Board Appointment

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

Details of new Directors are disclosed to the shareholders at the time of their appointment by way of public announcement as well as in the Annual Report (refer Board Profiles

Corporate Governance Commentary

section of the Report). The Directors are required to report any substantial changes in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board.

3.1.6 Board Induction 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 have 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, Risk Consultants etcetera.

The Board of Directors recognises the need for continuous training and expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors.

3.1.7 Re-election

All the Non-Executive Directors are appointed for a period of three years and are eligible for re-election by the shareholders. Non-Executive Directors can serve up to a

“ The Directors continue to have independent contact with the corporate and senior management of the Group. ”

maximum of three successive terms unless an extended Board tenure is necessitated by the exigencies 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 similar to that applying to Non-Executive Directors.

3.1.8 Board Meetings

3.1.8.1 Regularity of Meetings and Pre-Board Meetings

During the financial year under review, there were four pre-scheduled Board meetings. 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 2015/16 is given below.

	Date of appointment	Board meeting attendance					
		26.05.2015	30.07.2015	03.11.2015	29.01.2016	Eligible to attend	Attended
Executive							
S Ratnayake - Chairman-CEO	1992/93	✓	✓	✓	✓	4	4
A Gunewardene - Deputy Chairman	1992/93	✓	✓	✓	✓	4	4
R Peiris - Group Finance Director	2003/04	✓	✓	✓	✓	4	4
Senior Independent Non-Executive							
F Amerasinghe	1999/00	✓	✓	✓	✓	4	4
Independent Non-Executive							
A Cabraal	2013/14	✓	✓	✓	✓	4	4
I Coomaraswamy	2010/11	✓	✓	✓	✓	4	4
T Das	2000/01	✓	✓	✓	✓	4	4
N Fonseka	2013/14	✓	✓	✓	✓	4	4
A Omar	2012/13	✓	✓	✓	✗	4	3
P Perera	2014/15	✓	✓	✓	✓	4	4

3.1.8.2 Timely Supply of Information

The Board of Directors was provided with the necessary information well in advance (at least 2 weeks prior to the meeting), by way of Board papers and proposals, for all four Board meetings held during the year in order to ensure robust discussion, informed deliberation and effective decision making. Board papers are 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 in a proper manner, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2015/2016 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 actuals and outlook
- Summation of strategic issues discussed at Pre-Board meetings
- Approval of quarterly and annual financial statements
- Ratification of capital expenditure and donations
- Ratification of the use of the company seal and share certificates issued
- New resolutions
- Report on corporate social responsibility
- Review of Group risks, sustainability, HR practices/updates
- Any other business

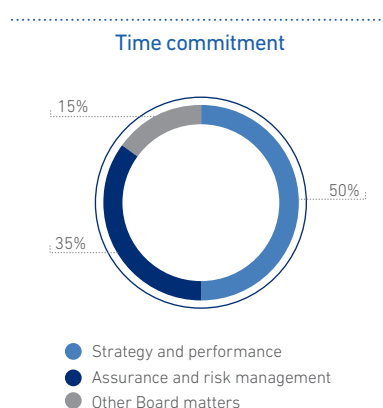
3.1.8.4 Board Secretary

The President HR, Legal and Secretarial is the Secretary to the Board, who is an Attorney-at-Law by profession. In addition to maintaining Board minutes and Board records, the Board Secretary has provided support in ensuring

that the Board receives timely and accurate information, advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

3.1.9 Time Dedicated by Non-Executive Directors

The Board has dedicated adequate time for the fulfillment 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 as illustrated below.



In addition to attending Board meetings and Pre-Board meetings, they have attended the respective Sub-Committee meetings and have also contributed to decision making via Circular Resolutions 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 the financial year 2015/16. This formalised process of individual appraisal enabled each member to self-appraise, on an anonymous basis, the performance of the Board under the areas of:

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

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

3.1.11 Managing Conflicts of Interests and Ensuring Independence

In order to avoid potential conflicts or biases, the Directors make a general disclosure of interests, as illustrated 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: <ul style="list-style-type: none"> • 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 every financial year	Directors who have an interest in a matter under discussion: <ul style="list-style-type: none"> • 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
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 two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at JKH or any of its subsidiaries
5. Close family member who is a Director, CEO or a Key Management Personnel	No family members of the EDs or NED/IDs is a Director or CEO of a related party company
6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	Refer note below

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

Note: All Directors make a formal declaration of all their interests on an annual basis. Based on such declarations and notwithstanding that Franklyn Amerasinghe and Tarun Das have completed more than 10 consecutive years as Directors, the Board considers them "Independent" given their objective and unbiased approach to matters of the Board.

Corporate Governance Commentary

Summary of Non-Executive Independent Directors' Interests

	Shareholding (1)	Management Director (2)	Material business relationship (3)	Employed by the Company (4)	Family member a Director or CEO (5)	Continuously served for more than nine years (6)
F Amerasinghe	•	•	•	•	•	•
A Cabraal	•	•	•	•	•	•
I Coomaraswamy	•	•	•	•	•	•
T Das	•	•	•	•	•	•
N Fonseka	•	•	•	•	•	•
A Omar	•	•	•	•	•	•
P Perera	•	•	•	•	•	•

- Compliant
- Compliant by assessment and resolution

3.1.11.1 Details in Respect of Directors

In addition to the Director profiles given in the Report, the following 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	Directorship status at JKH	No. of Board seats held in other listed Sri Lankan companies	
		Executive capacity	Non-Executive capacity
S Ratnayake	Chairman-CEO	Nil	• Ceylon Tobacco Company PLC
A Gunewardene	Executive Director	Nil	Nil
R Peiris	Executive Director	Nil	Nil
F Amerasinghe	Senior Independent Director	Nil	Nil
A Cabraal	Non-Executive Director	Nil	• Ceylon Beverage Holdings PLC • Lion Brewery (Ceylon) PLC • Hatton National Bank PLC
I Coomaraswamy	Non-Executive Director	Nil	• Tokyo Cement Company (Lanka) PLC
T Das	Non-Executive Director	Nil	Nil
N Fonseka	Non-Executive Director	Nil	• DFCC Bank PLC
A Omar	Non-Executive Director	Nil	• Textured Jersey Lanka PLC
P Perera	Non-Executive Director	Nil	• Ceylon Tobacco Company PLC

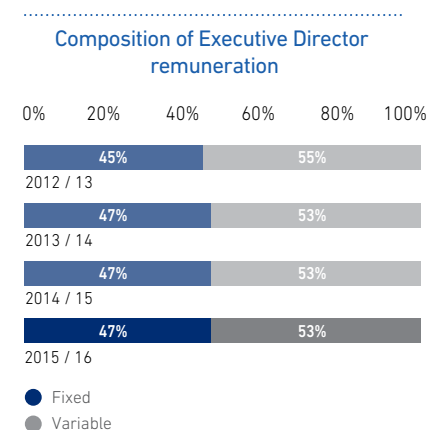
3.1.12 Director Remuneration

3.1.12.1 Executive Director Remuneration

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

Total aggregate Executive Director remuneration for the year was Rs.163 million of which Rs.76 million was a variable based on performance. This does not include the performance based Employee Share Options (ESOP) granted to the Executive Directors. During the year, ESOPs valued using a binomial pricing model were granted to the Executive Directors as well as to all other eligible employees. Further details are found in the Notes to the Financial Statements section and Share and Warrant Information section of this Annual Report.

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



3.1.12.2 Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments or share option plans. Total aggregate of Non-Executive Director remuneration for the year was Rs.22 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:

- Executive Directors: as per their employment contract similar to any other employee
- 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 are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The four Board Sub-Committees are as follows:

- i. Audit Committee
- ii. Human Resources and Compensation Committee
- iii. Nominations Committee
- iv. Related Party Transaction Review Committee

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

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

- Committee Member
- Committee Chair

3.2.1 Audit Committee

Composition	<p>All members to be exclusively Non-Executive, Independent Directors with at least one member having significant, recent and relevant financial management and accounting experience and a professional accounting qualification.</p> <p>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.</p>
Mandate	<p>Monitor and supervise management's financial reporting process in ensuring;</p> <ul style="list-style-type: none"> • Accurate and timely disclosure • Transparency, integrity and quality of financial reporting
Scope	<ol style="list-style-type: none"> i. Confirm and assure: <ul style="list-style-type: none"> • Independence of external auditor • Objectivity of internal auditor ii. Review with independent auditors the adequacy of internal controls and quality of financial reporting iii. Regular review meetings with management, internal auditor and external auditors in seeking assurance on various matters

Report of the Audit Committee

Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group, the internal control and risk management systems of the Group and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function, undertaken by the Group Business Process Review Division (Group BPR). The scope of functions and responsibilities are 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.

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

There was no change in the composition of the Committee during the financial year and the Audit Committee comprised of the undersigned and the following Independent Non-Executive Directors:

A Cabraal
I Coomaraswamy
P Perera

The Head of the Group BPR Division served as the Secretary to the Audit Committee.

The Audit Committee held five meetings 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, the 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

Corporate Governance Commentary

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 management and the external auditors, including the extent of compliance with 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 the matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The External Auditors were also engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30th September 2015. The results of this review were discussed with the External Auditors and management.

Internal Audit, Risks and Controls

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

The Group BPR Division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from the Outsourced Internal Auditors on the operations of the Company and some of the unquoted direct subsidiaries of the Company were also reviewed by the Committee. 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 quarterly by the Head of Group BPR.

During the year, the Group BPR division contracted with a Data Analytic vendor to implement a surveillance mechanism to identify exceptional transactions in near real time basis on a management dashboard for further investigation. This project was launched in end March 2016 at three pre-selected large companies and is currently under implementation at the other companies in the Group.

The Sustainability and Enterprise Risk Management division (SRM) 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 Ombudsman for the Group.

The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with management and changes effected where considered necessary.

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.

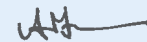
The External Auditors kept the Committee advised on an on-going basis regarding

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.

The External Auditors' final management reports on the audit of the Company and Group financial statements for the year 2014/15, together with management's responses, were discussed with management and the auditors.

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

The performance of the External Auditors has been evaluated and discussed with the Senior Management of the Company and the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation Auditors of the Group for the financial year ending 31 March 2017, subject to approval by the shareholders at the Annual General Meeting.



N Fonseka

Chairman of the Audit Committee

25 May 2016

Audit Committee Meeting Attendance

	19.05.2015	25.05.2015	29.07.2015	02.11.2015	28.01.2016	Eligible to attend	Attended
A Cabraal	✓	✓	✓	✓	✓	5	5
I Coomaraswamy	✓	✓	✓	✓	✓	5	5
N Fonseka	✓	✓	✓	✓	✓	5	5
P Perera	✓	✓	✓	✓	✓	5	5

3.2.2 Human Resources and Compensation Committee

Composition	<p>The Chairperson must be a Non-Executive Director. Committee should comprise exclusively of Non-Executive Directors, a majority of whom shall be independent.</p> <p>The Chairman-CEO and Group Finance Director are present at all Committee meetings unless the Chairman-CEO or Executive Director remuneration is under discussion respectively. The President, Human Resources and Legal, is also present at all meetings.</p>
Mandate	Determine the quantum of compensation (including stock options) for Chairman and Executive Directors, conduct performance evaluation of Chairman-CEO, review performance evaluation of the other Executive Directors and key Executives and establish a Group Remuneration Policy.
Scope	<p>i. Determine and agree with the Board a framework for remuneration of the Chairman and Executive Directors</p> <p>ii. Consider targets, and benchmark principles, for any performance related pay schemes</p> <p>iii. Within terms of agreed framework, determine total remuneration package of each Executive Director, keeping in view;</p> <ul style="list-style-type: none"> • Performance • Industry trends • Past remuneration <p>iv. Succession planning of Key Management Personnel</p> <p>v. Determining compensation of Non-Executive Directors will not be under the scope of this Committee</p>

Committee. The current “below industry norms” employee turnover suggests that the bond between the employees and the Company has strengthened over the years.

In June 2015, the Committee, as is usual, evaluated the performance of the CEO-Chairman and examined his evaluation of the Executive Directors and members of the Group Executive Committee (GEC). All of them were evaluated on measurable criteria which had been pre-agreed with them individually. Notwithstanding the same, the evaluation involved the closer examination of the achieved results in a background of the controllable and/or the non-controllable external conditions which could have impacted performance either favourably or adversely. All in all, the team performed well and the results achieved have been exceptional.

In conclusion, I wish to thank my colleagues, on the Committee for their insightful guidance and co-operation. I wish to also thank our secretary, Linda Starling, who has now retired for her contribution towards the effective functioning of the Committee over the past years.

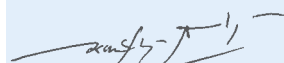
Report of the Human Resource and Compensation Committee

The Committee met three times during the year. The Committee interacted among themselves as well as with the Executive Board members when the necessity arose. The President in charge of Human Resources was proactive in facilitating the work of the Committee. This is greatly appreciated.

A report from the 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 and also updates the Board on various matters, as requested and as relevant. The Board was also kept advised of the work of the Committee at times by electronic mail. One important progressive measure taken during 2015/2016 was to make the responsibility for evaluating the CEO-Chairman a matter for the entire Board and not just for the Human Resource and Compensation Committee, as was existing.

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

The “pay for performance” scheme is monitored and the CEO-Chairman and the President, Human Resources, regularly briefs the Committee of the employee compensation and how it compares with the market. Based on the information available, the management staff appear to be content with their terms and with the manner in which they are assessed. The annual appraisal scheme, the calculation of the short term incentives and the award, and pricing of ESOPs are monitored by the



F Amerasinghe

Chairman of the Human Resource and Compensation Committee

25 May 2016

Human Resources and Compensation Committee Meeting Attendance

	29.06.2015	20.10.2015	Eligible to attend	Attended
F Amerasinghe	✓	✓	2	2
A Cabraal	✓	✓	2	2
I Coomaraswamy	✗	✓	2	1
N Fonseka	✓	✓	2	2
A Omar	✓	✓	2	2

Corporate Governance Commentary

3.2.3 Nominations Committee

Composition	The Chairperson must be a Non-Executive Director. The Chief Executive Officer should be a member.
Mandate	Define and establish the nomination process for Non-Executive Directors, lead the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors.
Scope	<ul style="list-style-type: none"> i. Assess skills required on the Board given the needs of the businesses ii. From time to time assess the extent to which the required skills are represented on the Board iii. Prepare a clear description of the role and capabilities required for a particular appointment iv. Identify and recommend suitable candidates for appointments to the Board. v. Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clearly <ul style="list-style-type: none"> • Expectation in terms of time commitment • Involvement outside of the formal Board meetings • Participation in Committees <p>The appointment of Chairperson and Executive Directors is a collective decision of the Board</p>

During the year, the Committee recommended to the Ceylon Cold Stores PLC (CCS) Board that Mr. M. Hamza be considered for appointment as a Non-Executive Director on the CCS Board. The recommendation was accepted.

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

The Committee also recommended to the Board that Mr. Tarun Das (with Mr. Tarun Das abstaining) be reappointed as a Non-Executive Director for a further term of 3 years commencing 15 August 2015.

In December 2015, the Nomination Committee Charter of JKH was amended to allow an immediate subsidiary of JKH PLC, listed on the Colombo Stock Exchange, to form a Nomination Committee, if such immediate subsidiary had, in turn, a subsidiary, of its own, listed on the Colombo Stock Exchange.


T Das*Chairman of the Nominations Committee*

25 May 2016

Report of the Nominations Committee

The Nominations Committee, as of 31st March 2016, consisted of the following.

F Amerasinghe
A Cabraal
T Das
A Omar
P Perera
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 period under review, the Committee had one formal meeting with all members in attendance and several other informal discussions.

Nominations Committee Meeting Attendance

	12.05.2015	Eligible to attend	Attended
F Amerasinghe	✓	1	1
A Cabraal	✓	1	1
T Das	✓	1	1
A Omar	✓	1	1
P Perera	✓	1	1
S Ratnayake	✓	1	1

3.2.4 Related Party Transaction Review Committee

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

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 were 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 of 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.

Report of the Related Party Transaction Review Committee

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

F Amarasinghe
A Cabraal
P Perera
S Ratnayake

In addition, the Group Finance Director Mr. Ronnie Pieris and the Group Financial Controller Mr. Mano Rajakariar attended meetings by invitation, and the Head of Group Business Process Review Mr. Druvi Sirisena served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board, of John Keells Holdings PLC and its listed Subsidiaries, in complying 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 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;
- that shareholder interests are protected; and
- that fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non recurrent RPTs of the parent and all its listed subsidiaries. Further,



N Fonseka

Chairman of the Related Party Transaction Review Committee

25 May 2016

Related Party Transaction Review Committee Meeting Attendance

	25.05.2015	29.07.2015	02.11.2015	28.01.2016	Eligible to attend	Attended
F Amarasinghe	✓	✓	✓	✓	4	4
A Cabraal	✓	✓	✓	✓	4	4
N Fonseka	✓	✓	✓	✓	4	4
P Perera	✓	✓	✓	✓	4	4
S Ratnayake	✓	✓	✓	✓	4	4

Corporate Governance Commentary

3.3 Combined Chairman-CEO Role

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

3.3.1 Appropriateness of Combining the Roles of Chairman and CEO

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

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

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

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

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

3.3.2 Chairman-CEO Appraisal

The Human Resources and Compensation Committee, chaired by the Senior Independent Director, appraised the performance of the Chairman-CEO on the basis of pre-agreed goals for the Group, set in consultation with the Board, covering the following broad aspects:

	Group's performance	
	Against goal	Against peers*
Creating and adding shareholder value	•	•
Achievement of financial goals	•	•
Execution of sustainability development and Green Agenda	•	
Success in identifying and implementing projects	•	
Sustaining a first class image	•	•
Developing human capital	•	
Promoting collaboration and team spirit	•	
Building sustainable external relations	•	•
Leveraging Board members and other stakeholders	•	
Ensuring good governance and integrity in the Group	•	•

* Other listed companies in the Colombo Stock Exchange

3.3.3 Direct Discussions with the Non-Executive Directors

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

3.4 Senior Independent Director

Given the combined role of the Chairman-CEO, the Senior Independent Director played the role in ensuring the adherence to corporate governance principles, and acted as the independent party to whom concerns could be voiced on a confidential basis.

During the year, the Senior Independent Director met with other Non-Executive Directors, without the presence of the Chairman-CEO, and evaluated the effectiveness of the Chairman-CEO and the executive support of the Board.

3.5 Group Executive Committee and Other Management Committees

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

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

3.5.1 Group Executive Committee (GEC)

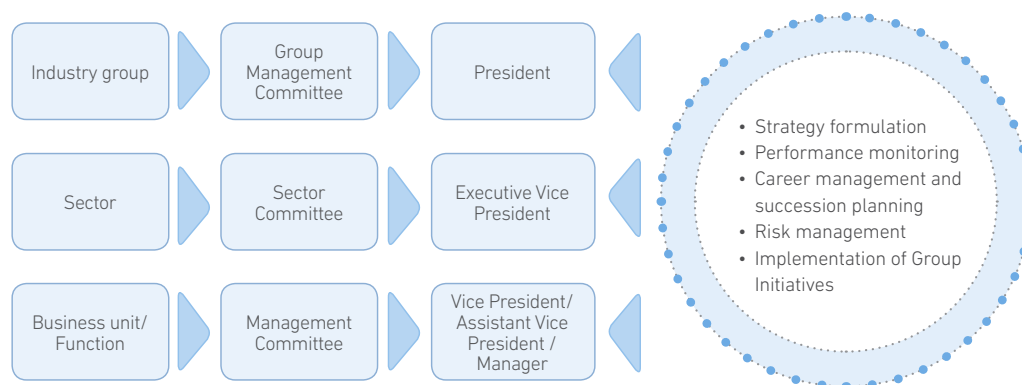
As at 25 May 2016, the 10 member GEC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director and the Presidents of each business/function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairman-CEO, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources. A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure (refer GEC Profiles section of the Annual Report for more details).

3.5.2 Group Operating Committee (GOC)

As at 25 May 2016, the 21 member GOC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director, the Presidents and the Executive Vice Presidents. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions. The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units (refer GOC Profiles section of the Annual Report for more details).

3.5.3 Other Management Committees

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 in a management by objectives setting.

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

3.6 Employee Empowerment

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

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights were defined for each level of employment in order to instill a sense of ownership, reduce bureaucracy and speed-up the decision making process.
- A bottom-up approach was taken in the preparation of annual and long-term plans and the Group also ensured employee involvement in strategy, and thereby empowerment, in the process.

- Organisational and Committee structures are designed to enable, and facilitate, high accessibility of all employees to every level of management.
- Open, honest, frank and constructive communication was encouraged at all levels. The Group strongly believes that constructive disagreement is essential for optimal decision making.

Moreover, the Group provides a safe, secure and conducive environment for its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race, 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 5,026 Group staff were sensitised under the project as at 31 March 2016. The Group has also embarked on a project to sensitise its 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 practices.

- Strategy formulation and decision making process
- Human resource governance
- Integrated risk management
- IT governance
- Stakeholder management and effective communications
- 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 aforementioned management committee structure where no single individual has unfettered decision making powers over investment decisions.
- The ultimate responsibility and accountability of the investment decision rests with the Chairman-CEO.

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

Corporate Governance Commentary

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



4.1.1 Project Approval Process

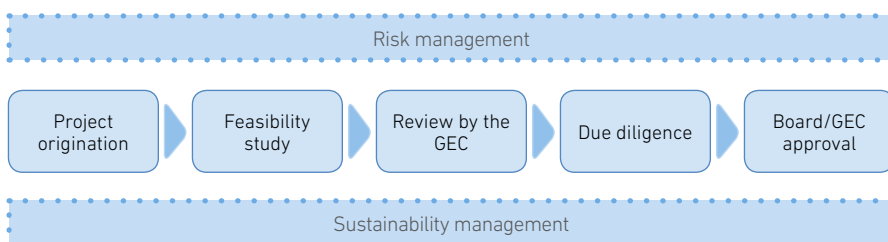
Projects undertaken at the Group follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility only, but encompasses a wider scope of work covering risk management,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

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

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

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

The aforementioned project appraisal framework flow is illustrated below:



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.

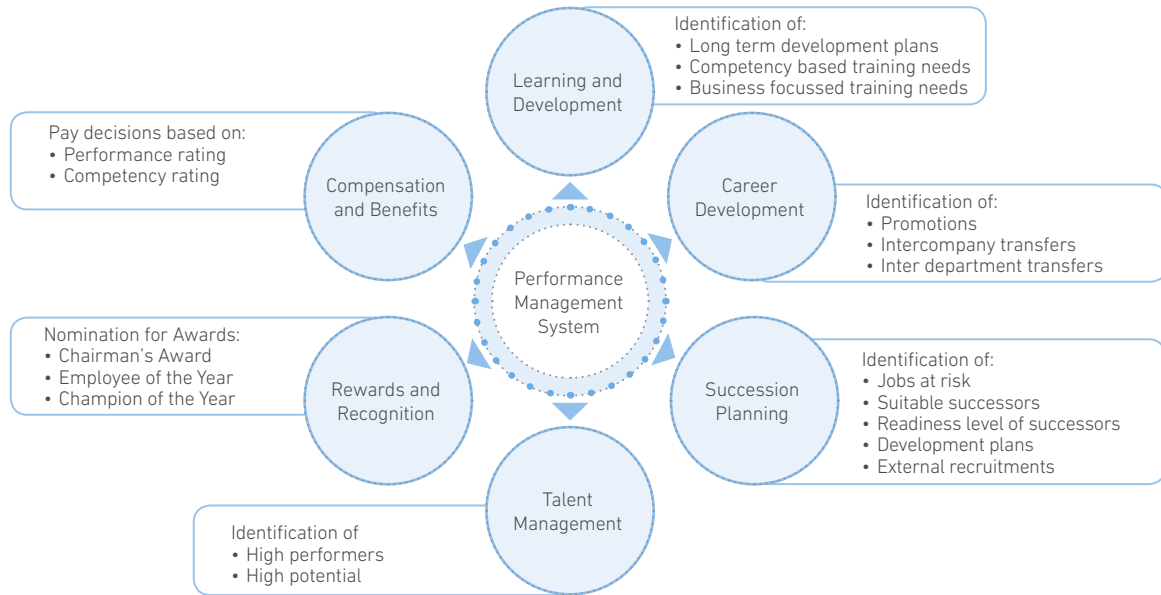
The Group performance management dynamics and compensation policy is explained in the ensuing sections.

“ 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. ”

4.2.1 Performance Management

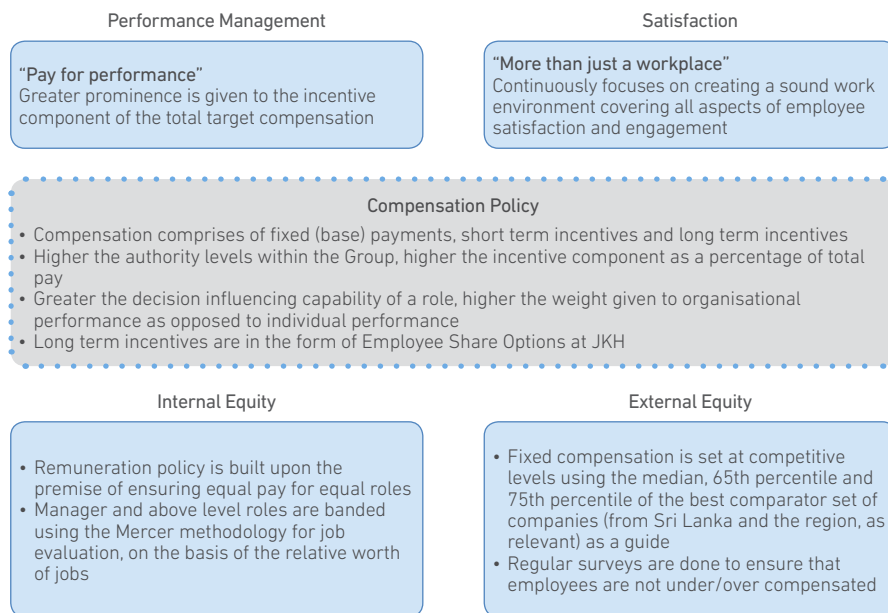
The Performance Management System, as illustrated below, is at the heart of many supporting human resource management processes such as learning and development, career development, succession planning, talent management, rewards/recognition and compensation/benefits.

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



4.2.2 Performance Based Compensation Philosophy

The JKH Group Compensation Policy is as follows:



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

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

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

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 focuses on wider sustainability

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.

Corporate Governance Commentary

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 IT function carried out a disaster recovery drill in November 2015, to ensure business continuity across the Group. This initiative enabled the Group to test its business resilience against the centrally hosted/facilitated IT services and provided an opportunity to identify limitations and areas for further improvement in the IT infrastructure.

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.

“ 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. ”

4.5.1 Channels to Reach All Shareholders of the Company

The primary modes of communication between the Company and the shareholders are through the 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, stock brokers and other interested parties in ensuring effective investor communication.

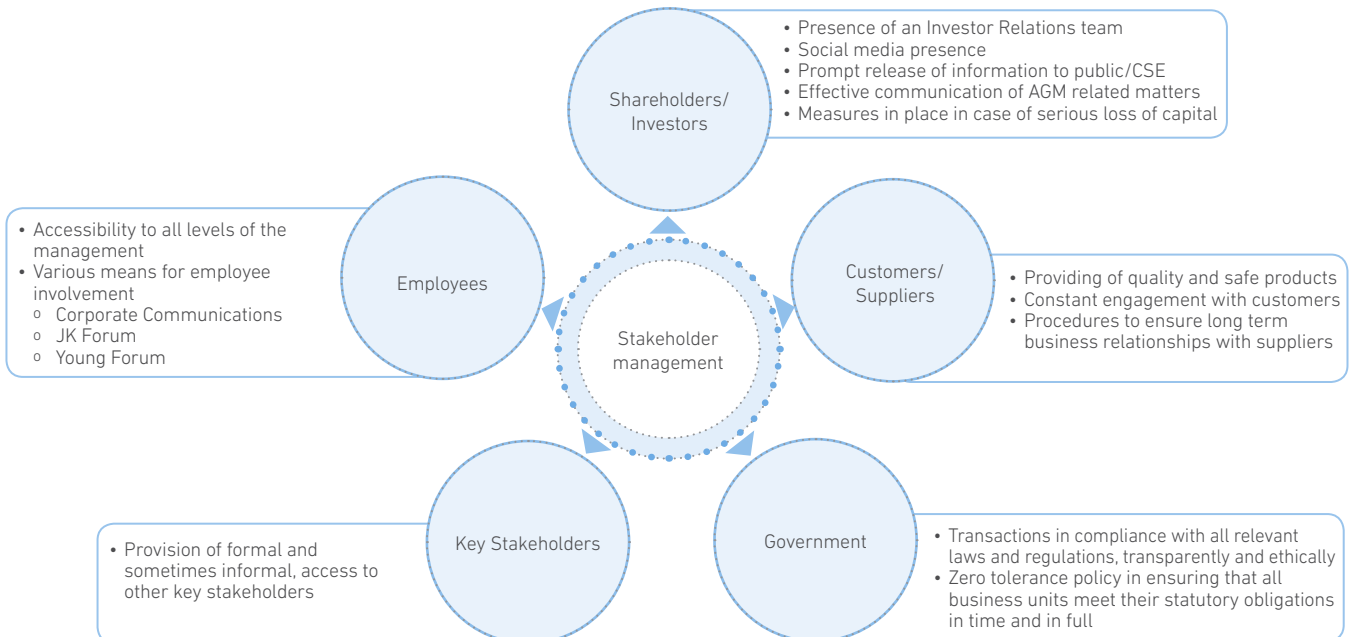
The Investor Relations team has regular discussions with shareholders, as and when applicable, to share highlights of the Group’s performance as well as to obtain constructive feedback. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries, the Senior Independent

Director or the Chairman. Further, individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

4.5.1.2 Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements. Accordingly, JKH has reported a true and fair view of its financial position and performance for the year ended 31 March 2016 and at the end of each quarter of the financial year 2015/16.

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 such a way as to 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 Annual Report from JKH in printed form. Printed copies are 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 general meetings 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 shareholder funds, shareholders would be notified and the requisite resolutions would be passed on the proposed way forward.

“ 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. ”

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. During the year under review, the Group's approach to sustainability was re-aligned to support the Sustainable Development Goals adopted by the United Nations in 2015, which expands on the Millennium Development Goals. Please refer the Materiality 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 signalling the need for quick corrective action, when necessary. These mechanisms also act as "safety nets" and internal checks in the Governance system, which are discussed in detail in the ensuing section.

5.1 The Code of Conduct

JKH Code of Conduct

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

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

The Group Values are found in the About Us section of the Annual Report and are/ have been consistently referred to by the Chairman-CEO, Presidents, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instill these values in the hearts and DNA of the employee.

5.2 Senior Independent Director

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

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

Corporate Governance Commentary

Report of the Senior Independent Director**Independent Directors**

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

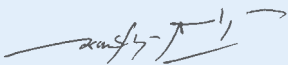
All the Independent Directors have served for less than nine years from their date of first appointment with the exception of Messrs Amerasinghe and Das. In keeping with the requirements of regulators, the Board after due consideration recommended that the said two Directors be still considered Independent and capable of acting independently and without bias, and therefore continue as members of the Board. The said two Directors are also over seventy years and the approval of the shareholders was obtained, at the AGM, for the said two Directors to continue on the Board.

The Independent Directors, apart from the other unstructured/informal contacts, meet every six months to discuss matters relevant to their responsibilities, and participation, as Non-Executive Board members. Accordingly two meetings were held. The Independent Directors concluded each meeting with a wrap up meeting with the Chairman-CEO and discussed with him matters which they felt needed looking into and/or sought information on other matters which they wished to raise.

The Independent Directors actively follow the work of the Group Executive Committee (GEC) through the GEC meetings minutes which are regularly forwarded to the entire Board. The system ensures that there is great transparency and interaction between the Executives and the Non-Executive members of the Board.

The Ombudsperson has reported to me that there have been no issues which showed any mismanagement, unfair treatment or justified discontent on the part of any employee or ex-employee during 2015/2016.

The Independent Directors would like to thank members of the management team for their ready co-operation in all matters where their attention, and participation, were sought. Particular mention is made of the members of the GEC, Sector Heads and Executive Directors for their openness and co-operation.


F Amerasinghe*Senior Independent Director*

25 May 2016

5.3 Board Sub-Committees

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

5.4 Employee Participation in Assurance

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

- Skip level meetings
- Exit interviews
- Young Forum meetings
- 360 degree evaluation
- Employee surveys
- Monthly staff meetings
- Ombudsperson
- Access to Senior Independent Director
- Continuously reiterating 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.

5.5.1 Internal Compliance

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

5.5.2 System of Internal Control

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

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

During the year, the Group reviewed the SoDs of every role and individual using the 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 allowed 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, during the year, the Group took steps, to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale. A revised SoD matrix is one of the outcomes of the exercise.

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 transaction numbers have increased exponentially over the years

and the traditional cyclical/sample based internal auditing techniques are becoming less effective. Therefore, during the year under review, the Group commenced “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 therefore.

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

“ 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. ”

Report of the Ombudsperson

Mandate and Role

For purpose of easy reference, I set out the 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 excluded 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.

Complaints Received and Responses by the Ombudsperson

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

Ombudsperson
25 May 2016

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, Deloitte and Touche, India and Luthra and Luthra, India as external auditors. The appointment/re-appointment of these auditors was recommended by the individual Audit Committees to their respective Boards of Directors. The audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

6. Regulatory and Accounting Benchmarks

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

The Board of Directors also took all reasonable steps in ensuring that all financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the CSE and other applicable authorities. Information 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.

Corporate Governance Commentary

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

Please refer section 8 of this Commentary for the compliance summary. The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by the 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. As is evident from the aforesaid Commentary, the Group has continued to endeavour, in the year under review, to stay abreast of governance best practices.

Corporate implosions 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 addressed by JKH.

7.1 Gender Diversity on the Board

There will undoubtedly be a renewed push to increase the number of women Board Directors. The question of whether more women in the boardroom leads to improved results have already been answered empirically, in many fora.

JKH believes that a Board which is composed of Directors who represent, and therefore reflect the needs and desires of its customers, employees and other stakeholders will be more effective. Given that women comprise a significant proportion of the customer and

“ 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. ”

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.

7.3 Cyber Security

JKH and its subsidiaries, are increasingly reliant on technology in ways that were, perhaps, inconceivable several years ago. In fact, there is really no end to the possibilities of how technology will continue to impact businesses. The Board is well aware of the need to protect companies from threats which are novel and illusive. There is a need to be proactive in avoiding, planning and being prepared for an inevitable breach. Therefore, cyber security will be a regular item on the agenda of Risk Management and Audit Committees. Needless to say, it will also be periodically discussed at the Board level.

7.4 Board Refreshment

There is increasing pressure for Boards to update themselves more frequently than they have done in the past. Whilst there is one school of thought that routine turnover on Boards is necessary to introduce new ideas, experiences and to keep up with the dynamic needs of the business, there is another school 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.

7.5 Board Independence

In corporate governance, independence is important in a number of contexts. It is vital that external auditors are independent of their clients; the internal auditors are independent of the colleagues they are auditing and that Non-Executive Directors have a degree of independence from their Executive colleagues on the Board. JKH will, as stated before, 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 encourage employee participation through;

- A further strengthened performance management process.
- Engagement and empowerment via greater authority.
- Enhanced training and development
- Increased communication and collaboration.
- Adoption of differentiated means of communication based on the age dynamics of employee segments.

8. Compliance Summary

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

Mandatory provisions - fully complied

	CSE Rule	Compliance status	JKH action
7.10 Compliance			
a./b./c.	Compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable
7.10.1 Non-Executive Directors (NED)			
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	7 out of 10 Board members are NEDs. The JKH Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board and to refresh progressively its composition over time, in line with needs
7.10.2 Independent Directors			
a.	2 or 1/3 of NEDs, whichever is higher shall be "independent"	Yes	All NEDs are Independent
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 7 Independent NEDs have submitted signed confirmation of their independence
7.10.3 Disclosures Relating to Directors			
a./b.	Board shall annually determine the independence or otherwise of NEDs	Yes	All Independent NEDs have submitted declarations as to their independence
c.	A brief resume of each Director should be included in the annual report including the directors' experience	Yes	Refer Board of Directors section of the Annual Report
d.	Provide a resume of new Directors appointed to the Board along with details	Yes	Detailed resumes of the new Independent NEDs appointed during the financial year were submitted to the CSE
7.10.4 Criteria for Defining Independence			
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Refer Summary of NEDs interests section of the Annual Report
7.10.5 Remuneration Committee			
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairman of the Committee
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee
c.1	Names of Remuneration Committee members	Yes	Refer Board Committees section of the Annual Report
c.2	Statement of Remuneration policy	Yes	Refer Director Remuneration section of the Annual Report
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section of the Annual Report
7.10.6 Audit Committee			
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The AC comprises only of Independent NEDs
a.2	A NED shall be the Chairman of the committee	Yes	Chairman of the AC 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

Corporate Governance Commentary

	CSE Rule	Compliance status	JKH action
a.4	The Chairman of the AC or one member should be a member of a professional accounting body	Yes	The Chairman of the AC is a member of a professional accounting body
b.	Functions of the AC	Yes	The AC carries out all the functions prescribed in this section
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Yes	The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies
b.3	Ensuring the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management
b.4	Assessment of the independence and performance of the Entity's External Auditors	Yes	The AC assesses the external auditor's performance, qualifications and independence
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	The Committee is responsible for appointment, re-appointment, removal of External Auditors and also the approval of the remuneration and terms of Engagement
c.1	Names of the AC members shall be disclosed	Yes	Refer Board Committees section of the Annual Report
c.2	AC shall make a determination of the independence of the external auditors	Yes	Refer Report of the AC in the Annual Report
c.3	Report on the manner in which AC carried out its functions.	Yes	Refer Report of the AC in the Annual Report

8.2 Companies Act No. 7 of 2007

Mandatory provisions - fully complied

	Rule	Compliance status	Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Yes	JKH Annual Report 2015/16 - Group Directory 2015/16
168 (1) (b)	Signed financial statements of the Group and the Company for the accounting period completed	Yes	JKH Annual Report 2015/16 - Financial Statements
168 (1) (c)	Auditors' Report on financial statements of the Group and the Company	Yes	JKH Annual Report 2015/16 - Independent Auditors' Report 2015/16
168 (1) (d)	Accounting policies and any changes therein	Yes	JKH Annual Report 2015/16 - Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Yes	JKH Annual Report 2015/16 - Annual Report of the Board of Directors 2015/16
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Yes	JKH Annual Report 2015/16 - Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Yes	JKH Annual Report 2015/16 - 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	JKH Annual Report 2015/16 - Group Directory 2015/16
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Yes	JKH Annual Report 2015/16 - Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	JKH Annual Report 2015/16 - Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	The Statement of Directors' Responsibility 2015/16

8.3 Code of Best practice of Corporate Governance Issued Jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA - Sri Lanka)

Voluntary provisions - fully complied

A. Directors

	Rule	Compliance status	Reference
A.1 Effective Board to Direct and Control the Company			
A.1.1	Regular Board meetings and supply of information	Yes	Corporate Governance Commentary – Section 3.1.8
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions	Yes	Corporate Governance Commentary – Section 3.1
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Yes	Corporate Governance Commentary – Section 3.1.4
A.1.4	Access to advice and services of the Company Secretary	Yes	Corporate Governance Commentary – Section 3.1.8.4
A.1.5	Bring Independent judgment on various business issues and standards of business conduct	Yes	Corporate Governance Commentary – Section 3.1.3
A.1.6	Dedication of adequate time and effort	Yes	Corporate Governance Commentary – Section 3.1.9
A.1.7	Board induction and training	Yes	Corporate Governance Commentary – Section 3.1.6
A.2 Chairman and Chief Executive Officer			
A.2.1	Justification for combining the roles of the Chairman and the CEO	Yes	Corporate Governance Commentary – Section 3.3.1
A.3 Chairman's Role			
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner	Yes	Corporate Governance Commentary – Section 3.1.8.3
A.4 Financial Acumen			
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	Yes	Corporate Governance Commentary – Section 3.1.3
A.5 Board Balance			
A.5.1	In the event the Chairman and CEO is the same person, NEDs should comprise a majority of the Board.	Yes	Corporate Governance Commentary – Section 3.1.2
A.5.2	Where the constitution of the Board of Directors includes only two NEDs, both such NEDs should be "independent"	N/A	N/A
A.5.3	Definition of Independent Directors	Yes	Corporate Governance Commentary – Section 3.1.11
A.5.4	Declaration of Independent Directors	Yes	Corporate Governance Commentary – Section 3.1.11
A.5.5	Board determinations on independence or non-independence of NEDs	Yes	Corporate Governance Commentary – Section 3.1.11
A.5.6	If an Alternate Director is appointed by a NED such Alternate Director should not be an Executive of the company	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent NEDs to be the "Senior Independent Director" (SID)	Yes	Corporate Governance Commentary – Section 3.4
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns	Yes	Corporate Governance Commentary – Section 3.4
A.5.9	The Chairman should hold meetings with the NEDs only, without the presence of EDs	Yes	Corporate Governance Commentary – Section 3.3.3

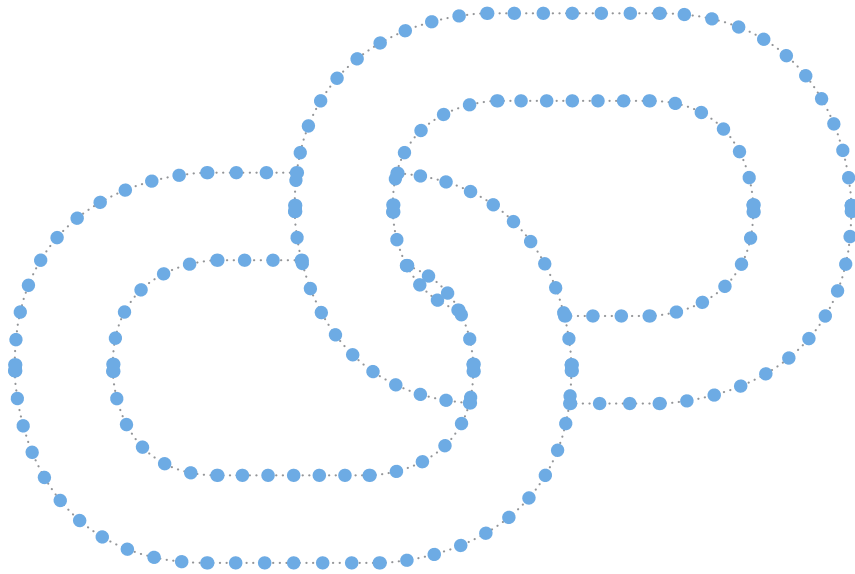
Corporate Governance Commentary

	Rule	Compliance status	Reference
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes	Yes	Corporate Governance Commentary – Section 3.1.8.4
A.6 Supply of Information			
A.6.1	Board should be provided with timely information to enable it to discharge its duties	Yes	Corporate Governance Commentary – Section 3.1.8.2
A.6.2	Timely submission of the minutes, agenda and papers required for the Board Meeting	Yes	Corporate Governance Commentary – Section 3.1.8.2
A.7 Formal and Transparent Procedure for Board Appointments			
A.7.1	Nomination Committee to make recommendations on new Board appointments	Yes	Corporate Governance Commentary – Section 3.1.5 and 3.2.3
A.7.2	Assessment of the capability of Board to meet strategic demands of the company	Yes	Corporate Governance Commentary – Section 3.2.3
A.7.3	Disclosure of New Board member profile and Interests	Yes	JKH Annual Report 2015/16 - Board Profiles
A.8 Re-Election			
A.8.1/ A.8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders	Yes	Corporate Governance Commentary – Section 3.1.7
A.9 Appraisal of Board Performance			
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities	Yes	Corporate Governance Commentary – Section 3.1.10
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees	Yes	Corporate Governance Commentary – Section 3.1.10
A.9.3	The Board should state how such performance evaluations have been conducted	Yes	Corporate Governance Commentary – Section 3.1.10
A.10 Disclosure of Information in Respect of Directors			
A.10.1	Profiles of the Board of Directors and Board meeting attendance	Yes	JKH Annual Report 2015/16 - Board Profiles Corporate Governance Commentary – Section 3.1.8
A.11 Appraisal of the Chief Executive Officer			
A.11.1/ A.11.2	Appraisal of the CEO against the set strategic targets	Yes	Corporate Governance Commentary – Section 3.3.2
B. Directors Remuneration			
B.1 Remuneration Procedure			
B.1.1	The Board of Directors should set up a Remuneration Committee	Yes	Corporate Governance Commentary – Section 3.2.2
B.1.2	Remuneration Committees should consist exclusively of NEDs	Yes	Corporate Governance Commentary – Section 3.2.2
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	Yes	Corporate Governance Commentary – Section 3.2
B.1.4	Determination of the remuneration of NEDs	Yes	Corporate Governance Commentary – Section 3.1.12.2
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other EDs	Yes	Corporate Governance Commentary – Section 3.1.12.1
B.2 The Level and Makeup of Remuneration			
B.2.1 - B.2.4	Performance related elements in pay structure and alignment to industry practices	Yes	Corporate Governance Commentary – Section 3.1.12
B.2.5	Executive share options should not be offered at a discount	Yes	Corporate Governance Commentary – Section 3.1.12
B.2.6	Designing schemes of performance-related remuneration	Yes	Corporate Governance Commentary – Section 3.1.12

	Rule	Compliance status	Reference
B.2.7/ B.2.8	Compensation commitments in the event of early termination of the Directors	Yes	Corporate Governance Commentary – Section 3.1.12.3
B.2.9	Level of remuneration of NEDs	Yes	Corporate Governance Commentary – Section 3.1.12.2
B.3 Disclosure of Remuneration			
B.3.1	Disclosure of remuneration policy and aggregate remuneration	Yes	Corporate Governance Commentary – Section 3.1.12
C. Relations with Shareholders			
C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings			
C.1.1	Counting of proxy votes	Yes	Complied at AGM/EGM
C.1.2	Separate resolution to be proposed for each item	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.1.3	Heads of Board Sub-Committees to be available to answer queries	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.1.5	Summary of procedures governing voting at General meetings to be informed	Yes	Corporate Governance Commentary – Section 4.5.1.3
C.2 Communication with Shareholders			
C.2.1	Channel to reach all shareholders to disseminate timely information	Yes	Corporate Governance Commentary – Section 4.5.1.2
C.2.2 - C.2.7	Policy and methodology of communication with shareholders and implementation	Yes	Corporate Governance Commentary – Section 4.5.1
C.3 Major and Material Transactions Including Major Related Party Transactions			
C.3.1	Disclosure of all material facts involving all material transactions including related party transactions	Yes	JKH Annual Report 2015/16 - Notes to Financial Statements
D. Accountability and Audit			
D.1 Financial Reporting			
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Yes	Corporate Governance Commentary – Section 4.5.1.2
D.1.2	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	Yes	JKH Annual Report 2015/16 - Annual Report of the Board of Directors
D.1.3	Statement of Directors' responsibility	Yes	JKH Annual Report 2015/16 - Statement on Directors' Responsibility
D.1.4	Management Discussion and Analysis	Yes	JKH Annual Report 2015/16 - Management Discussion and Analysis
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	Yes	JKH Annual Report 2015/16 - Annual Report of the Board of Directors
D.1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds	Yes	Corporate Governance Commentary – Section 4.5.1.4
D.1.7	Disclosure of Related Party Transactions	Yes	JKH Annual Report 2015/16 - Notes to the Financial Statements
D.2 Internal Control			
D.2.1	Annual review of effectiveness of system of Internal Control and report to shareholders as required	Yes	Corporate Governance Commentary – Section 5.5

Corporate Governance Commentary

	Rule	Compliance status	Reference
D.2.2	Internal Audit function	Yes	Corporate Governance Commentary – Section 5.5.5
D.2.3 / D.2.4	Maintaining a sound system of internal control	Yes	Corporate Governance Commentary – Section 5.5
D.3 Audit Committee			
D.3.1	The Audit Committee should be comprised of a minimum of two independent NEDs or exclusively by NEDs, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a NED, appointed by the Board	Yes	Corporate Governance Commentary – Section 3.2.1
D.3.2	Terms of reference, duties and responsibilities	Yes	Corporate Governance Commentary – Section 3.2.1
D.3.3	The Audit Committee to have written Terms of Reference covering the salient aspects as stipulated in the section	Yes	Corporate Governance Commentary – Section 3.2.1
D.3.4	Disclosure of Audit Committee membership	Yes	Corporate Governance Commentary – Section 3.2
D.4 Code of Business Conduct and Ethics			
D.4.1	Availability of a Code of Business Conduct and Ethics and an affirmative declaration that the Board of Directors abide by such Code	Yes	Corporate Governance Commentary – Section 5.1
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	Yes	JKH Annual Report 2015/16 - Chairman's Message
D.5 Corporate Governance Disclosures			
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report	Yes	Corporate Governance Commentary
E. Institutional Investors			
E.1 Shareholder Voting			
E.1.1	Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives	Yes	Corporate Governance Commentary – Section 4.5.1
E.2 Evaluation of Governance Disclosures			
E.2	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	Yes	Corporate Governance Commentary – Section 4.5.1
F. Other Investors			
F.1 Investing Divesting Decision			
F.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	Yes	Corporate Governance Commentary – Section 4.5.1.1
F.2 Shareholder Voting			
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	Yes	Complied at AGM/EGM
G. Sustainability Reporting			
G Sustainability Reporting			
G.1.1 – G.1.7	Disclosure on adherence to sustainability principles	Yes	Corporate Governance Commentary – Section 4.6 and GRI Index

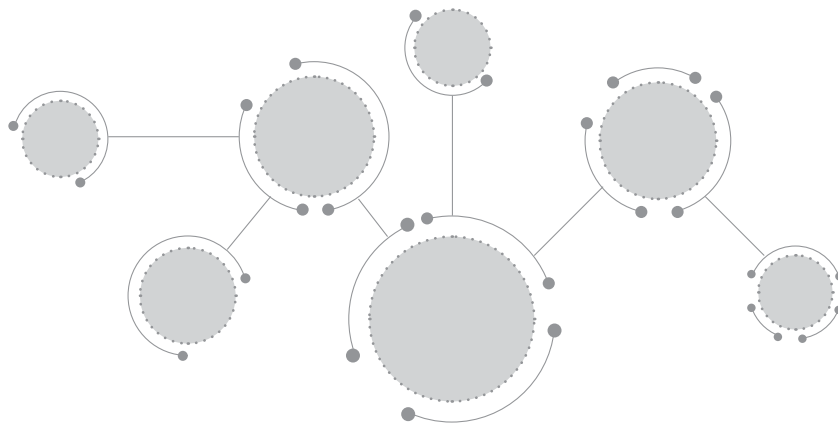


COMBINED

This section of the Report is subdivided into the Group Consolidated Review and the Industry Group Review. The Group Consolidated Review analyses Group performance whilst the Industry Group Review details the performance of each industry group in the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

51 Group Consolidated Review **105** Industry Group Review



INTERCONNECTED

Group Consolidated Review

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90	Risks, Opportunities and Internal Controls		95	Share and Warrant Information	

Group Consolidated Review

EXTERNAL ENVIRONMENT

This is the first Integrated Report of John Keells Holdings PLC in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Report is centred on the theme "Connected", which reflects the diverse relationships, partnerships, networks and synergies, amongst others, which come together to build the John Keells Group's value creation process.

In order to provide our stakeholders with 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 each of the industry group's performance during the year under review.

The Group Consolidated Review consists of the following sections:

- The Economy
- Capital Management Review
- Outlook
- Strategy, Resource Allocation and Portfolio Management
- Materiality and Stakeholder Relationships
- Risks, Opportunities and Internal Controls
- Share and Warrant Information

The Economy

Under the rebasing of the Gross Domestic Product (GDP) calculation which was introduced during the year under review, the Sri Lankan economy grew by 4.8 per cent for the calendar year 2015, marginally below the 4.9 per cent GDP growth recorded in 2014. Whilst the first half of the calendar year 2015 indicated a gradual increase in growth driven mainly by growth in services and recovery in agricultural output, the latter part of the year was marked by rising volatility in external financing conditions and monetary policy tightening.

A notable development in April 2016 was the preliminary agreement between the Government of Sri Lanka and the International Monetary Fund (IMF) to enter into a USD 1.50 billion Extended Fund Facility (EFF) for a period of three years. The facility, which is expected to be approved by the IMF Board in June 2016, focusses on four primary aspects, these being; tax reforms to narrow the fiscal deficit to 3.5 per cent of GDP by 2020, exchange rate flexibility, reforming of state-owned enterprises and better targeting of subsidies. The finalisation of the IMF facility is expected to support confidence and stability as discussed in the ensuing Outlook section of the Group Consolidated Review.

The following is a discussion on the movement of the primary macroeconomic variables during the year under review and the resultant impacts on the performance of the Group's businesses. 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 strategies and risks pertaining to the industry groups are covered in the Industry Group Review and Risks, Opportunities and Internal Controls sections of this Report.

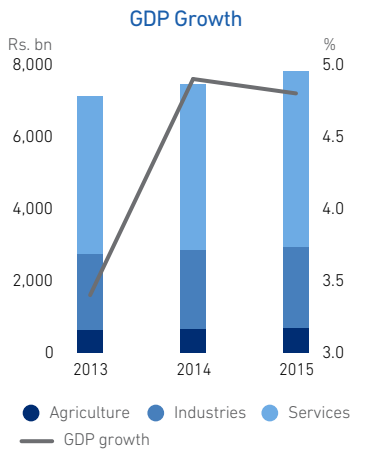
“ A more comprehensive discussion of the strategies and risks pertaining to the industry groups are covered in the Industry Group Review and Risks, Opportunities and Internal Controls sections of this Report. ”

See page 268 for a discussion on the Sri Lankan Economy

This is complemented with a 7 year summary of key economic indicators.

Group Consolidated Review EXTERNAL ENVIRONMENT

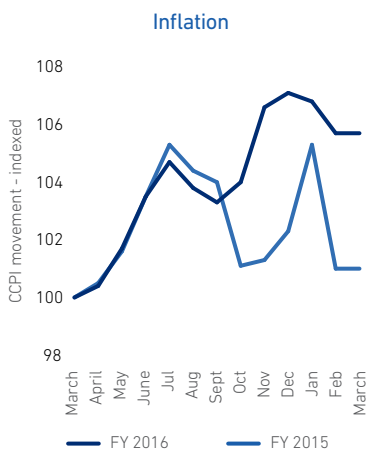
Movement	Cause	Impact to JKH
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Sri Lanka's GDP grew by 4.8 per cent in 2015 compared to 4.9 per cent in 2014.

The economic growth in 2015 was mainly supported by the services sector, which grew by 5.3 per cent. Agriculture and industry related activities also contributed positively to the growth during the year, expanding by 5.5 per cent and 3.0 per cent, respectively. Sri Lanka sustained its economic growth momentum despite a challenging global environment which resulted in reduced exports, remittances and significant capital outflows. The growth in 2015 was largely driven by an increase in consumption, whilst investment activities witnessed a deceleration.

The growth in GDP enhanced the sentiment of both consumers and businesses alike, which positively impacted the performance of the business units of the Group as a result of higher disposable incomes and the increase in tourist arrivals.



Year-on-year headline inflation, based on the CCPI, increased to 2.0 per cent in March 2016 from 0.1 per cent in March 2015. Year-on-year core inflation rose to 4.5 per cent in March 2016 from 1.4 per cent in March 2015.

The rising trend in core inflation, above headline inflation, indicates that inflationary pressures have gradually built up due to demand driven factors within the control of monetary policy as opposed to price increases in food or energy. Accordingly, the higher core inflation is mainly attributable to the low market interest rate environment which resulted in a rapid monetary expansion and the steep depreciation of the Rupee. Inflationary pressures were further compounded by the increasing budget deficit and low tax revenue due to delays in tax reforms.

The low inflation environment during the first nine months of the calendar year encouraged consumer sentiment and discretionary spending, which benefitted Group businesses. The rising inflationary trend during the latter part of the financial year did not impact the margins of the businesses, as there was no material translation to the price levels of raw materials.



AWPLR increased to 8.9 per cent in March 2016 compared to 6.9 per cent in the previous year. The three month Government T-bill rate was 9.9 per cent in March 2016 compared to 6.6 per cent in March 2015.

The rise in market interest rates, reflects the tightening monetary conditions and the transmission of policy actions of the CBSL. At the January 2016 Monetary Board meeting, it was decided that the SDFR and the SLFR will remain unchanged at 6.0 per cent and 7.5 per cent respectively. However, In order to arrest the possible build-up of demand pressures on inflation through excessive credit creation, CBSL increased the SRR applicable on all Rupee deposit liabilities of commercial banks by 1.5 per cent to 7.5 per cent with effect from January 2016.

For most part of the financial year, the Group benefitted from the low rates on its short and long term borrowings portfolio, particularly on term loans priced using AWPLR as a benchmark. However, the low interest rates had a negative impact on the Group's finance income. This was mitigated by the Group strategy to invest in more medium term investments based on the Group's rate outlook for the year.

	Movement	Cause	Impact to JKH
<p>Global Interest Rates</p> <p>3 month US Dollar LIBOR</p>	<p>3 month USD LIBOR increased to 0.63 per cent in March 2016 from 0.27 per cent in March 2015.</p>	<p>The 3 month USD LIBOR was generally stable for the first nine months of 2015 due to the US Fed delaying policy rate hikes due to low single digit inflation, on the back of declining oil prices, and global economic uncertainty, particularly in China. Subsequently, and as anticipated, in December 2015, the Federal Reserve approved a quarter-point increase in its target funds rate, due to a steady economic recovery and relative stabilisation of the global economic outlook.</p>	<p>The steady LIBOR rates during most part of the calendar year were as expected with the Group's rate forecast. Given the likelihood of further rate increases in 2016 and beyond by the Federal Reserve and the pricing based on the interest rate swap curve, the Group entered into a partial hedge on the USD 395 million syndicated facility as a prudent measure to mitigate the Group's exposure to any rate fluctuations.</p>
<p>Exchange Rate</p> <p>LKR/USD exchange rate</p>	<p>The Rupee depreciated to Rs.144.69 as at 31 March 2016 against the US Dollar compared to Rs.133.32 in the previous year.</p>	<p>In September 2015, the CBSL allowed a free float of the Sri Lankan Rupee, moving away from quoting a reference rate for the currency. The Rupee depreciated significantly during the latter half of the financial year on the back of higher imports, growing private sector credit and falling export earnings. The slide of the Rupee however is in line with the pressures witnessed by many emerging market currencies, reflecting global views on the fundamentals of such economies.</p>	<p>The depreciation of the Rupee had a positive financial impact on businesses having Dollar denominated income streams, particularly in the Leisure industry group. However, due to differences of timing, there were short term impacts on the translation on foreign currency debt in Leisure. Given the higher reliance on imported inputs, Consumer Foods and Office Automation businesses took proactive steps to mitigate exchange rate risks, although the impacts were not material in the context of the Group, particularly since Consumer Foods had offsetting impacts due to lower commodity prices. 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 foreign exchange markets.</p>

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

Group Consolidated Review

CAPITAL MANAGEMENT REVIEW

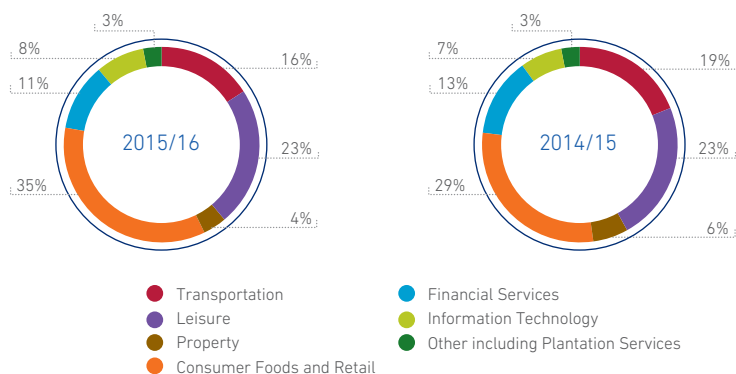
Financial and Manufactured Capital Review

Revenue

In the year under review, Group revenue increased by 2 per cent to Rs.93.28 billion [2014/15: Rs.91.85 billion] with primary contributions from the Consumer Foods and Retail (CF&R), Leisure and Transportation industry groups. Revenue growth was muted due to the decline in revenue in the Bunkering business of the Transportation industry group solely due to the decline in oil prices despite maintaining its market share. Revenue emanating from domestic sources was Rs.79.20 billion [2014/15: Rs.78.28 billion].

Group revenue, inclusive of associate company revenue, increased by 2 per cent to Rs.104.75 billion [2014/15: Rs.102.65 billion]. Revenue from associate companies increased by 6 per cent to Rs.11.47 billion compared to the Rs.10.80 billion in the previous year. With the exception of South Asia Gateway Terminals (SAGT), all associates recorded an increase in revenue. The primary increases were from Union Assurance General Limited, which recorded a full year of operations as an associate company compared to only one quarter in the previous year and Cinnamon red, where performance exceeded expectations.

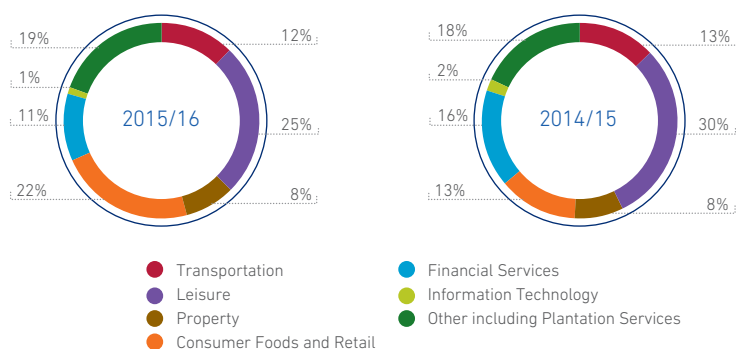
Group revenue composition



Earnings Before Interest and Tax

During the year under review, the earnings before interest and tax (EBIT) increased by 5 per cent to Rs.20.19 billion [2014/15: Rs.19.23 billion] driven by increases in contributions from CF&R and Other including Plantation Services industry groups. The growth in EBIT is despite the previous year's performance including capital gains of Rs.2.23 billion, whereas the Group recorded a total capital gain of only Rs.82 million in the current year arising from the share repurchase of Asia Power (Private) Limited. The growth in EBIT during the year under review, excluding the impact of these capital gains, was 18 per cent, demonstrating the robust business performance of the Group.

Group EBIT composition



Rs. 20.19 Bn



Group EBIT

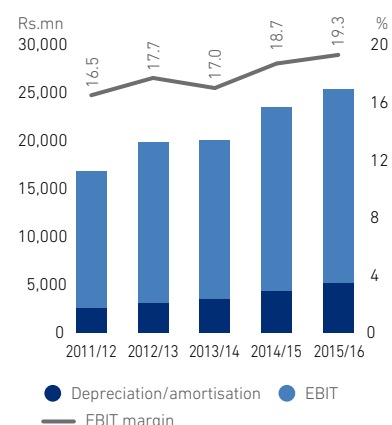
A growth of 5 per cent

Fair value gains on investment property were recorded at Rs.263 million in 2015/16, comprising of gains of Rs.194 million, Rs.52 million and Rs.17 million at Property, Other including Plantation Services and CF&R respectively. This compares with a total of Rs.49 million recorded in the previous year.

In terms of composition of EBIT, Leisure was the primary contributor with a 25 per cent contribution, followed by CF&R and Other Including Plantation Services with contributions of 22 per cent and 19 per cent respectively.

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

Group EBIT, EBITDA and EBIT margins



EBIT margins (%)	Reported		Recurring	
	2015/16	2014/15	2015/16	2014/15
Transportation	15.0	12.0	15.0	12.0
Leisure	21.1	24.5	21.1	24.5
Property	38.6	28.8	34.1	28.7
Consumer Foods and Retail	12.3	8.6	12.3	8.6
Financial Services	19.3	23.7	19.3	14.3
Information Technology	1.9	5.3	1.9	5.3
Other including Plantation Services	146.7	98.5	144.8	97.5
Group	19.3	18.7	19.0	17.5

In addition to the discussion of the financial performance as reported, the Group Consolidated Review will also analyse the Group performance at a recurring level – where the impacts of fair value gains on investment property and the capital gain on the disposal of Union Assurance General Limited amounting to Rs.1.22 billion recorded in 2014/15 will be excluded, as these do not arise as a result of the Group's ongoing core operations. Accordingly, the recurring EBIT for the year under review increased by 11 per cent to Rs.19.93 billion compared to the Rs.17.96 billion in the previous year.

The above table illustrates the reported and recurring EBIT margins for each industry group. The recurring Group EBIT margin increased to 19.0 per cent from 17.5 per cent in the previous year. With the exception of Leisure and Information Technology, all other industry groups achieved a growth in recurring EBIT margins. For detailed discussions on the growth in EBIT for the respective industry groups, refer the Industry Group Review section of this Report.

The increase in recurring EBIT margins in the Other Including Plantation Services industry group is mainly attributable to the increase in finance income on account of exchange rate gains recorded at the Company on its foreign currency denominated cash holdings. However, this was off-set to an extent due to an impairment on account of a deterioration of projected cash inflows in the BPO cluster. The decrease in the EBIT margins of Information Technology is mainly due to a bad debt provision arising out of the termination of business with a key client in the BPO business because of non-settlement. In spite of the CF&R industry group recording a significant improvement in overall performance, its EBIT margin is comparatively lower than the other industry groups as the Retail industry, in general, is marked by low EBIT margins, both locally and globally.

Finance Income

During the period under review, the finance income of the Group decreased marginally by 1 per cent to Rs.8.01 billion [2014/15: Rs.8.12 billion], of which the composition is given as follows.

Finance Income In Rs:000s	2015/16	2014/15
Interest income from life insurance policy holder funds at UA*	2,566,963	2,736,388
Interest income of Group excluding UA	3,659,192	3,249,280
Capital gains from disposals of private equity investments of JKH	82,406	1,010,417
Other finance income	1,702,391	1,126,412
Total	8,010,952	8,122,497

* UA - Union Assurance PLC

Interest income related to Union Assurance PLC (UA) amounting to Rs.2.57 billion [2014/15: Rs.2.74 billion], net of related costs, is classified under operating segment results on the basis that interest income from the life insurance funds is considered as operational income. The decrease in interest income from UA is mainly on account of not recognising the interest income contribution from Union Assurance General Limited which is now treated as an associate company post the divestment of the business in 2014/15.

As per the SLFRS accounting standards, finance income includes capital gains from the disposal of private equity investments, which amounted to Rs.82 million during the year under review. The increase in interest income of the Group, excluding UA, to Rs.3.66 billion is mainly on account of increases in deposit rates. The increase in other finance income to Rs.1.70 billion is mainly on account of the exchange rate gains recorded on the Company's foreign currency denominated cash holdings. Further details on finance income can be found in the Notes to the Financial Statements section of the Annual Report.

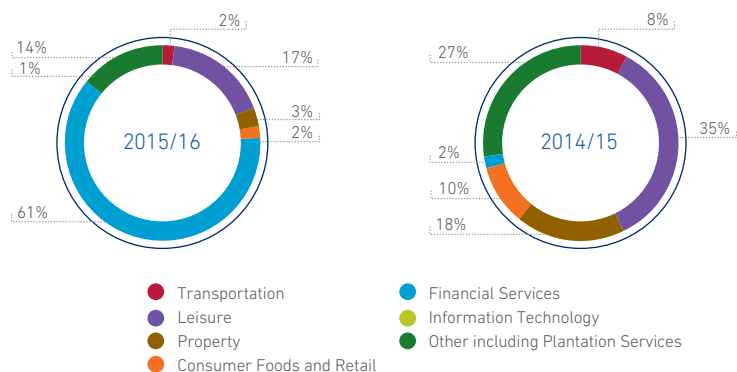
Finance Expense

The finance expense of the Group increased to Rs.994 million compared to the Rs.668 million recorded in the previous year. The increase is mainly on account of mark-to-market losses on short term financial instruments of the life insurance fund at Union Assurance PLC recorded during the year. However, this was off-set to an extent due to debt repayments which resulted in a decrease in total debt to Rs.20.75 billion from Rs.23.93 billion in 2014/15 combined with the relatively low interest rate environment which prevailed for most part of the financial year and refinancing of higher cost borrowings during the year.

Financial Services accounted for approximately 61 per cent of the total finance expense followed by Leisure and Other including Plantation Services with 17 per cent and 14 per cent respectively. Property contributed to the highest decrease in Group debt, followed by Other including Plantation Services and Leisure industry groups.

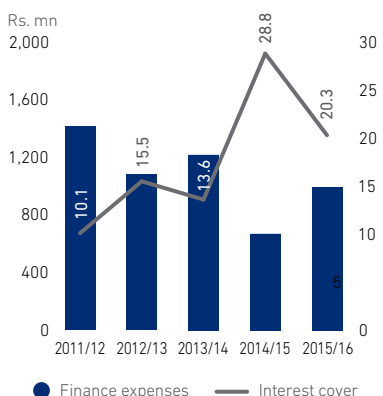
Group Consolidated Review CAPITAL MANAGEMENT REVIEW

Group finance expense



Finance expense incurred under the syndicate 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. The interest cover of the Group decreased to 20.3 times from 28.8 times in the previous year due to the increase in finance expense.

Finance expenses and interest coverage



Taxation

During the year under review, Group tax expense increased by 21 per cent to Rs.3.41 billion [2014/15: Rs.2.81 billion]. The Group tax expense comprised primarily of Rs.2.58 billion from Group profits and Rs.824 million as withholding tax from inter-company dividends. The increase in the Group tax expense was mainly on account of an increase in the income tax and dividend tax by Rs.374 million and Rs.220 million respectively. The increase in tax expense on Group profits was primarily on account of

CF&R, which has a higher effective tax rate, where reported profits increased significantly. The tax expense on inter-company dividends increased due to an increase in dividends received by the Company to Rs.10.26 billion from Rs.8.84 billion in the previous year. Due to these reasons, the effective tax rate on Group profits increased to 17.7 per cent as against 17.5 per cent in the previous year.

Other including Plantation Services, CF&R and Leisure were the highest contributors to the Group tax expense with Rs.1.43 billion, Rs.1.24 billion and Rs.601 million respectively. For further details on tax impacts of the Group refer to the Notes to the Financial Statements section of the Annual Report.

As per the provisions of Part III of the Finance Act No. 10 of 2015, the Group and the Company was liable for a Super Gain Tax (SGT) of Rs.1.34 billion and Rs.236 million respectively. According to the Act, the Super Gain Tax was deemed to be an item of expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. Therefore, this did not have an impact on the Income Statement for 2015/16 as it was adjusted through the Statement of Changes in Equity in 2015/16. The Government has reiterated that the SGT was a one-off tax and that enhancement of tax revenue in the future will be through implementation of tax reforms and widening of the tax base.

Profit After Tax

For the year under review, the Group profit after taxation (PAT) was Rs.15.79 billion [2014/15: Rs.15.75 billion]. Of the industry groups, Leisure, CF&R and Transportation were the highest contributors to PAT with

contributions of Rs.4.37 billion [2014/15: Rs.4.86 billion], Rs.3.23 billion [2014/15: Rs.1.80 billion] and Rs.2.45 billion [2014/15: Rs.2.34 billion] respectively. The recurring Group PAT increased by 7 per cent to Rs.15.53 billion from Rs.14.48 billion in the previous year.

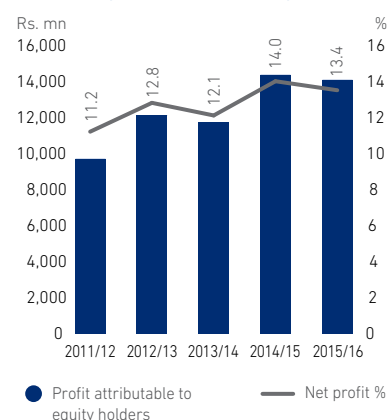
Non-Controlling Interest

Non-controlling interest (NI) increased by 23 per cent to Rs.1.72 billion [2014/15: Rs.1.40 billion] mainly due to the increase in profits at British Overseas Private Limited (BOPL) and Ceylon Cold Stores PLC (CCS), which also includes the profits from its 100 per cent owned subsidiary JayKay Marketing Services Limited. Both BOPL and CCS have a relatively higher non-controlling interest. The NI share of PAT for 2015/16 is 11 per cent as against 9 per cent in the previous year.

Profit Attributable to Equity Holders of the Parent

The profit attributable to equity holders of the parent decreased by 2 per cent to Rs.14.07 billion [2014/15: Rs.14.35 billion] mainly due to the aforementioned increase in non-controlling interest and the previous year's profits including capital gains. The net profit margin of the Group decreased to 13.4 per cent against 14.0 per cent in the previous year. However, the recurring net profit attributable to equity holders increased by 5 per cent to Rs.13.85 billion from Rs.13.14 billion in the previous year whilst the recurring net profit margin of the Group increased to 14.8 per cent against 14.1 per cent in the previous year.

Net profit ratio and net profit



Contribution to the Sri Lankan Economy

In furtherance to this year's Report theme "Connected", the following economic value statement depicts the generation of wealth and its distribution among the stakeholders in all business/social activities throughout the entire value chain. It also reveals the amounts reinvested for the replacement of assets and retained for the growth and development of operations. An overview of the Group's total purchases of goods and raw materials from its local community is found in the ensuing Social and Relationship Capital discussion and Industry Group Review section of the Report.

Economic Value Statement Rs.million	2015/16	2014/15
Direct economic value generated		
Revenue	93,282	91,852
Finance income	8,011	8,122
Equity accounted investees	2,781	2,778
Profit on sale of assets and other income	2,132	3,077
Valuation gain on investment property	263	49
	106,469	105,878
Economic value distributed		
Operating costs	69,391	69,227
Employee wages and benefits	11,623	11,180
Payments to providers of funds	10,763	5,541
Payments to Government	4,694	5,103
Community investments	125	234
	96,596	91,285
Economic value retained		
Depreciation	2,782	2,767
Amortisation	1,059	948
Profit after dividends	6,032	10,873
	9,873	14,589

Quarterly Performance at a Glance

(Rs.million)	FY 2015/16				
	Q1	Q2	Q3	Q4	Total
Net revenue	21,003	22,675	24,769	24,834	93,282
PBT	3,189	4,640	5,305	6,064	19,198
Transportation	590	844	464	597	2,495
Leisure	553	885	1,219	2,311	4,968
Property	203	273	558	609	1,643
Consumer Foods and Retail	880	1,036	1,085	1,472	4,472
Financial Services	373	299	1,092	(65)	1,699
Information Technology	68	23	92	(34)	148
Other including Plantation Services	522	1,280	796	1,175	3,772
Profit attributable to equity shareholders	2,178	3,475	4,738	3,679	14,070
Total assets	217,501	226,266	232,966	240,975	240,975
Total equity	150,727	157,322	163,619	168,480	168,480
Total debt	21,998	21,965	20,653	20,750	20,750

Return on Capital Employed

	Reported ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2015/16	11.1	=	19.3	x	0.46	x	1.26
2014/15	11.5	=	18.7	x	0.49	x	1.25

Rs. 229.53 Bn



Average Group Asset Base

A growth of 9 per cent

During the year under review, the Group return on capital employed (ROCE) decreased marginally to 11.1 per cent in comparison with the previous year. Whilst the EBIT margin and capital structure ratio recorded an increase, the impact was off-set by a higher proportionate decrease in the asset turnover ratio. The average asset base of the Group increased by 9 per cent to Rs.229.53 billion [2015/15: Rs.209.83 billion] primarily as a result of cash infusion from the 2015 Warrant issue amounting to Rs.7.97 billion and the inclusion of work-in-progress costs relating to the "Cinnamon Life" project. For further details on the ROCE of each of the industry groups, refer the Strategy, Resource Allocation and Portfolio Management and the Industry Group Review sections of the Report.

Group Consolidated Review

CAPITAL MANAGEMENT REVIEW

Return on Equity

	Reported ROE (%)	=	Return on assets (%)	x	Common earnings leverage	x	Capital structure leverage
2015/16	9.6	=	6.9	x	0.89	x	1.57
2014/15	11.0	=	7.5	x	0.91	x	1.61

The Group return on equity (ROE) declined to 9.6 per cent compared to the 11.0 per cent recorded in 2014/15, due to similar impacts as discussed under Group ROCE.

Adjusted ROCE and ROE

Similar to the previous years, in order to provide our readers with further insight on the Group's ROCE and ROE movements, the following adjustments are considered in re-assessing the ratios.

ROCE

When considering the Group capital employed for 2015/16, the following items are eliminated from the capital base, given the long gestation period.

- i. Equity and debt funding of the "Cinnamon Life" project:
 - Rs.31.07 billion received from the 2013 Rights Issue and 2015 Warrant Issue.
 - Syndicated project development facility amounting to Rs.11.14 billion drawn directly by Waterfront Properties (Private) Limited.
- ii. The cumulative finance income portion of Rs.3.05 billion received during the period 2013/14 to 2015/16 on account of the Rights and Warrants Issue funds.
- iii. Investment property gains amounting to Rs.782 million for the period 2013/14 to 2015/16.
- iv. Revaluation of property, plant and equipment amounting to Rs.3.09 billion for the period 2013/14 to 2015/16.

Similarly, the Group EBIT recorded for the year 2015/16 is adjusted for the following items:

- i. Finance income of Rs.1.23 billion received from the investment of the 2013 Rights Issue and 2015 Warrants Issue funds.
- ii. Investment property gains Rs.263 million.

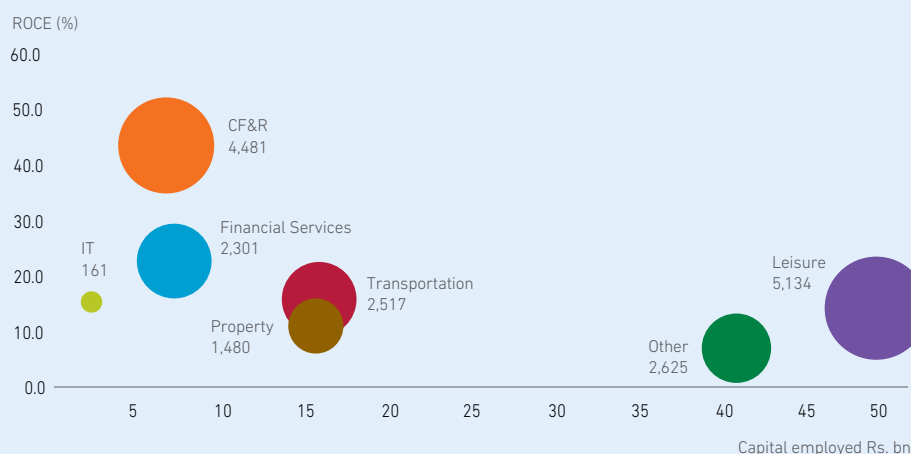
Based on the above, the adjusted industry group and overall Group ROCE is as illustrated in the table below. For comparison purposes, the capital gain arising from the disposal of Union Assurance General Limited amounting to Rs.1.22 billion in 2014/15 has been excluded when considering the ROCE for 2014/15.

(Rs.million)	Reported ROCE (%)		ROCE adjusted for Rights and Warrants Issue and Waterfront debt (%)		ROCE adjusted for Rights and Warrant Issue, Waterfront debt, investment property, gains and revaluations (%)	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Transportation	15.0	16.0	15.0	16.0	15.0	16.1
Leisure	11.6	10.0	11.6	10.0	14.5	11.5
Property	5.3	4.8	9.7	10.3	10.9	10.0
Consumer Foods and Retail	33.7	55.7	33.7	55.7	43.9	63.1
Financial Services	29.0	24.2	29.0	24.2	18.8	26.2
Information Technology	15.3	6.8	15.3	6.8	15.3	6.8
Other including Plantation Services	6.8	6.6	7.1	7.0	7.1	7.0
Group	11.5	11.1	13.4	13.4	14.0	14.3

The Group ROCE post the aforementioned adjustment is further analysed as follows;

	Adjusted ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2015/16	14.3	=	17.8	x	0.58	x	1.37
2014/15	14.0	=	16.3	x	0.63	x	1.36

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



ROE

Similarly, when adjusted for the above described impacts, the adjusted ROE for the Group is;

(Rs.million)	Reported ROE (%)		ROE adjusted for Rights and Warrants Issue and Waterfront debt (%)		ROE adjusted for Rights and Warrant Issue, Waterfront debt, investment property, gains and revaluations (%)	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Group	11.0	9.6	12.6	11.1	12.9	11.8

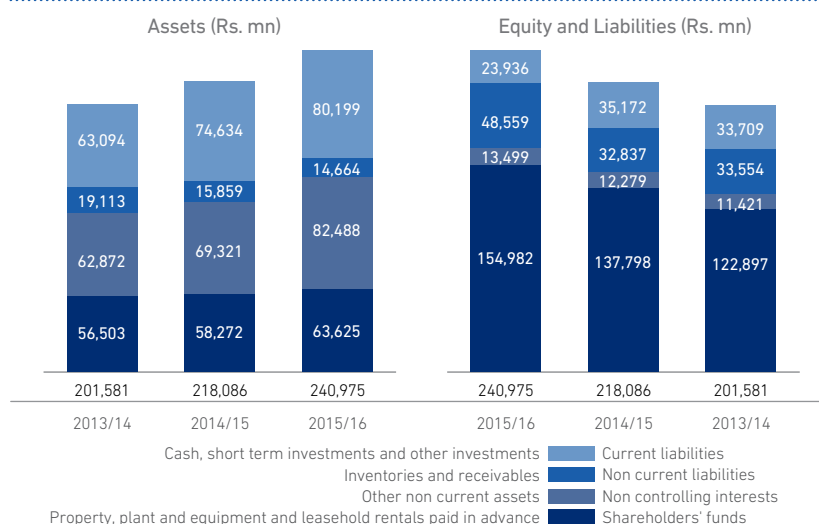
A du-pont analysis of the adjusted Group ROE is as follows;

	Adjusted ROE (%)	=	Return on assets (%)	x	Common earnings leverage	x	Capital structure leverage
2015/16	11.8	=	8.0	x	0.90	x	1.65
2014/15	12.9	=	8.2	x	0.91	x	1.73

The adjusted ROE declined to 11.8 per cent compared with the previous year due to the increase in average total assets and average shareholder funds, which resulted in a decline in the capital structure leverage ratio.

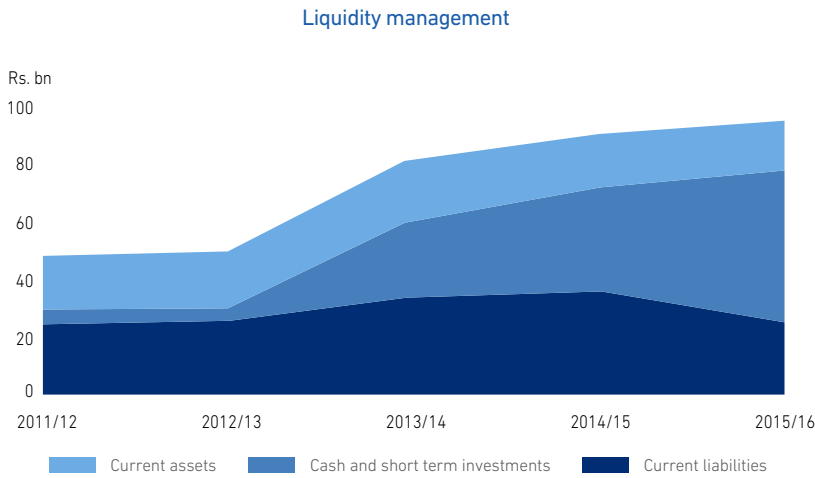
Financial Position Structure

For the period under review, the Group's total asset's increased by Rs.22.89 billion to Rs.240.98 billion [2014/15: Rs.218.09 billion] mainly on account of increases in other non-current assets, short term investments and additions to property, plant and equipment of the Group. The increase in other non-current assets was on account of work-in-progress costs relating to the "Cinnamon Life" project whilst the increase in short term investments was on account of the cash infusion from the 2015 Warrant Issue.



Group Consolidated Review CAPITAL MANAGEMENT REVIEW

Working Capital/Liquidity



Net working capital of the Group increased to Rs.70.93 billion as at 31 March 2016 [2014/15: Rs.55.32 billion]. Current liabilities declined on account of settlement of the bridge loan facility, which is now treated as a long term loan, obtained by Waterfront Properties (Private) Limited for the development of "Cinnamon Life". Current assets recorded an increase on account of the aforementioned cash infusion from the 2015 Warrant Issue.

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, pursue organic and acquisitive growth opportunities and to meet other obligations. In terms of the composition of the liquid assets of the Group, Other including Plantation Services accounted for more than half of the cash and cash equivalents, of which a majority of assets are in the Holding Company, followed by the Leisure and Financial Services industry groups.

Cash Flow

Cash and cash equivalents increased by Rs.8.04 billion to Rs.53.21 billion by the end of the current financial year [2014/15: Rs.45.17 billion]. Net cash from operating activities decreased by Rs.341 million mainly due to the payment of Rs.1.10 billion with regard to the Super Gains Tax. Net cash used in investing activities increased to Rs.4.76 billion mainly due to the increase in purchases of property, plant and equipment, lease rights and increase in short term investments in Government securities and bank deposits. Net cash used in financing activities was Rs.7.72

“ Current liabilities declined on account of settlement of the Bridge loan facility, which is now treated as a long term loan, obtained by Waterfront Properties (Private) Limited for the development of "Cinnamon Life". ”

billion in the current financial year compared against the Rs.4.84 billion in the previous financial year. The increase was primarily due to the higher dividend payment on account of the special dividend paid over and above the second interim dividend. This was off-set to an extent due to the cash infusion from the 2015 Warrant Issue and the debt drawn down from the syndicate project development facility.

Leverage and Capital Structure Capital Structure

A higher proportion of the Group's total assets at Rs.240.98 billion were funded by shareholder's funds (64 per cent) whilst the remainder were funded by a combination of non-controlling interests (6 per cent), long term creditors (20 per cent) and short term creditors (10 per cent). The long term funding of assets at Rs.217.04 billion was 90 per cent of total assets.

Rs. 20.75 Bn



Group Debt

A decrease of 13 per cent

Debt

The consolidated debt of the Group decreased to Rs.20.75 billion from Rs.23.93 billion in the previous year. The Property and Leisure industry groups continued to account for a majority of the Group's total debt with Rs.11.65 billion and Rs.4.66 billion respectively.

Where businesses have foreign currency denominated income, borrowings in foreign currency are effected to take advantage of the comparatively lower cost of foreign currency debt. This 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 84 per cent of the overall debt of the Group is denominated in foreign currency, primarily due to the increased debt of Cinnamon Life which is in foreign currency.

The Property industry group, followed by Other including Plantation Services, were the highest contributors to the decrease in Group debt. Except for Financial Services and Information Technology, all other industry groups recorded a decline in debt. The Property and Leisure industry groups settled a few loans that reached maturity during the year. The loan balance of the IFC facility as of 31 March 2016 reduced to USD 10 million from USD 20 million in the previous year, and will be repaid in full by the end of the 2016 calendar year.

The debt to equity ratio of the Group reduced to 12.3 per cent in the current year from 15.9 per cent in the previous year. The net debt (cash) to equity ratio was negative 30.8 per cent as against a negative 28.8 per cent in the previous year. The debt to EBITDA cover of the Group stood at 0.8 times compared to the 1.0 times in the previous year, underscoring the Group's ability to resort to higher leverage if required. Long term debt to total debt increased to 66 per cent from 21 per cent primarily due to the classification of the syndicate project development facility at Waterfront Properties (Private) Limited as long term debt.

	2015/16	2014/15
Current ratio (times)	4.0	2.6
Quick ratio (times)	3.8	2.4
Net working capital (Rs.mn)	70,927	55,321
Asset turnover (times)	0.5	0.5
Capital employed (Rs.mn)	189,230	174,011
Total debt (Rs.mn)	20,750	23,934
Net debt (cash) (Rs.mn)	(51,849)	(43,224)
Debt/equity ratio (%)	12.3	15.9
Net debt (cash)/equity ratio (%)	(30.8)	(28.8)
Long-term debt to total debt (%)	66.1	20.5
Debt/total assets (%)	8.6	11.0
Liabilities to tangible networth	0.4	0.5
Debt/EBITDA (times)	0.8	1.0
Net debt/EBITDA	(2.1)	(1.9)

Statement of Changes in Equity

Total equity of the Group increased by Rs.18.40 billion to Rs.168.48 billion [2014/15: Rs.150.08 billion]. The main increases were on account of the profit after tax of Rs.15.79 billion, other comprehensive income of Rs.4.29 billion and the funds generated from the exercise of the 2015 Warrant amounting to Rs.7.97 billion, which were partially offset by the dividends paid during the year amounting to Rs.8.04 billion.

Concluding the Group's Financial and Manufactured Capital Review, the section which follows discusses the third aspect of Capital Management, this being Natural Capital. This section will discuss the Group's management of its environmental impacts as well as the outcomes and value creation processes through its sustainability and corporate social responsibility agenda, respectively.

Natural Capital Review

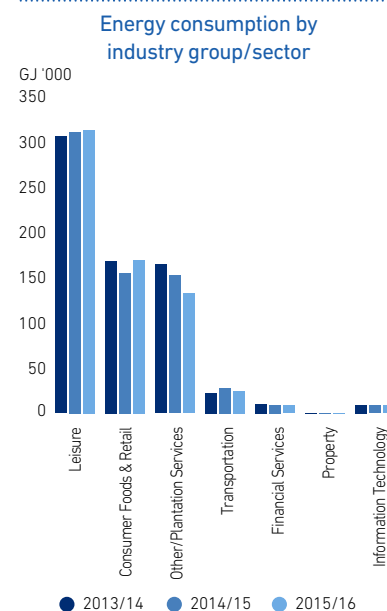
The Group strongly believes that a sound Natural Capital management strategy is a vital component of long term and sustainable value creation. As such, the Group is committed to establishing policies and procedures that enable sustainable and efficient business operations whilst also resulting in growth of the bottom line. The Group has a comprehensive environmental management system through which it focusses on energy conservation, the reduction of carbon footprint and optimisation of water usage, efficient waste management and conservation of biodiversity and wildlife, as discussed in the ensuing sections.

Energy and Carbon Footprint

During the year under review, the Group's energy consumption of 656,310 Gigajoules [2014/15: 664,653 Gigajoules] was derived from non-renewable and renewable energy sources and the national grid.

Total power consumed in GJ	2015/16	2014/15	2013/14
Direct energy	325,785	353,389	384,165
Fossil fuel	214,723	223,321	243,433
Diesel	136,794	138,740	144,377
Petrol	14,993	21,361	19,590
Furnace oil	37,057	38,638	55,380
LPG	25,880	24,717	24,086
Renewable energy	111,061	130,067	140,732
Indirect energy - national grid	330,525	311,263	296,747
Hydro and renewable	128,905	186,758	86,057
Thermal	201,620	124,505	210,690
Total energy consumption	656,310	664,653	680,912

The Leisure and CF&R industry groups were the largest consumers of energy, accounting for over 73 per cent of the energy consumed and 89 per cent of the carbon footprint of the Group.



The Plantation Services sector accounted for 20 per cent of the Group's total energy consumption. However, the sector contributed only 5 per cent to the Group's carbon footprint, primarily due to its continued usage of renewable energy generated through biomass. Tea Smallholder Factories PLC (TSF PLC) is the largest consumer of power in the Plantation Services sector obtaining 65 per cent of its energy through renewable energy. In addition, during the year under review, Group companies saved approximately 517,086 million kWh with a resultant estimated saving of 352 MT of carbon, through various energy conservation initiatives, details of which can be found in the Industry Group Review section of the Report.

“ The Group generated 7.2 million kWh of power from renewable energy sources. ”

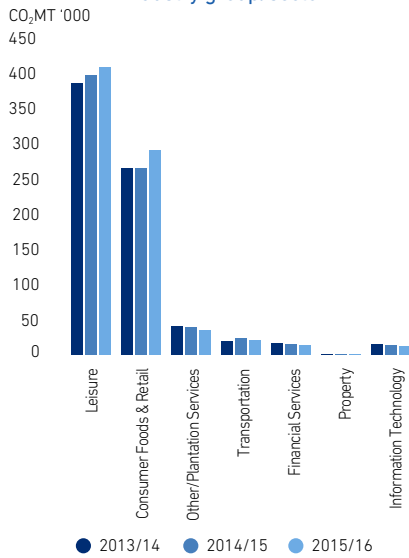
Group Consolidated Review CAPITAL MANAGEMENT REVIEW

Overall, the Group generated 7.2 million kWh of power from renewable energy sources such as firewood purchased from the surrounding communities and solar power, constituting 7 per cent of its total energy requirement. Whilst such practices have enabled the Group to reduce its environmental impact and cost of operations, it has also provided a means of livelihood for the surrounding communities.

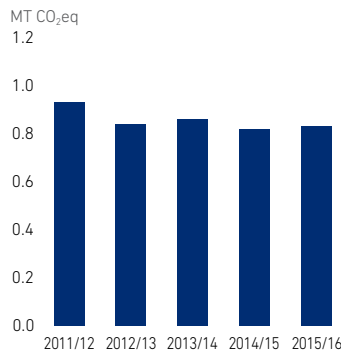
due to a full year's operations at Cinnamon red, 6 new Keells Super outlets resulting in an increase in the square footage and increased production volumes in the Consumer Foods sector, the Group recorded an increase of only 4 per cent in its carbon footprint amounting to 78,278 MT [2014/15: 75,267 MT]. The scope 1 direct energy carbon footprint amounted to 15,699 MT, while scope 2 indirect energy carbon footprint amounted to 62,579 MT. The movement over the past six years' carbon footprint in metric tons per million rupees of revenue illustrates an overall declining trend as depicted in the chart below.

“ 16 per cent of water discharged was completely recycled by operations. ”

Carbon footprint by industry group/sector

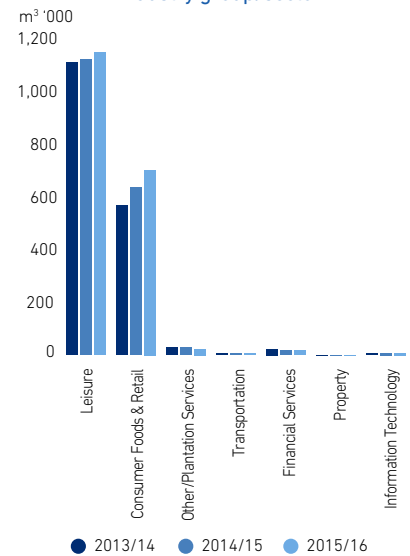


Carbon footprint per rupees million of revenue



year. This was mainly due to the increase in operational activity across all sectors of the Group. Where feasible, the Group seeks to fulfill part of its requirement from green water sources through rainwater harvesting. Given the nature of operations, the Leisure and CF&R industry groups account for the highest proportion of water consumed, with approximately 97 per cent of the Group's water consumed by these industry groups.

Water withdrawn by industry group/sector

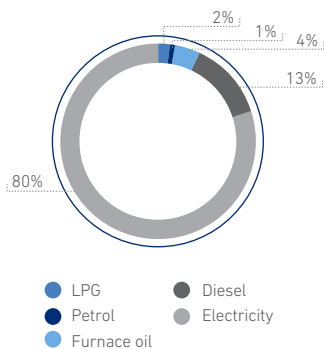


The main contributor to the Group's carbon footprint was electricity from the national grid followed by diesel and furnace oil. Given that Sri Lanka's national grid is hydro power based, the resultant carbon footprint is lower in comparison to countries producing power solely through fossil fuels.

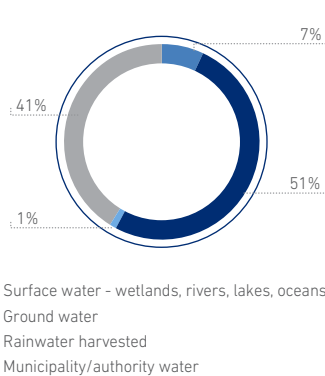
Water Management

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.

Carbon footprint by energy type



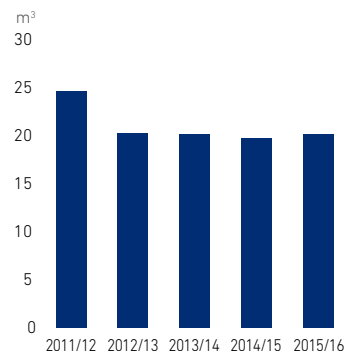
Water withdrawal by source



Demonstrating the continuous improvement in carbon efficiency and notwithstanding the increased operational activity of the Group

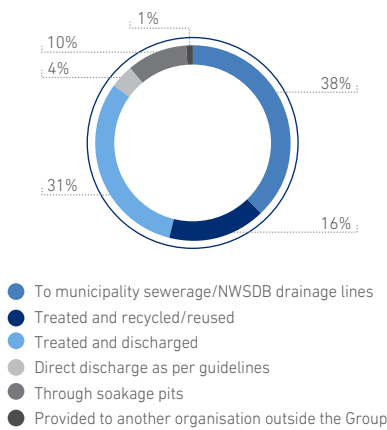
The Group withdrew a total of 1,904,911 cubic meters of water, resulting in a 5 per cent increase of consumption from the previous

Water usage per rupees million of revenue



The Group makes best efforts to reduce its water requirement through the recycling of treated effluent, where feasible. Where possible, the Group seeks to treat effluent to an acceptable quality and, in any event, ensures meeting of regulatory standards when returning such water to the environment.

Water discharge by method



During the reporting period, the Group discharged 1,439,138 cubic meters of effluent. Of all water discharged to the environment, 31 per cent was treated through on-site sewerage treatment plants at the various operational locations, 38 per cent was discharged to municipal sewerage treatment systems whilst 16 per cent of water was completely recycled by operations, utilising such water for general cleaning, gardening and flushing mechanisms.

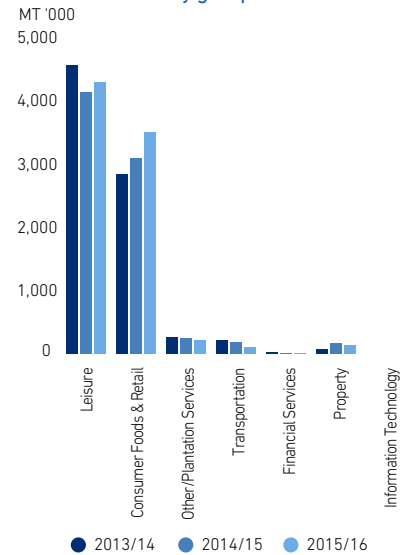
“ 42 per cent of waste produced was recycled or reused by the Group's business units or through selected third party contractors. ”

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 sector, as well as water savings initiatives, can be found in the Industry Group Review section of the Report.

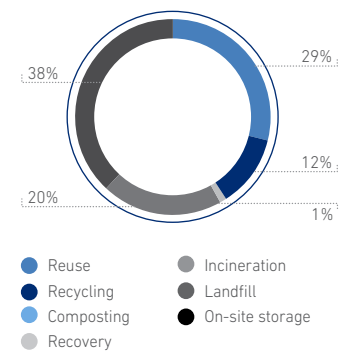
Waste Management

Despite increased operational activity across the Group, waste generated increased marginally to 8,251 MT from 7,803 MT in the previous year. Of this, 318 MT was classified as hazardous waste and disposed of through specialised third party contractors. Of the total waste produced, 42 per cent was recycled or reused by the Group's business units or through selected third party contractors. The Leisure and CF&R industry groups contributed to over 94 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.

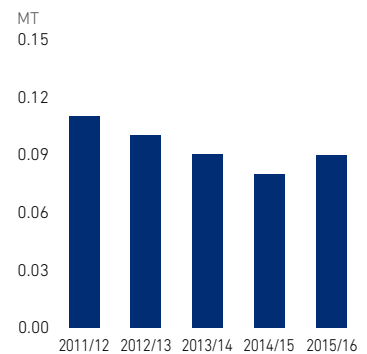
Waste generated by industry group/sector



Waste disposal by method



Waste generated per rupees million of revenue



Sewage treatment plant at Cinnamon Bay

Group Consolidated Review CAPITAL MANAGEMENT REVIEW

Progress Review on Sustainability Commitments

Targets for 2015/16	Comment on progress	Status
The Group will strive to outperform selected international benchmarks for carbon footprint, energy management and water management whilst seeking to better its own performance on the said aspects.	In the short to medium term, the Group will strive to reduce its carbon footprint, energy consumption and water usage through sector specific sustainability strategies.	Achieved, but will continue to be a part of the Group strategy going forward.

Corporate Social Responsibility Projects

As part of John Keells Group's conscious and collective effort to protect and enhance the environment, John Keells Foundation ("Foundation"), the social responsibility arm of the Group, has undertaken numerous projects over the years, contributing towards environmental conservation and sustainability. The following is an overview of the key initiatives undertaken by the Foundation. Refer to the John Keells Foundation website and the Supplementary Information section of this Report for further details.

Nature Field Centre, Rumassala

This project is the result of a collaboration between John Keells Foundation and the Central Environment Authority (CEA) to facilitate experiential learning on the environment and bio-diversity conservation. As per the CEA's report, a total of 1,564 visitors, of which 1,140 were students, visited the Centre during the year in review. In addition, following a needs assessment, the Foundation funded

and implemented work relating to water and sanitation facilities, including renovation of toilets, sewage and water systems.

Sri Lankan Elephant 2016

The Foundation was the "Tusker Sponsor" for this trilingual outdoor travelling exhibition, which showcased the current status of elephants in Sri Lanka. The exhibition was held in 12 cities around the island, many of which are heavily affected by the human-elephant conflict, and witnessed by a total of over 116,300 persons. The exhibition content was also reprinted and displayed during the public destruction of Blood Ivory at the Galle Face Green in January 2016.

Paper Conservation

During the year in review, waste paper continued to be collected from each of the business locations for shredding and recycling. The impact of this initiative during the reporting period is summarised as follows:

Waste paper collected (kg)	Payment (Rs.) (direct impact)	Savings (indirect impact)				
		Trees (Nos)	Water (Litres)	Electricity (kWh)	Oil (Litres)	Landfill (Cubic Meters)
57,736	404,152	974	1,817,816	228,800	100,390	171



School children learn about biodiversity conservation at the Nature Field Centre, Rumassala

Safe Drinking Water Initiatives

The Foundation focussed on two key projects aimed at providing access to safe drinking water facilities:

- Collaboration with the National Water Supply and Drainage Board (NWSDB) to address Chronic Kidney Disease (CKD). During the reporting year, the Foundation undertook a pilot project with NWSDB in the Trincomalee District (Morawewa DS and Gomarankadawela DS) involving the supply and installation of 2 Reverse Osmosis (RO) filtration systems. The systems will be operated and managed by the water-based CBOs in the respective villages while NWSDB will provide training and technical assistance for operation and maintenance.
- Partnership with the United Nations Global Compact (UNGC) Water Stewardship Project to provide equitable access to safe drinking water in Meegahakiula (Badulla District) which is estimated to directly benefit approximately 1,100 persons, including 4 schools. During the year, the Foundation released its full sponsorship for this initiative.

Concluding the Group's Natural Capital Review, the section which follows discusses the fourth aspect of Capital Management, this being the Human Capital.

Human Capital Review

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



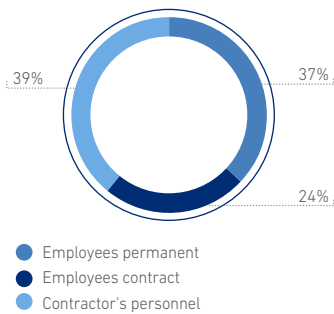
Further details of the Corporate Social Responsibility projects are available on <http://www.johnkeellsfoundation.com/>

Employee Diversity

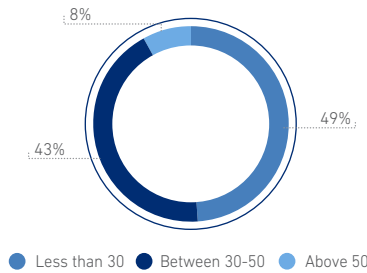
As an equal opportunity employer, the Group encourages workplace diversity, bringing about innovative thinking while creating an enabling environment which promotes a productive workforce. The workforce as at 31 March 2016 was 19,522 of which 11,886 were employees and 7,636 were outsourced personnel (over 4,000 were sales agents of Union Assurance PLC). Of the Group's total employees, 506 are placed in the Maldives and 458 in India, with the remainder stationed in Sri Lanka.

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

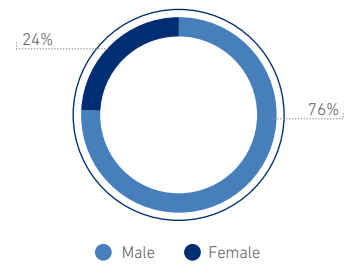
Workforce by type of employment



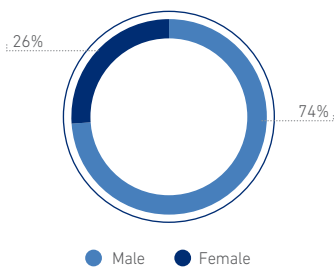
Total employees by age



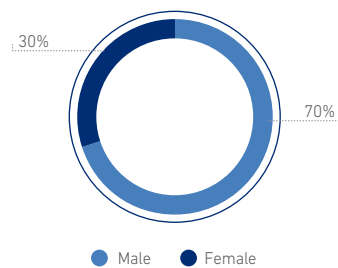
Total employees by gender



Workforce by gender



Contractor's personnel by gender



All of the ten Board Directors of JKH are over the age of 50 with one female Director. Of the 10 Group Executive Committee (GEC) members, one GEC member is female, whilst seven members are over 50 years of age and three members are between the ages of 30–50 years. Excluding the GEC members, of the thirteen members of the Group Operating Committee (GOC), five are between the ages

of 30–50, and eight are over the age of 50, with three GOC members being female.

As an equal opportunity employer in further expanding and strengthening our commitment of the acceptance and inclusion of diversity, our overall Non-Discrimination Policy, which commits to maintaining a workplace that is free from physical and

verbal harassment and discrimination on the basis of race, religion, gender, age, nationality, social origin, disability, political affiliation or opinion, was expanded to include sexual orientation and gender identity. A Group wide awareness campaign was also undertaken to sensitise staff on the areas of non-discrimination, with special emphasis on non-discrimination based on sexual orientation and gender identity.

Talent Management

The Group continuously monitors its employee retention and, in particular, seeks to address staff attrition in typically high attrition industry groups through proactive initiatives that engage employees. These include surveys such as the Voice of Employee (VOE) which allows employees to rate the Group's performance on key barometers such as credibility, caring, equality and pride.

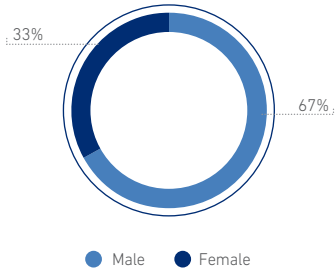
The Group's total attrition (for executives and non-executives) and new hire attrition rate, excluding the IT Enabled and Retail sectors, where staff turnover is expected to be high and is an industry norm, was 21 per cent and 7 per cent respectively. However, the Group has seen insignificant turnover for staff identified as Talent, with senior management placing extra emphasis on developing and nurturing them with many one-on-one interactions during the year. The executive level attrition is relatively lower than attrition at non-executive levels. Further, recruitment based on profile mapping was introduced in certain businesses to ensure a better fit with the needs of the organisation. A survey of millennials' aspirations to understand their needs better has assisted the Group in retaining employees.



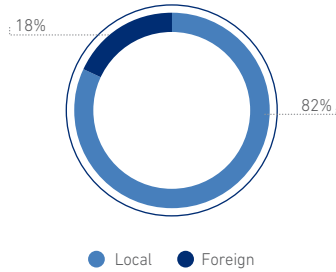
"More Than Just a Workplace" - John Keells Group

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CAPITAL MANAGEMENT REVIEW

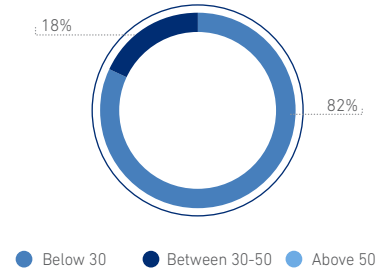
Attrition by gender



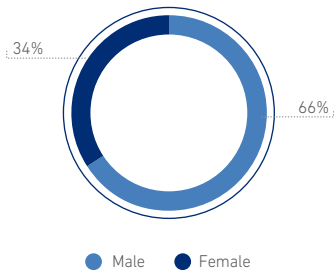
Attrition by region



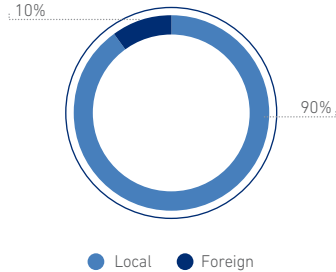
Attrition by age breakdown



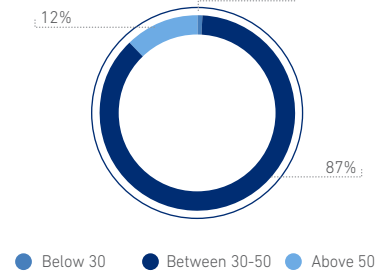
New hires by gender



New hires by region



New hires by age group



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. This process ensures constant dialogue and seeks to assist in continuous improvements in performance. A number of employee recognition schemes are in place, such as Chairman's Awards, Innovation, CSR and Sustainability Awards, in addition to "Employee of the Year," "Champion of the Year" and "Bravo" Awards at a Group level

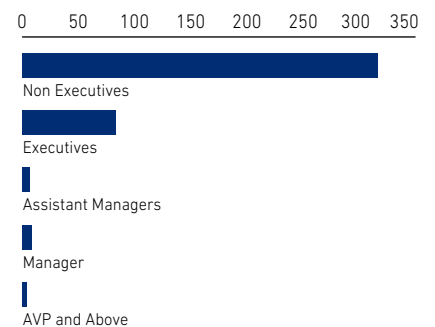
while businesses also have their business specific recognition schemes.

Training and Development

The Group's training and development programmes are key policy components of talent retention and ensuring a sustainable competitive advantage, with a total of 418,726 hours [2014/15: 480,635 hours] training provided to Group employees. Each year, training hours for employees are determined on a needs basis, aligning the business specific requirements with gaps identified in employee skills and the roof competencies

as outlined in the Group learning and development policy guidelines. Through the performance management system, employees can request for training when conducting self-appraisals while supervisors also nominate employees for training based on the needs in line with the Group's training calendar. On average, 35 hours of training was provided per employee, with average training hours per annum amounting to 37 hours for males and 29 hours per female. The current year saw the introduction of bite sized learning for better long term engagement of learners. HR capacity building and People Manager quality enhancement through a series of Team Leader Workshops for all team leaders in the executive cadre, at every level, under the themes of Understanding People/Driving Performance for Better Engagement and Developing Teams for Better Engagement.

Total training hours ('000)



Negotiation skills training carried out by internal trainers of 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 career development strategy, the Group carries out leadership development programmes, management development programmes, and Development Centres in collaboration with reputed international and local institutes such as the National University of Singapore, Harvard University and Post Graduate Institute of Management Sri Lanka. In addition, “Young Forums” are carried out with the intention of developing management skills in executive and above levels through interactions with the business leaders of the Group. Additionally, the Group strengthened its career support initiatives with the introduction of a Career Support Panel to assist employees in chartering their careers, and also by providing e-learning modules and awareness sessions to support them in this important area.

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 711 employees, amounting to 6 per cent of the Group’s total employees count. The Plantation Services sector follows the wage structures of the plantation industry of the country and the Resort Hotels have entered into a Memoranda of Understanding with staff representatives from one trade union.

Health and Safety

The Group places the highest importance 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.

	2015/16	2014/15
Number of staff affected by occupational injuries and diseases	217	199
Gender wise occupational injuries (male: female)	166:51	159:40
Gender wise occupational diseases (male: female)	-	-
Region-wise occupational injuries (in Sri Lanka: outside Sri Lanka)	206:11	192:7
Region-wise occupational diseases (in Sri Lanka: outside Sri Lanka)	-	-
Occupational injuries per 100 workforce	1.11	1.05
Total man days lost per 100 workforce days	0.05	0.05
Total absentee days per 100 workforce days	0.0022	0.0024

Employee Benefit Plans

In Sri Lanka, employees are eligible for the Employees’ Provident Fund (EPF) and the Employees’ Trust Fund (ETF) contributions. Employees who are Maldivian nationals or employed in the Maldives are eligible for Maldives Retirement Pension Scheme (MRPS) contributions whilst employees based in India are eligible for Employees’ Provident Fund (EPF) contributions according to the terms of the Employees’ Provident Fund and Miscellaneous Provisions Act in India. The total contribution made to the trust funds for the reporting year was Rs.135 million while the total contribution made to the provident funds was Rs.640 million. In Sri Lanka and India, employees are also entitled to retirement gratuity. The employee benefit liability as at 31 March 2016 was Rs.1.65 billion.

**Corporate Social Responsibility Projects
Project WAVE (Working Against Violence through Education)**

During the reporting year, staff awareness sessions on gender based violence and child abuse continued to be conducted for the benefit of Group staff, covering employees from senior management to non-executive levels. During the year in review, a total of 5,026 Group staff were sensitised via 166 sessions.

HIV and AIDS Master Trainer programme

As at 31 March 2016, 36 employees participated in training programmes organised by the International Labour Organisation and the Employers’ Federation of Ceylon. Following certification as an HIV and AIDS master trainer, these employees conducted HIV and AIDS awareness within their own business units as well as for external audiences. In the year under review, over 3,317 Group employees were sensitised.



Health and safety practices at Cinnamon Life

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Staff Volunteerism

A vital element in the Group's community engagement strategy is staff volunteerism. The Foundation functions with the assistance of the Group's staff volunteers in all its projects. The John Keells Group volunteer network enables employees to reach beyond their day-to-day work to contribute to the community and environment. The Group has also introduced a volunteer leave policy, enabling staff to be released for CSR activities with minimum restraint.

During the year, over 624 staff volunteers engaged in projects undertaken by the Foundation while over 1,611 volunteer instances were recorded for the year, excluding CSR initiatives that occur at a sector/business level.

“Volunteering with John Keells Foundation has been one of the most fulfilling experiences in my life up to date. This is something quite new for me as I have not done any volunteer related work. The feeling of giving back to the community and being able to help someone else is what keeps me involved and has truly been a life changing experience for me.”

Amrick Andrado
Volunteer from Walkers Tours Limited

Concluding the Human Capital Review, the section which follows discusses the fifth aspect of Capital Management, this being the Social and Relationship Capital.

Social and Relationship Capital Review

Product Responsibility

The Group strives to ensure and maintain the highest standards for its products and services through adhering to all statutory and regulatory requirements, both local and international, as well global best practices. As such, 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.

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

Social Responsibility

Building Social and Relationship Capital is essential for the long term sustainability of any business. The Group strives to create trust and reciprocity among its key stakeholders, whilst creating long term value.

81 per cent of the Group's economic value distributed was spent on goods, services and utilities locally, with Sri Lanka being defined as local, based on the number of operations and revenue, and being the significant location of operations. Mutually beneficial relationships are sought in relevant industries through sustainable sourcing, with Rs.2.23 billion spent on purchases, mainly fresh produce, by the Consumer Foods and Retail industry group and the Sri Lankan Resorts segment, stimulating local economies and encouraging small businesses to help fulfill the supply chain requirements of the Group.

Group companies also undertake corporate social responsibility initiatives in locations of operations, across the six key areas of national focus. During the year, through these

initiatives, 855,364 people were impacted, while Rs.105 million was expended in carrying out community service and infrastructure projects. Training and awareness on serious diseases such as HIV and AIDS, Dengue, Thalassemia and Diabetes was also carried out, with a total of 33,510 persons educated during the year.

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

Supply Chain Sustainability

The Group believes that striving to entrench sustainability along the supply chain helps create long term value and business sustainability for all parties. 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.

The Group's significant suppliers are assessed for key sustainability impacts and reviewed in terms of labour practices, upholding of human rights and environmental impacts. Approximately 90 suppliers were assessed this year, while any new suppliers will be assessed based on the above criteria in the future.

The Group Sourcing process also ensures further integration of sustainability within the value chain. Tenders and bids received for high value items sourced by the Group are



John Keells Volunteers painting a classroom at Holy Rosary Sinhala Vidyalaya, Slave Island

Progress Review on Sustainability Commitments

Targets for 2015/16	Comment on progress	Status
Seek to entrench sustainability and risk management practices across its significant value chain partners in an effort to promote responsible corporate citizenship in its supply chain whilst reducing the risk of operations for the John Keells Group.	During the year, the Group carried out reviews of approximately 90 significant value chain partners on all areas of the triple bottom line, whilst also carrying out sustainability awareness through supplier fora for approximately 80 Group suppliers.	Assessments for all significant suppliers were carried out. Supplier fora awareness programmes will continue to be conducted on an annual basis.

assessed not only for quality and price but also for social and environmental impacts.

Corporate Social Responsibility Projects

The Group's CSR initiatives represent how the Group's values, corporate culture and operations are intrinsically intertwined and connected to social, economic and environment concerns. 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, Community/Livelihood Development, Arts and Culture and Disaster Relief.

Projects selected within the focus areas are inspired by the Group's CSR vision "Empowering the Nation for Tomorrow" and are aligned to one or more of the Sustainable Development Goals (SDG). Refer to the John Keells Foundation website and the Supplementary Information section of the Report for further details.

Education

The initiatives discussed below have been implemented with the aim of increasing the skills, knowledge and productivity of our

youth, and creating opportunities for higher learning and sustainable employment.

English Language Scholarship Programme

An initiative to enhance the English language skills of school children and youth from socially and economically disadvantaged backgrounds throughout the country. 1,200 scholars completed the programme in the reporting year resulting in a cumulative total of over 12,000 children and youth island-wide being empowered via this initiative since its inception in 2005.

"Most of our students are from farmer families. You have given us a golden opportunity to learn and speak good English. We will never forget that it is because of you we were able to realise our dreams."

K. Roshani Thamali

English Language Scholarship Programme beneficiary, Ampara

Neighbourhood Schools

An initiative to support the development and maintenance of infrastructure and facilities of disadvantaged Government schools in Colombo 2. A total of eight schools with more than 2,800 students have benefitted from infrastructure and facility development, career guidance, vocational training and skills development.

"I used to wander the streets with my friends daily. Now I'm focussed and have a dream to fulfill."

A.R.M. Hamdan

Vocational trainee, Kitchen department, Cinnamon Grand Colombo

University Soft Skills Programme

"The Final Step" is a series of soft skills development workshops designed for university undergraduates. During the reporting year, soft skills workshops were organised for the University of Uva Wellassa and Sabaragamuwa University of Sri Lanka, with a participation of more than 1,275 students. The programme has been conducted successfully a total of 14 times at 11 universities since its inception in 2006, benefitting more than 5,000 undergraduates.

Promoting Science Education Amongst School Children

In total, over 124 schools with 1,809 children and 120 teachers have benefitted from the Science Day Programmes in five selected districts. A novel feature was the introduction of an Astronomy Programme in the Ampara and Vavuniya Districts.

Health

The John Keells Group believes that a healthy society is vital to enable productive output. The Foundation continues its long-term focus on three areas of health: HIV awareness; vision care; and working against violence through education which are considered pertinent to Sri Lanka as a developing nation.



School leavers following vocational training at a Keells Super outlet

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John Keells distributes spectacles at the launch of the School Screening Programme

The John Keells Vision Project

This is an island-wide cataract project which is aligned with the World Health Organisation's "Vision 2020" Project. Cataract has been recognised as the primary cause of preventable blindness in Sri Lanka.

"My vision is really bad, I can't see letters or read without wearing glasses. With these spectacles, I can now look forward to my dream of becoming a teacher."

A recipient of eye glasses at the School Screening Programme

As Sri Lanka reports a high backlog of surgeries due to the lack of resources, the project was initiated to primarily sponsor cataract surgeries for disadvantaged persons across the island. During the year in review:

- A total of 16 eye camps and 8 cataract clinics were conducted in all 9 provinces, resulting in the completion of 2,049 cataract surgeries. The cumulative number of cataract surgeries since project launch in 2004 is 10,959.
- Awareness flyers were distributed to all cataract patients sponsored by the Foundation, detailing post-surgery instructions and best practices.
- The School Screening Programme was newly undertaken by the Foundation in collaboration with the Ministry of Health and Ceylon Cold Stores PLC, involving

providing financial and volunteer assistance for intensive screening of school children in the Colombo District for visual impairment, and subsequently providing spectacles or facilitating treatment for other visual problems. Since November 2015, vision screening has been conducted in 63 schools, testing over 35,984 school children and donating 2,812 spectacles, resulting in a cumulative project total of 5,063 spectacles.

John Keells HIV and AIDS Awareness Campaign

Awareness sessions for this campaign were phased commencing with staff of the John Keells Group, and gradually extending to include both corporate and public third parties.

- During the year under review, a total of 15,629 persons were sensitised on HIV and AIDS, resulting in a cumulative total of 93,510 persons. This is the highest number of persons educated on HIV and AIDS by a Sri Lankan private sector entity.
- The awareness sessions were led by John Keells Master Trainers who volunteered for the programme, with several sessions featuring sharing by HIV positive persons as a means of effectively addressing aspects of stigma and discrimination.
- On World AIDS Day in December 2015, the Foundation launched a free web-based e-module, hosted on the Foundation's website. The e-module is a comprehensive and interactive learning tool that covers critical information on HIV and AIDS and is accessible free of charge to any member of the public over the age of 18 years.

PROJECT WAVE (Working Against Violence through Education)

Since the launch of the project in November 2014, awareness sessions have been conducted across all sectors of the John Keells Group. Over 5,026 employees have directly benefitted during the year. External sessions were also initiated, benefitting 3,156 persons. In addition, the following initiatives were undertaken during the year;

- Child Abuse Awareness for a total of 2,389 school children of the Colombo, Anuradhapura, Trincomalee and Mullaitivu Districts in partnership with Sri Lanka Girl Guides Association and The Grassrooted Trust.



Child abuse prevention awareness for students of Neighbourhood Schools

- Partnering with The Asia Foundation to improve police services related to violence against women and children at the Puthukudiyiruppu (PTK) Police Station. During the reporting year, 46 officers from the Mullaitivu SSP Division were provided gender sensitisation training of whom 35 officers were also provided a “Train the Trainers” know-how on conducting effective outreach programmes for community members with the potential to benefit an estimated 23,827 community members in the PTK Police area. Infrastructure development work is also in progress to make the Women’s and Children’s Desk at PTK Police Station a more suitable space.



Beneficiaries of the livestock initiative in Morawewa

“It is very important that society is well educated in this regard as this has become a global issue. This programme is thought provoking and has a very good impact on participants.”

V. Weerasingham
Facilitator- Project WAVE

Emergency and Accident Unit at the Batticaloa Teaching Hospital

The John Keells Group pledged a platinum sponsorship of Rs.26 million towards this project, which will provide a population of over one million persons living in the Batticaloa District, as well as parts of the Trincomalee and Ampara districts, to receive short and long term emergency medical attention. The project involves construction of a three-storey hospital building with three operating theatres dedicated to emergency and accident use and vision care.

Community and Livelihood Development

The John Keells Group reaches out to the communities surrounding its operations through constructive dialogue with stakeholders, translating into a range of community service initiatives that foster the spirit of entrepreneurship as a key to sustainable development.

Village Adoption

This is a key initiative of John Keells Foundation aimed at poverty alleviation at village level through a sustainable and integrated development programme. Its scope covers a wide range of development

activities including those highlighted below undertaken during the reporting year:

- Providing access to clean and safe water.
- Providing infrastructure and other facilities for education.
- Facilitating the development of sustainable and diversified livelihoods and income generation by providing capacity building and entrepreneurship support.
- Conducting gender and youth empowerment initiatives.

“I am very thankful to John Keells for providing me with this cow which I can use to provide for my family as well as use the excess milk to earn an income.”

Nyanasir Erandavaraani
Cattle beneficiary in Iranaipalai, Mullaitivu

For further details on this project, refer the John Keells Foundation website and the Supplementary section of this Report.

Sustainable Sourcing Initiatives

This is one of the Group’s largest and most successful sustainable projects with many sub-projects. The Consumer Foods and Retail sector sources a variety of low country and up country vegetables from farming families in various parts of the country, benefiting hundreds of farmer families. In each case,

the benefits derived for the farmers include increasing their levels of income, providing an assured market for quality produce, technical assistance, exposure to developed markets and improving their quality of life and living standards.

Slave Island Railway Station

During the reporting year, the Foundation continued to refurbish and maintain the Slave Island Railway Station. It is estimated that over 599,394 commuters have benefited from renovations made during the year.

Arts and Culture

John Keells believes in safeguarding and promoting the cultural heritage of Sri Lanka via increased engagement and exposure to the arts, whilst also boosting the opportunities and livelihoods of artists.

Kala Pola

Sri Lanka’s highly popular open-air art exhibition is an annual event which attracts numerous artists from across the island. Conceptualised by The George Keyt Foundation, the Kala Pola has enjoyed the unbroken patronage of the John Keells Group for 22 successive years. Kala Pola 2016 showcased 308 artists, generating over Rs.13 million in sales and attracting over 22,300 visitors.

Sri Lanka Art Gallery

This is the first and only free corporate digital art gallery for Sri Lankan artists, which acts as a virtual platform throughout the year. The main website “Sri Lankan Art Gallery” also hosts the “John Keells Art Gallery” which is a platform for selected art by a panel of curators who are experts in the field. As at 31 March 2016, 365 artists were registered with

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the Sri Lankan Art Gallery and the work of 18 Artists selected by a team of curators was on view at the curated site, John Keells Art Gallery. The site contains 663 artwork pieces for display and purchase. During the reporting year, approximately 22,026 visitors visited the site.

Disaster Relief

John Keells provides relief to victims of natural and man-made disasters, helping them rebuild their lives and livelihoods.

Nepal Earthquake

Subsequent to the devastating earthquake which struck Nepal in April 2015, the Group donated three hospital tents to an Army hospital which was damaged by the earthquake.

In addition to the above discussed CSR initiatives, during the year under review, John Keells Foundation held a Partner Felicitation event to celebrate its partners and collaborators over the years, and also launched its own website on 28 March 2016 which coincided with the 11th anniversary of the Foundation's registration.

Concluding the Group's Social and Relationship Capital Review, the section which follows discusses the sixth aspect of Capital Management, this being the 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. Where possible and relevant, the Group strives to dynamically manage its Intellectual Capital, interweaving it to the Group's strategic management process. Following are the key components of the Group's Intellectual Capital. Refer to the Industry Group Review section of the Report for further details.

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. Currently, as a lead initiative, JKR,



Significant emphasis was placed on systematically executing the "Cinnamon" brand strategy

“ 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. ”

together with the Human Genetics Unit (HGU) of the Colombo Medical Faculty, submitted its first research publication and is awaiting acceptance from the Journal "Nature Scientific Reports" on a project relating to the sequencing of the entire genome of a variety of rice known as "Goda Vee". Additionally, since its inception, JKR has made significant headway through many innovations and initiations of research projects relating to unique energy storage material, productive utilisation of fish waste, advanced materials and nanotechnology, amongst others. JKR currently collaborates with leading universities and research institutes in Sri Lanka and also has projects with a leading research institute in India and a university in the United States.

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 in the Organisational Structure of this Report. In addition to routine strategies executed by each of the businesses to strengthen their respective brands, the Leisure industry group has placed significant emphasis on systematically executing the "Cinnamon" brand strategy. The development of an A-Z manual on the brands' positioning under the "Cinnamon" umbrella and in-house development of lifestyle related activities and events aimed at communicating the "Cinnamon" vibe were some of the key initiatives undertaken during the year.

During the year under review, the Group embarked on a journey of identifying emerging or current disruptive business innovation. This initiative, titled "Disrupt 2016 – The Digital Imperative", focusses on developing the digital quotient (DQ) of individuals and businesses. This is believed to increase the productivity and efficiency of businesses through the employment of digital technologies and disruptive business models, which in turn would create sustainable value to stakeholders.

While concluding the Group Capital Management Review, the ensuing sections will discuss the overall strategy and outlook for the Group, followed by a materiality and risk management discussion.

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OUTLOOK

Following is a discussion on the economic outlook for Sri Lanka in the short to medium term, the high level impacts to our 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.

The Sri Lankan economy is expected to continue its growth trajectory, albeit at a slower pace compared to the immediate post-conflict era. The year under review was dominated by governance related changes initiated by the new leaders post the Presidential Election held in January 2015 and the General Elections held in August 2015. The lack of firmness in economic policy and taxations reforms, balance of payment pressures, low prices for Sri Lanka's major exports, exchange rate pressures and the downgrading of Sri Lanka's sovereign credit rating from BB- to B+ were key factors which resulted in deferral of investments with investors adopting a "wait and see" approach.

In recent times, the Government of Sri Lanka (GoSL) has made several announcements on the direction of its economic policy and has also obtained an IMF facility, principally to plug budget deficits. The economic policy pronouncements signal its desire to exit investments in non-core public owned interests and to enable private sector driven investments both directly and through public private sector partnerships. This augurs well for the private sector, in general, and for our Group, in particular. The details of the policies and timelines in this regard are expected to be announced during the latter half of the calendar year 2016.

The fears of the increasing pressure on the balance of payments due to the widening trade deficit, uncertainty surrounding worker remittances because of the continuing tensions in the Middle East and capital outflows resulting from debt servicing and anticipated policy actions of the US Fed will be partially alleviated by the still relatively lower average oil prices projected for 2016 against the average prices in 2015 and before. In addition, the anticipated renewal of the GSP Plus preferential tariff system from the European Union in 2016, will be a positive factor for exports. The greater acceptance of Sri Lanka by the international community, due to the proximity to India and the increasing number of flights to Sri Lanka from China, are likely to drive tourist numbers and this will have a multiplier effect on the local economy.

The pressure on the exchange rate is expected to continue in the short term due to the widening trade deficit, growing private sector credit, falling export earnings and the continued outflows as described before. However, the pressure on the Rupee should ease with the confidence exuded through the IMF facility and the possibility of the GoSL raising further funds via the international capital markets on the back of the IMF support. Whilst the depreciation of the Rupee negatively impacted businesses with higher reliance on imported inputs, the Group also benefitted 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.

Implementation of the tax reforms, which is a key element, amongst others, in the IMF facility would also help in strengthening predictability, easing the tax administration, broadening the tax net and improving collection. The GoSL has already signalled its intent in this regard by increasing the VAT rate from 11 per cent to 15 per cent, lowering the VAT thresholds and limiting VAT exemptions to a few essential services and items.

The Consumer Foods sector will continue to focus on expanding its portfolio, remaining relevant to its consumers and widening its footprint by staying ahead of the market through understanding consumer trends and needs, as the Group has done in the past. Whilst volume growth in the ensuing year may see a slight moderation from the very high growth witnessed in 2015/16, the long term growth potential for the business remains strong considering the low penetration levels in the country. Considering the strong growth in the previous year and the anticipated growth in the ensuing year, the sector will undertake sizeable capacity enhancements

which will come into stream in the next two years. These expansions, coupled with the enhancements in the dealer management systems, are expected to increase productivity and efficiency of operations. The Group's Retail sector will continue to roll out stores in strategically placed locations and sees potential for further growth considering the low penetration of modern retail in the country. Retail will also focus on centralising its distribution network in the medium term to maximise on operational efficiencies.

The Leisure industry group is well positioned to capitalise on the growth momentum 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, stability in the country, increasing flight connectivity and gradually improving tourism infrastructure. "Cinnamon" is positioned to capture the higher spending customers through differentiated products and services in line with its brand promise. In addition, the branding initiative aims to further streamline all processes, policies and standards within the Leisure industry group in contributing to a more effective management of room inventory, yield management, enhanced guest experiences and in deriving synergies on common costs which lend themselves 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 of tourists which Sri Lanka has hitherto been unable to satisfy. To this end, "Cinnamon Life" is uniquely placed 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.

“ The Consumer Foods sector will continue to focus on expanding its portfolio, remaining relevant to its consumers and widening its footprint by staying ahead of the market through understanding consumer trends and needs, as the Group has done in the past. ”

Group Consolidated Review

OUTLOOK

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 traffic with further infrastructure expected to support this traffic. 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 at Hambantota. However, given the slowdown in global trade and decline in commodity prices, Shipping, Bunkering and Ports will be impacted, in the immediate term, throughout the world and this could be a challenge for Sri Lanka in the near term.

The Property industry group will continue to look for unique product propositions within the residential property market, on the back of the Group's sizeable land bank and by leveraging on its reputation as a leading developer in entering into partnerships with land owners.

The Insurance business will continue to capitalise on the opportunities made available by the significantly low, life insurance penetration within the country, leveraging on its strong brand presence, cost efficient processes and differentiated offerings, whilst Nations Trust Bank, although facing challenges with the narrowing of net interest margins, will continue to leverage on its renowned customer service, brand promise and delivery network, which will strategically focus on increasing market share in the SME sector.

In the forthcoming year, the Group will embark on a target setting process for key material impacts such as carbon and water, against baseline figures. The targets will be set based on systematic audits, assessments and benchmarking carried out for industry

“ 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 at Hambantota. ”

groups such as Leisure and CF&R, which contribute significantly to the Group's total energy and water usage. The Group will strive to outperform selected international benchmarks for carbon footprints, energy consumption and water usage, whilst also seeking to better its own performance on the said aspects.

The Group will also continue to integrate its 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.

Group Consolidated Review

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

This year's Annual Report theme and reporting framework is centred on providing our stakeholders with a balanced report with further insight into the integrated manner in which the Group makes decisions and focusses on the overall direction of the Group. As such, the Strategy, Resource Allocation and Portfolio Management section comprises of the following aspects:

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

Strategy

The Group vision of "Building businesses that are leaders in the region" is the cornerstone of all resource allocation, portfolio evaluation and operational decisions of the business units. In pursuing its vision, the Group is mindful of the governing principles founding the strategies and initiatives planned, implemented and being implemented towards achieving the medium to long term objectives of the Group. These principles are primarily; a stakeholder focussed business model, corporate governance philosophy which emphasises performance in addition to compliance and conformance, risk identification and management based on an enterprise risk management framework and a sustainability development framework which are all in line with international best practice.

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 the relevant levels, both globally and internationally. "Cinnamon Life" is one such initiative towards this end. The Consumer Foods and Retail, Leisure, Financial Services 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 also in the region in industries where we have accumulated competence.

The above described outcomes are facilitated by an Operating Model where each business unit is granted operational autonomy within

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

a framework of delegated decision rights/ authority matrix as approved by the Group Executive Committee/Board of Directors, as applicable, in ensuring speed of decision making, accountability and agility in responding to the needs of the market. Given the vastness of the Group and the multiple management layers within it, agendas, scope and role of these committees/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.

The Group Executive Committee, which gets its high level direction from the Board and has a macro focus of the overall direction of the Group, is accountable for the overall performance of varied businesses/sectors/ industry groups, and act as enablers of the Operating Model of the Group. The support functions at the Centre complement and assist, the businesses through a common pool of knowledge, if and when required, which is continuously updated in line with new information and technologies. These knowledge centres are able to complement the resources at the business level, as required from time to time, and are an effective synergising force across the Group. In this manner, the inherent horizontal synergies between business units are further augmented by the vertical synergies enabled by the centralised Group knowledge/skills repository. The Operating Model of the Group is designed to create a value premium where the Group as a whole, creates more value to JKH stakeholders than the sum of each business taken individually.

Strategy mapping exercises, concentrating on the short, medium and long term aspirations of each business, are conducted annually and reviewed, at a minimum, quarterly/

bi-annually 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.

“ The inherent horizontal synergies between business units are further augmented by the vertical synergies enabled by the centralised Group knowledge/skills repository. ”

Group Consolidated Review

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

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 while preserving the medium to long term objectives.

During 2015/16, the Group encouraged all businesses to engage in “disruptive innovation” aimed at challenging the traditional ways of doing business by utilising current and emerging technology. The first phase of this initiative aims at increasing the digital quotient (DQ) of individuals and businesses, particularly through the increased awareness of digital technologies and disruptive business models. The initial outcomes of this initiative are very encouraging.

Further details on the strategy formulation and decision making process can be found under the Corporate Governance Commentary of this Report. Group-wide strategies are discussed in detail under the Strategy and Outlook section of each of the industry group reviews.

“ The Group aims to strike a balance between optimising immediate portfolio returns against the returns in the future. ”

Resource Allocation and Portfolio Management

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 below in evaluating its portfolio and thereby guiding investment and divestment decisions.

“ 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, cyclicity, regulatory structure, performance against the industry and Sri Lankan economy and economic, procedural, regulatory or technological factors that obstruct or restrict operations, entry or exit of both the unit and competitors. ”

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, cyclicity, regulatory structure, performance against the industry and Sri Lankan economy and economic, procedural, regulatory or technological factors that obstruct or restrict operations, entry or exit of both the unit and competitors etcetera.

The capital structures 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/Required Rate of Return

The present hurdle rate of JKH is at 15 per cent which is a function of the Weighted Average Cost of Capital (WACC). The WACC is derived from the Group’s cost of equity, cost of debt, target capital structure, tax rates and the value creation premium required over and above the WACC. Whilst the cost of debt has increased towards the end of the period under

review, the hurdle rate has not been revised on the basis that it is a long term target, and any revision would be warranted only if the above factors are expected to change over the long term.

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

Conceptualising Portfolio Performance

The Group aims to strike a balance between optimising immediate portfolio returns against the returns in the future. As such, emphasis is placed on both return generating capabilities of the business against its capital employed and the earnings potential of the business or project. Further to the discussion in the Group Consolidated Review section of this Report, the ensuing section discusses the return on capital employed (ROCE) under two key modifiers.

Financial filter	Cornerstone of the decision criteria based on the JKH hurdle rate
Growth filter	Evaluates the industry attractiveness and growth potential based on the industry lifecycle
Strategic fit	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
Complexity filter	Considers factors such as senior management time and the risk to brand image and reputation in conjunction with the anticipated returns

Modifier I – Adjustment for land re-allocations

Properties that are not under the operational banner of the non-property related business units, and are excess to their current and foreseeable operational requirements, have been allocated to the Property industry group along with the corresponding income. However, it is noted that real estate belonging

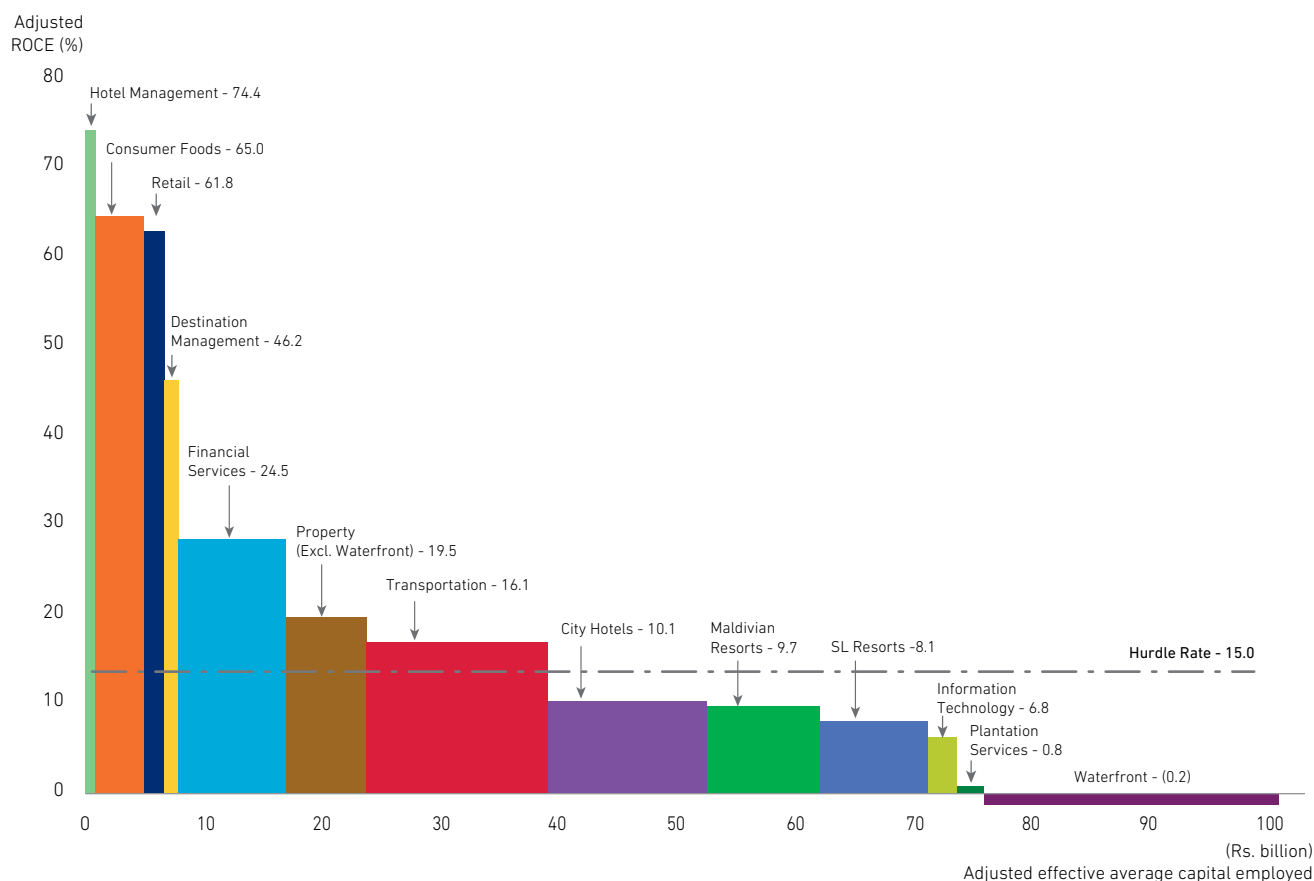
to the Sri Lankan Resorts segment is excluded as such properties constitute the land bank of the sector for future hotel developments. The properties re-allocated will be a part of a “property play” and plans for development and operation are the responsibility of the Property industry group. “Cinnamon Life” is recognised as a stand-alone play.

Modifier II – Adjustment for investment property and revaluations

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.

Industry Group/Sector/Segment	2015/16			2014/15	2013/14
	Unadjusted ROCE (%)	ROCE after Modifier I (%)	ROCE after Modifier I and II (%)	ROCE after Modifier I and II (%)	ROCE after Modifier I and II (%)
Hotel Management	74.4	74.4	74.4	87.4	107.5
City Hotels	7.7	8.0	10.1	14.6	18.6
Sri Lankan Resorts	7.0	7.0	8.1	8.9	8.9
Destination Management	46.2	46.2	46.2	34.8	34.5
Maldivian Resorts	9.7	9.7	9.7	13.3	13.2
Transportation	16.0	16.1	16.1	15.3	16.1
Consumer Foods	53.6	54.6	65.0	51.4	17.7
Retail	61.6	61.6	61.8	30.8	14.7
Financial Services	24.2	24.2	24.5	29.3	22.6
Property (Excl. Cinnamon Life)	23.4	18.5	19.5	18.6	8.7
Cinnamon Life	(0.2)	(0.2)	(0.2)	(0.2)	0.0
Information Technology	6.8	6.8	6.8	15.3	15.2
Plantation Services	1.5	1.6	0.8	9.3	20.1

The adjusted ROCE following the above two modifiers is graphically depicted below;



Group Consolidated Review

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

Key highlights of the graph are discussed in the ensuing section.

The City Hotels sector underperformed mainly on account of the partial closure of Cinnamon Lakeside during the first half of the year. As such, the adjusted ROCE declined to 10.1 per cent [2014/15: 14.6 per cent]. The adjusted ROCE of the Sri Lanka Resorts segment declined marginally to 8.1 per cent [2014/15: 8.9 per cent] mainly on account of a provision in accordance with the Budgetary Relief Allowance Workers Act and an unrealised exchange valuation loss on the US Dollar loans. It is pertinent that, as part of its future expansion plans, the asset base of the Sri Lanka Resorts sector includes a large land bank earmarked for development of hotel properties. For further details on the land bank refer the Group Real Estate Portfolio section of this Report.

The Hotel Management sector and the Destination Management sector recorded ROCEs well above the hurdle rate. However, the Hotel Management sector ROCE witnessed a decline in the adjusted ROCE to 74.4 per cent in comparison to the previous year [2014/15: 87.4 per cent] mainly on account of expenditure incurred on the property management system rolled out across the hotels and resorts in the prior year and related depreciation. The Maldivian Resorts segment has been included in the aforementioned graph and the ROCE analysis, to ensure capturing of all sectors/industry groups. As evident, the return of the segment at 9.7 per cent is below the Rupee hurdle rate. However, it should be noted that 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 adjusted ROCE of Transportation marginally increased to 16.1 per cent from

15.3 per cent in the previous year. This increase stemmed from a marginal increase in EBIT and a decline in the asset base as discussed under the Transportation industry group review.

The Property industry group, excluding "Cinnamon Life", witnessed an increase in adjusted ROCE to 19.5 per cent from 18.6 per cent. The said increase is on account of a decreased asset base, particularly due to the repayment of bridge financing loans obtained from John Keells Residential Properties (for OnThree20) and the double digit growth in EBIT in the Real Estate sector. However, it is noted that the largest contributor to industry group EBIT stemmed from the "7th Sense" project on Gregory's Road. As defined above under "modifier 1", properties that are not under the operational banner of the non-property related business units, and are excess to its current and foreseeable operational needs, have been included under this segment. Despite the re-rating of the properties under this segment, the Group is of the view that there is a lag effect in returns adjusting for the increased capital base of such properties and thus warrants it impossible to employ such properties in immediate return generating projects. Hence such revaluations, as defined under "modifier 2", have been adjusted for in calculating the adjusted ROCE.

Unlike the analysis done on adjusted ROCE under the Group Consolidated Review section of the Report, debt and equity infused in to "Cinnamon Life" have not been adjusted, as the project is separately evaluated in the ensuing section.

As at 31 March 2016, a cumulative figure of Rs.10.66 billion of cash equity and Rs.11.14 billion of debt was infused to "Cinnamon Life" to finance the development costs of the project. The aforementioned cash equity investment at "Cinnamon Life" excludes the land transferred by JKH and its subsidiaries.

“ Properties that are not under the operational banner of the non-property related business units, and are excess to its current and foreseeable operational needs, have been included under the Property segment. ”

Incurrence of marketing and promotional expenditure which cannot be capitalised as project costs, particularly relating to the formal launch of the "Waterfront" project as "Cinnamon Life" resulted in an adjusted ROCE of -0.2 per cent, similar to the previous year. Note that all project related costs, unless explicitly mentioned as above, are capitalised in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). Additionally, it is highlighted that the revenue from the "Cinnamon Life" project will only be recognised post the commencement of operations.

The Consumer Foods sector experienced an increase in the adjusted ROCE to 65.0 per cent from 51.4 per cent in the previous year. This increase was facilitated by an increase in profitability which was driven by higher volumes, improved cost management and efficient execution and management of the dealer and distributor network.

The Retail sector also experienced a significant increase in profitability owing to increased footfall, coupled with incremental turnover from new outlets. The higher absorption of fixed overheads, given the significant growth in the scale of the business, resulted in an improvement in EBIT margins for the sector. As such, the adjusted ROCE increased to 61.8 per cent [2014/15: 30.8 per cent] despite an increase in capital employed resulting from the opening of six new outlets.

The Financial Services sector recorded an adjusted ROCE of 24.5 per cent compared to 29.3 per cent recorded in the previous financial year. The previous year's ROCE computations include a capital gain on the

“ Despite the re-rating of the properties under this segment, the Group is of the view that there is a lag effect in returns adjusting for the increased capital base of such properties and thus warrants it impossible to employ such properties in immediate return generating projects. Hence such revaluations, as defined under "modifier 2", have been adjusted for in calculating the adjusted ROCE. ”

disposal of the General Insurance business, and excluding this, the adjusted ROCE for the previous year was 18.8 per cent.

The adjusted ROCE of the Information Technology industry group declined to 6.8 per cent [2014/15: 15.3 per cent] primarily stemming from a decreased EBIT, as against last year. This was mainly on account of a profit reversal of the sale of "Zhara HS", a web based hotel management software, and a bad debt provision stemming from the BPO business. An increase in promotional and marketing expenses coupled with an increase in working capital of the Office Automation business impacted the industry group EBIT and asset base, respectively.

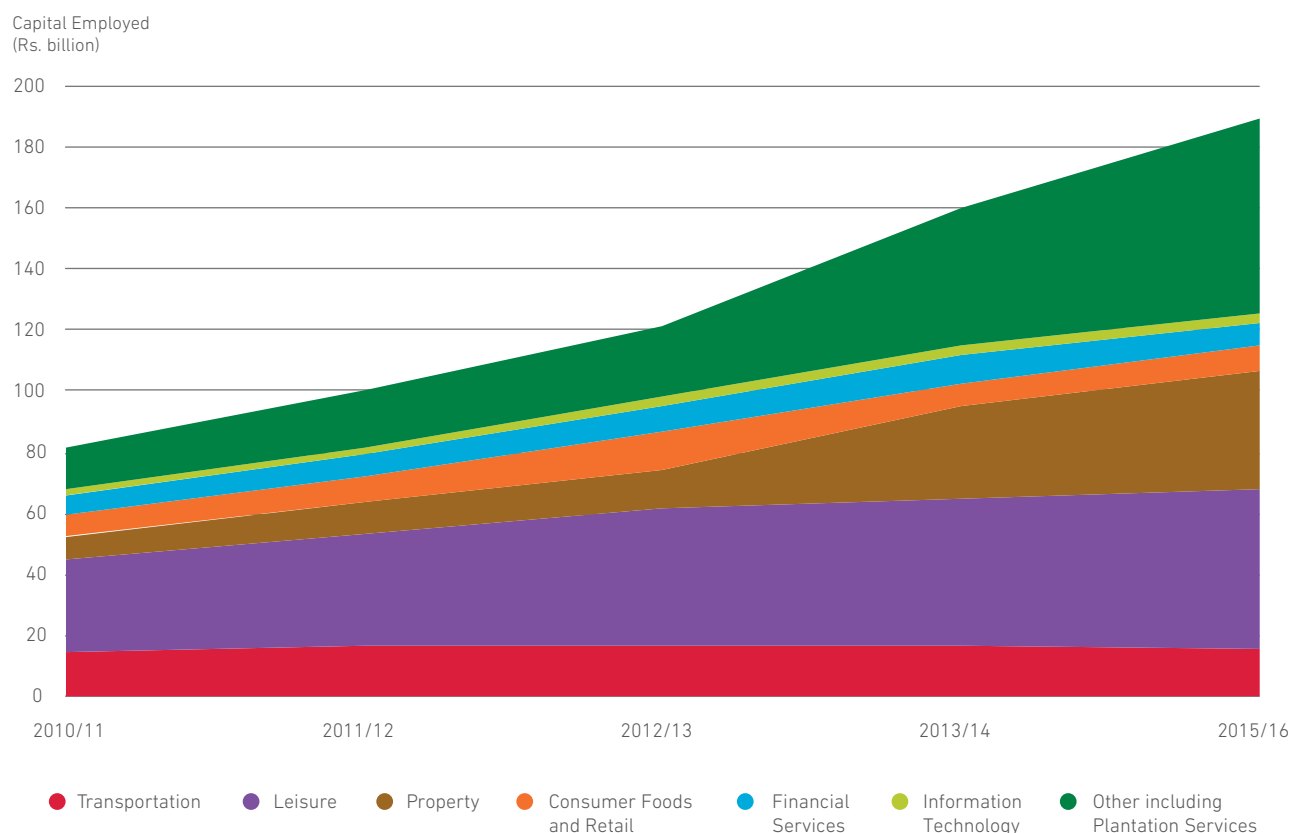
The adjusted ROCE of the Plantations Services sector declined to 0.8 per cent compared to 9.3 per cent recorded in the previous financial

year. The lower adjusted ROCE is a result of a decrease in EBIT stemming from weak demand on the back of economic uncertainty and political unrest in some of the key tea importing countries. Low oil prices during the year also impacted the demand for tea from the Middle East.

As shown in the graph above, the Consumer Foods and Retail industry group and the Financial Services industry group have exceeded the return thresholds of the Group whilst expanding their respective capital bases. These businesses are poised to grow in the medium term due to encouraging economic conditions and are expected to play a pivotal role in driving profitability within the Group's portfolio.

Portfolio Movements

Portfolio movements over the past five years are illustrated by the graph below.



Group Consolidated Review

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

Significant Movements of the Portfolio and in Capital Employed

	2012/13	2013/14	2014/15	2015/16
Investments	Invested Rs.1.02 billion in subscribing to the Rights Issue of Keells Foods Products PLC. The proceeds were utilised to fund the acquisition of D & W Foods Limited	JKH raised Rs.23.10 billion through a Rights issue to fund the equity contribution of the Waterfront Project	Invested Rs.113 million in Saffron Aviation (Private) Limited, the operating company of the domestic aviation operation Cinnamon Air	Invested Rs.4.73 billion in Waterfront Properties (Private) Limited
	Invested Rs.224 million in Saffron Aviation (Private) Limited, the operating company of the domestic aviation operation Cinnamon Air	KHL invested Rs.899 million in the ITHL Rights Issue to infuse equity to Cinnamon Bey	Invested Rs.100 million in John Keells Properties Ja-ela (Private) Limited	Invested Rs.243 million in Saffron Aviation (Private) Limited, the operating company of the domestic aviation operation Cinnamon Air
	The JKH Group invested Rs.717 million in the Rights Issue of Union Assurance PLC	JKH infused Rs.32 million equity to Saffron Aviation (Private) Limited which operates Cinnamon Air	Invested Rs.585 million in Waterfront Properties (Private) Limited	JKH, together with its subsidiaries, increased its shareholding in Rajawella Holdings Limited (RHL) from 16.9 per cent to 51.0 per cent. Total investment in RHL of Rs.1.04 billion comprises 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.98 million during the year in Sancity Hotels, a joint venture with Sanken Lanka (Private) Limited to construct a business hotel in Colombo		KHL invested Rs.199 million for the acquisition of a 426 perch land in Nuwara Eliya	
	Invested Rs.467 million during the year for the refurbishment of Cinnamon Citadel		Entered into a lease agreement with MOT to acquire Kekuraalhuveli Island next to Hakuraa, in the Maldives	
	The JKH Group invested Rs.119 million in K-Zone Ja-Ela			
Divestments	Invested Rs.1.29 billion for the balance construction of Cinnamon Bey			
	Disposed of the 44 per cent holding in Quattro FPO Solutions (Private) Limited for a consideration of USD 4.5 million	JKH disposed its 24.6 per cent stake in Central Hospital (Private) Limited for a consideration of Rs.1.59 billion	JKH disposed its 4.3 per cent stake in Expolanka Holdings PLC which resulted in a capital gain of Rs.389 million.	
	Divested a 40 per cent stake in John Keells Logistics Lanka Limited and a 60 per cent stake in John Keells Logistics India	JKH divested its 49 per cent stake in Information Systems Associates (ISA) for a consideration of Rs.384 million	JKH disposed its 4.0 per cent stake in Access Engineering PLC which resulted in a capital gain of Rs.593 million	
Mergers and restructuring/other			UAL sold a 78 per cent stake of the Union Assurance General Limited for a consideration of Rs.3.66 billion which resulted in a capital gain of Rs.1.22 billion	
			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 Union Assurance PLC at a value of Rs.4.14 billion

Group Consolidated Review

MATERIALITY AND STAKEHOLDER RELATIONSHIPS

Our stakeholders' success is ours...

Sustainability Integration

“ The John Keells Group, which operates in seven industry groups, has over the years placed great importance on sustainable development. The Group has an integrated approach to ensuring the interlinks between its financial performance and brand image, and its sound corporate governance, product and service excellence, workforce development, environmental stewardship and social responsibility. ”

This comprehensive management framework which was implemented five years ago is constantly updated and improved to take into consideration the operational requirements of the various companies of the Group. This includes Standard Operating Procedures, common IT platforms for tracking key sustainability indicators and key risk indicators, internal sustainability assurance, as well as 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 both internally and externally. This has become a proactive process for assessing a Group company's sustainability performance, aiding in the identification of areas of risk and providing management with timely information for corrective action.

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

As the next stage in the Group's sustainability journey, the Group is in the process of setting reduction targets for its carbon footprint and water withdrawal per rupees of revenue generated. Such targets are intended to be group-wide, with particular focus given to the Leisure and Consumer Foods and Retail industry groups, as these are the most carbon and water-intensive industry groups.

Group Sustainability Policy

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

The following section provides an overview of the Group's strategy of entrenching sustainability within its business operations, the policies and methodologies in place for sustainability reporting and defining material sustainability aspects, and the scope and boundaries of the sustainability content.

Sustainability Management Framework

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

Group Consolidated Review

MATERIALITY AND STAKEHOLDER RELATIONSHIPS

Sustainability Integration Process



“ 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. ”

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 Group companies 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 and sharing of best practices, carrying out of 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 carried out to broad-base knowledge and inculcate a culture of sustainability.

The Group has in place a robust sustainability structure overlooked by the Group Executive Committee and the Group Sustainability Committee, while task groups for each sustainability aspect are headed by a member of the Group Operating Committee. Additionally, each business unit has a dedicated Sustainability Champion responsible for sustainability initiatives and overall sustainability performance, under the overall supervision of their respective Sector

Heads and Heads of Business Units. This structure is used to integrate sustainability within business operations as well as to assess and develop 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. As business unit strategies and goals are aligned to triple bottom line results, employee objectives are in turn also aligned to these results, enabling the Group to truly entrench sustainability into its organisational culture.

In the previous year, the Group commenced a focussed strategy to encourage its significant suppliers to embrace sustainability as part of their operations. This integration of sustainability within its value chain is in its initial stages, and the Group currently has in place processes to; assess risks of environmental, labour and social impacts emanating from its value chain, carry out

internal assessments of supply chain partners. It has also commenced an annual drive to create awareness through supplier fora for its significant supply chain partners, and has introduced a Code of Conduct for all significant suppliers bidding for the Group's centrally sourced goods and services.

Report Content

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

The sections of this Report titled Significant Stakeholders and Engagement of Significant Stakeholders explain 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 aspects and key sustainability indicators that the Group has reported on.

This is the Group's first Integrated Report in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). It strives to discuss the inter connections between the six forms of Capital, the Group's Business Model and the creation of value. As always, 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. Prior to this, the Group published stand-alone sustainability reports, disclosing relevant information to all stakeholders. During the last three years, the focus has shifted from a Group-centric approach to one which provided a sectorial analysis and presentation of relevant material aspects for each industry group. This Report provides highlights of the triple bottom line performance of each industry group, and also similar information from a Group-wide perspective. This Report too, was prepared "in accordance – Core" of the Global Reporting Initiative (GRI) G4 Guidelines.

This year, the Industry Group Review section and the Capital Management Review also strives to capture the interrelationships between identified material aspects and the significance of these aspects 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, opportunities and strategy going forward.

This Annual Report strives to provide a balanced overview to all significant stakeholders identified in the ensuing Engagement of Significant Stakeholders section of this Report, providing year on year comparisons for both financial and non-financial information relevant to such identified stakeholders. The Group's material aspects and its aspect boundaries are also covered under Identification of Sustainability Aspects 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 Business Assurance Lanka (Pvt) Ltd. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with standard industry practices and indicator protocols

“Expectations of the Group are diverse and numerous considering the large number of stakeholders that the Group engages with.”

provided under the GRI G4 Guidelines included in the Reporting Principles and Standard Disclosures and the Implementation Manual. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Disclosures of Management Approach section and can be found online at www.keells.com/sustainability.

The GRI content index has been utilised to refer to specific information and disclosures required by the GRI framework. The John Keells Group has been a part of the United Nations Global Compact (UNGC) since 2002 and this Report serves as a communication on progress within this context. It also reinforces the 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 divisions as well as individual businesses, to the Sustainable Development Goals, in turn aligning these with the six forms of Capital. The Group also maps its sustainability performance to the IFC Sustainability Performance Framework which further helps manage risks from a sustainability point of view.

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 re-statements in comparison to the previous year 2014/15, the numbers and statements have been re-arranged wherever necessary to conform to the present year's presentation.

Significant Stakeholders

The Group conducts its commercial operations in several industry sectors of the economy across different geographical markets. This diversity necessitates

developing and sustaining relationships with various stakeholder groups. Expectations 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 that have a significant influence over the Group, or who would be significantly impacted by the Group's operations. These groups have been identified in the diagrams on the following pages.

Once every two years, a Group-wide comprehensive "Great Place to Work" (GPTW) survey is carried out to obtain timely feedback from employees. The Group also conducts the "Voice of Employee" (VOE) survey as required. This is an in-house dip stick study, administered online by an external party. The findings of the survey are incorporated into an action plan and are used in evaluating manager effectiveness, influencing policy and process changes, employee motivation and morale. In 2015 a VOE survey was conducted to monitor the employee satisfaction status post the GPTW held in 2014. The survey was based on four key drivers namely - Caring, Credibility, Equality and Pride which were accessed through 16 statements.

Engagement of Significant Stakeholders

Group engagement with its significant stakeholders is carried out through formal and informal consultations, participation, negotiations, communication, mandatory and voluntary disclosures, as well as certification, and accreditation. The various methods of engagement and frequency of engagement with significant suppliers have been shown on the following pages:

Group Consolidated Review

MATERIALITY AND STAKEHOLDER RELATIONSHIPS

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	Through 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), VOE (Voice of Employee), 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 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 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 with 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 on an on-going basis through meetings, periodic disclosures, correspondence with bodies such as local authorities, municipal councils and other institutions such as Consumer Affairs Authority, Department of Inland Revenue, Customs Department, Securities and Exchange Commission, Colombo Stock Exchange and Tourist Board of Sri Lanka

Business Partners, Principals, Suppliers

Expectations – Fostering long terms business relations and benefitting 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

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

“ 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 the last 145 years. ”

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 the last 145 years in its existence. The Group also constantly engages with its employees, identifying areas such as employee welfare, training and retention of talent as focus areas.

Key Sustainability Concerns

There is strong stakeholder confidence in the Group's corporate and sustainability strategies and performance based on the fact that no adverse reports relating to environmental and social concerns pertaining to the operations of the Group or its companies have been highlighted during the reporting year. This conclusion has been reached by the Group via the continuous monitoring of print and electronic media throughout the period. This monitoring is part of the Group's process of tracking key risk indicators.

The most recent third party stakeholder engagement, as well as the materiality impact assessments carried out on a sectorial basis, were used to further ascertain material issues to both the Group and its significant stakeholders. The supplier assessments carried out during this year helped the Group identify material environmental and social concerns emanating from its value

chain partners, effectively taking the Group's sustainability focus to its value chain partners as well.

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

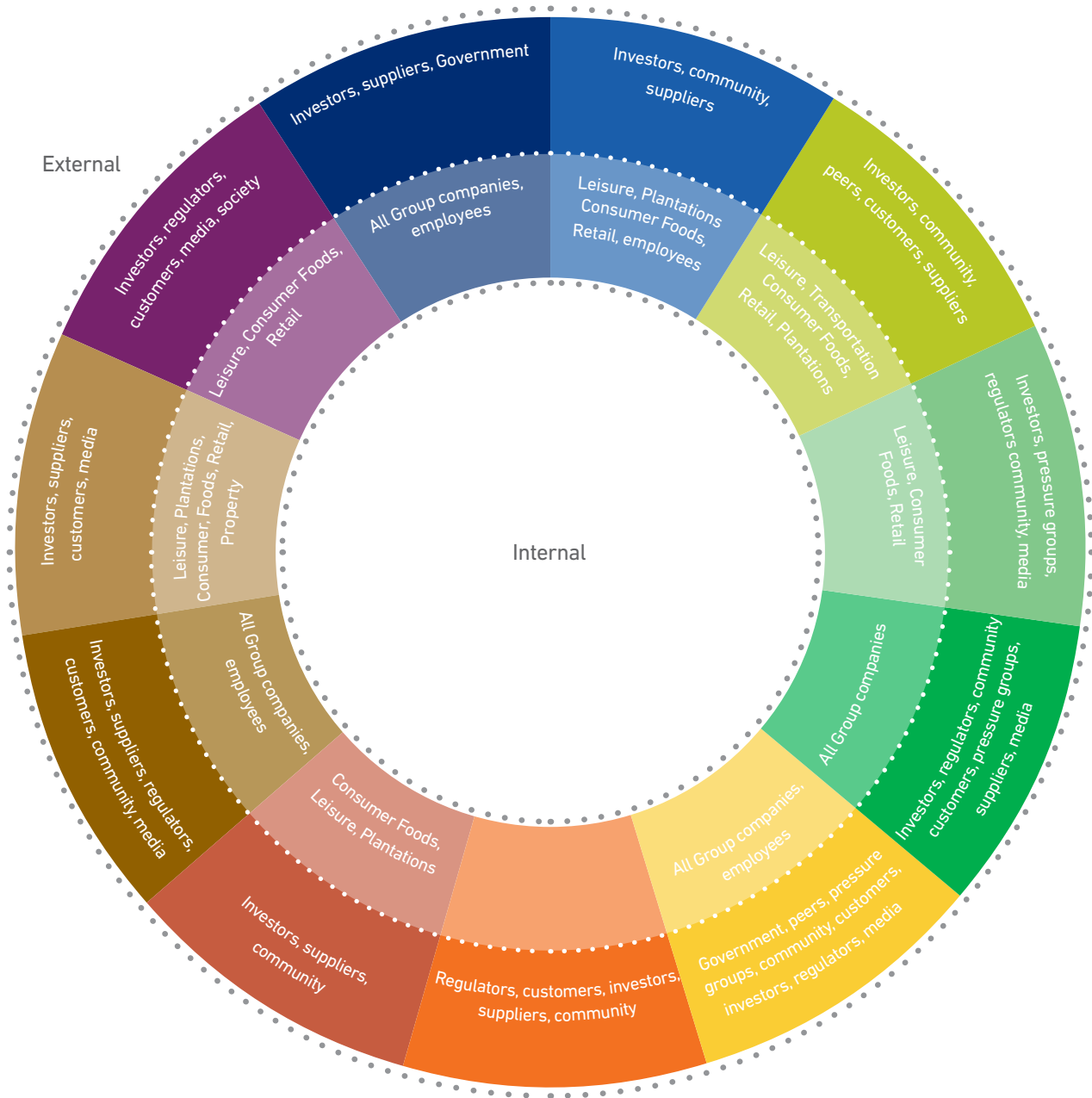
Stakeholders such as society, pressure groups and regulatory authorities constantly assess the operations of corporates with regard to the responsible utilisation of resources, conservation of bio diversity, and environmental protection. These will continue to be high priority areas for the Group.

In the past, the Group has been able to respond to concerns raised by stakeholders through its Annual Report. During the reporting year, the Group has made changes to its policy frameworks and management approaches, so as to identify potential frontier risks and address material aspects.

Identification of Sustainability Aspects

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

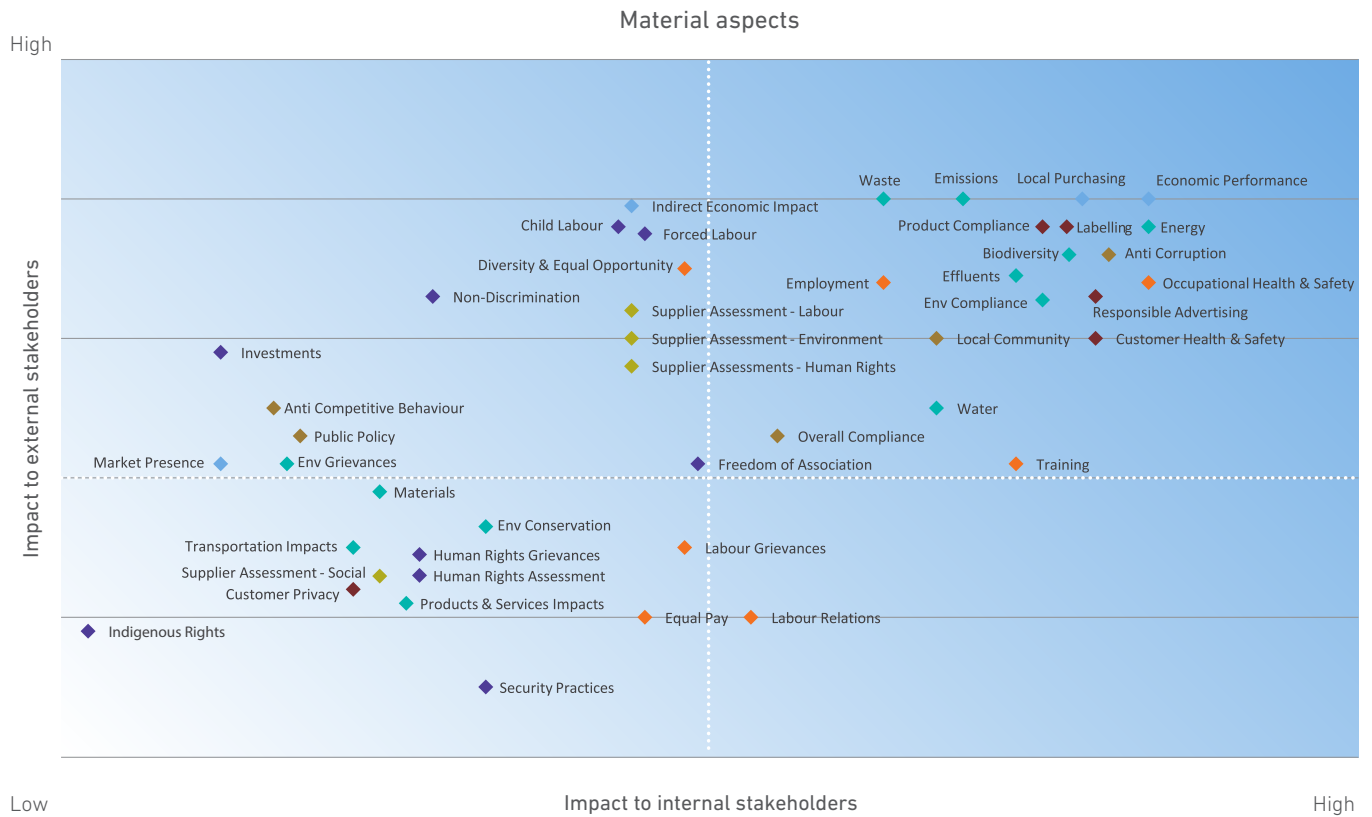
Group Consolidated Review MATERIALITY AND STAKEHOLDER RELATIONSHIPS



Aspect grouping

Internal	External	
		Economic Performance
		Procurement Practices, Indirect Economic Impact
		Energy and Emissions
		Water, Effluents and Waste
		Biodiversity and Environmental Compliance
		Employment, Diversity and Equal Opportunity, Labour Relations, Freedom of Association, Training, Occupational Health and Safety
		Non-discrimination, Prevention of Child Labour, Prevention of Forced and Compulsory Labour
		Local Communities
		Anti-corruption and Regulatory Compliance
		Supplier Assessment (Environmental and Labour)
		Product Quality and Compliance, Labelling, Marketing Communications

In defining Report content, the Group sought to prioritise the material impacts based on their relative importance to internal and external stakeholders. No changes have been made in terms of aspect boundaries this year. This prioritisation and identification of material aspects for reporting is shown below.



Colour Code of Category	Material Aspects	Management Approach
Economic	Economic Performance, Procurement Practices, Indirect Economic Impacts	Financial Capital
Environment	Energy, Water, Biodiversity, Emissions, Effluents, Waste, Compliance	Natural Capital
Employees	Employment, Training and Development, Diversity and Equal Opportunity, Occupational Health and Safety	Human Capital
Human rights	Compliance, Child Labour, Forced or Compulsory Labour, Freedom of Association	Social and Relationship Capital
Product responsibility	Product Labelling, Marketing Communications, Compliance	Social and Relationship Capital
Supplier assessment	Assessment of Suppliers for Environment Stewardship, Labour Practices	Social and Relationship Capital
Social responsibility	Local Community, Anti-Corruption	Social and Relationship Capital

Any clarifications regarding this Report may be obtained from the:

Sustainability, Enterprise Risk Management and Group Initiatives Division, John Keells Holdings PLC
 186, Vauxhall Street, Colombo 2, Sri Lanka
 Email : sustainability@keells.com
 Website : www.keells.com/sustainability







Disclosures of Management Approach can be found on the corporate website at www.keells.com/sustainability

Group Consolidated Review

MATERIALITY AND STAKEHOLDER RELATIONSHIPS

Management Approach to Identified Material Aspects

A detailed description of the strategies and approach adopted by the Group in managing its material aspects is contained in the Disclosure of Management Approach section hosted on the Group website. A summary of this management approach to the Group's Financial and Manufactured Capital, Natural Capital, Human Capital, Social and Relationship Capital and Intellectual Capital is given below.

Financial and Manufactured Capital	Natural Capital
<p>The John Keells Group is committed to delivering sustainable financial performance and growth to all its diverse stakeholders. Accordingly, the Group strategically manages its Financial and Manufactured Capital base, to provide economic value addition, pay back on investment to its investors, payment of debt financing to its financiers, and benefits to its employees, amongst others, whilst also maintaining its social license to operate.</p> <p>The Group's Financial and Manufactured Capital consists of the pool of funds, including manufactured physical objects, that are available to the Group for use in the production of goods and/or the provision of services.</p> <p>Furthermore, the Group's financial management is based on a diversified approach aiming to increase economic value while ensuring stringent internal controls and robust Enterprise Risk Management processes.</p> <ul style="list-style-type: none"> • Employees are targeted through a performance centric compensation culture which results in high levels of efficiency and productivity. • The Group seeks to stimulate the economy through its commitment to developing and working with local suppliers. <p style="text-align: center;"> For further details, refer the Capital Management Section of the Group Consolidated Review section of the Report</p>	<p>The Group has significant operations in various sectors which have high environmental impacts such as energy, water consumption, emissions, waste and effluents, and bio diversity. The Group is aware that it is a custodian of the environment for future generations and as such make every effort to minimise negative environmental impacts and comply with all applicable laws and regulations. The Group is also aware of the importance of preserving the country's natural resources which in turn enhance the unique value proposition of the Group's products and services.</p> <p>The John Keells Group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner.</p> <ul style="list-style-type: none"> • The John Keells Group places great importance on the management and reduction of energy, water consumption, carbon emissions, waste generation and effluent discharge within its areas of operations. • Complementing the overall Environment Policy, the Group has in place several other policies such as its Energy Management Policy, Water Management Policy, as well as the Hazardous Waste Management Policy covering waste management. <p style="text-align: center;"> For further details, refer the Capital Management Section of the Group Consolidated Review section of the Report</p>
Human Capital	
<p>Our People</p> <p>Human resources are an appreciating asset bringing continuous returns and constituting the catalyst for world class performance. Being in predominantly service based industries, productivity, efficiency, customer focus, and skills are of vital importance to the Group.</p> <p>The Group is committed to being "More than just a Workplace" while the foundation of its HR philosophy is to be an equal opportunity employer.</p> <p>The Group has in place policies with regard to human resources which are all aspects of employment.</p> <ul style="list-style-type: none"> • All Group companies adhere to all relevant local labour laws and regulations. • The Group does not discriminate on the basis of gender, race, nationality, age, social origin, disability, religion, or on any other basis. • The Group recognises the rights of employees and provides forums, support groups and policies to address their concerns and resolve issues and conflicts in a fair and transparent manner. <p style="text-align: center;"> For further details, refer the Capital Management Section of the Group Consolidated Review section of the Report</p>	<p>Our Ethics</p> <p>The Group is committed to upholding the universal human rights of all its stakeholders whilst maintaining the highest ethical standards in all its business operations.</p> <p>The John Keells Group places the highest value on ethical practices and has promulgated a zero tolerance policy towards corruption and bribery in all its transactions.</p> <ul style="list-style-type: none"> • All business units and functions of the Group are required to include and analyse the risk of corruption as a part of their risk management process. • The Group employs stringent checks during its recruitment process to ensure the minimum age requirements are met. • The Group ensures that all companies are educated on the possible sources of forced and compulsory labour. • The Group has zero tolerance for physical or verbal harassment based on gender, race, religion, nationality, age, social origin, disability, political affiliations or opinion. <p style="text-align: center;"> For further details, refer the Corporate Governance Commentary section of the Report</p>

Social and Relationship Capital

Our Community

The Group aims to be good neighbours and proactively contributes to the development of the nation through aligning its focus areas to the Sustainable Development Goals adopted by Sri Lanka.

The Group abides by the values of caring, trust and integrity by demonstrating its commitment to the community and environment in line with our CSR Vision “Empowering the nation for tomorrow”.

- The Group focusses on education, health, environment, community and livelihood development, arts and culture, and disaster relief.
- The Group has contributed towards the development of society through infrastructure, public services and local community engagement initiatives.



For further details, refer the Capital Management Section of the Group Consolidated Review section of the Report

Our Supply Chain

Engaging with a vast number of business partners across its various industry groups, the Group recognises the importance of entrenching sustainability across its value chain towards promoting responsible businesses while reducing risk.

The Group engages with its significant suppliers to ensure that their working conditions are safe, workers are treated with respect and dignity, and that operations are carried out in an environmentally responsible manner.

- The Group has introduced a comprehensive Supplier Management Framework including a Supplier Code of Conduct.
- Awareness creation and engagement of suppliers is carried out through supplier fora.
- Significant suppliers are assessed annually based on labour practices, human rights and environmental impacts through an internally developed supplier checklist.



For further details, refer the Capital Management Section of the Group Consolidated Review section of the Report

Intellectual Capital

The Group 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.

Furthermore, the delivering of optimal levels of quality and ensuring maximum satisfaction to all its customers and clients has always been imperative and material to the Group.

- The Group embarked on a journey of identifying emerging or current disruptive business innovation. This initiative, titled “Disrupt 2016 – The Digital Imperative”, focusses on developing the digital quotient (DQ) of individuals and businesses.
- 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. JKR currently collaborates with leading universities and research institutes in Sri Lanka and also has projects with a leading research institute in India and a university in the United States.
- The Group is home to many brands which have gained recognition in their respective spheres over many years. In addition to routine strategies executed by each of the businesses to strengthen their respective brands, the Leisure industry group has placed significant emphasis on systematically executing the “Cinnamon” brand strategy.
- The Group develops and markets products and services that meet customer requirements and meet the highest product quality standards which ensures customer health and safety.
- The Group follows the ICC Code of Advertising and Marketing Communication for all its products and services.
- The Group adheres to all product labelling requirements specified in all relevant laws and regulations in the countries it operates in.



For further details, refer the Capital Management Section and the Industry Group Review sections of the Report



Disclosures of Management Approach can be found on the corporate website at www.keells.com/sustainability

Group Consolidated Review

RISKS, OPPORTUNITIES AND INTERNAL CONTROLS

Enterprise Risk Management Process Overview

Business Unit/Sector/Industry Group Risks

The centrally coordinated enterprise risk identification and review process is carried out by all Group companies, quarterly, bi-annually and annually, based on a pre-agreed structure. In addition to managing the specific company related risks, sector and industry group common risks, are also considered at various fora such as the monthly Group Management Committees, the quarterly Board Meetings and the annual comprehensive risk identification and review exercise. Risks covered at the various levels, include operational risks, hazard risks, financial risks, fraud and corruption, natural disasters, environmental pollution, labour related risks 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 robust corporate governance structure which encompasses the self-linking of risk management, sustainability, corporate social responsibility and internal audit processes,

“ Risk management is an integral part of the corporate governance process of the John Keells Group and, by all indications, it has been a key factor in the sustenance of the Group's long term success. ”

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 Group Management Committees, at the industry group level, are 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. These risk control measures are often subject to audit by the Internal Audit team which reports to the respective Audit

Committees of the listed companies and to the Audit Committee of John Keells Holdings PLC with respect to all Group companies.

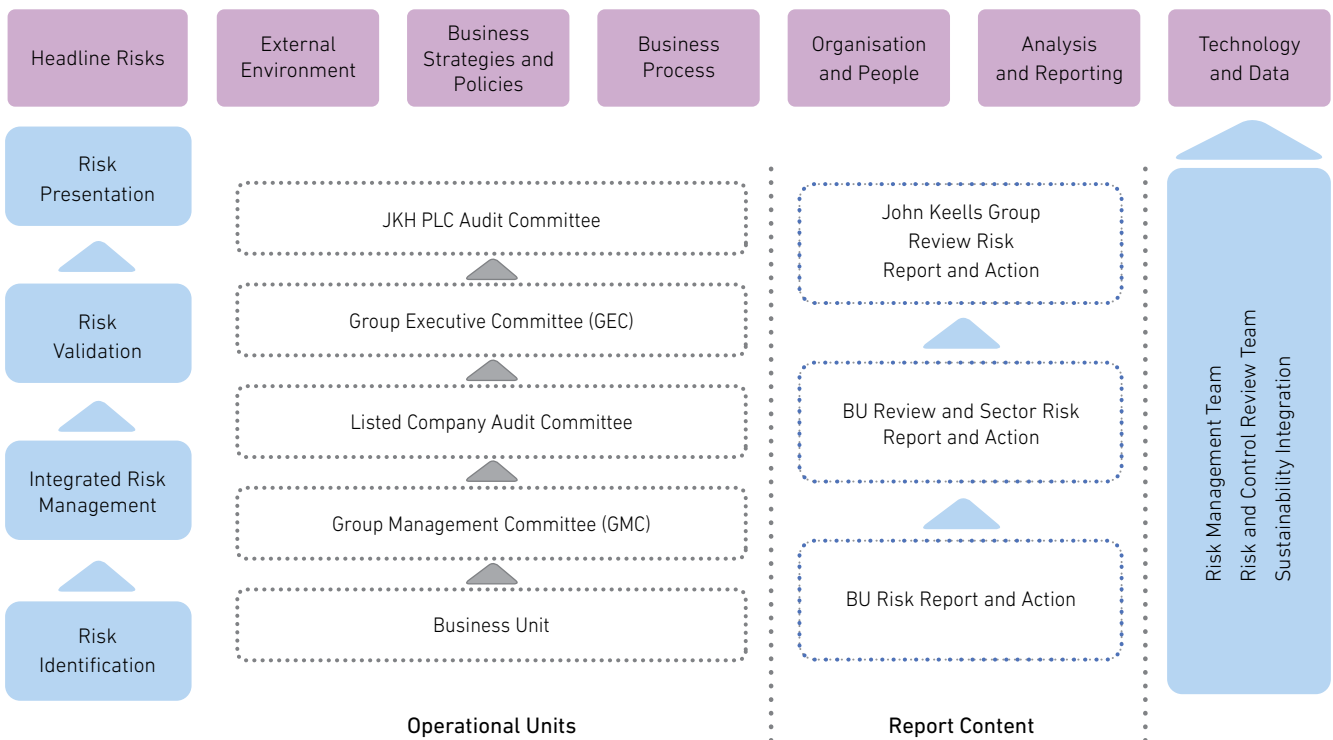
Group Risks

Risks pertaining to the greater Group, and the identified critical operating risks at a 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 parent 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.

John Keells Risk Universe



Key Impacts, Risks and Opportunities

Risk management is an integral part of the corporate governance process of the John Keells Group and, by all indications, it has been a key factor in the sustenance of the Group's long term success. The structured process for risk management seeks to create and protect value for all stakeholders by ensuring that Group companies effectively identify and mitigate a range of operational, structural, financial and strategic risks that may otherwise prevent the organisation from meeting its objectives. 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 operations.

During the reporting year, risks such as an unstable global economy, political instability, especially in the Maldives and the Middle East, volatility in interest and foreign exchange rates and ambiguous and outdated laws, were key areas of risk impacting the business operations of the Group. As an outcome of its risk management process, the Group was able to identify areas such as emerging markets in the Leisure industry group, greater local purchases through sustainable sourcing in the Consumer Foods and Retail industry group and the involvement of the local community in infrastructure projects through various community based initiatives. This, needless to state, in turn, enabled the enhancement of the Group's contribution to

“ The Group continues to focus its efforts on opportunities 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. ”

the local economy and communities within which it operates.

From a social perspective, the Group identified likely impacts to its internal stakeholders such as its workforce, and to its external stakeholders - customers, suppliers and the community. While such risks and impacts vary for each stakeholder group, the Group identified areas such as attracting and retaining necessary skills, maintaining good labour relations and ensuring product responsibility are some of the key areas that warranted special attention.

The Group's operational decisions are influenced by the "Precautionary Principle" and accordingly from an environmental perspective, 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 process violations leading to environmental pollution. With one of the Leisure industry group's unique selling propositions being Sri Lanka's natural environment and biodiversity, the Group pro-actively contributes to efforts which are aimed at the conservation of the country's natural resources in areas identified via the risk management process. Given the heavy reliance in Leisure and the Consumer Foods sector on water resources, such conservation and protection of the environment are seen as key to sustainable growth.

Further, opportunities specific to business units, sectors and industry groups are discussed in the Industry Group Review section of this Report.

Macroeconomic and Political Environment

	2015/16	2014/15	2013/14
Risk rating	Low	Moderate	Low

Teething problems which customarily accompany political transition, the resultant policy uncertainty and the volatility of the economic environment - both locally and globally - slowed Sri Lanka's GDP growth in 2015/2016. However, some of the very recent policy measures taken by the Government appear to be attracting positive responses from the business community.

The Group remains positive about the future of Sri Lanka's economy, and members of its senior management actively participate in key policy making bodies, committed to supporting the Government in its efforts towards creating sustainable and equitable economic growth. Similarly, in the Maldives, the Group works closely with the authorities in supporting its economic growth. For these reasons, this risk is considered Low.

The Group continues to focus its efforts on 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 operations. Further, the Group through its strategic CSR activities spearheaded by the John Keells Foundation, continuously strives to enhance livelihoods, improve education and health, and invest in local community based infrastructure projects.

Regulatory Environment

	2015/16	2014/15	2013/14
Risk rating	High	Ultra high	Ultra high

While some degree of uncertainty still continues to prevail as a result of transitioning legal and regulatory structures which are being crafted to meet the new economic and social policies of the Government, the establishment of various fora for private sector and public representation, gives the Group more confidence that the anomalies will be corrected. The risk rating has therefore reduced from Ultra High to High. The Group's operating model, together with its internal processes, aim 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, act as a means of enlisting the support of the decision makers to bring clarity and consistency to Government policies and regulations.

Group Consolidated Review

RISKS, OPPORTUNITIES AND INTERNAL CONTROLS

Financial Exposure

	2015/16	2014/15	2013/14
Risk rating	Low	Low	Moderate

The central Treasury Division, guided by the Group Executive Committee and supported by the Finance functions of the businesses, is responsible for the management of financial risks through ongoing monitoring and hedging mechanisms, as well as management of liquidity and financing requirements, and ensuring Board approved strategies for interest rate, currency and liquidity management are applied across the Group. Given the volatility and uncertainty in the global and local macroeconomic environment witnessed in the previous financial year, the ensuing section elaborates on the key elements of financial exposure, the state of the Group's readiness and the expected relative stability of the indicators discussed below.

Currency/Exchange Rate

Risk rating – Medium

The Central Bank's adoption of a flexible exchange rate policy amidst growing reserve and balance of payment concerns gave way to volatility in the USD/LKR exchange rate in the latter half of the financial year. The Group adopted prudent measures to manage the financial impacts arising from currency fluctuations, underscoring the importance of matching liabilities with corresponding inflows and constantly evaluating such positions. Accumulation of foreign currency funds and the deferral of conversions; matching of Dollar revenue streams with Dollar denominated debt to architect "natural hedges"; currency hedges; and the regular review of rates and related pricing were some of the initiatives towards this end. It is noted that the exchange rate exposure arising from the "Cinnamon Life" project is mitigated to an extent since the functional currency of Waterfront Properties (Private) Limited is in US Dollars.

 Refer Note 10 of the Notes to the Financial Statements

For further details and quantification of the aforementioned risks under Financial Exposure.

Interest Rate

Risk rating – Low

The Rupee interest rates saw an upward movement in the latter half of the year as a result of the Central Bank's revision of Statutory Reserve Ratios and policy rates. However, this did not have a material impact on the Group since the Rupee share of debt declined in the previous year. The Group continued its strategy of maintaining floating debt facilities for a majority of the Dollar denominated debt. Even so, it continued to evaluate and enter into hedge instruments, where feasible, including the creation of a natural hedge by entering into variable rate Dollar denominated short-term deposits.

Given the current outlook for the interest rate exposure in relation to the USD 395 million syndicated loan facility, obtained by Waterfront Properties (Private) Limited for the development of the "Cinnamon Life" project, the Group entered into a partial hedge in order to mitigate the interest rate exposure of the Group. The Group will continue to monitor its LIBOR exposure in relation to the syndicated loan facility, make periodic updates and recommendation to the Board as necessary, and take required action to mitigate exposure and potential risks.

Credit and Counterparty

Risk rating – Low

The Group continued to liaise with only reputed creditworthy counterparties. All clients are subject to credit verification procedures and are required to submit bank guarantees/performance bonds, where applicable. These clients are regularly monitored and concentration risk in any single counterparty is mitigated due to internally set exposure limits.

“ Given the current outlook for the interest rate exposure in relation to the USD 395 million syndicated loan facility, obtained by Waterfront Properties (Private) Limited for the development of "Cinnamon Life" project, the Group entered into a partial hedge in order to mitigate the interest rate exposure of the Group. ”

Liquidity

Risk rating – Low

The Group strived to ensure that cash 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 cashflow forecasts, matches the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

Information Technology

	2015/16	2014/15	2013/14
Risk rating	High	Low	Low

The majority of the Group's IT systems are centralised to ensure uniformity, standardisation and economies of scale. Most servers which were outside the central data centre have now been consolidated into the Group's central data centre. Whilst such centralisation increases utilisation and reduces unit costs, it does increase 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 under a cost versus benefit scenario, the emergence of cyber security as a potential risk has led to increasing the overall score from "Low" to "High". The increase in the risk rating is due to insufficient accumulated knowledge on how to manage cyber risks, and the Group is working continuously with experts to gain better knowledge in mitigating and managing this risk.

“ The Group has in place an effective grievance handling mechanism, while maintaining a culture of continuous engagement and dialogue with employees. ”

Global Competition

	2015/16	2014/15	2013/14
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 business models, customer engagement and business processes and has put in place a Digitisation Steering Committee to further study emerging practices. In this light, the risk rating remains at a Low.

Human Resources and Talent Management

	2015/16	2014/15	2013/14
Risk rating	Low	Low	Low

Over the years, the Group has placed strong emphasis on retaining key talent through performance recognition and reward schemes, succession planning, leadership and career development programmes. Evidence indicates that such strategies have proved to be effective with the Group retaining high quality employees 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 climate surveys internally, to better understand its employee needs and aspirations. The Group has in place an effective grievance handling mechanism, while maintaining a culture of continuous engagement and dialogue with employees. The engagement with unions is on a partner basis and this has resulted in better performance oriented outcomes.

Improving competencies and skills are recognised as vital factors in maintaining current standards and matching global best practice levels. The Group achieves this through targeted, business focussed training and development programmes available to all employees across the Group, on a needs basis. The Group's e-learning and classroom training programmes provide employees with the tools to improve their business leadership and managerial skills, which ensures that the Group retains the ability to position itself as a preferred employer. As a result of these measures, and based on the empirical evidence during the past year, the rating for this risk remains a Low.

Environment and Health and Safety

	2015/16	2014/15	2013/14
Risk rating	Low	Low	Low

The Group has in place a robust Environmental Management System with emphasis on environmental/society friendly policies with respect to energy, emissions, water, discharge and waste. 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. The waste sent to landfill is also under management focus, through training and awareness, usage of renewable energy sources, more efficient equipment and the continuous incremental evolution of processes and systems in reducing/reusing/recycling waste. As such, Group companies are encouraged to constantly seek out renewable sources of energy, install energy and water efficient equipment and take proactive steps to minimise 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. This has improved morale, productivity and efficiency. Where relevant, Group companies have obtained OHSAS 8001 Occupational Health and Safety, HACCAP certification and ISO 22000 certification on food safety management systems. The provision of safe and healthy products/services for its customers is also a top priority. Against this background, the risk of Environment and Health and Safety remains a Low.

Reputation and Brand Image

	2015/16	2014/15	2013/14
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 infrastructure and community development projects carried out by the John Keells Foundation are aimed to project the Group as a stakeholder friendly, society-centric entity. In addition, stringent quality assurance and product standards are

“ 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. ”

Group Consolidated Review
RISKS, OPPORTUNITIES AND INTERNAL CONTROLS

“ 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. This assists them to further entrench sustainability within their own business operations, resulting in cost benefits as well as enhancement of their own brand image. ”

maintained and product quality is continually monitored and tracked. 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

	2015/16	2014/15	2013/14
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 the regularly assessing of 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. This assists them 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.

In addition, given the interrelationship between risk management and sustainability, the Capital Management Review Group of Consolidated Review section of this Report, details the Group’s performance with regard to all pillars of the triple bottom line and further analyses and quantifies the impacts of risk and opportunities. Risk management is further reinforced through the Group’s corporate governance framework which ensures a strong focus on compliance to regulatory and ethical guidelines and operating in line with the principles of sustainable development.

Refer Section 5.5 of the
Corporate Governance Commentary

For further details on Internal Controls.

Group Consolidated Review

SHARE AND WARRANT INFORMATION

Total number of shares in issue as at 31/03/2016	1,189,403,549
Public shareholding as at 31/03/2016	98.49%
Global Depository Receipts (GDR) balance	1,282,364
2016 Warrants outstanding	50,281,136
Stock symbol	JKH.N0000
2016 Warrant symbol	JKH.W0023
Newswire codes of the JKH share	
Bloomberg	JKH.SL
Dow Jones	P.JKH
Reuters	JKH.CM

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 based on JKH share related information.

Global Review

The year under review was characterised by signs of a gradual recovery of the US economy since the financial crisis in 2008. The emergence of strong US economic data during the year, particularly from the labour market, enabled the US Federal Reserve (Fed) to increase short term interest rates in December 2015, for the first time in nearly a decade, by 25 basis points. However, heightened concerns regarding global economic prospects, particularly during the latter half of the financial year, have led to increased market volatility and uncertain financial conditions in the US, which resulted in the Fed holding rates steady as at March 2016.

The steep reduction in oil prices, the third largest decline over the past three decades, coupled with the slowdown in the Chinese economy, were key drivers of market uncertainty during the year. China recorded a growth rate below 7 per cent for the calendar year 2015, which is the slowest economic expansion recorded in two decades. Whilst the growth rate is still substantial, the deceleration was a key factor for the decline in global commodities over the past two years. Despite aggressive efforts by the Government to stimulate the economy through currency devaluation, interest rate cuts and stimulus packages, the outlook in China remains subdued in the eyes of most investors. Alongside these developments, the Shanghai Stock Exchange hit an 8 year low in August 2015, recording an overall decline of 20 per cent during the financial year.

Growth in Europe was dampened mainly due to uncertainty surrounding the monetary stance of the European Union (EU) and Brexit (Britain's exit of the EU), which has also resulted in the GBP and the Euro depreciating against the US Dollar. In the wake of Brexit speculations, the London Stock Exchange fell by 9 per cent to 6,174.90 points at the close of the financial year. The quantitative easing programme carried out by the European Central Bank (ECB) resulted in the Euro exchange rate dropping further, to a 12 year low, against the USD in March 2016. The effects of the lax monetary policy stance of the ECB were further magnified by the Brexit speculations and the Greek crisis.

The aforementioned global volatility and uncertainty in key markets, contributed subdued trading activities in regional peers and emerging markets. The Jakarta Composite Index (JCI) and Singapore's Strait Times index (STI) declined by 11 and 18 per cent respectively, whilst Malaysia's FTSE Bursa Malaysia KLCI (KLSE) fell by 6 per cent during the financial year. The S&P Sensex of Mumbai (SENSEX) in India declined by 10 per cent during the financial year.

Local Stock Market Review

The All Share Price Index (ASPI) of the Colombo Stock Exchange (CSE) decreased by 12 per cent to 6,071.88 points during the period under review. 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 3,204.44 points as at 31 March 2016, recording a decrease of 17 per cent over the previous financial year [2014/15: 3,852.43]. The overall market capitalisation of the CSE was Rs.2,586.16 billion as at the end of the

financial year compared to Rs.2,891.17 billion in the previous year, recording an overall decline of 11 per cent. The constrained performance of the CSE was the result of domestic economic conditions, underpinned by the global factors discussed previously.

Despite the low interest rate environment and benign inflation, particularly during the first half of the financial year, business and investor confidence in the market was subdued. This was due to a prolonged period of policy uncertainty and the measures announced in the 2016 Budget proposals, particularly in relation to Capital Gains Tax which dampened the situation predominantly in the domestic retail space. The downgrade of Sri Lanka's sovereign credit rating by Fitch ratings to B+ with a negative outlook in February 2016 further exacerbated investor sentiment. Consequently, the market experienced strong selling pressure as foreign investors became net sellers recording an outflow of Rs.6.41 billion in the year [2014/15: Rs.31.2 billion inflow]. A decline in domestic participation to 63 per cent from 73 per cent in the previous year and continued net selling during much of the financial year collectively resulted in a decline in the market. Further, the average daily turnover levels of the ASPI decreased to Rs.954 million compared to Rs.1.48 billion recorded in the previous year.

The second half of the financial year witnessed further macroeconomic pressures with rising interest rates, depreciation of the Rupee and Balance of Payment concerns. The increase in the Statutory Reserve Ratio (SRR) in December 2015 by 150 basis points to 7.50 per cent and a further increase in policy rates in February 2016 resulted in increased investor appetite for fixed income securities among retail and local institutional investors. Against this backdrop, the CSE recorded 25 corporate debenture issues during the financial year, through which a total of Rs.83.41 billion was raised compared to the Rs.66.76 billion raised in the previous financial year. Correspondingly, the primary activities of the CSE declined, with only 2 initial public offerings in the year raising approximately Rs.329 million [2014/15: Rs.3.08 billion].

JKH Share

The JKH share decreased by 16 per cent to Rs.147.00 as at 31 March 2016 from Rs.174.48 (adjusted for the share subdivision in June 2015) recorded in the previous financial year.

Group Consolidated Review

SHARE AND WARRANT INFORMATION

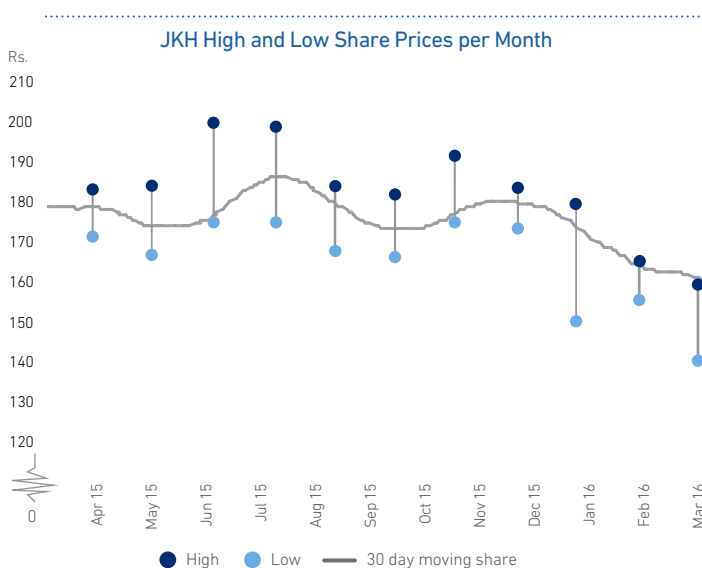
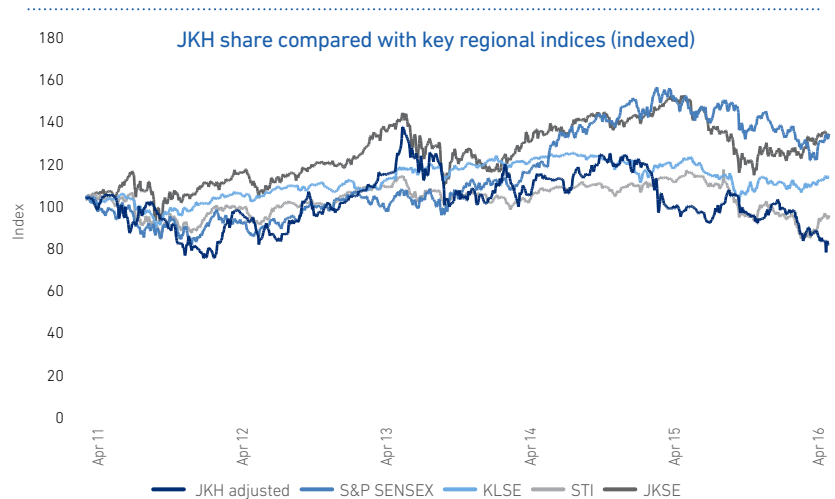
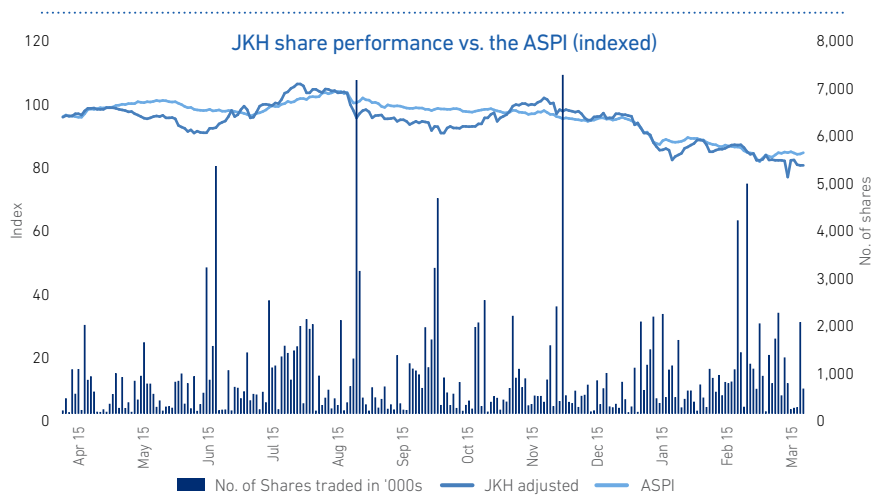
However, as illustrated in the graph, JKH traded in strong correlation with the ASPI during the period under review. On an adjusted basis, the JKH share traded between Rs.199.00 (in July 2015) and Rs.140.00 (in March 2016).

Despite this subdued market performance, the JKH share contributed 14 per cent in terms of market turnover (2014/15: 20 per cent), underscoring its consistency as a preferred liquid equity instrument. The beta of the JKH share as of 31 March 2016 stood at 0.97 (the beta is calculated based on daily JKH share and market movements measured by ASPI for the five year period commencing 1 April 2011 to 31 March 2016).

Foreign ownership of JKH declined from 54 per cent to 51 per cent during the financial year due to the exit of a few foreign shareholders. Given the migration of institutional funds away from emerging markets amid expectations of a rising rate environment in the US, the higher proportion of foreign ownership of the free float of JKH, and liquidity of the counter, adversely affected price performance in relation to the rest of the domestic market. The compounded annual growth rate (CAGR) of the JKH share on a capital basis over the 5 year period stood at a negative 4 per cent, similar to that of the market.

2015 Warrants and 2016 Warrants

The 2015 Warrant (ticker: JKH.W0022) ceased trading on the CSE on 28 September 2015 with the exercise period commencing from 29 September 2015 and ending 12 November 2015.



* 30 day moving averages have been calculated using 15 days trailing and forward closing prices from the mid point of each month

The Company concluded the conversion of 50.3 million 2015 Warrants in November 2015, of which 49 million Warrants were exercised and accepted at the price of Rs.161.87 (adjusted for the June 2015 subdivision). Based on the final conversion of 2015 Warrants into ordinary shares, the Company received a sum of Rs.7.97 billion. The allotment of the ordinary shares of the Company and the uploads to the Central Depository System (CDS) were completed within the timeframes stipulated in the Shareholder Circular dated 5 September 2013 and the Notice of Exercise dated 9 October 2015 respectively.

The 2016 Warrant traded at Rs.9.30 as at 31 March 2016. The 2016 Warrant will expire on 11 November 2016 at the exercise price of Rs.170.62 (adjusted for the June 2015 subdivision).

Unexpired Employees Share Options

Expiring year	Outstanding			End/current price
	Vested	Unvested	Total	
2016/17	6,603,591	-	6,603,591	151.39
2018/19	3,850,391	3,980,366	7,830,757	219.03
2019/20	2,179,117	5,761,349	7,940,466	201.19
2020/21	89,712	7,494,805	7,584,517	171.25
Total	12,722,811	17,236,520	29,959,331	

Issued Share Capital

The number of shares in issue by the Company increased to 1.18 billion as at 31 March 2016 from 997 million as at 31 March 2015. The increase in the share capital was on account of the share subdivision, the 2015 Warrant conversion and the exercise of Employee Share Options (ESOPs). The Company received approval to subdivide 7 ordinary shares in existence to 8 ordinary shares at the Extraordinary General Meeting held on 26 June 2015. The subdivision was concluded in July 2015. Consequently, the number of warrants accruing to the holders of 2015 and 2016 Warrants and the respective exercise prices were adjusted to reflect the aforementioned subdivision of shares.

ESOPs of 0.16 million equivalent shares were exercised during the financial year. Moreover, out of the 30 million shares equivalent of unexercised ESOPs as at 31 March 2016, 13 million unexercised ESOPs are eligible for immediate exercise whilst the balance 17 million unexercised ESOPs will be vested based on performance based conditions in accordance with the terms of the award. Further details of the Company's ESOP plans are found in the ensuing sections of this discussion. Ordinary shares equivalent to the Global Depository Receipts (GDRs) increased to 1.3 million as at the end of the financial year due to the share subdivision.

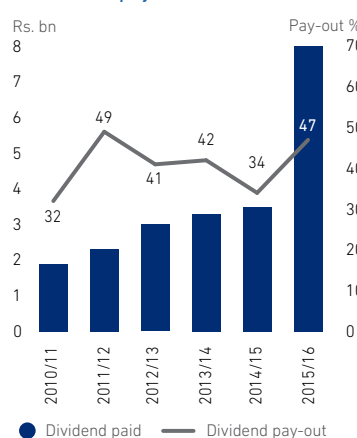
Subdivision of Shares

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

Dividend

The Company's dividend policy seeks to ensure a dividend payout that corresponds with the profit for the year, whilst ensuring that the Company retains adequate funds to

Distributions to shareholders and payout ratio



support its investment pipeline and optimise its capital structure, thus ensuring the creation of sustainable shareholder wealth in the short, medium and long term.

On this basis the Company maintained its dividend payout of Rs.3.50 per share for the current financial year together with an additional payment of a special dividend of Rs.3.50 per share, resulting in a total dividend of Rs.7.00 per share. The payment of the special dividend was on account of the cash inflow of Rs.4.14 billion to the Company from the share repurchase of Union Assurance PLC.

The total dividend paid for the financial year increased by 131 per cent to Rs.8.04 billion [2014/15: Rs.3.48 billion] on account of the special dividend. Similarly, the dividend payout ratio also increased to 47 per cent in the current year [2014/15: 35 per cent].

Earnings per Share

The fully diluted earnings per share (EPS) for the financial year, adjusted for the share subdivision, decreased by 3 per cent to Rs.12.09 per share [2014/15: Rs.12.41 per share] due to the decrease in profit attributable to the equity holders. It is noteworthy to mention that, on a recurring earnings basis, the diluted EPS after adjusting for changes in fair value of investment property and

capital gains arising from the sale of Union Assurance General Limited in 2014/15, has increased to Rs.11.91 in the current financial year from Rs.11.36 (after adjusting for the share subdivision) recorded in the previous financial year, thus representing an increase of 5 per cent. The growth in the recurrent EPS is on account of the improvement in profitability of core business activities. The items impacting profits are discussed in depth in the Group Consolidated Review and Industry Group Review sections of this Report.

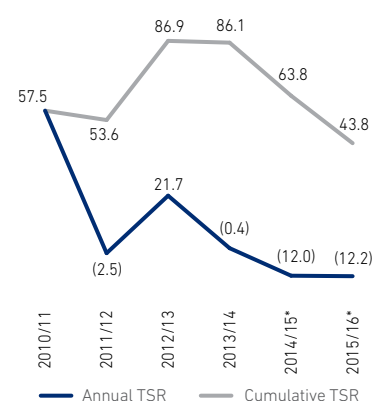
Total Shareholder Return

As discussed previously, the S&PSL 20 declined by 17 per cent compared to the JKH share which declined by 16 per cent. Despite the decline of the JKH share, the total shareholder return (TSR) of the JKH share outperformed the market at a negative 11.7 per cent against the total return index of the S&P SL 20 which posted a return of negative 13.4 per cent.

TSR for a holder of a single share subsequent to the rights issue in 2013 with proportionate ownership over the 2015 and 2016 Warrant, assuming the 2015 Warrant was fully converted, remained flat at a negative 12.2 per cent [2014/15: negative 12.0 per cent], due to the aforementioned fall in the JKH share price and the 2016 Warrant being "out-of-the-money" as at the financial year end.

On a cumulative basis, over a five year holding period, the share inclusive of dividend and Warrants issued posted an annualised total return of 7.5 per cent, which was primarily impacted by the underperformance of the JKH share in the current year.

Total shareholder return (%)



* Includes the proportionate impact arising from the ownership of Warrants

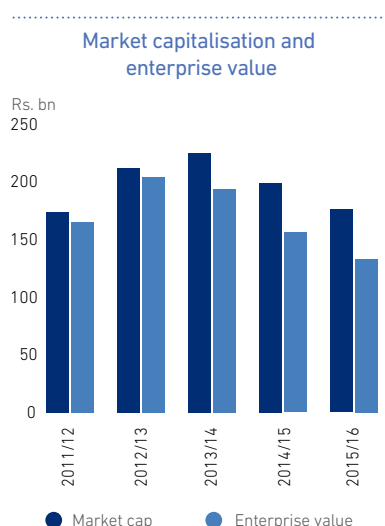
Group Consolidated Review

SHARE AND WARRANT INFORMATION

Market Capitalisation and Enterprise Value

The market capitalisation of the Company decreased by 12 per cent to Rs.176.03 billion as at 31 March 2016 [2014/15: Rs.198.90 billion]. At the financial year end, JKH represented 6.8 per cent of the total market capitalisation of the CSE [2014/15: 6.9 per cent].

The enterprise value of the Group decreased by 20 per cent to Rs.124.18 billion [2014/15:Rs.155.68 billion] as at 31 March 2016. The decrease in enterprise value is due to the reduction in market capitalisation coupled with the strengthening of the Group's net cash position mainly on account of the 2015 Warrant.



Price Earnings Ratio

The Price to Earnings Ratio (PER) of the JKH share was 12.2 times as at the end of the current financial year compared to 14.1 times recorded in the previous financial year. The decrease in the PER was driven by the 16 per cent decline in the share price as discussed earlier. The JKH share, which has historically traded at a premium, was at a discount compared to the market PER of the CSE of 15.3 times as at the end of the financial year [2014/15: 18.4 times].

Given the domestic economic conditions which prevailed during the year, the CSE traded at a PER level which is relatively lower than the PER multiple of its regional peers and is presently trading at relatively attractive valuations. The Kuala Lumpur's FTSE Bursa Malaysia KLCI was 17.8 times, Jakarta's Composite Index was 25.8 times and Singapore's STI was 13.2 times. The PER of the SENSEX Index Mumbai was 19.1 times, whilst the Dow Jones industry average index and London FTSE 100 indices were trading at 15.9 and 33.8 times respectively as of the end of the financial year.

Price to Book

The price to book value of the Group as at the financial year end was 1.1 times [2014/15: 1.4 times]. The ratio decreased, due to the increase in the net asset value to Rs.130.30 which was offset by the fall in the JKH share price as discussed above.

Liquidity

During the financial year, 177 million shares changed hands over 37,000 transactions as against 297 million shares over 34,000 transactions in the previous financial year. The average daily turnover of the JKH share was Rs.132 million, in comparison to the Rs.292 million recorded in the previous financial year.

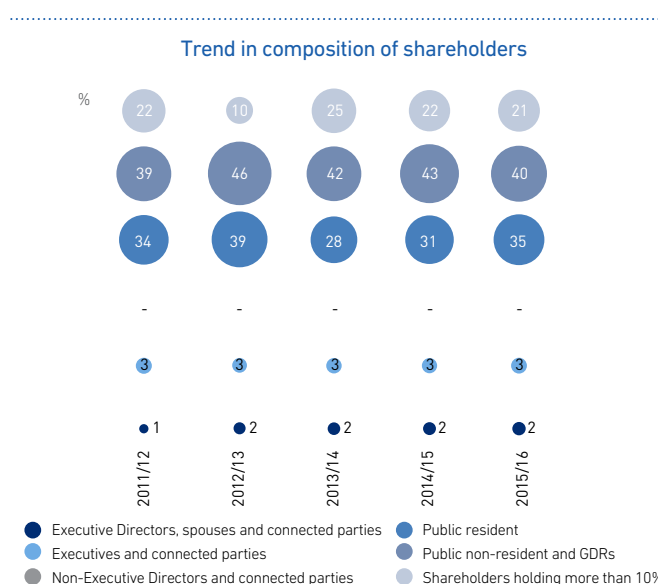
As at 31 March 2016, 29 million 2016 Warrants changed hands over 20,260 transactions compared to 36 million, 2016 Warrants being traded in over 18,000 transactions during the previous financial year. The average daily turnover of the JKH share represented 14 per cent of the CSE during the financial year. The share turn ratio for the financial year decreased to 0.16 from 0.18 as a result of the aforementioned market and economic conditions.

	2015/16	2014/15	2013/14
Market cap (Rs.bn)	176.03	198.90	224.80
Enterprise value (Rs.bn)	124.18	155.68	193.61
Market value added (Rs.bn)	21.05	61.05	101.90
EV/EBITDA (times)	5.0	6.6	9.7
Diluted EPS (Rs.)	12.1	12.4	12.3
PER (diluted)	12.2	14.1	18.4
Price to book (times)	1.1	1.4	1.8
Price/cash earnings (times)	16.1	15.0	15.1
Dividend yield (%)	4.7	2.0	1.5
Dividend payout ratio (%)	46.7	33.5	44.2
TSR (%)	(12.2)	(12.0)	(0.4)

Distribution and Composition of Shareholders

The total number of shareholders of JKH as at 31 March 2016 increased to 11,515 from 9,924 recorded at the end of the previous financial year. Out of the total number of shares, 98 per cent of the shares were held by the public whilst the remaining 2 per cent were held by Directors, spouses and other connected parties.

In terms of residency of the shareholders, 47 per cent of the free float excluding directors and connected parties was held by 11,010 resident shareholders whilst the remainder were held by 409 non-resident shareholders of which a majority of shares were owned by institutional shareholders.



Composition of Shareholders

	31 March 2016			31 March 2015		
	Number of shareholders	Number of shares	(%)	Number of shareholders	Number of shares	(%)
Executive Directors, spouses and connected parties	5	17,974,139	2	5	15,044,340	2
Non-Executive Directors and connected parties	2	7,712	0	2	6,467	0
Executives and connected parties	89	39,928,856	3	104	33,132,911	3
Public Resident						
Institutions	681	247,554,155	21	599	178,989,306	18
Individuals	10,329	282,960,176	24	8,815	236,472,026	24
Public Non-Resident						
Institutions	136	591,145,094	50	149	525,613,638	53
Individuals	272	8,551,053	0	249	7,105,734	0
Global Depository Receipts	1	1,282,364	0	1	1,122,069	0
Total	11,515	1,189,403,549	100	9,924	997,486,491	100

Distribution of Shareholders

	31 March 2016				31 March 2015			
	Number of shareholders	(%)	Number of shares held	(%)	Number of shareholders	(%)	Number of shares held	(%)
Less than or equal to 1,000	6,692	58	1,635,940	0	5,888	59	1,451,868	0
1,001 to 10,000	3,191	28	11,329,474	1	2,706	27	9,816,491	1
10,001 to 100,000	1,258	11	36,392,126	3	998	10	28,860,464	3
100,001 to 1,000,000	242	2	73,799,873	6	204	2	65,351,235	7
1,000,001 and over	132	1	1,066,246,136	90	128	2	892,006,433	89
Total	11,515	100	1,189,403,549	100	9,924	100	997,486,491	100

Market Information of the Ordinary Shares of the Company

	2015/16	Q4	Q3	Q2	Q1	2014/15
Share Information						
High	195.20	177.00	187.00	195.20	181.13	230.13*
Low	140.00	140.00	166.00	167.50	166.16	170.63*
Close	147.00	147.00	177.00	167.50	176.93	174.48*
Dividends paid (per share)	7.00	1.00	4.50	0.00	1.50	3.50
Trading Statistics of the JKH share						
Number of transactions	37,287	8,948	8,432	12,116	7,791	34,614
Number of shares traded ('000)	177,182	49,466	43,715	52,120	31,881	296,590
Total shares in issue (%)	14.9	4.16	3.67	4.57	2.80	29.7
Value of all shares traded (Rs.mn)	31,391	7,768	7,750	9,524	6,349	69,744
Average daily turnover (Rs.mn)	131.90	134	127	154	111	292
Total market turnover (%)	13.8	17.9	14.2	12.8	11.6	19.7
Market capitalisation (Rs.mn)	176,032	176,032	210,749	199,223	201,692	198,899
Total market capitalisation (%)	6.8	6.8	7.2	6.7	6.8	6.9

* Adjusted for the 2013 Rights Issue and 2015 share subdivision

Group Consolidated Review

SHARE AND WARRANT INFORMATION

Market Information on 2016 Warrant

	2015/16	Q4	Q3	Q2	Q1	2014/15
High	45.90	32.50	37.80	43.80	45.90	74.73*
Low	6.80	6.80	30.00	30.00	32.10	23.71*
Close	9.30	9.30	32.30	36.10	35.70	28.09*
Number of transactions	20,263	5,191	4,457	6,053	4,562	14,142
Number of warrants traded ('000)	29,201	7,864	6,573	8,806	5,958	33,637
Value of the warrants traded (Rs.mn)	925	122	251	320	232	2,343
Average daily turnover (Rs.mn)	4	2	4	5	4	10
Market capitalisation (Rs.mn)	409	409	1,421	1,588	1,571	1,412

* Adjusted for 2015 share subdivision

Director's Shareholding

	31 March 2016	31 March 2015
S. Ratnayake	7,177,893	6,000,360
A. Gunewardene *	8,721,491	7,298,898
R. Peiris	2,074,755	1,745,082
F. Amerasinghe	7,592	6,362
A. Cabraal	120	105
I. Coomaraswamy	-	-
T. Das	-	-
N. Fonseka	-	-
A. Omar	-	-
P. Perera	-	-

* Includes shares owned by related parties

Director's 2016 Warrant Holding

	31 March 2016	31 March 2015
S. Ratnayake	320,339	280,297
A. Gunewardene *	379,896	332,410
R. Peiris	80,376	70,329
F. Amerasinghe	322	282
A. Cabraal	-	-
I. Coomaraswamy	-	-
T. Das	-	-
N. Fonseka	-	-
A. Omar	-	-
P. Perera	-	-

* Includes warrants owned by related parties

Options Available to Directors Under the Employee Share Option Plan

	S. Ratnayake			A. Gunewardene			R. Peiris		
	Granted shares*	Immediately vesting	To be vested	Granted shares*	Immediately vesting	To be vested	Granted shares*	Immediately vesting	To be vested
2017/18	578,230	578,230	-	505,950	505,950	-	433,667	433,667	-
2018/19	589,791	282,738	307,053	516,068	274,396	241,672	442,343	212,053	230,290
2019/20	530,580	132,645	397,935	464,258	116,064	348,194	397,936	99,484	298,452
2020/21	390,851	-	390,851	341,995	-	341,995	293,138	-	293,138
Total	2,089,452	993,613	1,095,839	1,486,276	896,410	589,866	1,273,946	745,204	528,742

* Adjusted for share subdivisions

Twenty Largest Shareholders of the Company

	31 March 2016		31 March 2015	
	Number of shares	(%)	Number of shares	(%)
Broga Hill Investments Limited	124,122,878	10.44	104,084,164	10.43
Mr. S. E. Captain	119,937,442	10.08	110,775,563	11.11
Paints and General Industries Limited	92,726,824	7.80	66,913,811	6.71
Melstacorp (Private) Limited	43,616,626	3.67	36,498,341	3.66
Schroder International Selection Fund	38,491,960	3.24	34,504,417	3.46
Deutsche Bank AG-London	35,868,199	3.02	30,065,961	3.01
Aberdeen Global-Asian Smaller Companies Fund	28,979,913	2.44	35,822,854	3.59
Aberdeen Global-Asia Pacific Equity Fund	26,234,282	2.21	21,978,158	2.20
HWIC Asia Fund	25,519,159	2.15	-	-
Aberdeen Institutional Commingled Funds LLC	23,772,318	2.00	15,569,620	1.56
Aberdeen Global Emerging Markets Smaller Companies Fund	19,932,286	1.68	15,342,272	1.54
Mr. K. Balendra	18,111,218	1.52	15,227,172	1.53
Employees Trust Fund Board	16,438,392	1.38	8,817,681	0.88
London-Edinburgh Dragon Trust PLC	15,062,970	1.27	12,619,227	1.27
London-Aberdeen Asia Pacific Equity Fund	12,497,857	1.05	-	-
Luxembourg-Aberdeen Global Frontier Markets Equity Fund	11,316,145	0.95	8,636,653	0.87
Mrs. C. S. De Fonseka	11,282,940	0.95	10,051,585	1.01
Mrs. S. A. J. De Fonseka	11,069,333	0.93	9,868,701	0.99
Mr. R. S. Captain	10,675,183	0.90	-	-
Somerset Small Mid Cap EM All Country Fund LLC	10,558,280	0.89	11,362,207	1.14

Twenty Largest 2016 Warrant Holders of the Company

	31 March 2016		31 March 2015	
	Number of shares	(%)	Number of shares	(%)
Broga Hill Investments Limited	5,169,548	11.75	4,523,355	10.28
Seylan Bank PLC/Capital Trust Holdings (Private) Limited	1,987,446	4.52	6,151,503	14.00
Melstacorp Limited	1,904,237	4.33	1,666,208	3.79
Aberdeen Global-Asian Smaller Companies Fund	1,875,509	4.26	1,641,071	3.73
Capital Trust Holdings	1,410,325	3.21	-	-
Aberdeen-Global- Emerging Markets Smaller Companies Fund	1,298,261	2.95	1,135,979	2.58
J. B. Cocoshell (Private) Limited	1,201,626	2.73	1,226,423	2.60
Deutsche Bank AG Singapore	1,137,473	2.59	-	-
Aberdeen Global Asia Pacific Equity Fund	1,116,388	2.54	976,840	2.22
Deutsche Bank AG-London	1,093,657	2.49	956,950	2.18
Trading Partners (Private) Limited	891,878	2.03	843,122	1.90
Schroder International Selection Fund	811,321	1.84	709,906	1.61
Mr. K. Balendra	794,450	1.81	695,144	1.58
Mr. A. Singh	687,376	1.56	-	-
People's Leasing and Finance PLC	654,813	1.49	-	-
London-Edinburgh Dragon Trust	640,997	1.46	560,873	1.27
Pan Asia Banking Corporation PLC	559,397	1.27	-	-
London-Aberdeen Asia Pacific Equity Fund	531,841	1.21	465,361	1.06
Aberdeen Institutional Commingled Funds LLC	491,269	1.12	433,909	0.99
Mr. A. B. K. Weeraman	460,000	1.05	-	-

Group Consolidated Review

SHARE AND WARRANT INFORMATION

Employee Share Option Plan as At 31 March 2016

Date of grant	Employee category	Shares granted	Expiry date	Option grant price (Rs.)	Shares ² adjusted	Exercised	Cancelled		Expired	Outstanding		End/ current ² price (Rs.)
							Due to resignations	Due to performance		Total	Vested	
PLAN 6 09.12.2010		4,672,823	08.12.2015	292.00	8,205,032	524,859	774,573	-	6,905,600	-	-	185.46
	GEC	1,907,852			3,493,422	-	-	-	3,493,422	-	-	
	Other Executives	2,764,962			4,711,610	524,859	774,573	-	3,412,178	-	-	
PLAN 7 07.12.2011		6,306,182	06.12.2016	172.10	8,220,519	1,388,897	228,031	-	-	6,603,591	6,603,591	151.39
	GEC	2,602,482			3,570,538	-	-	-	-	3,570,538	3,570,538	
	Other Executives	3,703,700			4,649,981	1,388,897	228,031	-	-	3,033,053	3,033,053	
PLAN 8 ³ 01.07.2013		6,426,719	30.06.2018	265.18	8,708,641	-	701,797	176,087	-	7,830,757	3,850,391	3,980,366
	Award 1	2,712,919			3,702,430	-	-	69,580	-	3,632,850	1,663,060	1,969,790
	Other Executives	3,713,800			5,006,211	-	701,797	106,507	-	4,197,907	2,187,331	2,010,576
PLAN 8 ⁴ 01.07.2014		7,428,128	30.06.2019	265.18	8,454,394	-	485,110	28,818	-	7,940,466	2,179,117	5,761,349
	Award 2	2,816,845			3,207,686	-	-	-	-	3,207,686	781,683	2,426,003
	Other Executives	4,611,283			5,246,708	-	485,110	28,818	-	4,732,780	1,397,434	3,335,346
PLAN 8 ⁵ 25.06.2015		6,781,282	24.06.2020	195.71	7,749,912	-	165,395	-	-	7,584,517	89,712	7,494,805
	Award 3	2,244,342			2,564,962	-	-	-	-	2,564,962	-	2,564,962
	Other Executives	4,536,940			5,184,950	-	165,395	-	-	5,019,555	89,712	4,929,843
Total		31,615,134			41,338,498	1,913,756	2,354,906	204,905	6,905,600	29,959,331	12,722,811	17,236,520

1 GEC comprises of the Executive Directors and Presidents

2 Adjusted for Bonus Issues/Right Issues/Sub-divisions

3 Plan 8 (Award 1) – 50 per cent of the options had vested as at 31 March 2016

4 Plan 8 (Award 2) – 25 per cent of the options had vested as at 31 March 2016

5 Plan 8 (Award 3) – None of the options had vested as at 31 March 2016 with the exception of retirees

Share Capital

Year ended 31 March	Number of shares in issue (million)
2005	332
2006	400
2007	553
2008	636
2009	611
2010	619
2011	630
2012	844
2013	857
2014	990
2015	997
2016	1,189

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	0.16	-	1.28

Note. 1 GDR is equivalent to 2 ordinary shares

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

Dividend

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

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
2015	Subdivision	8:7	143	3 July 2015

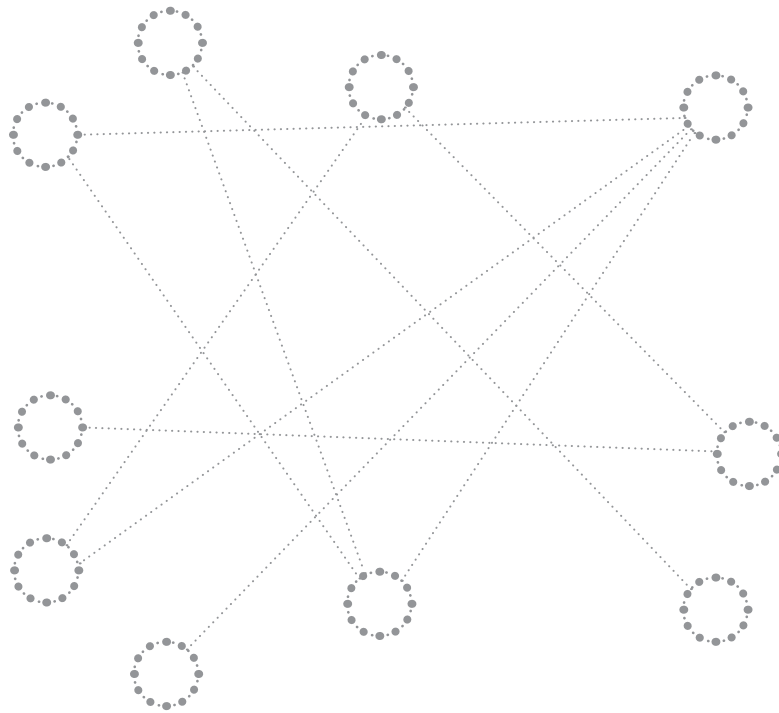
* Unadjusted prices

2015/16 Financial Calendar

	Date
Interim Financial Statements	
Three months ended 30 June 2015	30 July 2015
Six months ended 30 September 2015	3 November 2015
Nine months ended 31 December 2015	29 January 2016
First interim dividend paid on	9 December 2015
Second interim dividend paid on	19 February 2016
Final dividend proposed to be paid on	13 June 2016
Annual Report 2015/16	30 May 2016
37th Annual General Meeting	24 June 2016

2016/17 Financial Calendar

	Date
Interim Financial Statements	
Three months ended 30 June 2016	On or before 28 July 2016
Six months ended 30 September 2016	On or before 3 November 2016
Nine months ended 31 December 2016	On or before 26 January 2017
Annual Report 2016/17	On or before 1 June 2017
38th Annual General Meeting	On or before 30 June 2017



NETWORKED

Industry Group Review

106 Transportation **114** Leisure **126** Property **134** Consumer Foods and Retail **144** Financial Services
150 Information Technology **156** Other including Plantation Services

Industry Group Review

INDUSTRY GROUP FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Revenue* (Rs.billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	20.73	22.55	4.17	25.41	12.57	7.50	3.63
2014/15	20.11	23.42	5.69	29.76	12.99	7.21	3.47
2015/16	16.83	24.31	4.34	36.46	11.90	8.26	2.66

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

EBIT (Rs.billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	2.66	5.91	1.36	1.48	2.00	0.39	1.46
2014/15	2.41	5.74	1.64	2.57	3.08	0.38	3.41
2015/16	2.52	5.13	1.68	4.50	2.30	0.16	3.91

Capital Employed (Rs.billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	16.68	48.27	30.21	7.68	9.42	2.57	23.14
2014/15	15.49	50.59	31.66	7.54	11.78	2.41	54.54
2015/16	15.91	52.45	38.59	8.62	7.24	2.29	64.14

Total Assets (Rs.billion)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	18.54	52.66	32.48	12.17	35.59	3.44	24.87
2014/15	16.66	55.40	34.89	12.95	37.13	3.75	57.31
2015/16	17.16	57.65	43.93	15.86	35.88	4.12	66.37

Employees (Number)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	307	5,054	101	3,263	1,527	1,206	1,043
2014/15	326	5,147	107	3,427	718	1,224	941
2015/16	349	5,073	102	3,692	803	985	882

Carbon Footprint (MT)

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2013/14	1,863	38,562	52	26,428	1,687	1,428	4,059
2014/15	2,313	39,698	59	26,441	1,550	1,309	3,898
2015/16	2,091	40,845	64	29,060	1,407	1,269	3,543

%
0 20 40 60 80 100



2013 / 14



2014 / 15



2015 / 16

%
0 20 40 60 80 100



2013 / 14



2014 / 15

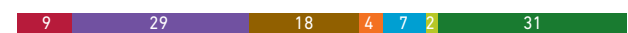


2015 / 16

%
0 20 40 60 80 100



2013 / 14



2014 / 15



2015 / 16

%
0 20 40 60 80 100



2013 / 14



2014 / 15



2015 / 16

%
0 20 40 60 80 100



2013 / 14



2014 / 15



2015 / 16

%
0 20 40 60 80 100



2013 / 14



2014 / 15



2015 / 16

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

Industry Group Review TRANSPORTATION

Our Business Model

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.



Operations include a container terminal, a Bunkering business and joint venture/associations with leading shipping, logistics and air transportation multinationals



Ports and Shipping

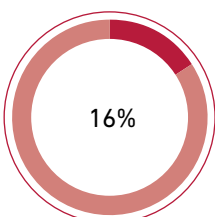


Transportation

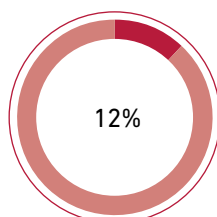


CO²
124 MT
per bn revenue

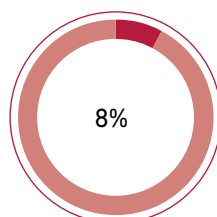
Contribution to JKH Group



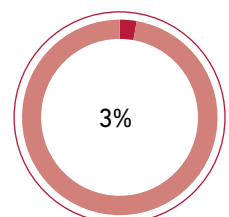
Revenue



EBIT



Capital employed



Carbon footprint

Sectors	Ports and Shipping	Transportation
The business within the sector	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Logistics services include the operations of DHL air express in Sri Lanka, a joint venture with Deutsche Post, third party logistics, warehousing, trucking and freight forwarding solutions under the John Keells Logistics brand and a joint venture with XPO Logistics (referred to as NDO) as well as bunkering and related services under Lanka Marine Services (LMS) • Representation of airlines as general sales agents through Mack Air in Sri Lanka and through its subsidiary in the Maldives. On-line operations by Jet Airways and off-line representation of a number of other airlines. Travel agency services through Mackinnons American Express Travels. A domestic scheduled air taxi service, Cinnamon Air, through Saffron Aviation
Key external/internal variables impacting the business	<ul style="list-style-type: none"> • The total volume through the Port of Colombo for the calendar year grew by 6 per cent, with transshipment and domestic volumes growing by 5 per cent and 8 per cent respectively, although the performance of the regional shipping and ports industry declined • Further consolidation of global shipping lines through mergers, acquisitions and alliances to benefit from greater operational efficiencies through cost pooling and strengthened purchasing power • Improved prospects in the ports and shipping industry in Colombo and Hambantota for private sector participation 	<ul style="list-style-type: none"> • Improved prospects for private sector participation in the bunkering industry • Decline in global fuel prices impacting top line of bunkering business • Growth in demand for 3PL offerings on the back of significant shifts to organised retail • Increase in capacity in the airline industry through the entry of new players and intensified competition from existing players • Significant hotel developments in the Deep South, East and North East coasts of Sri Lanka increasing the opportunities for domestic air transport
Key developments during the financial year	<ul style="list-style-type: none"> • SAGT recognised as the fourth most productive shipping terminal in the World, and the first in South Asia, by the Journal of Commerce, USA 	<ul style="list-style-type: none"> • LMS maintained its position in the bunkering industry as the market leader • Full operation of the JKLL Seeduwa warehouse facility during the year under review • DHL Keells launched a new global campaign titled, "Connecting People, Improving Lives" • Acquisition of Norbert Dentressangle Overseas of France by XPO Logistics - a logistics service provider in North America

Key Indicators

Inputs (Rs.mn)	2015/16	2014/15	(%)	2013/14	Outputs (Rs.mn)	2015/16	2014/15	(%)	2013/14
Total assets	17,163	16,656	3	18,543	Turnover ³	16,829	20,114	(16)	20,733
Total equity	15,028	14,232	6	14,544	EBIT	2,517	2,412	4	2,658
Total debt	878	1,255	(30)	2,133	PBT	2,495	2,359	6	2,592
Capital employed ¹	15,905	15,486	3	16,677	PAT	2,454	2,335	5	2,457
Employees (number) ²	349	326	7	307	EBIT per employee ⁴	7.2	7.4	(3)	8.7
					Carbon footprint (MT) ²	2,091	2,313	(10)	1863

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

2 Excludes SAGT, DHL, Maersk Lanka, NDO and Cinnamon Air

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

4 As per the sustainability reporting boundary

Industry Group Review

TRANSPORTATION

External Environment and Operational Review

The Port of Colombo recorded a growth in volumes of 6 per cent during the 2015 calendar year, despite the dampened performance of the global ports and shipping industry and other regional ports such as Singapore, Shanghai and Hong Kong, underscoring the strategic location and potential of the Port of Colombo. The overall growth was mainly driven by the existence of deep water terminal facilities which have the ability to cater to new generation container vessels, combined with the strategic location of the Port of Colombo and its close proximity to key trade routes.

During the financial year, the Group's Port business, South Asia Gateway Terminals (SAGT), handled 1.40 million twenty foot equivalent units (TEUs) with transshipment volumes accounting for 77 per cent of total volumes. This was in comparison to the 1.61 million TEUs handled during the previous year, where transshipment volumes contributed to 79 per cent of total volumes. Although the overall Port of Colombo witnessed growth in volumes, the decline in volumes at SAGT, which was expected, is attributed to the continuous deployment of larger, more cost effective vessels requiring a deep draft on the Asia-Europe services resulting from the formation of new alliances witnessed in the prior year.

During the year under review, SAGT continued to focus on improving the productivity of its operations through various cost management initiatives and productivity enhancing measures. SAGT's continued effort to improve performance and productivity proved fruitful with SAGT being recognised as the most productive shipping terminal in South Asia and the fourth in the World by the Journal of Commerce, USA.

The Bunkering business maintained its position as the market leader despite witnessing volatility in margins during the year due to the rapid fall in global oil prices coupled with price competition from bunker suppliers operating in Colombo and, to a lesser extent, India. The sustained reduction of the base price of bunker fuels, particularly in the third quarter of the financial year, had a significant impact on the topline of the business. Leveraging on its reputation, LMS also built on its procurement strategy and supplier relationships.



Seeduwa facility operated at full capacity during the year

Furthermore, the company upgraded one of its larger barges in November 2015 to enable it to supply fresh water as a value added service to customers. During the year under review, LMS sold one of its tankers in order to improve productivity and asset utilisation.

During the year under review, DHL Keells improved its market leadership position, despite a decline in the weight of cargo carried for both inbound and outbound cargo. However, shipment growth from key sectors helped improve its year on year revenue performance. On the side of employer branding, a number of initiatives were rolled out during the year to improve the transit time and operational efficiencies, driving the company towards becoming a provider of choice. The launch of a new global advertising campaign titled "Connecting People, Improving Lives" complemented the Rugby World Cup 2015 sponsorship which was activated locally to build customer loyalty and attract new customers.

During the year, John Keells Logistics Limited (JKLL) focussed on improving productivity across its facilities and increasing total throughput managed. An increase in volumes of over 20 per cent throughput managed in the Peliyagoda distribution centre, coupled with the Seeduwa facility operating at full

“ SAGT's continued effort to improve performance and productivity proved fruitful with SAGT being recognised as the most productive shipping terminal in South Asia and the fourth in the World by the Journal of Commerce, USA. ”

capacity during the year under review, contributed towards improved performance of the company.

The Airlines business reported growth, as expected, with the passenger, air cargo and global distribution system arms exhibiting double digit growth, despite the increased competition from new entrants and price competition from larger players.

As discussed in the previous year, given the growing inclination towards online bookings and direct bookings with the airlines itself, the operating environment within the travel agency industry continues to become increasingly fragmented.

Cinnamon Air recorded double digit growth in passenger volumes from both scheduled and chartered flight operations. This increase is mainly attributed to the 18 per cent growth in tourist arrivals and focussed marketing efforts which has now created awareness amongst the discerning traveller. The use of amphibian aircrafts, which facilitate landing and take-off in several destinations using water landing sites, continues to give Cinnamon Air a competitive advantage.

Rs. 2.52 Bn



Transportation industry group EBIT

A growth of 4 per cent

In June 2015, Norbert Dentressangle Overseas (NDO) of France was acquired by XPO Logistics, a logistics service provider from North America. The Freight Forwarding business, managed by its joint venture partner NDO of France, performed below expectations but focussed on developing the general cargo vertical and minimising the credit risk associated with perishable exports during the period under review.

Capital Management Review

Further to the external environment and operations review, this section outlines the forms of Capital available for the execution of the businesses' near, medium and long term strategies in creating value and also discusses the performance of the sectors under each form of Capital.

Key indicators under each form of Capital are as follows:

	Ports and Shipping	Transportation
Financial and Manufactured Capital - revenue and growth	Rs.4.93 billion, 3 per cent decrease	Rs.11.90 billion, 21 per cent decrease
Financial and Manufactured Capital - EBIT and growth	Rs.1.84 billion, 8 per cent decrease	Rs.681 million, 62 per cent increase
Natural Capital - carbon footprint	Not within the boundary of sustainability reporting	2,091 MT
Human Capital - number of employees	Not within the boundary of sustainability reporting	349

Financial and Manufactured Capital

As at 1 April 2015, the Transportation industry group had total assets of Rs.16.66 billion, debt of Rs.1.26 billion and an opening equity capital of Rs.14.23 billion.

Financial Performance

Revenue of the Transportation industry group declined by 22 per cent to Rs.10.34 billion [2014/15: Rs.13.34 billion], primarily due to continued low oil prices resulting in a reduction in the value of sales made by the Bunkering business compared to the previous year, despite an increase in volumes. Revenue, including associate company revenue, declined by 16 per cent to Rs.16.83 billion [2014/15: Rs.20.11 billion] on account of the decline in TEUs handled by the Group's Port business and the aforementioned decrease in revenues of the Bunkering business. Despite the decline in revenue, the EBIT for the industry group increased by 4 per cent to Rs.2.52 billion [2014/15: Rs.2.41

billion]. The mismatch in the topline decline and EBIT growth mainly stemmed from the Bunkering business where the impact on profitability from low oil prices was marginal. The double digit growth in volumes in the Bunkering business, improved performance at DHL Keells at the gross profit level and the fully operational warehousing facility in the Logistics business also contributed towards the improved performance. However, it is pertinent to note that a sharp and sustained reduction in oil prices in the third quarter of the year partially offset the significant growth in EBIT of the Bunkering business. The industry group PBT increased marginally to Rs.2.50 billion [2014/15: Rs.2.36 billion].

Borrowings and Finance Expenses

Total debt as at 31 March 2016 stood at Rs.878 million. The significant decline in finance expenses by 59 per cent to Rs.21.8 million is mainly attributable to the Bunkering business, as the company was able to negotiate the cost of borrowing on several of its loans.

Return on Capital Employed

- ROCE increased to 16.0 per cent from 15.0 per cent in the previous financial year. Complementing the aforesaid increase in EBIT, the asset base of the industry group also declined in lieu of the tanker that was sold at LMS during the year, and increased dividend payments at DHL Keells.
- As discussed previously, the decline in revenue and the increase in EBIT,

contributed towards the improvement of the EBIT margin to 15.0 per cent, against the previous year [2014/15: 12.0 per cent].

- Asset turnover stood at 1.00 times in comparison to 1.14 times in the previous year.

Natural Capital

With transportation infrastructure and connectivity being a requisite for economic growth and value creation for the country, it is also necessary that the industry ensures it is environmentally responsible and actively seeks to reduce any negative impacts on the country's Natural Capital. Within this framework, the Transportation industry group operates under the umbrella of the Group's Environment and Energy Management policy, as a means of managing its environmental footprint.

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

Energy and emissions management	Financial implications and environmental responsibility
Waste management	Regulatory and environmental responsibility

Energy and Emissions Management:

Targets:

- Internal fuel efficiency targets for vehicle and aircraft fleets to reduce fuel consumption and emissions

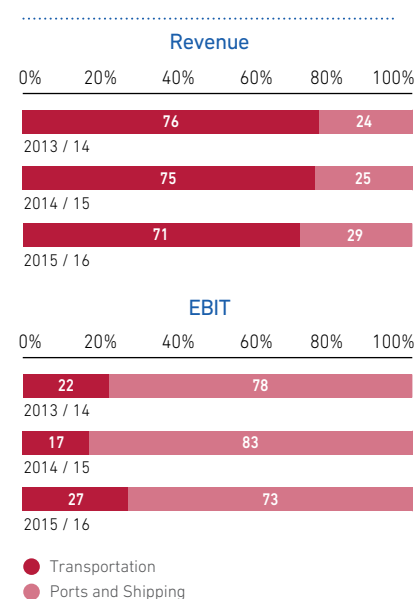
Initiatives:

- Daily monitoring of fuel consumption and ongoing analysis of sales routes for route optimisation in order to increase efficiency

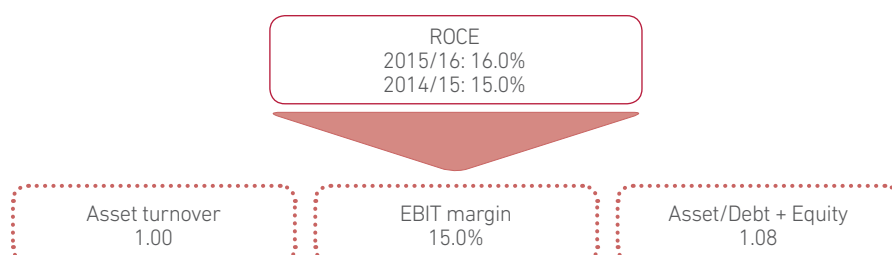
Waste Management

Targets:

- Adherence to Marine Environmental Pollution Authority (MEPA) regulations



Return on Capital Employed



Industry Group Review

TRANSPORTATION

Initiatives:

- Hazardous oil sludge from bunkering operations are disposed of through a certified third party contractor which is MEPA certified to ensure that such waste is responsibly disposed of and a certificate for this disposal is obtained from MEPA
- JKLL initiated a process to reduce waste generated by utilising tying tape which reduced the need for stretch film in the distribution centre
- LMS conducts monthly oil spill drills for its employees to minimise the resulting impact in the event of an accidental spill. LMS also conducted a major oil spill drill in February which included a fire drill and deployment of a rescue boat and oil containment boom
- Compliance with MARPOL regulations

Performance

The carbon footprint of the Transportation industry group (excluding SAGT, DHL, Maersk Lanka, NDO and Cinnamon Air, which are beyond the sustainability reporting boundaries) was 2,091 MT, a 10 per cent reduction from the previous year. No significant spillages were reported during the reporting year.

	2015/2016	2014/2015	(%)
Carbon footprint (MT)	2,091	2,313	(10)
Waste disposed (kg)	109,243	177,576	(38)

Carbon footprint Scope 1 and 2 per operational intensity factor

	2015/2016	2014/2015
LMS CO ₂ (kg per MT of bunkers sold)	5.7	8.4
JKLL CO ₂ (kg per m ² of warehouse area managed)	4.5	4.7

Waste generated per operational intensity factor

	2015/2016	2014/2015
LMS waste generated (kg per MT of bunkers sold)	0.3	1.0
JKLL waste generated (kg per m ² of warehouse area managed)	0.3	0.2



Health and safety practices at John Keells Logistics Limited

Human Capital

The Transportation industry group places significant emphasis on health and safety, given the nature of some of the businesses of the industry group which are more prone to road accidents, accidents at warehouses and other facilities, among others. Through the Group's Health and Safety policy and creating awareness and providing training on road safety, the industry group strives to ensure a safe and healthy working environment. Additionally, the industry group has made efforts to encourage the growth of the industry by investing in its people, thereby producing qualified professionals in the logistics and transportation field. At industry level, there have been progressive changes in demand by key players, from a purely cost-centric platform, towards a focus on service quality and dependability. To meet such demands, as well as to sustain and capitalise on the envisaged momentum in growth, investment in Human Capital is considered vital, alongside the investment in infrastructure, processes and systems.

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

Talent management	The need to retain and continuously upgrade the skills of existing staff, while developing a resource base of professionals for the country's transportation industry
Health and safety	Labour and productivity concerns as the Group places significant emphasis on providing a safe working environment for its employees and stakeholders

Talent Management

Targets:

- Continuous skills development and training
- Build a resource base of qualified transportation and logistics professionals

Initiatives:

- The Transportation industry group provided 1,761 hours of training to its employees, in line with its strategy of increased focus on staff training and development to further build capacity and



Closing Ceremony of Mentoring Programme - Department of Transport and Logistics Management, University of Moratuwa

“ The Moratuwa University Transport and Logistics Degree Programme is a strategic CSR project designed to develop the knowledge, skills and attitudes of undergraduates in the fields of aviation, shipping, logistics and supply chain management or public transport. ”

efficiency across operationally critical areas. At JKLL, the establishment of dedicated training centres backed by an internationally recognised vocational qualification is a part of the company's future strategy for staff recruitment and retention

- The Transportation industry group continued to sponsor the scholarship programme at the University of Moratuwa for undergraduates reading for the Bachelor of Science in Transport and Logistics Management as discussed below
- Internship opportunities were provided for students in the aforesaid scholarship programme to provide on the job training and career development with the aim of identifying and absorbing new talent into the Group upon graduation

Impact through CSR initiatives:

The Moratuwa University Transport and Logistics Degree Programme is a strategic CSR project done in collaboration with John Keells Foundation designed to develop the knowledge, skills and attitudes of undergraduates in the fields of aviation, shipping, logistics and supply chain management or public transport. The programme consists of an aggregate of 174 scholarships awarded on a both need and merit based scheme. As part of the scheme, scholars can opt for an industrial placement period at JKH while employment within the John Keells Group is offered to at least 5 graduates annually.

During the year under review, 23 students were granted scholarships. Since these programmes are conducted in English, 53 students were also provided English language training via a custom-made programme conducted by the Gateway Language Centre.

Health and Safety

Target:

- Health and safety targets, including targets of no more than one warehouse injury and less than five major or serious road accidents with considerable impact to third parties, per month

Initiatives:

- JKLL and LMS renewed OHSAS 18007 certification on health and safety practices

- JKLL organised a seminar on warehouse health and safety, traffic regulations and road safety. The audience included JKLL employees, other Group employees, organisations operating in the logistics industry and member organisations of the Chartered Institute of Logistics and Transport, Sri Lanka
- LMS organised a first aid training run by Red Cross certified trainers, with invitations extended to businesses from the entire Transportation industry group. At present, the industry group has seventeen Red-Cross certified First Aiders

Performance

The industry group provided staff with 5 hours of training per employee, while 1 injury was recorded during the year under review.

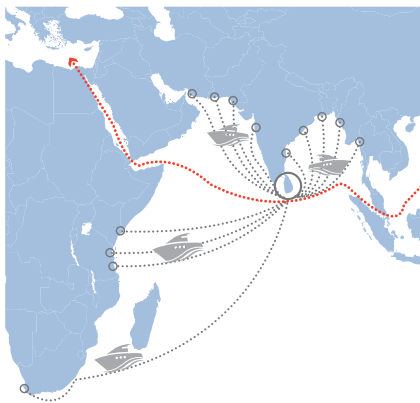
	2015/2016	2014/2015	(%)
Injuries, diseases (number)	1	3	(67)
Total hours of training	1,761	1,533	15

Industry Group Review TRANSPORTATION

Social and Relationship Capital

The Transportation industry group, through its numerous business offerings, connects multiple entities and parties across and within the borders of the country. The Port of Colombo, within which the Group's Port business SAGT also operates, is strategically positioned on the main global East-West shipping route, linking the Far East with Africa, Europe, and the East Coast of the US, providing ideal connections for trading in the Indian sub-continent. The Bunkering business has continued to enhance its mutually beneficial procurement contract with a leading petroleum company in India.

In order to ensure healthy relationships with stakeholders and to mitigate any negative sustainability impacts, companies assess all significant suppliers, including suppliers providing janitorial and other outsourced services.



The Port of Colombo is strategically positioned on the main global East-West shipping route, linking the Far East with Africa, Europe, and the East Coast of the US, providing ideal connections for trading in the Indian sub-continent

Strategy and Outlook

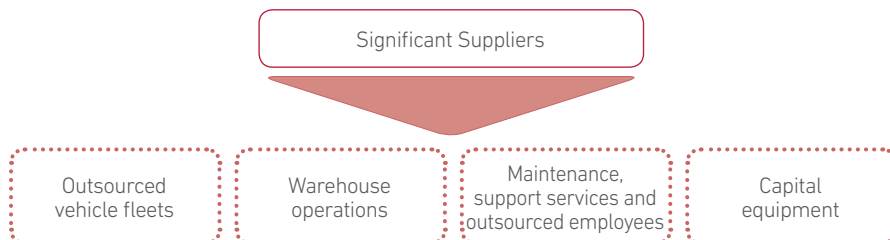
The availability of the first deep water container port in the whole of South Asia, complementing Sri Lanka's strategic location astride the global East-West shipping route, enhances the prospects for the Port of Colombo, particularly considering the increasing number of new generation vessels requiring a deeper draft. Despite the change in market dynamics where the industry has witnessed the formation of many shipping alliances and the commencement of operations of the only deep water terminal in the Port of Colombo, the positioning of the Port of Colombo as a leading maritime hub and the resulting growth in total volumes is expected to benefit all terminals in the Port of Colombo.

SAGT will continue to leverage on its recognition and capability in terms of productivity in ensuring growth in volumes in the ensuing years. It is pertinent that, despite the significant enhancement in the overall capacity in the Port of Colombo, the overall capacity utilisation in the Port of Colombo is currently at approximately 70 per cent. The Group will continue to evaluate opportunities in the transportation industry, particularly considering the Government's intent to promote private-public partnerships, such as with the East Container Terminal (ECT) of the Port of Colombo. The Group will look to leverage on this investment opportunity considering the overall prospects for the Port of Colombo as discussed before and the ability for the ECT to cater to larger vessels which will complement the operations of SAGT considering its back to back location which will facilitate operational efficiencies.

“ The Group will continue to evaluate opportunities in the transportation industry, particularly considering the Government's intent to promote private-public partnerships, such as with the East Container Terminal (ECT) of the Port of Colombo. ”

The Bunkering business will strive to improve productivity and performance through the restructuring of its delivery fleet, leveraging on its reputation and market position when executing its procurement strategy and also focussing on increasing direct sales in the near and medium term. Whilst private sector participation in bunkering operations at the Port of Hambantota has hitherto been restricted, the Government has now called for requests for proposals for the operation of the bunkering facility in the Port of Hambantota. Considering these plans as outlined by the Government, the Group will look to capitalise on the opportunities within the Port of Hambantota, which are expected to materialise in the near term. As mentioned in the 2014/15 Annual Report, it is reassuring that there is a likelihood that the full potential of the existing infrastructure could be utilised and the benefits of the same could be reaped through globally competitive partnerships.

The significant suppliers within the industry group are illustrated below:



The expected growth trajectory of international trade combined with focussed infrastructure development is expected to transform Sri Lanka into a regional logistic hub in the medium term. Sri Lanka is uniquely positioned to capture this growth given the comparatively lower costs, skilled labour and ease of access to the ever growing subcontinent markets, among others.

To capitalise on the aforementioned opportunity, JKLL will continually engage with key clients and also evaluate the potential for purpose built and anchored facilities. JKLL will focus on expanding its footprint and customer base to include long term integrated customer relationships. JKLL is also in the process of developing the concept for a Distribution Centre together with the Group's Retail sector. As a part of its long term strategy, JKLL will also look to establish a dedicated training centre for its employees.

The performance of DHL Keells is expected to remain stable with likelihood of increased price competition in the near term. The competitive landscape is likely to remain stable given the high cost of entry associated with the industry. The GSP Plus preferential tariff system to the European Union, if approved, is expected to augur well for the business with expansion in opportunities in the export industry, and in particular, the apparel industry, which is a key growth area.

Similar to prior years, Cinnamon Air will focus on creating industry and customer awareness of its services through multiple channels. The expected growth in tourist arrivals and the

“ JKLL is also in the process of developing the concept for a Distribution Centre together with the Group's Retail sector. As a part of its long term strategy, JKLL will also look to establish a dedicated training centre for its employees. ”

changing dynamics and profile of tourists is expected to benefit Cinnamon Air. The convenience of faster connectivity between cities and Sri Lanka's growing popularity as a destination for shorter stays and attracting more upscale leisure and corporate tourists are expected to contribute towards improved performance of the company.

Industry Group Review LEISURE

Our Business Model

Vision and Scope

Representing JKH's largest asset exposure, the Leisure industry group encompasses two city hotels that offer approximately 39 per cent of the current 5-star room capacity in Colombo, a select service hotel also

in Colombo, eight resort hotels spread in prime tourist locations across Sri Lanka and three resorts in Maldives, offering beaches, mountains and cultural splendour under the brand "Cinnamon Hotels and Resorts". The Leisure industry group also has a destination management business in Sri Lanka.



To complement the focus of the "Cinnamon" brand on various lifestyle related activities, events aimed at communicating the "Cinnamon" vibe were developed in-house



City Hotels



Resorts



Destination Management

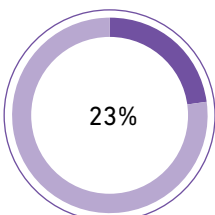


Hotel Management

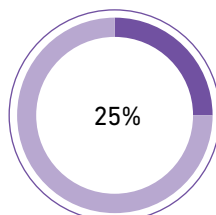


CO²
1,598 kg per Rs.Mn revenue

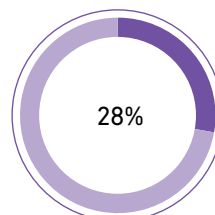
Contribution to JKH Group



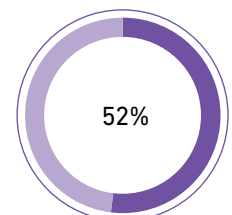
Revenue



EBIT



Capital employed



Carbon footprint

Sectors	City Hotels	Destination Management	Resorts	
			Sri Lankan	Maldivian
The business within the sector	<ul style="list-style-type: none"> Cinnamon Grand - 501 rooms Cinnamon Lakeside - 340 rooms Cinnamon red - 240 rooms 	<ul style="list-style-type: none"> Walkers Tours and Whittall Boustead Destination Management operations in Sri Lanka 	<ul style="list-style-type: none"> 8 resort hotels in Sri Lanka – 1,000 rooms 	<ul style="list-style-type: none"> 3 resort hotels in Maldives - 340 rooms
Key external/internal variables impacting the business	<ul style="list-style-type: none"> Increased room inventory, particularly from the 3-4 star hotel segment in the prior years Flat growth in overall tourist arrivals to the City Hotel sector 	<ul style="list-style-type: none"> Arrivals from China grew 68 per cent during the calendar year 2015 Significant influx of tourists from the United Kingdom, China and Netherlands 	<ul style="list-style-type: none"> The political unrest in Russia, Ukraine and the Middle East had a negative impact on the growth in tourist arrivals Expected increase in room inventory Increase in competition from the informal sector 	<ul style="list-style-type: none"> Political instability, including a state of emergency in the Maldives which was imposed for a brief period in November 2015 The Government of Maldives introduced a USD 6 per person per day Green tax effective from 1 November 2015 onwards
Key developments during the financial year	<ul style="list-style-type: none"> Cinnamon Grand maintained its position as the market leader As planned, Cinnamon Lakeside was partially closed for refurbishments during the period March to October 2015 	<ul style="list-style-type: none"> Witnessed a significant growth in volumes from web based sales 	<ul style="list-style-type: none"> Rebranding of all "Chaaya" resorts under the "Cinnamon" umbrella 	<ul style="list-style-type: none"> Rebranding of all "Chaaya" resorts under the "Cinnamon" umbrella Extension of the lease period of Ellaidhoo by ten years Acquisition of the island adjoining Hakuraa Huraa
	<ul style="list-style-type: none"> Inaugural unveiling of the bi-monthly lifestyle magazine titled, "The Cinnamon magazine" Relaunch of website to complement the Cinnamon Hotels and Resorts branding The rolling out of the common Property Management System, "Indra PMS", was completed across all properties 			

Hotel Management Sector

In addition to the sectors in the aforementioned table, Cinnamon Hotel Management Limited (CHML), functions as the hotel management arm of the Leisure industry group.

Key Indicators

Inputs (Rs.mn)	2015/16	2014/15	(%)	2013/14	Outputs (Rs.mn)	2015/16	2014/15	(%)	2013/14
Total assets	57,653	55,403	4	52,662	Revenue ³	24,306	23,422	4	22,548
Total equity	47,782	45,764	4	41,570	EBIT	5,134	5,737	(11)	5,912
Total debt	4,664	4,826	(3)	6,697	PBT	4,968	5,505	(10)	5,434
Capital employed ¹	52,446	50,590	4	48,267	PAT	4,367	4,855	(10)	4,824
Employees (number) ²	5,073	5,147	(1)	5,054	EBIT per employee	1.0	1.1	(9)	1.2
					Carbon footprint (MT)	40,845	39,698	3	38,562

1 For associate companies 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 associate company revenue

Industry Group Review LEISURE

External Environment and Operational Review

Sri Lanka recorded 1,798,380 tourist arrivals for the calendar year 2015, a growth of 18 per cent against the previous year [CY2014: 1,527,153 tourists]. The tourism industry recorded receipts of USD 2.98 billion, an increase of 23 per cent against last year. The two largest source markets for tourist arrivals to Sri Lanka, Western Europe and South Asia, grew by 15 per cent and 24 per cent to 552,442 and 459,415 arrivals respectively. Arrivals from Russia and Ukraine contracted by 11 per cent and 20 per cent respectively, albeit off a relatively lower base, due to continuing economic volatility and political unrest. India and China were the largest country-wise contributors to tourist arrivals, recording a growth of 30 per cent (316,247 arrivals) and 68 per cent (214,783 arrivals) respectively. The Chinese market continued to be a key thrust market, with many initiatives being rolled out at a national policy level. These efforts and the continuing increase in flight connectivity resulted in the aforesaid increase in arrivals from China, which accounted for 12 per cent of total arrivals to Sri Lanka in 2015.

In the year under review, tourist arrivals into the City Hotels sector exhibited marginal growth, mainly attributable to a double digit growth in the Meetings, Incentives, Conferences and Events (MICE) segment, albeit off a lower base, which was partially offset by a marginal decline from the leisure and crew segments. The noteworthy growth in the MICE segment demonstrates the significant potential to position Colombo as a MICE hub. The corporate segment retained its position as the largest contributor to overall arrivals although not demonstrating growth in arrivals during the year.

The performance of the City Hotels sector was impacted by the partial closure of the Cinnamon Lakeside (CL) from March 2015 till mid-October 2015 for refurbishments with only 40 per cent of the room inventory operational during this time. However, all public areas and restaurants were fully accessible to the public. Cinnamon Grand (CG) maintained its market share and leadership position amongst the city hotels in 2015/16. Intensified competition from the 3-4 star segments exerted pressure on CG's average room rates during the period under review. However, CG managed to maintain an average occupancy of 76 per cent, marginally higher than the 75 per cent recorded in the prior year. It should be noted that both CG and CL witnessed promising occupancies in the



The refurbishment of Cinnamon Lakeside was completed in October 2015

“ The Meetings, Incentives, Conferences and Events (MICE) segment recorded double digit growth during the year under review, albeit on a lower base, demonstrating the significant potential to position Colombo as a MICE hub. ”

fourth quarter, despite the aforementioned competition from the 3-4 star segments, as a majority of such hotels are nearing full occupancy.

Given the increasing prominence of Chinese and Indian tourists in to Sri Lanka, the City Hotels sector focussed on differentiating their offering to these segments via dedicated floors, menus, Mandarin fluent front line staff and guest relations officers, among others. The competitively priced holiday package aimed at the Indian tourist market titled, “See Shop Party Colombo”, launched by Cinnamon Lakeside in collaboration with Sri Lankan Airlines, is another initiative towards this end.

This financial year marked the first full year of operations for Cinnamon red, which manages

a 240-room select service hotel in Colombo. The hotel performed beyond expectations, highlighting the efficacy of our newly adopted brand strategy, with average occupancy exceeding 85 per cent during the period under review.

The Sri Lankan Resorts segment recorded an improvement in overall occupancies driven by non-traditional tourism generating markets such as China and India, which offset the downturn in arrivals from both Russia and Ukraine. Increased competition within the sector, particularly from the informal sector, exerted pressure on average room rates despite the significant growth in arrivals. However, the sector managed to maintain average room rates marginally above last year. The increase in administration and operating costs, which is mainly attributable to staff development initiatives in line with the new brand strategy, contributed towards pressure on margins.

1,798,380



Tourist arrivals

A growth of 18 per cent during 2015

In the year under review, special emphasis was placed on volume driven strategies such as increasing web sales, enhancing the destination management company base and customising the product offering to the Chinese market. Further, in line with the branding strategy of the Leisure industry group, the rebranding of all properties was also completed as follows.

Original name	Name of resort post rebranding
Sri Lankan Resorts	
Bentota Beach Hotel	Bentota Beach by Cinnamon
Chaaya Village	Habarana Village by Cinnamon
Cinnamon Citadel Kandy	Cinnamon Citadel Kandy
Chaaya Blu	Trinco Blu by Cinnamon
Cinnamon Lodge Habarana	Cinnamon Lodge Habarana
Cinnamon Wild Yala	Cinnamon Wild Yala
Chaaya Tranz	Hikka Tranz by Cinnamon
Cinnamon Bey Beruwala	Cinnamon Bey Beruwala
Maldivian Resorts	
Chaaya Reef Ellaidhoo	Ellaidoo Maldives by Cinnamon
Chaaya Lagoon Hakura	Cinnamon Hakuraa Huraa Maldives
Chaaya Island Dhonveli	Cinnamon Dhonveli Maldives

During the calendar year 2015, 1,234,248 tourists visited the Maldives, a growth of 2 per cent against the previous year [CY2014: 1,204,857 arrivals]. Arrivals from North East Asia and Western Europe, the primary contributors to overall arrivals, remained flat whilst South Asia recorded encouraging growth of 16 per cent off a relatively lower base. Arrivals from China, the largest source market for tourism in the Maldives, witnessed a decline of 1 per cent to 359,514 tourists whilst arrivals from Russia contracted by 33 per cent to 44,323 tourists. The decline in arrivals is attributed to the unstable political environment prevailing within the country and the aforementioned economic and political climate in Russia.

Despite the decline in occupancies compared to the previous year, the Maldivian Resorts segment maintained its occupancy levels above the industry average of the country. The increasing numbers of guest houses being offered for tourist accommodation, and intensified competition from the informal sector, exerted pressure on average room rates and occupancies of the segment. Continued focus on streamlining operational efficiencies through lean management

strategies and cost management initiatives such as the reduction of energy costs and procurement costs, among others, proved fruitful during the year under review. Successful negotiations with partners providing sea plane facilities also benefitted the segment in managing overheads. The Government of Maldives introduced a green tax with effect from 1 November 2015, to replace the bed tax which was abolished in the prior financial year.

The performance of the Destination Management sector was above expectations, as the significant increase in volumes generated from the United Kingdom, China and Netherlands, more than compensated for the decline in volumes from the United States of America, India, Canada and regions such as the Far East and East Europe. The aggressive marketing strategies undertaken during the year on focussed markets was a key driver of the sector's performance. The online booking platform, "Cvisit", launched in October 2014, yielded results as expected with online bookings exhibiting double digit growth. The volume generated from conventions was also encouraging.

Financial and Manufactured Capital

As at 1 April 2015, the Leisure industry group had total assets of Rs.55.40 billion, debt of Rs.4.83 billion and an opening equity capital of Rs.45.76 billion.

Financial Performance

The revenue of the Leisure industry group increased by 4 per cent to Rs.24.31 billion [2015/16: Rs.23.42 billion]. The Sri Lankan Resorts segment recorded an 2 per cent growth in revenue due to a marginal increase in average room rates and occupancies across a majority of the resort hotels. Revenue growth was aided by the depreciation of the Rupee since a majority of contracts are priced in US dollars. The Maldivian Resorts segment recorded a 3 per cent decline in revenue due to the challenging operating environment, as discussed previously, with ARRs and occupancies declining marginally. The Destination Management sector recorded a 15 per cent growth in revenue whilst the City Hotels sector recorded a 4 per cent growth. Despite the partial closure of Cinnamon Lakeside in the first half of the year, the increase in revenue is mainly attributed to the increase in food and beverage and room revenue at Cinnamon Grand.

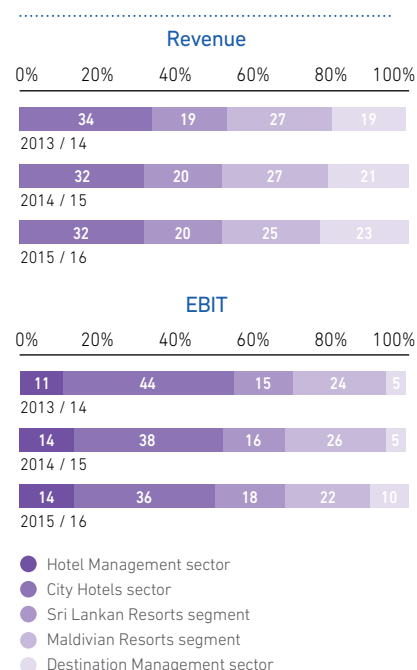
The EBIT for the industry group declined by 11 per cent to Rs.5.13 billion [2014/15: Rs.5.74 billion], primarily on account of the lower EBIT

Capital Management Review

Concluding the external environment and operational review of the Leisure industry group the ensuing section discusses the forms of Capital available and elaborates on the manner in which each form of Capital is managed to create value to all stakeholders concerned.

Key performance indicators for the industry group, under each of the sectors are summarised as follows:

Sector	City Hotels	Resorts		Destination Management	Hotel Management
		Sri Lankan	Maldivian		
Financial and Manufactured Capital - revenue and growth	Rs.7.75 billion, 4 per cent growth	Rs.4.84 billion, 2 per cent growth	Rs.6.18 billion, 3 per cent decrease	Rs.5.53 billion, 15 per cent growth	Rs.5.59 million, 27 per cent increase
Financial and Manufactured Capital - EBIT and growth	Rs.1.87 billion, 15 per cent decrease	Rs.930 million, 1 per cent decrease	Rs.1.13 billion, 24 per cent decrease	Rs.498 million, 61 per cent growth	Rs.705 million, 13 per cent decrease
Natural Capital - carbon footprint	19,670 MT	13,576 MT	6,833 MT	523 MT	243 MT
Human Capital - number of employees	2,198	1,995	485	247	148



Industry Group Review LEISURE

recorded in the City Hotel sector and Maldivian Resorts segment. Lower revenue from the Maldivian Resorts segment and the decline in EBIT stemming from the partial closure of Cinnamon Lakeside, for façade related refurbishments in the first half of the year, contributed towards a 24 per cent and 15 per cent decline in the Maldivian Resorts segment and City Hotels sector EBITs, respectively.

The performance of the Sri Lankan Resorts segment was also impacted by a provision in accordance with the Budgetary Relief Allowance of Workers Act and an unrealised exchange valuation loss of Rs.158 million on the US Dollar loans arising from the devaluation of the Sri Lanka Rupee against the US Dollar. It is pertinent to note that the foreign currency denominated revenue was positively impacted due to the depreciation of the Rupee, although such a benefit will accrue over the financial year as opposed to the exchange impact on the valuation of loans as at 31 March 2016, at which point of time the Rupee had depreciated significantly. The industry group PBT decreased to Rs.4.97 billion [2014/15: Rs.5.51 billion].

Borrowings and Finance Expenses

Total debt as at 31 March 2016 stood at Rs.4.66 billion. The industry group recorded a significant decrease in finance expenses to Rs.166 million due to the retirement of long term debt and comparatively lower cost of US dollar denominated borrowings in the Resorts sector [2014/15: Rs.232 million].

Return on Capital Employed

- ROCE decreased to 10.0 per cent from the 11.6 per cent recorded in the previous year. The asset base for the industry group increased as a result of an investment in "Cinnamon Air". The revaluation gain for this year was Rs.413 million [2014/15: Rs.2.27 billion]. As discussed under the Strategy, Resource Allocation and Portfolio Management section of this Report, the asset base is

adjusted for the revaluation gains arising in the preceding three years in order to calculate the adjusted asset base. On this basis, the adjusted ROCE is 11.5 per cent compared to 14.5 per cent in the previous year. As evident, this decline is mainly attributed to the decrease in EBIT.

- The EBIT margin decreased to 21.1 per cent from 24.5 per cent in the prior financial year. The decline is on account of lower margins recorded in all sectors except the Destination Management sector.
- The asset turnover ratio increased marginally to 0.43 during the year as the increase in the asset base, as discussed previously, was offset by the increase in revenue.

Natural Capital

Sri Lanka's diverse natural environment and rich biodiversity, amongst many other aspects, are key thrusts for the tourism industry in the country and enables the creation of a strong value proposition for the hotels and resorts of the Leisure industry group. As the largest hotelier in the country, and with its reliance on natural resources to create value, the industry group places a strong focus on environmental and operational efficiency, and strives to conduct its businesses with minimal impact on the environment. The Leisure industry group's strategy with regard to management of Natural Capital is underscored through both the John Keells Group's sustainability policy and the "Cinnamon" brand's sustainability strategy.

The industry group is conscious of the fact that long term value creation can only be achieved through responsible management of impacts and outputs, resulting in sustainable outcomes. Business units operate within this principle, with conservation and preservation of the environment as business priorities, achieved through environmentally

friendly business practices with the intention of minimising any negative impact to natural resources. All operations proactively monitor and seek to improve outcomes in key environmental indicators such as energy consumption, water withdrawal and discharge, waste generation and responsible disposal.

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

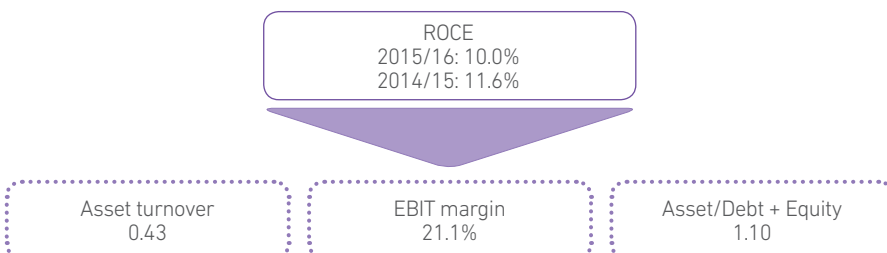
Energy and emissions management	Financial implications, stakeholder expectations of sustainable tourism practices, regulatory requirements, brand image and reputation of the industry group's businesses
Water and effluent management	Financial implications as well as regulatory and brand reputation implications
Waste management	Regulatory and brand reputation implications
Biodiversity	Regulatory and brand reputation implications

The ensuing section discusses the key targets under the above identified material aspects and corresponding impacts, and the initiatives undertaken with a view to achieving said targets.

Energy and Emissions Management: Targets:

- Energy conservation and reduction in carbon footprint through energy efficient equipment and practices and replacement or upgrading of equipment with energy efficient alternatives where required
- Tracking and reduction of carbon footprint and utilisation of renewable energy sources where feasible
- Alignment with international benchmarks for all hotel properties with respect to carbon emissions and energy consumption
- Ensuring that quality of emissions are within the tolerance levels stipulated by the Environmental Protection License (EPL)

Return on Capital Employed





Bio gas digester at Cinnamon Wild

Initiatives:

- All hotels continue to adopt energy efficient lighting systems in staff and guest areas. Cinnamon Grand's newly constructed associate lifestyle building which is completely fitted with LED bulbs is one such initiative
- Walkers Tours (WTL) continues to offset the carbon footprint of its entire fleet and is certified carbon neutral. WTL also increased the number of hybrid vehicles in its fleet to reduce fuel consumption. A "Carbon Conscious" awareness campaign was also carried out during the reporting year and the company also obtained "TourCert" check status this year
- Resorts utilise renewable energy sources such as solar thermal units and co-generation units for water heating. The Reverse Osmosis (RO) plant at Cinnamon Hakuraa Huraa Maldives uses an energy recovery unit to reduce overall energy usage, saving an annualised 156,000 kWh. Bentota Beach by Cinnamon initiated a project to utilise waste air from its heat pump for cooling purposes
- The building management systems installed in Cinnamon Lakeside, Cinnamon Grand, Cinnamon Bey Beruwala and Hikka Tranz by Cinnamon has features to optimise energy usage such as the controlling and timing of outdoor and indoor lighting and setting automatic and efficient temperature settings for the different areas of each hotel. As with all other businesses in the Leisure industry group, Cinnamon red

obtained ISO 14001:2004 certification for environmental management. Cinnamon Grand was recognised by SGS Lanka as being the first 5-star city hotel in the country to receive and maintain uninterrupted ISO certification for the past 9 years, not only for ISO 14001 but also for OHSAS 18001 and ISO 22000

- Hotels continued the replacement of less efficient standard air conditioners with energy efficient inverter type air conditioning units

Water and Effluent Management

Targets:

- Reduction in the Leisure industry group's withdrawal of water
- Ensure that the international benchmarks for all hotel properties on water consumption are met
- Ensure all effluents meet the requisite water quality standards
- Installation of on-site effluent treatment plants for all hotels which are unable to discharge effluent into common municipal sewerage lines

Initiatives:

- Cinnamon Grand has equipped the new associate lifestyle buildings with sensor taps for all wash basins. Additionally, shower water used in the building is recycled and used for flushing purposes whilst collection tanks are provided to facilitate rainwater harvesting. Businesses seek to treat and recycle

water for washrooms, gardening and washing purposes, where possible, while collecting and utilising rainwater to reduce the overall consumption of water

- Cinnamon Lakeside installed active water savers in 300 guest rooms, saving approximately 16 litres per minute whilst installing low flow showerheads and dual flush toilets. A towel and linen re-use programme is in place and grounds landscaping uses native and low water use plants to minimise water usage
- All hotels monitor and track water using divisional sub-metering to target high usage areas. Effluents are tested regularly by independent assessors to ensure regulatory standards are met

Waste Management

Targets:

- Strive to achieve zero waste to landfill status as a long term goal through comprehensive waste management strategies including tracking, classification, segregation, recycling, composting and initiatives such as bio gas recovery

Initiatives:

- Cinnamon Lakeside constructed a new dry garbage segregation room to streamline waste management procedures and promote the concept of "reduce, re-use and recycle" amongst staff. Colour coded waste bins continue to facilitate waste segregation, with garden waste being composted on site. The hotel strives to reduce paper waste wherever possible with all printing settings set to minimise paper usage. Additionally, preference is given to product suppliers who provide reusable packaging and containers
- A bio gas digester was installed at Cinnamon Wild Yala, in addition to the already existent digesters at Cinnamon Hakuraa Huraa, Cinnamon Citadel Kandy and Habarana Village by Cinnamon, as a means of re-using food waste whilst simultaneously reducing the need for non-renewable energy sources
- Cinnamon Lodge Habarana introduced a biological bacteria digesting system for wet garbage to reduce waste volume and for use in composting

Industry Group Review

LEISURE

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)
Bentota Beach by Cinnamon	Marine ecosystems	Adjacent	Nil	0.0446
Cinnamon Bey Beruwala	Marine ecosystems	Adjacent	Nil	0.045
Trinco Blu by Cinnamon	Marine ecosystems	Adjacent	Nil	0.1143
Cinnamon Citadel Kandy	Mahaweli river and freshwater ecosystems	Adjacent	Nil	0.0234
Hikka Tranz by Cinnamon	Marine ecosystems	Adjacent	3,600	0.0176
Habarana Village by Cinnamon	Minneriya tank sanctuary	15 km	Nil	0.0378
Cinnamon Wild Yala	Yala national park	Adjacent	Nil	0.0405
Cinnamon Lodge Habarana	Minneriya tank sanctuary	15 km	Nil	0.1031
Cinnamon Dhonveli, Maldives	Marine ecosystems	Adjacent	Nil	0.1496
Ellaidhoo Maldives by Cinnamon	Marine ecosystems	Adjacent	Nil	0.0556
Cinnamon Hakuraa Huraa Maldives	Marine ecosystems	Adjacent	Nil	0.0543

Biodiversity

Targets

- Minimal damage to important biodiverse areas to ensure long term value creation is not hindered

Initiatives

- Given the proximity of resorts to biologically diverse areas accounting for 0.6858 square kilometres, impact assessments are regularly conducted to ascertain any impacts on biodiversity and the environment resulting from operations

Impact through CSR initiatives:

- The Cinnamon Elephant project at Cinnamon Lodge Habarana conducted in collaboration with John Keells Foundation and the Centre for Conservation and Research aims to study elephants for long term conservation while enhancing tourists' experience. During the year under review the following initiatives were undertaken:

- Identification of individual elephants and herds in the Minneriya National Park
- Purchase of image storage equipment to facilitate information sharing on the elephant gathering with guests
- Purchase of 3 satellite collars to track 3 elephant herds to determine seasonal movements
- Conducting of 2 awareness programmes for special guest groups on the project and conservation of elephants

- Project Leopard led by Cinnamon Nature Trails, in partnership with the John Keells Foundation, aims to mitigate the human-leopard conflict in the villages adjacent to Yala National Park through the provision of portable steel-fenced pens to herd domestic cattle. During the reporting year, a total of 17 stainless steel pens were donated to cattle farmers (69 pens since project inception)
- Development of a map of Block I of the Yala National Park, the second largest national wildlife park in Sri Lanka which attracts over 100,000 visitors a year, is a collaborative initiative of Cinnamon Hotels and Resorts, Cinnamon Nature Trails and the John Keells Foundation. Despite the

significant number of tourist arrivals, the lack of guidance and information is a hindrance to the overall tourist experience. The map, developed during 2015/16, addresses this issue. 15,500 copies of the map were printed with an estimated indirect impact of over 46,500 through sharing of knowledge with family and friends

- Conducted for the 7th consecutive year, the "Banners to bags" (B2b) sale at Cinnamon Grand, Colombo focusses on transforming used banners into durable and trendy bags. 57 banners were converted to 135 bags of different shapes and sizes during the year



Cattle farmer using donated stainless steel pen to protect herd from leopards

Performance

The Leisure industry group's carbon footprint during the reporting year was 40,845. The increase is mainly attributable to Cinnamon red being fully operational and certain renovation and construction works being undertaken during the year under review. Additionally, 1,144,685 cubic meters of water was withdrawn while 4,280,841 kg of waste was generated by the industry group.

Indicators

	2015/2016	2014/2015	(%)
Carbon footprint (MT)	40,845	39,698	3
Water withdrawn (m ³)	1,144,685	1,119,247	2
Waste disposed (kg)	4,280,841	4,129,651	4

Carbon footprint Scope 1 and 2 per operational intensity factor

	2015/2016	2014/2015
Sri Lankan Resorts segment CO ₂ kg per guest night	23.01	22.87
Maldivian Resorts segment CO ₂ kg per guest night	31.73	31.91
City Hotels sector CO ₂ kg per guest night	55.92	54.63
Destination Management sector CO ₂ kg per client serviced	6.98	9.08

Water withdrawal per operational intensity factor

	2015/2016	2014/2015
Sri Lankan Resorts segment in liters water withdrawn per guest night	969.69	995.35
Maldivian Resorts segment in liters water withdrawn per guest night	610.61	595.82
City Hotels sector in liters water withdrawn per guest night	1,217.39	1,189.33

Waste generated per operational intensity factor

	2015/2016	2014/2015
Sri Lankan Resorts segment in kg waste generated per guest night	2.50	2.73
Maldivian Resorts segment in kg waste generated per guest night	5.86	5.27
City Hotels sector in kg waste generated per guest night	4.31	3.99

Human Capital

Given the importance of service delivery and quality, the Leisure industry group leverages on its Human Capital to create value and strive to deliver an unparalleled service offering and unique product proposition to its customers and other key stakeholders. A motivated and professional staff cadre is managed through ongoing investments in its people, through training in industry specific and general management skills, thereby simultaneously improving productivity and quality. In addition, the Leisure industry group, along with all other businesses in the JKH group, places importance on providing a safe working environment for its employees, maintaining international standards in health and safety and constant education and training on safe practices in the workplace.

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

Talent management	Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality levels.
Health and safety	The businesses within the sector need to ensure safe working conditions

Talent Management

Targets:

- Maintenance of "Cinnamon" brand standards through provision of a target number of training hours and on-going training, resulting in a skilled workforce

- Retention of talent within a highly competitive labour market

Initiatives:

- Continuous classroom and on-the-job training is provided to all employees to improve skills, productivity, service quality and value. Within the Group, the Leisure industry group offers the highest number of training hours to its employees with 48 hours of training provided per employee. Such training covers industry specific topics, managerial skills and company policies and values, among others
- Awareness building training on serious diseases such as HIV/AIDs was provided to over 8,000 personnel, which included workforce, their families and members of local communities
- Cinnamon Grand was awarded with a "Compliance +" certificate by the Employers Federation of Ceylon which recognises businesses that are in line with international employment standards. This award recognises the business' strategy of creating long term value and quality service standards through effective management of its Human Capital resources

Health and Safety

Targets:

- Minimal occupational health and safety incidents through safe working conditions and practices

Initiatives:

- All Group hotels have obtained, and continue to maintain, OHSAS 18001 certification on an annual basis
- Staff health and safety training, first aid and fire training and drills are carried out on a regular basis
- Chauffeur guide training was carried out by WTL with emphasis on environmentally friendly behaviour and safe driving habits as a means of minimising customer complaints and improving service standards
- WTL provided first aid training to all safari jeep drivers in Habarana, Wilpattu and Yala, amounting to 86 drivers, to whom first aid certifications were awarded
- Business continuity plans are reviewed and tested periodically

Industry Group Review LEISURE

- Cinnamon Grand, Cinnamon Lakeside and all resorts have obtained ISO 22000 certification with respect to food safety standards

Impact through CSR initiatives:

- A health check, including testing for HIV and other sexually transmitted diseases (STDs), was organised free of charge for the employees and surrounding community of Cinnamon Bey Beruwala. 30 employees and 10 community members participated in this health check

- In collaboration with the Red Cross Society, Cinnamon Bey, Beruwala also organised a platform for employees and community members to donate blood. Over 60 individuals participated in this initiative

Performance

A total of 89 occupational health and safety incidents were recorded this year, while a total of 243,514 hours of training was provided to employees within the industry group.

Social and Relationship Capital

The industry group recognises the importance of building relationships and fostering trust and cooperation with key stakeholders, particularly the local communities within which operations are carried out. The Social and Relationship Capital is enhanced through mutually beneficial relationships created through sustainable sourcing, training and dissemination of knowledge on sustainability and other best practices. These practices stimulate local economies, assist small time entrepreneurs and assist in creating value and improving the quality of Sri Lanka's tourism industry as a whole. Ongoing corporate social responsibility projects and activities carried out by the businesses further assist in improving the quality of life of local communities and groups and build a strong foundation for the continuance of healthy relationships and business operations.

	2015/2016	2014/2015	(%)
Injuries, diseases (number)	89	89	-
Total hours of training	243,514	238,130	2

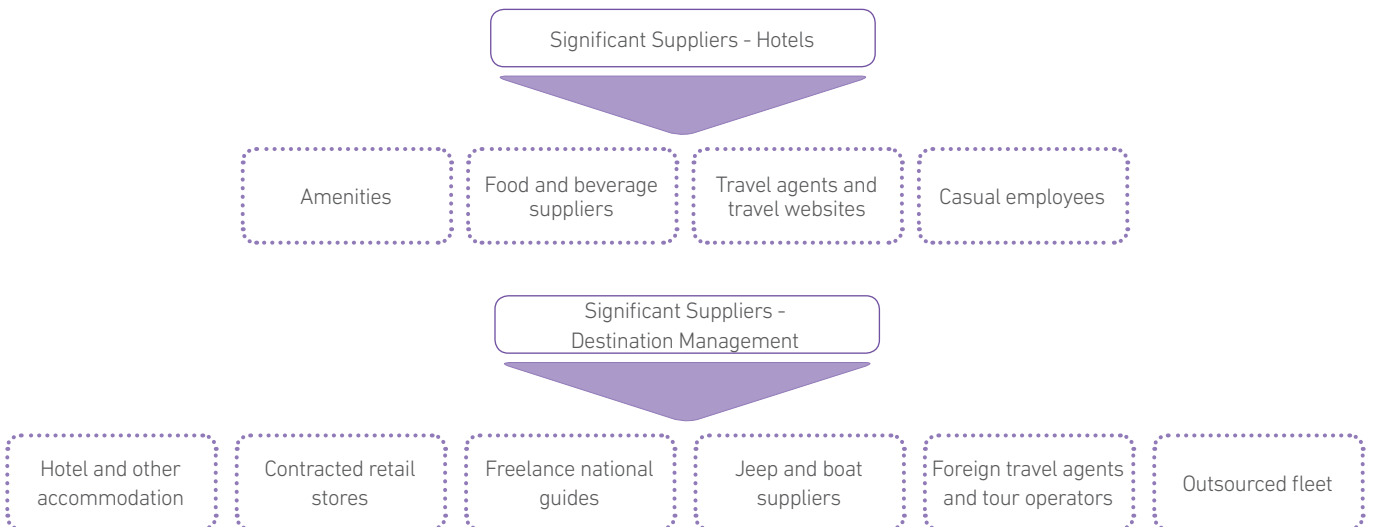


"Banners to bags" initiative where flex banners are converted to bags by retired CG employees and sold

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

Supply chain sustainability	Assessing and educating significant suppliers to ensure the mitigation of negative impacts in environmental, labour and human rights aspects
Community development	Need to work closely with surrounding communities and maintain good relations

The significant suppliers within the industry group are illustrated below:



Supply Chain and Community Engagement

Targets:

- Engagement with significant supply chain partners to encourage environmental friendly and socially responsible activities
- Community engagement to stimulate local economies through sourcing of fresh produce and other outsourced services

Initiatives:

- Hotels identified significant suppliers working through the Central Purchasing Office (CPO) who were then audited by third party auditors on food safety. The audit findings, improvement areas and industry best practices were communicated to each of these suppliers and a follow up audit was also conducted. Hotels incorporated sustainability and environmental criteria into their purchasing policy and procedures, favouring certified suppliers and suppliers following best environmental and social practices. Wherever possible, preference is given to locally produced products so as to create mutually beneficial value to both suppliers and hotels
- Bi-annual inspections are carried out by the Destination Management sector of all ancillary suppliers to ensure consistency in quality and standards to minimise any potential threats. The commitment to maintaining quality standards was reflected through the ISO 9001 re-certification this year
- Recognising the importance of developing its value chain as a means of value creation and improving quality standards, WTL conducted a comprehensive training programme by training individuals as "Tourist Drivers", and introducing them to the tourism industry, as a part of its ongoing strategy to work with high quality chauffeurs. Through its outsourced model, WTL continues to provide livelihood assistance to over 100 drivers
- Local sourcing in Sri Lankan Resorts continued to stimulate local economies and improve the livelihoods of local suppliers. In this regard, the outcome was the procurement of over Rs.361 million of fresh produce during the year

Impact through CSR initiatives:

- Since 2001, the staff, tour leaders and suppliers of WTL have voluntarily

“ The development of the Cinnamon brand is a continuously evolving journey with much effort and time spent on keeping pace with international trends and our evolving and dynamic stakeholders, especially our customers. Our clients are from diverse backgrounds and nations spanning different regions of the world. ”

243,514



Total hours of training

A growth of 2 per cent

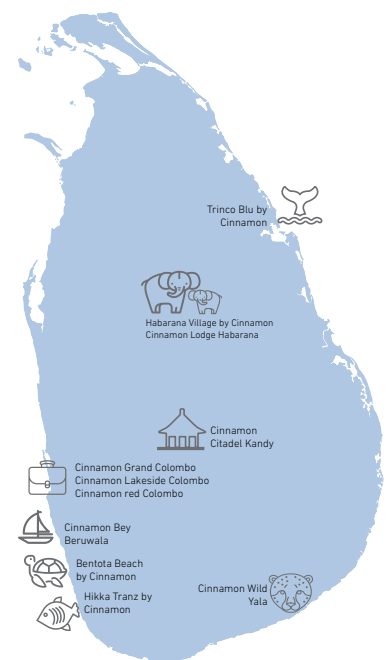
contributed towards the purchase of stationery and sporting equipment, among others, for the students of Siduhath Vidyalaya in Ratnapura. Over the years, with the assistance of WTL, the school has developed and currently has over 200 students.

- As discussed under Human Capital, a blood donation campaign and a health check were organised for the community surrounding Cinnamon Bey Beruwala
- As discussed under Natural Capital, Project Leopard strives to assist rural communities by safeguarding their livelihoods, and also offers hotel guests and partners an opportunity to experience the life of a villager while making a contribution towards their livelihoods and protecting leopards
- The conversion of "Banners to bags" (B2b) initiative discussed under Natural Capital, is done by retired tailors of CG giving them a source of income

Intellectual Capital

The development of the "Cinnamon" brand is a continuously evolving journey with much effort and time spent on keeping pace with international trends and our evolving and dynamic stakeholders, especially our customers. Our clients are from diverse backgrounds and nations spanning different regions of the world.

Subsequent to the development of the brand strategy during the financial year 2013/14, as outlined in the 2013/14 Annual Report, the decoding of the brand promise and the preparation of brand strategy were executed during the financial year. This was aimed at creating value for both external and internal stakeholders. During the year under review, a complete A-Z manual was developed on each of the brands, and their positioning under the "Cinnamon" umbrella with all communication material standardised and aligned. All signage, banners, printed material and images used for all forms of communication were streamlined to echo the new brand positioning as a lifestyle brand and the employees across the industry group were enlightened on this value proposition.



"Cinnamon" footprint in Sri Lanka

Industry Group Review LEISURE

“ Tourist arrivals to Sri Lanka are expected to continue its current growth trajectory, primarily driven by arrivals from newly emerging source markets such as China and India. The Sri Lanka Tourism Development Authority (SLTDA) has set a target of 2.2 million arrivals for the calendar year 2016 and also expects 4 million arrivals by 2020. ”

is capable of handling the targeted arrivals numbers and will be further supported by the Government’s plans to expand the main airport with the addition of another terminal.

In order to cater to this exponential growth in tourist arrivals, Sri Lanka will require an increase in the room inventory, in both the city hotels and resort hotels, in the medium to long term. This is further validated by the overall room inventory relative to expected tourist inflows being well below that of other regional countries such as Thailand, Malaysia, Vietnam and Cambodia.

Whilst the inventory does need to increase further in the long term, the available room inventory in Sri Lanka has increased substantially over the last few years. This increased capacity is expected to be absorbed with the continued growth in the market. This is evident as seen in the city hotels sector where approximately 450 rooms in the 3 to 4 star category were added over the last 2 years resulting in a moderation of city hotel occupancies. However, this capacity is now almost fully absorbed with the hotels under discussion operating at close to 90 per cent occupancy.

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 and the brand footprint of “Cinnamon” as elaborated in the discussion that follows under the Sri Lanka and Maldivian Resorts segments. The Leisure industry group will also look to improve its process efficiency and

To complement the focus of the brand on lifestyle related activities, events aimed at communicating the “Cinnamon” vibe were developed in-house. To this end, the following initiatives were carried out;

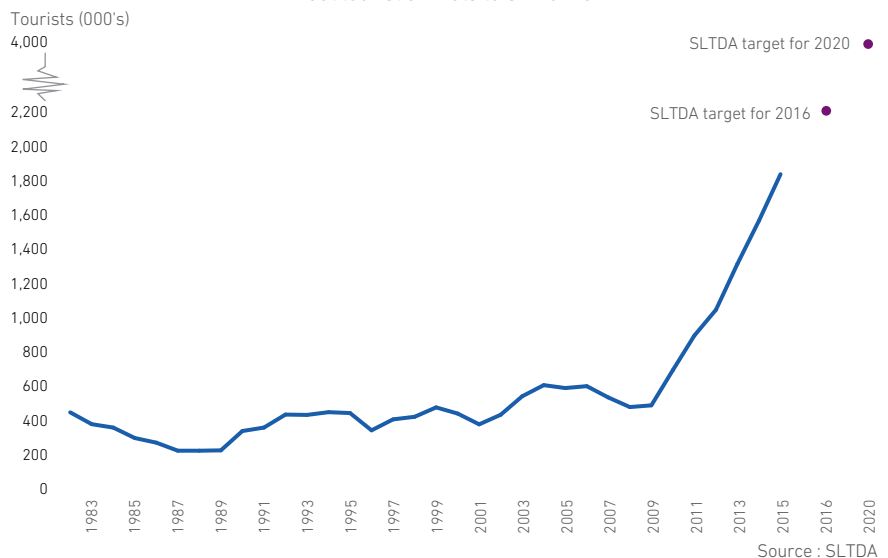
- “Cinnamon Colomboscope 2015 – Shadow Scenes” was spearheaded in order to communicate contemporary art and performance
- The inaugural future of tourism conference titled, “Future of Tourism and Responsible Tourism for Driving Revenue”, was held featuring an eminent panel of global tourism-industry related speakers and attracting over 350 participants from Sri Lanka and the region
- Hosted Nigel Barker, internationally renowned fashion and celebrity photographer, of America’s Next Top Model
- Organised elegant curated sit down dinners, workshops and a cook off challenge perfecting Marco Pierre White’s Tour of Sri Lanka

The strategies implemented during the year are expected to contribute towards the expansion of the “Cinnamon” brand presence and increase recognition amongst stakeholders, contributing towards the attraction of more customers, employee retention and relationship building. This would, in turn, be expected to translate to stronger performance within the industry group.

Strategy and Outlook

Tourist arrivals to Sri Lanka are expected to continue its current growth trajectory, primarily driven by arrivals from newly emerging source markets such as China and India. The Sri Lanka Tourism Development Authority (SLTDA) has set a target of 2.2 million arrivals for the calendar year 2016 and also expects 4 million arrivals by 2020. Sri Lanka is well positioned to meet these growth targets considering the increasing trend of outbound travel in the region, in particular from India and China. The proximity to India, the increasing flight connectivity from China coupled with the value proposition offered by Sri Lanka as a destination, where diverse attractions catering to a multitude of tourist needs can be accessed within a short time horizon, will be key drivers in attracting arrivals. The infrastructure within the country

Annual tourist arrivals to Sri Lanka



“ 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 and the brand footprint of "Cinnamon". ”

productivity, and more importantly, its ability to cater to evolving customer preferences and requirements for convenience by leveraging on its newly implemented information technology platforms whilst embarking on several digitisation initiatives.

The City Hotels sector is expected to witness growth in the corporate and leisure tourist segments, and the three city hotels, Cinnamon Grand, Cinnamon Lakeside and Cinnamon red, will pursue unique business specific strategies aimed at catering to distinct clientele. The overall outlook for the corporate segment looks promising with several MICE events also on the cards in the next year.

The Sri Lankan Resorts segment will continue to drive occupancies through a combination of volume driven strategies with added focus on web sales and local and foreign partnerships. The segment will continue to place emphasis on cost management initiatives, staff development programmes and productivity enhancement strategies. As per the interim Budget 2016 proposals, the mandatory registration of all hotels under the Tourism Development Authority augurs well for the industry, particularly with the proliferation of informal sector rooms, as it will ensure classifications in the hotel sector and encourage maintenance of a minimum standard. The acquisition of a land spanning over 2.5 acres in Nuwara Eliya has provided an opportunity for the sector to expand its footprint in the hill country where the "Cinnamon" brand does not have presence and is unable to cater to the demand for a complete roundtrip offering. The Group has called for tenders to evaluate the feasibility of construction costs. Subject to finalising of the project concept and cost parameters, a final decision on the project will be arrived at.

Although the political uncertainty in the Maldives is unlikely to dissipate in the ensuing year, the environment is expected to improve from the current status, particularly considering the importance of the tourism industry to the economy of the Maldives. The Maldivian Resorts segment will continue to follow a tactical pricing strategy whilst driving volume through direct bookings and online sales whilst targeting new source markets to offset the negative impact of arrivals from Russia and Ukraine. Further, in order to strengthen our presence in the Maldives, the Group secured the island adjacent to Hakuraa Huraa and plans are underway to enhance capacity by constructing 35 rooms during the latter part of 2016/17.

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 main drivers of growth. As in the other sectors across the industry group, cost management and productivity improvements will remain an important area of focus in the near term. The sector will further consolidate its position in recently established markets which have demonstrated potential whilst concentrating on new markets. In order to improve process efficiency, scalability of operations and enhance productivity, which is a key medium to long term strategy for the business, evaluation of a digital platform which will seamlessly connect all operations is currently being carried out.

Industry Group Review

PROPERTY

Our Business Model

Vision and Scope

The Property Development and Real Estate sectors concentrate primarily on the development and sale of properties such as the recently concluded "OnThree20" project and "7th Sense" project on Gregory's Road,

and the on-going "Waterfront" Integrated Resort project titled, "Cinnamon Life". The industry group includes the property division of Asian Hotels and Properties PLC - the developers of "The Crescat Residencies", "The Monarch", "The Emperor", the up-market shopping mall "Crescat Boulevard" and the "K-Zone" malls in Moratuwa and Ja-Ela.



Show flat and construction site - "Cinnamon Life" project, Sri Lanka's largest private sector investment to-date



Property Development

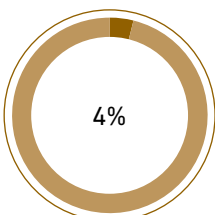


Real Estate

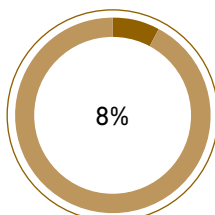


CO²
16 kg per Rs.Mn revenue

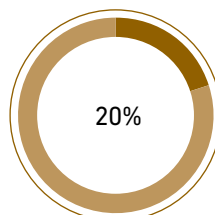
Contribution to JKH Group



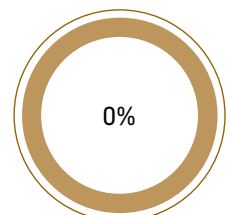
Revenue



EBIT



Capital employed



Carbon footprint

Sectors	Property Development	Real Estate
The business within the sector	<ul style="list-style-type: none"> Development and sale of residential and commercial properties Owning and operating the "Crescat Boulevard" mall and "K-Zone" malls in Moratuwa and Kapuwatte, Ja-ela 	<ul style="list-style-type: none"> Renting of commercial office spaces and the management of the Group's real estate within the city
Key external/internal variables impacting the business	<ul style="list-style-type: none"> Increasing supply of residential apartment units The proposed Megapolis Development Plan within the Colombo, Kalutara and Gampaha districts is expected to position the Western region as an urban economic base, job creator and a trade destination 	<ul style="list-style-type: none"> Improved connectivity and accessibility to the suburbs following further development of the highway systems
Key developments during the financial year	<ul style="list-style-type: none"> Exchange rate pressures contributed towards an increase in cost of construction Acute shortage of skilled and unskilled manpower Increase in the Value Added Tax (VAT) rate from 11 per cent to 15 per cent from May 2016 onwards which would impact construction costs The imposition of a Mansion Tax on apartments valued above Rs.150 million and/or larger than 10,000 square feet Proposals made through the Budget 2016 in November 2015, is expected to have a positive impact on attracting overseas buyers to real estate development. However, this is yet to be formalised through a gazette Subsequent to the Budget 2016 it was proposed to reintroduce a Capital Gains Tax 	<ul style="list-style-type: none"> All units have been handed over to the buyers and 100 per cent of revenue of "OnThree20" was recognised The construction of the "7th Sense" project on Gregory's Road was completed during the period. A total of 95 per cent of the revenue was recognised as at the end of the financial year Crescat Boulevard recorded near full occupancy during the year under review Introduction of a cinema to the "K-Zone" in Ja-ela

Key Indicators

Inputs (Rs.mn)	2015/16	2014/15	(%)	2013/14	Outputs (Rs.mn)	2015/16	2014/15	(%)	2013/14
Total assets	43,935	34,891	26	32,484	Revenue	4,342	5,689	(24)	4,172
Total equity	26,947	18,539	45	19,447	EBIT	1,675	1,638	2	1,364
Total debt	11,647	13,125	(11)	10,767	PBT	1,643	1,516	8	1,293
Capital employed	38,594	31,664	22	30,214	PAT	1,585	1,427	11	1,291
Employees (number)	102	107	(5)	101	EBIT per employee	16.4	15.3	7	13.5
					Carbon footprint (MT)	64	59	8	52

Industry Group Review

PROPERTY

External Environment and Operational Review

During the year under review, demand in the overall property market remained relatively steady, particularly in the middle to lower end of the market on the back of the continuing trend of a growing urban population. The policy uncertainty, especially with regard to taxation and weakening of the Sri Lankan Rupee resulted in dampened investor sentiment, particularly in the luxury apartment segment. Competition was high in the luxury segment with the Altair, Shangri-La, Astoria, Havelock City Phase 3 releasing new supply into the market. The increase in interest rates in the latter part of the financial year coupled with proposals to reduce the country's balance of payments and revenue deficits through increased tax collections collectively contributed towards a somewhat subdued performance in the luxury segment. These impacts are explained in greater detail in the ensuing section. Despite this, the performance of the Property industry group was in line with expectations.

From a regulatory perspective, the increase in the Value Added Tax (VAT) rate from 11 per cent to 15 per cent and the proposed implementation of Capital Gains Tax (CGT) is expected to have an impact on the sale of residential units. However, the Group awaits clarity on the introduction of the CGT and the related guidelines and definitions. The Land (Restriction on Alienation) Act introduced on 29 October 2014, and applied retrospectively from 1 January 2013, continued to be in effect during the year under review. However, the Budget 2016 proposed the removal of certain provisions of the Act for certain identified investments and the tax on lease of lands by foreign investors, and this is viewed to be encouraging. However, the industry is still awaiting publication of the amendments to the Land Act which should allay some of the concerns of foreign investors.

The construction of the "7th Sense" project on Gregory's Road was completed on schedule during the second quarter of the year under review, with 63 of the 66 units sold. The remaining 8 units as at 31 March 2015 of the "OnThree20" project was sold during the financial year and all units have been handed over to buyers.



The required debt financing for "Cinnamon Life" was concluded

“RHL, which owns over 500 acres of land in Digana with an 18-hole Donald Steel designed Golf Course, will complement the Group's property and leisure portfolios. A master plan is currently being developed in order to maximise the development potential of the land plots.”

The 145,000 square foot "Crescat Boulevard" mall in Colombo maintained its position as a leading retail destination within the City of Colombo and maintained near full occupancy throughout the year. Increased footfall during the said period is mainly on account of various events, promotional happenings and other complementary activities which differentiated the product offering and the overall experience of customers. The occupancy of the "K-Zone" mall in Moratuwa stood at 84 per cent as at 31 March 2016 [2014/15: 90 per cent]. The "K-Zone" mall in Ja-ela recorded encouraging occupancies at 76 per cent [2014/15: 73 per cent] during the year under review with increased footfall aiding tenant retention. The introduction of a 180-seat cinema on the premises is believed to have contributed towards this improvement in footfall.

During the period under review, the Group's shareholding in Rajawella Holdings Limited (RHL) was increased from 17 per cent to 51 per cent. The total cost of this investment of Rs.1.04 billion, comprises a partial buyout from existing shareholders, an infusion into RHL and the release of an existing sublease of land held by the JKH Group in exchange

for shares. RHL, which owns over 500 acres of land in Digana with an 18-hole Donald Steele designed Golf Course, will complement the Group's property and leisure portfolios. A master plan is currently being developed in order to maximise the development potential of land plots.

The "Cinnamon Life" project, Sri Lanka's largest private sector investment to date, is progressing with encouraging demand for both residential and commercial spaces. 38 per cent of units available for sale in the first residential tower and 40 per cent of the commercial space were reserved as at 31 March 2016. The project encountered some unforeseen delays, during the year under review, and as such, the construction of "Cinnamon Life" is now expected to be completed in 2019. The Group is in the process of evaluating varying alternatives for the retail space of the project, and is in discussion with several parties to house unique attractions, which would create footfall for the development. As stated previously, the potential for MICE tourism to Sri Lanka remains extremely positive given the continuing trend of increasing tourism numbers and the proximity and enhanced connectivity to key growth tourism markets, such as India and China.

Redefining the best contemporary Sri Lankan offering, entertainment and hospitality combined with increased focus on lifestyle, the "Waterfront" project was formally launched as "Cinnamon Life" in September 2015. "Cinnamon Life", in line with the "Cinnamon" brand strategy, is promoted as a "life capital", where different aspects of life, living, working and playing blend seamlessly within one location, given its diverse and iconic nature.

Further to finalising a USD 445 million syndicated project development facility with Standard Chartered Bank in December 2014, and subsequent to the decision made in January 2015 to continue with the project following developments impacting gaming operations in Sri Lanka, relevant sections of the loan agreement were amended to reflect the revised status and scope of the project. Waterfront Properties (Private) Limited finalised the revised syndicated project development facility amounting to USD 395 million with the Standard Chartered Bank in June 2015, thus concluding the required debt financing for "Cinnamon Life".

Capital Management Review

Following the review of the external environment and operations, the ensuing section entails a discussion on the different forms of Capital available within the industry group in order to create value for our stakeholders, and, above all, discusses the performance of the sectors under each form of Capital.

Key performance indicators for the industry group, under each of the sectors are summarised below.

Sectors	Property Development	Real Estate
Financial and Manufactured Capital - revenue and growth	Rs.4.14 billion, 24 per cent decrease	Rs.198 million, 2 per cent decrease
Financial and Manufactured Capital - EBIT and growth	Rs.1.51 billion, 3 per cent decrease	Rs.162 million, 122 per cent increase
Natural Capital - carbon footprint	62 MT	2 MT

Financial and Manufactured Capital

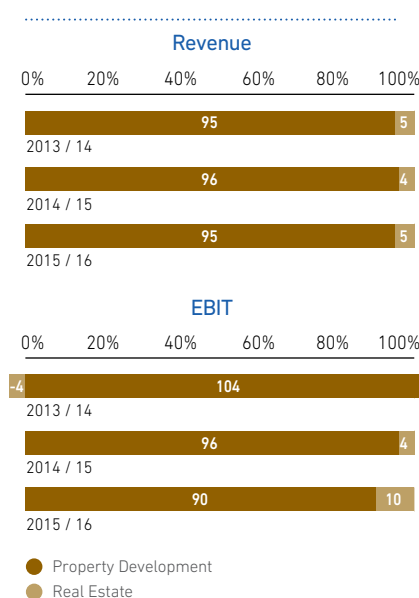
As at 1 April 2015, the Property industry group had total assets of Rs.34.89 billion, debt of Rs.13.13 billion and an opening equity capital of Rs.18.54 billion.

Financial Performance

The Property industry group reported a decline in revenue of 24 per cent to Rs.4.34 billion [2014/15: Rs.5.69 billion] compared to the previous year, mainly attributable to the revenue recognition cycle of its residential apartments. The previous year's revenue included recognition of the final tranche of "OnThree20" and a relatively high proportion of revenue from the "7th Sense" on Gregory's Road. The largest contribution to industry group revenue, during the year, emanated from the "7th Sense" on Gregory's Road. It should be noted that the revenue from the "Cinnamon Life" project will only be recognised post the commencement of operations.

EBIT marginally increased to Rs.1.68 billion [2014/15: Rs.1.64 billion] primarily on account of a revaluation gain in the Real Estate sector, although the primary contribution to EBIT was through the recognition of profits from the completion of the "7th Sense" on Gregory's Road. The EBIT under consideration includes a gain of Rs.194 million on the revaluation of the "Crescat Boulevard" investment property and a few other properties under the industry group. The corresponding revaluation gain on investment property for 2014/15 was Rs.4.8 million. Excluding the impact of revaluation gains on investment property, the recurring EBIT decreased by 9 per cent to Rs.1.48 billion [2014/15: Rs.1.63 billion]. The PBT

increased by 8 per cent to Rs.1.64 billion [2014/15: Rs.1.52 billion] while the recurring PBT decreased by 4 per cent to Rs.1.45 billion [2014/15: Rs.1.51 billion].



Borrowings and Finance Expenses

Total debt as at 31 March 2016 stood at Rs.11.65 billion which comprised mainly of the borrowings related to "Cinnamon Life". The industry group recorded a significant decrease in finance expenses to Rs.32 million [2014/15: Rs.122 million] due to the repayment of loans obtained by John Keells Residential Properties. It should be noted that the 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.

Rs. 1.64 Bn



Property industry group PBT

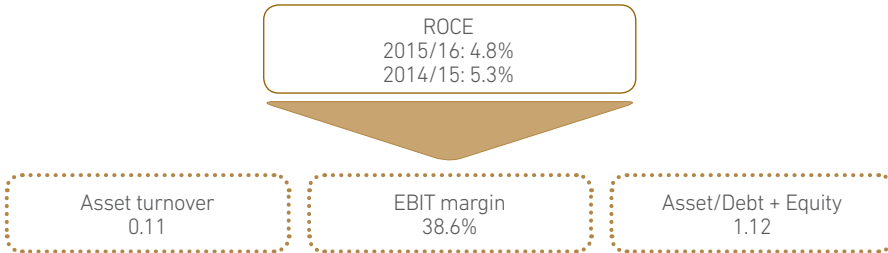
An 8 per cent growth

Return on Capital Employed

- ROCE declined to 4.8 per cent from the 5.3 per cent recorded in the previous year. The asset base increased on account of the infusion of cash equity to Waterfront Properties (Private) Limited in order to fund the ongoing project expenses associated with the construction of "Cinnamon Life" and the Group's increased shareholding in RHL, as discussed under the operational review. A higher gain on investment property of Rs.194 million [2014/15: Rs.4.8 million] and a revaluation gain of Rs.8.1 million of the land owned by Whittals Boustead in Colombo 2 [2014/15: Rs.136 million] were recorded during the year.
- 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, given the long gestation period, in addition to adjusting for investment property and revaluation gains. The adjusted ROCE on this basis is 10.0 per cent [2014/15: 10.9 per cent]. The lower adjusted ROCE is a reflection of the decreased EBIT as discussed earlier.
- The EBIT margin improved to 38.6 per cent from 28.8 per cent recorded in the prior year due to the aforementioned revaluation gain on investment property and higher margins associated with the "7th Sense" on Gregory's Road. The recurring EBIT margin, adjusted for investment property gains, stood at 34.1 per cent [2014/15: 28.7 per cent].

Industry Group Review PROPERTY

Return on Capital Employed



“ The effluent treatment plant at “K-Zone” mall in Ja-ela was utilised to re-use 100 per cent of its waste water. The treated water was used for gardening and general cleaning purposes at the premises. ”

- Asset turnover decreased to 0.11 times from 0.17 times due to the increase in the asset base. The asset turnover adjusted for the impacts from the “Cinnamon Life” project and the aforementioned investment property and revaluation gains was 0.23 times compared to 0.32 times in the previous year. Refer the Strategy, Resource Allocation and Portfolio Management section of this Report for details pertaining to the aforementioned adjustments/calculations.

Natural Capital

In terms of national infrastructure and utilities, the industry group focuses on minimising its impacts on the Natural Capital by incorporating best practices wherever possible to reduce consumption and discharge effluents responsibly.

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

Waste management and effluent discharge	Requirement to be compliant with Government regulations, industry regulations and prerequisites of lending agencies
	Implications on brand image and the environment

Waste and Waste Water Management

Targets:

- Reduce solid waste below Environmental Protection Licence (EPL) limits
- Re-use waste water

Initiatives:

- Condensation water of air conditioners is being used for gardening through a dripping line at Whittalls Boustead Limited
- Installation of 220kVar power factor correction capacitor bank at Mackinnons Keells Limited
- Adoption of energy saving initiatives with close monitoring mechanism on central air conditioning system operation and maintenance of efficiency levels of all equipment

- The effluent discharge from sewer treatment plants were maintained within the EPL limits for locations not covered by common sewerage lines
- The effluent treatment plant at “K-Zone” mall in Ja-ela was utilised to re-use 100 per cent of its waste water. The treated water was used for gardening and general cleaning purposes at the premises
- Colour codes/ separate bins were introduced to the cafeteria and garbage collection points for garbage segregation, disposal of paper at all office locations at “K-Zone” in Ja-ela and recycling of e-wastage at all office locations
- Rain water harvesting implemented at “7th Sense” on Gregory’s Road and “OnThree20” is used for gardening purposes and water features
- Installation of energy efficient lighting, optimising the natural lighting and ventilation at “7th Sense” on Gregory’s Road
- Installation of an electric car charging station at “Crescat Boulevard”

The industry group continuously strives to minimise the impact on the environment, as evident in the following table.

Indicator

	2015/2016	2014/2015	(%)
Carbon footprint (MT)	64	59	8
Waste disposed (kg)	141,659	164,798	(14)

* Water usage and training hours are not shown above as they are not material for the industry group. The basis for waste estimation consists of the Property industry group considering waste generated at all shared office locations of the Group.

Human Capital

The rapid growth of the local construction industry has created a greater need for outsourced personnel due to the shortage of skilled and un-skilled labour, and is a challenge for the industry group. Stemming from this, the health and safety of its outsourced contractors' personnel is a material aspect and impacts both workforce well-being and productivity.

The material aspect and impact relating to Human Capital is identified as follows:

Occupational health and safety	Business requirement to 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
---------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Targets:

- Maintain health and safety standards within the value chain and obtain OHSAS 18001 certification for all shopping malls

Initiatives:

- OHSAS audits and inspections were carried out for "Crescat Boulevard", "K-Zone" malls in Moratuwa and Ja-ela on maintenance, housekeeping and security
- Supplier practices were continuously assessed and monitored with regard

to occupational health and safety requirements

- All regulatory requirements were met ensuring there were minimal negative impacts on communities and the environment in the vicinity of construction sites
- Monthly site safety meetings were conducted for all construction contractors
- Continuous improvements were made through internal and external audits and management reviews
- Training programmes on first aid, fire evacuation and food testing were conducted for all maintenance, housekeeping and security staff of the retail malls
- Supplier health and safety processes and site safety were monitored through third party consultants and site safety officers on a bi-weekly basis and advocated changes were made, where necessary
- Water stagnation areas were identified and drain lines were installed contributing towards dengue prevention
- Site safety and labour practices were incorporated into the contracts of significant suppliers
- OHSAS 18001 certification was obtained for "K-Zone" mall in Moratuwa and "Crescat Boulevard". Certification for "K-Zone" mall in Ja-ela is underway

“ The rapid growth of the local construction industry has created a greater need for outsourced personnel due to the shortage of skilled and un-skilled labour, and is a challenge for the industry group. ”

- A training session on food hygiene was conducted for all food court staff of the Group owned retail malls
- A full time health and safety team was maintained at the "Cinnamon Life" site by both the contractor and the project consultant
- The Labour Department's requirements for lifts, construction equipment and health and safety standards were checked and monitored. Monthly meetings were held with the consultant and contractor in order to review the progress made

Indicators

The Property industry group did not have any occupational health and safety incidents involving its own employees in 2015/16. However, there were incidences reported by its construction contractors. The industry group continues to engage with its contractors to minimise such instances. In addition, 568 hours of training were provided to the staff within the industry group during the year.



Health and safety practices at "Cinnamon Life" construction site

Industry Group Review PROPERTY

“ From a regulatory and macro perspective, the proposed introduction of dual citizenship and residence visa for foreigners should encourage foreign investments, and, coupled with the proposed relaxation of certain provisions of the Exchange Control regulations, among others, is expected to augur well for the overall property market. ”

95%



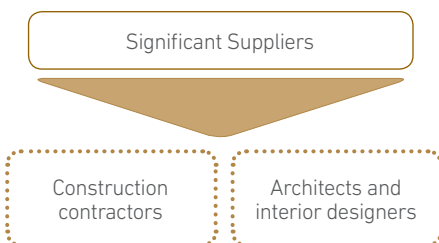
"7th Sense" on Gregory's Road

Number of apartments sold

Social and Relationship Capital

With Sri Lanka's property market expanding, the Property industry group seeks to differentiate itself by maintaining the quality standards of its products and its reputation as a responsible corporate citizen and to position itself as one of the foremost companies in the property market, thereby focusing considerably on its Social and Relationship Capital. This is carried out based on the JKH Group's overarching sustainability policies including environmental and social impact assessments prior to the commencement of new projects. Effluent and waste management, occupational health and safety, discussed under Natural and Human Capital, and the requirement to engrain sustainability in its supply chain through supplier engagement and assessment are looked at carefully by the industry group, for both its existing operations and new projects. These assessments assist in reducing the operational and reputational risks to the business.

The significant suppliers within the industry group are illustrated below:



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

Initiatives

- The industry group conducted an Environmental Examination Report [EER], approved by the Urban Development Authority (UDA) and the Central Environmental Authority (CEA), while an environmental monitoring plan was submitted in line with the EER and will be monitored by a committee consisting of Waterfront Properties (Private) Limited (WPL), the contractor and consultant
- Regular meetings are held on a monthly basis with representation from WPL, the contractor and the consultant
- A Traffic Impact Assessment (TIA) and Initial Environmental Examination (IEE) assessments were obtained as required, in order to minimise impacts on public utilities and infrastructure
- All companies within the industry group reviewed and tested their business continuity plans on a regular basis throughout the year
- All suppliers are required to sign off on a sustainability check-list, while the industry group maintains stringent criteria for pre-qualification of suppliers/contractors

Strategy and Outlook

Despite the recent rise in interest rates and the relatively uncertain policy environment, demand in the overall property market is expected to sustain in the medium to long term on account of the increase in wealth, lifestyle changes and the convenience of living in proximity to the city. This would be particularly applicable for the mid to

upper luxury segment of the market. Whilst demand may moderate in the immediate term due to the uncertainty and the negative macroeconomic factors stemming from the increase in VAT, depreciation of the Rupee and increase in interest rates, the Group remains positive about the prospects for the residential apartment market considering the expected absorption of units and the underlying need for housing offering convenience. In this light, following on the "OnThree20" model, where location, price and product are considered key differentiators, the Group will continue to identify similar properties in convenient locations to address the growing demand for the mid-level residential market. Meanwhile, the Group will also seek new development opportunities in the high end niche residential development space in prime locations similar to the "7th Sense" on Gregory's Road, where demand for unique and premium product propositions exists.

The demand for commercial space is expected to increase in the near and medium term following the growing need for efficient and convenient office space. To this end, the Group expects to capitalise on this opportunity in the long term by identifying suitable land banks in convenient locations, developing properties at the right price and positioning products to relevant client segments.

From a regulatory and macro perspective, the proposed introduction of dual citizenship and residence visa for foreigners should encourage foreign investments, and, coupled with the proposed relaxation of certain provisions of the Exchange Control regulations, among others, is expected to augur well for the overall property market. However, the increase in VAT and the proposed imposition of the Capital Gains Tax, are expected to exert

pressure on the demand for residential and commercial units by dampening investor sentiment and deferring investor decisions, particularly due to lack of clarity in terms of the criteria and implementation timelines.

The proposed Megapolis Development Plan within the Colombo, Kalutara and Gampaha districts is expected to contribute towards better standards of living for the growing middle income population. The growth in living standards and incomes coupled with the significant influx in tourist arrivals anticipated in the future is expected to drive demand for real estate. Retail penetration in Sri Lanka is below that of other regional peers such as Malaysia, Thailand and India and thus presents a significant opportunity to capitalise on in the long term. "Cinnamon Life" will capitalise on this expected demand for retail space and has plans to ensure the retail space within the project is unique and a driver of footfall to the complex. The Group is also confident that the unique selling proposition of "Cinnamon Life" will continue to record encouraging residential and commercial space sales. "Cinnamon Life" is envisaged to be the epi-center of modern South Asia, taking into account the medium to long term prospects for tourism in the country. Despite the growth momentum of the tourism industry witnessed over the past years, there is significant room to expand arrivals given the strong growth in outbound travel in the region, especially in attracting a higher

spend category of tourists. India, being one of the fastest growing markets for Meetings, Incentives, Conferences and Exhibitions (MICE) presents a significant opportunity to Sri Lanka given its close proximity and improved flight connectivity. Against this backdrop, "Cinnamon Life" is uniquely positioned to bridge the current infrastructure and product offering gaps and capitalise on the aforementioned opportunities.

With the acquisition of a controlling stake in Rajawella Holdings Limited, the Group will look to develop the undeveloped land and optimise the use of land whilst ensuring the creation of a unique proposition for customers. With this in mind, the Property industry group has commissioned a land use master plan of the Rajawella property. The development and sale of plots such as villas, club house facilities and activity zones is currently being evaluated. The Group will continue to operate the championship golf course and will focus on instilling the fundamentals of the golf proposition in order to attract and retain clients. To this end, branding and promotional campaigns will be carried out in the near future in keeping with the positioning of the offering.

“ The Group is also confident that the unique selling proposition of "Cinnamon Life" will continue to record encouraging residential and commercial space sales. "Cinnamon Life" was envisaged to be the epi-center of modern South Asia, taking into account the medium to long term prospects for tourism in the country. ”

Industry Group Review

CONSUMER FOODS AND RETAIL

Our Business Model

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 "Keells" and "Krest" range of processed meats; all leaders in

their respective categories and supported by a well-established island-wide distribution channel.

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

The Retail sector focusses on modern organised retailing through the "Keells Super" chain of supermarkets and also operated "Nexus", the most successful coalition loyalty card in the country.



The Retail sector focussed on ensuring the freshness, quality and availability of its produce



Consumer Foods

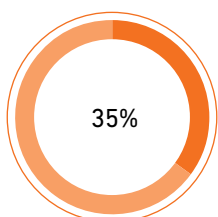


Retail

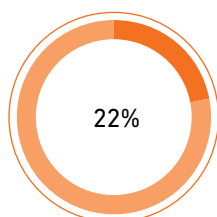


CO²
797 kg
per Rs.Mn
revenue

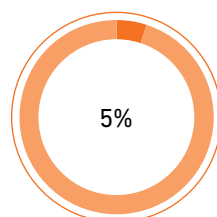
Contribution to JKH Group



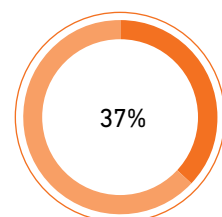
Revenue



EBIT



Capital employed



Carbon footprint

Sectors	Consumer Foods	Retail
The business within the sector	<ul style="list-style-type: none"> Ceylon Cold Stores (CCS) produces and markets a portfolio of carbonated soft drinks under the "Elephant House" brand, an energy drink under the "Wild Elephant" brand, an isotonic sports drink branded "F5", fruit based tea drinks branded "Twistee" and "Elephant House" branded ice creams and related confectionery products Keells Food Products (KFP) produces and markets a range of processed meat products under the "Keells", "Krest" and "Elephant House" brand names 	<ul style="list-style-type: none"> JayKay Marketing Services (JMSL) operates the "Keells Super" chain of modern retail outlets and the Nexus loyalty programme
Key external/internal variables impacting the business	<ul style="list-style-type: none"> Increase in custom duties and other levies such as the port and airport development levy (PAL) Emergence of a more health conscious consumer base Introduction of a "Traffic Light Labelling System" (Colour coding) by the Health Ministry as a part of its sugar reduction programme 	<ul style="list-style-type: none"> Restriction on the exempt supplies applicable on wholesale and retail trade, deemed value added tax (VAT), was removed with effect from 1 January 2016 Low inflationary environment
Key developments during the financial year	<ul style="list-style-type: none"> Elephant House Cream Soda was awarded the "People's Beverage Brand of the Year" for the 10th consecutive year Expanded the range of products in the beverage category with the launch of an isotonic sports drink and a few other products in the frozen confectionery category 	<ul style="list-style-type: none"> Opened 6 new outlets, increasing the total retail footprint to 50 stores as at 31 March 2016 Ranked first among competition in an independent survey of consumers Marketing and promotional activities, focussed especially on the fresh goods offering, rolled out during the year

Key Indicators

Inputs (Rs.mn)	2015/16	2014/15	(%)	2013/14	Outputs (Rs.mn)	2015/16	2014/15	(%)	2013/14
Total assets	15,862	12,945	23	12,171	Revenue	36,458	29,757	23	25,414
Total equity	7,803	6,613	18	5,977	EBIT	4,497	2,566	75	1,480
Total debt	812	923	(12)	1,699	PBT	4,472	2,498	79	1,328
Capital employed	8,616	7,536	14	7,676	PAT	3,229	1,804	79	1,005
Employees (number)	3,692	3,427	8	3,263	EBIT per employee	1.2	0.7	63	0.5
					Carbon footprint (MT)	29,060	26,441	10	26,428

Industry Group Review

CONSUMER FOODS AND RETAIL

External Environment and Operational Review

The trend of improving consumer confidence witnessed in the prior year maintained momentum during the year under review driven by an increase in disposable incomes on account of the increase in public sector wages, the reduction in electricity tariff and various other relief measures to reduce the cost of living implemented consequent to the Interim Budget in early 2015. This increase in disposable incomes and consumer sentiment coupled with low inflation throughout the year resulted in a significant growth in volumes across the entire consumer foods industry as evident in the performance of the Consumer Foods and Retail industry group.

The Frozen Confectionery business recorded double digit growth in volumes during the year under review. Whilst the industry witnessed strong growth as well, the business improved its market share by leveraging on the strength of its distribution network consisting of over 40,000 outlets island-wide. The bulk segment was the primary contributor to the improved performance, whilst the impulse segment continued to maintain its growth momentum, albeit off a lower base. This growth was mainly led by the general trade and modern trade outlets. Continuing with its expanding portfolio, a 100ml premium single serve ice cream, a line extension of the current premium bulk variant, was launched to offer consumers an opportunity to indulge on the premium range on-the-go. Two flavoured water-ice products targeting the centennials under a new sub-brand umbrella "Fruitee Blast" were also introduced during the period under review. The enhanced distribution efficiencies via the introduction of pre-selling to a majority of distributors/dealers resulted in a 50 per cent increase in the daily bill count which also contributed towards the improved performance and higher penetration, particularly in markets outside of the Western Province. The company continued to be the market leader in the ice cream industry in the Maldives.

The Beverage business witnessed significant growth in volumes and outpaced the performance of the overall industry, aided by the aforementioned increase in discretionary spending. The efficient functioning of the supply chain and distribution network, consisting of over 90,000 outlets spread across all districts of the island, with zero



Elephant House hot dog delivery service was launched in December 2015

“ CCS was also able to reap the benefits of the dealer management system which was implemented a few years ago. ”

breakdowns in the year under review, helped the business manage the better than anticipated demand for soft drinks. Competitors continued to adopt various initiatives such as extended product ranges and investments in assets in order to capture market share in the year under review. CCS leveraged on its brand, the aforementioned distribution network and efficiencies and its flavour portfolio in exceeding expectations on volume growth and profitability. CCS placed emphasis on the composition of its portfolio such as with the product mix, the numerous pack sizes sold and also introduced various cost management measures and productivity enhancing initiatives to drive profitability.

Given the preference of certain consumers towards healthier alternatives, and in order to expand the beverage portfolio of the business, an isotonic drink, "F5", offered in citrus and orange flavours, was introduced in October 2015. The overall sales have been encouraging thus far. "Twistee", a fruit based tea drink introduced in the prior year, continued to demonstrate promising results and was awarded the "Best New Entrant of the Year" at the SLIM Brand Excellence 2015 awards organised by the Sri Lanka Institute of Marketing (SLIM). As testimony to the recognition and strength of the business, "Elephant House Cream Soda" won the Beverage Brand of the Year award for the 10th consecutive year and the Youth Choice Beverage Brand of the Year for the third consecutive year, the latter jointly

with "Elephant House Necto", at the People's Awards jointly organised by SLIM and the Neilson company. Contributing towards the Health Ministry's "sugar-reduction programme", the company has successfully reduced 30 per cent of the sugar content in certain beverages through the use of substitutes, whilst ensuring the quality and taste profile remain unchanged.

CCS was also able to reap the benefits of the dealer management system which was implemented a few years ago. In order to complement this system, further improvements were made during the period, giving management real-time information of the distribution network. Training and incentives were also given to distributors during the year under review to encourage integration to the system. The efficient execution and management of the distribution and dealer network is believed to be critical for the performance of the company and also contributed to the improved performance of the company during the year under review.

Considering the favourable macroeconomic fundamentals discussed previously, Keells Food Products (KFP) recorded double digit volume growth in the first half of the financial year, although this growth did moderate in the second half of the year. KFP continued to benefit from a number of productivity improving efficiency measures implemented in the prior years. During the year under review, the company introduced a smoky chicken and cheese sausage under the "Elephant House" brand in order to increase the product offering of the processed meats portfolio. KFP also introduced an "Elephant House" hot dog mobile delivery service in December 2015 to cater to increased requests by customers and the increasing demand for hot dogs and the accompanying, authentic, "Elephant House" sauce. KFP also finalised all paperwork and logistical requirements, post the Indian regulation revision in 2013, to re-commence the export of processed meats to India. A separate dedicated unit was also established to pursue the export strategy of KFP.

The improved performance of the Retail sector was on account of the double digit growth in customer footfall witnessed during the year under review. The aforesaid increases in public sector wages as well as the low inflationary environment which prevailed during the said period also facilitated this growth. The growth

in same store sales was mainly driven by the non-liquor stores. Similar to the previous year, continued emphasis was placed on ensuring the value, availability and quality of the goods offered, delivery of goods to outlets, particularly fresh products, on time, check-out time efficiency and in giving the “Keells Super” customer a differentiated shopping experience. Focussed marketing initiatives to improve customer awareness were carried out during the year. To this end, the “Fresh campaign” promoting the bakery items, fresh produce, meat and seafood proved effective with an increase in customer penetration for the said product categories. The introduction of efficient procurement systems, and adoption of more advanced equipment also contributed towards the better than expected performance during the year. JMSL maintained its focus on the larger format outlets which have exceeded expectations thus far. During the period under review, 6 new outlets conforming to the new format were opened in Dehiwala, Wattala, Liberty Plaza, Thimbirigasyaya, Borlasgamuwa and Kohuwala while one outlet was discontinued. The performance of the new stores continues to be encouraging with each new store meeting its return expectations within a short period of time.

The Nexus Mobile loyalty programme continued to be a key tool in retaining and attracting customers as it enables the business to understand consumption patterns and target promotions and offers which will specifically benefit consumers. A significant proportion of the supermarket customer base comprises of Nexus Mobile customers. In order to drive the usage of this programme, various initiatives were carried out during the year under review.

The 2014 Budget placed a restriction on the maximum amount of turnover that could be exempted from VAT by wholesalers and retailers and limited the same to 25 per cent. This resulted in a substantial impact to the main supermarket chains with JMSL being no exception. The 2016 Budget removed the aforesaid restriction on the exempt supplies applicable on wholesale and retail trade, that is, the deemed value added tax, with effect from 1 January 2016, which had a positive impact on the Retail sector in the fourth quarter of the period under review.

Capital Management Review

Concluding the external environment and the operational review of the Consumer Foods and Retail industry group, the ensuing section elaborates on the forms of Capital deployed to meet the strategic priorities and the performance of the businesses during the year under review.

The industry group adheres to the John Keells Group’s Environmental, Labour and Product policies and continues to monitor employee, environmental and social activities within the Group, whilst marketing its products responsibly when ensuring that value is created across all forms of Capital.

Key performance indicators for the industry group, under each of the sectors are summarised as follows:

Sectors	Consumer Foods	Retail
Financial and Manufactured Capital - revenue and growth	Rs.14.31 billion, 25 per cent increase	Rs.22.15 billion, 21 per cent increase
Financial and Manufactured Capital - EBIT and growth	Rs.3.22 billion, 63 per cent increase	Rs.1.28 billion, 118 per cent increase
Natural Capital - carbon footprint	15,083 MT	13,976 MT
Human Capital – number of employees	1,285	2,407

Financial and Manufactured Capital

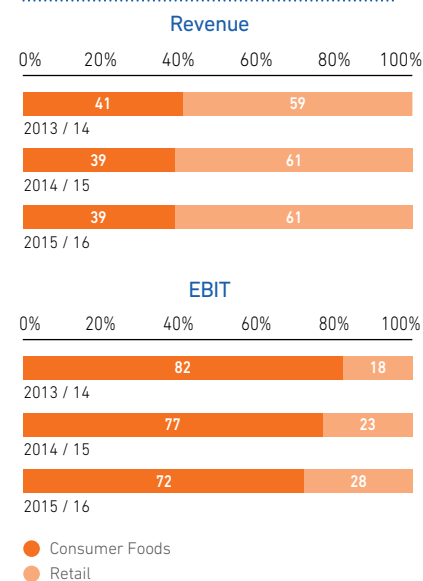
As at 1 April 2015, the Consumer Foods and Retail industry group had total assets of Rs.12.95 billion, debt of Rs.923 million and an opening equity capital balance of Rs.6.61 billion.

Financial Performance

Revenue increased by 23 per cent to Rs.36.46 billion [2014/15: Rs.29.76 billion]. Double digit sales volume recorded by the Frozen Confectionery, Beverage and Convenience Foods businesses resulted in a growth in revenue of 25 per cent in the Consumer Foods sector, whilst a significant increase in footfall, coupled with incremental turnover from new outlets, led to a 21 per cent growth in revenue of the Retail sector.

The EBIT of the industry group increased by 75 per cent to Rs.4.50 billion [2014/15: Rs.2.57 billion]. The fair value gain on investment property during the year was Rs.17 million whilst the corresponding gain was Rs.9.0 million for 2014/15. The recurring EBIT for 2015/16, excluding the fair value gain on investment property, increased by 75 per cent to Rs.4.48 billion [2014/15: Rs.2.56 billion], with all three companies, JMSL, CCS and KFP contributing to the improved performance. JMSL recorded a 118 per cent increase in EBIT mainly stemming from the aforementioned increase in revenue and the dilution of fixed

overheads given the significant growth in the scale of the business. It should be noted that the cost base of JMSL included one off costs associated with a voluntary retirement scheme for selected staff and consultancy charges. Higher volumes, combined with the efficient execution and management of the distribution and dealer network, ensured an increase in EBIT for CCS. KFP, in addition



Industry Group Review

CONSUMER FOODS AND RETAIL

to a 16 per cent increase in revenue, also benefited from a number of cost management initiatives at the operational level. The PBT of the industry group increased by 79 per cent to Rs.4.47 billion [2014/15: Rs.2.50 billion] whilst the recurring PBT also increased by 79 per cent to Rs.4.46 billion [2014/15:Rs.2.49 billion].

Borrowings and Finance Expenses

Total debt as at 31 March 2016 stood at Rs.812 million. Finance expenses decreased by 63 per cent to Rs.25 million [2014/15: Rs.68 million]. This is on account of improved cash flows at JMSL which resulted in lower utilisation of overdraft facilities and repayment of loans at CCS and KFP.

Return on Capital Employed

- ROCE increased to 55.7 per cent in comparison to 33.7 per cent recorded in the previous financial year. The fair value gains on investment property, as discussed previously, and the gain of Rs.79 million arising from the revaluation of land in 2015/16 [2014/15: Rs.22 million] impacted the asset base. As discussed under the Strategy, Resource Allocation and Portfolio Management section of this Report, the asset base is adjusted for the revaluation gains arising in the preceding three years in order to calculate the adjusted asset base. On this basis, the adjusted ROCE, eliminating the aforesaid impacts, stands at 63.1 per cent compared to an adjusted ROCE of 43.9 per cent in the prior year. The higher ROCE, both adjusted and unadjusted, is on account of the significant increase in EBIT as mentioned above.
- The EBIT margin was 12.3 per cent compared to 8.6 per cent in 2014/15. The recurring EBIT margin was also 12.3 per cent as against 8.6 per cent in the previous year.



Membrane bioreactor effluent treatment plant at CCS Ranala factory

- The recurring EBIT margin of the Consumer Foods sector stood at 22.4 per cent [2014/15: 17.1 per cent] whilst that of the Retail sector almost doubled to 5.8 per cent [2014/15: 3.2 per cent].
- Asset turnover improved to 2.53 times compared to 2.37 times during the year, primarily driven by the growth in revenue.

Natural Capital

The Consumer Foods and Retail industry group carries out its operations within the Group's Environmental and Energy Management policy, whilst adhering to, and going beyond, all required environmental laws and regulations through regular monitoring and testing.

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

Energy, emissions, water and waste	Financial, regulatory and brand reputation implications
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Energy

Targets:

- Reduction of energy consumption and the resultant reduction in carbon footprint through initiatives and better management of infrastructure

Initiatives:

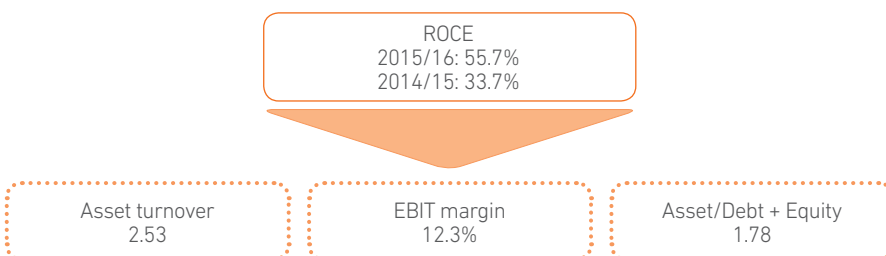
- Replaced old florescent lights with LED lights
- CCS continued its process of obtaining its carbon dioxide requirement from overseas, through a byproduct of a fertilizer manufacturing plant, offsetting the need for the combustion of fossil fuel
- Two small cold chain trucks were replaced with a single large capacity cold chain truck for long distance distribution, resulting in a further reduction of CCS's carbon footprint
- All JMSL outlets were required to adhere to equipment operating times as per the energy saving action plan distributed. Furthermore, internal meters were installed at all outlets to monitor the consumption of electricity

Water Management

Initiatives:

- CCS, KFP and selected Retail outlets continue to treat and reuse waste water through the installation and maintenance of effluent treatment plants for purposes such as gardening and general cleaning in an effort to reduce the total volume withdrawn
- CCS installed a membrane bioreactor (MBR) based sewerage treatment plant

Return on Capital Employed



(150 m³/day) resulting in better quality discharge and thereby improving quality parameters of its effluent

- CCS carried out further improvements to the effluent treatment plant by including a new membrane using bio reactor technology. The capacity of the plant was also increased to 150 cubic meters per day
- CCS carried out various initiatives such as rationalising production runs, improving 'cleaning in process' to reduce the number of washing cycles as well as implementing awareness programmes on water reduction for staff

Indicators

The carbon footprint of the Consumer Foods and Retail industry group increased by 10 per cent to 29,060 MT from 26,441 MT in the year under review. However, various production efficiencies resulted in a decrease in carbon, water and waste per operational factor.

Indicators

	2015/2016	2014/2015	(%)
Carbon footprint (MT)	29,060	26,441	10
Water withdrawn (l)	701,640	633,773	11
Waste disposed (kg)	3,498,450	3,078,564	14

Carbon Footprint Scope 1 and 2 per Operational Intensity Factor

	2015/2016	2014/2015
CCS CO ₂ kg per litre produced	0.10	0.11
KFP CO ₂ kg per kg of processed meat produced	0.84	0.85
JMSL CO ₂ kg per square foot of outlet area	30.34	31.44

Water Withdrawal per Operational Intensity Factor

	2015/2016	2014/2015
CCS water withdrawn in litres per litre produced	4.72	5.15
KFP water withdrawn in litres per kg of processed meat produced	12.13	12.40
JMSL water withdrawn in litres per square foot of outlet area	287.19	298.94

Waste Generated per Operational Intensity Factor

	2015/2016	2014/2015
CCS waste generated in kg per litres produced	0.02	0.02
KFP waste generated in kg per kg of processed meat produced	0.15	0.14
JMSL waste generated in kg per square foot of outlet area	1.93	2.00

Impacts through other initiatives:

- JMSL continued its efforts aimed at reducing the use of polythene through the use of a "Red Bag" - a reusable cloth bag, and corrugated cardboard boxes. KPIs relating to this initiative are summarised below.

Red Bag Usage

Fiscal year	Red Bag sale	Red Bag re-use	Total Red Bag usage	Cardboard box usage	Total re-use	Per customer re-use	Re-use - increase per customer (%)
2015/16	215,077	381,783	2,500	596,860	599,360	0.033	(3)

Polythene Bags Usage

	Polythene usage in kg	Polythene usage in grams per visit	Increase in per customer usage (%)
2015/16	274,657	15.13	16

Rs.1.89 Bn



Funds deployed

Sustainable sourcing drive with local farmer communities

The increase in per customer usage is on account of a significant increase in fresh volumes during the year. Given the increased polythene use from fresh produce packaging, JMSL is currently considering alternative packaging material in order to minimise this impact.

- In order to ensure that energy is used efficiently, JMSL designed a framework to operate its buildings in the most energy efficient manner through the use of skylights, LED lighting and efficient cooling systems, among others. 15 stores have been designed in this manner and every new store is expected to adhere to this model.

Human Capital

Given its labour intensive nature, the industry group also places significant importance on its Human Capital, especially in areas such as health and safety and training of its workforce. Emphasis is placed on providing continuous training to develop skills and improve productivity of the staff whilst respecting employee rights and maintaining good working conditions. To this end, JMSL is currently in the process of obtaining approval from the National Apprentice and Industrial Training Authority (NAITA) to certify the training courses conducted by the company.

Industry Group Review CONSUMER FOODS AND RETAIL



Keells Super Red Bag initiative – aimed at minimising polythene usage

Social and Relationship Capital

Considering its dependence on sourcing high quality raw material, the industry group places emphasis on its Social and Relationship Capital. A key strategy pursued by the business units is to purchase, where possible, raw materials locally, thereby, optimising the cost of purchase, stimulating the local economies and ensuring that the Group maintains its social license to operate. The industry group is also aware that changes in weather patterns can impact crop yields, thereby, adversely impacting its overall operations. As a result, the industry group proactively engages with its diverse farmer communities to adhere to agricultural practices that are environmentally sound and result in high yields. The farmers benefit from the guaranteed volume and price scheme being followed by the ice cream and beverage businesses.

The material impacts are identified as:

Health and safety/ training and talent retention	The operations within the industry group are labour intensive, with over 3,600 employees in total
---------------------------------------------------------------------	---------------------------------------------------------------------------------------------------

Targets:

- In line with Group practices, provide regular feedback to employees, along with performance reviews, and necessary training and development throughout the year
- 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 within the industry group's workforce

Initiatives:

- CCS and KFP continued to maintain OHSAS certification and streamlined its organisational processes with continuous

monitoring and process improvements to ensure a safe working environment

- JMSL carried out a training session on health and safety for all its meat supervisors, store supervisors, data entry operators, internal trainers and bakery staff. The company also produced 4 videos on health and safety to be used during future induction programmes
- JMSL introduced new guidelines and instructions on the safe use of band saws, while safety was further strengthened on all slicers and band saws in meat counters
- All companies of the industry group reviewed and tested its business continuity plans regularly throughout the year

Indicators

From a labour perspective, 91 injuries were recorded during the reporting year, while 91,402 hours of training were provided to those employed within the industry group. The increase in the injuries, diseases and fatalities of the industry group is mainly attributed to the Retail sector. It is important to note that a majority of these injuries were minor in nature and no fatalities were recorded pertaining to the job.

During the year under review, street vendors were allowed to set up shop in the carparks of selected "Keells Super" supermarkets during special seasons in order to contribute towards building surrounding communities. Vendors selling firecrackers, "Vesak" lanterns and other products were offered space in car parks in locations such as Maharagama, Matara and Kottawa, to name a few.

Companies in the industry group assess all significant suppliers, including suppliers providing janitorial and other outsourced services, for significant negative sustainability impacts.

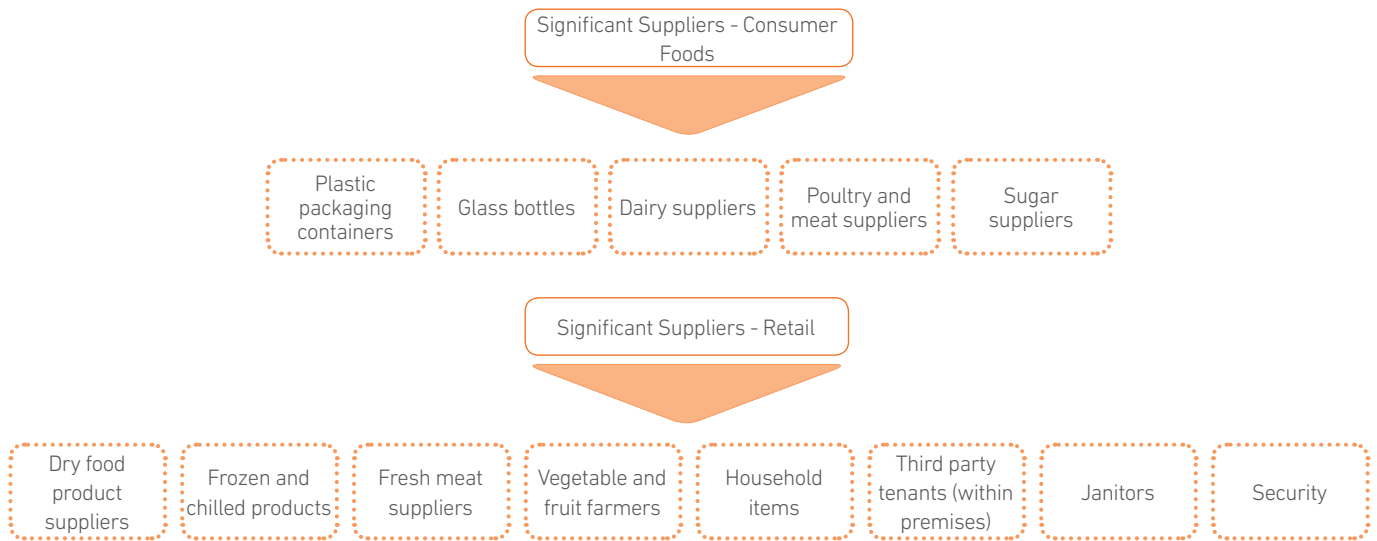
Supply chain and sustainable sourcing	Ensure a continuous source of raw materials which reduces risk, enhances brand reputation and benefits local businesses
----------------------------------------------	-------------------------------------------------------------------------------------------------------------------------

“ The industry group proactively engages with its diverse farmer communities to adhere to agricultural practices that are environmentally sound and result in high yields. The farmers benefit from the guaranteed volume and price scheme being followed by the ice cream and beverage businesses. ”

Indicators

	2015/2016	2014/2015	(%)
Injuries, diseases and fatalities (number)	91	55	65
Total hours of training	91,402	123,003	(32)

The significant suppliers within the industry group are illustrated below:



Supply Chain and Sustainable Sourcing

Targets:

- Source all ingredients and produce required from 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 there are no such instances

Initiatives:

- With CCS providing financial assistance, and local authorities providing technical advice and material, the company continued to obtain its ginger and vanilla through its outgrower programme in partnership with local authorities and farmer communities in several districts of the country, obtaining its entire requirement of ginger for its flagship product “Elephant House Ginger Beer”, and a majority of its vanilla requirement. The company also continues to obtain its kitul jaggery and treacle from local farmers and suppliers, with CCS working with close to 3,000 farmers in total, to source the primary ingredients for its manufacturing process
- JMSL identified small time private label suppliers and sponsored an initial good manufacturing practices (GMP) audit through Société Générale de Surveillance (SGS)
- JMSL initiated a programme for 196 farmers in collaboration with local authorities to enlighten them on Good Agriculture practices (GAP)

- The businesses within the industry group engaged with farmer communities and local suppliers to provide technical support and improve quality standards and yields whilst simultaneously uplifting livelihoods
- The industry group spent over Rs.1.89 billion during the year under review in carrying out its sustainable sourcing drive with local farmer communities as discussed below
- Evaluated some of its significant suppliers to ensure they are in line with the JKH Group’s Environmental, Labour and Social policies
- The industry group’s management spent over an estimated 100 hours in supplier engagement and assessments during the

year, reflecting the importance placed by the Group on entrenching sustainability in the value chain

Impact through CSR initiatives:

- Sustainable sourcing initiatives continue to boost agricultural activity in villages and raise the standard of living in diverse communities. It is one of the Group’s largest and most successful sustainable projects encompasses:
 - ginger and vanilla outgrower programmes;
 - treacle, jaggery and cashew projects;
 - purchase guarantees of pork and chicken; and
 - assistance in the expansion of local, mechanised and de-boned meat.



Sustainable sourcing carried out by Jaykay Marketing Services Limited

Industry Group Review

CONSUMER FOODS AND RETAIL

The Retail sector sources a variety of low country and up country vegetables from farming families in various parts of Sri Lanka. This benefits hundreds of farmer families through an assured market for quality produce, technical assistance and exposure to practices adopted in more developed markets. This has also facilitated the business in ensuring a sustainable business model while creating value for the community. Key impacts from these initiatives are summarised below.

Company	Number of Farmers	Total Annual Supply (kg'000)	Total Annual Payment (Rs.million)
KFP	4,755*	3,214	972
CCS	3,250	167	178
JMSL	567*	7,292	738
		10,673	1,889

* Estimated monthly impact since supply is received on a monthly basis
All other figures are annual

Product	No. of farmers
 Spices	30,000
 Meat	26,700
 Vanilla	1,500
 Cashew Nuts	1,300
 Ginger	375
 Vegetables	360
 Kithul Jaggery	60
 Treacle	15

Community Engagement:

- CCS helped promote early childhood development in Sri Lanka by providing improved children's recreational facilities
- CCS also continued to work towards obtaining its biomass requirement for boilers through an intermediary working with the surrounding community

Intellectual Capital

Ensuring high product and service quality is of paramount importance to the Consumer Foods and Retail industry group, with its end objective being to ensure safe and high quality products of the Consumer Foods businesses, and differentiating the Retail operations by facilitating a superior customer experience. The industry group's businesses have obtained international quality standards with assurance obtained annually through third party verifications. Both Ceylon Cold Stores and Keells Food Products adhere to

the standards stipulated by the Sri Lanka Standards Institute and have achieved standards that are on par with international standards with respect to process excellence.

As testimony to its product excellence, Ceylon Cold Stores – a company in the industry group – won many awards and accolades during the year, with recognition at the FMCG awards night, SLIM Brand Excellence awards, ACCA Sustainability awards, SLIM Nielsen People's awards, among many others.

The material impacts relating to this Capital are identified as follows:

Product and service quality	Financial, regulatory, brand reputation and business continuity implications
Responsible labelling and marketing communication	Financial, regulatory and brand reputation implications

Targets:

- CCS and KFP look to ensure the quality of raw materials through quality assurance processes and continuous monitoring of its suppliers.



30 per cent reduction in sugar in 3 beverage flavours

- Continuously ensure that all local packaging and labelling requirements are met and that marketing communications are in line with the Marketing Communication Guidelines of the John Keells Group, which is based on the Code of Advertising and Marketing Communications by the International Chamber of Commerce
- CCS and JMSL to assess its sustainability performance against international benchmarks and carry out initiatives to address any gaps that are identified
- Internal short term goals, aligned towards meeting international benchmarks, have also been established by the industry group. JMSL implemented a strategy to entrench sustainable practices both at store level and in the value chain
- CCS and KFP will strive to meet internationally recognised quality standards, with both companies obtaining ISO 9001 and ISO 22000 certifications as well as SLS 183 and SLS 223

Initiatives:

- 30 per cent reduction in sugar in three beverage flavours (Necto, Orange Crush and Cream Soda) using a natural sweetener extracted from the Stevia plant which has zero calories
- JMSL tied up with a well-known Senior Dietitian Sigrid De Silva to obtain nutrition tips which were communicated to customers from April 2015 onwards, further enhancing the message of its "Freshness" campaigns
- JMSL procured 124,342 kg of organic produce from farmers certified by "Sri Cert"
- Organic fruits and vegetables is sold in 20 stores, while chicken fed on organic feed is sold in 22 JMSL stores
- Of the 496 stock keeping units which are either manufactured by the Consumer Foods sector or obtained via private labelling arrangements at the Retail sector, 81 per cent carry information on the ingredients used, 1 per cent carry information on the sourcing of raw materials, whilst 20 per cent and 76 per cent carry information on the safe use and responsible disposal of products respectively

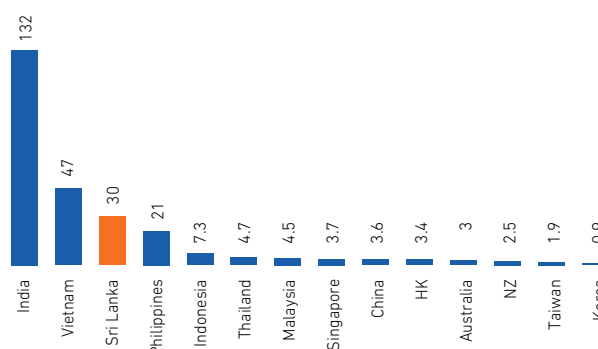
Strategy and Outlook

The penetration of consumer food products continues to be comparatively low with per capita consumption of carbonated soft drinks and ice creams in Sri Lanka currently standing at 8 per cent and 2 per cent respectively, significantly below the regional average, highlighting the potential for continued long term growth in these industries. Whilst consumer spending could moderate in the ensuing year on the back of increased interest rates and the increase in the value added tax rate from 11 to 15 per cent with effect from May 2016 onwards, the change in consumer lifestyles and consumption habits is expected to provide opportunities for volume growth in the medium to long term. Although off a relatively lower base, the growth from the outskirts of the country is expected to be significantly higher than the growth stemming from the urban markets.

The Frozen Confectionery business will focus on strengthening its position in the premium ice cream range through the introduction of various initiatives aimed at product development, portfolio extension and brand differentiation. A greater emphasis will also be placed on the impulse range to capture an emerging consumer base and to ensure a holistic portfolio that can cater to evolving consumers. To this end, CCS is in the process of finalising plans for an investment to enhance its production capacity in order to facilitate the expected growth in the impulse range where new products will be added and manufacturing capability will be enhanced. The business will continue to invest in optimising the processes and procedures relating to its distribution network, expanding freezer capacity and strengthening the mobile distribution channel.

Given the aforementioned low penetration of carbonated soft drinks in Sri Lanka, and as witnessed over the prior years, growth in volumes in the rural areas is expected to exceed that of densely populated areas such as Colombo, Kandy and key suburban cities. The long term growth potential for the carbonated soft drinks industry may be moderated however, to an extent, due to the emergence of a health conscious consumer. The prospects for the beverage industry continue to be encouraging nevertheless since these health conscious consumers seek alternate beverage options. CCS will look to cater to this segment of the market with its evolving product portfolio. In doing so, the company will leverage on its brand

Modern trade density - population ('000) per store



Source: Retail and shopper trends in the Asia Pacific, AC Nielsen

recognition and trusted reputation. CCS is currently in the process of evaluating an exciting range of products, particularly relating to fruit based drinks and dairy based products. CCS will continue to invest in research and development initiatives to facilitate the use of natural ingredients when re-inventing existing products and developing new products. Given the increasing role of digitisation and its impacts on businesses, CCS will place emphasis on the introduction of digital initiatives aimed at improving efficiencies and managing costs within the company, particularly in relation to the supply chain and in enhancing customer satisfaction.

The expansion of the portfolio in the Convenience Foods business remains a near term priority, with plans to add products mainly in the vegetarian, fish and pork ranges. In the medium to long term, KFP will look to diversify its portfolio through a greater emphasis on the "health conscious" consumer and capitalising on the growing need for main meal opportunities. Added focus will also be placed in the ensuing year on KFP's export strategy which is aimed at increasing volumes from markets such as India and the Maldives.

The modern trade share of Sri Lanka's retail industry is approximately 15 per cent, well below that of countries in the region (Singapore: 70 per cent; Malaysia: 49 per cent and Thailand: 43 per cent), indicating the growth potential of Sri Lanka's modern retail sector. As illustrated, 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. The Retail sector will look to capitalise on this opportunity by strategically expanding its retail footprint in the near and medium term, subject to macroeconomic conditions and feasibility. The business

“ CCS is in the process of finalising plans for an investment to enhance its production capacity in order to facilitate the expected growth in the impulse range where new products will be added and manufacturing capability will be enhanced. ”

continues to seek properties in strategically placed locations in line with its expansion plan with a view to rolling out conforming outlets primarily in the larger format. While a majority of outlets will be concentrated within, and in close proximity to, the Western Province, other locations will also be considered based on certain criteria. In order to complement the growth plans of the business and to further improve the productivity and efficiency of the company, JMSL will place added focus on centralising its distribution network in the medium term. JMSL, in collaboration with John Keells Logistics, the Group's logistics business, is finalising plans to build a large state of the art Distribution Centre which will cater to the chain's expanding footprint. The Retail business will continue to focus on differentiating the shopping experience to the 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.

Industry Group Review FINANCIAL SERVICES

Our Business Model

Vision and Scope

The cluster of financial services companies offer a comprehensive range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing with the vision of

becoming leading players in their chosen segments within the financial services industry, offering a total solution to its customers.



The cluster of financial services companies offer a comprehensive range of financial solutions



Insurance



Banking and Leasing

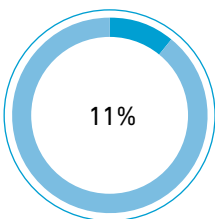


Stock Broking

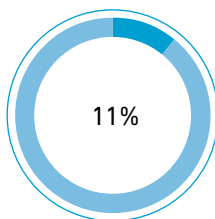


CO²
197 kg
per Rs.Mn
revenue

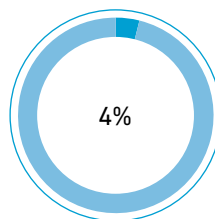
Contribution to JKH Group



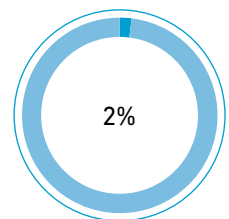
Revenue



EBIT



Capital employed



Carbon footprint

Sectors	Insurance	Banking and Leasing	Stock Broking
The business within the sector	Union Assurance (UA) offers comprehensive insurance solutions in the Life Insurance segment while General Insurance solutions are offered through its associate Union Assurance General Limited (UAG)	Nations Trust Bank (NTB) offers complete banking solutions through its network of branches for corporate, retail and SME clients and is the sole acquirer and the exclusive issuer of the flagship centurion product range of American Express cards in Sri Lanka. Nations Leasing is the leasing arm of NTB	John Keells Stock Brokers (JKSB) is one of the leading stock broking companies in Sri Lanka and has a number of trading tie-ups with leading foreign securities houses
Key external/internal variables impacting the business	<ul style="list-style-type: none"> The risk based capital framework (RBC) proposed by the Insurance Board of Sri Lanka became effective from 1 January 2016 	<ul style="list-style-type: none"> The Central Bank of Sri Lanka commenced a phased implementation of the Basel III framework where the liquidity coverage ratio is to reach 100 per cent by January 2019. This was in respect of the minimum rupee liquidity requirement for local and all currency operations for the overall operations of banks. NTB's liquidity coverage ratio of 137 per cent as at the calendar year end is in line with this requirement 	<ul style="list-style-type: none"> The Colombo Stock Exchange (CSE) is in the process of executing the minimum risk-based capital adequacy requirement (CAR) to replace the minimum net capital requirement for stock broking firms Proposed establishment of an institution to act as a central counterparty (CCP) for all secondary market transactions on the CSE The All Share Price Index (ASPI) declined 12 per cent for the financial year
Key developments during the financial year	<ul style="list-style-type: none"> Introduced "Union Single Premium Advantage", a product targeted at clients seeking lump sum investments Launched a mid-year convention to motivate and enhance high performing life insurance advisors Consolidated all CSR activities under a common brand "Union Manushyathwaya" 	<ul style="list-style-type: none"> Expanded network with a digital centre, 3 new branches and 22 ATMs Entered into a partnership with Diners International as an exclusive issuer and acquirer Increased digitisation of operations to facilitate increasing customer convenience, scalability and reliability Strengthening of management team through new members to complement the current management and their expertise 	<ul style="list-style-type: none"> Migration to a new order management system and a broker back office system Recognised as the "Best Stock Broking Research Team" at the CFA Sri Lanka Capital Market Awards Ceremony held in July 2015

Key Indicators

Inputs (Rs.mn)	2015/16	2014/15	(%)	2013/14	Outputs (Rs.mn)	2015/16	2014/15	(%)	2013/14
Total assets	35,878	37,128	(3)	35,586	Revenue ³	11,896	12,989	(8)	12,568
Total equity	7,135	11,698	(39)	9,248	EBIT	2,301	3,076	(25)	1,995
Total debt	106	80	32	175	PBT	1,699	3,076	(45)	1,993
Capital employed ¹	7,240	11,778	(39)	9,422	PAT	1,718	3,019	(43)	1,636
Employees (number) ²	803	718	12	1,527	EBIT per employee	2.9	4.3	(33)	1.3
					Carbon footprint (MT)	1,407	1,550	(9)	1,687

- For associate companies the capital employed is representative of the Group's equity investment in these companies
- As per the sustainability reporting boundary
- Revenue is inclusive of the Group's share of associate company revenue

Industry Group Review

FINANCIAL SERVICES

External Environment and Operational Review

This financial year marked the first full year of operations for the Life Insurance business under Union Assurance PLC (UA) post the segregation of the Life and General insurance businesses as required under the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. UA continued to demonstrate encouraging growth with gross written premiums increasing to Rs.6.96 billion for the calendar year 2015, a growth of 17 per cent against the previous calendar year [CY2014: Rs.5.95 billion]. This growth was below the 20 per cent growth in premiums witnessed across the industry due to the lower than expected performance of the unit linked sales product. Excluding the impact from the unit linked product, UA witnessed a growth of 21 per cent in gross written premiums.

With its focus on providing continuously evolving products, UA launched a single premium product in the "Advantage" platform targeting customers who seek lump sum investment plans. This product, titled "Union Single Premium Advantage", has a number of unique features such as the ability to obtain the plan for any period between five to thirty years, guaranteed life cover and a minimum guaranteed dividend. These features result in the product standing out from more traditional products on account of its ability to generate higher investment benefits, while providing for a dependable life insurance cover. During the year, UA introduced a "One Stop eGuide" to support digital advisor training and facilitate greater access to more resources, thereby enhancing operational efficiencies and customer convenience.

As per the actuarial valuation carried out during the year, the Life Insurance business generated a surplus of Rs.800 million, an increase of 7 per cent against the prior calendar year [CY2014: Rs.750 million].

The risk based capital framework proposed by the Insurance Board of Sri Lanka (IBSL) came into effect from 1 January 2016. All insurance companies are required to comply with the rules with respect to the solvency position and the determination requirements to ensure the company maintains appropriate level of admissible and approved investments in excess of liabilities to meet risks arising from unforeseen events. UA meets the requirements of the said framework.



UA introduced a "One Stop eGuide" to support digital advisor training

The General Insurance business recorded a marginal increase in gross written premiums to Rs.5.87 billion in the calendar year ending 2015, recording a growth of 12 per cent [CY2014: Rs.5.22 billion].

The banking industry recorded healthy growth during the financial year against the backdrop of strong credit demand stemming from both private and public sectors. However, performance was dampened to an extent due to increased pressure on net interest margins (NIMs), rising funding costs in the second half of the year, intensified competitive pressures coupled with the uncertainties which prevailed around the Parliamentary Elections in 2015.

Despite a challenging operating environment, Nations Trust Bank (NTB) delivered strong growth in loans and advances and deposits. The growth in loans and advances and deposits during the calendar year was 23 per cent and 16 per cent, above the industry averages of 21 per cent and 15 per cent, respectively. The increase in loans and advances was mainly attributable to growth from the small and medium sized enterprise (SME) segment and corporate books which contributed towards a better balance of the Bank's overall portfolio. The growth of the current and savings account (CASA) mix to 32 per cent of total deposits [CY2014: 30 per cent] had a positive impact on NTB's funding profile. The Bank recorded higher NIMs compared to its peers given the higher emphasis towards higher margin products such as leasing, credit cards and personal loans. However, NTB also witnessed pressure on its NIMs due to re-pricing of its liabilities given the sharp reduction in overall market liquidity, particularly towards the end of the calendar year.

During the year under review, NTB was appointed as the exclusive franchisee for Diners Club credit cards. NTB launched the Diners Acquiring business in Sri Lanka thereby enhancing the Bank's potential fee generation in the cards business. The Bank opened its first digital branch, launched a state-of-the-

art website and introduced Sri Lanka's first tab based customer application processing platform in pursuing its digital strategy and in offering an unparalleled customer experience. The Bank expanded its island-wide reach with the introduction of 4 new branches and improved on its regional presence by entering two new markets, Germany and South Korea, to operate in the remittance market whilst maintaining strong positions in traditional markets in the Middle East.

In line with the strategic mapping exercise that was implemented in 2013, NTB continued its focus on lean management initiatives together with increased automation and greater reliance on digital channels. To this end, the Bank maintained a staff to branch ratio of 8 within new branches, amongst the lowest in the industry. The Bank also pursued opportunities in extracting value from already existent soft and hard infrastructure, focussed on delivering customer centric products and encouraged cross selling to enhance NTB's value proposition during the period under review.

The cost to income ratio increase to 55 per cent in the calendar year [CY2014: 53 per cent] is mainly attributed to the slower growth in revenue stemming from narrowing NIMs as stated previously.

Volatility and uncertainty in the global and macroeconomic environment posed a challenge for the Stock Broking business during the year under review. The uncertain economic environment in China and expectations of interest rate hikes by the US Federal Reserve resulted in an outflow of capital from many emerging and frontier markets including Sri Lanka. Policy uncertainty locally, as well as pressure on interest rates and the exchange rate on account of a widening balance of payments deficit, exacerbated the negative performance of the Colombo Stock Exchange. Further details on the overall stock market and its performance can be found in the Share and Warrant Information section of this Report.

During this challenging operating environment, JKSB focussed on aligning its processes and systems with client needs and introduced efficiency enhancing and cost management initiatives. To this end, JKSB migrated towards a new order management system and a broker back office system which will complement the delivery versus payment (DVP) and the central counterparty

(CCP) systems to be introduced by the CSE. During the year under review, JKSB was recognised as the “Best Stock Broking Research Team” at the CFA Sri Lanka Capital Market Awards Ceremony held in July 2015.

Capital Management Review

Further to the review of the external environment and operations, this section reviews the forms of Capital available for the successful execution of the businesses strategies, the initiatives undertaken during the year to create value and also discusses the performance of the sectors within the industry group under each form of Capital.

Key performance indicators for the industry group, under each of the sectors are summarised below.

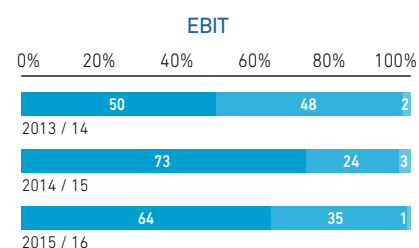
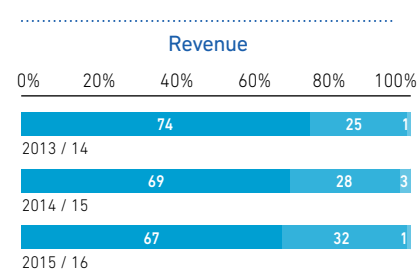
	Insurance	Banking and Leasing	Stock Broking
Financial and Manufactured Capital - revenue and growth	Rs.7.94 billion, a decrease of 12 per cent	Rs.3.77 billion, an increase of 2 per cent	Rs.190 million, a decrease of 35 per cent
Financial and Manufactured Capital - EBIT and growth	Rs.1.46 billion, a decrease of 35 per cent	Rs.823 million, an increase of 11 per cent	Rs.15 million, a decrease of 83 per cent
Natural Capital - carbon footprint	1,383 MT	Not within the boundary of sustainability reporting	24 MT
Human Capital – number of employees	733	Not within the boundary of sustainability reporting	30

Financial and Manufactured Capital

As at 1 April 2015, the Financial Services industry group had total assets of Rs.37.13 billion, debt of Rs.80 million and an opening equity capital of Rs.11.70 billion.

Financial Performance

The revenue of the Financial Services industry group declined by 21 per cent to Rs.7.14 billion [2014/15: Rs.9.08 billion]. Revenue, inclusive of associate company revenue, decreased by 8 per cent to Rs.11.90 billion from Rs.12.99 billion recorded in the prior year.

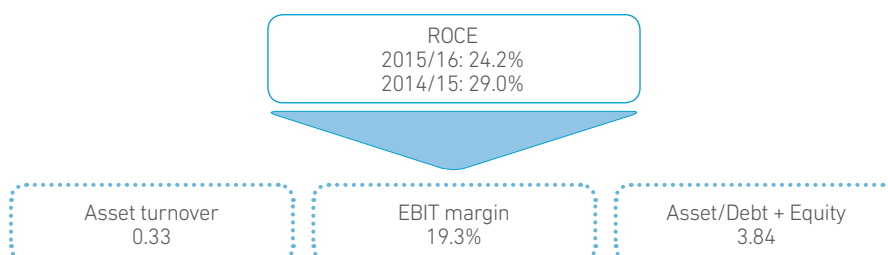


- Insurance
- Banking and Leasing
- Stockbroking

The decline in revenue is mainly attributable to Union Assurance PLC treating the post-segregated general insurance company as an associate following the sale of the 78 per cent stake of the General Insurance business in the prior year. Adjusting the previous year’s results for this impact, the revenue for the industry group grew by 20 per cent while revenue, inclusive of associate company revenue, recorded a growth of 24 per cent. NTB recorded a 2 per cent growth in revenue, mainly stemming from the growth in the SME segment. John Keells Stock Brokers reported a 35 per cent decline in revenue due to the challenging operating environment, as discussed in the preceding section.

The industry group EBIT declined by 25 per cent to Rs.2.30 billion [2014/15: Rs.3.08 billion] on account of the previous year’s results including the capital gain of Rs.1.22 billion which materialised following the aforementioned sale of the General Insurance business. Excluding

Return on Capital Employed



this gain, the industry group exhibited an EBIT growth of 24 per cent during 2015/16. The higher EBIT is a result of the steady performance recorded by UAL and NTB.

Borrowings and Finance Expenses

Total debt as at 31 March 2016 stood at Rs.106 million. The industry group recorded a significant increase in finance expenses to Rs.602 million [2014/15: Rs.0.22 million] due to an expense arising from the mark-to-market losses of the equity portfolio of the life insurance fund of UA which is recorded under finance expenses. It is pertinent to note that this is an adjustment reflected in the consolidated books and does not imply a payment made to debt-holders.

Return on Capital Employed

- ROCE decreased to 24.2 per cent against the 29.0 per cent recorded in the previous year. The ROCE excluding the aforementioned capital gain of Rs.1.22 billion is 25.9 per cent against 18.6 per cent in the prior year. The overall asset base of the industry group decreased due to the repurchase of shares by Union Assurance PLC, further facilitating the increase in adjusted ROCE.
- The EBIT margin decreased to 19.3 per cent from 23.7 per cent recorded in the previous financial year, mainly on account of the gain recorded at UA in 2014/15. The EBIT margin for last year excluding this gain was 14.3 per cent. The improved margins are a reflection of the performance of the Life Insurance business, as last year’s performance included the General Insurance business. It should be noted that the margins of the General Insurance business are lower than those of the Life Insurance business.
- Asset turnover declined to 0.33 times from 0.36 times mainly on account of the decrease in revenue as discussed previously.

Industry Group Review FINANCIAL SERVICES

Natural Capital

The Financial Services industry group aimed to reduce its environmental impact by aligning itself with global best practices. Some key initiatives implemented during the financial year are as follows:

- UA implemented a toner recycling process in partnership with a third-party supplier
- UA continued the initiative to install key switches in all water coolers at selected branches to enable automatic shutting down after office hours and a master key switch has been installed on each floor at the Head Office to shut down power once

the users leave the premises leaving their computers powered on

- Installation of innovative timer switches in all split and package air conditioners at the UA Head Office and selected branch offices
- UA continued replacing traditional fluorescent lights with LED technology based lighting at the Head Office and has extended this to branches

The continued effort of the industry group to minimise the impact on the environment proved fruitful as evident in the table below.

Indicators

	2015/2016	2014/2015	(%)
Carbon footprint (MT)	1,407	1,550	(9)

Human Capital

With increasing prominence on worker health and safety and road accidents, the Financial Services industry group continuously conducts awareness and training, especially for sales agents of Union Assurance. During the year under review, Nations Trust Bank strengthened its management team through new recruitments to complement the existing employees and their experience and expertise. Staff attrition at the Bank remained a key challenge during the year.

The material impact identified for the industry group is as follows:

Occupational health and safety	Union Assurance sales agents account for over 75 per cent of the John Keells Group's total contractor personnel and are exposed to road side accidents
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The Life Insurance business focussed on recruitment and improving the productivity of its workforce during the year and is currently evaluating different recruitment and remuneration models to further improve performance. With employee satisfaction being crucial for consistent customer service, UA also monitors employee satisfaction on a regular basis and utilises the findings from the "Great Place to Work" initiative to increase the level of staff satisfaction. UA was recognised for the third consecutive year as one of the 20 great places to work in Sri Lanka by the Great Place to Work® Institute, secured a Gold award for people development by the Sri Lanka Institute of Training and Development (SLITAD), and was also honoured with a "Platinum" award for winning the Gold award for three consecutive years.

Employee engagement has been increased by conducting a bottom-up strategic planning process including representatives from all functions to ensure their buy in and commitment to deliver corporate objectives.

Initiatives:

- Safety awareness and health awareness programmes were conducted by the Life Insurance business
- A fire evacuation drill was carried out at the Union Assurance Head Office
- Aside from training its employees, Union Assurance placed added emphasis on the welfare and development of its field staff which comprises of over 4,300 persons and recorded 190,374 training hours
- Focus was also placed on enhancing the infrastructure and training for e-learning and online examinations. To this end, 255 e-learning and distance learning hours were completed
- UA continued to invest in internal certification programmes for all categories, with 745 sales force members being certified
- "Advisor assessment centres" were launched with the aim of identifying candidates who are ideally suited to the profession

Indicators

The industry group provided an average of 14.2 hours of training per person during the reporting period, while the total number of injuries saw a 41 per cent reduction. The total hours of training reduced significantly as

Indicator

	2015/2016	2014/2015	(%)
Injuries, diseases and fatalities (number)	29	49	(41)
Total hours of training	11,389	21,186	(46)



Diabetes screening clinic carried out by Union Assurance

the training hours of the General Insurance business are not collated since it is an associate company and therefore beyond the reporting boundary.

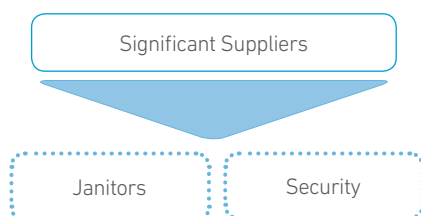
Social and Relationship Capital

With regulatory frameworks governing the financial services industry necessitating that business is carried out in accordance with the highest ethical standards, customer confidence and satisfaction is a key factor for the Financial Services industry group. The focus on its Social and Relationship Capital through its sustainability strategy is based upon these material impacts. As such, the Group focusses on strengthening its brand presence among customers through a commitment to high quality products and services, community engagement and employee development with minimal impact on the environment while ensuring that its operations are undertaken in a responsible manner.

The material impacts for the industry group are:

Customer satisfaction	Negative impacts on key customer accounts, investor and client confidence
Community engagement	Proactive community engagement contributes to building trust and promotes brand image
Ethics, fraud and corruption	Loss of brand reputation and possible regulatory non-compliance

The significant suppliers within the industry group are:



Initiatives:

Anti-Corruption

- Corruption and unethical behaviour are covered under the overall risk management process of the Group, particularly considering the relevance to the Financial Services industry group. All employees are expected to abide by the John Keells Group's Code of Conduct and new employees are trained on the

expectations of ethical behaviour at induction. The Group has a zero tolerance policy with regards to breaches of its Code of Conduct

- Internal reviews and audits are also carried out on a continuous basis as part of the management approach

Social Responsibility and Health and Safety

- The community centric activities of Union Assurance are based on creating a healthy community by focussing on and addressing concerns that are gaining prominence within communities. The activities are carried out in partnership with the Ministry of Health, Public Health Department of Colombo Municipal Council and the National Thallasemia Centre in Kurunegala
- Under the health awareness programmes, the Life Insurance business worked together with the above authorities to create awareness of diseases such as Dengue, Thalassaemia and Diabetes through approximately 71 workshops

Intellectual Capital

The following initiatives were undertaken during the year under review to strengthen processes and product offerings.

- Achieved ISO 27001:2013 Information Security Management standard
- Union Assurance moved to a virtualisation platform and cloud based solution which resulted in reduced data centre space, maintenance cost and lower power consumption
- Digitisation of documentation to improve process efficiencies was carried out through the launch of a 'One Stop eGuide' for Digital Advisors, assisting advisors to get trained on electronic processing and providing access to more resources

Strategy and Outlook

Despite the significant growth witnessed in the life insurance industry over the recent years, the growth momentum of the life insurance industry in Sri Lanka is expected to continue as life insurance penetration is significantly lower compared to regional markets. Life premiums as a percentage of GDP in Sri Lanka are still below 1 per cent whilst the corresponding comparatives in India and developed countries are approximately 3 per cent and above 6 per cent respectively.

Union Assurance will leverage on its brand presence and recognition and focus on certain key customer segments and channels, such as bancassurance, which demonstrate significant potential. This will be achieved through the development of state-of-the-art products and policies.

Nations Trust Bank will focus on optimising the potential of its branch network in the near term and also pursue opportunities in new markets within the geographies already penetrated. NTB will also drive revenue through identifying and capitalising on cross sell prospects within its existing client network. In line with its long term strategy, the Bank will continue focussing on the SME segment, which has yielded promising returns thus far.

The dynamics of the banking industry are expected to continuously evolve, driven by disruptive business models and technology with customers increasingly adopting such new platforms and channels, both globally and locally. In order to cater to evolving customer requirements NTB is currently in the process of implementing initiatives in line with its near and long term strategy. To this end, the Bank hopes to establish a home loan proposition, introduce corporate internet banking and cash management solutions, develop an early warning system to identify deteriorating credit quality and launch an "Employee Life Cycle" training concept. Striving towards becoming the "Primary" bank through superior use of data analytics, lean management and enhanced digital capabilities are some of the key long term initiatives of the Bank.

JKSB will continue to pursue tie-ups in order to strengthen its presence in the international arena and carry on the ongoing dialogue and periodic engagement with clients through road shows, customer forums and one-on-one meetings with local corporates, fund managers and high net worth individuals (HNWI).

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, enhance trading and settlement efficiency. Even though the year under review was a challenging year for the stock broking business, operational efficiencies and regulations such as the CAR ratio being introduced to the market are expected to improve the stability of the broking industry.

Industry Group Review

INFORMATION TECHNOLOGY

Our Business Model

Vision and Scope

The Information Technology industry group has a vision of providing quality, world class information communication technology services ranging from business process

outsourcing (BPO), software services and information integration to office automation by offering end-to-end information and communication technology (ICT) services and solutions. Having established a strong customer base in Sri Lanka, South Asia, as well as the 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.



Services range from office automation, software services and information integration to BPO



IT Services



Office Automation

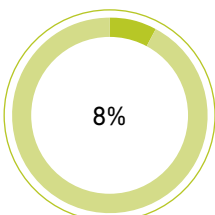


IT Enabled Services

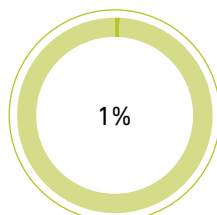


CO²
154 kg per Rs.Mn revenue

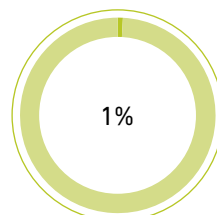
Contribution to JKH Group



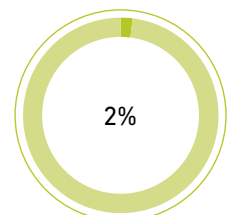
Revenue



EBIT



Capital employed



Carbon footprint

Sectors	IT Services	Office Automation	IT Enabled Services
The business within the sector	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> John Keells Office Automation (JKOA) is the authorised distributor for some of the leading office automation brands in the world Sole distributor for Toshiba digital multi-function printers (MFPs). National distributor for Samsung Smart phones. Authorised distributor for Asus, Dell Notebooks, and other office automation products such as Samsung Laser printers, hotel TV's, large format displays (LFD), RISO digital duplicators, RISO Comcolor printers, the world's fastest full colour inkjet printer, Posiflex and FEC POS systems, Bixelon receipt and label printers, tabs, accessories, Lava mobiles and Hitachi projectors 	<ul style="list-style-type: none"> BPO operations, primarily in the voice vertical through JK BPO, which operates approximately 750 seats in India, US and Canada Provider of shared service solutions in the finance, accounting and payroll verticals to the JKH Group and external clients under InfoMate
Key external/internal variables impacting the business	<ul style="list-style-type: none"> Escalation of salaries and wages for skilled engineers due to the dearth of skilled resources Mandatory requirements of advanced passenger processing (APP) features and advanced passenger information messages for departure control systems in certain international borders 	<ul style="list-style-type: none"> Exchange rate pressure contributed towards increased procurement costs 	<ul style="list-style-type: none"> The shift of voice processing services from India to on-shore, near-shore regions Increased demand for back office and knowledge processes in India
Key developments during the financial year	<ul style="list-style-type: none"> Two products for aircraft load control and airport resource planning were developed The Software Engineering and Products verticals secured 2 and 10 new clients, respectively 	<ul style="list-style-type: none"> Discontinuation of Toshiba notebooks Appointed national distributor for Lava mobiles Awarded the diamond award for sales and market leadership for digital multifunction copiers by Toshiba Tec Singapore 	<ul style="list-style-type: none"> JK BPO secured a leading Australian telecom client

Key Indicators

Inputs (Rs.mn)	2015/16	2014/15	(%)	2013/14	Outputs (Rs.mn)	2015/16	2014/15	(%)	2013/14
Total assets	4,116	3,750	10	3,445	Revenue ³	8,262	7,212	15	7,502
Total equity	1,951	2,322	(16)	2,104	EBIT	161	382	(58)	394
Total debt	339	92	268	468	PBT	148	370	(60)	316
Capital employed ¹	2,289	2,414	(5)	2,572	PAT	96	280	(66)	245
Employees (number) ²	985	1,224	(20)	1,206	EBIT per employee	0.2	0.3	(48)	0.3
					Carbon footprint (MT)	1,269	1,309	(3)	1,428

1 For associate companies 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 associate company revenue

Industry Group Review INFORMATION TECHNOLOGY

External Environment and Operational Review

Consumer purchasing power increased during the year under review on account of the benign inflationary environment and the increase in disposable incomes stemming from the measures undertaken subsequent to the interim Budget in 2015 presented by the new Government, where public sector wages were increased among many other cost relief measures. Against this backdrop, the growing inclination towards technology coupled with consumer preferences to improve their lifestyle and convenience resulted in a continued shift from feature phones to smart phones. From a regulatory perspective, the increase of the port and airport development levy (PAL) to 7.5 per cent from 5 per cent on selected products and the reduction to 2.5 per cent on certain electronic and electrical items and the increase in the import license fee for mobile phones to 1 per cent from 0.2 per cent impacted the industry, with JKOA being no exception.

JKOA maintained its market position in the mobile market whilst introducing Lava Mobile. JKOA witnessed growth in photo copier volumes and maintained its market position in the copier segment. Overall sales volumes in the Notebook vertical decreased during the year, as JKOA discontinued one brand. Subsequently, JKOA introduced the brand, "Asus", to expand the portfolio under the Notebook vertical. The product has been well received by the market and overall sales have been promising.

The Software Engineering and Product verticals of the IT Services sector successfully strengthened the project pipeline with the addition of 2 and 10 new clients respectively. However, the mandatory requirements to comply with advanced passenger processing (APP) features and advanced passenger



JKOA maintained its market share in the mobile market whilst introducing Lava Mobile

information messages for departure control systems enforced by certain Border Control Agencies negatively impacted the performance of the Product vertical given the high cost of implementation. Various initiatives were also implemented to rationalise the overall cost base of the company.

The Group's BPO operations in India, through JK BPO India, continued to service its largest client at a level above expectations and was rewarded with additional work during the last quarter of 2015/2016. The lack of sales capabilities dampened the growth of the business. InfoMate, the Sri Lanka based BPO operations, successfully increased its external client portfolio through an increase of its domestic payroll customers. However, few overseas clients reverted to on-shore operations resulting in a marginal decline in third party revenue. The business also expanded its services portfolio by entering the data entry space during the year under review.

Capital Management Review

Subsequent to the external environment and the operational review of the Information Technology industry group, the ensuing section elaborates on the forms of Capital deployed to meet the strategic priorities and the performance of the businesses during the period under discussion.

Key performance indicators for the industry group, under each of the sectors, are summarised as follows:

Sectors	IT Services	Office Automation	IT Enabled Services
Financial and Manufactured Capital - revenue and growth	Rs.411 million, 4 per cent increase	Rs.6.58 billion, 21 per cent increase	Rs.1.27 billion, 9 per cent decrease
Financial and Manufactured Capital - EBIT and growth	(Rs.10 million), 122 per cent decrease	Rs.165 million, 46 per cent decrease	(Rs.6 million), 78 per cent decrease
Natural Capital - carbon footprint	183 MT	322 MT	763 MT
Human Capital - number of employees	178	240	567

Financial and Manufactured Capital

As at 1 April 2015, the Information Technology industry group had total assets of Rs.3.75 billion, debt of Rs.92 million and an opening equity capital of Rs.2.32 billion.

Financial Performance

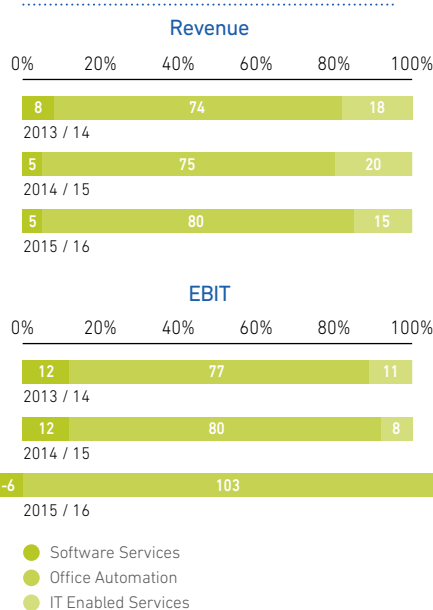
Revenue increased by 15 per cent to Rs.8.26 billion [2014/15: Rs.7.21 billion], mainly on account of higher revenue from JKOA stemming from increased volumes from the mobile and copier segments together with revenue from new products. Revenue from JK BPO India declined as the business lost a

customer account whilst InfoMate witnessed a marginal decline in revenue due to lower third party revenue during the year.

The industry group EBIT decreased by 58 per cent to Rs.161 million [2014/15: Rs.382 million]. This was mainly on account of a profit reversal of the sale of "Zhara HS", which is a web based hotel management software, and an increase in bad debt provisions stemming from the BPO business. An increase in promotional and marketing expenditure, particularly relating to Samsung mobiles, under the Office Automation

“ The Software Engineering and Product verticals of the IT Services sector successfully strengthened the project pipeline with the addition of 2 and 10 new clients respectively. ”

business also contributed towards the decline in EBIT. Similar to the prior year, the Office Automation business remained the largest contributor to the industry group EBIT. Increased operational efficiencies and better cost management helped mitigate the decline in revenue from the BPO operations, with the business marginally increasing EBIT against last year. The PBT for the industry decreased by 60 per cent to Rs.148 million [2014/15: Rs.370 million].



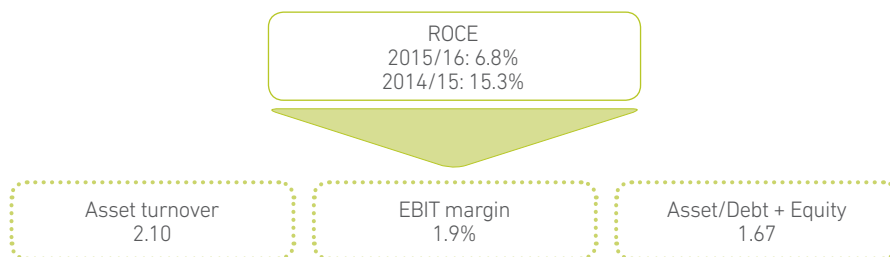
Borrowings and Finance Expenses

Total debt as at 31 March 2016 stood at Rs.339 million [2014/15: Rs.92 million]. The increase in debt is on account of a higher overdraft balance at JKOA towards the end of the year. Finance expenses increased by 6 per cent to Rs.13 million [2014/15: Rs.12 million].

Return on Capital Employed

- ROCE declined to 6.8 per cent from 15.3 per cent recorded in the previous financial year. An increase in working capital in JKOA contributed to an increase in the asset base for the year under review.
- The EBIT margin declined to 1.9 per cent from the 5.3 per cent recorded in the previous year. Depressed margins were on account of the decline in EBIT primarily from the IT Services and, to an extent, the Office Automation businesses. JK BPO India and InfoMate both witnessed improved margins.

Return on Capital Employed



- The asset turnover marginally increased to 2.10 times from 2.00 times in the previous year due to the aforementioned increase in revenue.

Natural Capital

Businesses within the industry group place importance on reducing the negative impact on the environment and ensuring environmentally friendly outcomes given the high utilisation of Natural Capital when creating value. Adhering to the John Keells Group's Environmental policy, the Information Technology industry group proactively manages its carbon footprint and energy usage, monitoring usage and seeking low energy and energy efficient solutions through new technologies and innovative thinking. Companies are aware of the potential impact from the generation of electronic waste and are conscientious in ensuring that such waste is disposed of in a responsible manner, working with third parties who reuse and recycle electronic waste.

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

Energy and emissions management	Financial implications and environmental responsibility
Waste management	Environmental and social responsibility, especially in terms of disposing e-waste and paper

Energy and Emissions Management

- Targets:**
- Minimising electricity use through energy targets, efficient practices and awareness campaigns

Initiatives:

- JKOA commenced an initiative which rationalises space on particular working days to conserve electricity
- Personal computer workstations with thin client machines, requiring less energy, were installed at InfoMate. This is expected to reduce the current electricity cost by Rs.150,000 per annum
- JKCS recorded significant savings over the recent years through space rationalisation and a heat insulation initiative which improved air conditioning efficiency and reduced energy consumption.
- JK BPO initiated a sustainability awareness campaign focussed on "Living Sustainably". The month long campaign was aimed at creating awareness on the importance of sustainable practices including energy conservation by encouraging employees to share best practices and sustainable initiatives.

Waste Management

- Targets:**
- Responsible disposal and reduction in generation of e-waste and paper waste

Initiatives:

- As per the Group's electronic waste policy, businesses responsibly dispose of its electronic waste through the Group's contracted e-waste disposal partner
- All businesses consciously sought to minimise paper usage as well as recycle paper waste

Industry Group Review

INFORMATION TECHNOLOGY

Performance

The IT industry group recorded a carbon footprint of 1269 MT this year, a 3 per cent reduction compared to the previous year.

	2015/16	2014/2015	Change %
Carbon footprint (MT)	1,269	1,309	(3)

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

Human Capital

Given the competitive nature of the Information Technology industry, sound management of Human Capital is a vital component of the industry group's strategy. Training and development of current staff and employee retention are priorities to ensure career development and skill enhancement. Emphasis is also placed on developing a fresh pool of talent from university students by creating relationships with such institutions, via providing learning and internship opportunities to young people who have the potential to be successfully absorbed into the staff cadre, creating a sustainable solution to the challenges in recruitment.

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. Ergonomic concerns, lighting and air quality are all considered with respect to the working environment. In addition, given the 24 hour operations of some of the companies in the industry group, provisions are made to ensure the safe commute of employees.

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

Talent management	The need to retain and continuously upgrade the skills of existing staff and ensure a pool of quality potential recruits given the nature of the industry
Health and safety	Providing a safe and conducive environment given that long hours are spent at work stations

Talent Management

Targets:

- 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

Initiatives:

- Employees in the industry group were provided with 58 hours of training per employee
- As part of its recruitment strategy, JKCS continued to engage with local universities and higher education institutes, building its brand presence by providing career guidance and soft skills training
- A number of these graduates were provided with internship opportunities and on-the-job training by JKCS. Based on capability and performance, they will be absorbed into the employee cadre
- A joint initiative was launched in partnership with a client to train graduates on skills that are hard to find in the market. Training for two batches commenced during the year which provided new job opportunities whilst reducing the escalating cost of talent acquisition
- InfoMate continued with its pioneering Finance Apprenticeship, the structured three year programme that envisions recruiting and grooming school leavers to be complete accountants, with the intake

of the fourth consecutive batch in the year under review. It is very encouraging to note that 8 apprentice from the first batch were absorbed into Group companies at the end of the three year programme

Health and Safety

Targets:

- Strive to ensure a safe and healthy working environment in line with the Group's Health and Safety Policy

Initiatives:

- Group companies continuously reviewed its business continuity plans (BCPs)
- Fire training and fire teams were appointed for all companies
- Transport was provided to all staff in JK BPO India, given the 24 hour nature of operations, to ensure safety of employees during commute to and from work

Indicators

The IT industry group provided a total of 57,348 hours of training to its employees, with 58 hours of training provided per employee.

Social and Relationship Capital

The benefits and necessity of an IT literate populace is widely accepted in a constantly changing and globalised international economy. Against this backdrop, the IT industry group recognises the benefits that can be reaped from a strategy that strengthens its Social and Relationship Capital with rural communities whilst providing a platform for cost optimisation and a new pool of talent for recruitment. The strategy involves the outsourcing of IT tasks, the provision of industry specific technical training on areas such as accounting, SAP and general management and soft skills, as elaborated in the ensuing section. Over the years, this has created value for the Group and resulted in socially desirable outcomes, proving to be cost-beneficial to the John Keells Group whilst empowering rural youth and providing them with employment opportunities and marketable skills.

	2015/16	2014/2015	Change %
Injuries, diseases (number)	-	-	-
Total hours of training	57,348	84,873	(32)

In line with Group practices, all significant suppliers have been identified below and have been assessed for any negative impacts on the environment and in terms of labour and human rights aspects.



Impact through CSR initiatives:

John Keells Foundation (JKF) and InfoMate, in collaboration with the Foundation for Advancing Rural Opportunity (FARO), Foundation of Goodness (FOG), Spectra Skills (Private) Limited and various Government offices, outsource some of the Group's accounting functions, thereby creating sustainable employment opportunities for rural youth.

During the year under review, 50 associates from the BPOs run by InfoMate in Mahavillachchiya, Seenigama and Jaffna were employed at the centres. Total earnings of the three BPO units increased by 19 per cent while average associate earnings increased by 15 per cent during 2015/16.

In addition to providing work volumes and training, InfoMate supports the BPOs with expenses relating to connectivity, generators and health insurance. Numerous trainings covering technical sessions on SAP, human resources, administration, accounting, BPO operations management, quality and housekeeping, among others, were conducted for these associates. JKF continues to provide infrastructure support to the BPOs through the donations of items such as computers and office equipment. Two associates of the BPO centre in Seenigama were absorbed into the permanent cadre of the Group.

Strategy and Outlook

Increasing disposable incomes, improved network coverage and data connectivity, through initiatives such as Google's balloon-powered high speed internet service known as "Project Loon" which commenced testing in Sri Lanka in February 2016, are expected to drive demand for smart phone usage in the country. JKOA will look to capitalise on this opportunity by expanding its product offering under the mobile phone segment to supplement its existing range of products. The company will place added emphasis on increasing customers in the contractual copier rental service space and managed print services to differentiate JKOA from competition. The new range of Toshiba MFP's which will be introduced in the second half of the ensuing financial year would have more emphasis on cloud based solutions which would enable focus on document management/workflow solutions.

The Engineering Services vertical of the Software Services business is anticipated to expand its income base by focussing on client opportunities in the Middle East, Sri Lanka and the Nordic countries. The Aviation vertical will work towards consolidating the product portfolio to 3 concentrated areas, namely "Evinta DCS", "Evinta OTA" and "Zhara". JKCS will also focus on a number of training initiatives

and performance based reward programmes in order to attract and retain talent.

Global Industry Analysts Inc., projects business process outsourcing to reach USD 220 billion by 2020, driven by the intensifying pressure among companies to rationalise costs, improved operational performance and increased customer satisfaction through round-the-clock services. Customer preferences are also trending towards nearshore and on-shore service delivery with focus on countries such as Canada, United States of America and Mexico. In order to capitalise on this opportunity, JK BPO will look to expand service offerings through client satisfaction and improved operational capabilities. InfoMate will focus on expanding its third party revenue base by pursuing growth opportunities globally whilst concurrently expanding the range of services offered to businesses within the JKH Group.

As discussed in the Group Consolidated Review section of this Report, the digitisation initiative rolled out across the Group in 2015/16 presents a significant opportunity for the businesses within this industry group. In order to capitalise on this opportunity, the Group is evaluating cross sale opportunities where the businesses are able act in unison, synergising businesses within the IT industry group, rather than operating individually. 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. Strategic Group Information Technology, the Group's IT support function, is also expected to participate in this endeavour. 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.

“ The digitisation initiative rolled out across the Group in 2015/16 presents a significant opportunity for the businesses within this industry group. In order to capitalise on this opportunity, the Group is evaluating cross sale opportunities where the businesses are able act in unison, synergising businesses within the IT industry group, rather than operating individually. ”

Industry Group Review

OTHER INCLUDING PLANTATION SERVICES

Our Business Model

Vision and Scope

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

Tea Smallholder Factories PLC (TSF PLC) is among the top manufacturers of orthodox low grown teas and is also recognised as a

top quality producer of CTC teas in Sri Lanka. With over 140 years of experience in the tea trade, John Keells PLC is one of the leading tea brokers in the country and its warehousing facility is the largest for pre-auction produce in the country.

The "Other" sector consists of John Keells Holdings PLC including its divisions/Centre Functions such as John Keells Capital, John Keells Research and Strategic Group

Information Technology (SGIT), as well as several auxiliary companies. John Keells Capital is the private equity arm of the Group and also provides financial advisory, structuring and capital raising solutions to external clients. SGIT supports the Group's information technology requirements, provides consulting services and SAP implementation services to external clients. SGIT is a SAP value added reseller in addition to being a SAP services partner.



Plantation Services

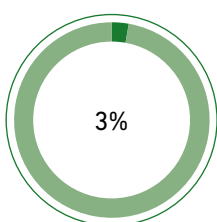


Other

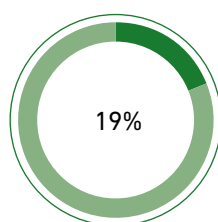


CO²
1,228 kg per Rs.Mn revenue

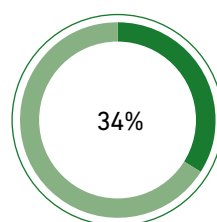
Contribution to JKH Group



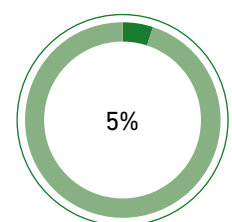
Revenue



EBIT



Capital employed



Carbon footprint

Sectors	Plantation Services	Other
The business within the sector	<ul style="list-style-type: none"> John Keells PLC – leading tea and rubber broker John Keells Warehousing - operates a state-of-the-art warehouse for pre-auction produce Tea Smallholder Factories PLC - operates 7 tea factories and is a leading manufacturer of low grown teas in the country, including the CTC variety 	<ul style="list-style-type: none"> JKH and other businesses (Centre Functions/divisions) John Keells Capital, a division of JKH, is the private equity arm of the Group John Keells Research (JKR), the research and development arm of the Group The Strategic Group Information Technology (SGIT) supports the Group's IT requirements, provides consultancy services and SAP implementation services to external companies
Key external/internal variables impacting the business	<ul style="list-style-type: none"> Continuing low tea prices due to the lack of demand from key tea consuming countries Depreciation of currencies of major tea consuming nations Drop in crude oil prices, impacting purchasing power of importing countries Unpredictable weather conditions negatively impacted production 	<ul style="list-style-type: none"> Depreciation of the Rupee had a positive impact on the valuation of net US dollar holdings of JKH Relative inactivity in private equity markets owing to the availability of credit, particularly in the first half of the year Lack of SAP resource personnel in the market limiting SGIT's expansion capabilities
Key developments during the financial year	<ul style="list-style-type: none"> JK PLC automated the client advance system which assists in inventory management and supplier cost optimisation 	<ul style="list-style-type: none"> SGIT, in partnership with Microsoft and Cisco, established a full-fledged practice in IT/digital consultancy services, predictive analytics and digital services centred around social, mobile, analytics, cloud and "smart buildings" JKR made significant headway during the year under review through many innovations and initiation of research projects

Key Indicators

Inputs (Rs.mn)	2015/16	2014/15	(%)	2013/14	Outputs (Rs.mn)	2015/16	2014/15	(%)	2013/14
Total assets	66,370	57,313	16	46,692	Revenue ²	2,663	3,468	(23)	4,214
Total equity	61,835	50,910	21	41,428	EBIT	3,907	3,415	14	2,734
Total debt	2,304	3,633	(37)	4,199	PBT	3,772	3,233	17	2,365
Capital employed ¹	64,140	54,543	18	45,627	PAT	2,343	2,025	16	1,500
Employees (number)	882	941	(6)	1,043	EBIT per employee	4.4	3.6	22	2.6
					Carbon footprint (MT)	3,543	3,898	(9)	4,060

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

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

Industry Group Review

OTHER INCLUDING PLANTATION SERVICES

External Environment and Operational Review

Global demand for tea continued to weaken on the back of economic uncertainty and implications in some of the key tea importing countries, similar to the previous year. Low oil prices severely impacted the purchasing power of many countries importing tea, particularly Russia and countries from the Middle East. Russia was further impacted by the depreciation of the Ruble and economic sanctions. Total tea exports during the 2015 calendar year and total revenue from tea exports were 307 million kilograms and Rs.182.05 billion respectively, a decline of 6 per cent and 14 per cent against the previous calendar year. The average sales price for low grown teas in Sri Lanka decreased by approximately 15 per cent during the 2015 calendar year.

The Sri Lanka Tea Board embarked on a programme to assess the green leaf standards in order to reduce the production of low quality tea and also subsidised the green leaf at Rs.80.00 per kilogram, as per the new Government's 100-day programme in March 2015. This was applicable for 6 months till August 2015.

The performance of Tea Smallholder Factories PLC (TSF PLC) was adversely impacted by the aforementioned decline in tea prices and extreme weather conditions which prevailed during the year, particularly in the fourth quarter of the year. The inability of TSF PLC's clients to sustain their businesses also impacted the profitability of the sector. TSF PLC embarked on a quality drive to improve the standard of the end product during the year under review which proved fruitful with the business being able to command a premium of approximately 2.5 per cent over the low grown elevational average. Similar to the prior years, the company adopted a number of cost saving initiatives in order to improve the productivity of the labour force and better manage the costs. Semi-automation of the manufacturing process and better management of the operational hours of the factories were a few of the initiatives implemented in the year.

The performance of John Keells PLC (JK PLC) was below expectations, mainly on account of lower demand for tea globally. The impact was mitigated to an extent due to the improvement in demand for Sri Lanka's exclusive range of orthodox black teas in the first half of the



JKR is currently in the process of applying for its first patent

“ Strategic Group Information Technology (SGIT) continued to grow its market share during the year under review mainly through an acquisition of 3 strategic accounts for SAP. ”

year. The company automated its clients advance system during the year under review, which contributed towards better inventory management and also facilitated better decision making throughout the different management levels. Awareness sessions and training on sound manufacturing practices were also carried out during 2015/16, sensitising factory officers in order to improve the quality of produce. "mAuction", a single platform which connects tea brokers and buyers, which was launched in partnership with Mobitel (Private) Limited in the prior financial year, was enhanced during the

year in order to further improve connectivity between buyers and brokers and to make the auction rooms viewable real-time, from any part of the world. The Warehousing business recorded a decline in capacity utilisation on account of decreased production of tea by its clients during the year under review.

John Keells Research (JKR), the research and development arm of the Group, continued to focus on its core areas of research, namely, nanotechnology, energy storage, advanced materials, renewable energy generation, synthetic biology and biotechnology. JKR is currently in the process of applying for its first patent for a novel energy storage material developed in collaboration with a research institute in India. For further details on other products and developments within the business, refer the Intellectual Capital section of this discussion.

Strategic Group Information Technology (SGIT) continued to grow its market share during the year under review mainly through an acquisition of 3 strategic accounts for SAP. In partnership with Microsoft and Cisco, SGIT also established a full-fledged practice in IT/digital consultancy services, predictive analytics and digital services centred on social, mobile, analytics and cloud and "smart buildings". The business actively promoted its products and services through participation in conferences, both locally and regionally, and sponsorships. To this end, the SGIT website was also redeveloped and relaunched during the period under review. SGIT was bestowed with the SAP - Hana innovation award, SAP ace award and SAP partner – gold accreditation during 2015/16.

Capital Management Review

Subsequent to an operational review of the sectors, the ensuing section summarises the forms of Capital available for the execution of the business's near, medium and long term strategies in creating value and also deliberates the Capital-wise performance of the sectors.

Key indicators under selected forms of Capital are as follows:

Sectors	Plantation Services	Other
Financial and Manufactured Capital - revenue and growth	Rs.2.42 billion, 24 per cent decrease	Rs.247 million, 18 per cent decrease
Financial and Manufactured Capital - EBIT and growth	Rs.52 million, 84 per cent decrease	Rs.3.85 billion, 25 per cent increase
Natural Capital - carbon footprint	2,933 MT	609 MT
Human Capital - number of employees	706	176

Financial and Manufactured Capital

As at 1 April 2015, the Other including Plantations Services industry group had total assets of Rs.57.31 billion, debt of Rs.3.63 billion and an opening equity capital of Rs.50.91 billion.

Rs. 3.91 Bn



Other incl. Plantation Services EBIT

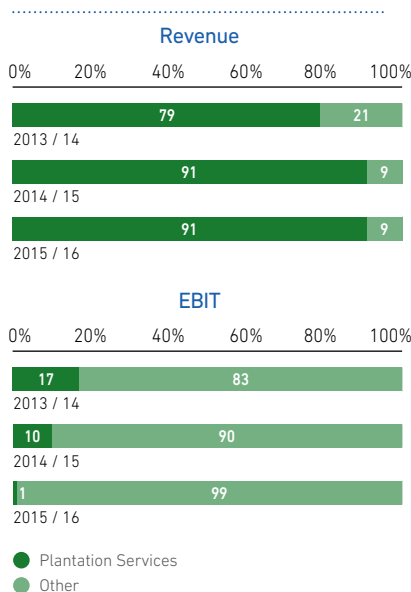
A growth of 14 per cent

Financial Performance

Total revenue of the industry group primarily consists of the revenue generated from the Plantations Services sector since there are no other significant operating businesses in this cluster. The Plantation Services sector recorded revenues of Rs.2.42 billion, a decrease of 24 per cent against last year [2014/15: Rs.3.17 billion]. Both TSF PLC and JK PLC recorded lower revenue on account of the significant decline in average selling prices of tea, as discussed under the External Environment and Operational Review. JK Warehousing also recorded a decline in revenue stemming from the drop in capacity utilisation.

Total EBIT (including the Holding Company) increased by 14 per cent to Rs.3.91 billion [2014/15: Rs.3.41 billion]. The growth is mainly attributable to the increase in finance income on account of exchange gains recorded at the Company on its foreign currency denominated cash holdings. These funds are available for deployment in to the "Cinnamon Life" project as equity on a needs basis throughout the development period.

It should be noted that this year's results include a capital gain of Rs.82 million from the share repurchase of Asia Power (Private) Limited. Last year's results included capital gains amounting to Rs.593 million, Rs.389 million and Rs.28 million from the disposal of stakes in Access Engineering PLC and Expolanka Holdings PLC and from the share repurchase of Asia Power (Private) Limited respectively. Adjusted EBIT growth, excluding the aforementioned capital gains, was 59 per cent. An impairment stemming from the BPO business in India partially offset the aforementioned increase in EBIT.



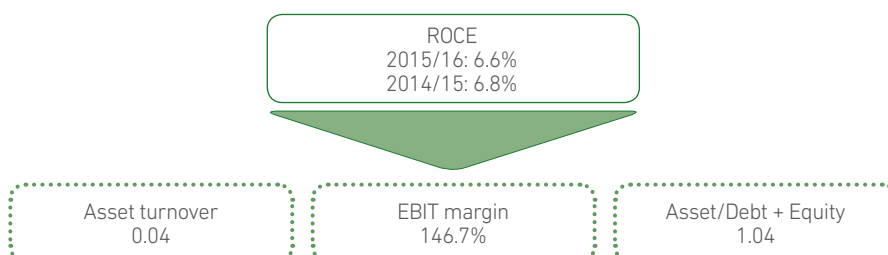
Borrowings and Finance Expenses

Total debt as at 31 March 2016 stood at Rs.2.30 billion [2014/15: Rs.3.63 billion]. The finance expense of the industry group decreased by 26 per cent to Rs.134 million on account of the repayment of long term debt at the Holding Company during the year under review.

Return on Capital Employed

- ROCE decreased to 6.6 per cent in comparison to the 6.8 per cent recorded in the prior year. The decrease is mainly on account of an increase in the asset base following investments in short term financial instruments subsequent to the Company receiving a sum of Rs.7.97 billion through the conversion of the "2015 Warrant" in November 2015. Considering the long gestation period of the "Cinnamon Life" project and the equity raised and available for infusion to the project the capital base of the industry group was adjusted to reflect the use of capital. The revaluation gain of Rs.24 million from the revaluation of a land owned by TSH PLC and JK Warehousing was also adjusted. On this basis, the adjusted ROCE is 7.0

Return on Capital Employed



per cent in comparison to 7.1 per cent in the previous financial year. Refer the Strategy, Resource Allocation and Portfolio Management section of this Report for a detailed discussion on the adjustments.

- The EBIT margin increased to 146.7 per cent from 98.5 per cent recorded in 2014/15. As discussed previously, EBIT for this year includes exchange rate gains on the Company's foreign currency denominated cash holdings whilst the EBIT for the previous year included the aforementioned capital gains on disposal of stakes/share repurchases, with no corresponding revenue for both 2014/15 and 2015/16. The recurring EBIT margin increased to 98.6 per cent from 63.3 per cent in 2014/15. The EBIT margin for the Plantation Services sector declined due to the challenging operating environment as stated before.

- The asset turnover ratio decreased to 0.04 times from 0.07 times as a result of the higher asset base and the decline in revenue.

Natural Capital

Given the importance of the effective management of Natural Capital and the vital inputs from natural resources for Sri Lanka's plantations sectors, sustainability has become increasingly entrenched within the industry in recent years. Focus has been placed on sustainable practices throughout the supply chain; from cultivation to manufacture to storage and distribution. In addition, there is ongoing collaboration and partnerships with international conservation bodies that help to disseminate international best practices and standards, while recognising that international buyers are increasingly concerned with seeking eco-friendly and sustainable products. Along with the Centre Functions of the Group, the industry group seeks to reduce its usage of energy through process efficiencies and monitoring, in meeting the Group's Environmental and Energy Management Policy.

Industry Group Review

OTHER INCLUDING PLANTATION SERVICES

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

Energy and emissions management	Financial and regulatory implications, environmental and social responsibility
Waste and effluent management	Regulatory implications and environmental responsibility

Energy and Emissions Management:

Targets:

- Continuously assess existing facilities, machinery and processes for energy efficiency and carry out improvements as required
- Continue to seek process improvements through innovation and strive to reduce emissions whilst maintaining productivity

Initiatives:

- Usage of natural lighting through the introduction of transparent roofing sheets resulting in an estimated annual saving of 2,940 kWh per annum and increasing efficiency of lighting systems by replacing fluorescent tube lights with LED lights
- Usage of energy efficient compressed air by replacing reciprocating air compressors with the installation of screw compressors resulting in an estimated annual saving of 77,000 kWh
- Optimisation of the energy requirement for the withering process through the introduction of variable speed drives (VSDs), introduction of aero-foil shaped trough fans and the adjustment of trough fan blade angles
- Utilisation of renewable sources amounting to 66 per cent of the total energy requirement through usage of biomass. Increased combustion efficiency of biomass on account of construction of fast drying UV covered firewood sheds and use of dry, split firewood with damper control for excess air and flue gas during the drier operations

Waste Management

Targets:

- Continuously ensure all waste water from factory cleaning and waste generated from biomass generators are disposed responsibly, without contaminating the environment, and in line with Environmental Protection License (EPL) requirements

Initiatives:

- Wood ash created through energy generation is disposed by way of landfill

Performance

The carbon footprint for the Other, including Plantation Services industry group improved to 3,543 MT for the year under review from the 3,898 MT recorded in the previous year, while waste generated reduced to 210,923 kg from 244,739 kg.

	2015/2016	2014/2015	(%)
Carbon footprint (MT)	3,543	3,898	(9)
Waste generated (kg)	210,923	244,739	(14)

Carbon footprint Scope 1 and 2 per operational intensity factor

	2015/2016	2014/2015
TSF PLC CO ₂ (kg per kg of tea produced)	0.61	0.59
JK PLC and JKW CO ₂ (kg per square foot of floor area)	1.2	1.2

Impact through CSR initiatives

John Keells Foundation and TSF PLC, together with the Carbon Consulting Company (Private) Limited, are involved in a tree planting project which is aimed at increasing forest cover in an endangered area with a long term view to create a bio-link between the Kanneliya and Sinharaja rainforests. Of the plants replanted, a 97 per cent survival rate was observed and 200 plants were replanted in order to replace dead/damaged plants. 3 plant monitoring and 1 casualty replanting sessions were conducted during the reporting period.



Bio mass utilisation as a renewable energy source by TSF PLC

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.

During the year under review, SGIT recruited highly qualified individuals and retained these persons through the use of an internship model. This internship is a well-structured programme that attracts a significant number of school graduates, with a focus on developing Human Capital, and an added benefit of addressing the shortage of SAP personnel. Post this training, many of these trainees/interns are recruited to the permanent cadre or on contract. In addition to this, SGIT continued to maintain strong and healthy relationships with universities such as the Sri Lanka Institute of Information Technology (SLIIT) in order to be a preferred employer in the IT industry. The material impacts for the industry group are classified as follows:

Health and safety	The respective businesses need to ensure safe working conditions, mainly focussing on occupational health and safety
Training and Development	Ensuring functionally skilled and motivated staff at the Centre Functions is considered important in facilitating Group-wide synergies

Training and Development

Targets:

- Ensure group-wide synergies are created through continuous enhancement of knowledge and skills

Initiatives:

- Provided 12,744 hours of training to employees in the industry group, with 14.4 hours of training per employee

Health and Safety

Targets:

- Minimising health and safety incidents and provide a safe and healthy working environment for staff

Initiatives:

- Staff training on health and safety as well as on fire drills and fire safety
- Participation in the Ethical Tea Partnership programme and adherence to labour regulations
- OHSAS ISO 18001 Certification obtained for 7 out of the 8 factories, with plans to fully certify all factories
- Enhancement of worker accommodation and sanitary facilities at factories

Performance

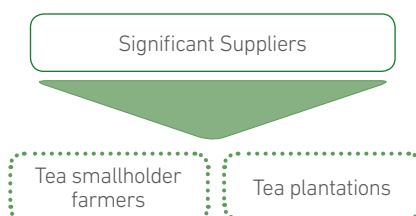
The industry group provided 12,744 hours of training to employees in the industry group, compared to 10,623 hours in the previous year, which was a 20 per cent increase. Injuries amounted to 8 incidents, all in the Plantation Services sector.

	2015/2016	2014/2015	(%)
Injuries, diseases (number)	8	3	167
Total hours of training	12,744	10,623	20

Social and Relationship Capital

Social and Relationship Capital is uniquely important to the Plantations Services sector, particularly Tea Smallholder Factories PLC (TSF PLC). The surrounding community is an integral part of the company's supply chain, providing leaf for manufacture. 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 sector in solidifying these mutually beneficial relationships and producing socially desirable outcomes. Such activities are carried out both at a company level and through the John Keells Foundation, particularly with regards to the HIV, AIDS and WAVE programmes, reaching these communities through ongoing training and awareness sessions at factories and plantations.

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 material impacts for the industry group are classified as follows:

Supplier Development and Social Responsibility	Sharing of knowledge and best practices in cultivation with tea smallholders to ensure higher yields and quality green leaf which benefits both the tea factories and the smallholder community
-------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Supplier Development and Social Responsibility:

Targets:

- Seek to assist with livelihood development of smallholders through improving yields and providing alternative sources of income, while simultaneously improving agricultural practices and environmental conservation
- Ensuring business sustainability through building and maintaining relationships with smallholder communities to ensure a steady supply of green leaf

Initiatives:

- TSF PLC continued with its tea replanting project to replant unproductive tea lands totalling 145 acres, with 212 smallholders participating since its inception in 2010. The project has achieved an average replanting percentage of 3 per cent of its smallholder base and aims to improve supplier livelihood whilst simultaneously retaining the company's supplier bases and developing its brand image
- The sector continues to carry out CSR projects and awareness programmes such as eye camps, health clinics, blood donation camps and gender-based violence and awareness on serious diseases such as AIDS.
- In collaboration with the John Keells Foundation and the Carbon Consulting Company, TSF PLC continued to implement its forestry project in the Galle and Hiniduma regions. The project has supplied 3,000 forest trees for over 15 acres of land belonging to smallholders. The aim of this project is to increase forest and environmental protection while also positively impacting smallholder livelihoods through long term value creation by the provision of cash crops and a monthly allowance paid for maintenance of the plants and is elaborated further in the ensuing section
- Extension services to disseminate knowledge on Good Agricultural Practices (GAP) were provided to suppliers through seminars/workshops and field advisory visits
- Smallholder welfare societies were formed at all factories to build trust and loyalty amongst its suppliers and improve leaf quality

Industry Group Review

OTHER INCLUDING PLANTATION SERVICES

“JKR’s continued effort to derive intellectual property through research and development is expected to yield sustainable value in the medium and long term.”



JK PLC automated its clients advance system during the year under review

productivity in order to streamline costs associated with the overall operations. TSF PLC will continue to place significance on processing high quality leaf which has the ability to command premium prices at the auctions.

The investment banking arm of the Group is in the process of seeking investors for a few transactions and also is finalising a few mandates which will boost the pipeline of projects.

SGIT expects to expand its client base through focus on emerging markets, particularly Bangladesh, in addition to capitalising on the strong relationship with Cisco and Microsoft. SGIT expects to position itself as a boutique IT/digital strategy consulting entity as well as delivery organisation in the long term, particularly in South Asia and the Middle East. To facilitate the aforementioned strategies, SGIT is currently in the process of initiating numerous tactics to source resources with requisite expertise and skills. Establishment of incubation labs at universities is one of the initiatives towards this end.

Impact through CSR initiatives:

The tree planting project, as discussed under Natural Capital, has a direct bearing on Social and Relationship Capital as the livelihood of the surrounding community is enhanced through the sale of non-timber forest products such as medicines, fruits, shading materials and livestock feed.

Intellectual Capital

To complement the business-wise micro focus on developing the Intellectual Capital base of the respective industry groups and sectors by each of the businesses, John Keells Research (JKR), the research and development arm of the Group, strives to create sustainable value through research and development through its focus on open source innovation. JKR’s continued effort to derive intellectual property through research and development is expected to yield sustainable value in the medium and long term. Key developments during the year are discussed in the ensuing section.

- JKR is currently in the process of applying for its first patent for a unique energy storage material, developed in collaboration with a Research Institute in India
- Development of reinforcing material using Sri Lankan agricultural waste in collaboration with a leading university in the USA
- Completed a project with the National Aquatic Resources Research and Development Agency (NARA) to manufacture value-added products using fish waste
- Successful conclusion of a proof of concept project undertaken by JKR and

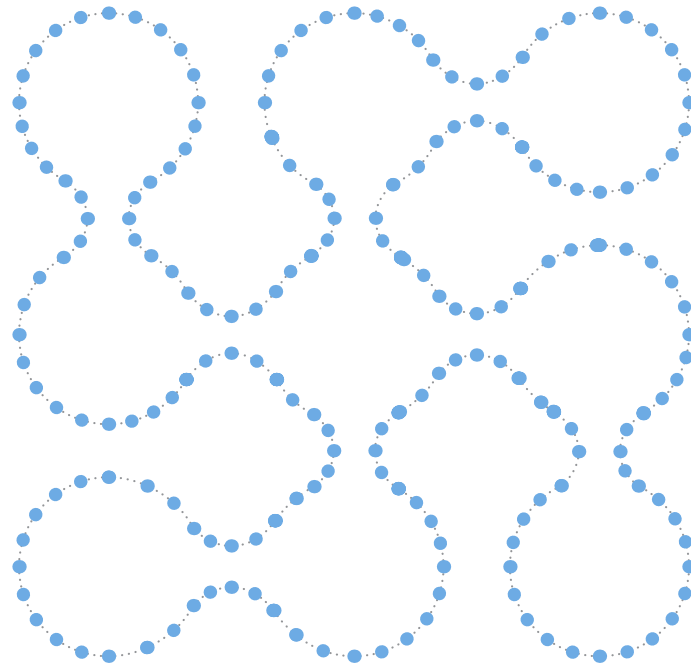
the Sri Lanka Institute of Nanotechnology (SLINTEC) in the area of advanced materials and nanotechnology

- As an extension of the project relating to the sequencing of the entire genome of “Goda Vee”, discussed in the 2014/15 Annual Report, JKR along with the Human Genetics Unit (HGU) of the Colombo Medical Faculty submitted its first research publication and is awaiting acceptance from the Journal “Nature Scientific Reports”

Strategy and Outlook

The demand for tea is expected to remain depressed in the near term against the backdrop of continued pressure on global commodities and the uncertain political environment in Russia and Ukraine, turmoil in the Middle Eastern markets, drastic currency depreciation in key tea importing countries and economic sanctions. Extreme weather conditions, as witnessed in the past year, attributed to the El Niño weather phenomenon, is expected to continue in the near term which could impact the crop intake. However, the sanction relief provided to Iran is expected to augur well for Ceylon Tea and the Group expects an uptick in the demand for low grown tea from Iran in the near term. China is also expected to be a key market for Ceylon Tea with significant potential to increase exports in the short and medium term. Given its expertise, quality of produce and recognition, the Group expects to capitalise on the aforementioned growth in tea volumes from Iran and China.

JK PLC will focus on reaping the full potential of the platform developed in the prior financial year and also place emphasis on introducing a facility to manage all dispatches online, in order to minimise duplication of work and improve efficiencies. JK PLC and TSF PLC will place special emphasis on improving



LINKED

The Financial Statements provide the reader
with a detailed analysis of performance,
results and financial strength.

FINANCIAL STATEMENTS

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Financial Calendar

2015/16 Financial Calendar

	Date
Interim Financial Statements	
Three months ended 30 June 2015	30 July 2015
Six months ended 30 September 2015	3 November 2015
Nine months ended 31 December 2015	29 January 2016
First interim dividend paid on	15 June 2015
Second interim dividend paid on	19 February 2016
Final dividend proposed to be paid on	13 June 2016
Annual Report 2015/16	30 May 2016
37th Annual General Meeting	24 June 2016

2016/17 Financial Calendar

	Date
Interim Financial Statements	
Three months ended 30 June 2016	29 July 2016
Six months ended 30 September 2016	4 November 2016
Nine months ended 31 December 2016	27 January 2017
Annual Report 2016/17	On or before 1 June 2017
38th Annual General Meeting	30 June 2017

Annual Report of the Board of Directors

The Directors have pleasure in presenting the 37th Annual Report of your Company which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Sustainability Integration, Risk Management, Corporate Social Responsibility and all the other relevant information for the year ended 31 March 2016. Disclosures which appear on page 167 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 Group's holding company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries and associates and a brief description of its nature is mentioned in pages 278 to 284.

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 (page 51 to 162) of the Annual Report. Significant changes to business combinations and acquisition of non-controlling interests are provided in note 9 (page 191) 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 (page 184) to the financial statements.

FINANCIAL STATEMENTS

Financial Statements of the Group and Company for the year ended 31 March 2016

have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs/LKASs) with the inclusion of the signatures of the Chairman, Group Finance Director and Group Financial Controller are given from the page 172 to 258 which form a part of the Integrated Annual Report.

FINANCIAL RESULTS AND APPROPRIATIONS

REVENUE

Revenue generated by the Company amounted to LKR 1,108 million (2015 – LKR 926 million), whilst Group revenue amounted to LKR 93,282 million (2015 – LKR 91,852 million). Contribution to Group revenue, from the different business segments is provided in note 7 (page 184) to the financial statements.

PROFIT AND APPROPRIATIONS

The profit after tax of the Holding Company was LKR 17,070 million (2015 – LKR 11,139 million) whilst the Group profit attributable to equity holders of the parent for the year was LKR 14,070 million (2015 – LKR 14,348 million).

The holding Company's total comprehensive income net of tax was LKR 17,029 million (2015 -LKR 10,847 million), and the Group total comprehensive income attributable to parent was LKR 17,848 million (2015 -LKR 16,695 million).

DIVIDEND AND RESERVES

As required by Section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the auditors, prior to declaring all dividends. A final dividend will be paid on 13 June 2016 to those shareholders on the register as on 2 June 2016.

Information on dividends and reserves are given below;

John Keells Holdings PLC. For the year ended 31 March In LKR '000s	2016	2015
Profit after tax	17,070,114	11,138,813
Other adjustments	(283,784)	5,415
Balance brought forward from the previous year	30,877,090	23,219,419
Amount available for appropriation	47,663,420	34,363,647
1 interim dividend of LKR 4.50 per share (2015-LKR 1.00) paid out of dividend received.	(5,352,156)	(992,884)
2nd interim dividend of LKR 1.00 per share (2015-LKR 1.00) paid out of dividend received.	(1,189,404)	(997,443)
Final dividend declared of LKR 1.50 per share (2015-LKR 1.50) to be paid out of the dividend received.*	(1,784,106)	(1,496,230)
Balance to be carried forward next year	39,337,754	30,877,090

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

ACCOUNTING POLICIES

All the significant accounting policies adopted by the Company and Group are mentioned on the page 182. 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 2016, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards

(IFRS) as issued by the International Accounting Standards Board (IASB).

DONATIONS

Total donations made by the Company and Group during the year amounted to LKR 24 million (2015 - LKR 12 million) and LKR 24 million (2015 - LKR 29 million), respectively. Of these, the donations to approved charities were LKR 19 million (2015 – LKR 11 million) at Company and LKR 19 million (2015 - LKR 16 million) at Group. These amounts do not

Annual Report of the Board of Directors

include contributions on account of corporate social responsibility (CSR) initiatives.

CORPORATE SOCIAL RESPONSIBILITY

The John Keells Foundation, which is funded by JKH and its subsidiaries, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly 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 Sustainability and Enterprise Risk Management section in the Annual Report page 67 to 72.

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

PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Company's and Group's capital expenditure on property, plant and equipment amounted to LKR 30 million (2015 - LKR 39 million) and LKR 4,582 million (2015 -LKR 2,999 million) respectively and all other related information and movements have been disclosed in the note 21 (page 221) to the financial statements.

Additions of intangible assets of the Company and Group during the year amounted to LKR 4 million (2015 LKR 18 million) and LKR 163 million (2015 LKR 280 million) respectively and all other related movements are disclosed under the note 24 (page 228).

MARKET VALUE OF PROPERTIES

MARKET VALUE OF PROPERTY, PLANT AND EQUIPMENT

All land and buildings owned by Group companies were revalued within the financial year. All information related to revaluation is given in note 21.3 (page 224).

INVESTMENT PROPERTY

Investment properties of business units, when significantly occupied by Group companies, are classified as property, plant and equipment in the consolidated financial statements in compliance with LKAS 40.

The Group revalued all its investment properties as at 31 March 2016 and the carrying value of the Group is LKR 4,878 million (2015 -LKR 4,609 million). All information related to revaluation of the investment property is provided in note 23 (page 227).

Details of Group properties as at 31 March 2016 are disclosed in the Group Real Estate Portfolio section of the Annual Report (page 270 to 271).

OTHER NON-CURRENT ASSETS

The value of other non-current assets as at 31 March 2016 amounted to LKR 35,557 million (2015 - LKR 25,830 million) for the Group, details of the other non-current assets are provided in note 28 (page 238) to the financial statements.

INVESTMENTS

Detailed description of the long term investments held as at the reporting date, are given in note 25, 26 and 27 (page 232 to 238) to the financial statements.

STATED CAPITAL

The total stated capital of the Company as at 31 March 2016 was LKR 58,702 million (2015 - LKR 50,703 million), as given in note 33 (page 241) to the financial statements.

During the financial year, the number of shares in issue were increased by way of a share subdivision, where by seven (7) existing shares were subdivided into eight (8) increased total number of shares by 142,498,429 for nil consideration. 49,254,092 warrants were converted to ordinary shares during this financial year for a total consideration of LKR 7,973 million.

Options in respect of 164,468 shares (2015 – 7,197,351 shares) were exercised during the year under the employee share option plan, for a total consideration of LKR 27 million (2015 – LKR 954 million).

The Board of Directors of the Company also resolved to recommend the increase in the number of shares in issue by way of a share subdivision of the Company's shares whereby seven (7) existing shares will be sub divided into eight (8). Accordingly, the price and quantity of the 2016 Warrants too will be adjusted to reflect the aforementioned subdivision of shares. The proposed subdivision is subject to the approval of the Colombo Stock Exchange and shareholders of the Company at an extraordinary general meeting.

SHARE INFORMATION

The distribution and composition of shareholders and the information relating to earnings, dividend, net assets, market value per share and share trading is given in the Share Information section of the Annual Report. As additional disclosure, the JKH's Board of Directors' (including their close family members) shareholdings and warrant holdings and options available under the employee share option (ESOP) plans as at 31 March 2016, are given on page 100.

Also, given below, are the JKH's Board of Directors' (including their close family members) other shareholdings in Group subsidiaries as at 31 March 2016.

SHAREHOLDINGS IN GROUP COMPANIES

GROUP COMPANIES	SHAREHOLDINGS		
	S C Ratnayake 31-03-2016	A D Gunewardene 31-03-2016	J R F Peiris 31-03-2016
CEYLON COLD STORES PLC.	3,344	30,800	668
TRANS ASIA HOTELS PLC.	400	400	400
JOHN KEELLS HOTELS PLC.	550,311	74,806	-
ASIAN HOTELS AND PROPERTIES PLC.	20,000	-	-
KEELLS FOODS PRODUCTS PLC.	12,750	-	-
UNION ASSURANCE PLC.	-	8,562	-

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 (page 101) of the Annual Report.

EQUITABLE TREATMENT OF SHAREHOLDERS

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

REVENUE RESERVES

Revenue reserves as at 31 March 2016 for the Company and Group amounted to LKR 41,123 million (2015 - LKR 32,373 million) and LKR 67,565 million (2015 - LKR 62,594 million), respectively. The movement and composition of the reserves are disclosed in the statement of changes in equity (pages 176 and 177).

THE BOARD OF DIRECTORS

The Board of Directors of the Company as at 31 March 2016 and their brief profiles are given in the Board of Directors section of the Annual Report (pages 18 to 19).

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with Article 84 of the Articles of Association of the Company, Mr. J R F Peiris and Mr. M A Omar retire by rotation and being eligible, offer themselves for re-election.

Mr. Franklyn Amerasinghe and Mr. Tarun Das, having served the Board for more than nine years from the date of their first appointment, and being over the age of 70 years have requested that they not be considered for re-election. Accordingly Mr. Franklyn Amerasinghe and Mr. Tarun Das will cease to be directors of the Company with effect from the close of the Annual General Meeting on 24th June 2016.

REVIEW OF THE PERFORMANCE OF THE BOARD

The performance of the Board has been appraised through a formalized process of individual appraisal by enabling each member to self-appraise on an anonymous basis and it is mentioned in page 27.

BOARD COMMITTEES

Information relating to members of the Audit Committee, Human Resources & 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 under Corporate Governance in pages 28 to 33.

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 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.

The particulars of JKH and its subsidiaries' interest register are given below.

SHARE DEALINGS

John Keells Holdings PLC. (JKH) Director	No of 2015 warrants converted to shares
S C Ratnayake	320,339
A D Gunewardene	379,896
J R F Peiris	80,376
E F G Amerasinghe	322

Ceylon Cold Stores PLC. Director	Purchase of shares
A R Rasiah	1,006
M Hamza	500

Trans Asia Hotels PLC. Director	Sale of shares
N L Gooneratne	110

Tea Small Holders Factories PLC. Director	Sale of shares
R E Rambukwella	4,600

INDEMNITIES AND REMUNERATION

The Board approved the payment of remuneration of the following executive Directors for the period of 1 April 2015 to 31 March 2016 comprising of;

- An increment from 1 July 2015 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 2014/2015, and
- A long term incentive plan in the form of an employee share options in John Keells Holdings PLC.

Annual Report of the Board of Directors

John Keells Holdings PLC.	Asian Hotels and Properties PLC.	Ceylon Cold Stores PLC.	Trans Asia Hotels PLC.	John Keells PLC.	Cinnamon Hotel Management Ltd.	Walkers Tours Ltd.	Union Assurance PLC.
S C Ratnayake	R J Karunarahaj	J R Gunaratne	R Karunarahaj	R S Fernando	B J S M Senanayake	V Leelananda	A D Pereira
A D Gunewardene	S Rajendra				J E P Kehelpannala		
J R F Peiris							

The contract of the following Non-Executive Directors has been extended for a further period, at the standard Non-Executive Director fees.

John Keells Holdings PLC.	Asian Hotels and Properties PLC.	Trans Asia Hotels PLC.	Tea Small Holders Factories PLC.
Tarun Das	S A Jayasekara	E H Wijenaikie	R Seevaratnam
	S K G Senanayake		

M Hamza was appointed as a Non-Executive Director of Ceylon Cold Stores PLC. from 15th May 2015 for 3 years at the standard Non-Executive Fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company.

All approvals related to Indemnities and Remuneration have been recommended by the Human Resources and Compensation Committee having conducted market surveys, spoken to experts and having taken into consideration the specific management complexities associated with the John Keells Group and in keeping with the Group remuneration policy. 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 17 (page 213) of the financial statements.

EMPLOYEE SHARE OPTION PLAN (ESOP)

At the beginning of the year, the employee share option plan consisted of the sixth, seventh and eighth plans approved by the shareholders on 6 December 2010, 7 December 2011 and 28 June 2013 respectively.

The Board of Directors of the Company also resolved to recommend to the shareholders, a ninth ESOP Plan (Plan 9), whereby the maximum number of options offered under the Plan will not exceed 2.25% of the total issued shares of the Company. From the total number of options offered under Plan 9, a maximum of 0.75% of the total issued shares may be offered every year, over three (3) years commencing in July 2016 and ending in July 2019. The proposed ESOP Plan is subject to the approval of the Colombo Stock Exchange and the shareholders of the Company at an extraordinary general meeting.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at the date of the Directors' report as required by the Listing Rules of the Colombo Exchange are given under the Shares and Warrants Information section of the Annual Report.

The highest, lowest and the closing prices of the shares were LKR 206.20, LKR 148.00 and LKR 148.00 respectively.

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 on pages 43 to 44 shows the manner in which the Company has complied with the Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The Risk Management report is given on pages 90 to 94 and the Corporate Governance Commentary report is given from pages 23 to 48.

SUSTAINABILITY

The Group pursues its business goals based on a model of stakeholder governance. Findings of the continuous internal stakeholder engagements have enabled the Group to focus on material issues such as the conservation of natural resources and the environment as well as material issues highlighted by other

stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which is continuously evolving based on the above mentioned stakeholder engagements. This year, the Group published its third Integrated Annual Report, combining financial information with sustainability information, in a bid to provide its stakeholders with holistic information relating to all areas of the Triple Bottom Line. The Group has sought independent third-party assurance from DNV GL in relation to the non-financial information contained in this Report. In addition, the Report also adheres to the Global Reporting Initiative (GRI) G4 Guidelines and has obtained the 'GRI Materiality Disclosures Service' check.

EMPLOYMENT

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

Details of the Group's human resource initiatives are detailed in the Employees' section of the sustainability report (pages 64-67).

The number of persons employed by the Company and Group as at 31 March 2016 was 156 (2015 - 140) and 12,035 (2015 - 11,890), 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 2016 the trade and other payables of the Company and Group amounted to LKR 333 million (2015 - LKR 334 million) and LKR 12,755 million (2015 - LKR 11,267 million), respectively.

The Group strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into work-plans. During the year, a supplier management framework and a supplier code of conduct was implemented and through various fora and assessments of sites, suppliers were closely engaged with, particularly where the supply is of great importance to the Group.

ENVIRONMENTAL PROTECTION

The Group complies with the relevant environmental laws, regulations and 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.

RESEARCH AND DEVELOPMENT

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

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or, where relevant provided for, except as specified in note 44 (page 256) to the financial statements, covering contingent liabilities.

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 to its respective Board Audit Committee for review by the Business Unit and in the case of John Keells Holdings PLC. by the Enterprise Risk Management Division to the John Keells Board Audit Committee.

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 control in the Group, compliance with laws and regulations and established policies and procedures of the Group. The head of the Group Business Process Review Division has direct access to the chairman of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee on matters pertaining to the Company.

EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting period, which would have any material effect on the Company or on the Group other than those disclosed in note 48 (page 258) to the financial statements.

GOING CONCERN

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

INDEPENDENT AUDITORS APPOINTMENT AND REMUNERATION

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

The Auditors Report is found in the Financial Information section of the Annual Report.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, its independence and its relationship with the Group, including the level of audit and non-audit fees paid to the Auditor.

The Group works with 4 firms of Chartered Accountants across the Group, namely, Ernst & Young, KPMG, PricewaterhouseCoopers,

and Deloitte Haskins & Sells. Details of audit fees are set out in note 17 (page 213) of the financial statements. The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries.

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

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.

ANNUAL REPORT

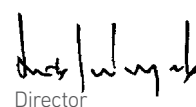
The Board of Directors approved the consolidated financial statements on 25 May 2016. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 30 May 2016.

ANNUAL GENERAL MEETING

The annual general meeting will be held at the Institute of Chartered Accountants of Sri Lanka, 30, Malalasekera Mawatha, Colombo 7, on Friday, 24 June 2016 at 10.30 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 2016

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 1.50 per share for this year, to be paid on 13 June 2016.

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

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid, or where relevant provided for, except as specified in note 44 to the financial statements covering contingent liabilities.

By order of the Board



Keells Consultants (Pvt) Ltd.
Secretaries
25 May 2016

Independent Auditors' Report



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

Report on the Financial Statements

We have audited the accompanying financial statements of John Keells Holdings PLC., ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2016, and the income statement and statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the financial statements of the Company give a true and fair view of its financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

25 May 2016
Colombo

Income Statement

For the year ended 31 March In LKR '000s	Note	Group		Company	
		2016	2015	2016	2015
Continuing operations					
Sale of goods		58,180,108	54,837,835	-	-
Rendering of services		35,101,730	37,013,753	1,108,095	926,336
Revenue	13	93,281,838	91,851,588	1,108,095	926,336
Cost of sales		(65,057,256)	(65,705,352)	(541,812)	(473,597)
Gross profit		28,224,582	26,146,236	566,283	452,739
Dividend income	14	-	-	10,260,828	8,843,908
Other operating income	15.1	2,132,239	3,076,893	3,821,890	71,049
Selling and distribution expenses		(3,615,527)	(3,212,685)	-	-
Administrative expenses		(10,565,233)	(10,680,661)	(947,588)	(1,034,146)
Other operating expenses	15.2	(3,608,555)	(3,254,598)	(566,680)	(348,832)
Results from operating activities		12,567,506	12,075,185	13,134,733	7,984,718
Finance cost	16	(993,802)	(668,174)	(81,579)	(100,890)
Finance income	16	8,010,952	8,122,497	4,640,404	3,772,223
Change in insurance contract liabilities	35.2	(3,430,533)	(3,799,000)	-	-
Change in fair value of investment property	23	262,875	48,666	-	-
Share of results of equity accounted investees	26	2,781,233	2,778,323	-	-
Profit before tax	17	19,198,231	18,557,497	17,693,558	11,656,051
Tax expense	20.1	(3,406,366)	(2,811,960)	(623,444)	(517,238)
Profit for the year		15,791,865	15,745,537	17,070,114	11,138,813
Attributable to:					
Equity holders of the parent		14,070,009	14,348,193		
Non-controlling interests		1,721,856	1,397,344		
		15,791,865	15,745,537		
		LKR.	LKR.		
Earnings per share					
Basic	18.1	12.12	12.63		
Diluted	18.2	12.09	12.41		
Dividend per share	19	7.00	3.50		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 181 to 258 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 March	Note	Group		Company	
In LKR '000s		2016	2015	2016	2015
Profit for the year		15,791,865	15,745,537	17,070,114	11,138,813
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Currency translation of foreign operations		3,009,187	489,049	-	-
Share of other comprehensive income of equity accounted investees		576,177	162,922	-	-
Net gain/(loss) on available-for-sale financial assets		(521,015)	(255,840)	(38,373)	(296,763)
Net other comprehensive income to be reclassified to income statement in subsequent periods		3,064,349	396,131	(38,373)	(296,763)
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Revaluation of land and buildings		1,282,978	2,532,225	-	-
Share of other comprehensive income of equity accounted investees		40,947	(1,096)	-	-
Re-measurement gain/(loss) on defined benefit plans	37	(44,627)	43,015	(2,478)	5,415
Net other comprehensive income not to be reclassified to income statement in subsequent periods		1,279,298	2,574,144	(2,478)	5,415
Income tax on other comprehensive income	20.2	(52,348)	(26,548)	-	-
Other comprehensive income for the period, net of tax		4,291,299	2,943,727	(40,851)	(291,348)
Total comprehensive income for the period, net of tax		20,083,164	18,689,264	17,029,263	10,847,465
Attributable to :					
Equity holders of the parent		17,848,337	16,694,869		
Non-controlling interests		2,234,827	1,994,395		
		20,083,164	18,689,264		

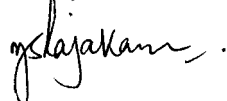
Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 181 to 258 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	Group		Company	
		2016	2015	2016	2015
In LKR '000s					
ASSETS					
Non-current assets					
Property, plant and equipment	21	52,736,375	49,562,595	116,039	126,051
Lease rentals paid in advance	22	10,888,158	8,709,033	-	-
Investment property	23	4,878,406	4,608,941	-	-
Intangible assets	24	2,337,860	2,719,457	43,820	63,283
Investments in subsidiaries	25	-	-	36,384,646	32,813,245
Investments in equity accounted investees	26	16,949,464	16,345,490	8,867,622	8,827,422
Non-current financial assets	27	22,635,444	19,708,688	507,405	1,633,119
Deferred tax assets	20.4	129,837	108,585	-	-
Other non-current assets	28	35,557,148	25,830,029	12,414	13,807
		146,112,692	127,592,818	45,931,946	43,476,927
Current assets					
Inventories	29	4,664,833	5,588,916	-	-
Trade and other receivables	30	9,998,949	10,269,689	169,144	85,566
Amounts due from related parties	43.1	133,031	185,085	595,182	258,270
Other current assets	31	2,303,431	2,398,142	128,353	124,749
Short term investments	32	72,635,070	67,540,668	56,862,236	43,292,579
Cash in hand and at bank		5,127,463	4,510,526	178,193	43,931
		94,862,777	90,493,026	57,933,108	43,805,095
Total assets		240,975,469	218,085,844	103,865,054	87,282,022
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	33	58,701,977	50,702,701	58,701,977	50,702,701
Revenue reserves		67,564,513	62,593,948	41,121,860	32,373,320
Other components of equity	33.2	28,715,262	24,501,278	1,084,617	727,398
		154,981,752	137,797,927	100,908,454	83,803,419
Non-controlling interest		13,498,570	12,278,883	-	-
Total equity		168,480,322	150,076,810	100,908,454	83,803,419
Non-current liabilities					
Insurance contract liabilities	35	27,205,282	23,931,966	-	-
Interest-bearing loans and borrowings	36	13,706,848	4,899,576	-	1,325,508
Deferred tax liabilities	20.4	2,029,371	1,625,394	-	-
Employee benefit liabilities	37	1,660,880	1,494,711	189,181	160,456
Other deferred liabilities	38	861,802	103,297	371,014	-
Other non-current liabilities	39	3,095,181	781,967	-	-
		48,559,364	32,836,911	560,195	1,485,964
Current liabilities					
Trade and other payables	40	12,755,466	11,267,339	332,506	333,822
Amounts due to related parties	43.2	28,982	26,488	102,135	2,726
Income tax liabilities	20.3	1,873,472	1,592,079	345,555	263,240
Short term borrowings	41	821,243	12,622,740	-	-
Interest-bearing loans and borrowings	36	2,991,582	4,459,213	1,482,508	1,345,276
Other current liabilities	42	2,234,856	3,251,881	16,289	14,883
Bank overdrafts		3,230,182	1,952,383	117,412	32,692
		23,935,783	35,172,123	2,396,405	1,992,639
Total equity and liabilities		240,975,469	218,085,844	103,865,054	87,282,022

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



M J S Rajakariar
Group Financial Controller

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



S C Ratnayake
Chairman



J R F Peiris
Group Finance Director

The accounting policies and notes as set out in pages 181 to 258 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2016	2015	2016	2015
In LKR '000s					
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before working capital changes	A	14,577,471	11,387,283	(183,323)	(406,540)
(Increase)/Decrease in inventories		934,769	1,377,104	-	-
(Increase)/Decrease in trade and other receivables		69,939	(71,986)	(62,627)	(27,111)
(Increase)/Decrease in other current assets		(176,563)	(368,770)	10,017	9,777
(Increase)/Decrease in other non-current assets		(6,646,918)	(6,120,356)	1,393	2,302
Increase/(Decrease) in trade and other payables		3,551,730	2,244,620	(99,067)	106,155
Increase/(Decrease) in other current liabilities		(1,033,059)	1,030,600	1,406	6,067
Increase/(Decrease) in insurance contract liabilities		3,273,316	3,658,957	-	-
Cash generated from/(used in) operations		14,550,685	13,137,452	(332,201)	(309,350)
Finance income received		8,117,933	7,413,741	4,162,732	2,632,685
Finance cost paid		(955,839)	(654,546)	(78,912)	(112,218)
Dividend received		2,588,485	2,396,850	9,902,966	9,361,361
Tax paid		(2,519,947)	(1,294,454)	(541,130)	(218,598)
Super Gain Tax paid		(1,096,780)	-	(235,746)	-
Gratuity paid		(171,100)	(144,335)	(386)	(5,898)
Net cash flow from operating activities		20,513,437	20,854,708	12,877,323	11,347,982
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		(4,582,064)	(2,999,475)	(30,002)	(38,763)
Purchase of intangible assets		(162,608)	(280,490)	(4,197)	(17,676)
Addition to investment property		(6,590)	(3,101)	-	-
Purchase of lease rights		(607,155)	(167,000)	-	-
Acquisition of business, net of cash acquired	9.1	(12,914)	-	-	-
Acquisition of associates		-	-	(115,407)	-
Increase in interest in subsidiaries		-	-	(5,100,725)	(688,835)
Increase in interest in associates		(40,200)	(113,090)	(40,200)	(113,090)
Proceeds from sale of property, plant and equipment and intangible assets		592,421	265,000	8,260	5,803
Proceeds from sale of non-current investments	9.3	-	3,460,528	5,739,902	48,000
Proceeds from sale of financial instruments - fair valued through profit or loss		236,082	506,063	-	-
Purchase of financial instruments - fair valued through profit or loss		(448,206)	(754,733)	-	-
(Purchase)/disposal of short term investments (net)		(39,731)	3,025,319	(2,591,480)	5,085,895
(Purchase)/disposal of other non current financial assets (net)		(4,506,403)	(4,194,367)	106,491	1,205,164
Grants received for investing activities		10,714	-	-	-
Net cash flow from/(used in) investing activities		(9,566,654)	(1,255,346)	(2,027,358)	5,486,498
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		7,999,276	953,887	7,999,276	953,887
Direct cost on issue of shares		(71,189)	(3,139)	(45,560)	-
Proceeds to shareholders with non-controlling interest, on share repurchase		(23,079)	-	-	-
Dividend paid to equity holders of parent		(8,037,790)	(3,475,947)	(8,037,790)	(3,475,947)
Dividend paid to shareholders with non-controlling interest		(1,595,872)	(793,276)	-	-
Proceeds from long term borrowings		409,372	1,014,970	-	-
Repayment of long term borrowings		(4,623,992)	(5,405,012)	(1,388,100)	(1,311,510)
Proceeds from (repayment of) other financial liabilities (net)		(1,773,958)	2,870,764	-	-
Net cash flow from/(used in) financing activities		(7,717,232)	(4,837,753)	(1,472,174)	(3,833,570)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,229,551	14,761,609	9,377,791	13,000,910
CASH AND CASH EQUIVALENTS AT THE BEGINNING		45,169,145	30,407,536	27,757,544	14,756,634
CASH AND CASH EQUIVALENTS AT THE END		48,398,696	45,169,145	37,135,335	27,757,544
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments	32	46,501,415	42,611,002	37,074,554	27,746,305
Cash in hand and at bank		5,127,463	4,510,526	178,193	43,931
Unfavourable balances					
Bank overdrafts		(3,230,182)	(1,952,383)	(117,412)	(32,692)
Total cash and cash equivalents		48,398,696	45,169,145	37,135,335	27,757,544

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 181 to 258 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
A. Profit before working capital changes				
Profit before tax	19,198,231	18,557,497	17,693,558	11,656,051
Adjustments for:				
Finance income	(8,010,952)	(8,122,497)	(4,640,404)	(3,772,223)
Dividend income	-	-	(10,260,828)	(8,843,908)
Finance costs	993,802	668,174	81,579	100,890
Share based payment expense	395,592	347,092	128,541	111,092
Change in fair value of investment property	(262,875)	(48,666)	-	-
Share of results of equity accounted investees	(2,781,233)	(2,778,323)	-	-
(Profit)/loss on sale of non-current investments	-	(1,221,460)	(3,792,821)	(47,900)
Depreciation of property, plant and equipment	2,782,315	2,767,323	33,415	30,434
Impairment losses of non financial assets	215,764	10,561	525,000	311,913
(Profit)/loss on sale of property, plant and equipment and intangible assets	34,050	(91,935)	(1,656)	(804)
Gain on bargain purchase of subsidiary (note 9.1)	(4,088)	-	-	-
Amortisation of lease rental paid in advance	738,407	714,115	-	-
Amortisation of intangible assets	320,564	234,198	23,660	23,008
Amortisation of other deferred liabilities	(14,984)	(512)	-	-
Gratuity provision and related costs	283,900	286,373	26,633	24,907
Unrealised (gain)/loss on foreign exchange (net)	688,978	65,319	-	-
Unrealised (profit)/loss on sale of goods to equity accounted investees	-	24	-	-
	14,577,471	11,387,283	(183,323)	(406,540)

Statement of Changes in Equity

COMPANY In LKR '000s	Note	Stated capital	Other capital reserve	Available for sale reserve	Revenue reserve	Total equity
As at 1 April 2014		49,748,814	215,626	461,443	24,705,039	75,130,922
Profit for the year		-	-	-	11,138,813	11,138,813
Other comprehensive income		-	-	(296,763)	5,415	(291,348)
Total comprehensive income		-	-	(296,763)	11,144,228	10,847,465
Exercise of share options		953,887	-	-	-	953,887
Share based payments		-	347,092	-	-	347,092
Final dividend paid - 2013/14		-	-	-	(1,485,620)	(1,485,620)
Interim dividends paid - 2014/15		-	-	-	(1,990,327)	(1,990,327)
As at 31 March 2015		50,702,701	562,718	164,680	32,373,320	83,803,419
Charge relating to Super Gain Tax	20.12	-	-	-	(235,746)	(235,746)
Profit for the year		-	-	-	17,070,114	17,070,114
Other comprehensive income		-	-	(38,373)	(2,478)	(40,851)
Total comprehensive income		-	-	(38,373)	17,067,636	17,029,263
Exercise of share warrants		7,972,760	-	-	-	7,972,760
Exercise of share options		26,516	-	-	-	26,516
Direct cost of issue of shares		-	-	-	(45,560)	(45,560)
Share based payments		-	395,592	-	-	395,592
Final dividend paid - 2014/15		-	-	-	(1,496,230)	(1,496,230)
Interim dividends paid - 2015/16		-	-	-	(6,541,560)	(6,541,560)
As at 31 March 2016		58,701,977	958,310	126,307	41,121,860	100,908,454

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 181 to 258 form an integral part of these financial statements.

Statement of Changes in Equity

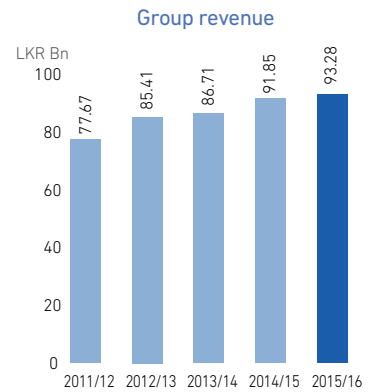
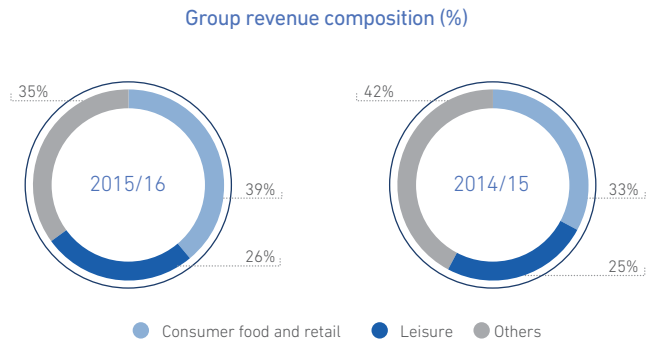
GROUP In LKR '000s	Note	Attributable to equity holders of the parent							Non controlling interests	Total equity
		Stated capital	Revaluation reserve	Foreign currency translation reserve	Other capital reserve	Available for sale reserve	Revenue reserve	Total		
As at 1 April 2014		49,748,814	17,770,505	3,179,071	215,626	679,488	51,303,646	122,897,150	11,420,940	134,318,090
Profit for the year		-	-	-	-	-	14,348,193	14,348,193	1,397,344	15,745,537
Other comprehensive income		-	1,986,971	591,425	-	(263,835)	32,115	2,346,676	597,051	2,943,727
Total comprehensive income		-	1,986,971	591,425	-	(263,835)	14,380,308	16,694,869	1,994,395	18,689,264
Exercise of share options		953,887	-	-	-	-	-	953,887	-	953,887
Direct cost of issue of shares		-	-	-	-	-	(2,877)	(2,877)	(262)	(3,139)
Share based payments		-	-	-	347,092	-	-	347,092	-	347,092
Realisation of revaluation reserve		-	(5,065)	-	-	-	5,065	-	-	-
Final dividend paid - 2013/14		-	-	-	-	-	(1,485,620)	(1,485,620)	-	(1,485,620)
Interim dividends paid - 2014/15		-	-	-	-	-	(1,990,327)	(1,990,327)	-	(1,990,327)
Subsidiary dividend to non-controlling interest		-	-	-	-	-	351,026	351,026	(1,144,302)	(793,276)
Acquisition, disposal and changes in non-controlling interest		-	-	-	-	-	32,727	32,727	8,112	40,839
As at 31 March 2015		50,702,701	19,752,411	3,770,496	562,718	415,653	62,593,948	137,797,927	12,278,883	150,076,810
Charge relating to Super-Gain Tax	20.12	-	-	-	-	-	(1,237,546)	(1,237,546)	(104,567)	(1,342,113)
Profit for the year		-	-	-	-	-	14,070,009	14,070,009	1,721,856	15,791,865
Other comprehensive income		-	1,093,779	3,310,483	-	(585,870)	(40,064)	3,778,328	512,971	4,291,299
Total comprehensive income		-	1,093,779	3,310,483	-	(585,870)	14,029,945	17,848,337	2,234,827	20,083,164
Exercise of share warrants		7,972,760	-	-	-	-	-	7,972,760	-	7,972,760
Exercise of share options		26,516	-	-	-	-	-	26,516	-	26,516
Direct cost of issue of shares		-	-	-	-	-	(68,255)	(68,255)	(2,934)	(71,189)
Re purchase of subsidiary shares held by NCI		-	-	-	-	-	-	-	(23,079)	(23,079)
Share based payments		-	-	-	395,592	-	-	395,592	-	395,592
Restatement of fully depreciated assets		-	-	-	-	-	20,482	20,482	3,900	24,382
Final dividend paid - 2014/15		-	-	-	-	-	(1,496,230)	(1,496,230)	-	(1,496,230)
Interim dividends paid - 2015/16		-	-	-	-	-	(6,541,560)	(6,541,560)	-	(6,541,560)
Subsidiary dividend to non-controlling interest		-	-	-	-	-	307,928	307,928	(1,903,800)	(1,595,872)
Acquisition, disposal and changes in non-controlling interest		-	-	-	-	-	(44,199)	(44,199)	1,015,340	971,141
As at 31 March 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

Figures in brackets indicate deductions.

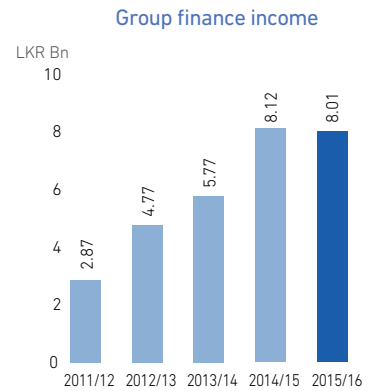
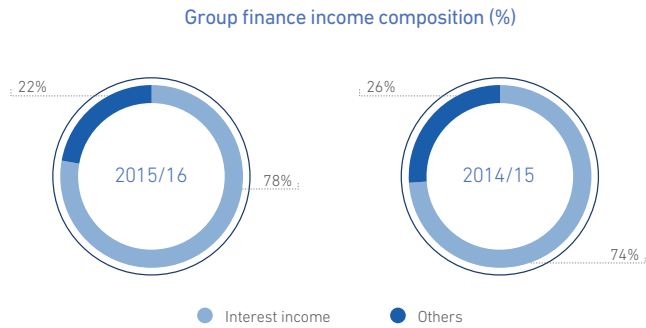
The accounting policies and notes as set out in pages 181 to 258 form an integral part of these financial statements.

Performance Highlights

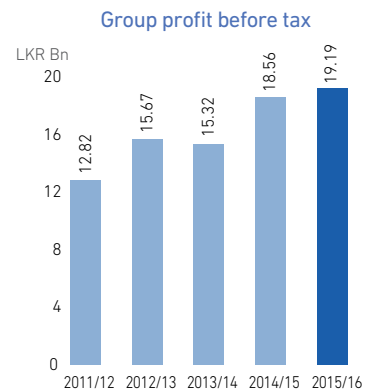
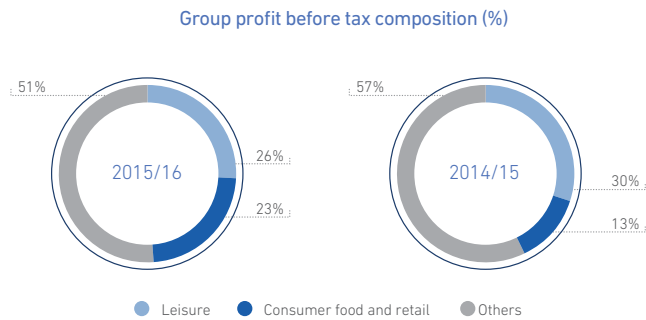
LKR 93.28Bn



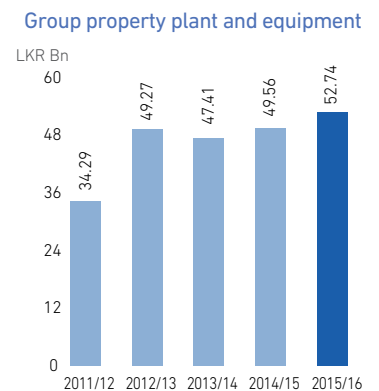
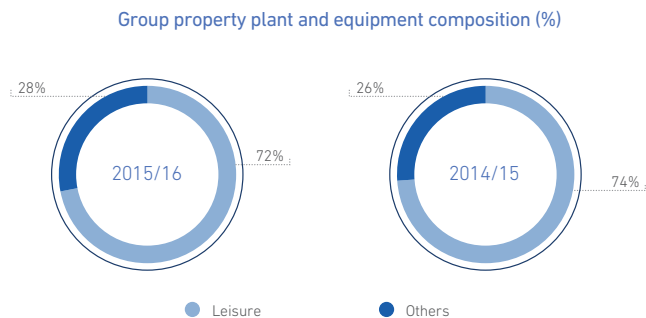
LKR 8.01Bn



LKR 19.20Bn



LKR 52.74Bn



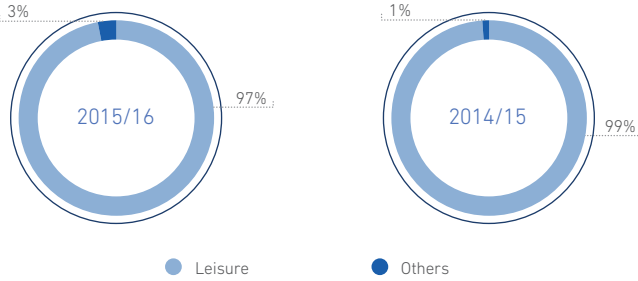
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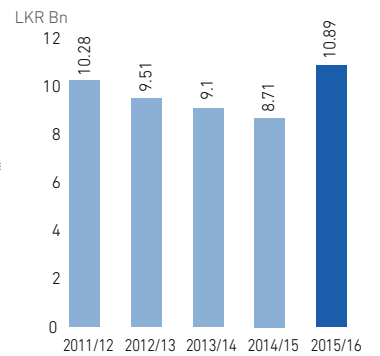
25%

Group lease rentals paid in advance

Group lease rentals paid in advance composition (%)



Group lease rentals paid in advance



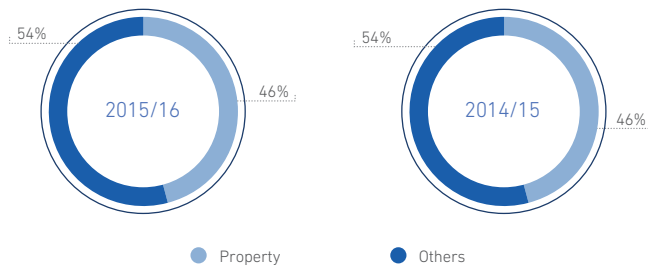
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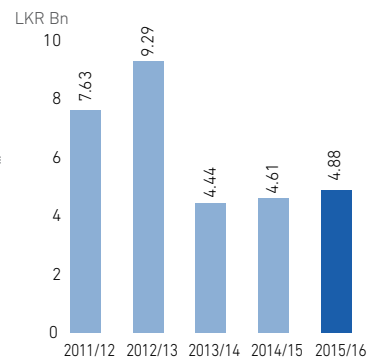
6%

Group investment property

Group investment property composition (%)



Group investment property



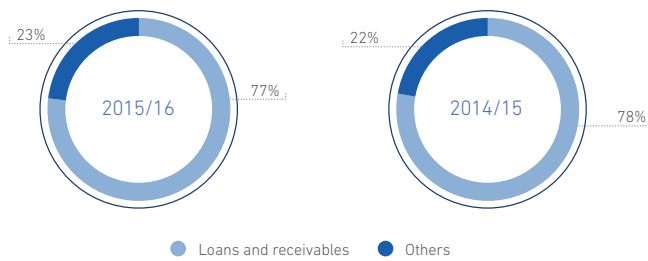
LKR 110.53Bn



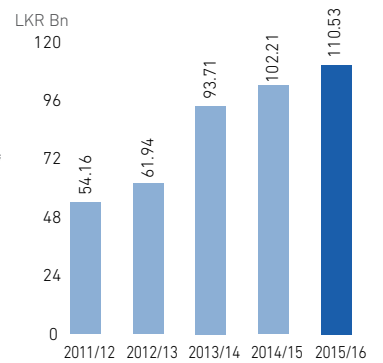
8%

Group financial assets

Group financial assets composition (%)



Group financial assets



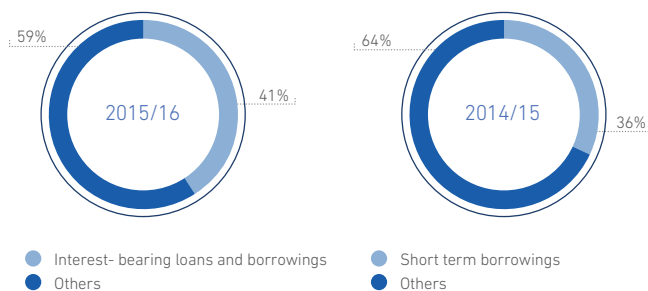
LKR 33.53Bn



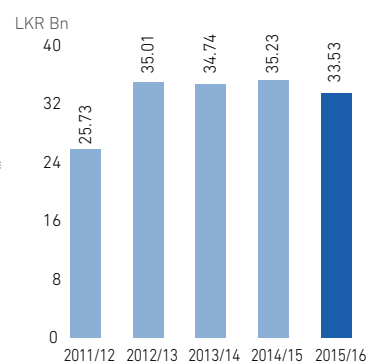
-5%

Group financial liabilities

Group financial liabilities composition (%)



Group financial liabilities



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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 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 2016, 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 2016 were authorised for issue by the Board of Directors on 25 May 2016.

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 & 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 primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

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

Country of incorporation	Functional currency	Name of the subsidiary
United Kingdom	British Pound (GBP)	John Keells Computer Services (UK) Ltd.
Canada	Canadian Dollar (CAD)	John Keells BPO Solutions Canada Inc.
India	Indian Rupee (INR)	John Keells BPO Solutions India (Pvt) Ltd. Serene Holidays (Pvt) Ltd.
Singapore	Singapore Dollar (SGD)	John Keells Singapore (Pte) Ltd.
USA	United States Dollar (USD)	John Keells BPO Solutions US Inc.
Republic of Maldives	United States Dollar (USD)	Fantasea World Investments (Pte) Ltd. John Keells Maldivian Resort (Pvt) 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. John Keells Holdings Mauritius (Pvt) Ltd.
Sri Lanka	United States Dollar (USD)	Waterfront Properties (Pvt) Ltd.

Notes to the Financial Statements

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 including the following for better presentation and to be comparable with those of the current year.

The share of results of equity accounted investees in the income statement and other comprehensive income statement are shown net of all related taxes.

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 are not covered in any other sections.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

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 on changing fair value of the item.

Foreign operations

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

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

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

5 Significant accounting judgements, estimates and assumptions

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

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 estimation 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 property, plant and equipment 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 Standards issued but not yet effective

The following SLFRS 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 SLFRS's will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. 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. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 14 Regulatory Deferral Accounts

SLFRS 14 is an interim standard which provides relief for first time -adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. SLFRS 14 is effective for annual periods beginning on or after 1 January 2016.

SLFRS 15 Revenue from Contracts with Customers

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.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Management believes that the SLFRS 14 would not be applicable for the Group, as it is an existing IFRS preparer/ does not involve in rate regulatory activities. Pending the completion of the detailed impact analysis, possible impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

Deferring Application Of IFRIC 15 -Agreements for the construction on real state

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.

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

Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11). Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38). Equity Method in Separate Financial Statements (Amendments to LKAS 27). Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28). Annual Improvements to SLFRSs 2012-2014 Cycle – various standards. Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28). Disclosure Initiative (Amendments to LKAS 1).

Notes to the Financial Statements

GROUP BUSINESS, OPERATIONS & 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.

Leisure

The leisure operation segment encompasses two five star city hotels in Colombo and eight 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 and India.

Property

The property operating segment concentrates primarily on development and sale of residential apartments

7.1 Business segments

For the year ended 31 March In LKR '000s	Transportation		Leisure		Property	
	2016	2015	2016	2015	2016	2015
External revenue	10,342,226	13,340,234	24,072,746	23,307,420	4,341,714	5,689,160
Inter segment revenue	278,657	431,615	34,540	44,275	197,500	198,102
Total segment revenue	10,620,883	13,771,849	24,107,286	23,351,695	4,539,214	5,887,262
Elimination of inter segment revenue						
Net revenue						
Segment results	560,242	304,238	5,028,273	5,425,961	1,620,032	1,527,750
Finance cost	(21,813)	(53,088)	(165,587)	(231,617)	(32,162)	(122,249)
Finance income	90,903	128,648	309,305	319,420	172,055	242,019
Change in fair value of investment property	-	-	-	-	148,250	4,823
Share of results of associates	1,868,769	2,004,403	52,110	12,262	-	-
Eliminations/adjustments	(2,940)	(25,000)	(255,771)	(20,651)	(265,213)	(136,554)
Profit/(loss) before tax	2,495,161	2,359,201	4,968,330	5,505,375	1,642,962	1,515,789
Tax expense	(40,738)	(24,178)	(601,123)	(650,007)	(57,793)	(88,730)
Profit/ (loss) for the year	2,454,423	2,335,023	4,367,207	4,855,368	1,585,169	1,427,059
Purchase and construction of PPE*	95,190	84,414	2,757,569	1,707,795	43,055	199,529
Addition to IA*	2,398	6,000	103,373	248,332	1,386	-
Depreciation of PPE*	87,953	96,801	1,546,807	1,440,358	14,395	10,490
Amortisation of IA*	1,278	817	54,764	-	1,211	-
Amortisation of LRPA*	-	-	712,950	712,940	24,282	-
Gratuity provision and related costs	12,020	11,245	102,066	90,999	2,939	1,069

In addition to segment results, information such as finance costs/income, tax expenses have been reflected under the segments for better presentation.

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

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 offer a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing.

Information Technology

The information technology operating segment comprises from BPO, software services and information integration to office automation which offers end-to-end ICT services and solutions

Others

This operating segment includes plantation services sector which operates tea factories, tea and rubber broking and pre-auction produce warehousing. This segment also consists of John Keells Holdings PLC. including its divisions/centre functions such as John Keells Capital and Strategic Group IT (SGIT), as well as other companies providing ancillary services.

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

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments' information, is measured differently from operating profit or loss in the consolidated financial statements. However, except for Financial Services segment, other segments' financing activities are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are carried out in the ordinary course of business.

Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
36,458,144	29,757,094	7,142,880	9,077,133	8,261,542	7,212,451	2,662,586	3,468,096	93,281,838	91,851,588
290,419	337,800	1	108,548	193,315	173,906	700,966	478,977	1,695,398	1,773,223
36,748,563	30,094,894	7,142,881	9,185,681	8,454,857	7,386,357	3,363,552	3,947,073	94,977,236	93,624,811
								(1,695,398)	(1,773,223)
								93,281,838	91,851,588
4,322,498	2,486,755	1,319,404	972,866	(334,221)	352,617	(1,681,060)	(767,588)	10,835,168	10,302,599
(25,026)	(67,849)	(602,274)	(215)	(12,657)	(11,947)	(134,283)	(181,209)	(993,802)	(668,174)
159,956	74,869	121,088	119,932	43,588	31,735	4,652,409	3,779,319	5,549,304	4,695,942
16,947	8,975	-	-	-	-	97,678	34,868	262,875	48,666
-	-	860,354	761,658	-	-	-	-	2,781,233	2,778,323
(1,925)	(4,585)	-	1,221,460	451,588	(2,541)	837,714	368,012	763,453	1,400,141
4,472,450	2,498,165	1,698,572	3,075,701	148,298	369,864	3,772,458	3,233,402	19,198,231	18,557,497
(1,243,488)	(693,973)	19,264	(56,586)	(52,572)	(90,269)	(1,429,916)	(1,208,217)	(3,406,366)	(2,811,960)
3,228,962	1,804,192	1,717,836	3,019,115	95,726	279,595	2,342,542	2,025,185	15,791,865	15,745,537
1,454,411	708,555	25,470	103,726	113,369	96,248	93,000	99,208	4,582,064	2,999,475
1,929	1,486	29,239	-	20,088	6,996	4,195	17,676	162,608	280,490
736,013	779,190	89,363	152,408	179,518	171,012	128,266	117,064	2,782,315	2,767,323
11,892	11,616	217,437	188,263	10,323	10,494	23,659	23,008	320,564	234,198
-	-	-	-	-	-	1,175	1,175	738,407	714,115
73,365	73,118	24,110	41,624	18,594	19,006	50,806	49,312	283,900	286,373

Notes to the Financial Statements

7 Operating segment information (Contd.)

7.2 Business segments

As at 31 March In LKR '000s	Transportation		Leisure		Property	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	477,027	503,117	34,059,483	32,758,685	2,308,494	1,836,385
Lease rentals paid in advance	-	-	9,330,503	8,667,094	248,040	-
Investment property	425,000	425,000	1,905,000	1,778,900	4,853,668	4,571,836
Intangible assets	6,871	5,750	441,284	402,036	363	-
Non-current financial assets	48,539	41,296	5,507,782	4,739,670	224,930	102,633
Other non-current assets	5,892	6,037	14,673	13,899	35,451,293	25,804,080
Segment non-current assets	963,329	981,200	51,258,725	48,360,284	43,086,788	32,314,934
Investments in equity accounted investees	11,263,337	11,153,883	474,364	334,192	-	-
Deferred tax assets						
Goodwill						
Eliminations/adjustments						
Total non-current assets						
Inventories	161,484	102,673	307,040	300,391	294,659	1,764,234
Trade and other receivables	1,028,910	1,485,618	3,144,535	2,947,519	1,435,139	2,852,536
Short term investments	1,943,880	2,417,409	5,734,333	7,338,354	339,545	3,477,734
Cash in hand and at bank	741,739	128,287	2,310,577	2,184,796	1,046,241	1,285,332
Segment current assets	3,876,013	4,133,987	11,496,485	12,771,060	3,115,584	9,379,836
Other current assets						
Eliminations/adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest-bearing loans and borrowings	-	-	7,376,034	7,597,031	11,360,684	360,057
Employee benefit liabilities	73,018	64,749	562,241	492,510	44,788	36,198
Other deferred liabilities	-	-	84,401	77,926	560,220	-
Other non-current liabilities	-	-	78,418	67,919	2,884,834	595,461
Segment non-current liabilities	73,018	64,749	8,101,094	8,235,386	14,850,526	991,716
Deferred tax liabilities						
Eliminations/adjustments						
Total non-current liabilities						
Trade and other payables	1,198,528	788,206	3,341,897	3,273,014	1,604,938	2,100,506
Short term borrowings	830,648	1,153,137	2,051,370	2,664,655	-	11,478,414
Interest-bearing loans and borrowings	-	-	1,208,978	1,243,738	145,778	1,686,388
Bank overdrafts	56,533	120,565	1,217,688	629,053	843,340	498,452
Segment current liabilities	2,085,709	2,061,908	7,819,933	7,810,460	2,594,056	15,763,760
Income tax liabilities						
Other current liabilities						
Eliminations/adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	4,839,342	5,115,187	62,755,210	61,131,344	46,202,372	41,694,770
Total segment liabilities	2,158,727	2,126,657	15,921,027	16,045,846	17,444,582	16,755,476

Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
7,283,463	6,517,850	1,514,336	1,222,723	246,979	307,939	1,317,211	1,288,843	47,206,993	44,435,542
-	-	-	-	-	-	41,854	43,029	9,620,397	8,710,123
111,404	94,457	-	-	-	-	3,215,185	3,000,300	10,510,257	9,870,493
80,504	40,968	999,848	1,237,546	25,553	18,991	44,841	63,282	1,599,264	1,768,573
165,973	129,850	21,441,579	17,657,947	30,666	29,050	546,718	1,659,248	27,966,187	24,359,694
376,324	281,061	51,369	64,707	5,496	6,243	17,727	19,628	35,922,774	26,195,655
8,017,668	7,064,186	24,007,132	20,182,923	308,694	362,223	5,183,536	6,074,330	132,825,872	115,340,080
-	-	5,211,763	4,857,415	-	-	-	-	16,949,464	16,345,490
								129,837	108,585
								738,596	950,884
								(4,531,077)	(5,152,221)
								146,112,692	127,592,818
2,996,410	2,602,934	8,672	6,196	701,831	602,420	208,408	243,793	4,678,504	5,622,641
2,268,819	1,891,132	731,550	531,051	2,044,672	1,664,841	1,012,242	498,312	11,665,867	11,871,009
2,350,084	993,708	6,496,141	11,639,146	726,511	841,128	57,095,945	43,534,137	74,686,439	70,241,616
241,991	262,966	272,029	265,880	235,716	218,528	276,798	151,527	5,125,091	4,497,316
7,857,304	5,750,740	7,508,392	12,442,273	3,708,730	3,326,917	58,593,393	44,427,769	96,155,901	92,232,582
								2,303,431	2,398,142
								(3,596,555)	(4,137,698)
								94,862,777	90,493,026
								240,975,469	218,085,844
-	-	27,205,282	23,931,966	-	-	-	-	27,205,282	23,931,966
98,793	217,972	-	-	9,621	43,128	192,458	1,337,508	19,037,590	9,555,696
463,598	436,219	129,058	115,039	91,931	85,093	296,246	264,903	1,660,880	1,494,711
26,336	24,908	-	-	-	-	191,516	1,147	862,473	103,981
131,929	118,441	-	-	-	-	-	146	3,095,181	781,967
720,656	797,540	27,334,340	24,047,005	101,552	128,221	680,220	1,603,704	51,861,406	35,868,321
								2,029,371	1,625,394
								(5,331,413)	(4,656,804)
								48,559,364	32,836,911
4,503,394	3,571,821	1,254,729	1,244,157	1,694,604	1,244,100	734,477	530,702	14,332,567	12,752,506
-	-	-	-	-	26,690	12,074	22,074	2,894,092	15,344,970
119,073	151,264	-	-	35,244	29,403	1,482,508	1,348,418	2,991,581	4,459,211
594,225	553,576	105,834	80,093	293,649	19,582	118,912	51,063	3,230,181	1,952,384
5,216,692	4,276,661	1,360,563	1,324,250	2,023,497	1,319,775	2,347,971	1,952,257	23,448,421	34,509,071
								1,873,472	1,592,079
								2,234,856	3,251,881
								(3,620,966)	(4,180,908)
								23,935,783	35,172,123
								72,495,147	68,009,034
15,874,972	12,814,926	31,515,524	32,625,196	4,017,424	3,689,140	63,776,929	50,502,099	228,981,773	207,572,662
5,937,348	5,074,201	28,694,903	25,371,255	2,125,049	1,447,996	3,028,191	3,555,961	75,309,827	70,377,392

Notes to the Financial Statements

7 Operating segment information (Contd.)

7.3 Geographical segments, based on the location of assets

In LKR '000s	Sri Lanka		Asia (excluding Sri Lanka)		Others		Group Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Segment assets	202,856,785	182,375,759	23,161,826	21,902,671	2,963,162	3,294,232	228,981,773	207,572,662
Segment liabilities	65,998,619	61,006,204	9,271,496	9,338,343	39,712	32,845	75,309,827	70,377,392
Investments in equity accounted investees	16,949,464	16,345,490	-	-	-	-	16,949,464	16,345,490
Segment revenue	79,195,946	78,276,865	9,676,692	9,117,936	4,409,200	4,456,787	93,281,838	91,851,588
Segment results	10,257,713	8,344,847	756,822	1,147,832	(179,367)	809,920	10,835,168	10,302,599
Purchase and construction of property, plant and equipment	3,415,006	2,753,930	1,167,058	245,545	-	-	4,582,064	2,999,475
Purchase and construction of intangible assets	162,608	280,490	-	-	-	-	162,608	280,490
Depreciation of property, plant and equipment	2,294,367	2,335,260	484,523	429,270	3,425	2,793	2,782,315	2,767,323
Amortisation of intangible assets	320,564	234,198	-	-	-	-	320,564	234,198
Amortisation of lease rental paid in advance	40,854	16,986	697,553	697,129	-	-	738,407	714,115
Gratuity provision and related costs	280,784	283,097	3,116	3,276	-	-	283,900	286,373

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
Trans-ware Logistics (Pvt) Ltd.	50.00
Mack Air Services Maldives (Pte) Ltd.	49.00
Tea Smallholder Factories PLC.	37.62

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed 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.

8.1 Material partly-owned subsidiaries

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

For the year ended 31 March In LKR '000s	Leisure		Consumer foods & retail	
	2016	2015	2016	2015
Summarised income statement for the period ending 31 March				
Revenue	27,160,159	25,981,311	37,366,674	30,571,846
Operating cost	(20,951,501)	(19,011,715)	(32,754,290)	(28,091,749)
Finance cost	(307,424)	(363,975)	(25,026)	(80,132)
Finance income	470,807	555,613	159,423	62,591
Change in fair value of investment property	224,665	28,792	16,947	8,975
Share of results of equity accounted investees	-	-	-	-
Profit before tax	6,596,706	7,190,026	4,763,728	2,471,531
Tax expense	(615,157)	(687,191)	(1,243,942)	(680,567)
Profit for the year	5,981,549	6,502,835	3,519,786	1,790,964
Other comprehensive income	690,444	2,032,479	70,066	26,771
Total comprehensive income	6,671,993	8,535,314	3,589,852	1,817,735
Profit/(loss) allocated to material NCI	682,779	784,211	574,321	308,434
Dividend paid to NCI	906,513	837,883	400,602	206,400

Notes to the Financial Statements

8.1 Material partly-owned subsidiaries (Contd.)

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

As at 31 March In LKR '000s	Leisure		Consumer foods & retail	
	2016	2015	2016	2015
Summarised statement of financial position as at 31 March				
Current assets	11,368,244	12,260,899	8,098,607	6,061,026
Non-current assets	66,812,284	63,879,761	14,829,369	13,922,206
Total assets	78,180,528	76,140,660	22,927,976	19,983,232
Current liabilities	8,360,308	8,530,725	6,570,597	5,030,420
Non-current liabilities	8,586,091	8,675,553	1,656,754	1,455,343
Total liabilities	16,946,399	17,206,278	8,227,351	6,485,763
Accumulated balances of material NCI	11,022,992	10,997,799	2,287,966	1,908,954
Summarised cash flow information for year ending 31 March				
Cash flows from operating activities	5,750,329	5,377,694	5,175,631	3,094,950
Cash flows from/(used in) investing activities	(2,154,749)	(1,767,639)	(1,415,285)	(553,180)
Cash flows from/(used in) financing activities	(4,067,811)	(4,986,087)	(2,465,962)	(1,383,090)
Net increase/(decrease) in cash and cash equivalents	(472,231)	(1,376,032)	1,294,384	1,158,680

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:

Leisure

Ahungalle Holiday Resorts (Pvt) Ltd. - 19.68%
(2015 - 19.68%)
Nuwara Eliya Holiday Resorts (Pvt) Ltd. - 19.68%
(2015 - 19.68%)
Asian Hotels & Properties PLC. - 21.44% (2015 - 21.44%)
Rajawella Hotels Company Ltd. - 19.68% (2015 - 19.68%)
Beruwala Holiday Resorts (Pvt) Ltd. - 20.22%
(2015 - 20.22%)
Resort Hotels Ltd. - 20.75% (2015 - 20.75%)
Ceylon Holiday Resorts Ltd. - 20.76% (2015 - 20.76%)
Serene Holidays (Pvt) Ltd. - 1.26% (2015 - 1.26%)
Cinnamon Holidays (Pvt) Ltd. - 19.68% (2015 - 0%)
Tranquility (Pte) Ltd. - 19.68% (2015 - 19.68%)
Fantasea World Investments (Pte) Ltd. - 19.68%
(2015 - 19.68%)
Tincio Walk Inn Ltd. - 19.68% (2015 - 19.68%)
Habarana Lodge Ltd. - 21.01% (2015 - 21.01%)
Trans Asia Hotels PLC. - 17.26% (2015 - 17.26%)
Habarana Walk Inn Ltd. - 20.66% (2015 - 20.66%)
Travel Club (Pte) Ltd. - 19.68% (2015 - 19.68%)
Hikkaduwa Holiday Resorts (Pvt) Ltd. - 20.76%
(2015 - 20.76%)
Trinco Holiday Resorts (Pvt) Ltd. - 19.68% (2015 - 19.68%)
International Tourists and Hoteliers Ltd. - 20.22%

(2015 - 20.22%)
Walkers Tours Ltd. - 1.49% (2015 - 1.49%)
John Keells Hotels PLC. - 19.68% (2015 - 19.68%)
Wirawila Walk Inn Ltd. - 19.68% (19.68%)
John Keells Maldivian Resorts (Pte) Ltd. - 19.68%
(2015 - 19.68%)
Yala Village (Pvt) Ltd. - 24.67% (2015 - 24.67%)
Kandy Walk Inn Ltd. - 20.97% (2015 - 20.97%)

Consumer foods & retail

Ceylon Cold Stores PLC. - 18.64% (2015 - 18.64%)
JayKay Marketing Services (Pvt) Ltd. - 18.64%
(2015 - 18.64%)
Keells Food Products PLC. - 10.35% (2015 - 9.83%)

Accounting judgements, estimates and assumptions

Consolidation of entities in which the Group holds less than a majority of voting right (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 and 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 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 Acquisitions in 2015/16

Acquisition of - Rajawella Holdings Ltd.

In September 2015, the Group has increased its shareholdings in Rajawella Holdings Ltd. (RHL) from 16.9% to 49.85% with a total investment of LKR 1,044 Mn over a three year period. Total investment comprises a partial buyout from existing shareholders, an infusion into RHL and release of an existing sublease of land held by the Group.

Notes to the Financial Statements

9 Business combinations and acquisitions of non-controlling interests (Contd.)
9.1 Acquisitions in 2015/16 (Contd.)

The fair value of net assets acquired of Rajawella Holdings Ltd. were as follows;

In LKR'000s	Fair value recognised on acquisition
ASSETS	
Cash	145,588
Inventories	10,675
Trade and other receivables	38,767
Other current assets	3,498
Intangible Assets	484
Lease hold land rights*	1,507,818
Property, plant and equipment	460,706
LIABILITIES	
Bank overdrafts	(43,501)
Deferred Tax Liabilities	(954)
Other Deferred Liabilities	(564,181)
Employee benefit liabilities	(8,435)
Other current liabilities	(14,125)
Trade and other payables	(145,045)
Total identifiable net assets at fair value	1,391,295
Non-controlling interest measured at fair value	(971,141)
Gain on bargain purchase of a subsidiary	(4,088)
Total purchase consideration	416,066
Deferred purchase consideration	(301,065)
Cash and cash equivalents acquired	(102,087)
Net cash outflow on acquisition of the subsidiary	12,914

* This represents the fair value on the date of acquisition of the leasehold land right held by Rajawella Holdings Ltd. The Fair value has been determined by an external independent chartered valuer.

Investment in Waterfront Properties (Pvt) Ltd.

John Keells Holdings PLC. (JKH) further invested in LKR 4,732 Mn in Waterfront Properties (Pvt) Ltd. a subsidiary of JKH involving the developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated Resort.

9.1 Acquisitions in 2014/15

Investment in Waterfront Properties (Pvt) Ltd.

John Keells Holdings PLC. (JKH) further invested LKR 525 Mn in Waterfront Properties (Pvt) Ltd. a subsidiary of JKH involving the developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated Resort.

Investment in John Keells Properties Ja-ela (Pvt) Ltd.

John Keells Holdings PLC. (JKH) further invested LKR 100 Mn in John Keells Properties Ja-ela (Pvt) Ltd., a subsidiary of JKH which is involved in property development and management of mall operations.

9.2 Disposals in 2015/16

Share buy back - Union Assurance PLC. (UA)

In May 2015, the Board of Directors of UA, a subsidiary of the Group, resolved that up to a maximum of 26,785,714 of its Ordinary Shares be repurchased at a price of LKR 167.80 per share on a Pro Rata basis of ten (10) shares for every thirty two (32) shares held. John Keells Holdings PLC. (the Company) exercised its buy back option of UA and the resultant gain of LKR3.10 Bn has been reported under Other Operating Income in the income statement of the John Keells Holdings PLC. (the Company).

9.3 Disposals in 2014/15

Disposal of Union Assurance General Ltd.

In compliance with the requirements of the Regulation of Insurance Industry Act No. 3 of 2011, Union Assurance PLC. (UAPLC), a subsidiary of the Group has completed the segregation of its long term and general insurance business by the transfer of the general insurance business to a newly formed company, Union Assurance General Limited (UAGL) on 01 January 2015. After the aforesaid segregation, UAPLC disposed of 78% of its stake in UAGL to Fairfax Asia Ltd.

In LKR'000s	Value recognised on disposal
ASSETS	
Property, plant and equipment	112,944
Other non current financial assets	5,338,016
Trade and other receivables	2,471,880
Deferred tax assets	29,204
Deferred acquisition cost	167,017
Cash in hand and at bank	274,694
LIABILITIES	
Insurance contract liability	(3,653,048)
Trade and other payables	(1,158,820)
Deferred Revenue	(130,328)
Employee benefit liabilities	(106,561)
Current tax liabilities	(141,518)
Bank overdraft	(70,842)
Total identifiable net assets	3,132,638
Transferred to investments in equity accounted investees	(689,718)
Profit on disposal of general insurance business	1,221,460
Cash consideration received	3,664,380
Cash and cash equivalents disposed	(203,852)
Net cash inflow on disposal of non current investments	3,460,528

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.

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.

Notes to the Financial Statements

10 Financial risk management objectives and policies (Contd.)

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.

	Notes	2016					Total	% of allocation
		Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties		
As at 31 March In LKR '000s								
Group								
Government securities	10.1.2	15,287,098	-	-	26,149,799	-	41,436,897	38%
Corporate debt securities	10.1.3	4,939,118	-	-	856,498	-	5,795,616	5%
Deposits with bank	10.1.4	568,198	-	-	42,621,898	-	43,190,096	40%
Loans to executives	10.1.5	618,850	-	167,940	-	-	786,790	2%
Loans to life policyholders	10.1.6	783,373	-	-	-	-	783,373	1%
Preference shares	10.1.7	254,024	-	-	-	-	254,024	0%
Trade and other receivables	10.1.8	-	-	9,482,865	-	-	9,482,865	9%
Reinsurance receivables	10.1.9	-	-	132,298	-	-	132,298	0%
Premium receivable	10.1.10	-	-	215,846	-	-	215,846	0%
Amounts due from related parties	10.1.11	-	-	-	-	133,031	133,031	0%
Cash in hand and at bank	10.1.12	-	5,127,463	-	-	-	5,127,463	5%
Total credit risk exposure		22,450,661	5,127,463	9,998,949	69,628,195	133,031	107,338,299	100%
Financial assets at fair value through P&L	10.3.3.1	-	-	-	3,006,875	-	-	
Available-for-sale investments	10.3.3.2	184,783	-	-	-	-	-	
Total equity risk exposure		184,783	-	-	3,006,875	-	-	
Total		22,635,444	5,127,463	9,998,949	72,635,070	133,031		
Company								
Government securities	10.1.2	-	-	-	18,066,890	-	18,066,890	32%
Corporate debt securities	10.1.3	268,366	-	-	-	-	268,366	0%
Deposits with bank	10.1.4	-	-	-	38,795,346	-	38,795,346	66%
Loans to executives	10.1.5	72,980	-	19,823	-	-	92,803	0%
Trade and other receivables	10.1.8	-	-	149,321	-	-	149,321	0%
Amounts due from related parties	10.1.11	-	-	-	-	595,182	595,182	2%
Cash in hand and at bank	10.1.12	-	178,193	-	-	-	178,193	0%
Total credit risk exposure		341,346	178,193	169,144	56,862,236	595,182	58,146,101	100%
Available-for-sale investments	10.3.3.2	166,059	-	-	-	-	-	
Total equity risk exposure		166,059	-	-	-	-	-	
Total		507,405	178,193	169,144	56,862,236	595,182		

Non current financial assets	Cash in hand and at bank	Trade and other receivables	2015		Total	% of allocation
			Short term investments	Amounts due from related parties		
11,148,295	-	-	37,494,803	-	48,643,098	49%
5,430,430	-	-	753,218	-	6,183,648	6%
1,649,700	-	-	25,858,590	-	27,508,290	28%
538,211	-	161,119	-	-	699,330	1%
682,095	-	-	-	-	682,095	1%
-	-	-	-	-	-	-
-	-	9,873,475	-	-	9,873,475	10%
-	-	89,854	-	-	89,854	0%
-	-	145,241	-	-	145,241	0%
-	-	-	-	185,085	185,085	0%
-	4,510,526	-	-	-	4,510,526	5%
19,448,731	4,510,526	10,269,689	64,106,611	185,085	98,520,642	100%
-	-	-	3,434,057	-	-	-
259,957	-	-	-	-	-	-
259,957	-	-	3,434,057	-	-	-
19,708,688	4,510,526	10,269,689	67,540,668	185,085	-	-
-	-	-	22,993,018	-	22,993,018	51%
268,306	-	-	-	-	268,306	1%
1,059,116	-	-	20,299,561	-	21,358,677	47%
64,462	-	17,980	-	-	82,442	0%
-	-	67,586	-	-	67,586	0%
-	-	-	-	258,270	258,270	1%
-	43,931	-	-	-	43,931	0%
1,391,884	43,931	85,566	43,292,579	258,270	45,072,230	100%
241,235	-	-	-	-	-	-
241,235	-	-	-	-	-	-
1,633,119	43,931	85,566	43,292,579	258,270	-	-

Notes to the Financial Statements

10 Financial risk management objectives and policies (Contd.)**10.1.2 Government securities**

As at 31 March 2016 as shown in table above, 39% (2015- 50%) of debt securities comprise investments in government securities consist of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

10.1.3 Corporate debt securities

As at 31 March 2016, corporate debt securities comprise 5% (2015-6%) of the total investments in debt securities, out of which 94% (2015 – 84%) were rated “A” or better, or guaranteed by a banking institution with a rating of “A” or better.

As at 31 March	Group			
	2016		2015	
Fitch ratings	In LKR '000s	Rating % of total	In LKR '000s	Rating % of total
AA+	615,672	11%	-	0%
AA	77,505	1%	698,192	11%
AA-	2,988,097	52%	2,065,816	33%
A+	1,132,347	20%	2,198,843	36%
A	562,794	10%	251,381	4%
A-	398,424	6%	763,297	12%
BBB+	20,777	0%	22,469	0%
Not rated	-	0%	183,650	4%
Total	5,795,616	100%	6,183,648	100%

10.1.4 Deposits with bank

Deposits with bank mainly consist of fixed and call deposits .

As at 31 March 2016, fixed and call deposits comprise 93% (2015- 98%) and 93% (2015- 100%) for the Group and Company respectively were rated “A+” or better.

As at 31 March	Group				Company			
	2016		2015		2016		2015	
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	1,003,763	2%	253,220	1%	870,038	2%	-	0%
AA+	10,200,822	24%	8,607,634	31%	9,382,100	24%	7,536,580	35%
AA	5,110,419	12%	1,209,219	4%	5,097,422	13%	1,209,219	6%
AA-	20,978,876	48%	16,886,019	61%	18,737,328	48%	12,612,878	59%
A+	2,966,941	7%	232,307	1%	2,140,013	6%	-	0%
A	2,929,284	7%	319,891	2%	2,568,445	7%	-	0%
Total	43,190,096	100%	27,508,290	100%	38,795,346	100%	21,358,677	100%

* rating agencies

10.1.5 Loans to executives

Loans to executives 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 considered as the collateral for the loans given to life policy holders by Union Assurance PLC.

10.1.7 Preference Shares

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

10.1.8 Trade and other receivables

As at 31 March

In LKR '000s

	Group		Company	
	2016	2015	2016	2015
Neither past due nor impaired	4,974,544	6,715,696	96,094	47,017
Past due but not impaired				
0-30 days	2,083,677	1,260,056	10,089	10,340
31-60 days	958,904	866,170	16,506	1,684
61-90 days	299,605	316,115	-	-
> 91 days	1,166,135	715,438	26,632	8,545
Impaired	1,035,892	706,906	-	3,817
Gross carrying value	10,518,757	10,580,381	149,321	71,403
Less: impairment provision				
Individually assessed impairment provision	(564,864)	(607,537)	-	(3,817)
Collectively assessed impairment provision	(471,028)	(99,369)	-	-
Total	9,482,865	9,873,475	149,321	67,586

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

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

10.1.9 Reinsurance receivables

As part of its overall risk management strategy, Union Assurance PLC. (UA) cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes UA to credit risk.

Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka and concentration of risk is managed by reference to counterparties' limits that are set each year and are subject to regular reviews. On a regular basis management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.

10.1.10 Premium receivable

UA has a credit risk exposure to receivables where the policyholder or the intermediary cannot settle their dues to UA. In life insurance, credit risk is minimal, since premium is collected before the policy is issued. The following steps have also been taken to further minimise credit risk;

- Customers are regularly reminded on the premium warranty clause.
- Outstanding credit is followed up on a daily basis.
- Policies not settled within a reasonable period are monitored and cancelled.
- Outstanding receivables are checked and confirmed

prior to settling claims.

- Until premium is settled a temporary certificate for 60 days issued for motor policies.

10.1.11 Amounts due from related parties

The Group's amounts due from related parties mainly consists of associates and other venture partners' balances from joint ventures. The Company balance consists of the balances from affiliate companies.

10.1.12 Credit risk relating to cash and cash equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

10.2 Liability 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.

Notes to the Financial Statements

10 Financial risk management objectives and policies (Contd.)

10.2 Liquidity risk (Contd.)

10.2.1 Net debt/(cash)

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Short term investments	72,635,070	67,540,668	56,862,236	43,292,579
Cash in hand and at bank	5,127,463	4,510,526	178,193	43,931
Adjustments to liquid assets	(5,163,192)	(4,893,704)	-	-
Total liquid assets	72,599,341	67,157,490	57,040,429	43,336,510
Interest-bearing loans and borrowings	13,706,848	4,899,576	-	1,325,508
Short term borrowings	821,243	12,622,740	-	-
Current portion of interest-bearing loans and borrowings	2,991,582	4,459,213	1,482,508	1,345,276
Bank overdrafts	3,230,182	1,952,383	117,412	32,692
Total liabilities	20,749,855	23,933,912	1,599,920	2,703,476
Net debt/(cash)	(51,849,486)	(43,223,578)	(55,440,509)	(40,633,034)

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 2016 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	3,687,083	1,985,299	1,475,617	827,071	720,891	11,773,215	20,469,176
Trade and other payables	12,755,466	-	-	-	-	-	12,755,466
Amounts due to related parties	28,982	-	-	-	-	-	28,982
Short term borrowings	821,243	-	-	-	-	-	821,243
Bank overdrafts	3,230,182	-	-	-	-	-	3,230,182
	20,522,956	1,985,299	1,475,617	827,071	720,891	11,773,215	37,305,049

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2015 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	4,459,213	3,687,083	1,985,299	1,475,617	827,071	720,891	13,155,174
Trade and other payables	11,267,339	-	-	-	-	-	11,267,339
Amounts due to related parties	26,488	-	-	-	-	-	26,488
Short term borrowings	12,622,740	-	-	-	-	-	12,622,740
Bank overdrafts	1,952,383	-	-	-	-	-	1,952,383
	30,328,163	3,687,083	1,985,299	1,475,617	827,071	720,891	39,024,124

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2016 based on contractual undiscounted (principal plus interest) payments.

As at 31 March In LKR '000s Company	2016 Within 1 year	Within 1 year	2015 Between 1-2 years	Total
Interest-bearing loans and borrowings	1,482,508	1,345,276	1,325,508	2,670,784
Trade and other payables	332,506	333,822	-	333,822
Amounts due to related parties	102,135	2,726	-	2,726
Bank overdrafts	117,412	32,692	-	32,692
	2,034,561	1,714,516	1,325,508	3,040,024

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 comprise of the following types of risk:

- * Interest rate risk
- * Currency risk
- * Equity price risk
- * Commodity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2016 and 2015.

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 analysis:

- The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.
- This is based on the financial assets and financial liabilities held at 31 March 2016 and 2015.

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, based on the market condition and outlook of the interest rate, the Group takes mitigating action such as interest rate swaps ,caps, etc.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points		Effect on profit before tax LKR '000s	
	Rupee borrowings	Other currency borrowings	Group	Company
2016	+189	+52	(119,511)	(7,709)
	-189	-52	119,679	7,709
2015	+30	+07	(16,369)	(18,695)
	-30	-07	16,369	18,695

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

Notes to the Financial Statements

10 Financial risk management objectives and policies (Contd.)**10.3.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury analyses the market condition of foreign exchange and provides market updates to the Group Executive Committee (GEC), with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes

decisions on whether to hold, sell, or make forward bookings of foreign currency as per decision rights given by Board of Directors.

10.3.2.1 Effects of currency transaction on forward contract

The following table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts. Currently these financial instruments are categorised under trade and other receivables.

For the year ended 31 March	Increase/(decrease) in basis points USD	Effect on profit before tax LKR '000s	
		Group	Company
2016	+10%	(42,282)	-
	-10%	42,282	-
2015	+2%	(23,677)	-
	-2%	23,677	-

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

10.3.2.2 Effects of currency translation

For purposes of the consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees (LKR). Therefore, period-to-period changes in average exchange rates may cause currency translation effects that have a significant impact on, for example, revenue, segment results (Earnings Before Interest and Taxes –EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

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

	Increase/(decrease) in exchange rate USD	Group		Company
		Effect on profit before tax LKR '000s	Effect on equity LKR '000s	Effect on profit before tax LKR '000s
2016	+10%	3,242,566	3,329,445	1,817,315
	-10%	(3,242,566)	(3,329,445)	(1,817,315)
2015	+2%	481,123	217,727	309,923
	-2%	(481,123)	(217,727)	(309,923)

Assumptions

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

10.3.3 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

10.3.3.1 Financial assets at fair value through Profit and loss

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

As at 31 March	Group			
	2016		2015	
	LKR '000s	%	LKR '000s	%
Banks finance and insurance	1,849,371	62%	1,919,688	56%
Beverage food and tobacco	364,221	12%	380,447	11%
Construction & engineering	53,844	2%	67,600	2%
Diversified holdings	360,216	12%	466,865	14%
Manufacturing	273,713	9%	358,007	10%
Motors	12,128	0%	13,899	0%
Power and energy	16,058	1%	140,961	4%
Other services	6,651	0%	8,408	0%
Telecommunications	64,641	2%	78,182	3%
Healthcare	6,032	0%	-	0%
	3,006,875	100%	3,434,057	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 and the Company's profit before tax and equity due to changes in the fair value of the listed equity securities.

	Change in year-end market price index	Group		Company	
		Effect on profit before tax LKR '000s	Effect on equity LKR '000s	Effect on profit before tax LKR '000s	Effect on equity LKR '000s
2016	+10%	300,688	32	-	-
	-10%	(300,688)	(32)	-	-
2015	+14%	480,768	55	-	-
	-14%	(480,768)	(55)	-	-

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 of shares.

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Debt/Equity	12.3%	15.9%	1.6%	3.2%

Notes to the Financial Statements

11 Fair value measurement and related fair value disclosures

Fair value measurement

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

- Investment in unquoted equity shares Note 27.1
- Property, plant and equipment under revaluation model Note 21.3
- Investment properties Note 23
- Financial Instruments (including those carried at amortised cost) Note 27

Accounting policy

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and building and investment properties, and significant liabilities, such as insurance contracts. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets and liabilities.

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

Fair value hierarchy

11.1 Financial assets by fair value 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	
	2016	2015	2016	2015	2016	2015
As at 31 March In LKR '000s						
Financial assets held for trading	1,395,201	1,326,906	-	-	-	-
Designated at fair value through profit or loss	2,253,716	2,107,151	21,160	429,847	-	-
Foreign exchange forward contracts	-	-	26,732	24,396	-	-
Available for sale	7,018,665	3,670,400	301,134	3,048,759	184,456	259,633
Total	10,667,582	7,104,457	349,026	3,503,002	184,456	259,633
NON FINANCIAL ASSETS	Note					
Assets measured at fair value						
Land and buildings	21.1				29,953,873	28,508,863
Buildings on leasehold land	21.1				11,541,882	10,179,676
Investment property	23				4,878,406	4,608,941
Total					46,374,161	43,297,480

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.

11.2 Financial assets by fair value hierarchy - Company

FINANCIAL ASSETS	Level 3	
	2016	2015
As at 31 March In LKR '000s		
Available for sale	166,059	241,235

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 2015	259,633	241,235
Sales	(12,266)	(27,488)
Total losses recognised in OCI	(62,911)	(47,688)
As at 31 March 2016	184,456	166,059

Fair valuation carried at 31 March 2016 for all unquoted equity shares classified as Level 3 within the fair value hierarchy using discounted cash flow valuation methodology. Fair value would not significantly vary if one or more of the inputs were changed.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

12 Financial instruments and related policies (Contd.)

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. 'Significance' 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.

Financial liabilities - subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. For purposes of subsequent measurement financial liabilities are classified in two categories:

- Loans and borrowings
- Financial guarantee contracts

12.1 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Group	Loans and receivables		Financial assets at fair value through profit or loss	
	2016	2015	2016	2015
As at 31 March LKR '000s				
Financial instruments in non-current assets/non-current liabilities				
Other non-current financial assets	2,492,810	3,215,789	50,452	24,919
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets/current liabilities				
Trade and other receivables/ Payables	9,998,949	10,269,689	-	-
Amounts due from/due to related parties	133,031	185,085	-	-
Short term investments	67,404,837	61,468,200	3,619,625	3,838,985
Cash in hand and at bank	5,127,463	4,510,526	-	-
Short term borrowings	-	-	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
Total	85,157,090	79,649,289	3,670,077	3,863,904

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 expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

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.

Financial assets by categories				Financial liabilities by categories			
Available-for-sale financial assets		Held-to-maturity investments		Total		Financial liabilities measured at amortised cost	
2016	2015	2016	2015	2016	2015	2016	2015
6,987,250	5,898,900	13,104,932	10,569,080	22,635,444	19,708,688	-	-
-	-	-	-	-	-	13,706,848	4,899,576
-	-	-	-	9,998,949	10,269,689	12,755,466	11,267,339
-	-	-	-	133,031	185,085	28,982	26,488
517,005	1,079,892	1,093,603	1,153,591	72,635,070	67,540,668	-	-
-	-	-	-	5,127,463	4,510,526	-	-
-	-	-	-	-	-	821,243	12,622,740
-	-	-	-	-	-	2,991,582	4,459,213
-	-	-	-	-	-	3,230,182	1,952,383
7,504,255	6,978,792	14,198,535	11,722,671	110,529,957	102,214,656	33,534,303	35,227,739

Notes to the Financial Statements

12 Financial instruments and related policies (Contd.)

For financial assets both at fair value through profit and loss and available-for-sale financial assets the carrying amount and fair value are equal.

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology. Fair value of held to maturity investments amounts to LKR 15,160 Mn (2015 - LKR 13,194 Mn) for the Group.

The Group has designated financial assets amounting to LKR 4,010 Mn (2015 - LKR 4,005 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.

12.2 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Company	Financial assets by categories						Financial liabilities by categories	
	Loans and receivables		Available-for-sale financial assets		Total		Financial liabilities measured at amortised cost	
	2016	2015	2016	2015	2016	2015	2016	2015
As at 31 st March In LKR '000s								
Financial instruments in non-current assets/ non-current liabilities								
Other non-current financial assets	341,346	1,391,884	166,059	241,235	507,405	1,633,119	-	-
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	1,325,508
Financial instruments in current assets/current liabilities								
Trade and other receivables/payables	169,144	85,566	-	-	169,144	85,566	332,506	333,822
Amounts due from/ due to related parties	595,182	258,270	-	-	595,182	258,270	102,135	2,726
Short term investments	56,862,236	43,292,579	-	-	56,862,236	43,292,579	-	-
Cash in hand and at bank	178,193	43,931	-	-	178,193	43,931	-	-
Interest-bearing loans and borrowings	-	-	-	-	-	-	1,482,508	1,345,276
Bank overdrafts	-	-	-	-	-	-	117,412	32,692
Total	58,146,101	45,072,230	166,059	241,235	58,312,160	45,313,465	2,034,561	3,040,024

Both carrying amount and fair value of available-for-sale financial assets are equal.

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology.

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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 recognised 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 terms.

General insurance business - gross written premium

Gross written premium is generally recognized as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

Life insurance business - gross written premium

Premiums from traditional life insurance contracts, including participating contracts and non-participating contracts, are recognised as revenue when cash is received from the policy holder.

Turnover based taxes

Companies in the Group pay turnover based taxes including value added tax in accordance with the respective statutes.

Notes to the Financial Statements

13 Revenue (Contd.)

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
13.1 Revenue				
Gross revenue	93,387,566	92,019,552	1,108,095	926,336
Turnover tax	(105,728)	(167,964)	-	-
Net revenue	93,281,838	91,851,588	1,108,095	926,336

For the year ended 31 March In LKR '000s	Group					
	2016			2015		
	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
13.2 Business segment analysis						
Transportation	9,660,391	681,835	10,342,226	12,673,385	666,849	13,340,234
Leisure	-	24,072,746	24,072,746	-	23,307,420	23,307,420
Property	3,758,466	583,248	4,341,714	5,175,333	513,827	5,689,160
Consumer Foods & Retail	36,458,144	-	36,458,144	29,681,441	75,653	29,757,094
Financial Services	-	7,142,880	7,142,880	-	9,077,133	9,077,133
Information Technology	6,390,265	1,871,277	8,261,542	4,789,859	2,422,592	7,212,451
Others	1,912,842	749,744	2,662,586	2,517,817	950,279	3,468,096
Group revenue	58,180,108	35,101,730	93,281,838	54,837,835	37,013,753	91,851,588

For the year ended 31 March In LKR '000s	Group	
	2016	2015
13.3 Geographical segment analysis (by location of customers)		
Sri Lanka	79,195,946	78,276,865
Asia (excluding Sri Lanka)	9,676,692	9,117,936
Europe	3,939,393	3,415,503
Others	469,807	1,041,284
Total Group external revenue	93,281,838	91,851,588

14 Dividend income

*Accounting policy***Dividend**

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

For the year ended 31 March In LKR '000s	Company	
	2016	2015
Dividend income from investments in subsidiaries	10,260,828	8,843,908

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.

	Group		Company	
	2016	2015	2016	2015
For the year ended 31 March In LKR '000s				
15.1 Other operating income				
Exchange gains	236,421	168,716	-	-
Profit on sale of property, plant and equipment	-	48,542	1,656	804
Profit on sale of non current investments	-	1,221,460	3,792,821	47,900
Promotional income and commission fee	1,287,334	982,653	-	-
Write back of dealer deposits	12,410	28,238	-	-
Sundry income	596,074	627,284	27,413	22,345
	2,132,239	3,076,893	3,821,890	71,049

	Group		Company	
	2016	2015	2016	2015
For the year ended 31 March In LKR '000s				
15.2 Other operating expenses				
Nation building tax	1,029,657	865,364	22,533	18,903
Loss on sale of property, plant and equipment	34,050	-	-	-
Impairment losses of non financial assets	215,764	10,561	525,000	311,913
Other overheads	2,329,084	2,378,673	19,147	18,016
	3,608,555	3,254,598	566,680	348,832

Other overheads mainly comprise of expense items such as heat, light and power.

Notes to the Financial Statements

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 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.

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Net finance income				
Finance income				
Interest income	6,226,155	5,985,668	2,935,026	2,427,665
Dividend income on				
Financial assets at fair value through profit or loss	102,328	101,617	-	-
Available-for-sale financial assets	8,724	56,458	8,724	55,972
Investment related expenses	(22,909)	(27,329)	-	-
Net gain on				
Financial assets at fair value through profit or loss	-	709,379	-	-
Available-for-sale financial assets	82,406	1,018,535	82,406	1,010,417
Exchange gains	1,614,248	278,169	1,614,248	278,169
Total finance income	8,010,952	8,122,497	4,640,404	3,772,223
Finance cost				
Interest expense on borrowings	(391,721)	(668,174)	(81,579)	(100,890)
Net loss on				
Financial assets at fair value through profit or loss	(602,081)	-	-	-
Total finance cost	(993,802)	(668,174)	(81,579)	(100,890)
Net finance income	7,017,150	7,454,323	4,558,825	3,671,333

17 Profit before tax*Accounting policy***Expenditure recognition**

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

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

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Profit before tax				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	375,934	393,540	163,099	170,297
Remuneration to non executive directors	51,698	48,212	22,320	21,010
Costs of defined employee benefits				
Defined benefit plan cost	283,900	286,373	26,633	24,907
Defined contribution plan cost - EPF and ETF	775,679	702,507	29,316	27,029
Staff expenses	10,135,789	9,633,062	561,849	524,317
Auditors' remuneration				
Audit	47,505	50,286	6,943	6,469
Non-audit	8,065	4,301	2,753	1,272
Depreciation of property, plant and equipment	2,782,315	2,767,323	33,415	30,434
Amortisation of intangible assets	320,564	234,198	23,660	23,008
Amortisation of lease rentals paid in advance	738,407	714,115	-	-
Impairment losses of non financial assets	215,764	10,561	525,000	311,913
Operating lease payments	1,068,459	1,040,168	-	-
(Profit)/loss on sale of property, plant and equipment and intangible assets	34,050	(91,935)	(1,656)	(804)
Donations	24,361	29,207	23,510	11,755

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 outstanding share option scheme and warrants) 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.

For the year ended 31 March In LKR '000s	Note	Group	
		2016	2015
18.1 Basic earnings per share			
Profit attributable to equity holders of the parent		14,070,009	14,348,193
Weighted average number of ordinary shares	18.3	1,160,601	1,135,812
Basic earnings per share		12.12	12.63
18.2 Diluted earnings per share			
Profit attributable to equity holders of the parent		14,070,009	14,348,193
Adjusted weighted average number of ordinary shares	18.3	1,163,388	1,156,368
Diluted earnings per share		12.09	12.41

Notes to the Financial Statements

18 Earnings per share (Contd.)

For the year ended 31 March In LKR '000s	Note	Group	
		2016	2015
18.3 Amount used as denominator			
Ordinary shares at the beginning of the year		997,486	990,289
Bonus element on share split		142,498	142,498
Effect of share options and warrants exercised		20,617	3,025
Weighted average number of ordinary shares in issue before dilution		1,160,601	1,135,812
Effects of dilution from:			
Employee share option plan		928	3,661
Share warrants - 2015		-	9,383
Share warrants - 2016		1,859	7,512
Adjusted weighted average number of ordinary shares		1,163,388	1,156,368

19 Dividend per share

For the year ended 31 March In LKR '000s	Company			
	LKR	2016	LKR	2015
Equity dividend on ordinary shares				
Declared and paid during the year				
Final dividend*	1.50	1,496,230	1.50	1,485,620
Interim dividend	5.50	6,541,560	2.00	1,990,327
Total dividend	7.00	8,037,790	3.50	3,475,947

* Previous year's final dividend paid in the current year

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.

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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.
- Where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is

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 BOI 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.

For the year ended 31 March In LKR '000s		Group		Company	
		2016	2015	2016	2015
20.1	Tax expense				
	Current income tax				
	Current tax charge	20.5	2,294,854	1,805,792	578,959
	(Over)/under provision of current tax of previous years		23,357	137,386	44,485
	Irrecoverable economic service charge	20.7	445	247	-
	10% Withholding tax on inter company dividends		754,194	603,747	-
	Deferred tax charge/(reversal)				
	Relating to origination and reversal of temporary differences	20.2	333,516	264,788	-
		20.6	3,406,366	2,811,960	623,444
					517,238

Notes to the Financial Statements

20 Taxes (Contd.)

		Group	
For the year ended 31 March In LKR '000s		2016	2015
20.2	Deferred tax expense		
	Income statement		
	Deferred tax expense arising from;		
	Accelerated depreciation for tax purposes	102,019	206,769
	Revaluation of investment property to fair value	6,134	1,798
	Retirement benefit obligations	(1,030)	(18,581)
	Benefit arising from tax losses	156,990	42,131
	Others	69,403	32,671
	Deferred tax charged directly to income statement	333,516	264,788
	Other comprehensive income		
	Deferred tax expense arising from;		
	Actuarial losses on defined benefit obligations	9,710	8,258
	Revaluation of land and building to fair value	20,796	18,290
	Net gain/loss on available-for-sale financial assets	21,842	-
	Total deferred tax charged/(credited) directly to OCI	52,348	26,548

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for leisure Group companies and at rates as disclosed in notes 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 4,384 Mn (2015 LKR 2,986 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.

		Group		Company	
As at 31 March In LKR '000s		2016	2015	2016	2015
20.3	Income tax liabilities				
	At the beginning of the year	1,592,079	908,100	263,240	-
	Charge for the year	2,318,211	1,943,178	623,444	517,238
	Payments and set off against refunds	(2,036,818)	(1,259,199)	(541,129)	(253,998)
	At the end of the year	1,873,472	1,592,079	345,555	263,240

		Group			
		ASSETS		LIABILITIES	
As at 31 March In LKR '000s		2016	2015	2016	2015
20.4	Deferred tax				
	At the beginning of the year	108,585	131,683	1,625,394	1,328,479
	Charge and release	26,598	32,219	412,462	323,555
	Acquisition/(disposal) of subsidiary	-	-	955	29,204
	Transfers/exchange translation difference	(5,346)	(55,317)	(9,440)	(55,844)
	At the end of the year	129,837	108,585	2,029,371	1,625,394
	The closing deferred tax asset and liability balances relate to the following;				
	Revaluation of land and building to fair value	(642)	(642)	397,497	377,935
	Revaluation of investment property to fair value	(13,670)	(4,704)	31,188	34,511
	Accelerated depreciation for tax purposes	(15,028)	(56,302)	1,755,586	1,612,293
	Employee benefit liability	72,680	79,388	(182,131)	(185,595)
	Losses available for offset against future taxable income	83,596	92,465	(215,730)	(364,031)
	Net gain/loss on available-for-sale financial assets	-	-	21,842	-
	Others	2,901	(1,620)	221,119	150,281
		129,837	108,585	2,029,371	1,625,394

The Group has tax losses amounting to LKR 7,166 Mn (2015 - LKR 7,572 Mn) that are available indefinitely to offset against future taxable profits of the companies in which the tax losses arose.

Deferred tax liability amounting to LKR 220 Mn (2015 - LKR 150 Mn) for the Group recognised on the impact pertaining to the current year on declared dividends of subsidiaries and the Group's portion of distributable reserves of equity accounted investees.

Accounting judgements, estimates and assumptions

The Group is subject to income tax and other taxes including VAT. Significant judgment 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 statement.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity

of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has tax losses relating to subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities and where the subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

The Group has contingent liabilities amounting to LKR 2,123 Mn (2015 - LKR 1,680 million). These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited at the reporting date. Further details on contingent liabilities are disclosed in note 44 in the financial statement.

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
20.5 Reconciliation between current tax charge and the accounting profit				
Profit before tax	19,198,231	18,557,497	17,693,558	11,656,051
Dividend income from Group companies	12,252,499	10,709,344	-	-
Share of results of equity accounted investees	(2,781,233)	(2,778,323)	-	-
Other consolidation adjustments	3,357,687	(178,683)	-	-
Profit after adjustment	32,027,184	26,309,835	17,693,558	11,656,051
Exempt profits	(2,555,264)	(4,153,308)	(639,902)	(679,562)
Income not liable for income tax	(4,545,016)	(1,078,827)	(3,875,227)	(1,058,317)
Resident dividend	(12,285,025)	(9,962,993)	(10,269,552)	(8,899,879)
Adjusted accounting profit chargeable to income taxes	12,641,879	11,114,707	2,908,877	1,018,293
Disallowable expenses	9,206,717	8,196,638	875,071	895,585
Allowable expenses	(6,024,919)	(6,000,971)	(1,694,336)	(387,428)
Utilization of tax losses	(366,929)	(127,615)	-	-
Qualifying payment deductions	(227,614)	(225,884)	(21,900)	(10,500)
Taxable income	15,229,134	12,956,875	2,067,712	1,515,950
Income tax charged at				
Standard rate of 28%	1,842,728	1,297,461	578,959	424,466
Other concessionary rates	452,126	508,331	-	-
Current tax charge	2,294,854	1,805,792	578,959	424,466

Notes to the Financial Statements

20 Taxes (Contd.)

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
20.6 Reconciliation between tax expense and the product of accounting profit				
Adjusted accounting profit chargeable to income taxes	12,641,879	11,114,707	2,908,877	1,018,293
Tax effect on chargeable profits	2,803,964	2,249,501	814,486	285,123
Tax effect on non deductible expenses	425,968	331,711	221,625	228,825
Tax effect on deductions claimed	(645,311)	(490,208)	(467,508)	(96,323)
Net tax effect of unrecognised deferred tax assets for the year	19,774	(20,317)	10,356	6,841
Net tax effect of unrecognised deferred tax assets for prior years	(46,025)	(30,107)	-	-
Under/(over) provision for previous years	23,357	137,386	44,485	92,772
Other income based taxes				
Irrecoverable economic service charge	445	247	-	-
10% Withholding tax on inter company dividends	754,194	603,747	-	-
Deferred tax on withholding tax of inter company dividends	70,000	30,000	-	-
Tax expense	3,406,366	2,811,960	623,444	517,238

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

For the year ended 31 March In LKR '000s	Group	
	2016	2015
20.7 Economic service charge (ESC)		
Irrecoverable economic service charge	445	247
	445	247

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
20.8 Tax losses carried forward				
Tax losses brought forward	7,572,469	7,914,453	1,230,471	1,230,471
Adjustments on finalisation of liability	(39,409)	(215,132)	-	-
Tax losses arising during the year	319,789	225,808	-	-
Utilisation of tax losses	(686,718)	(352,660)	-	-
	7,166,131	7,572,469	1,230,471	1,230,471

	Year of investment	Cost of approved investment	Relief claimed/forgone on investments
20.9 Details of investment relief			
John Keells Holdings PLC. (JKH)	1999/2000	579,036	579,036
Ceylon Cold Stores PLC. (CCS)	2011/2012	256,702	256,702
	2012/2013	167,091	167,091
	2013/2014	72,801	54,601
Keells Food Products PLC. (KFP)	2012/2013	457,732	457,732
Trans Asia Hotels PLC. (TAH)	2011/2012	81,522	81,522

JKH is eligible for qualifying payment relief granted under Section 31(2)(s) of the Inland Revenue Act No. 28 of 1979 and the transitional provisions at Section 218 of the Inland Revenue Act No. 10 of 2006. The Company has now fully claimed the relief.

CCS, KFP and TAH are eligible for qualifying payment relief granted under Section 34(2)(s) of the Inland Revenue Act No. 10 of 2006 and amendments thereto. TAH and KFP have

now fully claimed the relief. CCS has carried forward the unclaimed investment relief to set off in future years.

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	Open-ended
John Keells Computer Services (Pvt) Ltd.	- do -	- do -	- do -
John Keells Office Automation (Pvt) Ltd.	- do -	- do -	- do -
Cinnamon Hotel Management Ltd. (formerly known as Keells Hotel Management Services Ltd.)	- do -	- do -	- do -
John Keells Computer Services (Pvt) Ltd.	On-shore activities for payment in foreign currency	- do -	- do -
John Keells International (Pvt) Ltd.	- do -	- do -	- do -
InfoMate (Pvt) Ltd.	- do -	- do -	- do -
John Keells Holdings PLC.	- do -	- do -	- do -
Lanka Marine Services (Pvt) Ltd.	Export consignment sales of Petroleum Products	- do -	- do -
John Keells Properties Ja-Ela (Pvt) Ltd.	New Undertaking engaged in construction of commercial buildings	- do -	9 years from 1st year of profit or 2 years from operations
South Asia Gateway Terminals (Pvt) Ltd.	Operation of any port terminal in Sri Lanka	- do -	Exemption will continue even after the expiry of the BOI exemption
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%	Open-ended
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 -

Notes to the Financial Statements

20 Taxes (Contd.)

20.10 Applicable rates of income tax (Contd.)

Company/Sector	Basis	Exemptions or concessions	Period
Exemptions/concessions granted under the Board of Investment Law			
Beruwala Holiday Resorts (Pvt) Ltd.	Construction and operation of a tourist hotel	Exempt	8 years from 1 year of profit or 2 years from operations
Saffron Aviation (Pvt) Ltd.	Domestic Airline	- do -	8 years from 1 year of profit or 2 years from operations
John Keells Residential Properties (Pvt) Ltd.	Infrastructure development	- do -	8 years from April 2011
Trinco Holiday Resorts (Pvt) Ltd.	For upgrading and refurbishment of a hotel in the Eastern Province	- do -	10 years from 1 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 1 year of profit or 2 years from operations"
Waterfront Properties (Pvt) Ltd.	Integrated super luxury tourist resort	- do -	10 years from 1 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 1 April 2014
John Keells Logistics (Pvt) Ltd.	Integrated supply chain management	10%	2 years from April 2014

Other miscellaneous concessions

Exemption on interest income earned from foreign currency denominated accounts. Capital gains from sale of shares is excluded from chargeability to income tax. Income/profits from offshore dividends and interest is exempt from income tax.

20.11 Income tax rates of off-shore subsidiaries

Country of incorporation	Company	Rate
India	John Keells BPO Solutions India (Pvt) Ltd.	30.9%
	John Keells Foods India (Pvt) Ltd.	30.9%
	John Keells Air Services India (Pvt) Ltd.	30.9%
	Serene Holidays (Pvt) Ltd.	30.9%
Mauritius	John Keells BPO Holdings (Pvt) Ltd.	3%(Effective)
	John Keells BPO International (Pvt) Ltd.	3%(Effective)
	John Keells Holdings Mauritius (Pvt) Ltd.	3%(Effective)
Republic of Maldives	Fantasea World Investments (Pte) Ltd.	15%
	Tranquility (Pte) Ltd.	15%
	Travel Club (Pte) Ltd.	15%
	John Keells Maldivian Resorts (Pte) Ltd.	15%
	Mack Air Services Maldives (Pte) Ltd.	15%
Singapore	John Keells Singapore (Pte) Ltd.	17% (Max)
United Kingdom	John Keells Computer Services (UK) Ltd.	30%
USA	John Keells BPO Solutions US (Pvt) Inc.	35%(Max)
Canada	John Keells BPO Solutions Canada (Pvt) Inc.	26.5%

20.12 Super gain tax

As per the provisions of Part III of the Finance Act No. 10 of 2015, the Group and the Company was liable for Super Gain Tax of LKR 1,342 Mn and LKR 236 Mn respectively . According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and 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

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.

Notes to the Financial Statements

21 Property, plant and equipment (Contd.)

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	3 - 15
Furniture and fittings	2 - 15
Motor vehicles	4 - 10
Returnable containers	10
Vessels	10 - 25

As at 31 March
LKR '000s

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

	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
21.1 Property, plant and equipment - Group				
Cost or valuation				
At the beginning of the year	29,201,566	11,855,481	7,605,459	8,552,185
Additions	116,132	1,007,794	510,730	978,408
Acquisition/(disposal) of subsidiary	-	447,984	48,807	33,028
Disposals	(159)	(80,556)	(137,207)	(544,559)
Revaluations	1,109,558	152,556	-	-
Transfers (From revaluation adjustment)	(249,481)	(44,912)	-	-
Impairment/Derecognition	-	-	-	-
Transfers	467,099	19,137	186,047	14,794
Exchange translation difference	-	270,141	49,377	96,444
At the end of the year	30,644,715	13,627,625	8,263,213	9,130,300
Accumulated depreciation and impairment				
At the beginning of the year	(692,703)	(1,675,805)	(3,075,459)	(4,795,923)
Charge for the year	(270,576)	(384,540)	(571,359)	(1,096,619)
(Acquisition)/disposal of subsidiary	-	(41,210)	(20,164)	(18,492)
Disposals	-	31,397	122,958	484,137
Revaluations	262,015	53,242	-	-
Impairment/derecognition	-	-	-	-
Transfers	10,422	44,997	(10,542)	21,135
Exchange translation difference	-	(113,824)	(22,923)	(59,724)
At the end of the year	(690,842)	(2,085,743)	(3,577,489)	(5,465,486)
Carrying value				
As at 31 March 2016	29,953,873	11,541,882	4,685,724	3,664,814
As at 31 March 2015	28,508,863	10,179,676	4,530,000	3,756,262

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.

Motor vehicles

Freehold	Leasehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2016	Total 2015
586,332	13,292	799,963	3,718,815	453,800	355,675	63,142,568	60,885,664
50,168	-	112,589	415,605	50,687	1,339,951	4,582,064	2,999,475
13,324	-	-	-	-	4,812	547,955	(609,711)
(46,772)	-	(64,423)	(180,435)	-	(453,249)	(1,507,360)	(1,364,799)
-	-	-	-	-	-	1,262,114	2,532,225
-	-	-	-	-	-	(294,393)	(819,645)
-	-	-	-	-	-	-	(43,547)
2,256	-	-	(13,118)	-	(739,017)	(62,802)	(518,885)
4,456	-	-	-	-	3,230	423,648	81,791
609,764	13,292	848,129	3,940,867	504,487	511,402	68,093,794	63,142,568
(315,478)	(6,857)	(457,686)	(2,449,015)	(111,047)	-	(13,579,973)	(13,479,372)
(64,153)	-	(81,966)	(276,911)	(36,191)	-	(2,782,315)	(2,767,323)
(7,383)	-	-	-	-	-	(87,249)	496,767
35,807	-	44,964	170,686	-	-	889,949	1,167,870
-	-	-	-	-	-	315,257	819,645
-	-	-	-	-	-	-	39,240
(911)	-	-	21,088	-	-	86,189	186,096
(2,806)	-	-	-	-	-	(199,277)	(42,896)
(354,924)	(6,857)	(494,688)	(2,534,152)	(147,238)	-	(15,357,419)	(13,579,973)
254,840	6,435	353,441	1,406,715	357,249	511,402	52,736,375	
270,854	6,435	342,277	1,269,800	342,753	355,675		49,562,595

Notes to the Financial Statements

21 Property, plant and equipment (Contd.)

In LKR '000s	Plant and machinery	Equipment, furniture	Motor vehicles	Total 2016	Total 2015
21.2 Property, plant and equipment - Company					
Cost					
At the beginning of the year	3,598	340,655	71,012	415,265	407,494
Additions	106	4,896	25,000	30,002	38,763
Disposals	-	(12,951)	(18,500)	(31,451)	(30,992)
At the end of the year	3,704	332,600	77,512	413,816	415,265
Accumulated depreciation and impairment					
At the beginning of the year	(3,201)	(258,833)	(27,180)	(289,214)	(284,772)
Charge for the year	(121)	(23,896)	(9,398)	(33,415)	(30,434)
Disposals	-	12,601	12,251	24,852	25,992
At the end of the year	(3,322)	(270,128)	(24,327)	(297,777)	(289,214)
Carrying value					
As at 31 March 2016	382	62,472	53,185	116,039	
As at 31 March 2015	397	81,822	43,832		126,051

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 are 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 2016.

The changes in fair value 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.

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			Correlation to fair value
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	
Land						
Ahungalla Holiday Resort (Pvt) Ltd.	S Fernando	DCC	LKR265,500	-	-	Positive
Resort Hotels Ltd.	-do-	OMV	LKR115,000	-	-	Positive
Nuwara Eliya Holiday Resort (Pvt) Ltd	-do-	IM	-	-	6%	Negative
Land & Building						
Asian Hotels & Properties PLC.	P B Kalugalagedara	OMV/M	LKR8,000,000-LKR9,500,000	LKR2,000-LKR9,000	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd.	P B Kalugalagedara	OMV	LKR500,000-LKR600,000	LKR3,000-LKR10,500	-	Positive
Ceylon Cold Stores PLC.	-do-	OMV/DCC	LKR110,000-LKR130,000	LKR500-LKR3,500	-	Positive

Property	Name of the chartered valuation surveyor	Method of valuation*	Significant unobservable inputs		Estimated discount rate	Correlation to fair value
			Estimated price per perch	Estimated price per square foot		
Kandy Walk Inn Ltd.	S Fernando	OMV/DCC	LKR850,000	LKR850-LKR8,000	-	Positive
Keells Food Products PLC.	P B Kalugalagedara	OMV/DCC	LKR5,000-LKR275,000	LKR400-LKR7,000	-	Positive
Keells Realtors Ltd. (Ferguson Road, Colombo 15. Lot A IN, SP 2016)	-do-	OMV/DCC	LKR1,200,000	LKR500-LKR1,000	-	Positive
Mackinnons Keells Ltd.	-do-	OMV/DCC	LKR6,600,000	LKR1,500	-	Positive
Tea Smallholder Factories PLC.	K T D Tissera	CM	LKR2,500-LKR6,250	LKR700-LKR1,000	-	Positive
Transware Logistics (Pvt) Ltd.	K T D Tissera	IM	-	-	6%	Negative
Trinco Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	OMV/DCC	LKR170,000	LKR1,000-LKR7,000	-	Positive
Trinco Walk Inn Ltd.	-do-	OMV/DCC	LKR120,000	-	-	Positive
Union Assurance PLC.	-do-	OMV	LKR10,000,000	LKR500-LKR4,000	-	Positive
Whittal Boustead (Pvt) Ltd. 199, Union Place, Colombo 2	-do-	OMV/DCC	LKR4,750,000	LKR1,000-LKR2,000	-	Positive
Whittal Boustead (Pvt) Ltd. 148, Vauxhall Street, Colombo 2	-do-	OMV/DCC	LKR4,250,000	LKR1,000-LKR4,000	-	Positive
Whittal Boustead (Pvt) Ltd. "Ulex Villa", Badulla Road, Nuwara Eliya	-do-	DCC	LKR1,250,000	LKR500-LKR1,400	-	Positive
Wirawila Walk Inn Ltd.	S Fernando	IM			8%	Negative
Building on leasehold land						
Ceylon Holiday Resorts LTD.	P B Kalugalagedara	DCC	-	LKR1,000-LKR3,500	-	Positive
Habarana Lodge Ltd.	S Fernando	DCC	-	LKR500-LKR10,250	-	Positive
Habarana Walk Inn Ltd.	-do-	DCC	-	LKR2,500-LKR7,500	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	DCC	-	LKR1,000-LKR5,400	-	Positive
Jaykay Marketing Service(Pvt) Ltd.	-do-	IM	-	-	6%	Positive
John Keells Warehousing (Pvt) Ltd.	K T D Tissera	CM	-	LKR1,500-LKR2,500	-	Positive
Rajawella Holdings Ltd.	S Fernando	DCC	LKR 3,245-LKR 48,000	-	-	Positive
Trans Asia Hotels PLC.	P B Kalugalagedara	DCC	-	LKR350-LKR7,000	-	Positive
Yala Village (Pvt) Ltd.	S Fernando	DCC	-	LKR1,000-LKR6,750	-	Positive

Effective date of valuations were as at 31 March 2016 except for Union Assurance PLC. which was valued at 31 December 2015.

* Summary description of valuation methodologies can be found in next page.

Notes to the Financial Statements

21 Property, plant and equipment (Contd.)

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 build 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.

As at 31 March In LKR '000s		Group	
		2016	2015
21.4	The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;		
	Cost	12,279,223	12,203,504
	Accumulated depreciation and impairment	(2,099,601)	(2,032,096)
	Carrying value	10,179,622	10,171,408

Group land and buildings with a carrying value of LKR 6,925 Mn (2015 - LKR 6,959 Mn) have been pledged as security for term loans obtained, details of which are disclosed in note 35.3.

Group property, plant and equipment with a cost of LKR 6,517 Mn (2015 - LKR 4,212 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 268 Mn (2015 - LKR 577 Mn).

inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with the SLFRS 1.

22 Leases

Accounting Policy**Leases**

The determination of whether an arrangement contains a lease is based on the substance of the arrangement at the

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.

As at 31 March In LKR '000s		Group		
		Note	2016	2015
22.1	Lease rentals paid in advance			
	At the beginning of the year		8,709,033	9,096,488
	Addition for the year		607,155	167,000
	Acquisition of subsidiary (lease hold right)	9.1	1,507,818	-
	Amortisation for the year		(738,407)	(714,115)
	Exchange gain/(loss)		802,559	159,660
	At the end of the year		10,888,158	8,709,033

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.

Property	Land extent (in acres)	Lease period	Amount	
			2016 In LKR '000s	2015 In LKR '000s
22.2 Details of lease rentals paid in advance				
John Keells Warehousing (Pvt) Ltd. Muthurajawela	6.00	50 years from 19-09-2001	38,024	39,113
Rajawella Hotels Company Ltd.	10.00	95 years and 10 months from 02-02-2000	-	33,354
Rajawella Holdings Ltd.	517.09	99 years from 02-12-1996	1,516,890	-
Tea Smallholder Factories PLC.				
Karawita Tea Factory	4.98	50 years from 15-08-1997	2,741	2,826
Tranquility (Pte) Ltd.				
Chaaya Island Dhonveli, Republic of Maldives	18.62	18 years from 26-08-2010	6,917,044	6,756,921
Trans Asia Hotels PLC.				
Colombo	7.65	99 years from 07-08-1981	793,856	806,260
Travel Club (Pte) Ltd.				
Chaaya Reef Ellaidhoo, Republic of Maldives	13.75	14 years from 27-11-2006	1,230,540	867,385
Yala Village (Pvt) Ltd.	11.00	30 years from 27-11-1997	61,625	64,619
Kirinda				
Fantasea World Investment (Pte) Ltd.	13.42	25 years from 27-08-2022	327,438	138,555
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives				
			10,888,158	8,709,033

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 31 March In LKR '000s	Group	
	2016	2015
Carrying value		
At the beginning of the year	4,608,941	4,440,227
Additions	6,590	3,101
Transfers	-	116,947
Change in fair value during the year	262,875	48,666
At the end of the year	4,878,406	4,608,941
Freehold property	4,752,406	4,482,941
Leasehold property	126,000	126,000
	4,878,406	4,608,941
Rental income earned	517,821	480,527
Direct operating expenses incurred	172,132	157,563

Notes to the Financial Statements

23 Investment property (Contd.)*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 akin 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 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						
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	P B Kalugalagedara	Investment method	-	-	6.25%	Negative
Ceylon Cold Stores PLC. Inner Harbour Road, Trincomalee	P B Kalugalagedara	Open market value/ direct capital comparison method	LKR 550,000	LKR 50	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd, Kapuwatte	P B Kalugalagedara	Direct capital comparison method	-	-	6.50%	Negative
Keells Realtors Ltd. Ferguson Road, Colombo 15.	P B Kalugalagedara	Open market value/ direct capital comparison method	LKR 1,500,000	LKR 1,000	-	Positive
John Keells PLC.17/1, Temple Road, Ekala, Ja-Ela.	P B Kalugalagedara	Market comparable method	LKR 300,000 - LKR 500,000	-	-	Positive
Facets (Pvt) Ltd. Ahungalla.	S Fernando	Investment method	-	-	9.00%	Negative
Leasehold property						
Tea Smallholder Factories PLC. Stores Complex, Peliyagoda	P B Kalugalagedara,	Open market value/ direct capital comparison method	LKR 750,000	LKR 1,100	-	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.

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.

Basis of measurement

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure

is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

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

The amortisation period and the 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.

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, and
- 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		
Purchased software	5	Acquired	When indicators of impairment exists. The amortization method is reviewed at each financial year end
Software license	5		
Developed software	5	Internally generated	Annually for assets which are 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.

Notes to the Financial Statements

Intangible assets (Contd.)

Intangible assets

As at 31 March LKR '000s	Note	Software				Group		Company			
		Developed	Purchased	Licenses	WIP	Other	Goodwill	2016	2015	2016	2015
Cost/carrying value											
At the beginning of the year		441,707	145,159	584,164	7,657	2,249,000	950,884	4,428,071	3,964,500	486,885	469,209
Additions		112,054	32,951	6,403	11,200	-	-	162,608	280,490	4,196	17,676
Transfers		12,268	(1,386)	8,770	(12,268)	-	-	7,384	215,842	-	-
Disposal		(10,400)	-	-	-	-	-	(10,400)	(25,906)	-	-
Acquisition/(disposal) of subsidiary	9.1	-	4,523	-	-	-	-	4,523	-	-	-
Impairment		(3,476)	-	-	-	-	(212,288)	(215,764)	(6,855)	-	-
At the end of the year		552,153	181,247	599,337	6,589	2,249,000	738,596	4,376,422	4,428,071	491,081	486,885
Accumulated amortisation and impairment											
At the beginning of the year		(28,996)	(83,015)	(472,106)	-	(1,124,497)	-	(1,708,614)	(1,492,246)	(423,602)	(400,594)
Amortisation		(64,463)	(28,960)	(39,725)	-	(187,416)	-	(320,564)	(234,198)	(23,659)	(23,008)
Transfers		-	981	(7,366)	-	-	-	(6,385)	-	-	-
Disposal		1,040	-	-	-	-	-	1,040	17,229	-	-
(Acquisition)/(disposal) of subsidiary	9.1	-	(4,039)	-	-	-	-	(4,039)	-	-	-
Impairment		-	-	-	-	-	-	-	601	-	-
At the end of the year		(92,419)	(115,033)	(519,197)	-	(1,311,913)	-	(2,038,562)	(1,708,614)	(447,261)	(423,602)
Carrying value											
As at 31 March 2016		459,734	66,214	80,140	6,589	937,087	738,596	2,337,860	2,719,457	43,820	63,283
As at 31 March 2015		412,711	62,144	112,058	7,657	1,124,503	950,884	4,428,071	4,428,071	486,885	469,209

Present value of acquired in-force business (PVIB)

Upon acquiring a controlling stake in Union Assurance PLC. (UA), the Group has recognised in the consolidated financial statements an intangible asset representing the present value of future profits on UA's portfolio of long term life

insurance contracts, known as the present value of acquired in-force business (PVIB) at the acquisition date. Further, PVIB recognised at the acquisition date will be amortised over the estimated life of the business acquired and reviewed annually for any impairment in value.

24.1 Goodwill

	Net carrying value of goodwill
As at 31 March In LKR '000s	2016
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 amount 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.

Notes to the Financial Statements

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 are immediately recognised in the income statement. Following initial recognition, Investment In subsidiaries are carried at cost less any accumulated impairment losses.

As at 31 March		Note	Company	
In LKR '000s			2016	2015
Investment in subsidiaries				
25.1	Carrying value			
Investments in subsidiaries				
	Quoted	25.2	19,101,303	20,043,167
	Unquoted	25.3	17,283,343	12,770,078
			36,384,646	32,813,245

As at 31 March		Group		Company			
In LKR '000s		2016		Number of shares	Effective holding %	2016 Cost	2015 Cost
		Number of shares	Effective holding %				
25.2	Cost						
Group quoted investments							
	Asian Hotels and Properties PLC.	347,824,190	78.56	347,824,190	78.56	5,278,888	5,254,670
	Ceylon Cold Stores PLC.	77,321,208	81.36	67,109,128	70.61	1,396,691	1,352,824
	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	444,745	424,876
	Keells Food Products PLC.	23,350,658	89.65	19,110,399	74.94	1,040,298	1,033,365
	Tea Smallholder Factories PLC.	11,286,000	37.62	11,286,000	37.62	63,466	63,466
	Trans Asia Hotels PLC.	184,107,284	82.74	97,284,256	48.64	1,601,482	1,600,636
	Union Assurance PLC.	55,344,310	93.92	50,981,538	86.51	2,173,593	3,211,190
						19,101,303	20,043,167

As at 31 March		Group		Company	
In LKR '000s		2016	2015	2016	2015
Market Value					
Group quoted investments					
	Asian Hotels and Properties PLC.	16,625,996	21,912,924	16,625,996	21,912,924
	Ceylon Cold Stores PLC.	33,248,119	23,041,719	28,856,925	20,011,942
	John Keells Hotels PLC.	14,035,182	16,725,258	14,035,182	16,725,258
	John Keells PLC.	3,698,435	4,860,800	3,698,435	4,860,800
	Keells Food Products PLC.	2,528,876	2,528,876	3,248,768	2,069,656
	Tea Smallholder Factories PLC.	220,077	445,797	220,077	445,797
	Trans Asia Hotels PLC.	14,710,172	17,306,085	7,773,012	9,144,720
	Union Assurance PLC.	8,849,555	12,831,298	8,151,948	12,776,149
		93,916,412	99,652,757	82,610,343	87,947,246

As at 31 March In LKR '000s	Group		Company			2015 Cost
	2016 Number of shares	Effective holding %	2016 Number of shares	Effective holding %	Cost	
25.3 Group unquoted investments						
Ahungalla Holiday Resort (Pvt) Ltd.	13,200,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	219,725,653	79.78	-	-	1,192	677
British Overseas (Pvt) Ltd.	61	61.00	61	61.00	57,001	57,001
Ceylon Holiday Resorts Ltd.	12,119,739	79.24	-	-	1,707	845
Cinnamon Hotels Management Services Ltd.	1,000,000	100.00	1,000,000	100.00	101,313	64,965
Facets (Pvt) Ltd.	15,000	100.00	15,000	100.00	-	-
Fantasea World Investments (Pte) Ltd.	7,299	80.32	-	-	1,196	715
Habarana Lodge Ltd.	12,981,548	78.99	-	-	2,705	1,464
Habarana Walk Inn Ltd.	4,321,381	79.34	-	-	1,135	646
Hikkaduwa Holiday Resorts (Pvt) Ltd.	107,596,700	79.24	-	-	974	646
InfoMate (Pvt) Ltd.	2,000,000	100.00	2,000,000	100.00	26,568	23,895
International Tourists and Hoteliers Ltd.	38,490,901	79.78	-	-	-	-
J K Packaging (Pvt) Ltd.	1,450,000	100.00	1,450,000	100.00	-	-
JayKay Marketing Services (Pvt) Ltd.	282,239,025	81.36	-	-	73,648	42,525
John Keells BPO Holdings (Pvt) Ltd.	19,000,000	100.00	-	-	-	-
John Keells BPO International (Pvt) Ltd.	1,500,000,000	100.00	-	-	-	-
John Keells BPO Investments (Pvt) Ltd.	14,700	100.00	-	-	-	-
John Keells BPO Investments (Pvt) Ltd. - Preference A	57,200,000	-	-	-	-	-
John Keells BPO Solutions Canada (Pvt) Ltd.	5,000	100.00	-	-	-	-
John Keells BPO Solutions India (Pvt) Ltd.	34,131,306	100.00	-	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd.	32,843,578	100.00	-	-	-	-
John Keells BPO Solutions US (Pvt) Ltd.	5,000	100.00	-	-	-	-
John Keells Computer Services (Pvt) Ltd.	9,650,000	100.00	9,650,000	100.00	111,664	105,507
John Keells Computer Services (UK) Ltd.	100	100.00	100	100.00	9	9
John Keells Foods India (Pvt) Ltd.	8,999,990	89.65	-	-	-	-
John Keells Holdings Mauritius (Pvt) Ltd.	2,303,225	100.00	2,303,225	100.00	38,007	38,007
John Keells Hotels Mauritius (Pvt) Ltd.	34,100	80.32	-	-	-	-
John Keells International (Pvt) Ltd.	199,160,000	100.00	199,160,000	100.00	1,473,635	1,997,122
John Keells Logistics (Pvt) Ltd.	19,999,998	100.00	19,999,998	100.00	205,652	204,699
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	80.32	-	-	6,666	4,509
John Keells Office Automation (Pvt) Ltd.	500,000	100.00	500,000	100.00	30,928	19,310
John Keells Properties (Pvt) Ltd.	24,000,000	100.00	24,000,000	100.00	192,169	192,169
John Keells Properties Ja-ela (Pvt) Ltd.	95,436,000	100.00	95,436,000	100.00	954,360	954,360
John Keells Residential Properties (Pvt) Ltd.	2,081,698	100.00	2,081,698	100.00	20,817	925,200
John Keells Singapore (Pte) Ltd.	160,000	80.00	160,000	80.00	4,209	4,209
John Keells Software Technologies (Pvt) Ltd.	800,000	100.00	800,000	100.00	-	-
John Keells Stock Brokers (Pvt) Ltd.	750,000	90.04	180,000	24.00	23,162	12,971
John Keells Teas Ltd.	12,000	100.00	12,000	100.00	7,895	4,463
John Keells Warehousing (Pvt) Ltd.	12,000,000	86.90	-	-	1,803	1,062
Kandy Walk Inn Ltd.	6,165,484	79.03	-	-	1,637	983
Keells Consultants (Pvt) Ltd.	16,000	100.00	16,000	100.00	2,554	2,065
Keells Realtors Ltd.	7,500,000	100.00	3,000,000	40.00	30,000	30,000
Keells Shipping (Pvt) Ltd.	50,000	100.00	50,000	100.00	502	502
Lanka Marine Services (Pvt) Ltd.	34,805,470	99.44	34,805,470	99.44	1,338,947	1,332,709
Mack Air (Pvt) Ltd.	499,998	100.00	499,998	100.00	50,221	32,595
Mack Air Services Maldives (Pvt) Ltd.	4,900	49.00	4,700	47.00	2,021	2,021
Mackinnon Keells Ltd.	1,080,000	100.00	972,000	90.00	11,912	11,912

Notes to the Financial Statements

25 Investment in subsidiaries (Contd.)

As at 31 March In LKR '000s	Group		Company			2015 Cost
	2016 Number of shares	Effective holding %	2016 Number of shares	Effective holding %	Cost	
Mackinnon Mackenzie and Company (Shipping) Ltd.	500,000	100.00	-	-	-	-
Mackinnon Mackenzie and Company of (Ceylon) Ltd.	9,000	100.00	6,000	73.33	-	-
Mackinnons Travels (Pvt) Ltd.	499,996	100.00	499,996	100.00	16,490	14,459
Mortlake (Pvt) Ltd.	300	100.00	300	100.00	327,240	327,240
Nuwara Eliya Holiday Resort (Pvt) Ltd	24,556,232	80.32	-	-	-	-
Rajawella Holdings Ltd.	25,615,561	49.85	11,573,339	45.18	801,707	-
Rajawella Hotels Company Ltd.	3,101,384	80.32	-	-	-	-
Resort Hotels Ltd.	81,107	79.24	-	-	-	-
Serene Holidays (Pvt) Ltd.	800,000	98.74	-	-	-	-
Tranquility (Pte) Ltd.	637,499	80.32	-	-	2,011	980
Trans-ware Logistics (Pvt) Ltd.	11,000,007	50.00	11,000,007	50.00	114,577	114,577
Travel Club (Pte) Ltd.	29,059	80.32	-	-	1,593	819
Trinco Holiday Resort (Pvt) Ltd	8,120,005	80.32	-	-	1,167	634
Trinco Walk Inn Ltd.	3,000,007	80.32	-	-	-	-
Walkers Tours Ltd.	4,925,577	98.51	4,925,577	98.51	153,359	143,140
Waterfront properties (Pvt) Ltd.	1,857,003,123	93.23	1,066,186,962	57.41	10,661,871	5,930,055
Whittall Boustead (Pvt) Ltd.	9,918,880	100.00	7,258,263	73.18	137,790	124,389
Whittall Boustead (Travel) Ltd.	25,014,000	100.00	24,966,000	99.70	288,259	43,345
Wirawila Walk Inn Ltd.	1,616,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	75.33	-	-	1,070	677
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	80.32	-	-	-	-
					17,283,343	12,770,078

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.
Union Assurance General 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:

DHL Keells (Pvt) Ltd.
NDO Lanka (Pvt) Ltd.
Sentinel Reality (Pvt) Ltd.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

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 associate 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.

Investment in equity accounted investees

As at 31 March In LKR '000s	Group			Company				
	Number of shares	Effective Holding %	2016	2015	Number of shares	Effective Holding %	2016	2015
26.1 Investments in joint ventures								
NDO Lanka (Pvt) Ltd.	7,800,000	60.00	63,041	63,041	7,800,000	60.00	-	-
Sentinel Reality (Pvt) Ltd.	5,828,800	40.16	58,288	58,288				
DHL Keells (Pvt) Ltd.	1,000,000	50.00	10,000	10,000	1,000,000	50.00	10,000	10,000
26.2 Investments in associates								
Quoted								
Nations Trust Bank PLC.	68,951,695	29.90	1,561,355	1,561,355	46,121,532	20.00	1,011,052	1,011,052
Unquoted								
Capitol Hotel Holdings (Pvt) Ltd.	3,254,832	19.47	325,483	325,483	3,254,832	19.47	325,483	325,483
Union Assurance General Ltd.	68,902,870	20.66	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	17,457,000		174,570	134,370	17,457,000		174,570	134,370
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			3,886,868	3,939,446				
Share of net assets of equity accounted investees			2,584,752	1,968,400				
			16,949,464	16,345,490			8,867,622	8,827,422

Notes to the Financial Statements

26 Investment in equity accounted investees (Contd.)

26.2 Investments in associates (Contd.)

Group's shareholding in Nations Trust Bank PLC.

The JKH Group currently holds 29.9% in Nations Trust Bank PLC. (NTB). The Monetary Board had previously directed that the Group reduces its share holdings in NTB to 15% or below by April 2012. The founder shareholders including JKH had written to the Central Bank of Sri Lanka (CBSL) requesting an extension of the deadline and a response is awaited.

Market Value

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Quoted				
Nations Trust Bank PLC.	5,116,216	6,902,065	3,422,218	4,616,765

As at 31 March In LKR '000s	South Asia Gateway Terminals (Pvt) Ltd.		Other associates		Joint ventures	
	2016	2015	2016	2015	2016	2015
26.3 Summarised financial information of equity accounted investees						
Group share of;						
Revenue	4,336,078	4,561,807	5,703,083	4,615,498	1,433,929	1,623,364
Operating expenses including cost of sales	(2,680,375)	(2,801,432)	(4,327,546)	(3,309,400)	(1,302,963)	(1,476,172)
Net finance income	23,599	52,720	130,769	26,698	5,402	3,056
Tax expense	(3,720)	(15,382)	(495,148)	(458,103)	(41,875)	(44,331)
Share of results of equity accounted investees	1,675,582	1,797,713	1,011,158	874,693	94,493	105,917
Group share of;						
Total assets	7,036,483	6,357,057	58,297,554	49,245,831	491,455	642,628
Total liabilities	(1,298,074)	(654,625)	(52,089,069)	(43,642,944)	(218,877)	(332,423)
Net assets	5,738,409	5,702,432	6,208,485	5,602,887	272,578	310,205
Goodwill	4,674,278	4,674,278	55,712	55,712	-	-
Unrealised profits	-	-	-	(24)	-	-
	10,412,687	10,376,710	6,246,197	5,658,575	272,578	310,205
Contingent liabilities	-	-	-	-	-	-
Capital and other commitments	-	-	32,042,386	29,602,849	-	-
Dividend received from	2,341,686	2,251,895	171,799	144,799	75,000	50,000

The share of results of equity accounted investees in the income statement and in the other comprehensive income statement are shown net of all related taxes.

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

*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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

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

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Credit related fees are deferred and recognised as an adjustment to the EIR of the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the

arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Net trading income

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

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.

Union Assurance General Ltd.**Revenue recognition****General insurance business-gross written premium**

Gross written premium is generally recognised as written upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However for those contracts for which the period of risk in proportion to the amount of insurance protection provided.

Insurance contract liabilities - general

Insurance provision comprises of reserve for the net unearned premium, reserve or the deferred acquisition cost (net), reserve for gross outstanding claims and the Incurred But Not Reported (IBNR) provision.

Unearned premium, deferred acquisition cost and the reserve for gross outstanding claims are stated according to the industry practices whereas the IBNR reserve is decided by an independent external actuary to estimate the outstanding liabilities as of reporting date.

27 Non current financial assets

As at 31 March In LKR '000s	Note	Group		Company	
		2016	2015	2016	2015
Other quoted equity investments		327	324	-	-
Other unquoted equity investments	27.1	184,456	259,633	166,059	241,235
Other non equity investments	27.2	22,450,661	19,448,731	341,346	1,391,884
		22,635,444	19,708,688	507,405	1,633,119

As at 31 March In LKR '000s	Number of shares	Group		Number of shares	Company	
		2016	2015		2016	2015
27.1 Other unquoted equity investments						
Asia Power (Pvt) Ltd.	388,527	166,059	231,920	388,527	166,059	231,920
Other equity instruments	-	18,397	27,713	-	-	9,315
		184,456	259,633		166,059	241,235

Notes to the Financial Statements

27 Non current financial assets (Contd.)

	Note	Group		Company	
		2016	2015	2016	2015
As at 31 March In LKR '000s					
27.2 Other non equity investments					
Bank deposits		515,657	1,534,365	-	1,059,116
Debentures		4,939,118	5,430,430	268,366	268,306
Preference shares		254,024	-	-	-
Government securities		15,287,098	11,148,295	-	-
Loans to executives	27.3	618,850	538,211	72,980	64,462
Loans to life policyholders		783,373	682,095	-	-
Deposits		52,541	115,335	-	-
		22,450,661	19,448,731	341,346	1,391,884

		Group		Company	
		2016	2015	2016	2015
As at 31 March In LKR '000s					
27.3 Loans to executives					
At the beginning of the year		699,330	963,344	82,442	79,913
Loans granted/transfers		433,303	384,919	55,949	32,150
Recoveries		(345,843)	(648,933)	(45,588)	(29,621)
At the end of the year		786,790	699,330	92,803	82,442
Receivable within one year		167,940	161,119	19,823	17,980
Receivable between one and five years		618,850	538,211	72,980	64,462
		786,790	699,330	92,803	82,442

28 Other non current assets

	Note	Group		Company	
		2016	2015	2016	2015
As at 31 March In LKR '000s					
Pre paid staff cost		124,364	141,038	12,414	13,807
Work-in-progress - Waterfront project	28.1	35,082,711	25,435,340	-	-
Non current advances		350,073	253,651	-	-
		35,557,148	25,830,029	12,414	13,807
28.1 Work-in-progress - Cinnamon Life project					
Freehold property*		8,258,633	8,258,633		
Leasehold property*		3,062,325	3,062,325		
Other constructions in progress		17,463,940	7,930,916		
Contractor advances		6,297,813	6,183,466		
		35,082,711	25,435,340		

* The freehold and leasehold properties 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 obtained 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 obtaining 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, service apartments, a hotel and conference centre, retail and associate facilities and a car park.

Details of Freehold Property

Freehold property:	Land Occupied	Extent: 7A- 0R -16.63P
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Details of Leasehold Property

Leased property:	Land Occupied	Extent: 3A- 0R -6.35P
Lessor:	Board of Investment of Sri Lanka	
Period:	99 years from 12/02/2014	
Lease commitment:	Upfront Lease rental of USD 3.03Bn	

29 Inventories**Accounting policy**

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

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

- Raw materials - On a weighted average basis
- Finished goods and work-in-progress - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs
- Other inventories – At actual cost

As at 31 March In LKR '000s	Group	
	2016	2015
Inventories		
Raw materials	463,186	339,787
Finished goods	2,964,930	2,664,639
Produce stocks	207,349	220,433
Other stocks	1,029,368	604,051
WIP-Apartments	-	1,760,006
Total inventories at the lower of cost & net realisable value	4,664,833	5,588,916

30 Trade and other receivables

As at 31 March In LKR '000s	Note	Group		Company	
		2016	2015	2016	2015
Trade and other receivables		9,482,865	9,873,475	149,321	67,586
Reinsurance receivables	30.1	132,298	89,854	-	-
Premiums receivable	30.2	215,846	145,241	-	-
Loans to executives	27.3	167,940	161,119	19,823	17,980
		9,998,949	10,269,689	169,144	85,566

As at 31 March In LKR '000s	Group	
	2016	2015
30.1 Reinsurance receivables		
Reinsurance receivables on outstanding claims	83,873	61,069
Reinsurance receivables on settled claims net of dues	48,425	28,785
Total assets arising from reinsurance contracts	132,298	89,854
30.2 Premiums receivable		
Premium receivable	215,846	145,241
	215,846	145,241

Notes to the Financial Statements

31 Other current assets

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Prepayments and non cash receivables	962,316	1,186,907	89,212	85,608
Tax refunds	1,341,115	1,211,235	39,141	39,141
	2,303,431	2,398,142	128,353	124,749

32 Short term investments

As at 31 March In LKR '000s	Note	Group		Company	
		2016	2015	2016	2015
Quoted equities at market value	32.1	3,006,875	3,434,057	-	-
Debentures		631,846	753,218	-	-
Bank deposits (more than 3 months and less than 1 year)		17,338,169	13,066,852	15,312,664	10,022,703
Government securities (more than 3 months and less than 1 year)		5,156,765	7,675,539	4,475,018	5,523,571
		26,133,655	24,929,666	19,787,682	15,546,274
Debentures (less than 3 months)		224,652	-	-	-
Bank deposits (less than 3 months)		25,283,729	12,791,738	23,482,684	10,276,858
Government securities (less than 3 months)		20,993,034	29,819,264	13,591,870	17,469,447
Reported in statement of cash flow		46,501,415	42,611,002	37,074,554	27,746,305
		72,635,070	67,540,668	56,862,236	43,292,579

As at 31 March In LKR '000s	Number of shares		Cost		Market value	
	2016	2015	2016	2015	2016	2015
32.1 Quoted equities at market value						
Access Engineering PLC.	1,124,524	1,092,524	33,898	33,114	23,390	20,976
Aitken Spence Hotel Holdings PLC.	490,393	490,393	34,934	34,934	25,991	32,856
Aitken Spence PLC.	650,890	650,690	76,951	76,931	47,840	64,744
Asiri Hospital Holdings PLC.	251,297	-	5,805	-	6,032	-
Cargills (Ceylon) PLC.	180,968	174,976	27,335	26,229	27,145	23,972
Carsons Cumberbatch PLC.	-	229,714	-	100,513	-	84,167
Central Finance Company PLC.	285,871	285,871	54,445	54,445	60,033	71,497
Ceylinco Insurance PLC.	5,530	-	7,669	-	8,284	-
Ceylon Cold Stores PLC.	8,133	-	3,278	-	3,497	-
Ceylon Tobacco Company PLC.	68,889	66,536	69,125	66,812	69,709	66,503
Chevron Lubricants Lanka PLC.	367,677	367,677	80,777	80,777	112,141	144,460
Colombo Dockyard PLC.	281,715	281,715	60,500	60,500	30,454	46,624
Commercial Bank of Ceylon PLC. (Non voting)	654,287	645,924	47,645	47,645	73,935	84,745
Commercial Bank of Ceylon PLC.	2,233,929	2,211,789	238,932	238,932	280,358	365,830
DFCC Bank PLC.	973,984	754,147	143,891	110,931	133,436	152,941
Dialog Axiata PLC.	6,337,348	6,333,740	59,806	59,765	64,641	65,871
Diesel and Motor Engineering PLC.	22,062	22,062	33,340	33,340	12,128	13,899
Distilleries Company of Sri Lanka PLC.	1,090,930	809,459	233,803	152,251	224,949	194,675
Hatton National Bank PLC.	2,896,275	2,485,784	409,681	329,781	544,433	486,923
Hemas Holdings PLC.	839,729	622,975	37,446	20,271	67,682	45,913

As at 31 March In LKR '000s	Number of shares		Cost		Market value	
	2016	2015	2016	2015	2016	2015
HNB Assurance PLC.	336,266	336,266	23,645	23,645	18,158	28,583
John Keells Holdings PLC.	1,522,660	1,167,695	271,431	238,112	225,354	232,838
Lanka ORIX Finance Company PLC.	275,713	275,379	20,852	20,820	19,851	21,094
National Development Bank PLC.	1,544,335	1,254,091	281,314	228,799	260,683	311,014
Nestle Lanka PLC.	19,188	19,138	34,282	34,167	38,921	43,922
People's Insurance PLC.	482,500	-	7,238	-	8,155	-
Peoples Leasing and Finance PLC.	5,866,532	5,758,261	112,788	110,384	93,865	127,257
Piramal Glass PLC.	2,680,100	2,680,100	21,502	21,501	13,669	15,278
Sampath Bank PLC.	1,540,618	1,070,229	330,543	215,917	348,180	269,804
Softlogic Holdings PLC.	-	1,117,806	-	32,416	-	14,755
Sri Lanka Telecom PLC.	-	270,573	-	13,334	-	12,311
Textured Jersey Lanka PLC.	1,941,200	1,941,200	31,534	31,534	61,536	46,783
The Bukit Darah PLC.	45,881	207,907	32,017	145,125	16,058	140,961
The Lion Brewery Ceylon PLC.	-	85,610	-	37,735	-	51,375
Tokyo Cement Company (Lanka) PLC.	640,777	640,777	7,817	7,817	23,709	35,179
Tokyo Cement Company (Lanka) PLC. (Non voting)	1,939,895	3,109,810	48,859	78,326	62,658	116,307
			2,883,083	2,766,803	3,006,875	3,434,057

Above list mainly comprises of the investments made by Union Assurance PLC. (UA) under the unit linked equity tracker fund, which invests in the companies that comprise the S&P Price Index.

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.

As at 31 March	2016		2015	
	Number of shares	Value of shares In LKR '000s	Number of shares	Value of shares In LKR '000s
33.1 Stated capital				
Fully paid ordinary shares				
At the beginning of the year	997,486	50,702,701	990,289	49,748,814
Share options exercised	165	26,516	7,197	953,887
Subdivision of shares	142,498	-	-	-
Exercise of share warrants	49,255	7,972,760	-	-
At the end of the year	1,189,404	58,701,977	997,486	50,702,701

The number of shares in issue as at 31-03-2016, include global depository receipts (GDRs) of 1,282,364 (2015 - 1,122,069). Further information on the composition of shares in issue is given under the share information section of the annual report.

29,959,331 shares (2015 - 25,675,211) have been reserved to be issued under the employee share option plan as at 31 March 2016.

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
33.2 Other components of equity				
Revaluation reserve	20,846,190	19,752,411	-	-
Foreign currency translation reserve	7,080,979	3,770,496	-	-
Other capital reserve	958,310	562,718	958,310	562,718
Available for sale reserve	(170,217)	415,653	126,307	164,680
	28,715,262	24,501,278	1,084,617	727,398

Notes to the Financial Statements

33 Stated capital and other components of equity (Contd)

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.

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 recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 18.2).

Employee Share Option Scheme

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

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Share-based payment plans

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Total expense arising from share-based payment transactions	395,592	347,092	128,541	111,092

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEF) of, and movements in, share options during the year;

As at 31 March In LKR '000s	Group				Company			
	2016		2015		2016		2015	
	No.	WAEP	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	14,015,893	241.42	7,273,616	253.16	4,508,542	241.42	2,284,208	253.16
Granted during the year	6,781,282	171.25	7,428,128	229.93	1,957,332	171.25	2,306,366	229.93
Transfers	-	-	-	-	206,837	207.75	-	-
Adjustment due to sub division of shares	2,963,779	198.05	-	-	953,197	199.40	-	-
Adjustment due to share warrants	324,455	219.03	-	-	110,200	219.03	-	-
Exercised during the year	-	-	-	-	-	-	-	-
Expired during the year	(712,883)	202.02	(685,851)	245.60	(234,124)	206.87	(82,032)	245.30
Outstanding at the end of the year	23,372,526	197.46	14,015,893	241.22	7,501,984	198.60	4,508,542	241.42
Exercisable at the end of the year	6,119,220	211.98	1,818,404	253.16	1,910,954	212.82	571,052	253.16

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 March	2016 Plan no 8 award 3	2015 Plan no 8 award 2	2014 Plan no 8 award 1
Dividend yield (%)	1.44	1.42	2.07
Expected volatility (%)	19.19	19.34	27.50
Risk free interest rate (%)	8.13	8.70	11.26
Expected life of share options (Years)	5.00	5.00	5.00
Weighted average share price at the grant date (LKR)	171.25	229.93	253.16
Weighted average remaining contractual life for the share options outstanding (Years)	3.00	3.00	3.00
Weighted average fair value of options (LKR)	64.62	61.93	81.54
Exercise price for options outstanding at the end of the year (LKR)	171.25	229.93	253.16
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2016)	171.25	201.19	219.03

35 Insurance contract liabilities

Accounting policy

Insurance contract liabilities - life

The Directors agree to the long term and unit link insurance business provisions on the recommendation of the actuary following annual valuation of the life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the independent external actuary.

Notes to the Financial Statements

35 Insurance contract liabilities (Contd.)

As at 31 March In LKR '000s	Group	
	2016	2015
35.1 Insurance contract liabilities		
Insurance contract liabilities	26,704,512	23,532,872
Unclaimed benefits	500,770	399,094
	<u>27,205,282</u>	<u>23,931,966</u>

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products.

The actuarial reserves have been established based on the following;

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

The amount of policy holder dividend to be paid is determined annually by the UA. The dividend includes life policy holders'

share of net income that is required to be allocated by the insurance contract or by insurance regulations.

The valuation of conventional life insurance fund as at 31 December 2015 was conducted by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of LKR 760 Mn to be transferred from conventional life insurance fund to the shareholders fund for the year 2015. Subsequent to the transfer the conventional life fund stands as LKR 23,124 Mn, including the liability in respect of bonuses and dividends declared up to and including for the year 2015 of UA.

Similarly the non unit fund of linked long term business valuation was made by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of LKR 40 Mn to be transferred from the non unit fund of the linked long term fund to shareholders fund for the year 2015. Subsequent to the transfer the fund stands at LKR 143 Mn as at 31 December 2015 of UA.

Union Assurance PLC (UAPLC), has engaged the services of Towers Watson India Private Limited (a Willis Towers Watson entity) as their external actuary, and has obtained confirmation that UAPLC has adequate provisions to cover the policy holders' liabilities as at 31st March 2016. The external actuary has also confirmed that the policy holders' liabilities has been computed in accordance with the Solvency Margin (Risk Based Capital) Rules issued by the Insurance Board of Sri Lanka (IBSL), which became effective from 1st January 2016.

As at 31 December In LKR '000s	Group	
	2016	2015
Conventional life insurance		
Balance as at 1 January	20,308,965	17,408,645
Increase in life insurance fund before surplus transfer to share holders	3,927,534	3,534,879
Transfer to shareholders	(760,000)	(710,000)
Net change in unclaimed benefits	105,468	75,441
Balance as at 31 December - Conventional life insurance	<u>23,581,967</u>	<u>20,308,965</u>
Non unit fund of linked life insurance contracts		
Balance as at 1 January	126,911	109,371
Increase in non unit fund of linked life insurance before surplus transfer to share holders	60,986	58,063
Transfer to shareholders	(40,000)	(40,000)
Net change in unclaimed benefits	1,374	(523)
Balance as at 31 December - Non unit fund of linked life insurance	<u>149,271</u>	<u>126,911</u>
	<u>23,731,238</u>	<u>20,435,876</u>

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 31 March In LKR '000s	Group	
	2016	2015
Revenue	6,952,717	5,788,214
Cost of sales	(2,740,644)	(2,730,511)
Gross profit	4,212,073	3,057,703
Operating expenses including distribution and administration expenses	(2,021,615)	(1,598,295)
Net finance income	2,044,301	3,075,368
Profit attributable to shareholders of UA	(804,226)	(735,776)
Change in insurance contract liabilities	3,430,533	3,799,000

Accounting judgements, estimates and assumptions

Valuation of insurance contract liabilities and investment contract liabilities – Union Assurance PLC. (UA) Insurance operations - Product classification

SLFRS 4 requires contracts written by insurers to be classified as either “insurance contracts” or “investment contracts” depending on the level of insurance risk 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 UA issues and reinsurance contracts holds by UA.

Contracts where UA does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features (“DPF”).

Life insurance contract liabilities

These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. Adjustments to the liabilities at each reporting date are recorded in the income statement in 'Increase in life insurance contract liabilities'.

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.

For products containing discretionary participating features (DPF) the amount of the DPF is deemed to be the investment return on all related assets where the apportionment between the shareholder and the policyholder has not yet been determined. The liability includes certain elements of net unrealized gains/(losses) and retained earnings attributable to the DPF, based on the mandated rates applied to these gains and earnings on the assumption that they had been realised as of the statement of financial position date.

The minimum mandated amounts, which are to be paid to policyholders plus any declared/undeclared additional benefits, are recorded in liabilities.

Liability adequacy test (LAT) - Life insurance

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management’s prudent expectation of current market interest rates.

Any deficiencies shall be recognized in the income statement by setting up a provision for liability adequacy.

Notes to the Financial Statements

36 Interest-bearing loans and borrowings

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
36.1 Movement				
At the beginning of the year	9,358,789	13,633,045	2,670,784	3,920,482
Loans obtained	409,372	1,014,970	-	-
Loans transferred	10,027,539	-	-	-
Repayments	(4,623,992)	(5,405,012)	(1,388,100)	(1,311,510)
Amortization of transaction cost	37,962	13,629	13,629	13,629
Exchange difference	1,488,760	102,157	186,195	48,183
At the end of the year	16,698,430	9,358,789	1,482,508	2,670,784
Repayable within one year	2,991,582	4,459,213	1,482,508	1,345,276
Repayable after one year				
Repayable between one and five years	13,706,848	4,808,576	-	1,325,508
Repayable after five years	-	91,000	-	-
	13,706,848	4,899,576	-	1,325,508
	16,698,430	9,358,789	1,482,508	2,670,784

Group interest bearing borrowings include finance lease obligations amounting to LKR 45 Mn (2015 - LKR 76 Mn), details of which are disclosed in following note.

In LKR '000s	Lending institution	Nature of facility	Interest rate and security
36.3 Security and repayment terms			
John Keells Holdings PLC.	International Finance Corporation	Term Loan	6 months LIBOR + 2.75%, 331 Mn shares of Asian Hotels & Properties PLC., 862 Mn shares of John Keells Hotels PLC.,
Group companies			
Beruwala Holiday Resorts (Pvt) Ltd.	HNB	Term loan	1 Month SLIBOR with a cap of 12.5% Primary floating mortgage bond over hotel property
	SCB	Term Loan	1 month LIBOR+2.25% Corporate Guarantee from John Keells Hotels PLC.
	Sampath Bank	Term Loan	3 months LIBOR +3.15%
Ceylon Cold Stores PLC.	DFCC	Project loan	AWPLR -0.5% Kaduwela land, building and machinery
	DFCC	Project loan	AWPLR +2.5% Kaduwela land, building and machinery of soft drink plant
	DFCC	Project loan	AWDR +4.50% Kaduwela land, building and machinery of soft drink plant.
Fantasea World Investments (Pte) Ltd.	HNB	Term Loan	3 months LIBOR + 3.25%, revised quarterly leasehold right of Hakuraa huraa Island resort

As at 31 March In LKR '000s		Group	
		2016	2015
36.2	Finance leases		
	At the beginning of the year	75,674	107,974
	Leases obtained	-	-
	Repayments	(32,397)	(30,449)
	Adjustments/transfers	1,590	(1,851)
	At the end of the year	44,867	75,674
	Finance lease obligations repayable within one year		
	Minimum lease payments	37,740	43,496
	Finance charges	(3,689)	(11,052)
	Present value of minimum lease payments	34,051	32,444
	Finance lease obligations repayable between one and five years		
	Minimum lease payments	10,928	47,018
	Finance charges	(112)	(3,788)
	Present value of minimum lease payments	10,816	43,230

Repayment terms	Carrying Value of Collaterals	2016	2015
Bi-annual repayments commencing from December 2009	26,171,605	1,482,508	2,670,784
74 monthly installments commencing April 2013	3,229,000	559,683	681,599
16 Quarterly Installments which Commenced on March 2014		442,950	478,423
20 quarterly installments		132,885	173,567
48 monthly installments commencing August 2011	2,529,220	-	19,166
60 equal monthly installments commencing January 2012		39,073	91,171
60 monthly installments commencing October 2012		45,000	75,000
Repayment over 5 years commencing September 2011	793,856	-	170,406

Notes to the Financial Statements

In LKR '000s	Lending institution	Nature of facility	Interest rate and security
36.3 Security and repayment terms			
Habarana Lodge Ltd.	Sampath Bank	Term loan	3 months LIBOR +3.15% Corporate guarantee of John Keells Hotel PLC. of USD 2 Mn
	Habib Bank Limited	Term loan	1 month LIBOR+2.80%, revised monthly Corporate guarantee of John Keells Hotels PLC. of USD 0.9 Mn
Hikkaduwa Holiday Resorts (Pvt) Ltd.	DFCC	Term loan	AWPLR - 1% Primary mortgage over lease rights of land, movable property, plant and equipment
	Sampath bank	Term loan	3 months LIBOR +3.15% Corporate guarantee of John Keells Hotels PLC. for the LKR equivalent of USD 4 Mn.
John Keells Hotels PLC.	Habib bank	Term loan	AWPLR -0.5%
John Keells Maldivian Resorts (Pte) Ltd.	HSBC	Term loan	3 months LIBOR + 2.65%
John Keells Properties Ja-Ela (Pvt) Ltd.	Commercial Bank	Term loan	AWPLR +0.5% General terms and conditions for LKR150 Mn signed in relation to the term loan
	Commercial Bank	Term loan	AWPLR +0.5%
John Keells Residencies (Pvt) Ltd.	HSBC	Term loan	3 months cost of funds + 1.5%, revised quarterly
Keells Food Products PLC.	DFCC	Project loan	AWDR + 4.5% Primary mortgage bond on the building and assets at Pannala.
Kandy Walk Inn Ltd.	HSBC	Term loan	1 month LIBOR+2.45%
Trans Asia Hotels PLC.	HNB	Term loan	2.85% (annually reviewed)
Travel Club (Pte) Ltd.	HSBC -Male	Term loan	3 months LIBOR+2.65%
Trinco Holiday Resorts (Pvt) Ltd.	Sampath Bank		3 months LIBOR+3.15%
	Sampath Bank		3 months LIBOR+3.15%
Waterfront Properties Ltd.	Syndicated loan through SCB	Project loan	Freehold and leasehold Land of the company. 1,857 Mn shares of Waterfront Properties Ltd. pledged by John Keells Holdings PLC. being the parent for sponsor support.
Yala Village (Pvt) Ltd.	Habib Bank	Term loan	1 month AWPLR-0.5%
	Sampath Bank PLC.	Term loan	3 months LIBOR+3.15% Corporate guarantee of John Keells Hotels PLC. of USD 1.5 Mn
JK BPO Solution India (Pvt) Ltd.	DLF Assets (Pvt) Ltd.	Finance lease	DLF Assets (Pvt) Ltd.
Tea Smallholder Factories PLC.			Central Finance PLC.

Repayment terms	Carrying Value of Collaterals	2016	2015
Capital repayment in 20 equal quarterly installments		132,885	172,932
Capital repayment in 48 monthly installments		32,483	78,703
66 monthly installments commencing November 2013	1,000,000	568,495	715,907
20 Quarterly Installments		295,300	373,660
23 monthly installments commencing August 2013		-	33,441
45 equal monthly installments commencing November 2011		-	77,846
Repayable in 60 equal monthly instalments commencing after 12 months from the first disbursement		125,000	150,000
Repayable in 60 equal monthly instalments commencing from April 2014		253,393	320,076
Option 1 - repay in full as a bullet payment in June 2015 Option 2 - repay in full between March 2015 and June 2015		-	1,576,369
60 equal monthly instalments after a grace period of 1 Year	166,667	133,793	183,898
48 monthly installments after 12 months grace period		252,933	368,675
16 quarterly installments commencing from September 2016		442,951	-
8 quarterly installments commencing December 2014		99,663	270,236
20 quarterly installments commencing April 2014		102,588	123,720
83 monthly installments commencing June 2014		216,500	224,908
13 quarterly installments commencing from September 2019	18,581,355	11,128,070	-
49 monthly installments		67,748	121,333
20 quarterly installments		99,664	131,295
		16,653,565	9,283,115
Finance lease		44,865	72,531
Hire purchase		-	3,143
		44,865	75,674
		16,698,430	9,358,789

Notes to the Financial Statements

37 Employee benefit liabilities

Accounting Policy

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 recognised immediately in other comprehensive income this was previously recognized in income statement.

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Employee benefit liabilities				
At the beginning of the year	1,494,711	1,502,246	160,456	146,862
Current service cost	133,665	121,126	10,587	8,752
Acquisitions	8,435	-	-	-
Transfers	-	-	5,695	21
Acquisition/(disposal) of subsidiary	-	(106,561)	-	-
Interest cost on benefit obligation	150,235	165,247	16,046	16,155
Payments	(171,100)	(144,335)	(6,081)	(5,919)
(Gain)/loss arising from changes in assumptions	44,627	(43,015)	2,478	(5,415)
Exchange translation difference	307	3	-	-
At the end of the year	1,660,880	1,494,711	189,181	160,456
The expenses are recognised in the income statement in the following line items;				
Cost of sales	140,319	126,063	10,890	10,810
Selling and distribution expenses	18,484	16,747	-	-
Administrative expenses	125,097	143,563	15,743	14,097
	283,900	286,373	26,633	24,907

*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 March	2016	2015
Discount rate	10.50%	10.00%
Future salary increases	6% - 9%	6% - 8%

37.1 Sensitivity of assumptions used

A one percentage change in the assumptions would have the following effects:

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Discount rate:				
1% Increase	(76,569)	(78,689)	(6,040)	(4,968)
1% Decrease	68,440	68,807	6,538	5,292
Salary Increment rate:				
1% Increase	72,446	73,713	7,235	5,919
1% Decrease	(81,420)	(82,359)	(6,797)	(5,637)

37.2 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Within the next 12 months	236,306	248,927	23,236	25,222
Between 1 and 2 years	418,173	387,355	111,308	53,354
Between 2 and 5 years	466,695	385,286	16,948	60,741
Between 5 and 10 years	386,856	329,977	24,863	16,225
Beyond 10 years	152,850	143,166	12,826	4,914
Total expected payments	1,660,880	1,494,711	189,181	160,456
Weighted average duration (years) of define benefit obligation	4.91	5.46	3.67	3.51

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 installments.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

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.

As at 31 March In LKR '000s	Note	Group		Company	
		2016	2015	2016	2015
Government grants		960	1,412	-	-
Deferred revenue		670,286	101,885	-	-
Deferred purchase consideration		190,556	-	190,556	-
Amounts due to related parties	43.5	-	-	180,458	-
		861,802	103,297	371,014	-

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.

As at 31 March In LKR '000s	Group	
	2016	2015
Advances received	2,963,252	603,191
Deposits	131,929	178,776
	3,095,181	781,967

Notes to the Financial Statements

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 payable are classified as current liabilities if payment is due within one year.

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Trade and other payables				
Trade and other payables	12,392,889	10,744,017	332,506	333,822
Reinsurance payables	140,358	223,650	-	-
Advances and deposits	222,219	299,672	-	-
	12,755,466	11,267,339	332,506	333,822

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

41 Short term borrowings

As at 31 March In LKR '000s	Group	
	2016	2015
Bank loans	821,243	12,622,740
	821,243	12,622,740

42 Other current liabilities*Accounting policy*

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

These include non refundable deposits and other tax payables. These liabilities are recorded at amounts expected to be set-off at the reporting date.

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Other current liabilities				
Non refundable deposits	1,706,292	2,201,887	2,566	2,566
Other tax payables	528,564	1,049,994	13,723	12,317
	2,234,856	3,251,881	16,289	14,883

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 subsidiary, 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 the 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 any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2015 audited financial statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2015 audited financial Statements, which required additional disclosures in the

2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

As at 31 March In LKR '000s	Note	Group		Company	
		2016	2015	2016	2015
43.1	Amounts due from related parties				
Subsidiaries	43.5	-	-	412,187	119,457
Equity accounted investees	43.6	133,031	185,085	182,995	138,813
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		133,031	185,085	595,182	258,270
43.2	Amounts due to related parties				
Subsidiaries	43.5	-	-	102,135	2,726
Equity accounted investees		28,982	26,488	-	-
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		28,982	26,488	102,135	2,726
43.3	Transactions with related parties				
Subsidiaries					
(Purchases)/Sales of goods		-	-	(3,631)	(1,280)
(Receiving)/Rendering of services	43.5	-	-	586,183	582,664
Rent received/(paid)		-	-	(34,292)	(34,759)
Equity accounted investees					
(Purchases)/Sales of goods		45,096	24,063	-	-
(Receiving)/Rendering of services	43.6	277,493	98,539	225,464	218,967
Interest received/(paid)	43.4	33,271	57,975	29,589	69
Key management personnel (KMP)					
(Purchases)/Sales of goods		-	-	-	-
Close family members of KMP					
(Purchases)/Sales of goods		-	-	-	-
Companies controlled/jointly controlled/significantly Influenced by KMP and their close family members					
(Purchases)/Sales of goods		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		242,678	232,437	54,999	50,077
43.4	Transactions with related parties - Associates				
Interest received/(Interest paid)					
Nations Trust Bank PLC.		33,271	57,975	29,589	69

The Group and Company held interest bearing deposits of LKR 2,929 Mn (2015 - 205 Mn) and LKR 2,568 Mn (2015 - nil) respectively, at Nations Trust Bank PLC. as at 31 March 2016.

Notes to the Financial Statements

43 Related party transactions (Contd.)

	Amounts due from		Company Amounts due to		Transactions with related parties - Subsidiaries (Receiving)/ Rendering of services	
	2016	2015	2016	2015	2016	2015
As at 31 March In LKR '000s						
43.5 Subsidiaries						
Current						
Asian Hotels and Properties PLC.	3,338	2,950	-	-	27,544	26,111
Ceylon Cold Stores PLC.	4,030	5,268	-	-	45,867	44,302
Cinnamon Hotel Management Ltd.	5,154	65,626	-	-	94,328	151,343
InfoMate (Pvt) Ltd.	576	1,179	-	-	13,567	14,111
JayKay Marketing Services (Pvt) Ltd.	3,997	6,754	-	-	66,395	43,257
John Keells BPO Solutions India (Pvt) Ltd.	-	-	6,724	-	4,375	3,733
John Keells Logistics Lanka (Pvt) Ltd.	2,314	4,241	-	-	15,281	13,155
John Keells Office Automation (Pvt) Ltd.	4,577	1,717	-	-	34,199	16,708
John Keells PLC.	1,472	1,833	-	-	16,350	15,525
John Keells Teas Ltd.	3,064	325	-	-	3,499	3,519
Keells Food Products PLC.	2,339	2,058	-	-	20,938	20,158
Lanka Marine Services Ltd.	362,781	1,009	-	-	8,462	8,105
Mack Air (Pvt) Ltd.	1,248	716	-	-	11,069	8,612
Mackinnons Travels (Pvt) Ltd.	-	-	1,574	-	(12,886)	(7,295)
Rajawella Holdings Ltd	-	-	90,300	-	420	-
Trans Asia Hotels PLC.	-	-	2,205	-	15,251	18,834
Transware Logistics (Pvt) Ltd.	154	9,405	-	-	1,029	3,071
Union Assurance PLC.	3,164	5,592	-	-	31,376	33,123
Walkers Tours Ltd.	615	1,165	-	-	31,046	28,168
Waterfront properties (Pvt) Ltd.	4,638	831	-	-	34,596	4,471
Other subsidiaries	8,726	8,788	1,332	2,726	123,477	133,653
	412,187	119,457	102,135	2,726	586,183	582,664
Non-current						
Rajawella Holdings Ltd.	-	-	180,458	-	-	-
	-	-	180,458	-	-	-
43.6 Equity accounted investees						
Joint ventures						
DHL Keells (Pvt) Ltd.	92,839	49,768	-	-	218,563	208,675
NDO Lanka (Pvt) Ltd.	1,592	535	-	-	1,448	6,228
Associates						
Maersk Lanka (Pvt) Ltd.	-	-	-	-	-	-
Nations Trust Bank PLC.	88,385	88,040	-	-	-	-
Saffron Aviation (Pvt) Ltd.	129	210	-	-	2,210	1,302
South Asia Gateway Terminals (Pvt) Ltd.	50	260	-	-	3,243	2,762
	182,995	138,813	-	-	225,464	218,967

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.

For the year ended 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Short-term employee benefits	427,632	441,752	185,419	191,307
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	145,481	148,941	65,688	67,113
	573,113	590,693	251,107	258,420

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

As at 31 March 2016, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

Expiry date	Adjusted exercise price LKR	2016		2015	
		Outstanding at the end of period	Exercisable at the end of period	Outstanding at the end of period	Exercisable at the end of period
08.12.2015	-	-	-	1,258,096	1,258,096
06.12.2016	151.39	1,517,847	1,517,847	1,273,365	1,273,365
30.06.2018	219.03	1,548,202	769,187	1,298,829	324,706
30.06.2019	201.19	1,392,774	348,193	1,218,678	-
24.06.2020	171.25	1,025,984	-	-	-

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

Notes to the Financial Statements

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 liability of the Group and the Company as at 31 March 2016, relates to the following;

John Keells Holdings PLC. (JKH)

The contingent liability of JKH as at 31 March 2016, relates to the following;

- **GST & VAT Assessments for the year of assessment 2002/03**
The company has filed appeals against these assessments and these are currently pending at the Court of Appeal.
- **Income tax assessment relating to year of assessment 2006/07**
The company has filed an appeal against this assessment and it is currently pending at the Court of Appeal.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2016 is estimated at LKR123Mn.

LANKA MARINE SERVICES (PVT) LIMITED (LMS)

The contingent liability of LMS as at 31 March 2016, relates to the following :

- **Post privatization turnover tax levied by the Western Provincial Council**
The Company has disputed this on the basis that its business activity is that of an export. An appeal has been made by the Company to the Western Provincial Council.
- **Income tax assessment relating to year of assessment 2001/02**
Assessment was received by the Company based on normal tax rates. The company has appealed against this assessment on the grounds that the sale of bunker to foreign ships is an export, which is liable to concessionary rates of taxes, but this has been disputed by the Department of Inland Revenue. The appeal made by the company is currently with the Court of Appeal of Sri Lanka.
- **Income Tax Assessments relating to years of assessments 2002/03, 2003/04 and 2004/05**
Assessments were received in January 2009, once again based on normal tax rates. It is the view of the Company, based on opinions from independent legal counsel and tax consultants, that the subject years were statutorily time barred as provided in the Inland Revenue Act. The appeals made by the Company to the Board of Review were transferred to the Tax Appeals Commission (TAC). The TAC determined that the assessments raised were time barred. A case stated has been filed with the Court of Appeal by an application made by the CGIR.
- **Income Tax Assessments relating to years of assessments 2005/06, 2006/07, 2007/08 and 2008/09**
Assessments were received in August 2008, October 2009 and March 2011, consequent to the Supreme Court judgement, whereby the original BOI concessions granted were annulled. Although the assessments were based on normal tax rates the company computed and paid income taxes at concessionary rates of taxes, based on opinions from independent legal counsel and tax consultants, that the supply of bunkers to foreign vessels is an export and therefore eligible to concessionary rates of taxes as provided in the Inland Revenue Act. Appeals were lodged against the balance taxes assessed and penalties charged by the Inland Revenue and the status of each of the appeals are as follows:

2005/06 and 2006/07 The Tax Appeals Commission determined that it has no jurisdiction in respect of appeals relating to these two years and a case stated has been filed with the Court of Appeal by an application made by the CGIR.

2007/08 – The appeal was determined in favour of the CGIR by the Tax Appeals Commission, and a case stated has been filed with the Court of Appeal by an application made by the company.

2008/09 – An appeal made by the Company is currently with the Tax Appeals Commission.

- **Income Tax Assessments relating to years of assessments 2009/10, 2010/2011 and 2011/2012**

Assessments were received based on normal tax rates. Appeals have been lodged with the Department of Inland Revenue within the stipulated time period for assessments raised for these years of assessment. All the above three assessments were confirmed by the Commissioner General of Inland Revenue and the company being aggrieved by the decision has appealed to the Tax Appeals Commission.

- **Income Tax Assessments relating to years of assessments 2012/2013 and 2013/2014**

Assessments were received based on normal tax rates. Appeals have been lodged with the Department of Inland Revenue within the stipulated time period for both these years of assessment.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2016 is estimated at LKR 1,019 Mn.

MACKINNONS TRAVELS (PVT) LTD (MTL)

The contingent liability of MTL as at 31 March 2016, relates to the following;

- **VAT Assessments received for years of assessments 2009/10 and 2010/2011**

The company has filed appeals against these assessments with the Inland Revenue Department. The Tax Appeals Commission determined the appeal in favour of the company

and upheld the position that the company is entitled to claim zero rated status on its taxable supplies. The Department of Inland Revenue is currently awaiting the case stated from the Tax Appeals Commission to make an application to the Court of Appeal.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2016 is estimated at LKR 26Mn.

UNION ASSURANCE PLC. (UA PLC)

The contingent liability of UA PLC as at 31 March 2016, relates to the following;

- **Income Tax Assessments received for years of assessments 2010/11, 2011/2012 and 2012/13**

The Department of Inland Revenue has raised assessments on Union Assurance PLC. for the years of assessment 2010/11, 2011/12 and 2012/13, assessing the Life insurance business to pay income taxes of LKR 13 Mn, LKR 475 Mn and LKR 466 Mn respectively. The company has filed valid appeals against these assessments.

Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the Company has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010/11, 2011/12, and 2012/13, and therefore, the above assessments have no rationale or basis in law.

45 Capital and other commitments

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Capital commitments approved but not provided for	64,837,411	62,451,268	-	-
Guarantees	217,290	10,008,750	217,290	12,083,750
	65,054,701	72,460,018	217,290	12,083,750

46 Lease commitments

As at 31 March In LKR '000s	Group	
	2016	2015
Lease rentals due on non-cancellable operating leases;		
Within one year	285,016	563,306
Between one and five years	1,160,578	817,851
After five years	3,947,029	2,392,234
	5,392,623	3,773,391

Notes to the Financial Statements

46 Lease commitments (Contd.)

Company	Lessor	Leased properties
Details of leases		
Ceylon Cold Stores PLC.	CISCO Speciality Packaging (Pvt) Ltd.	Pet Bottle Plant
Ceylon Holiday Resorts Ltd.	Sri Lanka Tourist board	Land occupied.
Hikkaduwa Holiday Resort (Pvt) Ltd.	Sri Lanka Tourist board	Land occupied.
Fantasea World Investment (Pte) Ltd.	Government of Maldives	Land occupied.
Habarana Lodge Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Habarana Walk Inn Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Jaykay Marketing Services (Pvt) Ltd.	Land owners	Land occupied.
Keells Food Products PLC.	Pannala Divisional Secretariat	Land occupied.
Travel Club (Pte) Ltd.	Government of Maldives and a sub lease with	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 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 has declared a final dividend of LKR 1.50 per share for the financial year ended 31 March 2016. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on the 13 June 2016.

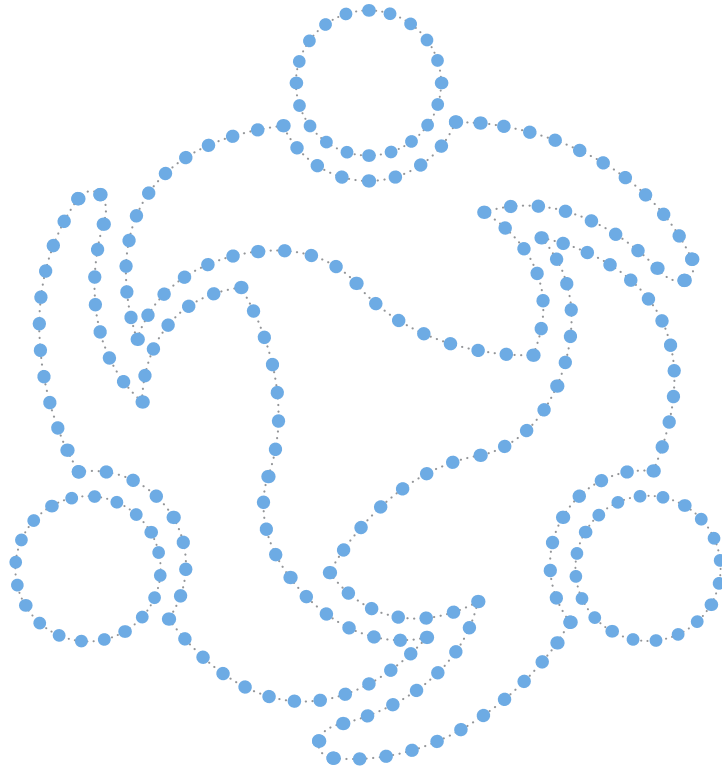
In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2016.

Subdivision of shares

The Board of Directors of the Company also resolved to recommend the increase in the number of shares in issue by way of a share subdivision of the Company's shares whereby seven (7) existing shares will be sub divided into eight (8). Accordingly, the price and quantity of the 2016 Warrants too will be adjusted to reflect the aforementioned subdivision of shares. The proposed subdivision is subject to the approval of the Colombo Stock Exchange and shareholders of the Company at an extraordinary general meeting.

Employee Share Options (ESOP)

The Board of Directors of the Company also resolved to recommend to the shareholders, a ninth ESOP Plan (Plan 9), whereby the maximum number of options offered under the Plan will not exceed 2.25% of the total issued shares of the Company. From the total number of options offered under Plan 9, a maximum of 0.75% of the total issued shares may be offered every year, over three (3) years commencing in July 2016 and ending in July 2019. The proposed ESOP Plan is subject to the approval of the Colombo Stock Exchange and the shareholders of the Company at an extraordinary general meeting.



UNITED

This section entails additional
Group related information.

SUPPLEMENTARY INFORMATION

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Economic Value Statement

	Transportation		Leisure		Property		Consumer Foods and Retail		Financial Services	
For the year ended 31 March Rs.mn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Direct economic value generated										
Revenue	10,725	13,567	26,829	25,688	4,677	6,004	37,367	30,664	7,146	9,190
Finance income	188	140	1,588	2,094	476	433	451	93	2,665	3,546
Share of results of associates	1,869	2,004	52	12	-	-	-	-	860	762
Profit on sale of assets and other income	138	32	93	124	(276)	77	1,543	1,177	55	1,418
Valuation gain on IP	-	-	-	-	148	5	17	9	-	-
	12,920	15,743	28,562	27,918	5,025	6,519	39,378	31,943	10,726	14,916
Economic value distributed										
Operating costs	9,030	12,799	10,653	13,853	1,087	4,439	27,034	24,316	6,622	9,806
Employee wages and benefits	409	386	4,069	3,794	251	210	3,531	3,007	822	1,284
Payments to providers of funds	863	65	6,588	2,790	2,337	471	2,914	394	1,256	102
Payments to government	57	43	1,199	1,206	132	117	2,467	1,919	41	441
Community investments	24	18	54	51	-	3	29	20	14	25
	10,383	13,311	22,563	21,694	3,807	5,240	35,975	29,656	8,755	11,658
Economic value retained										
Depreciation	88	97	1,547	1,440	14	10	736	779	89	152
Amortisation	1	1	768	713	25	-	12	12	217	188
Profit after dividends	2,448	2,334	3,684	4,071	1,179	1,269	2,655	1,496	1,665	2,918
Retained for reinvestment/ growth	2,537	2,432	5,999	6,224	1,218	1,279	3,403	2,287	1,971	3,258

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS).

Information Technology		Others		Total		Eliminations/ Adjustments		Group Total			
2016	2015	2016	2015	2016	2015	2016	2015	2016	(%)	2015	(%)
8,463	7,395	3,397	3,996	98,604	96,504	(5,322)	(4,652)	93,282	87.62	91,852	86.75
45	36	15,014	12,696	20,427	19,038	(12,416)	(10,916)	8,011	7.52	8,122	7.67
-	-	-	-	2,781	2,778	-	-	2,781	2.61	2,778	2.62
113	84	(3,655)	165	(1,989)	3,077	4,121	-	2,132	2.00	3,077	2.91
-	-	98	35	263	49	-	-	263	0.25	49	0.05
8,621	7,515	14,854	16,892	120,086	121,446	(13,617)	(15,568)	106,469	100.00	105,878	100.00
6,302	5,447	2,079	(251)	62,807	70,409	6,585	(1,176)	69,392	65.18	69,233	65.39
1,461	1,425	1,080	1,074	11,623	11,180	-	-	11,623	10.92	11,180	10.56
439	16	8,530	12,619	22,927	16,457	(12,164)	(10,916)	10,763	10.11	5,541	5.23
129	157	669	1,220	4,694	5,103	-	-	4,694	4.40	5,103	4.82
4	9	-	108	125	234	-	-	125	0.12	234	0.22
8,335	7,054	12,358	14,770	102,176	103,383	(5,579)	(12,092)	96,597	90.73	91,291	86.22
180	171	128	117	2,782	2,766	-	-	2,782	2.61	2,766	2.61
10	10	25	24	1,058	948	-	-	1,058	0.99	948	0.90
96	280	2,343	1,981	14,070	14,349	(8,038)	(3,476)	6,032	5.67	10,873	10.27
286	461	2,496	2,122	17,910	18,063	(8,038)	(3,476)	9,872	9.27	14,587	13.78

History of the John Keells Group

1870

The foundation was laid for the corporate journey of John Keells Holdings, when two English brothers, George and Edwin John set up E. John & Co., a firm of produce and exchange brokers.

1948

The firm merged with two London based tea brokers, William Jas and Hy Thompson & Co., and GeoWhite & Co., thereby evolving into a private liability company in the name of E. John, Thompson, White & Company Ltd.

1960

The firm amalgamated with Keell and Waldock Ltd., another long established produce, share and freight broking company thus changing its name to John Keell Thompson White Ltd.

1973

The company acquired a controlling stake in Walkers Tours and Travels (Ceylon) Ltd., one of the country's leading inbound tour operators.

1974

The firm became a Rupee quoted public company and took the name of John Keells Ltd.

1986

A newly incorporated John Keells Holdings Ltd. (JKH) acquired a controlling stake in John Keells Limited and obtained a quotation on the Colombo Stock Exchange (CSE) amidst a heavily over-subscribed public share issue.

1991

JKH was involved in the biggest ever deal at the time, when Whittalls group of companies was acquired thus gaining controlling stakes in Ceylon Cold Stores, Ceylon Holiday Resorts and a stake in Union Assurance.

1994

JKH became the first Sri Lankan company to obtain a listing abroad, and issued Global Depository Receipts (GDRs) that were quoted on the Luxembourg Stock Exchange.

1996

Velidhu Resort Hotel, an 80 roomed island resort in the Maldives, was acquired making it JKH's first major overseas investment.

1999

Nations Trust Bank (NTB) was established in a joint venture with the International Finance Corporation (IFC) and Central Finance Co. Ltd. Fortune magazine named JKH "One of the ten best Asian stocks to buy". South Asia Gateway Terminals (SAGT) the largest private sector investment in Sri Lanka at that time commenced operations to own, operate and develop the Queen Elizabeth Quay at the Port of Colombo.

2000

JKH was rated among the best 300 small companies in the world by Forbes Global magazine. JKH also became the first company in Sri Lanka to obtain the SL AAA rating from Fitch Rating Ltd. JKH was admitted as a full member of the World Economic Forum.

2003-2004

JKH acquired Asian Hotels and Properties, an acquisition that brought with it 40 per cent of the five star room capacity in Colombo.

2004-2005

John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. JKH acquired a controlling stake in Mercantile Leasing Limited (MLL). The John Keells Social Responsibility Foundation, the Group's CSR arm, was established as a charitable company and registered as a voluntary social service organisation.

2005-2006

The Group entered into a MOU to develop a third resort in the Maldives on Alidhoo Island. JKH acquired 80 per cent of Yala Village Hotel. With the sale of Keells Plantations, the Group exited from the ownership of plantations. JKH entered into the BPO space through a joint venture with Raman Roy Associates. The Group also launched its new hotel brands "Cinnamon Hotels & Resorts" and "Chaaya Hotels & Resorts". NTB merged with Mercantile Leasing Limited.

2006-2007

The Group acquired a lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives. Furthermore, JKH acquired 20 per cent of Associated Motorways PLC. (AMW). JKH increased its stake in SAGT by 8 per cent to 34 per cent. John Keells Holdings Ltd was renamed as John Keells Holdings PLC.

2007-2008

The Group's first "Cinnamon" resort in the Maldives, "Cinnamon Island Alidhoo", commenced operations. IFC, a member of the World Bank group, signed a long term funding arrangement amounting to USD 75 million to support the Group's expansion plans.

2008-2009

JKH acquired a further 8.4 per cent in SAGT and also increased stakes in UA, CCS, JKL and KFPL. The stake in AMW was divested. JKH further acquired a 44 per cent stake in Quattrro Finance and Accounting Solutions.

2009-2010

The market capitalisation exceeded USD 1 billion. JKH was ranked first by the Business Today magazine's 'Top 10' award. Trans Asia Hotel was re-branded and re-launched as Cinnamon Lakeside Colombo. The Group released its first stand alone Sustainability Report for 2008/09 in adherence to the Global Reporting Initiative (GRI-G3) framework.

2010-2011

JKH was ranked first in the LMD Magazine's "Most Respected Entities in Sri Lanka" for the 5th consecutive time. The head lease of Alidhoo island was divested while the Group acquired the head lease of Dhonveli island for a period of 18 years. Rebranding and re-launching of Chaaya Tranz formerly known as Coral Gardens Hotel Hikkaduwa took place. The Group acquired 6.3 million shares of Nations Trust Bank through the conversion of warrants and effectively maintained its stake. JKH also acquired 5.6 million shares of Union Assurance PLC, and increased its stake to 95.6 per cent. Ceylon Cold Stores added "KIK" as its cola brand in its portfolio of soft drinks. JKH's property arm commenced construction of "OnThree20", a 475 unit apartment complex in the heart of Colombo. Walkers Tours and Whitall Boutstead became the only destination management companies to obtain both ISO 9001 and ISO 14001 certifications.

2011-2012

"The Emperor" apartment project at Crescat City, Colombo was completed. Chaaya Tranz Hikkaduwa and Chaaya Wild Yala were re-opened after refurbishment. JKH was ranked number one in the LMD Magazine's "Top 50" of Sri Lanka's leading companies for 2010/11 and number one in the Business Today magazine's "Top 20" rankings for the 7th time since 1999.

2012-2013

The 200 room five star resort hotel Cinnamon Bey was launched and Cinnamon Citadel was opened following an extensive refurbishment. Keells Food Products PLC, successfully raised Rs.1.02 billion via a rights issue in order to fund the acquisition and expansion of the meat processing plant in Pannala. Union Assurance PLC, successfully concluded a one for seven rights issue and raised Rs.720 million. The 140,000 square foot "K-Zone" mall was opened in Ja-ela, Colombo. JKH was ranked number one in LMD Magazine's "Most Respected Entities in Sri Lanka" survey for 2012 and also ranked number one in Business Today Magazine's "Top 20" rankings.

2013-2014

The market capitalisation of JKH exceeded USD 2 billion for the first time in history. JKH announced the development of the luxury mixed use integrated resort project, "Waterfront". JKH was ranked first in the LMD Magazine's "Most Respected Entities in Sri Lanka" for the eighth consecutive time and Business Today Magazine's list of Sri Lanka's Top 25 companies and was also recognized as one of the 15 great places to work in Sri Lanka through a survey conducted by the Great Place to Work Institute. Union Assurance launched Sri Lanka's first ever fully fledged customer portal for life policy holders. Divested the stakes in Central Hospital (Private) Limited and Information Systems Associates (ISA).

2014-2015

The first lean luxury hotel in Sri Lanka, Cinnamon red was launched. The "Onthree20" residential development project was successfully completed. JKH was ranked first in LMD Magazine's "Most Respected Entities in Sri Lanka". Union Assurance completed the segregation of its Life and General Insurance businesses complying with the IBSL stipulated regulations and sold a 78 per cent stake of the General Life Insurance business. 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.

2015-2016

Please refer "Year at a Glance" section of the JKH Annual Report.

Decade at a Glance

31 March LKR Millions	2016*	2015*	2014*	2013*	2012*
OPERATING RESULTS					
Group revenue	93,282	91,852	86,706	83,262	75,924
EBIT	20,192	19,226	16,537	16,677	14,192
Finance cost	(994)	(668)	(1,217)	(1,081)	(1,416)
Share of results of equity accounted investees	2,781	2,778	3,089	3,440	2,809
Profit before tax	19,198	18,557	15,320	15,595	12,778
Tax expense	(3,406)	(2,812)	(2,362)	(2,162)	(1,827)
Profit after tax	15,792	15,745	12,958	13,433	10,951
Extra ordinary item	-	-	-	-	-
Profit for the year	15,792	15,745	12,958	13,433	10,951
Attributable to:					
Equity holders of the parent					
Equity holders of the parent	14,070	14,348	11,721	12,113	9,689
Non-controlling interests	1,722	1,397	1,237	1,320	1,262
	15,792	15,745	12,958	13,433	10,951
CAPITAL EMPLOYED					
Stated capital	58,702	50,703	49,749	26,480	25,111
Capital reserves and other components of equity	28,715	24,501	21,845	20,635	13,226
Revenue reserves	67,565	62,594	51,304	42,704	33,001
	154,982	137,798	122,898	89,819	71,338
Non-controlling interest	13,499	12,279	11,421	11,152	8,624
Total equity	168,481	150,077	134,319	100,971	79,962
Total debt	20,750	23,934	26,139	20,107	20,054
	189,231	174,011	160,458	121,078	100,016
ASSETS EMPLOYED					
Property, plant and equipment (PPE)	52,736	49,563	47,406	49,200	34,246
Non-current assets other than PPE	93,376	78,030	71,969	59,787	52,397
Current assets	94,863	90,493	82,206	49,934	47,412
Liabilities net of debt	(51,745)	(44,075)	(41,123)	(37,843)	(34,039)
	189,230	174,011	160,458	121,078	100,016
CASH FLOW					
Net cash flows from operating activities	20,513	20,855	8,041	14,568	16,476
Net cash flows from/(used in) investing activities	(9,567)	(1,255)	(19,710)	(16,199)	(9,003)
Net cash flows from/(used in) financing activities	(7,717)	(4,838)	25,446	(1,320)	496
Net increase/(decrease) incash and cash equivalents	3,229	14,762	13,777	(2,951)	7,969
KEY INDICATORS					
Basic earnings per share (Rs.)	12.1	12.6	12.4	10.7	9.5
Interest cover (no. of times)	20.3	28.8	13.6	15.4	10.0
Net assets per share** (Rs.)	130.30	115.85	103.33	75.52	59.98
Enterprise value	124,182	155,675	193,614	203,615	166,143
EV/EBITDA	5.0	6.8	10.0	10.0	13.1
ROE (%)	9.6	11.0	11.0	15.0	14.7
Debt/equity ratio (%)	12.3	15.9	19.5	19.9	25.0
TSR (%)	(12.2)***	(12.0)***	(0.4)***	21.7	57.8
Dividend payout (Rs.millions)	8,038	3,476	3,267	2,982	2,314
Current ratio (no. of times)	4.0	2.6	2.4	2.0	2.0
Market price per share unadjusted (Rs.)	148.0	199.4	227.0	247.0	206.0
Market price per share diluted (Rs.)	148.0	174.5	198.6	238.1	174.4
Revenue growth rate (%)	1.56	5.93	4.14	9.66	25.49
USD closing rate	147.65	133.45	130.70	126.75	128.10
USD average rate	139.18	131.24	130.09	129.91	112.56

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

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2016.

*** Includes the proportionate impact arising from the ownership of warrants.

2011	2010	2009	2008	2007
60,500	47,980	41,023	41,805	32,855
11,425	7,908	7,986	8,197	6,115
(796)	(1,370)	(1,695)	(1,618)	(1,314)
2,641	2,556	2,340	2,243	1,701
10,629	6,538	6,291	6,579	4,801
(1,566)	(986)	(1,326)	(1,054)	(852)
9,063	5,552	4,965	5,525	3,949
-	-	-	-	-
9,063	5,552	4,965	5,525	3,949
8,245	5,201	4,733	5,119	3,540
818	351	232	406	409
9,063	5,552	4,965	5,525	3,949
24,612	23,322	22,525	22,464	22,246
9,560	7,574	7,437	6,019	3,137
25,415	18,936	15,545	14,914	13,087
59,587	49,832	45,507	43,397	38,470
7,608	6,430	4,960	4,770	3,696
67,195	56,262	50,467	48,167	42,166
14,641	17,453	21,596	12,667	15,363
81,836	73,715	72,063	60,834	57,529
28,628	29,989	29,965	28,381	19,688
47,436	34,104	33,456	19,128	17,730
34,228	34,566	28,718	23,440	27,759
(28,456)	(24,944)	(20,076)	(10,115)	(7,648)
81,836	73,715	72,063	60,834	57,529
8,501	9,485	4,146	6,914	2,523
(4,469)	(5,823)	(3,972)	(4,359)	(10,088)
(6,791)	(636)	2,332	(6,262)	18,422
(2,759)	3,026	2,506	(3,707)	10,857
8.2	5.2	4.7	5.1	3.7
14.4	5.8	4.7	5.1	4.7
50.10	41.90	38.26	36.49	32.34
175,672	109,548	42,815	76,713	95,962
13.1	10.9	4.3	7.8	13.0
15.1	10.9	10.6	12.3	11.4
21.8	31.0	42.8	26.3	36.4
203.2	(43.7)	14.5	23.8	33.8
1,844	1,883	3,176	1,412	1,197
1.8	2.1	1.8	1.9	1.2
285.6	184.0	62.8	119.8	155.0
39.5	75.4	70.8	60.1	47.6
26.09	16.96	(1.87)	27.24	11.51
110.40	114.00	115.53	107.78	109.20
112.13	115.02	109.83	110.30	105.51

Indicative US Dollar Financial Statements

Income Statement for Information Purposes Only

For the year ended 31 March In USD'000s	Group		Company	
	2016	2015	2016	2015
Continuing operations				
Sale of goods	394,041	410,924	-	-
Rendering of services	237,736	277,360	7,505	6,941
Revenue	631,777	688,284	7,505	6,941
Cost of sales	(440,618)	(492,359)	(3,670)	(3,549)
Gross profit	191,159	195,925	3,835	3,392
Dividend income	-	-	69,494	66,272
Other operating income	14,441	23,057	25,885	532
Selling and distribution expenses	(24,487)	(24,074)	-	-
Administrative expenses	(71,556)	(80,035)	(9,974)	(10,087)
Other operating expenses	(24,440)	(24,388)	(282)	(277)
Results from operating activities	85,117	90,485	88,958	59,832
Finance cost	(6,731)	(5,007)	(553)	(756)
Finance income	54,256	60,865	31,428	28,267
Change in insurance contract liabilities	(23,234)	(28,468)	-	-
Change in fair value of investment property	1,780	365	-	-
Share of results of equity accounted investees	18,837	20,819	-	-
Profit before tax	130,025	139,059	119,833	87,343
Tax expense	(23,071)	(21,071)	(4,222)	(3,876)
Profit for the year	106,954	117,988	115,611	83,467
Attributable to:				
Equity holders of the parent	95,292	107,518		
Non-controlling interests	11,662	10,470		
	106,954	117,988		
Basic earnings per share	0.08	0.09		
Diluted earnings per share	0.08	0.09		

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 147.65 (2014/15 : 133.45) have been used to convert the income statement and statement of financial position.

Statement of Financial Position for Information Purposes Only

For the year ended 31 March In USD'000s	Group		Company	
	2016	2015	2016	2015
ASSETS				
Non-current assets				
Property, plant and equipment	357,170	371,396	786	945
Lease rentals paid in advance	73,743	65,261	-	-
Investment property	33,040	34,537	-	-
Intangible assets	15,834	20,378	297	474
Investments in subsidiaries	-	-	246,424	245,884
Investments in equity accounted investees	114,795	122,484	60,058	66,148
Non-current financial assets	153,305	147,686	3,437	12,238
Deferred tax assets	879	814	-	-
Other non-current assets	240,821	193,556	84	103
	989,587	956,112	311,086	325,792
Current assets				
Inventories	31,594	41,880	-	-
Trade and other receivables	67,720	76,955	1,146	641
Amounts due from related parties	901	1,387	4,031	1,935
Other current assets	15,601	17,970	869	935
Short term investments	491,941	506,112	385,115	324,410
Cash in hand and at bank	34,727	33,799	1,207	329
	642,484	678,103	392,368	328,250
Total assets	1,632,071	1,634,215	703,454	654,042
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	397,575	379,938	397,575	379,938
Revenue reserves	457,599	469,044	278,509	242,588
Other components of equity	194,482	183,599	7,346	5,451
	1,049,656	1,032,581	683,430	627,977
Non-controlling interest	91,423	92,011	-	-
Total equity	1,141,079	1,124,592	683,430	627,977
Non-current liabilities				
Insurance contract liabilities	184,255	179,333	-	-
Interest-bearing loans and borrowings	92,833	36,715	-	9,933
Deferred tax liabilities	13,744	12,180	-	-
Employee benefit liabilities	11,249	11,201	1,281	1,202
Other deferred liabilities	5,837	774	2,513	-
Other non-current liabilities	20,963	5,860	-	-
	328,881	246,063	3,794	11,135
Current liabilities				
Trade and other payables	86,390	84,431	2,252	2,501
Amounts due to related parties	196	198	692	20
Income tax liabilities	12,689	11,930	2,340	1,973
Short term borrowings	5,562	94,588	-	-
Interest-bearing loans and borrowings	20,261	33,415	10,041	10,081
Other current liabilities	15,136	24,368	110	112
Bank overdrafts	21,877	14,630	795	243
	162,111	263,560	16,230	14,930
Total equity and liabilities	1,632,071	1,634,215	703,454	654,042

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 147.65 (2014/15 : 133.45) have been used to convert the income statement and statement of financial position.

Sri Lankan Economy

Summary Indicator	Units	2009	2010	2011	2012	2013	2014	2015
GDP Growth (2010 base)	%			8.4	9.1	3.4	4.9	4.8
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	10,448	11,183
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	80.0	82.3
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	6.7	1.9
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	503	533
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	3,610	3,853	3,925
GDP per capita (market prices: 2002 base)	USD	2,057	2,400	2836	2,908	3,265	3,608	3894
Inflation (CCPI 2006/07=100) annual average	%	3.5	6.2	6.7	7.6	6.9	3.3	0.9
Inflation (NCPI 2013=100) annual average	%	N/A	N/A	N/A	N/A	N/A	N/A	3.8
Current Account Balance	USD Billion	-0.2	-1.1	-4.6	-4.0	-2.6	-2.0	-2.0
Current Account % of GDP*	%	-0.5	-1.9	7.1	-5.8	-3.4	-2.5	-2.4
Population	Million	20.5	20.7	20.9	20.4	20.6	20.8	21.0
Exchange Rate (Annual Average)	Rs/USD	114.9	113.1	110.6	127.6	129.1	130.6	135.9
Exchange Rate Change (Annual Average)	%	6.1	-1.6	-2.2	15.4	1.2	1.1	4.1
12m T-Bill yield (year end)	%	9.3	7.6	9.3	11.7	8.3	6.0	7.3
Prime Lending Rate (year end)	%	10.9	9.3	10.8	14.4	10.1	6.3	7.5
M2b Money supply growth	%	18.6	15.8	19.1	17.6	16.7	13.4	17.8
Exports	USD Billion	7.1	8.6	10.6	9.8	10.4	11.1	10.5
Imports	USD Billion	10.2	13.5	20.3	19.2	18.0	19.4	18.9
Balance of Payments*	Per cent of GDP	6.5	1.6	-1.6	0.2	1.3	1.7	-1.8
Budget Deficit*	Per cent of GDP	-9.9	-7.0	-6.2	-5.6	-5.4	-5.7	-7.4
Unemployment Rate	%	5.8	4.9	4.2	4.0	4.4	4.3	4.6
All Share Index (year end)	Points	3,386	6,636	6,074	5,643	5,913	7,299	6,895
Tourist Arrivals	No. 000	448	655	856	1,006	1,275	1,527	1,798

* Uses rebased GDP (2010 base) from 2010 onwards

Sri Lanka's economic growth moderated in 2015, increasing by 4.8 per cent (2010 base) compared to the 4.9 per cent growth recorded in 2014. Growth decelerated across all three segments of the economy in the second half of 2015, resulting in a slow 2.5 per cent growth in the fourth quarter. This was despite almost muted levels of inflation persisting throughout the year, with the CCPI averaging at a 0.9 per cent in 2015, as well as a significant pickup in domestic demand conditions. Numerous price revisions of essential food items as well as reductions in fuel prices implemented through the Interim Budget in early 2015 and favourable supply conditions were the key reasons for the near-zero levels of inflation seen throughout the year. However, an upward trend in core inflation through most of the year hinted concerns over underlying inflation.

The CBSL maintained loose monetary policy stance throughout most of 2015, reducing the Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SLDR) by 50 basis points each in April. The CBSL stated this was to address concerns over growth and investments, as well as to adjust rising market interest rates to being more in line with the low inflation environment. During the latter part of the year, however, the CBSL sounded a cautionary note due to continued acceleration in private sector credit and import growth. In an effort to curb this growth and bring about monetary and price stability, the CBSL began a tightening cycle increasing the Statutory Reserve Ratio by 150 basis points in December, and thereafter raising key policy rates by 50 basis points each in February 2016.

While seeing considerable volatility throughout the year, the Average Weighted Prime Lending Rate (AWPLR) settled 124 basis points higher at 7.5 per cent by the end of 2015 from 6.26 per cent at end 2014. The Average Weighted Deposit Rate (AWDR), on the other hand, was unchanged at 6.2 per cent.

Broad money supply accelerated in 2015, up 17.8 per cent compared to the 13.4 per cent growth in 2014. Net Domestic Assets rose 26 per cent over the year, led by growth in private sector credit which saw an absolute growth of Rs.691.4 billion during the year, in comparison to a Rs.17.3 billion increase in 2014. Net credit to Government also recorded an increase of 22.5 per cent over the year.

Global market volatility highlighted by fears of Greece exiting the Euro and speculations of US rate hikes resulted in sell-offs in equities and bond markets, particularly in Emerging market assets. The impact of these risk-averse sell-offs was evident in Sri Lanka as well, with foreign holdings of Government securities seeing a decline of Rs.153billion during the year. In addition to this, record debt outflows of USD 5.7billion in 2015, weak export performance and a strengthening USD saw the LKR coming under pressure during the second half of the year. This led to the CBSL allowing the LKR to be market determined as it removed its daily reference rate in September. During the year the LKR depreciated by 9.9 per cent.

In 2015, Sri Lanka recorded a Balance of Payments (BOP) deficit of USD 1.5billion, a deterioration from the surplus of USD 1.4 billion seen in 2014. This was due to poor performance on the financial account, while the Current Account also saw a marginal increase in the deficit, in absolute terms. The external trade deficit grew in 2015, to USD 8.4billion, above the deficit of USD 8.3billion seen the previous year. Despite low international oil prices aiding a 41 per cent reduction in the fuel import bill, an acceleration in Consumer goods imports limited the decline in overall import expenditure, which contracted 2.5 per cent over the year. Subdued demand conditions in Sri Lanka's main export markets saw export earnings decline 5.6 per cent in 2015, leading to the widening of the trade deficit.

Foreign Direct Investments saw a reduction to USD 1.16billion from USD 1.64billion seen last year. Tourist arrivals picked up 17 per cent to 1.8million during the year, while tourism income accelerated 22.6 per cent to USD 2.98 billion in 2015.

Sri Lanka's gross official reserves saw a downtrend in 2015, standing at USD 7.3billion at the end of the year, in comparison to USD 8.2 billion at end 2014. The reserve position depleted on account of debt repayments throughout the year as well as defence of the LKR. Sri Lanka raised a total of USD 2.15 billion through sovereign bond issuances in May and October, while raising USD 1.7 billion in Sri Lanka Development Bonds (SLDBs) throughout the year.

According to the Central Bank's most recent Annual Report, Sri Lanka's budget deficit for 2015 widened significantly to 7.4 per cent of

GDP from 5.7 per cent in the previous year. This was despite an improvement in Total Revenue which rose to 13.1 per cent of GDP, compared to 11.5 per cent in 2014, which was attributed to implementation of one-off taxes as well as improved revenue collection from excise duties as vehicle imports surged during the year. Higher expenditure on salaries and wages and interest payments lead to an increase in Recurrent Expenditure, while Capital Expenditure also grew to 5.3 per cent of GDP. Total Expenditure for the year was 20.5 per cent of GDP in 2015, above the 17.2 per cent seen in the prior year.

The Year That Was

The GDP growth for the full year of 2015 was recorded at 4.8 per cent. The three major sub sectors of GDP; Agriculture, Industry and Services recorded growth rates of 5.5 per cent, 3.0 per cent and 5.3 per cent respectively.

The Agriculture sector experienced a positive growth in 2015, primarily due to the growth in rice and vegetables sub-segments during the year which increased by 23.3 per cent and 24.9 per cent YOY respectively. The sector grew by 5.5 per cent in 2015, higher than the growth of 4.9 per cent in 2014. The performance of the Tea industry declined by 2.7 per cent year-on-year in 2015 owing to lower levels of tea production and reduced demand from export markets. Tea prices at the Colombo Tea Auction continued to decline over the year hitting its lowest price since February 2012 in September 2015.

The Industrial sector grew at 3.0 per cent in 2015, lower than the 3.5 per cent growth recorded in 2014. This growth was driven by Food, Beverages and Tobacco sub-sector which witnessed a 5.6 per cent YOY rise, along with Electricity, gas, steam and air conditioning supply sub-categories which showed 7.8 per cent growth. Construction, the largest driver of Industrial growth, contracted by 0.9 per cent in 2015, compared to 6.6 per cent growth seen in the previous year.

The Services sector, continued to see positive growth as the sector grew 5.3 per cent in 2015, improving from the previous year's growth of 5.2 per cent. Financial service activities, Real estate activities, including ownership of dwellings and Transportation categories lead the growth in the Services sector, recording growths of 15.9 per cent, 9.6 per cent and 5.5 per cent respectively. Wholesale and retail trade maintained steady growth at 4.7 per cent in 2015.

Despite a moderation in overall economic growth, domestic consumption demand in real terms grew by 6.9 per cent in 2015 from 5.7 per cent in the previous year (2010 base). Aggregate Domestic savings had a growth of 1.1 per cent during the year, while National savings growth recorded a 1.0 per cent rise; lower than the 6.0 per cent and 7.5 per cent growth (2010 base) recorded in 2014 respectively. The deceleration of investments resulted in the contraction of the savings to investment gap to 2.2 per cent of GDP from 2.5 per cent of GDP in 2014 (2010 base).

Headline inflation slowed down during 2015, reaching a record low annual average of 0.9 per cent in 2015 from 3.3 per cent in 2014. During the first 3 quarters of the year, headline inflation was on a downward trend, reaching negative growth in July 2015 for the first time since 20 years. This was due to the effects of administrative price revisions and tariff revisions implemented from end 2014, including adjustments at the January 2015 interim budget. Base effects of relatively higher inflation in 2014 also contributed to the downtrend in headline inflation.

Sri Lanka's trade account widened marginally during 2015 largely on account of weak export performance throughout the year, despite low oil prices supporting lower import growth. Export earnings declined continuously from March 2015 reflecting subdued global demand and lower commodity prices, particularly on Tea and rubber exports. As Expenditure on consumer goods continued to grow significantly rising by 22.3 per cent in 2015 as a result of growth in Non- food consumer goods imports such as Vehicles, and Medical and Pharmaceutical imports, while Food and Beverages imports declined by a 0.4 per cent year-on-year. Growth in expenditure on investment goods reversed from its downward trend seen in previous years as it rose by 10.0 per cent mainly due to increases in imports of machinery and equipment, building materials and Transport equipment.

The Colombo Stock Exchange (CSE) during 2015 recorded a net foreign inflow of USD 4.0 million, compared to inflows of USD 162.6 million in 2014. The Government securities market saw notable outflows during the year, recording a net outflow of USD 1,093.4 million during 2015 in comparison to a net outflow of USD 113.1 million during 2014.

Group Real Estate Portfolio

Owning company and location	Buildings in (Sq. Ft)	Land in acres		Net book value	
		Freehold	Leasehold	2016 LKR '000s	2015 LKR '000s
PROPERTIES IN COLOMBO					
John Keells Office Automation (Pvt) Ltd. No.90 ,Union Place, Colombo 2.	9,100	-	-	76	2,212
John Keells PLC. 56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	0.08	-	1,249	1,250
Keells Realtors Ltd. 427 & 429, Ferguson Road, Colombo 15.	27,750	1.22	-	298,192	278,344
Mackinnon Keells Ltd. Leyden Bastian Road, York Street, Colombo 01.	31,656	0.45	-	475,258	403,760
Union Assurance PLC. No 20, St. Michaels' Road, Colombo 03.	57,916	0.58	-	1,128,379	839,335
Whittall Boustead (Pvt) Ltd. No.199 ,Union Place, Colombo 2. 148, Vauxhall Street, Colombo 2.	14,014 97,128	0.50 3.06	- -	406,800 2,281,523	347,000 2,180,942
	237,564	5.89	-	4,591,477	4,052,843
PROPERTIES OUTSIDE COLOMBO					
Ceylon Cold Stores PLC. Kaduwela.	312,042	27.35	-	1,118,853	1,071,862
Trincomalee.	23,840	1.14	-	111,404	94,457
Facets (Pvt) Ltd. Ahungalla.	-	6.31	-	367,385	342,000
John Keells BPO Solutions India (Pvt) Ltd. Floor 8, Tower B & C, Building No.6, DLF SEZ Cyber City, Phase III, Gurgaon, Haryana.	48,659	-	-	50,217	60,651
John Keells PLC. 17/1, Temple Road, Ekala, Ja-Ela.	-	3.64	-	181,170	135,878
JK Properties Ja-Ela (Pvt) Ltd. No 525, Colombo Road, Kapuwatta, Ja-Ela.	143,714	6.60	-	1,633,000	1,591,000
John Keells Warehousing (Pvt) Ltd. Muthurajawela.	142,489	-	6.00	323,024	324,113
Keells Food Products PLC. 41, Temple Road, Ekala, Ja-Ela.	86,117	3.00	5.00	401,550	389,753
Rajawella Holdings Ltd. Mahaberiatenna, Kandy.	3,700	-	367.83	1,925,345	-
Tea Smallholder Factories PLC. Broadlands.	56,478	4.14	-	63,000	63,000
Halwitigala.	48,747	9.61	-	52,500	49,000
Hingalgoda.	63,676	17.00	-	84,000	82,000
Karawita.	80,364	-	4.98	83,741	83,826
Kurupanawa.	51,410	11.80	-	57,000	55,000
Neluwa.	48,888	5.27	-	60,000	56,000
New Panawenna.	44,568	10.59	-	42,000	42,000
Pasgoda.	40,091	7.24	-	33,000	32,000
Peliyagoda.	31,629	-	0.98	153,000	126,000

Owning company and location	Buildings in (Sq. Ft)	Land in acres		Net book value	
		Freehold	Leasehold	2016 LKR '000s	2015 LKR '000s
PROPERTIES OUTSIDE COLOMBO (Contd.)					
Transware-Logistics (Pvt) Ltd., Tudella, Ja-Ela.	63,670	18.67	-	417,292	420,232
Union Assurance PLC. No 06,Rajapihilla Road, Kurunegala.	27,904	0.20	-	221,767	164,000
Whittall Boustead Ltd. 150, Badulla Road, Nuwara Eliya.	4,343	0.46	-	97,368	88,083
	1,322,329	133.02	384.79	7,476,616	5,270,855
HOTEL PROPERTIES					
Asian Hotels and Properties PLC. Cinnamon Grand Premises, Colombo 2.	648,793	7.91	-	15,910,277	15,502,733
Crescat Boulevard, Colombo 2.	145,196	-	-	2,260,000	2,156,608
Ahungalla Holiday Resort (Pvt) Ltd., Ahungalla.	-	6.50	-	148,000	148,850
Beruwala Holiday Resorts (Pvt) Ltd. Cinnamon Bey, Beruwala.	336,110	11.39	-	3,229,000	3,148,991
Ceylon Holiday Resorts Ltd. Bentota Beach Hotel, Bentota.	236,524	2.32	11.02	642,042	638,614
Fantasea World Investments (Pte) Ltd. Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	150,412	-	13.42	1,155,217	899,359
Habarana Lodge Ltd., Cinnamon Lodge, Habarana.	202,999	-	25.47	669,900	681,800
Habarana Walk Inn Ltd., Chaaya Village, Habarana.	121,767	-	9.34	291,755	293,455
Hikkaduwa Holiday Resort (Pvt) Ltd. Chaaya Tranz, Hikkaduwa.	233,965	0.29	4.36	1,194,996	1,224,718
Kandy Walk Inn Ltd., Cinnamon Citadel, Kandy.	160,550	5.79	-	1,293,567	1,224,254
Nuwara Eliya Holiday Resort (Pvt) Ltd, Nuwara Eliya.	-	2.66	-	259,396	199,367
Resort Hotels Ltd., Medway Estate, Nilaveli.	4,485	44.37	-	767,740	700,980
Rajawella Hotels Company Ltd. Mahaberiatenna, Kandy.	-	-	-	-	38,347
Trans Asia Hotels PLC. Cinnamon Lake Side, Colombo 2.	448,791	-	7.65	5,519,905	5,033,024
Tranquility (Pte) Ltd. Chaaya Island Dhonveli, Republic of Maldives.	246,358	-	18.62	7,414,527	7,134,834
Travel Club (Pte) Ltd. Chaaya Reef Ellaidhoo, Republic of Maldives.	170,877	-	13.75	1,564,499	1,197,720
Trinco Holiday Resorts (Pvt) Ltd. Chaaya Blu, Trincomalee.	120,910	13.24	-	980,796	938,445
Trinco Walk Inn Ltd. Club Oceanic, Trincomalee.	-	14.64	-	197,605	163,650
Wirawila Walk Inn Ltd. Randunukelle Estate, Wirawila.	-	25.15	-	86,886	86,888
Yala Village (Pvt) Ltd. Cinnamon Wild, Tissamaharama.	110,248	-	11.00	485,569	472,659
	3,337,985	134.26	114.63	44,071,677	41,885,296
Improvements to Keells Super outlets on leased hold properties				1,122,549	797,519
Consolidated Value of Land and Buildings	4,897,878	273.17	499.42	57,262,319	52,006,513

Memberships Maintained by the Industry Groups

Senior management personnel of the Group, hold positions of membership on the following professional and governance bodies and participate in various sub committees and projects initiated by such bodies. The Group views these memberships as a vital part of business given the ability of such bodies to recommend policy changes, address industry concerns and carry out necessary lobbying for the betterment of the industry as a whole.

The Group's senior management are involved in the following bodies as active members. Thus the members of Group Executive Committee hold positions such as:

- Employers Federation of Ceylon
- Members of Committees of the Chamber of Commerce such as Legislation Steering Committee, Co-Chair of the National Agenda Committee on Logistics & Transport, Sub committees on Economic, Fiscal and Policy Planning, Investment Ease of Doing business and Young Leaders
- Council Member of the Chartered Institute of Logistics & Transport
- Member of the Advisory Council of the Sri Lanka Logistics & Freight Forwarders Association
- The National Labour Advisory Committee
- Vice President of the Indo-Lanka Chamber of Commerce
- Member of the Executive Committee of the Council for Business with Britain
- Associate member of Chartered Institute of Management Accountants
- Member of the Sri Lanka and New Zealand Business Council
- Member of Food & Beverage Steering Committee

Industry Group	Memberships
Transportation	<ul style="list-style-type: none"> Accredited Agent of International Air Transport Association Air Promoters Group American Chamber of Commerce Association of Licensed Bunker Operators of Bombay Chamber of Commerce Certificate of Corporate Partnership with The Chartered Institute of Logistics & Transport Ceylon Association of Ships Agents Civil Aviation Authority Employers Federation of Ceylon European Chamber of Commerce of Sri Lanka Freight Forwarders Association of India International Air Transport Association Agents Association of Sri Lanka International Air Transportation Agents Association International Air Transportation Agents Association International Bunker Industry Association Italian Business Council

Industry Group	Memberships
Transportation	<ul style="list-style-type: none"> Italian Business Council Lanka Association of Ship Owners Logistics and Transportation Faculty Industry Committee of the University of Moratuwa Ship Chandlers Association of Sri Lanka Sri Lanka - Belgium Business Association Sri Lanka - India Business Association Sri Lanka - Korea Business Association Sri Lanka Airline Cargo Association Sri Lanka Association of Airline Representatives Sri Lanka France Business Council Sri Lanka Freight Forwarders Association Sri Lanka Tourism Board Travel Agents Association of Sri Lanka World Cargo Alliance Membership
Information Technology	<ul style="list-style-type: none"> American Chamber of Commerce Employers' Federation of Ceylon European Chamber of Commerce Gold partnership of Microsoft Leading Edge Alliance

Industry Group	Memberships	Industry Group	Memberships
Information Technology	<ul style="list-style-type: none"> Ministerial Advisory Committee on IT/BPO exports convened by the EDB Nordic Business Council Sri Lanka Association of Software and Service Companies Sri Lanka Germany Business Council Sri Lanka Institute of Directors 	Leisure	<ul style="list-style-type: none"> Harvard Management Communications Ltd Indian Association of Tour Operators Indo-Lanka Chamber of Commerce International Association of Travel & Tourism Professionals Japan Association of Travel Agents Kandy Hoteliers Association La Chaine des Rotisseurs Lanka Business Coalition on HIV & AIDS Maldives Association of Tourism Industry Natural Disaster Management of Palugaswewa Division Pacific Asia Travel Association Pacific Asia travel association (Sri Lanka) chapter Pacific Leisure Group RateGain It solutions Pvt Ltd Responsible Tourism Partnership Signature Travel Network SKAL International Colombo SL Africa and Middle east business council Sri Lanka - Australia Business Council Sri Lanka - British Business Council Sri Lanka - Canada Business Council Sri Lanka - France Business Council Sri Lanka - Germany Business Council Sri Lanka - Italy Business Council Sri Lanka - Japan Business Council Sri Lanka - Japan Business Council Sri Lanka - Malaysia Business Council Sri Lanka - Maldives Bilateral Business Council Sri Lanka - Netherland Business Council Sri Lanka - New Zealand Business Council Sri Lanka - Poland Business Council Sri Lanka - Russia Business Council Sri Lanka - Singapore Business Council Sri Lanka - China Business Council
Consumer Foods and Retail	<ul style="list-style-type: none"> Ceylon Chamber of Commerce Consumer Goods Forum Employers' Federation of Ceylon Export Development Board Lanka Confectionery Manufacturers Association National Chamber of Commerce National Chamber of Exporters Sri Lanka - Maldives Bilateral Business Council Sri Lanka Association of Testing Laboratories 		
Leisure	<ul style="list-style-type: none"> American Chamber of Commerce Bentota/Beruwela Hotelier's Association Bird Friendly Concept Network Business with Britain Ceylon Chamber of Commerce Ceylon Chamber of Commerce Ceylon Hotel School Graduates Association Chef Guild of Sri Lanka Compost Production Membership -Ministry of Agriculture Compost Production Membership -Ministry of Agriculture Cultural Triangle Hoteliers Association Dutch Burger Union Employers' Federation of Ceylon European Business Council European Chamber of Commerce of Sri Lanka Federation of Information Technology in Field Ornithology Group of Sri Lanka Field Ornithology Group of Sri Lanka - Nature Odyssey Friends of Sri Lanka Association, UK 		

Memberships Maintained by the Industry Groups

Industry Group	Memberships	Industry Group	Memberships	
Leisure	Sri Lanka – Pakistan Business Council	Financial Services	American Chamber of Commerce in Sri Lanka	
	Sri Lanka – Vietnam Business Council		Association of Insurers and Reinsurers of Developing Countries	
	Sri Lanka Association of Inbound Tour Operation		Colombo Stock Brokers Association	
	Sri Lanka Association of Inbound Tour Operators		Colombo Stock Exchange	
	Sri Lanka Association of Professional Conference Exhibition & Event Organizer		Insurance Association of Sri Lanka	
	Sri Lanka Association Of Professional Conference Exhibition & Event Organizers		National Chamber of Commerce	
	Sri Lanka business and biodiversity platform		Other	Ceylon Chamber of Commerce
	Sri Lanka Conventions Bureau			Colombo Brokers Association
	Sri Lanka Conventions Bureau			Colombo Rubber Traders Association
	Sri Lanka Institute of Directors			Colombo Stock Exchange
	Sri Lanka Institute of Tourism and Hotel Management	Employers' Federation of Ceylon		
	Sri Lanka Tourism Development Authority	European Chamber of Commerce		
	Sri Lanka Tourism Development Authority	Federation of Information Technology in Sri Lanka		
	Sri Lanka Tourism Promotions Bureau	Harvard Business Review		
	Sri Lanka- Benelux Business Council	Harvard Management Communications Ltd		
	SWITCH-ASIA	International Tea Committee		
	The hotels association of Sri Lanka	Lanka Business Coalition on HIV & AIDS		
	The Sri Lanka Institute of Directors	National Chamber of Commerce		
	Tourism Development Committee of Hambantota District under Hambantota District Chamber of Commerce	National Chamber of Commerce of Sri Lanka		
	Tourist Hotels Association	NuwaraEliya Golf Club		
	Tourist Hotels Association of Sri Lanka	Planters' Association of Ceylon		
	Travel Agents Association of India	Rubber Dealers' License – Director of Rubber Development Department		
	Travel Agents Association of India	SAP Services Partner in Sri Lanka		
	Travel Trade Sports Club	Sri Lanka Association of Software and Service Companies		
	Wild Life and Nature Protection Society	Sri Lanka Institute of Directors		
	Wild Life Focus Group of the Sri Lanka Tourism Promotions Bureau	Sri Lanka Tea Board		
		Sri Lanka Tea Factory Owners Association		
		Tea Research Board of Sri Lanka		
	Property	Ceylon Chamber of Commerce		
		Chamber of Construction Industry of Sri Lanka		
Employers' Federation of Ceylon				

Independent Assurance Statement on Non-Financial Reporting

Introduction

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 (Type 2, moderate level) for the non-financial - qualitative and quantitative information (sustainability performance) prepared 'in accordance' - Core option based on GRI G4 guidelines, the Integrated Reporting Framework of the International Integrated Reporting Council and reported in the Integrated Annual Report - 2015/16 (the Report).

This engagement focused on verification of non-financial - qualitative and quantitative information (sustainability performance) disclosed in the Report, and underlying management systems and reporting processes. The engagement was carried out against AccountAbility's AA 1000 Assurance Standard 2008 ((AA 1000AS (2008)) and the DNV GL Protocol for Verification of Sustainability Reporting ('VeriSustain' - www.dnvgl.com ; available on request) and adherence to Reporting Principles and Standard Disclosures of the Global Reporting Initiative G4 Sustainability Reporting Guidelines (GRI G4).

The intended user of this assurance statement is the Management of the Company. The Management of the Company is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information presented in the Report. Our responsibility in performing this work is regarding the verification of the non-financial - qualitative and quantitative information (sustainability performance) reported in the Integrated Annual Report - 2015/16 only, in accordance with the scope of work agreed with the Management of the Company. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this assurance statement. Our assurance engagement was planned and carried out from March to May 2016.

Scope, Boundary and Limitations of Assurance

The scope of assurance included the review of Economic, Environment and Social information in the Report. In particular the assurance engagement included:

- The verification of the qualitative and quantitative sustainability performance reported in the Integrated Annual Report prepared by John Keells Holdings PLC based on the GRI G4 guidelines, covering economic, environmental and social performance for the activities undertaken by the Company over the reporting period 1st April 2015 to 31st March 2016 and reported in this Report;
- Review of the policies, initiatives, practices and performance described in the non-financial - qualitative and quantitative information (sustainability performance) reported as well as external references made in the Report;
- Evaluation with respect to the AccountAbility principles and specified performance information, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008):
 - information relating to the issues, responses, performance data, case studies and underlying systems for the management of such information and data;
 - information relating to materiality assessment and stakeholder engagement processes;
- Evaluation of the disclosed information in the Report, both General and Specific Standard Disclosures for 'in accordance' Core reporting requirements covering the systems and the processes the Company has in place for reporting;
- Confirmation of Sustainability Disclosures related to GRI G4 - 'in accordance' - Core as declared by Company.

The reporting aspect boundary is based on the internal and external materiality assessment covering the operations of companies in its sphere of control and

influence i.e. the legal entities for which the JKH Group remains accountable and has direct control (seven industry groups (i.e. Transportation, Leisure, Property, Consumer Foods and Retail, Financial Services, Information Technology and Plantations)) in Sri Lanka, Maldives and India, including the selected supply chain activities as set out in the Report.

The Report excludes companies in which the Group does not exercise significant management control, non-operational companies, investment companies and companies owning assets such as land. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The reported data on economic performance is based on audited financial statements by the Company's statutory auditors. No external stakeholders were interviewed as part of this assurance engagement.

Verification Methodology

This assurance engagement was planned and carried out in accordance with AccountAbility's AA1000 Assurance Standard 2008 ((AA1000AS (2008)) and VeriSustain. The Report has been evaluated against the principles of Inclusivity, Materiality and Responsiveness as set out in AA1000AS (2008) and the Reliability of specified sustainability performance information, as required for a Type 2, moderate level assurance engagement, and adherence to the additional principles of Completeness and Neutrality as set out in VeriSustain.

During the Assurance Engagement, we adopted a risk based approach, meaning we concentrated our verification efforts on the issues of high material relevance to JKH PLC business and its key stakeholders. As part of the verification, we visited JKH PLC Corporate Office at Colombo, operational sites in Sri Lanka i.e. (i) Keells Food Products PLC at Ja-Ela (Consumer Foods sector); (ii) JKH Tea Warehouse at Muthurajawela (Plantations sector) (iii) Cinnamon Dhonveli, Maldives (Maldivian Resort sector) and (iv) Farms Pride (Pvt) Ltd in Gampola, Kandy (Supplier).

As part of the engagement, we have verified the statements and claims made in the Report. In doing so, we have:

Independent Assurance Statement on Non-Financial Reporting

- Reviewed the Company's approach to stakeholder engagement and its materiality determination process;
- Verified the sustainability-related statements and claims made in the Report and assessed the robustness of the data management system, data accuracy, information flow and controls;
- Examined and reviewed documents, data and other information made available by the Company;
- Conducted in-person interviews with middle and senior management team and other representatives, including data owners and decision-makers from different functions of the Company during corporate and site visits;
- Performed sample-based reviews of the mechanisms for implementing the Company's sustainability related policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report.

Conclusions

In our opinion, based on the scope of this assurance engagement, the non-financial - qualitative and quantitative information (sustainability performance) reported in the John Keells Holdings PLC Integrated Annual Report 2015/16 and referenced information in the Report, provides a fair representation of the sustainability related strategies, management system and performance and meets the general content and quality requirements of the GRI G4, i.e.

- General Standard Disclosures:** We are of the opinion that the reported disclosures on General Standard Disclosures generally meet the reporting requirement for 'in accordance' - Core based on GRI G4.
- Specific Standard Disclosures:** We are of the opinion that the following reported disclosures on Specific Standard Disclosures meets the reporting requirement for 'in accordance' - Core based on GRI G4 covering Generic

Disclosures of Management Approach and performance indicator for identified material aspects as below:

Economic

- Economic Performance - G4-EC1, EC3
- Indirect Economic Impact - G4 - EC7
- Procurement Practices - G4 - EC9

Environmental

- Energy - G4 - EN3
- Water - G4 - EN8
- Emissions - G4 - EN15, EN16
- Effluents and Waste - G4 - EN22, EN23, EN24
- Compliance - G4 - EN29
- Supplier Environmental Assessments - G4 - EN32

Social

Labour Practices and Decent Work

- Employment - G4 - LA1
- Occupational Health and Safety - G4 - LA6
- Training and Education - G4 - LA9, G4 - LA11
- Diversity and Equal Opportunity - G4 - LA12
- Supplier Assessment of Labour Practices - G4 - LA14

Human Rights

- Freedom of Association and Collective Bargaining - G4 - HR4
- Child Labour - G4 - HR5
- Forced and Compulsory Labour - G4 - HR6

Society

- Local Communities - G4 - S01
- Anti-corruption - G4 - S03, S04
- Compliance - G4 - S08

Product Responsibility

- Product and Service Labelling - G4 - PR3
- Marketing Communications - G4 - PR7
- Compliance - G4 - PR9

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

AA1000AS (2008) Principles

Inclusivity: The process of stakeholder identification and engagement is well established to identify sustainability challenges and concerns through different channels and includes engagements with

key stakeholders (internal and external) across the seven industry groups in a formal and systematic manner. The stakeholder engagement frequency, modes of engagement and concerns are well identified and reported. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Materiality: The process of materiality assessment was carried out on a sectorial basis to ascertain material issues at Group and sectorial level based on inputs from its significant stakeholders. The material issues identified were reviewed by JKH management team based on internal and external environment and sustainability context. JKH has reported that there were no significant change in identified material aspects and aspect boundary from the previous reporting period. In our opinion, the level at which the Report adheres to this principles is 'Good'.

Responsiveness: The materiality of the aspects are well explained in the report along with the management approach and monitoring systems. We consider that the response to key stakeholder concerns, through Companies strategies, policies and management systems including governance are fairly reflected in the Report. However the Report may further strengthen the disclosures on outcomes related to key sectorial material issues and link the outcomes to overall value creation of reported capitals as per Integrated Reporting Framework. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Reliability: The systems and procedures for performance reporting are well established with internal controls. The majority of data and information verified at Corporate office and selected sites were found to be fairly accurate, however 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. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Specific evaluation of the information on sustainability performances

We consider the methodology and process for gathering information developed by JKH, for its sustainability performance reporting is appropriate; the qualitative and quantitative data included in the Report, was found to be identifiable and traceable; the personnel responsible was able to demonstrate the origin and interpretation of the data and its reliability. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

Additional principles as per DNV GL's protocol

Completeness: The Report has fairly attempted to disclose the General and Specific Standard disclosures including the disclosure on management approach and performance indicators for identified material aspects for GRI G4 – 'in accordance' – Core option. The reporting of performance and data is comprehensive except for the value chain impacts. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Neutrality: The disclosures related to sustainability issues and performances are reported in a neutral tone, in terms of content and presentation, however report could further bring out responses related to the challenges faced during the reporting period at group and sectorial level. In our opinion, the level at which the Report adheres to the principle of Neutrality is 'Acceptable'.

Opportunities for Improvement

The following are an excerpt from the observations and opportunities for improvement reported to the management of the Company and are not considered for drawing our conclusions on the Report; however they are generally consistent with the management's objectives:

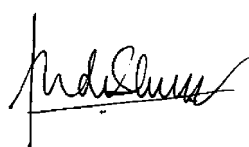
- Future reports may further bring out the impacts of material aspects in the value chain i.e. re-evaluate materiality in the value chain for the sectors to further identify and manage the emerging material issues of respective sectors;
- Integrate risk management process with its sustainability strategy through consistent tracking and reporting of key performance indicators to achieve sustainable performance across sectors;

- Further strengthen its management systems to effectively manage material aspects and include material aspects from sector disclosure in the existing management systems;
- Strengthen disclosures related to capitals as per Integrated Reporting Framework and reported capitals may be consolidated at sectorial level for sustainability management.

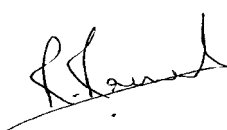
DNV GL's Competence and Independence

DNV GL is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV GL states its independence and impartiality with regard to this assurance engagement. We did not conduct other third party audits work with JKH PLC in 2015-16, hence in our judgement this does not compromise the independence or impartiality of our assurance engagement or associated findings, conclusions and recommendations. We were not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. We maintain complete impartiality toward any people interviewed.

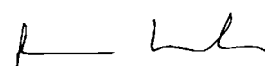
For DNV GL,



Rathika De Silva
Country Head
DNVGL Business Assurance Lanka (Private)
Limited, Sri Lanka



Ramesh Rajamani
Project Manager
DNVGL Business Assurance India
Private Limited, India.



Prasan Kundu
Assurance Reviewer, DNVGL Business
Assurance India Private Limited,
India.

25 May 2016
Colombo,
Sri Lanka



AA1000
Licensed Assurance Provider
000-10

Group Directory 2015/16

John Keells Holdings PLC. has business interests across six industry groups, namely, Transportation, Leisure, Property, Consumer Foods and Retail, Financial Services, Information Technology and Other including Plantation Services. The Group consists of subsidiaries and associate companies with significant business operations in Sri Lanka, India and the Maldives. The holding company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. The Group has considered all its subsidiary and associate companies in capturing its financial performance. For the purpose of reporting on its sustainability performance, the Group has considered the companies 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 and Corporates	Government
Consumer Foods and 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
<p>Keells Shipping (Pvt) Ltd. (PV 1272) (100%) <i>Shipping agency representation & logistics services</i> Incorporated in 1996 No. 11, York Street, Colombo 1 Tel: 2475200 Directors: S C Ratnayake - Chairman, R M David, J R Gunaratne (Resigned w.e.f 1/8/2015), A Z Hashim (Appointed w.e.f 1/8/2015) Stated capital: Rs. 500,000</p>
<p>Mackinnon Mackenzie & Co (Shipping) Ltd. (PB 359) (100%) <i>Shipping agency representation & logistics services</i> Incorporated in 1973 4, Leyden Bastian Road, Colombo 1 Tel: 2307526 Directors: S C Ratnayake- Chairman R M David, J R Gunaratne (Resigned w.e.f 1/8/2015), A Z Hashim (Appointed w.e.f 1/8/2015) Stated capital: Rs. 5,000,000</p>

<p>Maersk Lanka (Pvt) Ltd. (PV 2550) (30%)** <i>Shipping agency representation & freight forwarding services</i> Incorporated in 1992 Level 16, "Park Land", 33, Park Street, Colombo 02. Tel: 0114794800 Directors: W T Ellawala, Dinesh Lal, R M David, Hariharan Iyer (Resigned w.e.f 1/7/2009), Robert Janvan Trooijen (Resigned w.e.f 1/9/2012), Rizwan Sultan Ali (Resigned w.e.f 1/7/2014) Marc Eugene C Gijsbrechts (Appointed w.e.f 1/8/2014), Franck Dedenis (Appointed w.e.f 30/6/2014), Arjun Arun Maharaj (Appointed w.e.f 1/7/2014) Stated capital: Rs.10,000,000</p>
<p>South Asia Gateway Terminals (Pvt) Ltd. (PV 326) (42.19%)** <i>Ports & shipping services</i> Incorporated in 1998 Port of Colombo, P.O. Box 141, Colombo 1. Tel: 24575509</p>

Directors: S C Ratnayake - Chairman A D Gunewardene, J R F Peiris, R M David, C.K. Cheng, H G Wieske (Resigned w.e.f 21/9/2015), D C Alagarathnam (Resigned w.e.f 1/8/2015), K N J Balendra, P Sondergaard, P M English, T Hougaard (Resigned w.e.f 21/9/2015) S S Jakobsen, Mr R M W B C Rajapaksa, Capt. A S Wijesekera (Resigned w.e.f 26/02/2015), I A Gunasekera (Resigned w.e.f 6/11/2015), A Z Hashim (Appointed w.e.f 1/8/2015), D C Smith (Appointed w.e.f 21/9/2015), W L P Perera (Appointed w.e.f 6/11/2015), D Ranatunga (Appointed w.e.f 6/11/2015) R S A Soomar (Appointed w.e.f 9/2/2016)

Stated capital: Rs. 3,788,485,900

Logistics
<p>DHL Keells (Pvt) Ltd. (PV 1307) (50%)** <i>Express courier services</i> Incorporated in 1986 No. 148, Vauxhall Street, Colombo 2. Tel: 2304304/4798600 Directors: S C Ratnayake - Chairman R M David, Y B A Khan, S P Wall alt. A Z Hashim (Appointed w.e.f 1/8/2015)* Stated capital: Rs. 20,000,020</p>
<p>John Keells Logistics (Pvt) Ltd. (PV 318) (100%) <i>Integrated supply chain management</i> Incorporated in 2006 No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. Tel: 2475574 Directors: S C Ratnayake - Chairman A D Gunewardene, R M David, A Z Hashim (Appointed w.e.f 1/8/2015) Stated capital: Rs. 200,000,000</p>
<p>Lanka Marine Services (Pvt) Ltd. (PV 475) (99.44%) <i>Importer & supplier of heavy marine fuel oils</i> Incorporated in 1993 4, Leyden Bastian Road, Colombo 1 Tel: 2475410-421 Directors: S C Ratnayake - Chairman A D Gunewardene, R M David, R S Fernando (Resigned w.e.f 1/8/2015), A Z Hashim (Appointed w.e.f 1/8/2015) Stated capital: Rs. 350,000,000</p>

<p>Mackinnon Mackenzie & Co of Ceylon Ltd. (PB 348) (100%)* <i>Foreign recruitment agents & consultants</i> Incorporated in 1975 No. 11, York Street, Colombo 1 Tel: 2475200 Directors: S C Ratnayake - Chairman R M David Stated capital: Rs. 90,000</p>	<p style="text-align: center;">Air Lines</p> <p>Mack Air (Pvt) Ltd. (PV 868) (100%) <i>General sales agents for airlines in Sri Lanka</i> Incorporated in 1980 No. 11, York Street, Colombo 1 Tel: 2475375/2475335 Directors: S C Ratnayake - Chairman R M David, C N Lawrence, A Z Hashim (Appointed w.e.f 1/8/2015) Stated capital: Rs. 12,500,000</p>	<p>Directors: S C Ratnayake – Chairman A D Gunewardene, J R F Peiris, J E P Kehelpannala, R T Wijesinha, B J S M Senanayake, N B Weerasekera, T L F W Jayasekara Stated capital: Rs.9,500,246,939</p>
<p>N D O Lanka (Pvt) Ltd. (PV 831) (60%)** <i>International freight forwarding and clearing & forwarding</i> Incorporated in 1980 No. 11, York Street, Colombo 1 Tel: 7671671 Directors: R M David, H C K Hewamallika J R Gunaratne (Resigned w.e.f 23/7/2015), A Z Hashim (Appointed w.e.f 23/7/2015), C Besset(Appointed w.e.f 3/9/2014) Stated capital: Rs.130,000,000</p>	<p>Mack Air Services Maldives (Pte) Ltd. (C/I 35-2000) (49%)* <i>General sales agents for airlines in the Maldives</i> Incorporated in 2000 4th Floor, STO Aifaanu Building, Boduthakurufaanu Magu, Male 20-05 Republic of Maldives Tel: +9603334708 - 09 Directors: S C Ratnayake - Chairman A D Gunewardene (Resigned w.e.f 1/8/2015), R M David, S Hameed, A Shihab, A Z Hashim (Appointed w.e.f.1/8/2015) Stated capital: Rs. 677,892</p>	<p>Sentinel Realty (Pvt) Ltd. (PV 80706) (40.16%)** <i>Investment company for Hotel Development land</i> Incorporated in 2011 No.117, Chittampalam A, Gardiner Mawatha,Colombo - 02 Tel: 2306000 Directors : A D Gunewardene, S Rajendra, B A B Goonetilleke, K Balasundaram Stated capital: Rs.116,390,620</p>
<p>Saffron Aviation (Pvt) Ltd. (PV 84728) (40%)* <i>Domestic air line operations</i> Incorporated in 2012 No.11, York Street, Colombo 01 Tel: 2475502 Directors: A D Gunewardene, R M David, J R Gunaratne (Resigned w.e.f 23/7/2015), B A B Goonetilleke, K Balasundaram, F Omar, R T Abeyasinghe, A Z Hashim (Appointed w.e.f 23/7/2015) Stated capital: Rs. 674,981,000</p>	<p>Directors: S C Ratnayake - Chairman A D Gunewardene (Resigned w.e.f 1/8/2015), R M David, S Hameed, A Shihab, A Z Hashim (Appointed w.e.f.1/8/2015) Stated capital: Rs. 677,892</p>	<p style="text-align: center;">City Hotels</p>
<p>Trans-ware Logistics (Pvt) Ltd. (PV 3134) (50%)* <i>Renting of storage space</i> Incorporated in 1994 No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. Tel: 2475537-9 Directors: S C Ratnayake - Chairman A D Gunawardene (Resigned w.e.f 1/8/2015) A Z Hashim (Appointed w.e.f 1/8/2015), R M David, A A Miskon (Alt. N A Latif), Y K Boo, T H Pang Stated capital: Rs. 220,000,080</p>	<p>Mackinnons Travels (Pvt) Ltd. (PV 1261) (100%) <i>IATA accredited travel agent and travel related services</i> Incorporated in 1971 No. 99 Dharmapala Mawatha, Colombo 7 Tel: 2318600 Directors: S C Ratnayake - Chairman A D Gunawardene, R S Fernando Stated capital: Rs. 5,000,000</p>	<p>Asian Hotels and Properties PLC. -Cinnamon Grand. (PQ 2) (78.56%) <i>Owner & operator of the five star city hotel "Cinnamon Grand"</i> Incorporated in 1993 77, Galle Road, Colombo 3 Tel: 2437437 /2497442 Directors: S C Ratnayake - Chairman A D Gunewardene - Managing Director, J R F Peiris, R J Karunarajah, S Rajendra, S K G Senanayake, S A Jayasekara, C J L Pinto Stated capital: Rs.3,345,118,012</p>
<p>Whittall Boustead (Pvt) Ltd. - Cargo Division. (PV 31) (100%) <i>International freight forwarder & logistics services</i> Incorporated in 1958 No.148, Vauxhall Street Colombo 2 Tel: 2475509 Directors: S C Ratnayake - Chairman A D Gunewardene, R M David (Resigned w.e.f.1/8/2015), S Rajendra Stated capital: Rs. 99,188,800</p>	<p style="text-align: center;">LEISURE</p> <p style="text-align: center;">Hotel Management</p> <p>Cinnamon Hotel Management Services Ltd. (PB 7) (100%) <i>Operator & marketer of resort hotels</i> Incorporated in 1974 No.117 Chittampalam A. Gardiner Mawatha, Colombo - 02 Tel: 2306600, 2421101-8 Directors: S C Ratnayake – Chairman A D Gunewardene, J E P Kehelpannala, B J S M Senanayake, R J Karunarajah (Appointed W.E.F 1/4/2015) Stated capital: Rs. 19,520,000</p> <p>John Keells Hotels PLC. (PQ 8) (80.32%)* <i>Holding company of group resort hotel companies in Sri Lanka & Maldives</i> Incorporated in 1979 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306600</p>	<p>Capitol Hotel Holdings Ltd. (PB 5013) (19.47%)** <i>Developer of City Business Hotels</i> Incorporated in 2012 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 Directors: M S Weerasekera - Chairman A D Gunewardene, S Rajendra, W R K Wannigama, D A Kannangara, M D R Gunatilleke, L C H Leow, A J Pathmarajah Stated capital: Rs. 1,168,800,100</p> <p>Trans Asia Hotels PLC. (PQ 5) (82.74%) <i>Owner & operator of the five star city hotel "Cinnamon Lakeside"</i> Incorporated in 1981 No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. Tel: 2491000 Directors: S C Ratnayake - Chairman A D Gunewardene, J R F Peiris, N L Gooneratne, C J L Pinto, J C Ponniah E H Wijenaike, R J Karunaraj (Appointed w.e.f 1/5/2015) Stated capital: Rs.1,112,879,750</p>

Group Directory

Resort Hotels - Sri Lanka		
<p>Ahungalle Holiday Resorts (Pvt) Ltd. (PV 85046) (80.32%)* <i>Owner of real estate</i> Incorporated in 2012 No.117, Chittampalam A, Gardiner Mawatha,Colombo - 02 Tel: 2306000 Directors: S C Ratnayake – Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015) B J S M Senanayake Stated capital: Rs. 132,000,000</p>	<p>Hikkaduwa Holiday Resorts (Pvt) Ltd. (PV 71747) (79.24%) <i>Owner & operator of "Chaaya Tranz" in Hikkaduwa</i> Incorporated in 2010 P.O Box 1, Galle Road, Hikkaduwa Tel: 091 2298000 Directors: S C Ratnayake - Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015) B J S M Senanayake Stated capital: Rs.1,062,635,460</p>	<p>Resort Hotels Ltd. (PB 193) (79.24%)* <i>Owner of real estate</i> Incorporated in 1978 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306780, 2421101-8 Directors: S C Ratnayake – Chairman A D Gunewardene Stated capital: Rs. 7,189,150</p>
<p>Beruwala Holiday Resorts (Pvt) Ltd. (PV 69678) (79.78%) <i>Owner & operator of "Cinnamon Bey" in Beruwala</i> Incorporated in 2009 Moragolla Beruwala. Tel: 2306600, 034 2297000 Directors: S C Ratnayake - Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015), B J S M Senanayake Stated Capital: Rs. 2,338,150,000</p>	<p>Kandy Walk Inn Ltd. (PB 395) (79.03%) <i>Owner & operator of "Cinnamon Citadel" in Kandy</i> Incorporated in 1979 No.124, Srimath Kuda Ratwatte Mawatha, Kandy Tel: 081 2234365-6/ 081 2237273-4 Directors: S C Ratnayak- Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015), R T Molligoda (Resigned w.e.f 8/12/2015), B J S M Senanayake Stated capital: Rs. 115,182,009</p>	<p>Trinco Holiday Resorts (Pte) Ltd.(PV 69908) (80.32%) <i>Owner & Operator of "Chaaya Blu" in Trincomalee</i> Incorporated in 2009 Alles Garden, Uppuveli, Sampathiv Post Tel: 026 2222307/026 2221611 Directors: S C Ratnayake - Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015), B J S M Senanayake Stated Capital: Rs.357,000,000</p>
<p>Ceylon Holiday Resorts Ltd.*-Bentota Beach Hotel. (PB 40) (79.24%) <i>Owner & operator of "Bentota Beach Hotel" in Bentota</i> Incorporated in 1966 Galle Road, Bentota Tel: 034 2275176/034 2275266 Directors: S C Ratnayake- Chairman, A D Gunewardene,J E P Kehelpannala(Resigned w.e.f1/8/2015),B.J.S.M.Senanayake Stated capital: Rs. 744,517,303</p>	<p>International Tourists and Hoteliers Ltd. (PB 17) (79.78%)* <i>Owner of real estate</i> Incorporated in 1973 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306600, 2421101-8 Directors: S C Ratnayake – Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015), D C Alagaratnam (Resigned w.e.f 1/8/2015), B J S M Senanayake Stated capital: Rs. 1,939,760,925</p>	<p>Trinco Walk Inn Ltd. (PB 168) (80.32%)* <i>Owner of Real Estate</i> Incorporated in 1984 Alles Garden, Uppuveli, Sampathiv Post, Trincomalee Tel: 026 2222307/011 2306600 Directors: S C Ratnayake – Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f1/8/2015) B J S M Senanayake Stated capital: Rs.119,850,070</p>
<p>Habarana Lodge Ltd. (PB 38) (78.99%) <i>Owner & operator of "Cinnamon Lodge" in Habarana</i> Incorporated in 1978 P.O Box 2, Habarana Tel: 066 2270011-2/ 066 2270072 Directors: S C Ratnayake - Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015), B J S M Senanayake Stated capital: Rs.341,555,262</p>	<p>Nuwara Eliya Holiday Resorts (Pvt) Ltd.* (PV98357) (80.32%) <i>owner of real estate</i> Incorporated in 2014 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 Directors: S C Ratnayake – Chairman A D Gunewardene, B J S M Senanayake (Appointed w.e.f 1/8/2015) Stated Capital: Rs.275,562,520</p>	<p>Wirawila Walk Inn Ltd. (PB 89) (80.32%)* <i>Owner of real estate</i> Incorporated in 1994 No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel: 2306780, 2421101-8 Directors: S C Ratnayake – Chairman A D Gunewardene, D C Alagaratnam (Resigned w.e.f 1/8/2015) B J S M Senanayake (Appointed w.e.f 1/8/2015) Stated capital: Rs. 18,374,150</p>
<p>Habarana Walk Inn Ltd. (PB 33) (79.34%) <i>Owner & operator of "Chaaya Village" in Habarana</i> Incorporated in 1973 P.O Box 1, Habarana Tel: 066 2270046-7/ 066 2270077 Directors: S C Ratnayake - Chairman A D Gunewardene, J E P Kehelpannala (Resigned w.e.f 1/8/2015) B J S M Senanayake Stated capital: Rs. 126,350,000</p>	<p>Rajawella Hotels Company Ltd. (PB 92) (80.32%)* <i>Owner of real estate</i> Incorporated in 1992 No.117, Chittampalam A, Gardiner Mawatha,Colombo - 02 Tel: 2306000 Directors: S C Ratnayake – Chairman A D Gunewardene, J R Gunaratne Stated capital: Rs.34,451,762</p>	<p>Yala Village (Pvt) Ltd. (PV 2868) (75.33%) <i>Owner & operator of "Cinnamon Wild" in Yala</i> Incorporated in 1999 P.O Box 1, Kirinda, Tissamaharama Tel: 047 2239449-52 Directors: M A Perera - Chairman S C Ratnayake - Deputy Chairman A D Gunewardene, J A Davis, J E P Kehelpannala (Resigned w.e.f 1/8/2015), B J S M Senanayake Stated capital: Rs.419,427,600</p>

Resort Hotels - Maldives	Destination Management	PROPERTY
<p>Fantasea World Investments (Pte) Ltd. (C 143/97) (80.32%) <i>Owner & operator of "Chaaya Lagoon Hakuraa Huraa" in Maldives</i> Incorporated in 1997 2nd Floor, H Maizan Building, Sosun Magu, Male, Republic of Maldives Tel: 00960 6720014/00960 6720064/00960 6720065 Directors: S C Ratnayake - Chairman A D Gunewardene, B J S M Senanayake, S A S Perera, J E P Kehelpannala Stated capital: Rs. 341,573,190</p>	<p>Cinnamon Holidays (Pvt) Ltd. (PV101005) – 100% <i>Service providers of Inbound and outbound Tours</i> Incorporated in - 2015 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02. Tel: 0112306000 Directors : S C Ratnayake - Chairman A D Gunewardene, K N J Balendra Stated Capital : Rs.200,000</p>	<p style="text-align: center;">Property Development</p>
<p>John Keells Maldivian Resorts (Pte) Ltd. (C 208/96) (80.32%) <i>Hotel holding company in the Maldives</i> Incorporated in 1996 2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives Tel: 00960 3329083/00960 3304601/00960 3313738 Directors: S C Ratnayake - Chairman A D Gunewardene, B J S M Senanayake, S A S Perera, J E P Kehelpannala Stated capital: Rs.3,978,671,681</p>	<p>Serene Holidays (Pvt) Ltd. (U63040MH2006PTC164985) (98.74%) <i>Tour operators</i> Incorporated in 2006 204, Accord Complex Opp. Goregaon Station, Goregaon (East), Mumbai 400 063, India Tel: 091-22 42105210 99 Directors: A D Gunewardene - Chairman V Leelananda, N S H A Rehmanjee (Appointed w.e.f 1/1/2015 & Resigned w.e.f 31/12/2015), C Somasunderam (Appointed w.e.f 1/1/2016) Stated capital: Rs.25,967</p>	<p>Asian Hotels and Properties PLC. - Crescat Boulevard, The Monarch, The Emperor. (PQ 2) (78.56%) <i>Developer and manager of integrated properties</i> Incorporated in 1993 No.77, Galle Road, Colombo 3 Tel: 5540404 Directors: S C Ratnayake - Chairman A D Gunewardene - Managing Director, J R F Peiris, R J Karunaratjah, S Rajendra S K G Senanayake, S A Jayasekara, C J L Pinto Stated capital: Rs. 3,345,118,012</p>
<p>Tranquility (Pte) Ltd. (C 344/2004) (80.32%) <i>Owner and operator of "Chaaya Island Dhoinveli" in Maldives</i> Incorporated in 2004 2nd Floor, H Maizan Building, Sosun Magu, Male, Republic of Maldives Tel: 00960 6640055/00960 6640012 Directors: S C Ratnayake – Chairman A D Gunewardene, B J S M Senanayake, S A S Perera, J E P Kehelpannala Stated capital: Rs.552,519,608</p>	<p>Walkers Tours Ltd. (PB 249) (98.51%) <i>Inbound tour operators</i> Incorporated in 1969 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306306 Directors: S C Ratnayake – Chairman A D Gunewardene, V Leelananda Stated capital: Rs. 51,374,200</p>	<p>British Overseas (Pvt) Ltd. (PV 80203) (61%) <i>Developer of "7th Sense" Project</i> Incorporated in 2011 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 Directors : A D Gunewardene, K N J Balendra, D C Alagaratnam, S Rajendra, S P G N Rajapakse Stated capital: Rs.1,000</p>
<p>Travel Club (Pte) Ltd. (C 121/92) (80.32%) <i>Operator of "Chaaya Reef Ellaidhoo" in Maldives</i> Incorporated in 1992 2nd Floor, H Maizan Building, Sosun Magu, Male, Republic of Maldives Tel: 00960 6660839/00960 6660663/00960 6660664 Directors: S C Ratnayake - Chairman A D Gunewardene, B J S M Senanayake, S A S Perera, J E P Kehelpannala Stated capital: Rs. 143,172,000</p>	<p>Whittall Boustead (Travel) Ltd. (PB 112) (100%) <i>Inbound tour operators</i> Incorporated in 1977 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306384 Directors: S C Ratnayake – Chairman A D Gunewardene, V Leelananda Stated capital: Rs. 250,410,000</p>	<p>John Keells Properties Ja-Ela (Pvt) Ltd. (PV 76068) (100%) <i>Developer & Manager of Mall operations</i> Incorporated in 2010 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 Directors: S C Ratnayake - Chairman A D Gunewardene, S Rajendra Stated capital: Rs.954,360,000</p>
		<p>John Keells Residential Properties (Pvt) Ltd. (PV 75050) (100%) <i>Developer of "On320" Project</i> Incorporated in 2010 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2300065 Directors: S C Ratnayake – Chairman A D Gunewardene, S Rajendra, J R F Peiris Stated capital: Rs. 925,200,000</p>

Group Directory

<p>Rajawella Holdings Limited (49.85%) Directors: S C Rathnayake - Chairman (Appointed w.e.f 9/9/2015), A D Gunewardene (Appointed w.e.f 9/9/2015), J R F Peiris (Appointed w.e.f 9/9/2015), S Rajendra (Appointed w.e.f 9/9/2015), C B Thornton (27/4/2001), G R Bostock Kirk (Appointed w.e.f 13/4/2012) S E Captain (Appointed w.e.f 9/9/2015) Stated Capital: 784,690</p>	CONSUMER FOODS AND RETAIL	Retail
Real estate	Consumer Foods	<p>JayKay Marketing Services (Pvt) Ltd. (PV 33) (81.36%) <i>Owns and Operates the "Keells Super" chain of supermarkets and "Nexus Mobile" loyalty card programme.</i> Incorporated in 1980 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2316800 Directors: S C Ratnayake - Chairman A D Gunewardene, M R N Jayasundera-Moraes (Resigned w.e.f. 1/8/2015), K N J Balendra, J G A Cooray (Appointed w.e.f.1/8/2015), K C Subasinghe (Appointed w.e.f.1/8/2015) Stated capital: Rs.1,198,000,000</p>
<p>John Keells Properties (Pvt) Ltd. (PV 1034) (100%)* <i>Renting of office space</i> Incorporated in 2006 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 /2397263 Directors: S C Ratnayake – Chairman, A D Gunewardene, S Rajendra Stated capital: Rs.240,000,030</p>	<p>Ceylon Cold Stores PLC. (PQ 4) (81.36%) <i>Manufacture & Marketing of Beverages and frozen confectionery and the holding company of JayKay Marketing Services (Pvt) Ltd.</i> Incorporated in 1926 No.117, Chittampalam A Gardiner Mawatha, Colombo - 02 Tel: 2318798 Directors: S C Ratnayake - Chairman A D Gunewardene, J R F Peiris, J R Gunaratne, U P Liyanage(Deceased 10/8/2015), P S Jayawardena, A R Rasiah, M Hamza (Appointed W.E.F. 15/05/2015) Stated capital: Rs. 918,200,000</p>	FINANCIAL SERVICES GROUP
<p>Keells Realtors Ltd. (PB 90) (92.37%)* <i>Owner of Real Estates</i> Incorporated in 1977 No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel: 2306000 /2397263 Directors: S C Ratnayake – Chairman A D Gunewardene, S Rajendra Stated capital: Rs.75,000,000</p>	<p>John Keells Foods India (Pvt) Ltd. (U15122MH2008FTC180902) (89.65%)* <i>Marketing of Branded meat and convenience food products</i> Incorporated in 2008 Luthra and Luthra Chartered Accountants A 16/9, Vasant Vihar, New Delhi -110057, India Tel: 0091 1142591823, 0091 1126148048, 26151853, 26147365 Fax: +91-11-2614 5222 Directors: S C Ratnayake - Chairman J R Gunaratne,R S Fernando Stated capital: Rs. 220,294,544 (INR 90,000,000)</p>	<p>John Keells Stock Brokers (Pvt) Ltd. (PV 89) (90.04%) <i>Share broking services</i> Incorporated in 1979 No. 186, Vauxhall Street, Colombo 02 Tel: 2446694-5 /2338066/4710721-4, 0112306250 Directors: A D Gunewardene - Chairman S C Ratnayake, K N J Balendra Stated capital: Rs.7,500,000</p>
<p>Waterfront Properties (Pvt) Ltd. (PV 82153) (93.23%) <i>Developer of Hotels, Apartments & Shopping Malls</i> Incorporated in 2011 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 Directors : S C Ratnayake - Chairman A D Gunewardene, S Rajendra J R F Peiris, D C Alagaratnam Stated capital: Rs.18,570,031,230</p>	<p>Keells Food Products PLC. (PQ 3) (89.65%) <i>Manufacturer and distributor of Processed meat, breaded meat and convenience food products</i> Incorporated in 1982 P.O Box 10, No.16, Minuwangoda Road, Ekala, Ja-Ela Tel: 2236317/ 2236364 Directors: S C Ratnayake- Chairman A D Gunewardene, J R F Peiris, J R Gunaratne, R Pieris, S H Amarasekera, A D E I Perera, M P Jayawardena Stated capital: Rs.1,294,815,000</p>	<p>Nations Trust Bank PLC. (PQ 118) (29.9%)** <i>Commercial banking and leasing operations</i> Incorporated in 1999 No. 242, Union Place, Colombo 2. Tel: 4313131 Directors: K N J Balendra - Chairmen M E Wickremesinghe (Resigned w.e.f 30/11/2015), A R Rasiah (Resigned w.e.f 27/12/2015), Dr. (Ms.) D Weerakoon (Resigned w.e.f 29/02/2016), M Jafferjee, Dr.K De Soysa D P De Silva, N S Panditharatne, K O V S M S Wijesinghe, C H S K Piyaratna (Resigned w.e.f 31/12/2014), R N K Fernando, J G A Cooray, C L K P Jayasuriya H Raghavan (Appointed w.e.f 01/01/2015) C D'Souza (Appointed w.e.f 18/01/2016) Stated capital: Rs.5,101,368,736</p>
<p>Whittall Boustead (Pvt) Ltd - Real Estate Division. (PV 31) (100%)* <i>Renting of office space</i> Incorporated in 1958 No. 148, Vauxhall Street, Colombo 2. Tel: 2397263 /2327805 Directors: S C Ratnayake – Chairman A D Gunewardene, R M David (Resigned w.e.f 1/8/2015), S Rajendra Stated capital: Rs.99,188,800</p>		

<p>Union Assurance General Ltd. (PV 99666) (22 %)** <i>General insurance underwriters</i> Incorporated in 2014 No.20, St. Michaels' Road, Colombo 3 Tel: 2428428 Directors: R Athappan - Chairman (appointed w.e.f 1/6/2015) A D Pereira, C Ratnaswami (Appointed w.e.f 1/6/2015), A S Wijesinha (Appointed w.e.f 1/6/2015), C D Wijegunawardene (Appointed w.e.f 7/10/2015), S Malhotra (Appointed w.e.f 4/11/2015) Stated Capital: Rs.3,131,949,000</p>	<p>Directors: A D Gunewardene - Chairman R S Fernando, D C Alagaratnam Stated capital: Rs. 5,000,000</p>	<p>John Keells BPO Solutions India (Pvt) Ltd. (U72300DL2006PTC153130) (100%) <i>BPO operations in India (Formally known as Quattro Business Support Services (Pvt) Ltd)</i> Incorporated in 2006 Basement-24, C Block, Community Centre, Janakpuri, New Delhi. Tel: +91 124 4561000 Directors: J R F Peiris, R S Fernando, K N J Balendra, N S H A Rehmanjee (Appointed w.e.f.11/12/2014 & Resigned w.e.f 11/2/2016), C Somasundaram (Appointed w.e.f 31/12/2015) Stated capital: Rs. 899,836,136</p>
<p>Union Assurance PLC. (PQ 12) (93.92%) <i>Life insurance underwriters</i> Incorporated in 1987 No. 20, St. Michaels' Road, Colombo 3 Tel: 2428428 Directors: A D Gunewardene - Chairman D C Alagaratnam, S Rajendra, A S De Zoysa, G F C De Saram, H A J De Silva Wijeyeratne, A D Pereira Stated capital: Rs.Rs.1,000,000,000</p>	<p style="text-align: center;">IT Enabled Services</p>	<p>John Keells BPO Solutions Lanka (Pvt) Ltd. (PV 3458) (100%)* <i>BPO operations in Sri Lanka</i> Incorporated in 2006 No.4, Leyden Bastian Road, Colombo 1 Tel: (94) 2300770-77 Directors: S C Ratnayake, A D Gunewardene, R S Fernando, R M David (Resigned w.e.f 1/8/2015) Stated capital: Rs.328,435,800</p>
<p style="text-align: center;">INFORMATION TECHNOLOGY</p>	<p>InfoMate (Pvt) Ltd. (PV 921) (100%) <i>IT enabled services</i> Incorporated in 2005 No.4, Leyden Bastian Road, Colombo 1 Tel: (94) 112149700 Directors: S C Ratnayake, M J S Rajakariar, R S Fernando Stated capital: Rs.20,000,000</p>	<p>John Keells BPO Solutions US Inc. (PO 8000022353) (100%)* <i>Provides sales & marketing support for Auxicogent in North America</i> Incorporated in 2008 9225, Ulmerton Road, Suite H, Largo, Florida 33771, USA. Tel: +1 727 518 0000 Director: M P Gunaratna, R S Fernando (Appointed w.e.f 27.08.2014) Stated capital: Rs.40,243,250</p>
<p style="text-align: center;">IT Services</p>	<p>John Keells BPO Holdings (Pvt) Ltd. (C 60882) (100%)* <i>Holding company of Auxicogent group companies</i> Incorporated in 2006 IFS Court, 28, Cybercity, Ebene, Mauritius Tel: (230) 467 3000 Directors: S C Ratnayake, A D Gunewardene, R S Fernando, K N J Balendra, P Bissoonauth, Z H Niamut Stated capital: Rs.1,988,300,000</p>	<p style="text-align: center;">OTHERS</p>
<p>John Keells Computer Services (Pvt) Ltd. (PV 652) (100%) <i>Software services</i> Incorporated in 1998 No. 148, Vauxhall Street, Colombo 2. Tel: 2300770-77 Directors: A D Gunewardene - Chairman S C Ratnayake, R S Fernando Stated capital: Rs. 96,500,000</p>	<p>John Keells BPO International (Pvt) Ltd. (C 070137) (100%)* <i>Investment holding company</i> Incorporated in 2007 IFS Court, 28, Cybercity, Ebene, Mauritius Tel: (230) 467 3000 Directors: S C Ratnayake - Chairman A D Gunewardene, R S Fernando, K N J Balendra, P Bissoonauth, Z H Niamut Stated capital: Rs.1,616,700,008</p>	<p style="text-align: center;">Plantation Services</p>
<p>J K O A Mobiles (Pvt) Ltd. (PV 136) (100%) <i>Marketer of software packages</i> Incorporated in 1992 No. 148, Vauxhall Street, Colombo 2. Tel: 2300770-77 Directors: A D Gunewardene - Chairman R S Fernando, D C Alagaratnam Stated capital: Rs. 8,000,000</p>	<p>John Keells BPO solutions Canada Inc. (761124-2) (10 0%)* <i>BPO Operation in Canada</i> Incorporated in 2010 1900, 736-6th Avenue S.W., Calgary, Alberta T2P 3T7, Canada. Directors: A D Gunewardene, D K Malik (Resigned w.e.f.1/4/2015), K N J Balendra, R S Fernando, R M David, J R Gunaratne, D C Alagaratnam, T E Scott, A S Perera (Appointed w.e.f.1/4/2015) Stated capital: Rs.88,484,008</p>	<p>John Keells PLC. (PQ 11) (86.90 %) <i>Produce Broking and Real Estate Ownership</i> Incorporated in 1960 No 186, Vauxhall street, Colombo 02 Tel: 2306000 Directors: S C Ratnayake - Chairman A D Gunewardene, J R F Peiris, R S Fernando, T de Zoysa, Y A Hansen, S T Ratwatte, V A A Perera (Appointed w.e.f 20/8/2015) Stated capital: Rs.152,000,000</p>
<p style="text-align: center;">Office Automation</p>	<p>John Keells Office Automation (Pvt) Ltd. (PV 127) (100%) <i>Distributor/Reseller and Services Provider in Office Automation(OA), Retail Automation (RA) and Mobile Devices</i> Incorporated in 1992 Corporate Office: 90 Union Place, Colombo - 2 Technical Services: 148 Vauxhall Street, Colombo - 2 Tel: 2313000, 2431576, 2445760</p>	

Group Directory

<p>John Keells (Teas) Ltd. (PV 522) (100%) <i>Manager eight bought leaf tea factories</i> Incorporated in 1979 No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel: 2306518 Directors: S C Ratnayake - Chairman A D Gunewardene, R S Fernando Stated capital: Rs. 120,000</p>	<p>John Keells Holdings PLC. (PQ 14) <i>Group holding company & function based services</i> Incorporated in 1979 No.117, Sir Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 /2421101-9 Directors: S C Ratnayake - Chairman A D Gunewardene - Deputy Chairman, J R F Peiris, E F G Amerasinghe, T Das, Dr I Coomaraswamy, M A Omar, D A Cabraal, A N Fonseka, P Perera Stated capital: Rs.58,701,977,289</p>	<p>Keells Consultants Ltd. (PB 3) (100%) <i>Company secretarial services to the group</i> Incorporated in 1974 No.117,Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2421101-9 Directors: S C Ratnayake - Chairman A D Gunewardene, D C Alagaratnam N W Tambiah ((Appointed w.e.f.1/8/2015) Stated capital: Rs.160,000</p>
<p>John Keells Warehousing (Pvt) Ltd. (PV 638) (86.90%) <i>Warehousing of Tea and Rubber</i> Incorporated in 2001 No.93,1 Avenue, Muturajawela, Hendala, Wattala, Muturajawala. Tel: 4819560 Directors: S C Ratnayake - Chairman A D Gunewardene, R S Fernando Stated capital: Rs.120,000,000</p>	<p>John Keells International (Pvt) Ltd. (PV 46) (100%)* <i>Regional holding company providing administrative & function based services</i> Incorporated in 2006 No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel: 2306000 /2421101-9 Directors: S C Ratnayake- Chairman A D Gunewardene Stated capital: Rs. 1,991,600,000</p>	<p>Mackinnons Keells Ltd. (PB 8) (100%)* <i>Rental of office space</i> Incorporated in 1952 No. 4, Layden Bastian Road, Colombo 1 Tel: 2475102-3 Directors: S C Ratnayake - Chairman A.D Gunewardene, S Rajendra Stated capital: Rs.10,800,000</p>
<p>Tea Smallholder Factories PLC. (PQ 32) (37.62%) <i>Owner and operator of Bought Leaf factories</i> Incorporated in 1991 No.4, Leyden Bastian Road, Colombo 1 Tel: 2335870/2149994 Directors: S C Ratnayake – Chairman (Alt.Mr J R Gunaratne) A D Gunewardene, J R F Peiris, E H Wijenaik, R Seevaratnam, R E Rambukwella, A S Jayatilleke, J S Ratwatte, R S Fernando Stated capital: Rs.150,000,000</p>	<p>J K Packaging (Pvt) Ltd. (PV 1265) (100%)* <i>Printing and packaging services provider for the export market</i> Incorporated in 1979 No 148, Vauxhall street, Colombo 02 Tel: 2475308 Directors: S C Ratnayake - Chairman R M David, R S Fernando Stated capital: Rs. 14,500,000</p>	<p>Mortlake Ltd. (PV 756) (100%)* <i>Investment company</i> Incorporated in 1962 No. 148, Vauxhall Street, Colombo 2. Tel: 2475308 Directors: S C Ratnayake - Chairman A D Gunewardene, R M David D C Alagaratnam Stated capital: Rs. 3,000</p>
Centre & Others		
<p>Facets (Pvt) Ltd. (PV1048) (100%)* <i>Owner of real estate</i> Incorporated in 1974 No.117, Chittampalam A, Gardiner Mawatha, Colombo - 02 Tel: 2306000 Directors: S C Ratnayake - Chairman D C Alagaratnam Stated capital: Rs.150,000</p>	<p>John Keells Singapore (Pte) Ltd. (199200499C) (80%)* <i>International trading services</i> Incorporated in 1992 No.3, Raffles Place, #07-01, Bharat Building, Singapore-048617 Tel: 65 67329636 Directors: S C Ratnayake - Chairman Alt. A D Gunewardene, R M David, R Ponnampalam, D C Alagaratnam Stated capital: Rs.9,638,000</p>	
<p>John Keells Holdings Mauritius (Pvt) Ltd.(081455 C1/GBL) (100%)* <i>Holding company of AuxiCogent group companies</i> IFS Court, 28, Cybercity, Ebene, Mauritius Incorporated in 2008 Tel: 2304673000 Directors: S C Ratnayake, A D Gunewardene, Z.H.Niamut, B.Pooja Stated capital: Rs.258,531,533</p>		

GRI G4 Content Index

This Report is prepared 'in accordance' - Core of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

GENERAL STANDARD DISCLOSURES					
General Standard Disclosures	Page Number (or Link)	External Assurance	UNGC Advanced Principles	IFC Sustainability Framework Performance Standard	Code of Best Practice on Corporate Governance 2013
STRATEGY AND ANALYSIS					
G4-1	Page 12	Yes, 275 - 277	1		7
ORGANISATIONAL PROFILE					
G4-3	Page 3	Yes, 275 - 277	22		
G4-4	Page 8	Yes, 275 - 277	22		
G4-5	Page 3	Yes, 275 - 277	22		
G4-6	Page 3	Yes, 275 - 277	22		
G4-7	Page 3	Yes, 275 - 277	22		
G4-8	Pages 3, 8	Yes, 275 - 277	22		
G4-9	Pages 3, 10, 61	Yes, 275 - 277	22		
G4-10	Page 65	Yes, 275 - 277	11, 12		3
G4-11	Page 67	Yes, 275 - 277	11, 12		3
G4-12	Pages 68, 112, 122, 132, 141 149, 155, 161 Pages 9 - 10 of www.keells.com/sustainability - Disclosure of Management Approach	Yes, 275 - 277	21		
G4-13	Page 9	Yes, 275 - 277	22		
G4-14	Page 91	Yes, 275 - 277	13		2
G4-15	Page 83	Yes, 275 - 277	4		7
G4-16	Pages 272 - 274	Yes, 275 - 277			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Pages 278 - 284, Page 4	Yes, 275 - 277			
G4-18	Pages 5, 82, 85 - 87	Yes, 275 - 277	22, 23		6, 7
G4-19	Page 87	Yes, 275 - 277	3		6
G4-20	Page 86	Yes, 275 - 277	22, 23		6
G4-21	Page 86	Yes, 275 - 277	22, 23		6
G4-22	Page 83	Yes, 275 - 277	22, 23		
G4-23	Pages 4, 87	Yes, 275 - 277	22, 23		
STAKEHOLDER ENGAGEMENT					
G4-24	Pages 84 - 85	Yes, 275 - 277	3		6
G4-25	Page 83	Yes, 275 - 277	3		6
G4-26	Pages 83 - 85	Yes, 275 - 277	3		6
G4-27	Page 85	Yes, 275 - 277			6
REPORT PROFILE					
G4-28	Page 4	Yes, 275 - 277	22, 23		
G4-29	Page 83	Yes, 275 - 277	22, 23		
G4-30	Page 83	Yes, 275 - 277	22, 23		7
G4-31	Page 87	Yes, 275 - 277	22, 23		
G4-32	Pages 5, 83, 275 - 277	Yes, 275 - 277	22, 23		7
G4-33	Pages 83, 275 - 277, 15	Yes, 275 - 277	24		7
GOVERNANCE					
G4-34	Page 24	Yes, 275 - 277	2		7
ETHICS AND INTEGRITY					
G4-56	Page 39	Yes, 275 - 277	2		

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SPECIFIC STANDARD DISCLOSURES							
DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance		
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	In exceptional cases, if it is not possible to disclose certain information, identify the information that has been omitted.	In exceptional cases, if it is not possible to disclose certain information, provide the reason for omission.	In exceptional cases, if it is not possible to disclose certain information, explain the reasons why the information has been omitted.	Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.		
CATEGORY: ECONOMIC							
MATERIAL ASPECT: ECONOMIC PERFORMANCE							
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 2, 6 - 7				Yes, 275 - 277		1
G4-EC1	Pages 266 - 267				Yes, 275 - 277		1
G4-EC3	Page 67				Yes, 275 - 277		1
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS							
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 10 - 11				Yes, 275 - 277		4
G4-EC7	Page 68				Yes, 275 - 277		4
MATERIAL ASPECT: PROCUREMENT PRACTICES							
G4-DMA	89, www.keells.com/sustainability - Disclosure of Management Approach Pages 9 - 10				Yes, 275 - 277		1
G4-EC9	Page 68				Yes, 275 - 277		1
CATEGORY: ENVIRONMENTAL							
MATERIAL ASPECT: ENERGY							
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 3				Yes, 275 - 277	13, 14	2
G4-EN3	Page 61				Yes, 275 - 277	15, 16	2

MATERIAL ASPECT: WATER					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 3	Yes, 275 - 277	13, 14	4	2
G4-EN8	Page 62	Yes, 275 - 277	15, 16	4	2
MATERIAL ASPECT: BIODIVERSITY					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 4	Yes, 275 - 277	13, 14	6	2
G4-EN11	Page 120	Yes, 275 - 277	15, 16	6	2
CATEGORY: ENVIRONMENTAL					
MATERIAL ASPECT: EMISSIONS					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 3	Yes, 275 - 277	13, 14	3	2
G4-EN15	Page 62	Yes, 275 - 277	15, 16	3	2
G4-EN16	Page 62	Yes, 275 - 277	15, 16	3	2
MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 3-4	Yes, 275 - 277	13, 14	3	2
G4-EN22	Page 63	Yes, 275 - 277	15, 16	3	2
G4-EN23	Page 63	Yes, 275 - 277	15, 16	3	2
G4-EN24	Page 110	Yes, 275 - 277	15, 16	3	2
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 3	Yes, 275 - 277	13, 14		2
G4-EN29	Page 68	Yes, 275 - 277	15, 16		2
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	89, www.keells.com/sustainability - Disclosure of Management Approach Page 9 -10	Yes, 275 - 277	15		
G4-EN32	Page 68	Yes, 275 - 277	15		

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CATEGORY: SOCIAL**SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK****MATERIAL ASPECT: EMPLOYMENT**

G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 7	Yes, 275 - 277	9, 10		3
G4-LA1	Pages 66	Yes, 275 - 277	11, 12		3

MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY

G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 5 - 7	Yes, 275 - 277	9, 10		3, 7
G4-LA6	Page 66	Yes, 275 - 277	11, 12		3, 7

MATERIAL ASPECT: TRAINING AND EDUCATION

G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 7	Yes, 275 - 277	9, 10		3
G4-LA9	Page 66	Yes, 275 - 277	11, 12		3
G4-LA11	Page 6	Yes, 275 - 277	11, 12		3

MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 5 - 7	Yes, 275 - 277	9, 10	2	3
G4-LA12	Page 65	Yes, 275 - 277	11, 12	2	3

MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES

G4-DMA	89, www.keells.com/sustainability - Disclosure of Management Approach Pages 9 - 10	Yes, 275 - 277	11		
G4-LA14	Page 68	Yes, 275 - 277	11		

SUB-CATEGORY: HUMAN RIGHTS**MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 6	Yes, 275 - 277	9, 10	2	3
G4-HR4	Page 67	Yes, 275 - 277	11, 12	2	3

MATERIAL ASPECT: CHILD LABOUR

G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 7 - 8	Yes, 275 - 277	5, 6	2	3
G4-HR5	Page 11	Yes, 275 - 277	7, 8	2	3

MATERIAL ASPECT: FORCED OR COMPULSORY LABOUR					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Pages 7 - 8	Yes, 275 - 277	5, 6	2	3
G4-HR6	Page 68	Yes, 275 - 277	7, 8	2	3
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	89, www.keells.com/sustainability - Disclosure of Management Approach Pages 9 - 10	Yes, 275 - 277	7		
G4-HR10	Page 11	Yes, 275 - 277	7		
SUB-CATEGORY: SOCIETY					
MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-DMA	89, www.keells.com/sustainability - Disclosure of Management Approach Pages 10 - 11	Yes, 275 - 277			4
G4-S01	Pages 64, 67 - 68, 69 - 72	Yes, 275 - 277			4
MATERIAL ASPECT: ANTI-CORRUPTION					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 8	Yes, 275 - 277	17, 18		
G4-S03	90	Yes, 275 - 277	19, 20		
SUB-CATEGORY: SOCIETY					
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 8	Yes, 275 - 277	17, 18		
G4-S08	Page 68	Yes, 275 - 277	19, 20		
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
TOPIC: CUSTOMER HEALTH AND SAFETY					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 12	Yes, 275 - 277			5
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING					
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 12	Yes, 275 - 277			5
G4-PR3	Page 142	Yes, 275 - 277			5

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MATERIAL ASPECT: MARKETING COMMUNICATIONS				
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 12	Yes, 275 - 277		5
G4-PR7	Page 68	Yes, 275 - 277		5
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	88, www.keells.com/sustainability - Disclosure of Management Approach Page 12	Yes, 275 - 277		5
G4-PR9	Page 68	Yes, 275 - 277		5

Corporate Social Responsibility

Social Responsibility Projects carried out by John Keells Foundation during the year in review

Project	Location/ Initiative	Project Objective	Direct Impact	
English Language Scholarship Programme	English for Teens (Foundation Level)	Providing foundation level English language training for early teens (12-14 years).	Scholarships awarded – 1,076 Courses Completed - 1,037	
	English for Teens (Pre-intermediate level)	Offered to students who passed the foundation-level English programme last year with honours.	Scholarships awarded – 148 Courses Completed - 136	
	English for Teens (Intermediate level)	Offered to students who passed the pre-intermediate level programme last year with honours.	Scholarships awarded – 27 Courses Completed - 27	
Neighbourhood Schools Development	English Skills	Offered scholarships for eligible students under the John Keells English Language Scholarship Programme.	Students - 9	
	Refresher Workshop for Grade 5 Scholarship	6 refresher seminars were conducted in Sinhala and Tamil medium for 5 schools.	Students – 150	
	Refresher Workshop for Ordinary Level Students	Seminars were conducted to assist the students in subjects that are mandatory to be eligible for Advanced Level Examinations in both Sinhala and Tamil medium for 5 schools.	Students - 150	
	IT training	IT scholarship programme for grade 8 students to acquire basic IT and MS Office skills for 5 schools.	Students - 43	
	Career Guidance and vocational training for school leavers		Briefing for parents to make them aware on the importance of Vocational Training.	Students – 10 Parents - 15
			Vocational Training Programme for school leavers commenced with 11 students of which 1 student dropped out.	Students – 10
			Briefing for parents to make them aware on the importance of Career Guidance.	Parents - 50 Students – 54
			Career Guidance workshop outlining career, ethics, CV writing and interview, skills importance of Vocational Training and awareness on opportunities within the John Keells Group.	Students – 42 Principal - 5
	School infrastructure and facility enhancement	Infrastructure renovation of 5 schools.	5 Schools Students – 1,813, Teachers - 82	
Awareness sessions	Child Abuse Awareness Sessions for 5 schools.	Students – 940 Teachers - 15		
Higher Education Scholarships		Promoting secondary and tertiary education for disadvantaged youth, giving those with limited financial means the opportunity to pursue higher education.	6 -University scholarships 9 - Advanced Levels (a total of 15 Scholarships)	
Science Promotion at Schools	Science promotion in schools in Ampara, Anuradhapura, Jaffna, Monaragala, Ratnapura and Vavuniya.	Encouraging and promoting an interest in science among school children.	Science Day Programme Schools - 95, Students - 1,427 Teachers – 98	
			Astronomy Programme Schools- 29, Students – 382 Teachers- 22	
Village Adoption Project	Halmillewa - Dam renovation, home gardening and sewing for women, child abuse awareness, Higher Education Scholarships and youth motivation.		500 persons WAVE Awareness - 677 persons	
	Mangalagama (Ampara District) - Sewing classes and awarding of certificates.		Support for the village was discontinued due to the lack of scope for further intervention	
	Iranaipalai in Puthukkudiyiruppu DS (Mullaitivu District) and Puthumathalan in Maritimpattu DS (Mullaitivu District) - Agro road renovation, tank survey and renovation, cattle donation and training for women, dry fish training, donation of school musical instruments, tables and chairs and construction of a new classroom block, renovations of school kitchen, O'Level revision workshops, English, IT and career skills for youth, child abuse awareness and Higher Education Scholarships, Women's and Children's Desk renovations and gender sensitisation training for Police team at Puthukkudiyiruppu Police Station.		915 persons WAVE Awareness - 458 persons	
	Morawewa (Trincomalee District) - Tank rehabilitation and Reverse Osmosis filtration system, sewing classes, cattle donation and training for women, school renovations, donation of sports equipment and play area, child abuse awareness and higher education scholarships.		1,332 persons WAVE Awareness - 314	

Corporate Social Responsibility

The John Keells Foundation's Social Responsibility Projects Alignment to Sustainable Development Goals (SDGs)



Capital	Project	SDGs																		
Social and Relationship Capital	English Language Scholarship Programme	1	4	8	10	17														
	Neighbourhood Schools Development	1	4	8	9	10	11	17												
	Final Step	1	4	8	10	17														
	Higher Education Scholarships	1	4	8	10															
	Science Promotion at Schools	1	4	8	10	17														
	Supporting of Siduhath Vidyalaya	4	8	10																
	University of Moratuwa Transportation and Logistics Degree Programme	4	8	10	17															
	John Keells HIV and AIDS Awareness Campaign	3	8	10	17															
	John Keells Vision Project	3	10	17																
	Project WAVE	3	8	10	11	16	17													
	Batticaloa Teaching Hospital	3	9	10	11	17														
	Village Adoption Project	1	2	3	4	5	6	7	8	9	10	11								
			16	17																
	Sustainable Sourcing Initiative	1	8	12	17															
	Kala Pola	8	10	17																
	Digital Art Gallery	8	10	17																
	Disaster Relief	3	10	15	17															
	Partner Recognition Day	17																		
	UNGC Global Compact	17																		

Capital	Project	SDGs				
Natural Capital	Nature Field Rumassala	4	9	13	15	17
	Slave Island Railway Station	11	17			
	Project Leopard	1	8	15	17	
	Forestry Project	1	12	13	15	17
	Cinnamon Elephant Project	15	17			
	Yala Block 1 Map	15				
	Sri Lankan Elephant Exhibition 2016	15	17			
	Paper Conservation	12	17			
	Polythene Reduction	12	17			
	UNGC Water Mandate	3	6	10	17	
	Chronic Kidney Disease related initiatives	3	6	10	17	
	Banners to Bags (B2b)	12	17			
	Keells adopt energy efficient designs	7	12	17		
	Human Capital	Staff Volunteerism	8	17		
Rural BPO		1	4	8	10	17
HIV and STDs check at Cinnamon Bey		3	5	10	17	
Blood Donation at Cinnamon Bey		3	10	17		



For further details, refer www.johnkeellsfoundation.com

Glossary of Financial Terms

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ADJUSTED ROCE AND ROE

Adjusted for 2013 Rights Issue, 2015 Warrant Issue, "Waterfront" debt, revaluation of property, plant and equipment and fair value changes on investment property for 2013/14, 2014/15 and 2015/16.

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 finance expenses.

LIABILITIES TO TANGIBLE NET WORTH

Total non current and current liabilities including contingent liabilities divided by tangible net worth.

LONG TERM DEBT TO TOTAL DEBT

Long term loans as a percentage of total debt.

MARKET CAPITALISATION

Number of shares in issue at the end of 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.

NET WORKING CAPITAL

Current assets minus current liabilities.

PRICE EARNINGS RATIO

Market price per share (diluted) over diluted earnings per share.

PRICE TO BOOK RATIO

Market price per share (diluted) over net asset value per share.

PRICE TO CASH EARNINGS

Diluted market price per share divided by diluted cash earnings per share.

PUBLIC HOLDING

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK RATIO

Cash plus short term investments plus receivables, divided by current liabilities.

RECURRING EBIT/RECURRING PROFIT AFTER TAX/RECURRING PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Profit, as applicable, adjusted for changes in fair value of investment property and one-off disposal gains or losses accruing through the sale of investments not held under the private equity portfolio of JK Capital.

RETURN ON ASSETS

Profit after tax divided by the average total assets.

RETURN ON CAPITAL EMPLOYED (ROCE)

Consolidated profit before interest and tax as a percentage of average capital employed.

RETURN ON EQUITY (ROE)

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

SHARE TURN RATIO

Total volume of shares traded during the year divided by average number of shares in issue.

SHAREHOLDERS' FUNDS

Total of stated capital, other components of equity and revenue reserves.

TANGIBLE NET WORTH

Total equity less intangible assets and deferred tax assets.

TOTAL DEBT

Long term loans plus short term loans and overdrafts.

TOTAL EQUITY

Shareholders' funds plus non-controlling interest.

Notice of Meeting

Notice is hereby given that the Thirty Seventh Annual General Meeting of John Keells Holdings PLC will be held on 24 June 2016 at 10.30 a.m. at the Forum Area (Sixth Floor), The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longden 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 31 March 2016 with the Report of the Auditors thereon.
3. to re-elect as Director, Mr. J R F Peiris, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. J R F Peiris is contained in the Board of Directors section of the Annual Report.
4. 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.
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 2016

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 on page 299 of this Report.
- iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
- v. If a poll is demanded, a vote can be taken on a show of hands or by a poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual shareholder and his/her proxy holder are both present at the meeting, only the shareholder's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

Corporate Information

Name of Company

John Keells Holdings PLC

Legal Form

Public Limited Liability Company
Incorporated in Sri Lanka in 1979
Ordinary Shares listed on the Colombo Stock Exchange
GDRs listed on the Luxembourg Stock Exchange

Company Registration No.

PQ 14

Directors

S C Ratnayake - Chairman
A D Gunewardene - Deputy Chairman
J R F Peiris
E F G Amerasinghe
D A Cabraal
I Coomaraswamy
T Das
A N Fonseka
M A Omar
M P Perera

Senior Independent Director

E F G Amerasinghe

Audit Committee

A N Fonseka - Chairman
D A Cabraal
I Coomaraswamy
M P Perera

Human Resources and Compensation Committee

E F G Amerasinghe - Chairman
D A Cabraal
I Coomaraswamy
A N Fonseka
M A Omar

Nominations Committee

T Das - Chairman
E F G Amerasinghe
D A Cabraal
M A Omar
M P Perera
S C Ratnayake

Related Party Transaction Review

Committee

A N Fonseka - Chairman
E F G Amerasinghe
D A Cabraal
M P Perera
S C Ratnayake

Registered Office of the Company

117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6000
Internet : www.keells.com
Email : jkh@keells.com

Secretaries

Keells Consultants (Private) Limited
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6245
Facsimile : +94 11 243 9037

Investor Relations

John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6166
Facsimile : +94 11 230 6160
Email : investor.relations@keells.com

Sustainability, Enterprise Risk Management and Group Initiatives

186 Vauxhall Street
Colombo 2, Sri Lanka
Telephone : +94 11 230 6182
Facsimile : +94 11 230 6249
Email : sustainability@keells.com

Contact for Media

Corporate Communications Division
John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6191
Email : jkh@keells.com

Auditors

Ernst & 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
DFCC Vardhana Bank
Habib Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
MCB Bank
National Savings Bank
Nations Trust Bank
NDB Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Depository for GDRs

Citibank N.A.
New York

Proxy Form

I/We of

being a member/s of John Keells Holdings PLC hereby appoint of

..... or failing him/her

- | | |
|------------------------------------------|----------------|
| MR. SUSANTHA CHAMINDA RATNAYAKE | or failing him |
| MR. AJIT DAMON GUNewardENE | or failing him |
| MR. JAMES RONNIE FELITUS PEIRIS | or failing him |
| MR. EMMANUEL FRANKLYN GAMINI AMERASINGHE | or failing him |
| MR. TARUN DAS | or failing him |
| DR. INDRAJIT COOMARASWAMY | or failing him |
| MR. MOHAMED ASHROFF OMAR | or failing him |
| MR. DAMIEN AMAL CABRAAL | or failing him |
| MR. ANTHONY NIHAL FONSEKA | or failing him |
| MS. MARIE PREMILA PERERA | |

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Seventh Annual General Meeting of the Company to be held on 24 June 2016 at 10.30 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	For	Against
To re-elect as Director, Mr. J R F Peiris, who retires in terms of Article 84 of the Articles of Association of the Company (Agenda Item 3).	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Mr. M A Omar, who retires in terms of Article 84 of the Articles of Association of the Company (Agenda Item 4).	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Auditors and to authorise the Directors to determine their remuneration (Agenda Item 5).	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of Two Thousand and Sixteen

.....
Signature/s of Shareholder/s

Notes:

Instructions as to completion of Proxy Form are noted on the reverse.

INSTRUCTIONS AS TO THE 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.:	:

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