



# PURPOSE DRIVEN



JOHN KEELLS HOLDINGS PLC

Annual Report 2011/12  
Financial, environmental and social performance

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# PURPOSE DRIVEN

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Single-minded dedication to profits is not a sustainable policy. This may sound like a strange way to begin an annual report for one of Sri Lanka's leading business groups. But the truth is that the John Keells Group has never been simply about making money. Our motivation, over nearly a century and a half of growth, diversification and profitability, has never varied: to be the best - not just the best at what we do, but also the best we can be. Excellence isn't some management-manual buzzword with us: it is what makes it all worthwhile.

As Sri Lanka finds itself entering a new era of economic and social development, the John Keells Group is on the leading edge, driving growth aggressively wherever the opportunities are found (and sometimes making opportunities where none existed until we saw the potential), setting new benchmarks for achievement, showing the way in nascent fields of investment, leading by example. Today we have formally integrated our reporting on sustainability initiatives into that of our financial performance. This is how we have defined the purpose that drives us in our commitment to business, to society and the environment, to our shareholders and other stakeholders - as well as in our own commitment to excellence. This report, we believe, demonstrates that purpose reflected in everything we do.

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*This is an integrated annual report. A guide to reading it is given overleaf.*

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# INTRODUCTION TO THE REPORT

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This 2011/12 Report is a reflection of the integrated approach of management, encompassing a triple bottom line performance for the period 1st April 2011 to 31st March 2012. The Group has published its annual financial and sustainability reports separately in the past, and this year it has embarked on integrated reporting which reflects the Group's strong commitment to sustainable development, covering financial & economic, environmental and societal performance, thereby striving to meet the reporting expectations of all its stakeholders in a concise and single document.

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 all companies in its sphere of influence, chosen on the basis that they are legal entities for which the Group remains accountable and has direct control. The companies not included for reporting on sustainability performance are companies in which the Group does not exercise significant management control and such companies have been clearly identified in the reporting boundary specified in the Group Directory.

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

The financial statements in this report are prepared in accordance with the Sri Lanka Accounting Standards (SLAS) issued by the ICASL and have been prepared on an accruals basis and under the historical cost convention unless otherwise specifically stated. The financial statements are also based on a concept of 'going concern' with understandability, relevance, materiality and reliability forming the basic framework. Accounting policies and notes set out in the Financial Information section of this Report form an integral part of the financial statements.

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

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# GROUP HIGHLIGHTS

## About us

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

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

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

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

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## Our corporate vision

Building businesses that are leaders in the region

## Our values

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



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

# Year at a glance

## Operating highlights and significant events

### May 2011

John Keells Holdings PLC announced a subdivision of shares, whereby three of its existing shares were subdivided into four. Ceylon Cold Stores PLC, TransAsia Hotels PLC, Asian Hotels & Properties PLC, John Keells PLC, Union Assurance PLC and Tea Smallholder Factories PLC also announced a subdivision of their shares.

### June 2011

Subsequent to converting its convertible preference shares, John Keells BPO Solutions India Private Limited (formerly known as Auxicogent BPO solutions Private Limited) became a fully owned subsidiary of JKH.

### July 2011

Ceylon Cold Stores PLC successfully raised Rs. 648 million via a rights issue.

### August 2011

JKH was ranked first in the LMD Magazine's 'Most Respected Entities in Sri Lanka' survey for 2011. Thus, JKH has been ranked first for the sixth time since the inception of the survey in 2005.

Fitch Ratings affirmed John Keells Holdings PLC's National Long-Term rating at 'AAA(lka)'.

### September 2011

A 240 room business hotel project in Colombo was launched in partnership with Sanken Lanka (Private) Limited.

### October 2011

JKH secured the number one spot in the Business Today magazine's 'Top 20' rankings for the 7th time since 1999.

'The Emperor' apartment project at Crescat City, Colombo was completed.

### November 2011

Chaaya Tranz Hikkaduwa (formerly known as Coral Gardens) and Chaaya Wild Yala (formerly known as Yala Village) were reopened after refurbishment.

### December 2011

JKH was ranked number one in LMD magazine's 'Top 50' of Sri Lanka's leading listed companies for 2010/11.

### January 2012

The corporate values of the John Keells Group were re-launched encompassing Trust, Innovation, Caring, Excellence and Integrity.

### February 2012

JKH was ranked first in the 'large scale' category at the ACCA Sustainability Awards for 2011.

### March 2012

Malaysia's sovereign wealth fund Khazanah Nasional Berhad, acquired a 8.8 per cent stake in JKH via its special purpose vehicle Broga Hill Investments Limited.

## Financial achievements and goals

Indicator (%)	Goal	Achievement (as at 31 March)		
		2012	2011	2010
EBIT growth	>20	18.9	44.5	(1.0)
EPS growth (fully diluted)	>20	17.6	55.5	9.3
Cash EPS growth (fully diluted)	>20	30.2	30.8	9.3
Return on capital employed (ROCE)	>15	14.9	14.7	11.8
Return on equity (ROE)	>18	15.0	15.1	10.9
Net debt (cash) to equity	50	(10.7)	(6.2)	(7.9)

## Financial highlights

Year ended 31 March		2012	2011	Change %	2010
<b>Earnings highlights and ratios</b>					
Group revenue - consolidated	Rs. million	76,700	60,500	27	47,980
Group revenue - including share of associates	Rs. million	86,462	69,824	24	57,986
Group profit before interest and tax (EBIT)	Rs. million	13,581	11,425	19	7,908
Group profit before tax	Rs. million	12,910	10,629	21	6,538
Group profit after tax	Rs. million	11,069	9,063	22	5,552
Group profit attributable to equity holders	Rs. million	9,775	8,246	19	5,201
Dividends *	Rs. million	2,314	1,869	24	1,844
Diluted earnings per share	Rs.	11.49	9.77	18	6.28
Cash earnings per share	Rs.	14.68	11.27	30	8.61
Interest cover	No. of times	20.2	14.4	41	5.8
Return on equity (ROE)	%	15.0	15.1	(1)	10.9
Pre-tax return on capital employed (ROCE)	%	14.9	14.7	2	10.8
<b>Balance sheet highlights and ratios</b>					
Total assets	Rs. million	133,938	110,292	21	98,658
Total debt	Rs. million	20,068	14,641	37	17,453
Net debt (cash) **	Rs. million	(8,548)	(4,168)	105	(4,435)
Total shareholders' funds	Rs. million	71,176	59,587	19	49,832
No. of shares in issue	millions	844	630	34	619
Net assets per share	Rs.	84.32	70.59	19	59.03
Debt / equity	%	25.1	21.8	15	31.0
Net debt (cash) / equity **	%	(10.7)	(6.2)	72	(7.9)
Debt / total assets	%	15.0	13.3	13	17.7
<b>Market / shareholder information</b>					
Market price of share as at 31 March (actual)	Rs.	206.00	285.60	(28)	184.00
Market price of share as at 31 March (diluted)	Rs.	206.00	214.20	(4)	138.00
Market capitalisation	Rs. million	173,889	179,840	(3)	113,983
Enterprise value **	Rs. million	165,341	175,672	(6)	109,548
Total shareholder return	%	(2.5)	57.4	(104)	199.6
Price earnings ratio (PER) (diluted)	No. of times	17.9	21.9	(18)	22.0
Dividend payout	%	44.1	32.2	37	39.3
Dividend per share	Rs.	3.00	3.00	0	3.0
Dividend yield (diluted)	%	1.33	1.40	(5)	2.2
<b>Sustainability indicators</b>					
Carbon footprint	MT	73,753	65,524	13	62,130
Carbon footprint per Rs. Mn of revenue	MT	0.96	1.08	(11)	1.29
Water consumption	m <sup>3</sup>	1,834,122	Not tracked	-	Not tracked
Lost day rate due to occupational injuries (Lost days as a % of total man days)	%	0.045	0.058	(22)	0.026
Training per employee	Hours	40	30	33	25
Community engagement	No. of persons impacted	30,397	17,648	72	10,130
<b>Other</b>					
Economic value generated	Rs. million	85,234	69,787	22	55,602
Economic value distributed	Rs. million	75,139	61,101	23	49,966
Employees	Rs. million	8,091	6,873	18	6,138
Government	Rs. million	3,595	3,194	13	2,906
Others	Rs. million	63,454	51,034	24	40,922
Economic value retained	Rs. million	10,095	8,686	16	5,635
Total employees (excluding associate companies)	Number	11,956	11,389	5	10,885
Total employees (as per sustainability reporting boundaries)	Number	11,748	11,186	5	10,675

\* Cash dividends paid during the year

\*\* Customer advances in the Property Development sector have been excluded

# CHAIRMAN'S MESSAGE

## Purpose Defined

**Knowing exactly who we are, what we stand for and where we're headed makes all the difference.**

I am pleased to present the Integrated Annual Report, and the Statement of Accounts, for the Financial Year ended 31st March 2012. The Report encapsulates the Group's belief that what is sustainable is not just the single minded dedication to profits; but rather the "purpose driven" business practices, social responsibility and governance processes which are interwoven into our operating model. Knowing exactly who we are; what we stand for and where we are headed, made all the difference as we pursued our strategic objectives and financial goals in the past year. I believe it is this approach which will continue to differentiate us, from the rest, as we seek long term value creation in our businesses.

For the financial year 2011/12, the recurring profit attributable to equity holders of the parent, excluding capital gains on share disposals and fair value adjustments on investment property, was Rs. 8.36 billion, this being a 40 per cent increase over the recurring profit attributable to equity holders of the parent of Rs. 5.98 billion in the previous year. On a similar basis, the recurring Group profit before tax (PBT) for the financial year 2011/12, was Rs. 11.50 billion - a 37 per cent increase over the recurring PBT of Rs. 8.37 billion in the last year.

The profit attributable to equity holders of the parent for the financial year 2011/12 was Rs. 9.78 billion - a 19 per cent increase over the Rs. 8.25 billion achieved in the previous year. The Group PBT for 2011/12 was Rs. 12.91 billion, this being a 21 per

cent increase over the PBT of Rs. 10.63 billion in the previous year.

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

- Group revenue increased by 27 per cent to Rs. 76.70 billion
- Recurring profit attributable to equity holders of the parent increased by 40 per cent to Rs. 8.36 billion
- Recurring Group profit before tax (PBT) increased by 37 per cent to Rs. 11.50 billion
- Net cash flow from operating activities increased by 94 per cent to Rs. 16.48 billion
- Return on capital employed (ROCE) was 14.9 per cent compared to 14.7 per cent in the previous year

- Return on equity (ROE) was 15.0 per cent compared to 15.1 per cent in the previous year
- Diluted earnings per share increased by 18 per cent to Rs. 11.49
- Cash earnings per share increased by 30 per cent to Rs. 14.68
- Total shareholder return (TSR) at a negative 2.5 per cent outperformed the Milanka Price Index (MPI) which declined by 29 per cent
- Carbon footprint per one million Rupees of revenue decreased by 11 per cent from 1.08 MT to 0.96 MT

Although the asset turnover improved from 0.67 in 2010/11 to 0.71 in 2011/2012, I believe that the head-room still available within the existing capacity and capacity expansion currently underway will be enhanced with better utilisation and through greater productivity.

The Group continues to maintain a strong balance sheet. This strength is evidenced by a debt to equity of 25.1 per cent, a net debt (cash) to equity of (10.7) per cent, debt to total assets of 15.0 per cent and an interest cover of 20.2 times (previous year 14.4 times). These ratios and indicators portray the manoeuvrability, flexibility and agility available to us in the current volatile economic environment.

From a portfolio perspective, I am pleased to note that the dependence on the Transportation industry group's contribution to recurring PAT has decreased to 34 per cent in 2011/12 from 41 per cent in the previous year. As a result of the increase in PAT from normal operations in Leisure and Consumer Foods and Retail, the combined contribution from these two industry groups, to the Group's recurring PAT, increased to 51 per

cent in 2011/12 from 34 per cent in the previous year.

As a discussion on the economy and the macro-economic factors, and a detailed analysis of each Industry Group, are available elsewhere in the Report, I will focus on a high level summation of the performance of each industry group during the financial year 2011/12 and broad outlook on each of them.

### Transportation Industry Group

The Transportation industry group maintained its growth momentum having achieved revenues of Rs. 17.38 billion and a PAT of Rs. 3.27 billion, contributing 23 per cent and 30 per cent respectively to Group revenue and PAT. The 2011/12 PAT increased by 18 per cent over the previous year. Both sectors within the Transportation industry group experienced volume growth as a result of capacity enhancements and also due to general improvements in the industry landscape. The installation of two new 'super post panamax cranes' at South Asia Gateway Terminals (SAGT) during the fourth quarter is expected to further increase the handling capacity of the terminal - considered crucial in catering to the growing demand. The bunkering business expanded its operations during the year with the extension of its existing services. The outlook for businesses within the industry group remains positive despite the likely challenges stemming from fluctuating global oil prices and the currency depreciation.

### Leisure Industry Group

The Leisure industry group reported revenues of Rs. 17.42 billion and a PAT of Rs. 3.71 billion, contributing 23 per cent and 34 per cent respectively to the Group revenue and PAT. With a PAT growth of 60 per cent over the

## Chairman's Message

# Recurring profit attributable to equity holders of the parent increased by 40 per cent to Rs. 8.36 billion

previous year, the Leisure industry group was the largest contributor to the 2011/12 JKH Group PAT. As anticipated, the macro environment for Sri Lankan Resorts, City Hotels and the Destination Management sectors were favourable with tourist arrivals surpassing the 900,000 visitor mark for the financial year 2011/12, an increase of 27 per cent over the previous year. Whilst traditional tourism generating markets continued to dominate arrivals, a trend was visible with growth momentum shifting to emerging fast growing markets such as the Middle East, East Asia and Eastern Europe, albeit off a small base. India continues to be the largest generating market and demonstrates the need to further develop capabilities to cater to this segment. Our Maldivian resorts had a successful year despite the political disturbances experienced towards the latter part of the financial year. The launch of Cinnamon Lodge as a five star property, the re-launch of Chaaya Wild (formerly Yala Village) and Chaaya Tranz (formerly Coral Gardens) upon completion of refurbishments

**“Whilst the potential for tourism for Sri Lanka is enormous and compelling, we cannot overemphasise the dire need for a focussed, long term and sustained promotional and development strategy...”**

and available for a part of the year, augmented the revenues of the Sri Lankan Resorts sector. The opening of Chaaya Bey Beruwala, in September 2012, as planned, will further add to the revenues of this sector. The two City hotels, Cinnamon Grand and Cinnamon Lakeside continued to invest in refurbishing existing rooms and enhancing the capacity, and the ambience of their restaurants. Once completed, our joint venture project with Sanken Lanka (Private) Limited, to construct a 240 roomed select service business hotel in Colombo will further strengthen the portfolio of hotels within the city. The management operations of the hotel will be undertaken by Keells Hotel Management Services under a long term management contract. The select service business hotel will be marketed under a new brand, conveying the convenience and value proposition to its target clientele. Whilst the potential for tourism for Sri

Lanka is enormous and compelling, we cannot overemphasise the dire need for a focussed, long term and sustained promotional and development strategy, at a national level, if the opportunities for Leisure are to be fully realised.

## Property Industry Group

The Property industry group with a revenue of Rs. 3.79 billion and a PAT of Rs. 930 million contributed 5 per cent and 8 per cent respectively to total Group revenue and PAT. The 2011/12 PAT increased by 19 per cent over the previous year. The Property group has proven itself to be an industry yardstick with the delivery of high quality residential properties in the city of Colombo. The 163 unit 'The Emperor' was successfully completed and handed over to owners during the year and construction work on the 475 unit 'OnThree20' is progressing according to schedule. The Property group has initiated plans to embark on the development of multiple commercial and residential properties to capitalise on the growth opportunities in the property business.

## Consumer Foods and Retail Industry Group

Consumer Foods and Retail (CF&R) recorded revenues of Rs. 22.02 billion and a PAT of Rs. 2.38 billion, contributing 29 per cent and 21 per cent respectively to Group revenue and PAT. The 2011/12 PAT, which includes a Rs. 1.11 billion investment property revaluation surplus, increased by 932 per cent over the previous year. Recurring PAT increased by 451 per cent. The strong performance of the industry group was mainly fuelled by the growth in volumes of soft drinks and ice creams. Despite increasing competition, our brands, 'Elephant House' (soft drinks and ice creams), 'Keells' and 'Krest' (processed meats) retained the market leadership in their respective categories. The

distribution network continued to be expanded with investments to improve the efficiency to serve 90,000 retailers island wide. The Retail sector saw an improved performance mainly on the back of growth in same-store footfalls. A renewed focus on promoting the Nexus loyalty card resulted in a significant increase in the number of active cards and card spend. Retail is continuing to look for new locations to expand its footprint. Despite the impact of the increased electricity tariffs, fuel prices and the depreciation of the Rupee, the longer term prospects for the economy and changes in lifestyles are expected to widen the scope for growth in the businesses within CF&R.

## Financial Services Industry Group

The Financial Services industry group, with revenues of Rs. 7.93 billion and a PAT of Rs. 1.11 billion contributed 10 per cent to both the Group revenue and PAT. The 2011/12 PAT increased by 29 per cent over the previous year. Union Assurance continued to improve its service standards and captured market share through differentiation of its products. The performance of both Life and General insurance businesses were strong. Nations Trust Bank (NTB), with its unique positioning, captured market share despite difficult market conditions, particularly towards the second half of the year where liquidity was tight and with the currency experiencing volatility. NTB's focus on areas such as effective risk management, and on enhancing process efficiencies, continued. These measures will serve to improving the profitability despite the credit ceiling introduced by the Central Bank and pressures on net interest margins.

A significant decline in turnover levels at the Colombo Stock Exchange compared to the previous financial year resulted

in John Keells Stock Brokers reporting lower turnover and profitability. The company however recorded a healthy improvement in market share with strong growth in the foreign segment.

## Information Technology Industry Group

The Information Technology industry group posted revenues of Rs. 5.93 billion and a PAT of Rs. 64 million, contributing 8 per cent and 0.6 per cent to Group revenue and PAT respectively. The 2011/12 PAT was a turnaround from the loss made in the previous year. The strong revenue growth emanated mainly from the Office Automation business. The Toshiba product range consolidated its market position, while Samsung mobiles captured a significant market share within a short period. The Software Services business saw the acquisition of new customers owing to more focussed marketing efforts. The BPO business in India has strengthened its marketing efforts and has attracted more customers to derive the maximum benefits of the scalability of its operations.

## Other including Plantation Services

The Plantation Services sector reported revenues of Rs. 2.22 billion and a PAT of Rs. 146 million, contributing 3 per cent and 1.3 per cent respectively to Group revenue and PAT. In 2011/12, the PAT declined by 49 per cent as a result of lower tea prices and the increased cost of 'bought' leaf. Tea Smallholder Factories will continue exploring means to improve productivity and, as a result, its profitability by using the latest technology available.

In addition to the Plantation Services sector, Others comprise of the holding company, other investments and land owning companies. These have limited external revenues. Overall, Other,

including Plantation Services, reported revenues of Rs. 2.23 billion (primarily from Plantation Services) and a loss after tax of Rs. 392 million (primarily as a result of the exchange loss on the IFC loan following the depreciation of the Rupee against the US Dollar and an increase in the tax expense at the holding company). Strategic Group Information Technology (SGIT), the Group's IT function now takes on external assignments. SGIT was recently appointed the first-ever full services SAP Services' partner in Sri Lanka. In spite of relative inactivity in the capital markets, John Keells Capital, the investment banking arm of the Group, was involved in private equity transactions and secured several mandates from its clients during the year.

## IFRS convergence

The Institute of Chartered Accountants of Sri Lanka (ICASL) made a commitment to converge with International Financial Reporting Standards (IFRS) by January 2012. I am pleased to report that the proactive convergence approach of the Group culminated in a smooth transition from the 'old' to the 'new'. The Group also completed necessary upgrades to the ERP platform. Further details on the methodology and approach and the IFRS impacts to each of our businesses are found elsewhere in the Report.

## Employees

As we mark the conclusion of a reasonably successful year, I wish to pay tribute to all our employees for their commitment and strong work ethic. As I have stated time and again, it is our employees who are integral to our success and we will continue to invest in their development. Our culture allows our employees to communicate freely and openly, continually challenge the status quo, test new ideas, and to see 'failure' as an opportunity to learn.

## “Our human capital is well equipped to meet the challenges of the future and have proved their ability to adapt and adopt in keeping with the needs of the time”

These attributes are entrenched in our re-launched Values which emphasise Innovation, Integrity, Caring, Excellence and Trust. The 'Governance' and 'Our People' sections of this Annual Report explain in further detail the collection of best in class policies, procedures and systems which are in place to ensure that JKH is, by all standards, 'more than just a workplace'. Our human capital is well equipped to meet the challenges of the future and have proved their ability to adapt and adopt in keeping with the needs of the time.

## Sustainability

Our operating philosophy is based on a triple bottom line approach which considers the economic, environmental and societal impacts to the Group and its stakeholders. Towards this, as discussed at the outset of my message, we have embarked on a strategy which integrates sustainability with our financial goals. We see the necessity to merge environmental and societal aspects with the economic goals of the company to be of paramount importance and we will spare no effort in achieving this. To this end, we have deployed a 'Task Group' based structure to decentralise sustainability and facilitate ownership at the business unit level. Each Task Group, headed by a senior manager, overlooks one of the key pillars of sustainability.

This year, we have taken sustainability deeper, and further, by introducing internal quarterly sustainability reporting which has enabled the Group to entrench

sustainability within its strategic focus. This has facilitated the comparison of sustainability performances against global benchmarks and key performance indicators and each business unit has been made responsible for developing its sustainability strategies and operational practices. In keeping with our ongoing commitment to sustainability and corporate responsibility, we have increased the scope of our reporting through the introduction of seven additional indicators and this we believe would provide our stakeholders a more holistic view of the Group's overall performance.

From a sustainability perspective, the Group's short term strategy is to track our performance against key sustainability indicators with a view to mitigating environmental and societal impacts, minimising the risk to our organisation and to achieve best in class business processes. In the medium to long term, we believe that by the adoption of sound sustainability policies and practices, the Group would be equipped with the necessary strengths to create strategic competitive advantage.

At a more specific level, I am pleased to announce that this year we have been able to make significant progress on the agenda items reported in the 2010/11 Sustainability Report in the areas of energy conservation, Green Globe and LEED certification, training and development and community engagement. Our carbon footprint for the year is 73,753 MT as against 65,524 MT in the previous year. The growth is mainly due to the increased output

## Chairman's Message

of our Consumer Foods and Retail sector, increased occupancy levels at our hotels and the re-launching of two resort hotels as mentioned above. However, it is pleasing to note that our carbon footprint per every Rupee of revenue generated has decreased by 11 per cent. From a labour perspective, the Group has provided 40 hours of training per employee which is a 33 per cent increase in the number of training hours provided this year when compared to last year.

## From a sustainability perspective, the Group's short term strategy is to track our performance against key sustainability indicators with a view to mitigating environmental and societal impacts, minimising the risk to our organisation and to achieve best in class business processes.

During the year under review, we have seen numerous contributions to sustainability through innovative initiatives such as renewable energy lighting, co-generation utilising waste heat of generators, manufacture of bio-diesel using waste cooking oil and a completely organic hydroponics garden. What is remarkable is that all these contributions have come from our own staff and were developed in-house using mainly recycled material. This is an indication that the culture of sustainability and innovation is becoming a part of the DNA of the Group.

During the year, the Group also undertook several environmental conservation and community development projects such as recycling of plastic containers, rainwater harvesting and a leopard research project in Yala. 'Project Leopard', aimed at mitigating

the human-leopard conflict in the villages adjacent to the Yala National Park is a collaborative initiative with Chaaya Wild.

Similar to last year, the information on sustainability has been compiled at GRI Application level B(+), has achieved a GRI Application Level Check, and has been assured by a third party, Det Norske Veritas AS. The John Keells Group continues to be a participant in the United Nations Global Compact Initiative and supports the country's commitment to achieving the Millennium Development Goals.

## Corporate Social Responsibility

Corporate Social Responsibility (CSR) is now a well established and integral part of our business. Through our CSR initiatives we aim to responsibly manage the effects of our operations and also cultivate strong relationships with the communities that we operate within. At JKH, our CSR focus continues to be on six key areas: namely, Education, Health, Environment, Community and Livelihood Development, Arts and Culture and Disaster Relief.

The CSR initiatives of the Group are administered by the John Keells Foundation (Foundation), a company duly incorporated under the law and also registered as a 'Voluntary Social Service Organisation' with the Ministry of Social Welfare. Whilst further details are available in the Social

Responsibility section of this Report, some of the highlights of the Foundation's work during the year are:

- *English Language Scholarship Programme*

During the year under review, the Foundation continued with its English Language Scholarship Programme via the foundation-level programme for school children within the age limits of 12 to 14 years branded as 'English for Teens'. The programme was rolled out in two intakes in 19 Districts of the country.

- *The John Keells HIV/AIDS Awareness Campaign*

The Foundation, through this project, has targeted the employees of the John Keells Group, the communities around its business locations, other corporate entities, most at-risk persons (MARPs) and the general public. The Group carried out 60 awareness sessions during the year, educating over 9,900 persons.

- *John Keells Vision Project*

The 'John Keells Vision Project' continued to give sight to vision-impaired persons, with a reported 777 cataract operations being carried out island wide during the year under review, in addition to providing 2,120 spectacles to adults and children. The Foundation collaborated with the Vision 2020 Secretariat of the Ministry of Health, primarily with the objective of extending its services to previously war-torn areas in the Northern and Eastern provinces of the country. Eye camps continue to attract volunteers from different sectors / functions across the Group, portraying the enthusiasm amongst the employees of the John Keells Group to be part of this initiative.

- *Village Adoption*

The Foundation undertook another village adoption project in Mangalagama. Plans are underway to expand this initiative to include some villages in the North and East.

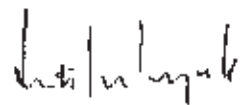
## Conclusion

Your Board declared a final dividend of Rs. 1.50 per share to be paid on 15th June 2012.

I wish to place on record my thanks to Deva Rodrigo who stepped down from the Board at the end of June 2011. I also wish to formally welcome Ranjit Gunasekara who joined the Board in July 2011.

In conclusion, on behalf of the Board of Directors and everyone at John Keells Group, I wish to thank all our stakeholders for the support extended during the past year. We are excited about the opportunities ahead, and are confident that our successful track record of execution will allow us to excel, even in challenging situations, in creating value for all our shareholders, customers and employees.

Finally, I wish to thank my colleagues on the Board and the Group Executive Committee for their guidance and support as always.



**Susantha Ratnayake**  
Chairman

25 May 2012

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# Purpose Designed

**A structure of governance, management and distributed authority as perfectly suited to the demands of efficiency, transparency, ethical probity and social responsibility as we can make it.**

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## GOVERNANCE

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# Board of Directors

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- **Susantha Ratnayake** - [Chairman-CEO](#)
- **Ajit Gunewardene** - [Deputy Chairman](#)
- **Ronnie Peiris** - [Group Finance Director](#)
- **Franklyn Amerasinghe** - [Director](#)
- **Dr Indrajit Coomaraswamy** - [Director](#)
- **Tarun Das** - [Director](#)
- **Steven Enderby** - [Director](#)
- **Ranjit Gunasekara** - [Director](#)
- **Sithie Tiruchelvam** - [Director](#)

## Susantha Ratnayake

### Chairman-CEO

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC in January 2006 and has served on the JKH Board since 1992/93. He is also the Chairman of many of the listed and un-listed companies within the Group. He is a council member of the Employers' Federation of Ceylon, serves on various clusters of the National Council of Economic Development (NCED) and is the Chairman of the Ceylon Chamber of Commerce. He has over 34 years of management experience, all of which is within the John Keells Group.

## Ajit Gunewardene

### Deputy Chairman

Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of the Board for over 19 years. He is a Director of many companies in the John Keells Group and is the Chairman of Union Assurance PLC. He is a member of the Board of SLINTEC, a company established for the development of nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology. He has also served as the Chairman of the Colombo Stock Exchange. Ajit has a degree in Economics and brings over 30 years of management experience.

## Ronnie Peiris

### Group Finance Director

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

## Franklyn Amerasinghe

### \* Director

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

## Dr. Indrajit Coomaraswamy

### \*\* Director

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

## Tarun Das

### \*\* Director

Tarun Das has dedicated his professional career to 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 achievements in strengthening business and strategic ties between India and the world. He is a Member of the Advisory Group for G-20, Ministry of Finance; Member, Expert Group, Planning Commission on Government-Industry Consultations; Member, Working Group on Business Regulatory Framework for the 12th Five Year Plan (2012-2017), Planning Commission; Member, Expert Group, Prime Minister's Office to formulate a jobs plan for the State of J&K Youth; Member, Council of IITs, Ministry of Human Resources Development; Member, Round Table on Skills Development, Ministry of Human Resources Development, Member, National Culture Fund, Ministry of Culture and Member, Kerala State Planning Board. He is also Trustee, Council on Energy Environment and Water; Managing Trustee, Indian Business Trust for HIV/AIDS; Vice President and Treasurer, World Wide Fund-India (WWF); Member, Board of Trustees, Public Interest Foundation; Member, Apex Council on India@75, Confederation of Indian Industry (CII); Trustee, India@75 Foundation; Member, Board of Trustees, Aspen Institute India and Lifetime Trustee of The Aspen Institute, USA. He is the Co-Chair of the Indo-US Strategic Dialogue and of Indo-US-Japan Strategic Dialogue, Confederation of Indian Industry (CII) and Member of the India-Singapore Strategic Dialogue and the India-China Strategic Dialogue, Confederation of Indian Industry (CII). He is a Member of the International Advisory Board of ACE Insurance (USA); Member, India Advisory Board of VOITH (Germany) and Member, India Advisory Board, JCB (UK) and Member of the Board of Governors, East West Center.

## Steven Enderby

### \*\* Director

Appointed to the Board in 2005/06, Steven Enderby stepped down as a Partner in Actis, the leading emerging markets private equity investor in December 2011. He has worked in emerging markets for more than 20 years and has been based in South Asia for the last 15 years. He continues to serve on the Board of Actis investee companies Halonix and MFE Technologies. Steven holds a BSc (Hons) in Economics and Accounting from the Queens University of Belfast and is a member of the Chartered Institute of Management Accountants, UK and is presently studying for a Masters of Development Studies at the University of Melbourne.

## Ranjit Gunasekara

### \*\* Director

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

## Sithie Tiruchelvam

### \*\* Director

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

\* Senior Independent Non Executive

\*\* Independent Non Executive

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# Group Executive Committee

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- **All Executive Directors**
  - **Dilani Alagaratnam** - [President](#)
  - **Krishan Balendra** - [President](#)
  - **Romesh David** - [President](#)
  - **Sanjeeva Fernando** - [President](#)
  - **Jitendra Gunaratne** - [President](#)
  - **Suresh Rajendra** - [President](#)
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## **Dilani Alagaratnam**

### **President**

Dilani Alagaratnam, President, Group HR, Legal & Secretarial has overall responsibility for the Group Human Resources, Legal & Secretarial and Corporate Communication functions of John Keells Group. A Lawyer by profession, she has been with John Keells Holdings PLC for 20 years and is a law graduate and a holder of a Masters Degree in Law. Currently she is the Chairperson of the Steering Committee on Human Resources and Education of the Ceylon Chamber of Commerce and member of the National Labour Advisory Committee.

## **Krishan Balendra**

### **President**

Krishan Balendra has responsibility for the Retail sector, John Keells Stock Brokers, John Keells Capital and the Corporate Finance & Strategy function of the Group. 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 & Co. PLC, Sri Lanka prior to joining JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD. He is the Chairman of the Colombo Stock Exchange.

## **Romesh David**

### **President**

Romesh David has been with the Group for 32 years during which he has served in the Leisure, Domestic & International Trade, IT and Transportation sectors of the Group. He is a member of the National Council for Economic Development (Transport Cluster), a member of the Ports, Shipping, Aviation & Logistics Steering Committee of the Ceylon Chamber of Commerce and is currently the Chairman of the Chartered Institute of Logistics and Transport – Sri Lanka Branch. He serves on the Executive Committee of the Council for Business with Britain, the Advisory Council of the Sri Lanka Freight Forwarders Association and the Executive Committee of the Indo Lanka Chamber of Commerce. He is a past Chairman of the Sri Lanka Freight Forwarders' Association and the Council for Business with Britain.

## **Sanjeeva Fernando**

### **President**

Sanjeeva Fernando has overall responsibility for the IT industry group and the Plantations sector of the Group. He has over 25 years of management experience, 18 of which have been with the John Keells Group in diverse businesses and capacities. Joining the Group in 1993 to head the Group's Printing and Packaging businesses he went on to take over Lanka Marine Services as its CEO in 2002 at the time of its acquisition from the Government. Prior to his current assignment he was the Sector Head of the Transportation sector. A Printer by profession, Sanjeeva qualified from the London School of Printing and is a member of the London Institute of Printing.

## **Jitendra Gunaratne**

### **President**

Jitendra Gunaratne is responsible for the Consumer Foods sector. Prior to his appointment as President, he overlooked the Plantations and Retail sectors. His 31 years of management experience in the Group also covers Leisure and Property. Jitendra holds a Diploma in Marketing. He is the President of the Beverage Association of Sri Lanka and also serves as a member of the Advisory Committee on Consumer Affairs of the Ceylon Chamber of Commerce.

## **Suresh Rajendra**

### **President**

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

# Group Operating Committee

- **All members of the Group Executive Committee**
- **Sujiva Dewaraja - Executive Vice President**
- **Roshanie Jayasundera-Moraes - Executive Vice President**
- **Sanjeewa Jayaweera - Executive Vice President**
- **Jayantissa Kehelpannala - Executive Vice President**
- **Vasanth Leelananda - Executive Vice President**
- **Chandrika Perera - Executive Vice President**
- **Mano Rajakariar - Executive Vice President**
- **Waruna Rajapakse - Executive Vice President**
- **Sunimal Senanayake - Executive Vice President**
- **Ramesh Shanmuganathan - Executive Vice President**
- **Devika Weerasinghe - Executive Vice President**
- **Suran Wijesinghe - Executive Vice President**

## Sujiva Dewaraja Executive Vice President

Sujiva Dewaraja heads the IT sector. Since passing out as a Chartered Management Accountant in London in 1980, he worked in corporate strategy at a diversified conglomerate and in MIS for a Middle Eastern Government. Moving to the USA in 1987, he read for an MBA from the University of Pittsburgh, Pennsylvania, earning a place on the Dean's List. Since then, he has held varied general management positions within 2 of Sri Lanka's largest listed Conglomerates. He is a Fellow of Chartered Institute of Management Accountants, UK and an Associate member of the Chartered Institute of Bankers, London. In the 1990's Sujiva served as founder Secretary of both the Consumer Electronics and Domestic Appliances Association and the Sri Lanka Netherlands Association. He served on the committee of the Ceylon Chamber of Commerce in 1997/98 and on the ministerial advisory panel on ICT/BPO export since 2007. He was a Founding Board member of the Lanka Software Foundation as well as SLASSCOM (Sri Lanka Association of Software and Services Co's), of which he is currently Chairman.

## Roshanie Jayasundera-Moraes Executive Vice President

Roshanie Jayasundera-Moraes, Head of the Retail sector, has been with the Group since 1991. She was with the Airlines sector of the Transportation industry group, before being appointed as head of the Group's retail business in November 2003. A holder of a Diploma in Marketing from the Chartered Institute of Marketing (CIM), UK, Roshanie also holds an MBA from the Post-Graduate Institute of Management of the University of Sri Jayawardanepura, Sri Lanka.

## Sanjeewa Jayaweera Executive Vice President

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

## Jayantissa Kehelpannala Executive Vice President

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

## Vasanth Leelananda Executive Vice President

Vasanth Leelananda is Head of the Destination Management sector and counts over 33 years in the leisure industry with the John Keells Group. He served as the Managing Director of Walkers Tours from 1997 to 2005 and heads the travel operations in Sri Lanka and India. Vasanth holds an MBA from the University of Leicester. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO), a Board member of the Sri Lanka Convention Bureau from 2003 to 2007 and served as a Board member of the Sri Lanka Institute of Tourism & Hotel Management from 2007 to 2010. He is a Board member of the Responsible Tourism Partnership which is affiliated to the Travel Foundation UK.

## 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 29 years. She held the position of Group Financial Controller from 1999 to 2005. A Fellow of the Institute of Chartered Accountants of Sri Lanka and the Society of Certified Management Accountants, Sri Lanka (ICASL), she holds an MBA (finance) from the University of Southern Queensland. Chandrika serves as a committee member of the Accounting Standards Committee and the Business School of ICASL and is also a member of the Steering Committee on Income Taxes.

## Mano Rajakariar Executive Vice President

Mano Rajakariar, has been the Group Financial Controller since April 2005. He has been with the Group for over 16 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 24 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 (ICASL) and the Chartered Institute of Management Accountants, UK. He currently serves as a member of the Examinations Committee, the Financial Reporting Faculty, the National Conference Technical Committee and the Urgent Issues Task Force (UITF) of the ICASL. Mano is also a member of the Financial and Regulatory Steering Committee of the Ceylon Chamber of Commerce.

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## Group Operating Committee

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### Waruna Rajapakse

#### Executive Vice President

Waruna Rajapakse, Head of New Business Development and Group Initiatives, has over 26 years of experience in Sri Lanka and in the UK, primarily in management consultancy and project finance. Prior to joining the Group in 2002, he worked for the Government at the Bureau of Infrastructure Investment, Informatics International Ltd (UK) and at Ernst & Young. Waruna is a Fellow member of the Chartered Institute of Management Accountants, UK, and an Associate member of the Institute of Chartered Accountants of Sri Lanka. He also holds an MBA from City University Cass Business School, London, UK. He is a member of the Infrastructure Steering Committee of the Ceylon Chamber of Commerce and a member of the Sri Lanka Board of the Chartered Institute of Management Accountants (CIMA) of UK where he is also a member of the Technical & Employer Relations Committees.

### Sunimal Senanayake

#### Executive Vice President

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

### Ramesh Shanmuganathan

#### Executive Vice President

Ramesh Shanmuganathan is the Group's Chief Information Officer and member of the Group Management Committee for the Information Technology industry group and has over 18 years of experience in the ICT industry both in Sri Lanka and the USA, with the last 11 years in C-level management. Prior to this he has served in the Group's IT sector as the CEO of Keells Business Systems Limited since 2001 and Head of Strategy/New Business Initiatives of John Keells Computer Services Ltd since 2004 until he assumed duties as the Group's CIO. Ramesh is a Hayes-Fulbright Scholar and holds to his credit a MSc (information technology & computer science) with phi kappa phi honours from Rochester Institute of Technology, MBA (general) from Postgraduate Institute of Management, University of Sri Jayewardenepura, BSc. Eng. (electronics & telecommunications) with first class honours from University of Moratuwa. He is also reading for his Doctor of Business Administration (DBA) at International School of Management, Paris at present. He is a Chartered Engineer, Chartered IT Professional and a Fellow of the British Computer Society. He has active memberships in several other professional institutions and is a visiting faculty member for several post-graduate programs. He is also the Chair of the Sri Lanka Association of Software and Services Co's (SLASSCOM) CIO Council and is actively involved with the ICTA and the Presidential Task Force on IT in steering IT to greater heights within the country.

### Devika Weerasinghe

#### Executive Vice President

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

### Suran Wijesinghe

#### Executive Vice President

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

# Corporate Governance

**“JKH is committed to the highest standards of business integrity, ethical values and professionalism in all its activities towards rewarding all its stakeholders with greater creation of value”**

## Executive summary

The Group corporate governance philosophy, founded on a culture of performance, within a framework of compliance and conformance, has been institutionalised at all levels in the Group though a strong set of corporate values and the written Code of Conduct. All employees, senior management and the Board of Directors are required to embrace this philosophy in the performance of their official duties and in other situations that could affect the Group’s image. We believe it is this ‘Purpose Driven’ attitude, coupled with a strong set of values that has culminated in the trust that our stakeholders have continued to place on the core values underlying our corporate activities.

The emphasis placed on the Group’s values is exemplified through the principle that require all nominees to the Group’s recognition scheme to live the JKH values. The Group’s values are stated in the ‘About Us’ section of the Annual Report.

The John Keells Group’s corporate governance framework is based on the credence that it is the duty and the responsibility of the Board of Directors, senior management and all employees at large to uphold and act in the best interest of the company and its stakeholders in fulfilling its stewardship obligations. Thereby, the Group

believes in the optimisation of shareholder wealth-creation on a sustainable basis, whilst safeguarding the rights of multiple stakeholders.

Towards this end, the corporate governance framework expects the Board of Directors to:

- Ensure that no one person has unfettered powers of decision making.
- Recognise that the methods employed to achieve goals are as important as the goals themselves.
- Maintain strong governance practices which present strong commercial advantages, especially through a lowering of cost of capital as a result of the strengthened stakeholder confidence, particularly the confidence of the investors, both institutional and individual.
- Opt, when practical, for early adoption of best practices.
- Encourage proactive discussions with the relevant regulatory bodies to facilitate the implementation of matters of governance and other business reforms in Sri Lanka and other jurisdictions where the Group has major business interests.
- Make business decisions and resource allocations, in an efficient and timely

manner, within a framework that ensures transparent and ethical dealings which are in compliance with the laws of the country and the standards of governance stakeholders expect from the Group.

## Corporate Governance Framework

### The Corporate Governance Framework of the Group entails 3 key components.

The corporate governance discussion within this Report is structured in the sequence outlined below, highlighting the different elements that combine to ensure a robust and sound governance framework.

1. Internal Governance Structure
2. Assurance
3. Regulatory Framework

### Internal Governance Structure and Assurance

These are the components that are embedded within the Group, and as a result, have an impact on the execution and monitoring of all governance related initiatives, systems and processes.

## Regulatory Framework

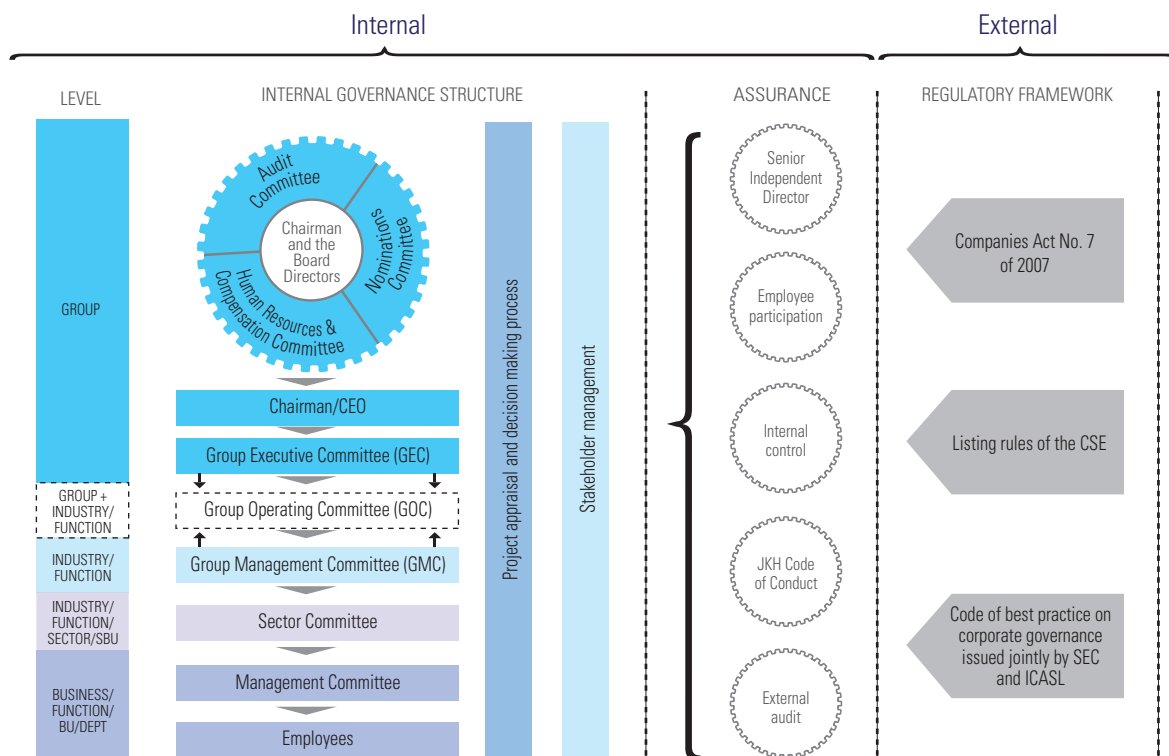
From an external perspective, adherence to relevant laws and best practices play a vital role in directing the Group towards promoting and upholding a sound corporate governance framework. While referred to in detail in subsequent sections of this Annual Report, the Group’s governance philosophy is practiced in full compliance with the following Acts, Rules and Regulations;

- Companies Act No. 7 of 2007 – mandatory compliance
- Listing Rules of the Colombo Stock Exchange (Including subsequent revisions to date) – mandatory compliance
- The Code of Best Practice on Corporate Governance as published by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants, Sri Lanka – voluntary compliance
- The recommendations of the UK Corporate Governance Code (formerly the Combined Code) to the extent that they are practicable in the context of the nature of businesses and risk profiles - voluntary compliance

Where necessary and applicable, any deviations as allowed by the relevant rules and regulations have been explained.

## Corporate Governance

### Corporate Governance Framework



- All 3 Board sub committees are chaired by Independent Directors appointed by the Board
- The Human Resources & Compensation Committee is attended by Chairman-CEO
- The Chairman-CEO and Group Finance Director attend the Audit Committee by invitation
- The Audit Committee is attended by the Head of Group Business Process Review
- GOC acts as the glue binding the various businesses within the Group towards identifying and extracting group synergies in implementing them

## Internal Governance Structure

The Internal Governance Structure encompasses; the Board of Directors, Board Committees and Senior Management Committees, complemented by internal governance systems and procedures - namely, stakeholder management, project appraisal and the decision making process - which act as the enablers of the Group's business plan

Through the governance mechanisms within the internal governance structure, the Group ensures implementation and execution towards upholding the Group's corporate governance framework. The components of the internal governance structure are designed in such a way that the executive authority is well devolved and delegated through a committee structure ensuring that the Chairman-CEO, Presidents, sector/functional heads and profit centre/function managers, are accountable for the total Group, industry/function groups, the sectors/functions and the business units/sub-functions respectively. Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

## Chairman and the Board of Directors

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

Refer the Board of Directors section of this Report for details on the expertise, experience and qualifications of the Board of Directors.

## Board responsibilities and decision rights

Powers specifically vested in the Board to execute their responsibility include:

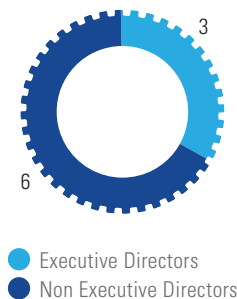
- Providing direction and guidance to the company in the formulation of its strategies, with emphasis on the medium and long term, in the pursuance of its operational and financial goals.
- Reviewing and approving annual budget plans.
- Reviewing HR processes with emphasis on top management succession planning.

- Appointing and reviewing the performance of the Chairman-CEO.
- Monitoring systems of governance and compliance.
- Overseeing systems of internal control and risk management.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.
- Reviewing and approving major acquisitions, disposals and capital expenditure.
- Approving any amendments to constitutional documents.
- Approving the issue of JKH equity/debt securities.

**Board composition**

As at 31st March 2012, the Board consisted of 9 Directors, with a majority being Non Executive, Independent Directors (NED). As at the last Annual General Meeting (AGM) of JKH, held on the 24th of June 2011, the Board consisted of the same number of Directors.

**Board composition as at 31 March 2012**



**Board induction and supply of information**

Board induction - in instances where Non Executive Directors are newly appointed to the Board, they are apprised of the:

- Values and culture.
- Operations of the Group and its strategies.
- Operating model.
- Policies, governance framework and processes.

- Responsibilities as a director in terms of prevailing legislation.
- The Code of Conduct demanded by the company.
- Brief on important developments in the business activities of the Group.

Supply of information - to ensure robust deliberation and optimum decision making, the Directors have access to:

- Information as is necessary to carry out their duties and responsibilities effectively and efficiently.
- Information updates from management on topical matters, new regulations and best practices as relevant to the Group's business.
- External and internal auditors.
- Experts and other external professional services.
- The services of the company secretaries whose appointment and/or removal is the responsibility of the Board.
- Periodic performance report.
- Senior management under a structured arrangement.

**Time commitment of the Board of Directors**

Every member of the Board has dedicated adequate time and effort in discharging their duties as a JKH director. Allowing for Non Executive Director involvement in various Board Committees and time spent by them in considering various matters that require discussion and decision in between the formal Board meetings, the company estimates that Non Executive Directors devote approximately a minimum of 30 full time equivalent days each, to the Group during the year, with more than 15 per cent of the time devoted for strategy formulation.

**Board Directors delegation of authority**

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

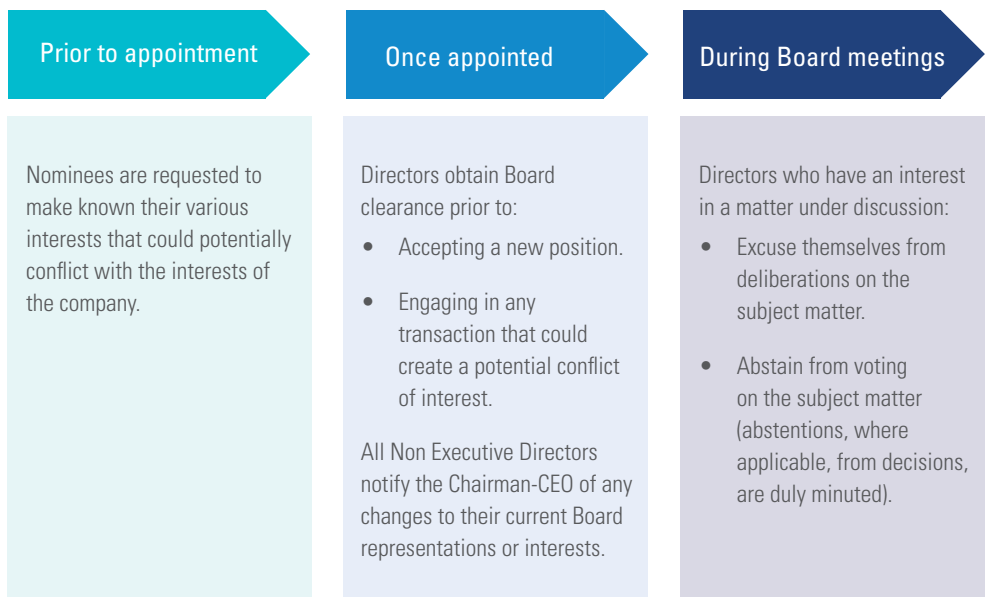
The Board has, subject to pre-defined limits, delegated its executive authority to the Chairman-CEO who exercises this authority through the Group Executive Committee (GEC), which he heads and to which he provides leadership and direction.

A more detailed discussion on Board delegated functions, as well as delegated executive authority to the Chairman-CEO is available within subsequent sections in Corporate Governance.

**Conflicts of interest and independence**

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

Details of companies in which Board members hold Board or Board Committee membership are available with the company for inspection by shareholders on request. In order to avoid potential conflicts or bias, Directors adhere to best practices as illustrated below.



## Corporate Governance

### Independent professional advice obtained by the Board during the financial year

The Board seeks independent professional advice when deemed necessary. During the year under review, professional advice was sought on various matters, including the following:

- Impacts on JKH's business operations as a result of the current and future economic, geo-political shifts.
- Conducting a Group-wide stakeholder engagement to meet the requirements of the Global Reporting Initiative (GRI).
- Employee satisfaction survey done to ensure that JKH is 'more than just a work place'.
- Legal, tax and accounting aspects, particularly where independent external advice was deemed necessary in ensuring the integrity of the subject decision.
- Market surveys, architectural and engineering advisory services as necessary for business operations.
- Actuarial valuation of retirement benefits and valuation of property including that of investment property.
- Information technology consultancy services pertaining to version upgrades of the Group-wide enterprise resource planning system.
- Specific technical know-how and domain knowledge required for identified project feasibilities and evaluations.

### Board tenure, retirement and re-election

- The Executive Directors are appointed and recommended for re-election until their

prescribed company retirement age.

- The Non Executive Directors are appointed for a term of three years, ideally up to a maximum of three terms each, subject to the age limit as per statutory provision at the time of re-appointment following the end of term.
- One third of the Directors, except the Chairman-CEO, retire by rotation on the basis prescribed in the articles of the company. A Director retiring by rotation or a Director who is subject to appointment is eligible for re-election by a shareholder resolution at the AGM.

The resolutions for the AGM to be held on 29th June 2012 cover re-election of:

- Mr. J R F Peiris, who retires in terms of Article 84 of the Articles of Association of the company.

- Mrs. S Thiruchelvam, who retires in terms of Article 84 of the Articles of Association of the company.
- Mr. A R Gunasekara, who retires in terms of Article 91 of the Articles of Association of the company.
- Mr. T Das who is over the age of 70 years and retires in terms of section 210 of the Companies Act No. 7 of 2007

### Non Executive/Independent Directors and the Board balance

Collectively, the Non Executive Directors bring a wealth of value adding knowledge, ranging from domestic and international experience to specialised functional know-how, thus ensuring adequate Board diversity in accordance with principles of corporate governance.

The company 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. Independence of the Directors has been determined in accordance with CSE Listing Rules and the 6 independent non-executive members have submitted signed declarations as to their independence.

The presence of the Senior Independent Director (SID) ensures that governance within the Board is preserved and stakeholder concerns are addressed. The terms of reference of the SID include:

- Meeting with other Non Executive Directors, without the presence of the Chairman-CEO or the Board as appropriate.
- Acting as the point of contact for stakeholders.

A detailed discussion on the role of the SID is found in the Assurance section within the Corporate Governance section.

### Summary of Non Executive / Independent Directors' Interest

	Share holding <sup>1</sup>	Management director <sup>2</sup>	Material business relationship <sup>3</sup>	Employed by the company <sup>4</sup>	Family member a Director or CEO <sup>5</sup>	Continuously served for more than nine years <sup>6</sup>
F Amerasinghe	●	●	●	●	●	●
I Coomaraswamy	●	●	●	●	●	●
T Das	●	●	●	●	●	●
S Enderby	●	●	●	●	●	●
R Gunasekara	●	●	●	●	●	●
S Thiruchelvam	●	●	●	●	●	●

● Compliant ● Compliant with explanation

#### Definitions

- 1 Shareholding carrying not less than 10 per cent of voting rights
- 2 Director of another company\*
- 3 Income/non cash benefit equivalent to 20 per cent of the director's income
- 4 Two years immediately preceding appointment as director
- 5 Close family member who is a director or CEO
- 6 Has served on the Board continuously for a period exceeding nine years

#### Explanation

- None of the individual EDs or NED/IDs shareholding exceeds 1 per cent
- None of the NED/IDs are directors of another related party company as defined
- NED/ID income/cash benefits are less than 20 per cent of individual director income
- None of the NED/IDs are employed or have been employed at JKH
- No family members of the EDs or NED/IDs is a director or CEO of a related party company
- See note below

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

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

## Board evaluation

The Board continued with its annual Board performance appraisal in 2011/12. This is a formalised process of self-appraisal, whereby each member assesses, on an anonymous basis, the performance of the Board under the headings of:

- Role clarity and effective discharge of responsibilities (in relation to the responsibilities highlighted earlier)
- People mix and structures
- Systems and procedures
- Quality of participation
- Board image

The scoring and open comments were collated by the SID, and the results were analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow, including some Directors identifying themselves as the person making the remark reflects the keenness of the Board to make themselves more effective.

## Board meetings and attendance

The Board of JKH meets once every quarter, in the least. Any absences are excused in advance and duly minuted. The absent members are immediately briefed on the discussions and actions taken during the meeting.

	Attendance of Board Meetings				Attended/ Eligible to attend
	20 May 2011	27 July 2011	03 November 2011	09 February 2012	
<b>Executive</b>					
S Ratnayake - Chairman-CEO	√	√	√	√	4 / 4
A Gunewardene - Deputy Chairman	√	√	√	√	4 / 4
R Peiris - Group Finance Director	√	√	√	√	4 / 4
<b>Senior Independent Non Executive</b>					
F Amerasinghe	√	√	√	√	4 / 4
<b>Independent Non Executive</b>					
I Coomaraswamy	√	√	√	√	4 / 4
T Das	x	√	√	√	3 / 4
S Enderby	x	√	√	√	3 / 4
R Gunasekara *	N/A	√	√	√	3 / 3
S Tiruchelvam	√	√	√	√	4 / 4
D Rodrigo **	√	N/A	N/A	N/A	1 / 1

\* Joined the Board on 1 July 2011

\*\* Resigned on 27 June 2011

## Delegation of Board authority - Board Committees

Certain functions of the Board are delegated through the Board Committees, enabling the committee members to focus on their designated areas of responsibility and impart knowledge in areas where they have the greatest expertise. The company has three Board sub-committees.

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

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

The Chairmanship / membership of Board sub-committees are listed here.

	Year of Appointment to the Board	Chairmanship			Membership		
		Nominations Committee	Human Resources & Compensation Committee	Audit Committee	Nominations Committee	Human Resources & Compensation Committee	Audit Committee
<b>Executive</b>							
S Ratnayake - Chairman-CEO	1992/93				●		
A Gunewardene - Deputy Chairman	1992/93						
R Peiris - Group Financial Director	2002/03						
<b>Senior Independent Non Executive</b>							
F Amerasinghe	1999/00		●				●
<b>Independent Non Executive</b>							
I Coomaraswamy	2010/11					●	●
T Das	2000/01	●					
S Enderby	2005/06				●		●
R Gunasekara *	2011/12			●		●	
S Tiruchelvam	2006/07				●	●	
D Rodrigo **	2006/07						

\* Joined the Board on 1 July 2011

\*\* Resigned on 27 June 2011

## Corporate Governance

### Nominations Committee

Board appointments follow a transparent and formal process within the purview of the Nominations Committee. It is the responsibility of the Nominations Committee to identify and propose suitable candidates for appointment as Non Executive Directors to the Board of JKH, in keeping with the target Board composition and skill requirements.

The emerging needs, combined with the objectives and the strategies set for the future are considered key when identifying skill sets required by potential Board members, especially skills

that may not be readily available within Sri Lanka. Based on these requirements the Nominations Committee scans the external environment to identify potential candidates that can add value to the existing Board.

Currently the Board members have varying qualifications in economic, environmental and social topics and are involved in many committees and associations that serve the business community as a whole.

The Nominations Committee also manages the process of appointing the Chairman and Deputy Chairman of the company.

During the year, the Nominations Committee comprised of 3 Independent Non Executive Directors (including the Chairman of the Committee) and the Chairman-CEO of JKH.

### Nominations Committee meeting attendance

	20 May 2011	Attended/ eligible to attend
T Das	✓	1/1
S Enderby	✓	1/1
S Ratnayake	✓	1/1
S Tiruchelvam	✓	1/1

### Nominations Committee Report

The Nominations Committee, as of 31st March 2012, consisted of three Independent Directors and the Chairman-CEO of JKH.

The mandate of the Committee remains,

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

During the period under review, the Committee met once, formally, with all members in attendance.

The Committee continues to work closely with the Board in reviewing, regularly, its skills needs based on the immediate and emerging needs. Individual Directors also have the opportunity of commenting on the skills needs of the Board during the annual JKH Board Evaluation.

During the year, the Committee recommended to the Board that Mr. Ranjit Gunasekera be appointed to the Board as a Non Executive Director. This recommendation was accepted by the Board.



**Tarun Das**  
Chairman  
Nominations Committee

25 April 2012

#### Other members

S Enderby, S Ratnayake, S Tiruchelvam

## Human Resources & Compensation Committee

This Committee was formed during the financial year 2011/12, replacing the former Remuneration Committee which was primarily focussed on the remuneration policies and practices of the Executive Directors and the CEO / Chairman.

The newly formed Human Resources & Compensation Committee is entrusted with the following duties and responsibilities:

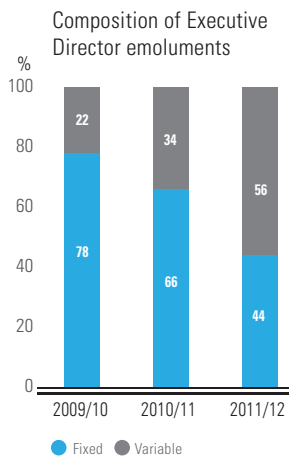
1. Review and approval of the overall compensation & benefit policy for the Group.

2. Review performance, compensation and benefits of the CEO, the other Executive Directors and key executives who support, and implement at an apex level the overall business strategy and make recommendations thereon to the Board of Directors.
3. Review and monitor the performance of the company's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at Key Executive level.

## Board remuneration – Executive Directors

The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group. At this higher level, the benchmark weightage between individual and organisational performance in establishing compensation is as high as 20:80.

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. The increasing trend of the variable component of compensation paid to Executive Directors over the last 3 years is depicted below.



The higher variable component of Executive Director remuneration in 2011/12 is largely due to the special incentive associated with the achievement of pre-established performance targets, which were reached in the financial year 2010/11, and payable in the year under review.

During the financial year, the Human Resources & Compensation Committee conducted a market survey of Executive Director remuneration with a view to assessing the appropriateness of compensation with market benchmarks. Having taken into account the complexities

associated with the Group, it was established that the compensation is in-line with the market. Benchmarking exercises of this nature will continue to take place in the future at regular intervals.

**“Variable component of Executive Director emoluments 56%”**

Any directors’ fees from a related party company, or a third party company, are paid to JKH and not to the individual Executive Director.

The Executive Directors, like other eligible employees, have received employee share options (ESOP) based on role responsibility and actual performance. Accordingly the number of options so awarded was recommended to the Board by the Human Resources & Compensation Committee. Such options were awarded at the closing market price on the date of award. The last ESOP award was made on 7th December 2011.

The share options made available to each of the Executive Directors for the year have been disclosed in the Annual Report of the Board of Directors 2011/12. Disclosures have also been made to the Colombo Stock Exchange as and when Executive Directors exercised their options or sold their shares.

### Board remuneration – Non Executive Directors

Compensation of NEDs is determined in reference to fees paid to other NEDs of comparable

companies. The fees received by NEDs are determined by the Board and reviewed annually.

NEDs receive a fee for devoting time and expertise for the benefit of the Group in their capacity as Director and additional fees for either chairing or being a member of a committee. NEDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group’s share option plans. Non Executive fees are not time bound or defined by a maximum/minimum number of hours committed to the Group per annum, and hence are not subject to additional/lower fees for additional/lesser time devoted.

### Composition of Directors’ compensation

The ‘Cash’ compensation element of remuneration referred to previously, comprises of salary,

pension contributions, short term incentive plans and other non share based benefits. In accordance with the guidelines of the Securities & Exchange Commission of Sri Lanka, we have disclosed the aggregate remuneration paid to Executive and Non Executive Directors during the financial year 2011/2012.

None of the Executive Directors or members of the GEC are involved in influencing or determining their own compensation packages.

For the purposes of this Report, the terms ‘compensation’ and ‘remuneration’ have been used in reference to cash and non cash benefits received in consideration of employment (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund contributions), unless otherwise qualified.

### Value of total remuneration (cash)

Executive Directors (company)	Rs.127.1 million
Non Executive Directors (company)	Rs. 14.4 million

### Human Resources & Compensation Committee meeting attendance

	29 June 2011	01 November 2011	Attended/ eligible to attend
F Amerasinghe	✓	✓	2/2
I Coomaraswamy	✓	✓	2/2
R Gunasekara *	N/A	✓	1/1
S Tiruchelvam	✓	✓	2/2

\* Joined the Board on 1 July 2011

**“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”**

## Corporate Governance

### Human Resources & Compensation Committee Report

Three meetings were held during the calendar year. The Committee interacted among themselves as well as with the executive Board members when the necessity arose. The Chairman also from time to time made requests from the President in charge of Human Resources in order to facilitate the work of the Committee.

A notable change was that the Committee recommended, and the Board approved, an enhanced scope of activity for the Committee which changed its name to accommodate its additional functions. The new mandate which the Board accepted envisaged that the Committee would ensure that, hereafter, the work done would include a focus on the implementation of Board policies and strategies through a people centric structure within. This would, in turn, require a closer contact between the Committee and the HR function in reviewing structures in place for the development of people and their remuneration and also ensuring that services are sustained at optimum levels through appropriate succession planning.

A report from the Human Resources & Compensation Committee (former Remuneration Committee) continues to be a standing agenda item at the quarterly Board Meetings. The Chairman of the Committee reports any matters pertaining to the Committee at each Board meeting drawing attention to matters where the Board has to be updated. The Board was also kept advised of the work of the Committee at times by electronic mail.

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

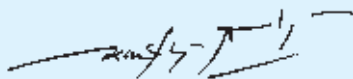
The 'pay for performance' scheme is carefully monitored and the CEO briefs the Committee of the employee compensation and how it compares with the market. The employees' confidence in the processes have been further entrenched and consolidated and they now realise

that there is a balanced and fair appraisal scheme and that compensation is generous when the corporate performance can sustain it. The compensation scheme continues to work well and the test of this is that turnover of staff is minimal.

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

The Committee also met to consider a recommendation to the Board in relation to a new Employee Share Option Plan, and this was approved by the shareholders at an Extraordinary General Meeting of the company and thereafter implemented.

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



**F Amerasinghe**  
Chairman  
Human Resource & Compensation Committee

25 April 2012

**Others members** – Dr. I Coomaraswamy, R Gunasekera, S Tiruchelvam

**Special Invitees** – Chief Executive Officer, Group Finance Director, President responsible for Human Resources

### Audit Committee

The Audit Committee has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the Country and also recommending to the Board, on the adoption of best accounting policies.

The Committee is also responsible for maintaining the relationship with the external auditors and for assessing the role and the effectiveness of the Group Business Process Review Division.

### Going concern

The Board of Directors upon the recommendation of the Audit Committee is satisfied that the company has sufficient resources to continue in operation for the foreseeable future. In the unlikely event that the

net assets of the company fall below a half of shareholders funds, shareholders would be notified and an extraordinary resolution passed on the proposed way forward.

### Integrated reporting

The going concern principle has been adopted in preparing the financial statements. All statutory and material declarations are highlighted in the Annual Report of the Board of Directors in the Annual Report. Financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLAS), including all the new standards introduced during the subject year, and International Accounting Standards (IAS), as applicable.

Information in the financial statements of the Annual Report are supplemented by a detailed 'Management Discussion and Analysis'

which explains to shareholders the strategic, operational, investment, sustainability and risk related aspects of the company that have translated into the reported financial performance and are likely to influence future results.

The John Keells Group is not only committed to achieving economic sustainability but also dedicated towards achieving environmental and societal sustainability at all times. Towards this end, the Group adopted an integrated reporting approach for the financial year 2011/12.

### Directors' responsibilities

The Statement of Directors' Responsibilities in relation to financial reporting is given in the Financial Information section of the Annual Report. The Directors' interests in contracts of the company are addressed in the Annual Report of the Board of Directors.

The Board of Directors in consultation with the Audit Committee have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements.

As discussed in the shareholder relations section, all price sensitive information has been made known to the Colombo Stock Exchange, shareholders and the press in a timely manner and in keeping with the regulations.

### International financial reporting standards (IFRS)

In the previous financial year, the Group reported that, as per the given requirements by the ICASL, IFRS is to be implemented from the financial year 2012/13 and that JKH is in line to meet this requirement. The Group reported the formation of a committee in the financial year 2010/11 comprising of financial personnel from within the Group, to study and assess the impacts on the implementation of IFRS, as per the guidelines set by the ICASL.

The Committee gathered information from finance and operational teams across the Group on the impact of International Financial Reporting Standards and several iterative discussions were held between internal and external parties, including technical experts, and involved the study of regional benchmarks to evaluate and quantify such impacts. The study also entailed reviewing all agreements and contracts within the respective businesses to identify contractual obligations and financial impacts of such agreements in the quantification process.

The Group Executive Committee and Audit Committee were continuously updated on the progress of the findings and a detailed policy manual has been drafted to ensure full compliance and consistency in the application of IFRS guidelines. This process has culminated with the financial ERP system being upgraded to ensure compliance with the new provisions.

The IFRS convergence process adopted by the John Keells Group is summarised as follows:

- Creation of IFRS awareness;

- Development of technical competence;
- Establishment of expert support on convergence through an external organisation;
- Creation of shareholder awareness through the prior year Annual Report;
- Establishment of time lines for implementation; and
- Aligning of systems and processes to facilitate convergence.

### Major transactions and interim announcements

All material and price sensitive information about the company is promptly communicated to the Colombo Stock Exchange, where the shares of the company are listed, and released to the press and shareholders. The Group also publishes three months ended, six months ended, nine months ended and twelve months ended quarterly financial statements.

The first three quarterly reports and the annual report contain a Chairman's message which explains, at a high level, the performance, background and rationale for all major transactions.

### Audit Committee meeting attendance

	13 May 2011	19 May 2011	25 July 2011	01 November 2011	25 January 2012	02 February 2012	Attended/ eligible to attend
R Gunasekara*	N/A	N/A	√	√	√	√	4/4
F Amerasinghe	√	√	√	√	√	√	6/6
I Coomaraswamy	N/A	N/A	√	√	X	√	3/4
S Enderby	√	√	√	√	√	√	6/6
S Tiruchelvam	√	√	N/A	N/A	N/A	N/A	2/2
D Rodrigo**	√	√	N/A	N/A	N/A	N/A	2/2

\* Appointed to the Board on 1 July 2011

\*\* Resigned on 27 June 2011

Note: The Audit Committee was reconstituted in May 2011 with Dr. Indrajit Coomaraswamy replacing Ms. Sithie Tiruchelvam

## Corporate Governance

### Audit Committee Report

#### Role of the Committee

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

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

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

#### Composition of the Committee and meetings

The Audit Committee comprised of four independent Non Executive Directors. During the course of the year, Mr. Deva Rodrigo who chaired the Committee since 2006/07 resigned from the Board in June 2011 and was replaced by Mr. Ranjit Gunasekara, a Chartered Accountant. The Committee was also reconstituted in May 2011 with Dr. Indrajit Coomaraswamy replacing Ms. Sithie Tiruchelvam. In addition to the Chairman of the Committee, another member of the Committee is also a qualified accountant and has a specialist financial background. The Head of the Group BPR Division served as the Secretary to the Audit Committee.

The Audit Committee held six (6) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given in the Audit Committee meeting attendance chart. The Chairman/Chief Executive Officer, the Group Finance Director, the Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The outsourced Internal Auditors and other officials of the company attended these meetings on a needs basis.

The activities and views of the Committee have been communicated to the Board of Directors through papers tabled and verbal discussions, as well as by tabling the minutes of the Committee's meeting.

#### Financial reporting

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

The Committee discussed with management and the External Auditors the Group's readiness for the pending convergence of Sri Lanka Accounting Standards with International Financial Reporting Standards, which would impact the financial statements of the Group for the financial year ending 31st March 2013, and the implications for the Group. The External Auditors were separately engaged to assist and advise on this exercise and have confirmed that there are no differences of opinion between management and themselves on the implementation, and that there are no major unresolved issues as of date.

A considerable effort has gone into this exercise which has been well structured and managed, and the Group appears to be well prepared in terms of staff training and operational arrangements to meet the changeover.

#### 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.

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 were also reviewed by the Committee on matters pertaining to the company.

The Sustainability and Enterprise Risk Management (SRM) Division reported to the Committee on the process for the identification,

evaluation and management of all significant operational risks faced by the Group. The Report also covered the overall risk profile for the Group for the year under review in comparison with the previous year and the most significant risks and the remedial measures taken to mitigate them from a Group perspective.

Formal confirmations and assurances have been received from the senior management of Group companies quarterly 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 whistle blowing arrangements for the Group and had direct access to the Ombudsman for the Group.

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

### External audit

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

The External Auditors kept the Committee advised on an on-going basis regarding any unresolved matters of significance. Before the conclusion of the audit, the Committee met with the external auditors to discuss all audit issues and to agree on their treatment. The Committee also met the External Auditors without the presence of management, prior to the finalisation of the financial statements. During the year, the External Auditors' management reports on the audit of the company and Group financial statements for the year 2010/11, together with management's responses, were discussed with management and the auditors.

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

The performance of the External Auditors has been evaluated and discussed with the senior management of the company and the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation auditors of the Group for the financial year ending 31st March 2013, subject to approval by the shareholders at the Annual General Meeting.



**R Gunasekara**  
Chairman  
Audit Committee

25 April 2012

**Other members** – F Amerasinghe, Dr. I Coomaraswamy, S Enderby

## Corporate Governance

### Role of the Chairman-CEO

The Group's Chairman also plays the role of the Chief Executive Officer, combining the two roles to achieve optimum results. The appropriateness of combining the roles is discussed subsequently.

The Chairman-CEO had structured direct discussions with the Non

Executive Directors during the year, subsequent to meetings convened by the SID with the NEDs. Issues arising from these discussions have been actioned in consultation with the affected persons. As discussed previously, the Board has, subject to pre-defined limits, delegated its executive authority to the Chairman-CEO who exercises this authority through the Group Executive Committee (GEC), which he heads and to which he provides leadership and direction.

Dual roles played by the Chairman-CEO are as follows.

### Appropriateness of combining 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, once a year.

On the basis of these discussions and the findings that emerged from a review by the Boston Consulting Group, the Board deems that combining the two roles is more appropriate for the Group at present, in meeting stakeholder objectives in a large conglomerate setting.

As the head of the Group Executive Committee (GEC), the Chairman-CEO provides the overall direction and policy/execution framework for the Board's decisions via this structure. Experience has proved that this structure has enabled him to effectively balance his role as the Chairman of the Board and the CEO of the company/Group.

<p><b>Chairman's role</b></p> <ul style="list-style-type: none"> <li>• Leads the Board for its effectiveness</li> <li>• Sets the tone for the governance and ethical framework</li> <li>• Ensures that constructive working relations are maintained between the Executive and Non Executive members of the Board</li> <li>• Ensures with the assistance of the Board Secretary that;                         <ul style="list-style-type: none"> <li>- Board procedures are followed</li> <li>- Information is disseminated in a timely manner to the Board</li> </ul> </li> </ul>	Chairman CEO	<p><b>Chief Executive Officer's role</b></p> <ul style="list-style-type: none"> <li>• Executes strategies and policies of the Board</li> <li>• Guides and supervises Executive Directors towards striking a balance between their Board and Executive responsibilities</li> <li>• Ensures that the operating model of the Group is aligned to the short term and long term strategies pursued by the Group</li> <li>• Ensures that succession at the very senior level is planned</li> </ul>
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### Chairman-CEOs appraisal

The Human Resources & Compensation Committee appraises the performance of the Chairman-CEO on the basis of pre-agreed objectives for the Group set in consultation with the Board, covering the following broad aspects

Group's performance	Group's performance	Soft aspects
√ against plan	√ against peers <ul style="list-style-type: none"> <li>• revenue growth</li> <li>• market share</li> <li>• profit growth</li> <li>• earnings per share</li> </ul>	√ company image <ul style="list-style-type: none"> <li>√ customer orientation</li> <li>√ human resource management</li> <li>√ societal trust</li> </ul>

### Group Executive Committee

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

Key responsibilities of GEC include

- Having responsibility for the performance of their respective businesses/ functions

- Assisting the Chairman-CEO in succession planning and appointment of Presidents, sector heads, functional heads and other senior managers,
- Career management of Assistant Vice Presidents and above,

As at 31st March 2012, the 9 member GEC consisted of the Chairman-CEO, the Deputy Chairman, the Group Finance Director and the Presidents of each business/function.

The succession planning process by the GEC is well tested where proactively a pool of potential successors for a number of key

positions are identified and earmarked for specific training and development as is necessary.

A key feature of the JKH operating model is that the GEC members, particularly the Presidents, not only play a mentoring role, but are totally accountable for the businesses and functions under them. 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 the GEC profiles section for further details on the expertise, experience and qualifications of the members.

### Group Operating Committee

As at 31st March 2012, 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 provides a platform to share learning on issues that cross industry groups, sectors, business units and functions. It is also the forum to discuss Group strategy, Group initiatives and Group best practices. The main purpose of this Committee is to act as a glue, binding the various businesses

within the Group towards identifying and extracting Group synergies in implementing them.

Refer the GOC profiles section for further details on the expertise, experience and qualifications of the members.

### Group Management Committee / Sector Committees / Management Committees

These Committees operate underneath the Group level committees and are dedicated and focussed towards designing, implementing and monitoring the best practices in their respective industry groups, sectors, functions, strategic business units or even at departmental level where appropriate and material.

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

The agendas of these committees are carefully structured to avoid duplication of effort and ensure that discussions and debate are complementary both in terms of

bottom-up and top-down flow of accountabilities and information.

Illustrated below is the structure of the 3 committees, where the responsibility and accountability of the effective functioning of these committees is vested upon the Chairman-CEO, the Presidents, the sector/functional heads and the profit centre/function managers as applicable.

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

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

### Employee participation in corporate governance

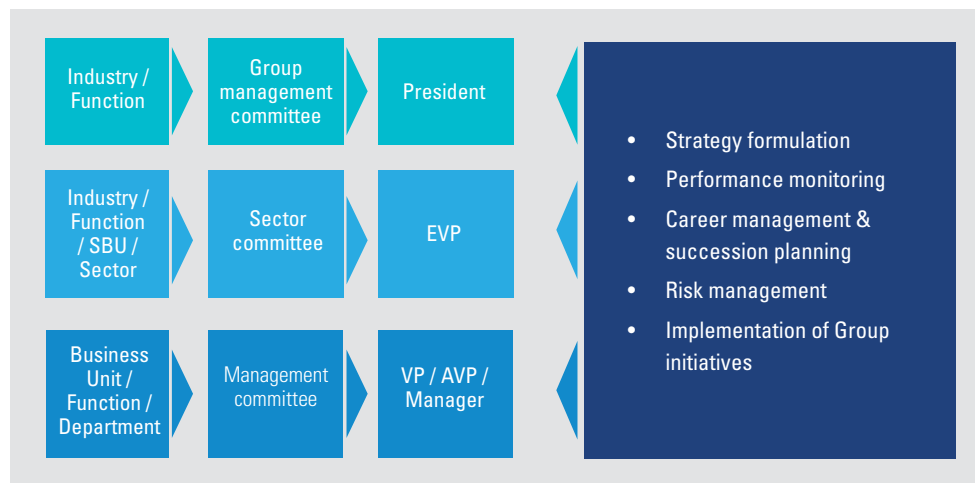
The John Keells Group believes that shareholders' long term interests are well served by involving employees actively

**The Group believes that shareholders' long term interests are well served by involving employees actively within the corporate governance framework**

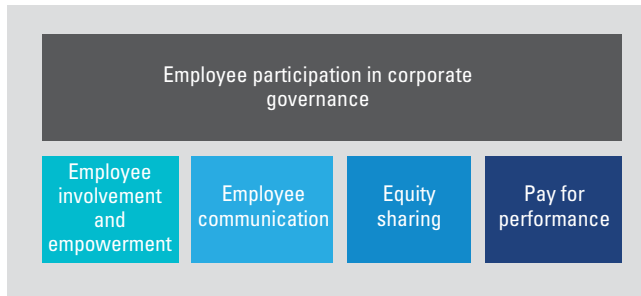
within the corporate governance framework, where employees are empowered to positively contribute towards executing and preserving the principles of corporate governance.

The Group considers its employees as its greatest asset and embraces them at various levels within its internal governance structure. In recognition of the same, policies, processes and systems are in place to ensure effective recruitment, development and retention as the Group is committed to hiring, developing and promoting individuals who possess the required competencies.

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



## Corporate Governance



Accordingly, the Group's approach to employee participation in corporate governance is based on 4 components as illustrated above.

### Employee involvement and empowerment

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights are defined for each level in order to instill a sense of ownership, reduce bureaucracy and speed-up the decision making process.
- A bottom-up approach is taken in the preparation of annual and five year plans and the Group also ensures employee involvement and empowerment in the process.
- Employee relations are designed to enable, and facilitate, high accessibility by all employees to every level of management.

### Employee communication

The Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of communication - top-down, bottom-up, and lateral in gaining employee commitment to organisational goals has been conveyed

extensively and intensively through various communiqués issued by the Chairman-CEO and the management. Whilst employees have many opportunities to interact with senior management, the Group also has created formal channels for such communication through feedback as described below:

- **Peer and upward evaluation**  
Opinion is obtained in the form of peer and direct reports for employees at manager and above levels.
- **Skip level meetings**  
Feedback on the company and its management is obtained from different perspectives by holding regular skip level meetings at assistant manager and above levels.
- **Online forum**  
Used as a means of knowledge sharing and gathering new suggestions for new business opportunities and improvements.
- **Direct email address to the Chairman**  
Enables employees to bring to the Chairman's notice any transgression of Group values when other established avenues have not yet yielded results.

### Exit interviews

Exit interviews are mandated for all employees at executive level and above where all such reports are forwarded to the respective Presidents and Executive Vice Presidents for their comments which are subsequently discussed by GEC.

### Young forum

Generally comprises of the 7 youngest employees from each gender at various levels within the Group, this is an effective means of encouraging two way communication. The concept has now been further broad-based with each industry group/sector initiative having their own young forums.

### Corporate communications

The primary goal of corporate communications is to enhance and safeguard the 'John Keells' corporate brand. Accordingly, it engages in activities to build the brand amongst both current and prospective employees in addition to brand building amongst the general public at large. Communiqués of the corporate communications team take the form of periodic news bulletins via the intranet, the group website, social media sites, online forums and news letters.

### Equity sharing

The employee share option schemes (ESOPs) have been offered to employees in defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels. Such options are offered at market prices prevailing on the date of the offer. This has primarily paved the way for:

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

### Pay for performance

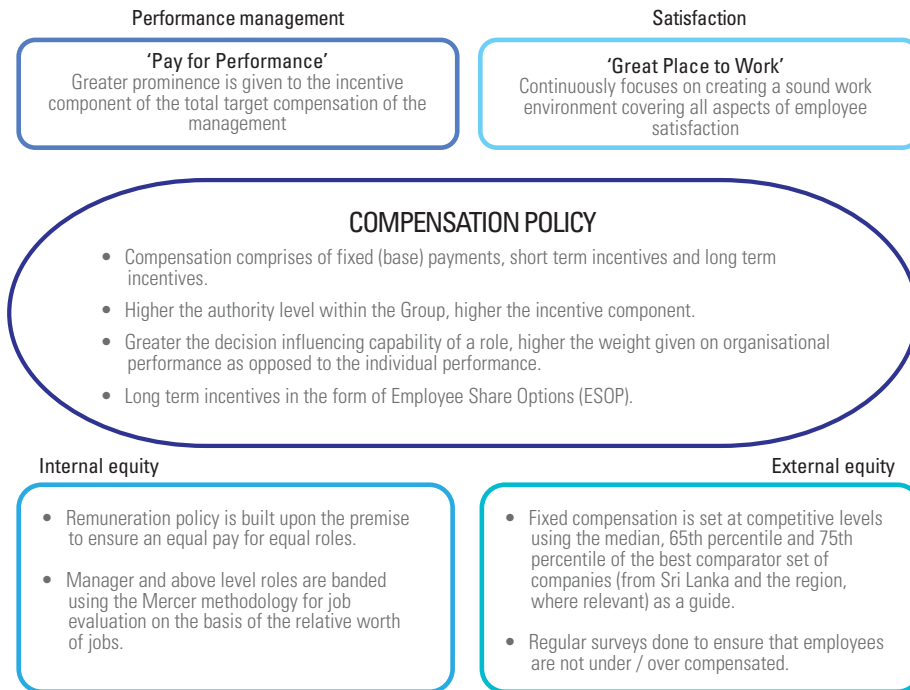
At JKH, the employees are rewarded with a customised 'pay for performance' scheme that is determined as follows:

**Manager and above** – performance is measured annually on well-defined individual and organisational objectives and metrics which reflect, and are positively correlated to, the company's objectives, thereby aligning employee management and stakeholder interests.

**Assistant Manager and Executive level** – measured by individual performance ratings only, given that it is difficult for these individuals to directly influence the bottom line of their respective business units.

The performance measurement system is the key enabler for the effective implementation of the pay for performance system and any shortcomings identified in the systems are being continuously addressed and rectified year on year.

## JKH Group compensation policy



## Project appraisal and decision making process

The Group maintains a process of investment appraisal and investment decision which ensures the involvement of all the relevant persons. In this manner, several views, opinions and advice are obtained prior to the making a rational investment decision.

The JKH experience is that a holistic and well debated view of the commercial viability and potential of any project including operational, financial, funding, risk and tax implications has most of the time culminated in a good result. All investment decisions are made through a committee structure, where no one individual has unfettered decision making powers in investment decisions.

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



### Project origination

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

Additionally, when and where required, special teams/committees/task forces are formed based on requirements/issues arising unexpectedly to cope with the issue at hand more effectively.

### Feasibility study

If there is an interest in principle, the President under whom the project falls or a GEC appointed committee will engage the CF or NBD functions to work with other relevant persons in the Group in preparing a detailed feasibility report covering key business areas such as the;

- Industry overview and trends
- Potential operating and financial performance of the project

- Key assumptions and sensitivities
- SWOT analysis
- HR and IT considerations
- Funding costs and optimum structuring of the transaction among others
- Study on the tax regime that applies to the project and any tax incentives available
- Identification of key risks and mitigations

### Review by the GEC

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

## Corporate Governance

### Due diligence

Once approval in principle is obtained, a multi-disciplined project team will proceed to the next phase of investigation which would focus on detailed operational, commercial, financial and legal due diligence.

Discussions will also commence with regulatory and licensing authorities, financial institutions and possible partners as relevant and necessary. Social and environmental impacts will also be considered in ensuring the sustainability of the business and the communities touched by it.

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

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

Where necessary, the GEC and/or the Board will appoint a person to lead the discussions with the relevant authorities on behalf of the company and in most instances this would be the President of the subject industry group.

### Final approval by the Board

Subject to the project satisfying all the criteria as highlighted before, the final approval to proceed will be given by the Board.

As is apparent from the foregoing, all investment decisions are made

through a committee structure and no one individual has unfettered decision making powers.

### Stakeholder management

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

### Employee relations

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

A detailed discussion on employee relations was discussed in the Employees section under Internal Governance Structure.

### Shareholder relations

#### Constructive use of AGM

Shareholders have the opportunity at the JKH AGM, to put forward questions to the Board and to the Chairman-CEO of JKH and the chairmen of the various committees to have better familiarity with the Group's business and operational workings. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the company.

In general, all steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period, voting for the election of new Directors, new long term incentive schemes or any other issue of materiality

that requires a shareholder approval.

### Dialogue with shareholders

The company has a well-developed investor relations programme to address the information needs of investment institutions and analysts regarding the company, its strategy, performance and competitive position.

Given the wide geographic distribution of the company's current and potential shareholders, this programme includes regular road shows to Asia Pacific, Europe and the USA conducted by the Deputy Chairman and the Head of Investor Relations. Matters discussed, and issues raised at these meetings are brought to the attention of the GEC and/or the Board, as appropriate, and addressed.

The company, through its Investor Relations division maintains an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties. Any concerns raised by a shareholder are addressed promptly at the department level and are forwarded, when necessary, to the GEC for consideration and advice. Analyst reports are circulated among the GEC, as and when available, and its contents debated.

The Senior Independent Director is available to meet and or discuss with shareholders regarding any concerns/conflicts that arise during the course of the financial year. In the current year, there were instances where the SID had such correspondence with major shareholders.

### Other stakeholders: Corporate social responsibility and sustainability

The Group recognises that it exists not only to maximise long term shareholder value but also to look after the rights and appropriate claims of many non-shareholder

groups such as employees, consumers, clients, suppliers, lenders, environmentalists, host communities and Governments.

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

This integrated Report, combining the financial and sustainability reporting framework, a first for JKH, achieved the Application Level Check of B+ of the GRI requirements in line with GRI-G3 guidelines for the current financial year ending 31st March 2012.

## Assurance

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

### Senior Independent Director

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

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

The Senior Independent Director also plays the vital role of being an alternative point of contact for stakeholders over the Executive Directors.

## Report of the Senior Independent Director (SID)

The Role of the SID has now been well recognised within the company and gives confidence to stakeholders that the CEO's role is periodically reviewed for impartiality and quality. The SID is also entrusted with the responsibility to ensure the effectiveness of the Board and especially its Independent Directors with whom consultations take place when needed.

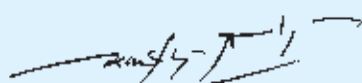
It will be recalled that an Ombudsperson was appointed in the year 2010. The objective is to provide an independent and skilled person to examine complaints from employees in relation to the manner in which the Group's Code of Conduct is operated in reality. The coverage includes the work of the Group Executive Committee, the Executive Directors and the CEO. The function is independent of the disciplinary processes of the company. The Ombudsperson has direct access to the Board of Directors and has a direct relationship with the Senior Independent Director, the CEO and the Auditors. The external auditors regularly satisfy themselves that the Ombudsperson has no issues of independence in relation to his investigative work. There have been no frauds or misdemeanours of a financial nature reported to the Ombudsperson during the subject period. The Ombudsperson reports that he is satisfied with the co-operation that he receives from management in investigating complaints and that complaints have been dealt with in a fit and proper manner. The system is working well.

The Board is satisfied that the company is governed in an ethical and fair manner and that the employees are acting in the best interests of the company and in the preservation of its image.

The Independent Directors have adequate opportunity to interact with management, obtain required information, contribute their knowledge, openly voice their views and opinions, express any matters of concern to them and participate fully in decision making. This is confirmed by a confidential review done by the SID.

The Independent Directors continue to have their annual meeting exclusively where they evaluate their performance, that of the Board in general, and identify issues for the future. This is followed by a meeting with the CEO and issues brought up have been adequately addressed.

The Board functions in a transparent and responsible manner in safeguarding the interests of all stakeholders. I have pleasure in declaring that the company takes note of best practice in relation to governance.



**Franklyn Amerasinghe**  
Senior Independent Director

25 April 2012

## Employee participation in Assurance

### Whistleblower policy

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

### Ombudsperson

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

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

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

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

### Securities trading policy

The Group's securities trading policy prohibits all employees and agents engaged by JKH who are aware of unpublished price sensitive information from trading in JKH shares or the shares of other companies in which the Group has a present business interest. The Board, GEC, GOC as well as certain identified employees in senior executive roles who are privy to JKH's results prior to their availability to the public are prohibited from trading during periods leading up to the release of quarterly and annual results, new investments, particularly mergers and acquisitions, announcements of scrip issues and dividend payments.

### Monitoring of financial data

Actual financials are compared against the original plan on a monthly basis and a reforecast is done where necessary at GMC, Sector Committee, Management Committee and Departmental Committee levels.

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

### Internal control

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

## Corporate Governance

What follows is a brief description of some of the key systems adopted by the Group.

### Internal compliance

A quarterly self certification programme requires the chief financial officers of industry groups, heads of finance of sectors and finance managers of operating units to confirm compliance with financial standards and regulations. The CEOs of business units are required to confirm operational compliance with statutory and other regulations and key control procedures, and also identify any significant deviations from the expected norms.

### Internal auditors

The internal audit function in Group companies is not outsourced to the external auditor of that company in a further attempt to ensure external auditor independence. The Auditors' Report on the financial statements of the company for the year under review is found in the Financial Information section of the Annual Report.

At the John Keells Group, the role of the internal auditor has transformed into a value adding function instead of merely a 'policing' function, where audit findings form an integral input in modifying and improving our internal processes. Thereby, the Group Business Process Review function is a key contributor in achieving operational excellence and value addition across the diverse businesses among the Group.

### System of internal control

The Board has, through the involvement of the Group Business Process Systems 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.

### Risk management

The GEC has adopted a Group-wide risk management programme with focus on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress-test various risk scenarios. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving shareholder and other stakeholder wealth. The detailed Risk Management section of the Annual Report describes the process of risk management as adopted by the Group and the identified key risks to the achievement of the Group's strategic business objectives.

### Memberships maintained

The senior management personnel of the Group hold positions of membership in various professional and governance bodies and participate in 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 these bodies as active members, and in addition members of the Group Executive Committee hold positions such as the Chairman of the Ceylon Chamber of Commerce, President Sri Lanka Institute of Directors, President of Chartered Institute of Logistics & Transport, Chairman Colombo Stock Exchange of Sri Lanka and Chairperson of the Steering Committee for HR and Education of the Ceylon Chamber of Commerce. For further details refer the Memberships, Certifications and Awards section of the Report.

## JKH Code of Conduct

The written Code of Conduct, to which all the employees including the Board of Directors are bound by, engraves the desired behaviors of JKH staff at all levels, particularly the senior management. This is being constantly and rigorously monitored.

## JKH Code of Conduct

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

## Group Values

The objectives of the Code of Conduct are being further preserved by a strong set of corporate values which were re-launched during the financial year 2011/12. The Group values are well institutionalised at all levels within the Group and linked to the reward and recognition schemes.

During the year, the Group re-assessed and evaluated the suitability of its values in the context of the current operating environment and also to ensure ease of understanding. Resultantly, Group-wide surveys were carried out and the responses were vigilantly distilled to arrive at the re-launched set of values.

The re-launched Group values are found in the 'About Us' section of the Annual Report and are/have been consistently referred to by the

Chairman-CEO, Presidents, Sector Heads and Business Unit Heads during employee, agent and other key stakeholder engagements in order to ensure those values are deeply rooted through enhanced clarity and simplicity for better understanding. The re-launch of the values was driven by feedback received from the Young Forum, demonstrating the continued value addition and contribution of the fora.

The Chairman of the Board affirms that there have not been any material violations of any of the provisions of the Code of Conduct. In the instances where violations did take place, or were alleged to have taken place, they were investigated and handled through the company's well established procedures which, among others, include direct and confidential access to an independent, external ombudsperson as discussed above.

### External audit

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

The audits have been distributed in a manner that gives adequate coverage to the Group auditor. In addition to the normal audit services, Ernst & Young and the other external auditors, also provided certain non-audit services to the Group. However, the lead/consolidator auditor would not engage in any services which are in the restricted category as defined by the CSE for external auditors. All such services have been provided with the full knowledge of the respective audit committees and are assessed to ensure that there is no compromise

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

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

## Corporate governance regulatory framework

### Compliance

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

The Board of Directors has also taken all reasonable steps in ensuring that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards and the requirements of the Colombo Stock Exchange and other applicable authorities.

The Sri Lanka Accounting Standards, as set by the Institute of Chartered Accountants of Sri Lanka, are those, which govern the preparation of the financial statements. The International Accounting Standard is used in the rare instance where a Sri Lanka Accounting Standard does not exist. The Board is aware of the growing importance of the disclosure of critical accounting policies as a part of good governance and opine that there are no instances where the use of

such concepts would have a material impact on the company's and the Group's financial performance.

This Report has been prepared as per the rules and regulations stipulated by the Corporate Governance Listing Rules published by the Colombo Stock Exchange (revised in 2011) and also by the Companies Act no. 07 of 2007.

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

## Outlook

JKH is committed to conducting its affairs, under a stakeholder model, with integrity, efficiency and fairness.

We believe that corporate governance in the future will reflect an increasing emphasis on customer satisfaction, both external and internal customers, as a way of measuring the adaptability of the organisation over time. Additionally, we also believe that there will emerge a new type of corporate information and control architecture in the form of more specialised Board Groups and Advisory Stakeholder Councils comprising employees, lead customers, suppliers and others. Our growing emphasis on 'sustainability' is the first step in this journey.

We will seek to remain a preferred choice for investors and our key areas of focus will be:

- Creating operating structures which are agile and flexible in aligning to the constantly changing needs of the dynamic environment that we operate in
- Maintaining appropriate internal controls and a robust framework of risk management and mitigation
- Reviewing, regularly, the internal processes and benchmarking them against international best practices
- Entrenching stakeholder relationships through more transparent information flows and proactive dialogue

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**“We believe that Corporate Governance in the future will reflect an increasing emphasis on customer satisfaction, both external and internal customers, as a way of measuring the adaptability of the organisation over time”**

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## Corporate Governance

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

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

Subject	CSE Rule No.	Compliance requirement	Compliance status	Reference section	Page
Non Executive Directors	7.10.1 (a) & 7.10.1 (b)	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Complied	Board Composition	19
Independent Directors	7.10.2 (a)	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	Complied	Non Executive / Independent Directors and the Board balance	20
	7.10.2 (b)	Each NED to submit a signed and dated declaration of his/her independence or non-independence	Complied	Summary of Non Executive/ Independent Directors' interest	20
Disclosure relating to Directors	7.10.3 (a)	<ul style="list-style-type: none"> <li>Board shall annually determine the independence or otherwise of NED</li> <li>Names of the IDs should be disclosed</li> </ul>	Complied	Summary of Non Executive/ Independent Directors' interest	20
	7.10.3 (b)	Basis for the Board's determination of ID, if criteria specified for independence is not met	Complied		
	7.10.3 (c)	A brief resume of each Director should be included in AR including Directors' experience	Complied	Board of Directors	12
	7.10.3 (d)	Provide a detailed resume of new Directors appointed to the Board along with the specified details	Complied	Board of Directors	12
Criteria for defining independence	7.10.4 (a-h)	Requirements for meeting criteria to be independent	Complied	Summary of Non Executive / Independent Directors' interest	20
Remuneration Committee (RC)	7.10.5	Listed entity should have a Remuneration Committee	Complied	Human Resources & Compensation Committee	22
	7.10.5 (a)	RC shall comprise of NEDs, a majority of whom will be independent	Complied	Delegation of Board Authority	21
	7.10.5 (b)	RC shall recommend the remuneration of the CEO and the Executive Directors	Complied	Board Remuneration – Executive Directors	23
	7.10.5 (c)	<ul style="list-style-type: none"> <li>Names of RC members</li> <li>Statement of Remuneration policy</li> <li>Aggregate remuneration paid to EDs and NEDs</li> </ul>	Complied	Human Resources & Compensation Committee	22
Audit Committee (AC)	7.10.6	Listed entity shall have an Audit Committee	Complied	Audit Committee	24
	7.10.6 (a)	<ul style="list-style-type: none"> <li>AC shall comprise of NEDs, a majority of whom should be independent</li> <li>A NED shall be the Chairman of the committee</li> <li>CEO and CFO should attend AC meetings</li> <li>The Chairman of the AC or one member should be a member of a professional accounting body</li> </ul>	Complied	Delegation of Board Authority, Corporate Governance Framework	21 17
	7.10.6 (b)	<ul style="list-style-type: none"> <li>Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLAS.</li> <li>Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations.</li> <li>Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLAS.</li> <li>Assessment of the independence and performance of the Entity's external auditors.</li> <li>Make recommendations to the Board pertaining to appointment, re-appointment, removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</li> </ul>	Complied	Audit Committee	24 25 26 27
	7.10.6 (c)	<ul style="list-style-type: none"> <li>Names of the AC members</li> <li>AC shall make a determination of the independence of the external auditors</li> <li>Report on the manner in which AC carried out its functions.</li> </ul>	Complied	Delegation of Board Authority, Audit Committee Report	21 26 27

## Statement of Compliance of the Principles under the Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL)

(Issued on 1st July 2008)

Subject	Rule No.	Compliance requirement	Compliance status	Reference section	Page
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the company.	Complied	Role of the Chairman - CEO	28
	A 1.1	Regular Board meetings	Complied	Board meetings & attendance	21
	A 1.2	Responsibilities	Complied	Board responsibilities & decision rights	18
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Independent professional advice obtained by the BOD during the financial year, Internal compliance	20
	A 1.4	Access to Company Secretary	Complied	Board induction and supply of information	19
	A 1.5	Bring Independent judgment on various business issues and standards of business conduct	Complied	Time commitment of the Board of Directors	19
	A 1.6	Dedication of adequate time and effort	Complied	Time commitment of the Board of Directors	19
	A 1.7	Board induction & training	Complied	Board induction and supply of information	19
Chairman and CEO	A 2	Chairman and CEO and division of responsibilities to ensure a balance power and authority	Complied	Corporate Governance Framework	17
	A 2.1	Justification of combining the roles of the Chairman and the CEO	Complied	Appropriateness of combining roles of Chairman and CEO	28
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	Role of the Chairman – CEO	28
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	Role of the Chairman – CEO	28
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Board of Directors	12
Board Balance & Senior Independent Director	A 5 A 5.1-5.5	Board balance and independence	Complied	Board composition, Conflicts of interest and Independence, Summary of Non Executive/ Independent Directors' interests	19 20
	A 5.6-5.9	Appointment of Senior Independent Director and conduct of constructive discussion	Complied	Senior Independent Director	32
Supply of Information	A 6	Board should be provided with timely information to enable it to discharge its duties	Complied	Board induction and supply of information	19
	A 6.1–6.2	Management obligation towards the Directors to provide the Board with appropriate and timely information	Complied	Board induction and supply of information	19
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Nominations Committee	22
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nominations Committee	22
	A 7.2	Assessment of the capability of Board to meet strategic demands of the company	Complied	Nominations Committee	22
	A 7.3	Disclosure of New Board member profile and interests	Complied	Board of Directors	12
Re election	A 8 A 8.1-8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders	Complied	Board tenure, retirement and re-election	20
Appraisal of Board performance	A 9 A 9.1-9.3	Existence of Board evaluation methods and execution	Complied	Board evaluation	21
Disclosure of information in respect of Directors	A 10 A 10.1	Profiles of Directors Directors' interests Board meeting attendance Board committee memberships	Complied	Board of Directors, Summary of Non Executive/Independent Directors' interests, Board meetings and attendance, Delegation of Board Authority - Board Committees	12 20 21
Appraisal of CEO	A 11 A 11.1-11.2	Appraisal of the CEO against the set strategic targets	Complied	Chairman-CEOs appraisal	28
Directors' Remuneration	B 1 B 1.1	Establishment of the Remuneration Committee	Complied	Human Resources and Compensation Committee	22
	B 1.1-1.3	Membership of the remuneration to be disclosed and should only comprise of Non Executive Directors	Complied	Delegation of Board authority	21

## Corporate Governance

Subject	Rule No.	Compliance requirement	Compliance status	Reference section	Page
Directors' Remuneration	B 1.4-1.5	Board to determine remuneration of Non Executive Directors with expert advice where necessary.	Complied	Human Resources and Compensation Committee	22
Level and makeup of Remuneration	B 2.1-2.4	Performance related elements in pay structure and alignment to industry practices	Complied	Board Remuneration-ED	23
	B 2.5	Executive share option	Complied	Board Remuneration-ED	23
	B 2.6-2.8	Linking compensation to Board performance	Complied	Board Remuneration - ED	23
	B 2.9	Non Executive Directors' remuneration	Complied	Board Remuneration-NED	23
Disclosure of Remuneration	B 3 B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Board Remuneration-ED, Board Remuneration-NED	23
Relations with Shareholders	C 1.1	Counting of proxy votes	Complied	Shareholder relations	32
	C 1.2	Separate resolution to be proposed for each item	Complied	Shareholder relations	32
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Shareholder relations	32
	C 1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Complied	Shareholder relations	32
	C 1.5	Summary of procedures governing voting at General meetings to be informed	Complied	Shareholder relations	32
Major Transactions	C 2 C 2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets	Complied	Major transactions and interim announcements	25
Accountability & Audit	D 1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Directors' responsibilities	25
	D 1.2 D 1.5	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	Complied	Going concern, Directors' responsibilities	24 25
	D 1.3	Statement of Directors' responsibility	Complied	Statement on Directors' responsibility (Financial Information section)	166
	D 1.4	Management Discussion & Analysis of the businesses.	Complied	Management Discussion & Analysis section	59
	D 1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds.	Complied	Going concern	24
	Internal Control	D 2.1	Annual review of effectiveness of system of internal control.	Complied	Internal Control
D 2.2		Internal Audit function	Complied	Internal auditors	34
Audit Committee	D 3.1	Audit committee composition	Complied	Delegation of Board Authority - Board Committees	21
	D 3.2	Terms of reference, duties and responsibilities	Complied	Audit Committee	24
Code of business Conduct & Ethics	D 4.1-4.2	Disclosure whether the company has a Code of Business Conduct & Ethics and disclose an affirmative declaration that they have abided by such Code. The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code.	Complied	Code of Conduct, Group values	34
Directors' disclosure on compliance	D 5 D 5.1	Disclosure of extent to which the company has complied with principles and provisions of the SEC/ ICASL Corporate Governance Code.	Complied	Corporate Governance Framework	17
Institutional Investors	E 1 E 1.1	Regular dialogue to be maintained with shareholders	Complied	Dialogue with shareholders	32
Evaluation of Governance disclosures	E 2	Due weight to be given to Board structure and composition by institutional shareholders	Complied	Chairman & the Board of Directors	18
Other Investors	F 1 – F 2	Encourage individual shareholder participation at General Meetings and other analysis and feedback	Complied	Shareholder relations	32

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# Purpose Planned

We shall strive to ensure that our actions are purposeful and thoughtful; delivering practical solutions that will address the many issues of sustainability we deal with every day.

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SUSTAINABILITY  
INTEGRATION &  
RISK MANAGEMENT

# SUSTAINABILITY INTEGRATION

## Reporting on Sustainability

**The following section is an account of the John Keells Group sustainability performance for the period 1st April 2011 to 31st March 2012. The previous Sustainability Report was published on 31st March 2011 as a stand-alone report.**

This integrated report, following four previous stand-alone sustainability reports, is the first of its kind to be published by the Group. The sustainability performance contained in this report, as in previous years, has been verified and assured by Det Norske Veritas AS (DNV). The reporting of the Group's sustainability performance is at the GRI application level 'B' and has also achieved the 'GRI Application Level Check' by the Global Reporting Initiative (GRI) Organisation. The GRI Application Level Check and the DNV Assurance Statement are carried at the end of this section.

Our sustainability performance is reported with a view to providing information to all stakeholders with regard to the most critical and material areas identified through comprehensive and systematic stakeholder engagements. Prioritisation of the topics covered under this report was based on the said stakeholder engagements, its outcomes as detailed in the sections "Key sustainability topics identified", and "Mapping of stakeholder concerns to sustainability aspects". This year, the scope of sustainability reporting at JKH

has been extended to 30 GRI Performance Indicators from 23 in the previous year based on the findings of the stakeholder engagement carried out in October 2009. This has enabled the Group to enhance its coverage of its economic, environmental and social performance during the year under review.

The process for determining materiality is fully described in the section of this report titled "Stakeholder engagement process" and "Engagement of significant stakeholders". Stakeholders who would use this report include our investors, employees, customers, governments, legal and regulatory bodies and society at large and is further detailed in the section "Engagement of significant stakeholders" and "Key sustainability topics identified".

The boundary of the financial reporting extends to 88 companies which are legal entities of the John Keells Group. The Group exercises direct control over 78 of these companies, which as such, fall within the sphere of influence of the Group. The Group does not exercise direct control over the 10 remaining

companies and have thus been excluded for sustainability performance reporting. Of the 78 companies over which the Group exercises direct control, 28 entities have been excluded for reporting on sustainability performance, as such entities are non-operational entities, investment entities, land-only holding companies, investment holding companies, managing companies and companies that rent out office spaces, on the basis that such entities do not carry out any operations that significantly interact with the environment and society at large. The 50 companies, for which sustainability performance is reported on, have been identified in the "Group Directory". Further, any exclusion made with regard to reporting on sustainability indicators have been clearly explained under the respective sustainability aspects.

With last year's report covering 76 companies (of which the sustainability performance was reported for 58 companies after excluding non-operational entities, investment entities, land-only holding companies, investment holding companies, managing companies and companies that rent out office spaces), a year on year comparison of performance is possible subject to the explanations provided in respect of the mergers, divestments and acquisitions that have occurred during the year.

Readers may utilise the GRI Content Index as a reference to access specific information and disclosures required by the GRI framework. The John Keells Group has been a participant of the

United Nations Global Compact (UNGC) initiative since 2002. This report, which serves as a Communication on Progress, also reinforces the Group's commitment to implement the 10 principles recognised by the UNGC Initiative. In addition, the Group also maps its sustainability performance to the IFC Sustainability Performance Framework which we believe would help avoid, mitigate, and manage risks and impacts from a sustainability perspective.

In terms of re-statements in comparison to the previous year 2010/11, the previous year's numbers and statements have been re-arranged wherever necessary to conform to the present year's presentation; namely in the Economic Value Statement for the year 2010/11 carried in the "Financial Information" section of the report.

Currently, several of the Group companies, namely Ceylon Cold Stores PLC, Asian Hotels & Properties PLC, John Keells Hotels PLC and Union Assurance PLC, publish annual sustainability reports along with their annual financial reports. Union Assurance PLC was adjudged the runner up of the ACCA Sustainability Reporting Awards in the medium scale category, while Ceylon Cold Stores achieved the Silver Rating of the STING Corporate Accountability Rating, and Asian Hotels & Properties PLC and John Keells Hotels PLC were awarded the Gold Rating. John Keells Holdings PLC achieved a Platinum Rating of the STING Corporate Accountability Rating and was adjudged the winner of the ACCA Sustainability Reporting Awards under the large scale category.

Any clarifications regarding sustainability at John Keells Holdings may be obtained from the:

**Sustainability & Enterprise Risk Management Division**

**John Keells Holdings PLC**

130, Glennie Street, Colombo 02, Sri Lanka

Email: [sustainability@keells.com](mailto:sustainability@keells.com)

Website: [www.keells.com/sustainability](http://www.keells.com/sustainability)

# Sustainability Performance Highlights

Indicator		2009/10	2010/11	2011/12	
<b>ECONOMIC PERFORMANCE</b>					
EC1	Economic value added (Rs. in millions)	5,635	8,686	10,095	Positive
EC3	Employee benefit liability as of 31st March	1,041,395	1,215,597	1,372,161	Positive
EC6	Percentage purchases from suppliers within Sri Lanka	Not tracked	Not tracked	70%	No comparison possible
EC8	Community services and infrastructure projects (Rs. in millions)	Not tracked	Not tracked	29.92	No comparison possible
<b>ENVIRONMENTAL IMPACT</b>					
EN3	Direct energy consumption (GJ)	363,479	360,704	372,932	Negative
	Direct energy consumption (GJ) per Rs. million of revenue	7.57	5.96	4.86	Positive
EN4	Indirect energy consumption (GJ)	246,259	271,065	300,181	Negative
	Indirect energy consumption (GJ) per Rs. million of revenue	5.13	4.48	3.91	Positive
EN8	Water withdrawal (m <sup>3</sup> )	Not tracked	Not tracked	1,834,122	No comparison possible
EN11	Sites near/in high bio-diversity areas	15	14	14	Positive
EN16	Carbon footprint (MT)	62,130	65,524	73,753	Negative
	Carbon footprint (MT) per Rs. million of revenue	1.29	1.08	0.96	Positive
EN21	Water discharge (m <sup>3</sup> )	Not tracked	Not tracked	1,534,771	No comparison possible
EN22	Waste generated (MT)	Not tracked	Not tracked	8,356	No comparison possible
	Waste recycled/reused	Not tracked	Not tracked	37%	No comparison possible
EN23	Volume of significant spills (m <sup>3</sup> )	Not tracked	Not tracked	Nil	Positive
EN28	Significant environmental fines *	Nil	Nil	Nil	Positive
<b>OUR PEOPLE, HEALTH &amp; SAFETY</b>					
LA1	Total workforce (employees + contractors' staff)	Not tracked	Not tracked	18,060	No comparison possible
	Total employees	10,675	11,186	11,748	Positive
LA2	Attrition of new hires (as percentage of total new hires)	Not tracked	Not tracked	22%	No comparison possible
LA4	Percentage covered by collective bargaining	18.6%	22.2%	23.0%	Positive
LA7	Number of injuries	238	180	229	Negative
	Injury rate (number of injuries per 100 employees)	2.23	1.61	1.95	Negative
	Lost day rate (lost days as percentage of total person days)	0.026%	0.058%	0.045%	Positive
LA8	No. of people educated on serious diseases	6,358	15,078	20,279	Positive
LA10	Average hours of training per employee	25	30	40	Positive
LA12	No. of employees receiving performance reviews	100%	100%	100%	Positive
<b>ETHICAL BUSINESS</b>					
HR6	Incidences of child labour (below age 16)	0	0	0	Positive
	Incidences of young workers (aged 16-18) **	15	0	3	Negative
HR7	Incidents of forced labour during the year	0	0	0	Positive
<b>SOCIAL RESPONSIBILITY</b>					
SO1	Community engagement (no. of persons impacted)	10,130	17,648	30,397	Positive
SO2	Percentage of businesses analysed for risk of corruption	100%	100%	100%	Positive
SO8	Significant fines for violation of laws/regulations*	Not tracked	Not tracked	Nil	Positive
<b>PRODUCT RESPONSIBILITY</b>					
PR3	Percentage of companies that carry relevant information	38%	22%	Changed***	No comparison possible
	Percentage of significant product labels carrying information				No comparison possible
	On Environmental impact of products	Not tracked	Not tracked	20%	No comparison possible
	On Safe use of product	Not tracked	Not tracked	54%	No comparison possible
PR6	Voluntary standards relating to advertising	Group policy based on ICC Code			Positive
PR9	Significant fines for product/service issues * (Rs. in millions)	1.5	Nil	Nil	Positive

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

\*\* Young workers are employed under guidelines of the Employers Federation of Ceylon.

\*\*\* Process has been improved to track significant product labels.

Positive Negative No comparison possible

# Sustainability Policy and Framework

**Sustainable development is a globally accepted approach to sustaining economic growth without harming our planet or exhausting its resources while improving the quality of life for its current and future inhabitants. Long term value creation for our varied stakeholder groups depends on the sustainability of the performance of our businesses, our environment and the communities in which we operate. In this endeavour, we are committed to achieving the highest standards of corporate citizenship.**

## Sustainability policy

- The Group will strive to conduct its activities in accordance with the highest standards of corporate best practice and in compliance with all applicable local and international regulatory requirements and conventions.
- The Group monitors and assesses the quality and environmental impact of its operations, services and products whilst striving to include its supply chain partners and customers, where relevant, and to the extent possible.
- The Group is committed to transparency and open communication about its environmental and social practices in addition to its economic performance. It seeks dialogue with its stakeholders in order to contribute to the development

of global best practice, while promoting the same commitment to transparency and open communication from its partners and customers.

- The Group strives to be an employer of choice by providing a safe, secure and non-discriminatory working environment for its employees whose rights are fully safeguarded and who can have equal opportunity to realise their full potential. All Group companies will abide by national laws and wherever possible strive to emulate global best practice governing the respective industry groups, seeking continuous improvement of health and safety in the workplace.
- The Group will promote good relationships with all communities of which we are a part, and enhance their quality of life and

opportunities, while respecting people's culture, ways of life and heritage.

## Sustainability strategy

Last year, the John Keells Group transformed the sustainability process from a centrally driven exercise to making it a priority of each and every business unit of the Group. With the integration and embedding of sustainability within the organisation, the John Keells Group has taken significant strides this year in ensuring that accountability of the sustainable performance of each Group company is now within the ambit of the business unit. Continuing from previous years, the Group has utilised its task group based structure to decentralise sustainability to all business units, where each task group is headed by a senior manager, who overlooks one of the key pillars of sustainability.

With the introduction of internal quarterly sustainability reporting, the heads of business units are now able to review not only the progress of the financial performance of their respective companies, but also their sustainability performance. During the year, Sustainability Champions have emerged from each business unit, and have been tasked with the tracking of sustainability performance and providing management information to their respective business unit heads and the Sustainability & Enterprise Risk Management Division.

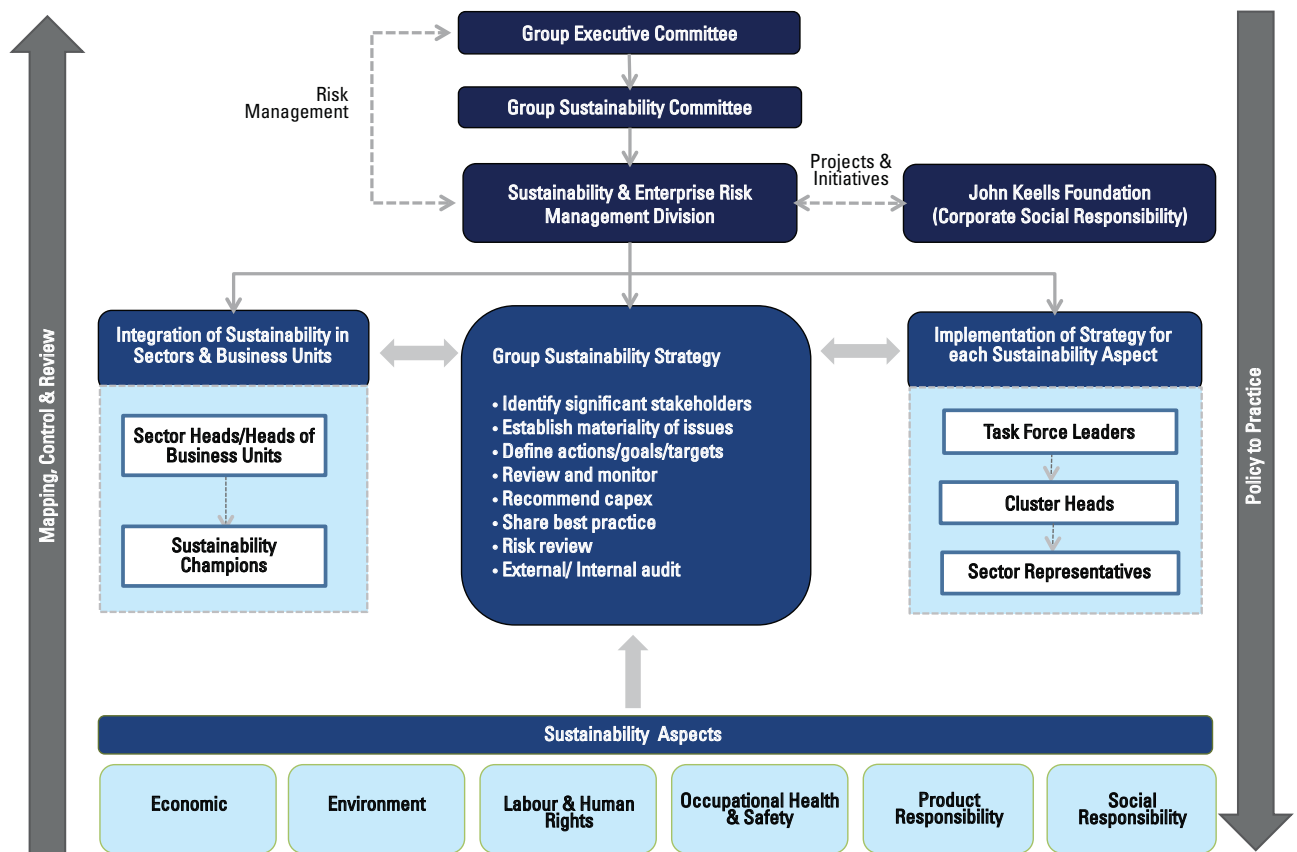
The integration of sustainability within the John Keells Group, steered by the Group Sustainability Committee, is managed through the structure shown overleaf.

Sustainability within the Group now encompasses both a top down and bottom up approach. While sustainability policies and frameworks for measurement, monitoring and control have been established at Group level, the actual tracking of sustainability performance, improvements to business processes, introduction of innovative and sustainability driven initiatives and projects are within the purview of the business unit. The sustainability performance of Group companies are consolidated in reporting the Group's sustainability performance.

The Group believes that making the business units accountable for their sustainability performance is only an initial step towards being a sustainable organisation. The structure, frameworks, processes and people that have been implemented this year have enabled the Group to drive sustainability on an enterprise-wide scale which is expected to result in increased stakeholder value, through business process improvements, better risk management, new business opportunities, innovation, corporate governance and overall corporate responsibility.

Thus, the John Keells Group has now established the ideal base to ensure sustainable development in all its sectors. The future of sustainability at JKH would encompass the identification and implementation of various sustainability initiatives targeting areas that were identified through stakeholder engagements, to truly bring all of its businesses towards sustainable development. With company-wise sustainability information now at hand, the





Group is now well established to set performance targets by company, develop strategies and action plans towards meeting such targets and ensure the implementation of such strategies and action plans. This would pave the way for the entrenchment of sustainable development within the strategic focus of each and every business unit.

The Group intends to introduce specialised IT systems and processes during the next year in order to ensure the tracking, reporting and monitoring of such indicators, enabling better management information through the measurement of usage and performance metrics, which is expected to drive strategy, resulting in focussed policy frameworks and directed plans of action.

This year, the Group re-assessed its impact on the critical areas highlighted in the stakeholder engagements carried out in

October 2009. A stakeholder engagement in the future is also under consideration enabling the Group to obtain a fresh assessment of its impacts on its stakeholders.

The ongoing engagement of stakeholders as well as horizon scanning carried out by the Group and its subsidiary companies not only paves the way for obtaining the pulse of significant stakeholder groups, but also provides the Group with an ongoing analysis of its strengths, weaknesses, opportunities and threats.

Understanding this relationship and the synergies possible, the Group's Enterprise Risk Management process is therefore closely linked with its sustainability strategy with both these functions coming under a single division operating at the centre. By linking the Group's stakeholder engagement process with the Group's well established Enterprise Risk Management

process, we are able to assess and address potential risks and opportunities and align the management of sustainable issues with our business processes and strategies.

### Entrenchment of Precautionary Principle

The decision making of the John Keells Group is influenced by the Precautionary Principle with regard to the prevention of environmental pollution, environmental degradation, global warming and impacts on local community.

The actions of the John Keells Group take into account the need for cautious operational activity even in the light of inconclusive scientific evidence proving a cause and effect relationship of a particular operational activity. This is highlighted through continuing initiatives towards greening our business processes, from reducing the carbon footprint of operational activity, to better understanding

the impact of our operations on the local community with a view to ensuring social responsibility.

While the Precautionary Principle is incorporated through the Group's Enterprise Risk Management process, this year, through the introduction of core sustainability risks as a risk item in the risk registers, the Precautionary Principle has been further entrenched in the operations of each business unit. The Enterprise Risk Management process at John Keells Holdings defines core sustainability risks as those risks that may cause an adverse impact on the environment and community due to the operational activity of a Group company. By definition, such risks are remote and have a very low probability of occurrence, but are nonetheless identified and managed through regular monitoring of preventive control measures.

## Sustainability Policy and Framework

### Triple Bottom Line principles and initiatives endorsed

The Group is a participant in the UNGC initiative and supports Sri Lanka's efforts to achieve the Millennium Development Goals. Several of our employee policies and practices are modelled on the standards of the International Labour Organisation, while the Group advertising policy follows the principles laid down by the ICC Code of Advertising and Marketing Communication Practice. A number of our companies have obtained the ISO 14001, ISO 18001, ISO 9001, ISO 22000 and ISO 27000 certifications. While the Group report is based on the GRI (G3.1) framework for sustainability reporting, this year the Group also introduced an internal framework and policy for sustainability reports published by Group companies.

From a corporate governance perspective, the Group meets its regulatory requirements and is compliant with external rules and codes that include the listing rules of the Colombo Stock Exchange, the recommendations of the Combined Code (to the extent practicable in the context of our diverse businesses and business unit risk profiles) and all provisions of the Code of Governance of the Institute of Chartered Accountants of Sri Lanka.

### Key impacts, risks and opportunities

Based on the findings of the stakeholder engagement specified in the section "Key sustainability topics identified" the material impacts on stakeholders were identified within the areas of economic performance, environment and societal impact. 30 GRI indicators have thus been selected for reporting this year, providing a broader description of the significant impacts of the organisation on key sustainability areas. We believe that this reflects the Group's commitment to

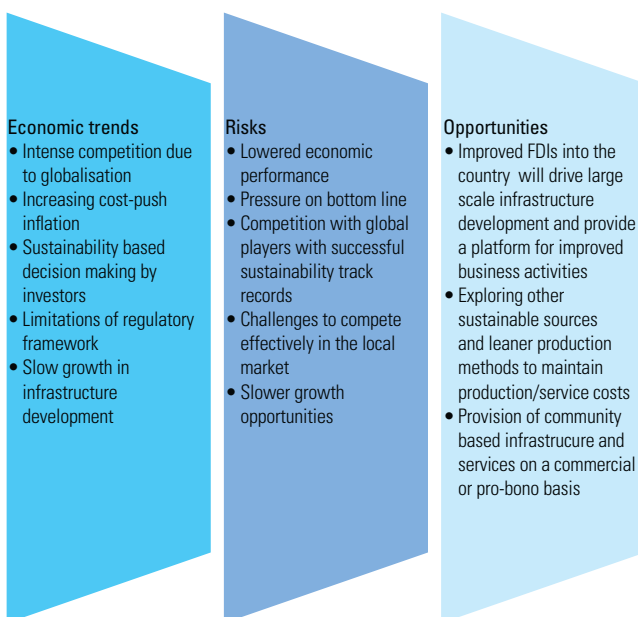
continuously enhance and report on its sustainability impact to its stakeholders. A summary of the sustainability performance of the Group for the year in review along with its performance in the past two years is contained in the section "Sustainability Performance Highlights".

The Group measures and reports on the above impacts to stakeholders by monitoring its performance against the 30 GRI indicators to minimise risks and capitalise on opportunities in the short term. Considering the medium to long term, the Group also assesses the impacts, risks and opportunities that may arise as a result of the Group's long term plans and strategies with regard to the economy, environment and society. Such impacts will be assessed through the continuous monitoring of the above identified indicators.

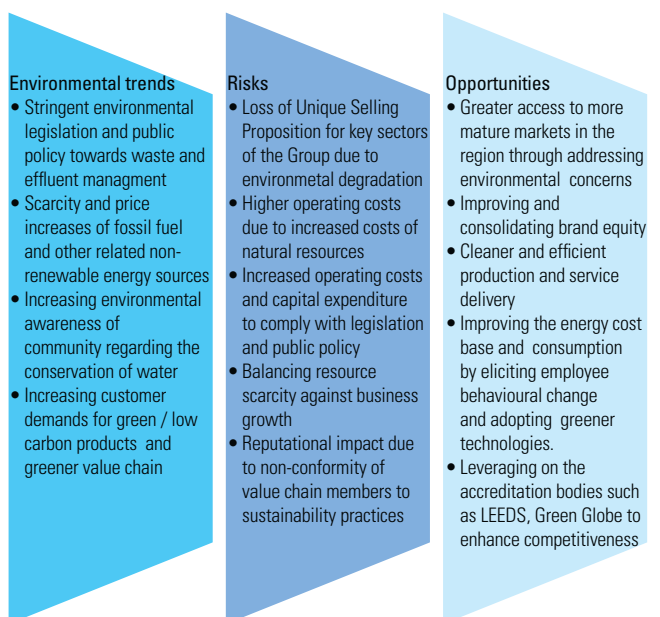
The Enterprise Risk Management (ERM) process of the Group is closely linked to the sustainability drive. During the year in concern, the ERM division in addition

to facilitating the regular risk reviews for each business unit of the Group, also facilitated the identification of core sustainability risks by each company. In addition, during the risk review process most Group companies identified environmental, health and safety as potential areas of risk and is further detailed under the "Risk Management" section of this report.

The key impacts, risks and opportunities to the Group from an economic perspective are derived from the following macroeconomic factors:



From an environmental perspective, the key impacts, risks and opportunities to the Group are derived from the following environmental concerns:





Stakeholder engagement

### Stakeholder engagement process

The stakeholder engagement process encompasses both an internal and external process to determine stakeholder interests and concerns. Through such engagements we have been able to determine our most significant stakeholders, understand the impacts of our operations on stakeholder groups and develop responses to issues that are material to our businesses.

In 2009, the Group undertook an internal stakeholder analysis as well as engaged an independent consultant to determine and prioritise stakeholder groups. Both such stakeholder engagements followed the guidelines articulated in the AA 1000 Stakeholder Engagement Standard and materiality of issues were assessed based on the impact on short term financial performance, legal compliance, adherence to corporate policies, stakeholder concerns and in relation to best practices adopted by peers and societal norms.

The issues identified through the above internal and external studies were then analysed in terms of the impact and the probability of occurrence, which paved the way for the identification of the material sustainability concerns of stakeholders which were also relevant to the Group. The identification of the material sustainability concerns was then mapped by probability of occurrence and impact on the Group to establish the sustainability performance indicators reported on by the Group.

Having carried out this comprehensive stakeholder engagement in 2009, the Group continued to engage its various stakeholder groups with a greater degree of focus. In 2010, the Group undertook an employee stakeholder engagement, the 'Great Place to Work – Trust Index' with the exception of Union Assurance PLC, for the executive and above staff of the entire Group and for some of the non-executive staff of JKH. The response received for this survey was at an impressive 90 per cent, giving credence to the employee engagement strategies used in the Group.

In 2011, the Group carried out a Voice of Employee (VOE) dipstick study to further provide an indicator of employee concerns. The results will be used as a people management index and will be monitored annually. This is further discussed under the section "Our People".

In 2012 the Group also undertook an internal stakeholder concern assessment study to ascertain any material changes in stakeholder issues and concerns, wherein all significant business units of the Group were requested to

identify the top concerns of each of their significant stakeholder groups. The process adopted in 2012 followed a similar process to that which was carried out by the Group in 2009, based on the guidelines specified in the AA 1000 Stakeholder Engagement Standard. However, as opposed to the process of 2009, the 2012 process was carried out without the engagement of an external third party consultant. The objective of this study was to re-validate the findings of the 2009 stakeholder engagement and to determine the relevance of the GRI Performance Indicators reported. During the process each Group company was requested to identify their key stakeholders and ascertain the frequency of engagement of each stakeholder group and the top concerns raised collectively by such stakeholders groups. This study was carried out based on internal and external records such as customer feedback forms, corporate website, feedback received through the Investor Relations function of the Group, third party websites, and complaint logs of the various business units across the Group, as well as formal and informal records of the regular community engagements carried out by Group companies.

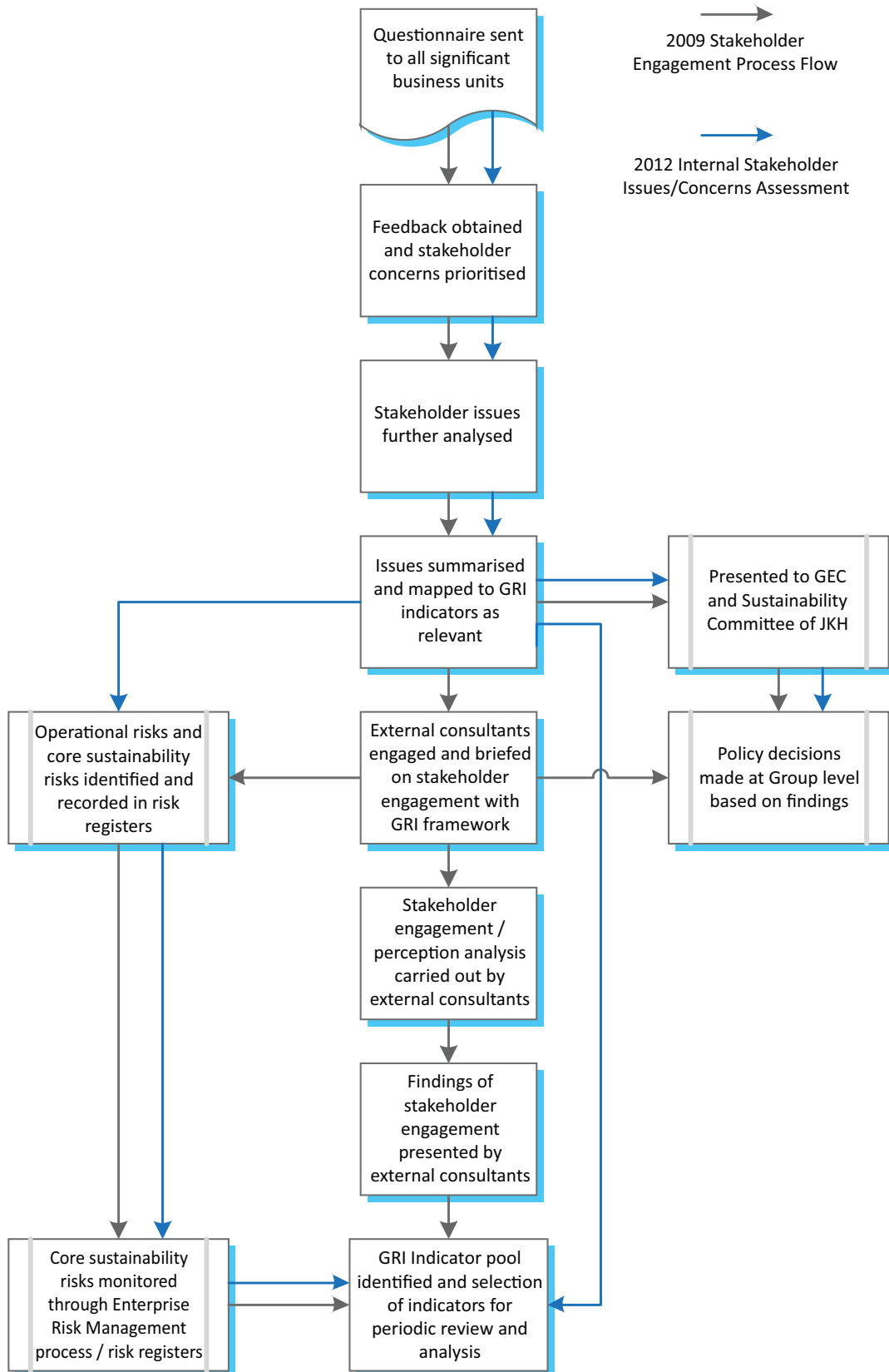
The results of the internal study revealed that there were no major deviations of significant stakeholder concerns as compared to the 2009 stakeholder engagement.

The key impacts, risks and opportunities to the Group from a social perspective are derived from the following social concerns:

<p><b>Social trends</b></p> <ul style="list-style-type: none"> <li>• Growing demand for limited pool of skilled labour</li> <li>• Increasing customer demands for corporate social responsibility</li> <li>• Increased community expectations of sustainability practices of organisations</li> <li>• Rapid growth of regional business hubs and increased commercialisation across the country</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Retention of key staff and attraction of talent</li> <li>• Higher costs and capital expenditure</li> <li>• Community dissatisfaction of engagement initiatives of the Company</li> <li>• Impact on social norms and small business entrepreneurs</li> <li>• Increased corruption</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Attracting talent through enhanced social responsibility profile</li> <li>• Focused CSR initiatives for skills development</li> <li>• Business growth through community participation in value chain</li> <li>• Infrastructure projects and services for public benefit</li> </ul>
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## Sustainability Policy and Framework

The stakeholder engagement process adopted by the Group both in 2009 and 2012 is depicted through the process flow below.



## Engagement of significant stakeholders

The Group conducts its business operations in several industry sectors of the economy as well as in different geographical markets. This diversity necessitates developing and sustaining relationships with various stakeholder groups.

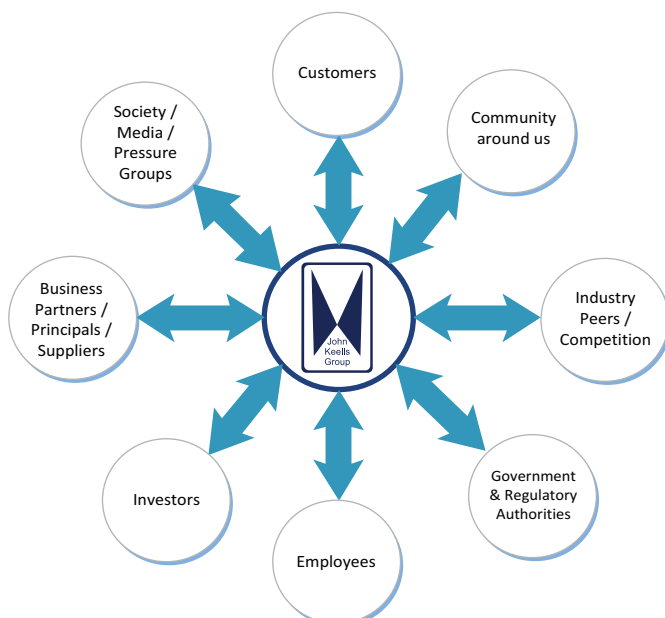
The Group uses the term 'stakeholder' to define persons or groups that have an interest in the organisation, who have the ability to influence its outcomes or to be substantially impacted by the operations of the organisation, and as a result are expected to have a significant impact on the organisation. As identified through the above mentioned stakeholder engagement process, our significant stakeholders are customers, employees, communities, investors, governments, legal and regulatory bodies, business partners, suppliers or principals, society, pressure groups and media, and industry peers and competitors.

Considering the large number of stakeholders that the Group engages with, their expectations of the Group would be diverse and numerous. The Group has therefore considered only the stakeholders within the above

mentioned stakeholder groups having a significant influence over the Group, or who would be significantly impacted by the Group's operations.

Our engagement with stakeholders encompasses a range of activities and interactions that include communication, consultations and information disclosures. Through regular engagements and horizon scanning as part of its ongoing macro environment analysis, the Group is able to identify its most significant stakeholder groups, their specific interests, and determine the issues that are most material from a triple bottom line perspective.

Our formal and informal mechanisms of interaction with stakeholders provide the opportunity to forge relationships, build mutual trust and understanding, and provide accountability to people and institutions that are affected by or impacted by our operations. Our most common methods of stakeholder engagement include formal and informal consultations, participation, negotiations, communication, mandatory and voluntary disclosures, certification, and accreditation. The mode and frequency used for each stakeholder group is as follows.



**Customers - individual and corporate B2B**

- Method of engagement:
  - Personal meetings, discussion forums, surveys, field visits, conference calls, progress reviews, information dissemination through printed reports, telephone, SMS and corporate websites, workshops, business development activities, road shows and trade fairs.
- Frequency of engagement:
  - Quarterly through customer satisfaction surveys
  - On-going basis through information dissemination through printed reports, telephone, SMS and corporate website
  - Bi-annually through personal meetings
  - Annually through road shows and trade fairs

**Employees - directors, executives, non-executives**

- Method of engagement:
  - Direct reporting, intranet communication, employee satisfaction surveys, collective bargaining, open door policy at all management levels, annual events, professional training, development activities and team building activities.
- Frequency of engagement:
  - Intranet communications through JK Connect and My Portal on a daily basis
  - Bi-annual performance reviews and skip level meetings
  - Employee satisfaction surveys and dip stick surveys, such as VOE (Voice Of Employee) conducted annually
  - Professional training, development activities and team building through internal and external sources conducted at least annually

**Business partners, principals and suppliers**

- Method of engagement:
  - Regular meetings, distributor conferences, correspondence, monthly market reports, engagement as part of the transparent and well established sourcing mechanism, conference calls and e-mails, circulars, membership in industry associations.
- Frequency of engagement:
  - Regular market reports at minimum on a monthly basis
  - Annually through distributor conferences
  - Annually through contract renegotiations
  - On-going through conference calls, e-mails and circulars

**Legal & regulatory bodies**

- Method of engagement:
  - Regular meetings, periodic disclosures, correspondence, representation through chambers of commerce and trade associations with bodies such as Local Authorities, Municipal Councils and other institutions such as the Consumer Affairs Authority, Department of Inland Revenue, Customs Department, Securities & Exchange Commission, Colombo Stock Exchange, Tourist Board of Sri Lanka.
- Frequency of engagement:
  - Engagement with regulatory bodies is carried out on an on-going basis as the senior management are members of chambers and industry associations that meet at least on a quarterly basis.

## Sustainability Policy and Framework

### Investors - institutional, fund managers/analysts and lenders

- Method of engagement:
  - Periodic disclosures through annual reviews and quarterly reports, one-to-one meetings, investor road shows, phone calls and corporate websites.
- Frequency of engagement:
  - Annual disclosures
  - Quarterly reports
  - Regular investor road shows
  - On-going through phone calls and websites

### Community - neighbours and community

- Method of engagement:
  - Corporate Social Responsibility programmes and activities, community educational and information dissemination programmes, one-to-one meetings, workshops, forums
- Frequency of engagement:
  - Engagement with the community is carried out prior to entry into the community area
  - After which engagement is carried out on a monthly basis while operating
  - Community engagement is also carried out on exit

### Society, media and pressure groups

- Method of engagement:
  - Correspondence, website, press releases, media briefings, discussions, participation at NGO forums, media coverage, certification and accreditation
- Frequency of engagement:
  - Engagement with the society / pressure groups /media is carried out on an on-going basis through website, press releases and media briefings

### Industry peers & competition

- Method of engagement:
  - Communication through membership of chambers of commerce and trade associations, conferences, discussion forums
- Frequency of engagement:
  - Engagement with industry peers /competitors is carried out regularly through the participation of senior management in various policy making bodies as mentioned in "Memberships, certifications and awards" section of this report

### Government, government institutions and departments

- Method of engagement:
  - Meetings, discussions, newsletters and circulars, presentations and briefings, advisory meetings, membership on national committees, lobbying activities via chambers of commerce
- Frequency of engagement:
  - Engagement with the Government is carried out on an on-going basis through newsletters and circulars. The senior management are members of bodies such as the Chamber of Commerce Colombo who meet on a monthly basis

## Key sustainability topics identified

### Economic

The primary stakeholders have identified the overall economic performance of the Group, its contribution towards stimulating the local economy, and any services and development activities rendered towards the community it operates in, as key economic topics.

### Environment

Conservation of the environment through protection of biodiversity, the efficient usage of non-renewable energy sources and minimising our impact on the environment through the management of water and waste and control of the carbon footprint of the Group are some of the key topics identified by our stakeholders.

### Social and labour

Community engagement, increased employment and business opportunities were identified as key topics under the social aspects. Training and the retention of talent has also been identified as a key sustainability aspect.

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

established policies towards waste management and control, efficient water management and discharge. The Group also further strengthened its policies of grievance handling and is currently in the process of identifying necessary policy frameworks to cover the topics raised through the Voice of Employee survey. In addition, the Group has reassessed the sustainability indicators which it reports on to provide stakeholders with both relevant and holistic information.

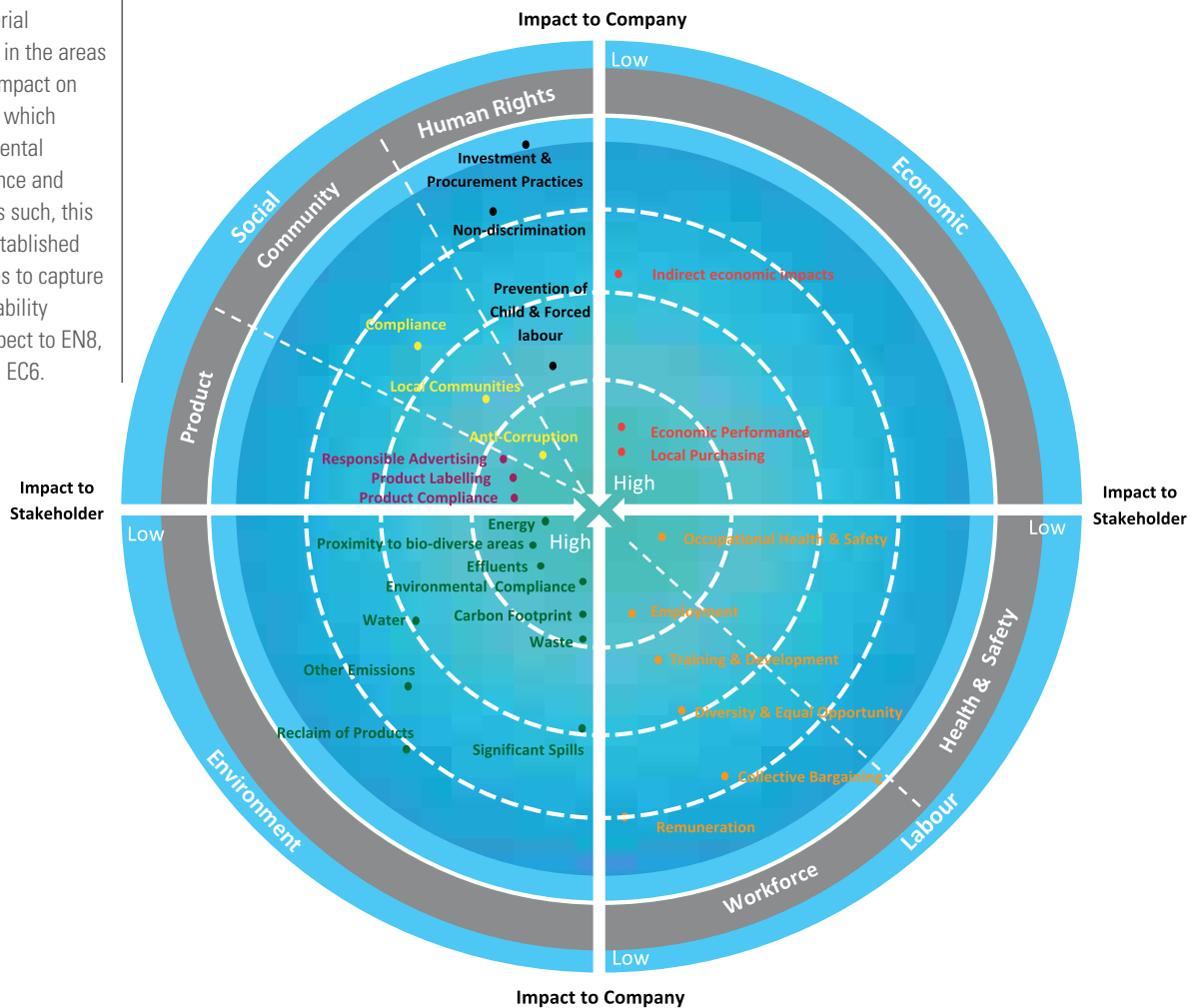
## Mapping of stakeholder concerns to sustainability aspects

For the current year, the number of sustainability performance indicators selected on the basis of materiality through stakeholder engagement and internal and external analysis stands at 30 GRI (G3.1) Sustainability Performance Indicators.

In the previous stand-alone Sustainability Report, the Group reported on 23 Sustainability Performance Indicators which were based on the findings of the stakeholder engagement of 2009. However, certain GRI indicators that were identified through the mapping of material stakeholder concerns could not be reported on by the Group due to the insufficiency of necessary management processes, data collection methodologies and reporting systems. The 2010/11 Sustainability Report draws specific reference to EN17, EN 21 and EN22 on page 35, in which it states that these indicators would be reported on once such processes are in place.

During the period of review, the said management systems and processes as well as the data gathering and reporting mechanisms to report on EN21 and EN22 were implemented. As the stakeholder engagement of 2012 reconfirmed the findings

of the 2009 study, the Group has widened its scope based on the identified material sustainability aspects in the areas of indirect economic impact on the community within which we operate, environmental stewardship, compliance and employee diversity. As such, this year the Group has established systems and processes to capture and report its sustainability performance with respect to EN8, EN23, LA13, S08, and EC6.



## Mapping of sustainability aspects to GRI Sustainability Performance Indicators

<b>Economic</b>	• Economic Performance	- EC1, EC3
	• Local Purchasing	- EC6
	• Indirect Economic Impacts	- EC8
<b>Environment</b>	• Energy	- EN3, EN4, EN5
	• Proximity to Biologically Diverse Areas	- EN11
	• Effluents	- EN21
	• Significant Spills	- EN23
<b>Employees</b>	• Employment	- LA1, LA2
	• Labour/Management Relations	- LA4
	• Training & Development	- LA10
	• Diversity & Equal Opportunity	- LA12, LA13
<b>Health &amp; Safety</b>	• Occupational Health & Safety	- LA7, LA8
<b>Ethical Business &amp; Human Rights</b>	• Anti-corruption	- S02
	• Compliance	- S08
	• Prevention of Child Labour	- HR6
	• Prevention of Forced & Compulsory Labour	- HR7
<b>Product Responsibility</b>	• Product Labelling	- PR3
	• Responsible Advertising	- PR6
	• Product Compliance	- PR9
<b>Social Responsibility</b>	• Local Community	- S01

# Progress on Sustainability Commitments of 2010/11

Commitments made in 2010/11	Status	Comment on Progress
<b>Environmental Impact</b>		
Aim to achieve Green Globe Certification for all currently operating Sri Lankan City Hotels and Resorts as well as the Maldivian Resorts by March 2012	Ongoing	Cinnamon Grand Colombo, Cinnamon Lakeside Colombo, Cinnamon Lodge Habarana, Chaaya Village Habarana, Chaaya Blu Trincomalee, Chaaya Reef Ellaidhoo and Bentota Beach Hotel have obtained Green Globe Certification.  We are in the process of obtaining Green Globe Certification for Chaaya Citadel Kandy, Chaaya Island Dhonveli and Chaaya Lagoon Hakuraa Huraa. The recently opened Chaaya Wild Yala and Chaaya Tranz Hikkaduwa will obtain certification in 2012/13.
Aim to achieve LEED Certification for the currently in-construction Chaaya Bey, in Beruwela on completion by March 2013	Ongoing	Construction is ongoing with the launch of Chaaya Bey Beruwala expected in September 2012. Construction is being carried out with focus on obtaining LEED certification.
Sri Lankan City Hotels and Resorts as well the Maldivian Resorts will aim to conduct energy audits at each hotel in order to achieve the target of increasing energy efficiency	Ongoing	Energy audits carried out for Chaaya Wild Yala, Chaaya Blu Trincomalee and Cinnamon Lodge Habarana in 2010/11.  Awareness programmes and system modifications were carried out to achieve energy efficiency at other resorts.
Cinnamon Grand will aim to install a detailed sub-metering system in order to establish department-wise energy targets and achieve the goal of increasing energy efficiency	Done	In addition to Cinnamon Grand Colombo, all Sri Lankan Resorts have also installed sub-meters required for department-wise energy monitoring.
Sri Lankan City Hotels and Resorts as well the Maldivian Resorts will aim to install energy efficient LED/CFL lighting, solar panel heaters and inverter type air conditioners on a replacement basis, as well as Ecogen systems which recover waste heat from air-conditioning units to produce hot water for guest rooms where applicable	Ongoing	<u>LED and CFL lighting as % of total lighting</u> Chaaya Tranz Hikkaduwa, Chaaya Wild Yala & Chaaya Village Habarana – 100% Chaaya Blu Trincomalee – 90% Chaaya Lagoon Hakuraa Huraa – 47% Chaaya Island Dhonveli – 32% Chaaya Reef Ellaidoo - 28% Cinnamon Lodge Habarana & Bentota Beach Hotel – being installed on a replacement basis Chaaya Citadel Kandy – plan to have 80% LEDs by 2012  <u>Energy efficient heating ventilating &amp; air conditioning</u> Replacement of geysers with eco-gen units on a replacement basis, ongoing installation of inverter type A/Cs on a replacement basis and installation of variable speed drives at our resorts.
All new retail outlets will be designed to maximise on natural lighting with the installations of skylights / glass panels and conversion of fluorescent light to include electronic ballasts	Ongoing	Implemented at K-Zone and Union Place
Retail area managers will aim to conduct internal energy audits for compliance of the initiatives rolled out and establish a reward programme where 20% of the savings achieved is shared amongst the respective staff of the outlet	Ongoing	Area managers have been assigned targets, and an incentive programme for energy conservation has been established.
The Consumer Foods sector will evaluate the usage of heat recovery of splash steam from the bottling plant to be used for the manufacturing line to reduce the furnace oil consumption in the boilers	Done	Heat recovery of splash steam evaluated, alternative has been identified.

Commitments made in 2010/11	Status	Comment on Progress
The Group will aim to increase its overall energy efficiency through embracing greener technologies and improved energy management practices	Ongoing	With energy being a focus area for the Group, this is a continuing initiative and the Group continuously carries out feasibility studies of greener technologies across its business units. Existing plant & machinery and equipment is replaced with energy efficient versions on a replacement basis.
All Group companies shall monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests with respect to bio-diversity	Ongoing	During the year, Group companies identified their core sustainability risks, which are identified as risks faced by the company as a result of its impact on the environment and community. With the Enterprise Risk Management process being closely linked to sustainability within the Group, impacts, risks and opportunities are now tracked through the risk management process based on a triple bottom line perspective.
The Group shall carry out and support projects that conserve and raise awareness about the importance of maintaining the integrity of essential ecosystems	Ongoing	Business units of the Group have carried out awareness campaigns at schools in areas close to their operations with regard to creating awareness among children on conserving essential eco-systems.
The Group will aim to monitor the impact on biodiversity hot spots due to increase in tourist inflow	Ongoing	'Leopard Guardians' research project to be undertaken with support of an internationally renowned research team to identify the behavior of leopards in and around Chaaya Wild Yala.
The Group will aim to increase quantity of materials recycled and improve its recycling programmes	Ongoing	A plastic recycling project commenced as a pilot project at the Union Place Keells Super outlet. The Group continues to recycle its paper across its office locations.
The Group will aim to improve the internal energy efficiency targets set by each business unit	Ongoing	The Group is in the process of establishing systems and processes to identify, track and monitor such targets.
<b>Our People</b>		
The Group will aim to roll-out a manager development programme and a leadership development programme (AVP/ VP) which would deliver a total 1,100 on-line training hours in these categories	Done	Total of 1930 hours have been provided as training through the Manager and Above Leadership Development Programmes, which included the Harvard Business Publishing Programme for Managers and AVP and above staff.
For middle management levels, the Group will aim to offer a customised programme taking into consideration the expected level of competency and the technical skills required. This would be an 80 hours programme per participant and will be a development item every year in the training calendar	Done	The programme was carried out and it delivered 77.8 hours of training on average per participant
With respect to capability development the Group will aim to use an E-learning platform to reach 1,000 executives and above level employees over a period of 12 months	Ongoing	The learning platform has been developed and e-learning modules are in the process of being developed.
<b>Ethical Business</b>		
The Group will aim to formulate a child labour remediation policy and deploy it across its relevant stakeholders	Ongoing	The Group has zero instances of child labour and has recorded three instances of young workers being employed as per the guidelines stipulated by the Employers Federation of Ceylon. The Group has also put in place a process to identify and assist value chain partners to remedy any identified instances of child labour within their operations.
<b>Social Responsibility</b>		
The Group will aim to improve its process to collect feedback and analyse impact on community for the various ongoing projects by the business units	Ongoing	The Group carries out impact assessments at entry, exit and during implementation of the project. This would continue to be practiced for all significant community engagement activities.

# Short and Medium Term Sustainability Commitments

Focus	Commitments
Entrenchment of Sustainability	<ul style="list-style-type: none"> <li>The Group will endeavor to implement an enterprise-wide sustainability system to facilitate sustainability performance tracking</li> <li>Continue necessary training and awareness sessions with regard to sustainability</li> </ul>
Talent Management	<ul style="list-style-type: none"> <li>The Group will endeavor to extend its E-learning platform to cover all Group companies with a view to making training more accessible and delivery efficient</li> <li>Continue to carry out manager development programmes within the Group to develop staff for higher management roles</li> </ul>
Occupational Health and Safety	<ul style="list-style-type: none"> <li>The Group will identify and map occupational diseases and serious diseases of the relevant sectors</li> </ul>
Environment Conservation	<ul style="list-style-type: none"> <li>The Group will continue to implement energy conservation initiatives and stimulate behavioural changes in staff through awareness campaigns with a view to optimising energy usage</li> <li>The Group will continue the process of establishing systems and processes to identify, track and monitor such efficiency targets for business units</li> <li>The Group will continuously explore areas that could be powered through renewable energy sources and cogeneration projects</li> <li>The Group will identify and install divisional water meters with a view to reducing the consumption of water</li> <li>Assess feasibility and commission sewerage treatment plants at locations with high water usage</li> <li>The Group will identify and evaluate initiatives with a view to partially offsetting its carbon footprint</li> <li>The Group will explore avenues through which it could carry out efficient management of e-waste</li> <li>The Group will broad base the methodology of waste sorting with a view to minimising its impact on landfill and other forms of waste disposal</li> <li>The Group will initiate biodiversity conservation projects with partner organisations with a view to safeguarding the country's natural biodiversity resources</li> <li>All Group companies will continue to monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests with respect to bio-diversity</li> <li>The Group will aim to achieve Green Globe Certification for all currently operating Sri Lankan City Hotels and Resorts as well as the Maldivian Resorts by March 2013 and LEED Certification for Chaaya Bey which is currently under construction</li> </ul>
Ethical Business	<ul style="list-style-type: none"> <li>The Group will provide assistance to its value chain partners in identifying any instances of child labour within their operations</li> </ul>
Social Responsibility	<ul style="list-style-type: none"> <li>The Group will augment the risk review process to capture the full spectrum of risk mitigation actions</li> <li>The Group will provide rainwater harvesting facilities to selected homes through its village adoption programme in a bid to improve access to water in such villages</li> <li>The Group will provide solar powered lighting in selected homes through its village adoption programme in a bid to improve access to electricity to such villages</li> <li>The Group will continue and extend its recycling projects based on feasibility</li> <li>The Group will continue to carry out impact assessments for all significant community engagement activities undertaken</li> </ul>

The sustainability information provided in this report has achieved a 'GRI Application Level Check' by the Global Reporting Initiative and has been assured by Det Norske Veritas AS. The Assurance Statement and the GRI Application Level Check can be found in subsequent pages. A detailed discussion of the Group's economic, environmental and social performance, can be found in the "Triple Bottom Line Discussion and Analysis" section of this report.



## Statement GRI Application Level Check

GRI hereby states that John Keells Holdings PLC has presented its report "John Keells Holdings PLC - Annual Report 2011/12" to GRI's Report Services which have concluded that the report fulfils the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

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

Amsterdam, 18 May 2012

Nelmarie Arbes  
Deputy Chief Executive  
Global Reporting Initiative



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

The Global Reporting Initiative (GRI) is a network-based organisation that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and expansion worldwide. The GRI Guidelines set out the principles and indicators that organisations can use to measure and report their economic, environmental and social performance. [www.gri-standards.org](http://www.gri-standards.org)

Disclaimer: Where the relevant sustainability reporting includes external links, including to third-party websites, the statements only concern material submitted to GRI at the time of the Check on 17 May 2012. GRI explicitly excludes the statements being applied to any later changes to such material.

# Assurance Statement



## Introduction

Det Norske Veritas AS ('DNV') has been commissioned by the management of John Keells Holding PLC ('JKH' or 'the Company') to carry out an independent / assurance engagement on the JKH Annual Report 2011 / 12 ('the Report') in its printed format. This assurance engagement has been conducted against the Global Reporting Initiative 2011 Sustainability Reporting Guidelines Version 3.1 (GRI G3.1) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS (2008)). The verification was conducted during March, April and May 2012, for the year of activities covered in the Report i.e. 1st April 2011 to 31st March 2012.

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

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

## Scope, boundary and limitations of Assurance

The scope of work agreed upon with JKH includes verification of the following:

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

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

## Verification Methodology

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

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

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

- Reviewed the company's approach to stakeholder engagement and its materiality determination process;
- Verified the sustainability-related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls;
- Examined and reviewed documents, data and other information made available by JKH;
- Visited the Head-Office, other sector head offices, Tea factory at Galle, Union Assurance office at Colombo, Cinnamon Lodge Hotel at Habarana;
- Conducted interviews with key representatives including data owners and decision-makers from different divisions and functions of the Company;
- Performed sample-based reviews of the mechanisms for implementing the company's sustainability related policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report.

## Opportunities for Improvement

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

- Evolve an issue-based multi-stakeholder engagement process to fully map stakeholder expectations and needs for each sectors, in the reporting cycle;
- Implement a continuous and systematic quality assurance procedure for data management system to further improve the quality of reported sustainability performance data;
- Fully report on key material performance indicators that are partially reported, in the subsequent reports.

<sup>1</sup> [www.dnv.com/services/assessment/corporate\\_responsibility/services\\_solutions/sustainabilityreporting/order/](http://www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/order/)



### Specific evaluation of the information on sustainability performances

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

### Conclusions

In line with the global sustainability trend, JKH has adopted sustainability as the focus of all of their activities i.e. the sustainability risk management initiatives have been adequately established including the linkage between the organisational core risks, its impacts and the associated sustainability (Triple-bottom-line) challenges.

In our opinion the Report, provides a fair representation of the company's sustainability policies, objectives, management approach and performance during the reporting year. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

### AA1000AS (2008) Principles

**Inclusivity:** As a part of its stakeholder engagement process, the Company engages with its identified stakeholders through different modes and at determined intervals and the inputs from the stakeholder engagement has been taken into account with due regard to materiality.

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

**Materiality:** The Company has identified selected aspects for reporting based on the internal stakeholder engagement process for the reporting period and determined its relative materiality of the selected aspects; in our opinion the identified material aspects have been appropriately prioritised and responded to in the Report, however Company may evaluate and report all the material aspects based on the guidelines and frame work adopted for sustainability performance management.

In our view, the level at which the Report adheres to this principle is 'Acceptable'.

**Responsiveness:** We consider that the Company has responded adequately to key stakeholder concerns, through its policies and management systems and the same are adequately reflected in the Report and provides a balanced representation of material issues related to the company's sustainability performance.

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

**Reliability:** The majority of data and information verified at corporate office and site were found to be accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected.

Hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that the specified sustainability data and information presented in the Report is generally reliable and acceptable.

### Additional Parameters as per DNV's Protocol

**Completeness:** The report covers 30 core performance indicators for the application level 'B'; some of the reported core indicators have been reported partially and the rationale behind partial reporting are explained within the Report;

In our view, the level at which the Report adheres to this principle is 'Acceptable'.

**Neutrality:** The sustainability performance and related issues are reported in this report in a transparent and balanced manner, in terms of content and tone.

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

**DNV confirms that the GRI Application Level 'B+' has been attained in reference to the various application levels defined in the GRI G3.1.**

For Det Norske Veritas AS,

Nandkumar Vadakepathth

Lead Verifier

Head-Sustainability & Business Excellence Services(South)

Det Norske Veritas AS, India

Federica Pagnuzzato

Reviewer

DNV Business Assurance, Italy.

Bangalore, India, 17th May 2012



AA1000

Licensed Assurance Provider

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# RISK MANAGEMENT

**Risk management at John Keells is a vital means of ensuring the Group’s sustainable growth and success. The risk management process guarantees that Group companies are able to identify and manage risks effectively with an ultimate view of protection and enhancement of stakeholder value. The process comprehensively identifies, monitors and mitigates significant structural, operational, financial and strategic risks that may prevent the Group meeting its objectives.**

John Keells Holdings PLC (JKH) takes a bottom up approach to risk management, starting the process with risk identification and review at the business unit level, using a universal risk register unique to the Group. The level of each risk is measured using a formula that assesses each risk in terms of the level of severity, impact to the organisation and likelihood of occurrence. It is the responsibility of the business units to nominate risk owners and ensure that each risk item on respective risk matrices is tracked, managed or mitigated over the course of the year. Business unit risk matrices are reviewed quarterly, ensuring that risk items are continually updated based on market and business unit conditions. Group Management Committees validate company risk matrices and these are presented to the Audit Committees of listed companies. Group risks are then consolidated and profiled at the Group Executive Committee Level and a Group risk

report is presented to the Board Audit Committee of JKH.

The risk management process and information flow is depicted below.



## Sustainable risk management

At JKH, sustainability and risk management are inter-related, with the focus firmly on minimising risk and seizing opportunities in a socially and environmentally responsible manner. The Group-wide stakeholder engagement acts as a means of identifying risk issues which are then mapped to the relevant Global Reporting Initiative (GRI) framework or addressed by the relevant risk matrices, to be monitored and reported on.

This year has also seen the evolution of the risk management process to include the identification of ‘core sustainability risks’ by each business unit. These are risks which have been identified as having the potential to catastrophically impact the long term sustainability of the business should these risks occur. Further entrenching sustainable risk management within the Group, key performance indicators for each core sustainability risk have been established for each company, linking organisational

ratings to the management of core sustainability risks. The John Keells Group has thus continued to embrace and further integrate the concept of the Triple Bottom Line, with business units being evaluated on both financial and sustainability performance as of this year.

## Risk management during the reporting year

During the second quarter, the Enterprise Risk Management division in conjunction with the heads of business units and heads of divisions, undertook a comprehensive risk assessment of all structural, operational, financial and strategic risks that might prevent each Group company from meeting its objectives. During such risk reviews, the Enterprise Risk Management division facilitated and acted in the capacity of catalysts, in assisting each Group company in identifying its overall risks. Based on past information and horizon scanning, Group companies carried out risk ratings for each of the risks identified, by way of assessing the impact and

probability of occurrence. At the conclusion of these risk assessments, the Management Committees of each of the industry groups were appraised of the high level risks and core sustainability risks that emerged during the risk review process. In the case of listed companies, the risk registers and mitigation action plans were presented for review by the respective Audit Committees.

In the context of the Group risk review, the risks identified by Group companies which have a bearing on the overall risk rating of the Group were consolidated in the Group risk register, and were presented and reviewed by the Group Executive Committee. The Group risk register comprises those risks affecting the whole Group, core sustainability risks and other structural risks such as political risks, foreign exchange risks, etc. This was subsequently presented for review to the John Keells Holdings PLC Board Audit Committee.

For the financial year ending 2011/12, below are some of the key items included in the Group risk register along with the status and action plan for each.

#### Legal and regulatory uncertainties

Financial year	2011/12	2010/11	2009/10
Risk rating	High	Moderate	High

#### Status and action plan

Whilst the Sri Lankan Government has made considerable progress in securing confidence of investors through certain changes made to regulatory aspects, certain regulatory inaction during the year has led to investor uncertainty. Our internal processes to identify changes in the legislative environment and our risk management process have enabled the Group to proactively assess the impact of such changes enabling it to adapt as appropriate. The Group is also working with various fora such as industry associations and chambers with a view to bringing in clarity and consistency in this current legislative and regulatory environment.

#### Employees and human resources management

Financial year	2011/12	2010/11	2009/10
Risk rating	High	High	Moderate

#### Status and action plan

With the economic development envisaged in all sectors of the economy as well as increased global presence, there is increased competition for high calibre employees. In order to maintain our competitive advantage and to sustain growth and performance, the Group believes in retaining quality employees through our various talent management programmes, such as career development, performance recognition and short term and long term focused rewards and benefit plans.

During the year, the Group conducted a Voice of Employee survey in order to better understand the needs of the staff which is a continuation of our work carried out under the 'Great Place to Work Trust Index' survey carried out in the year 2010/11. The results of these findings will be used by the Group to further enhance our talent management programmes in a bid to attract and retain quality talent in this current competitive environment.

#### Globalisation and international competition

Financial year	2011/12	2010/11	2009/10
Risk rating	Moderate	Ultra high	Moderate

#### Status and action plan

With more and more globally renowned businesses regarding Sri Lanka as a potential investment destination, it is imperative that the Group is able to match global standards in serving customer needs in order to maintain market share and competitive advantage. We believe that the impact to the Group is two-fold, both in terms of meeting customer needs, as well as attracting and retaining our talent pool. The Group is addressing this through enhanced training programmes and research and development capabilities, and is continually looking to establish best practice benchmarks.

#### Macro economic and political environment

Financial year	2011/12	2010/11	2009/10
Risk rating	Low	Moderate	Moderate

#### Status and action plan

With the continuing focus of the Government on infrastructure development and the peace dividend resulting in increased tourism and foreign direct investment, the year in review began positively for the Group.

Though faced with recent increases of commodity and fuel prices, the Group remains optimistic about its ability to overcome such challenges. In addition, increased lending rates and foreign exchange rates have had an adverse impact on the investment climate as compared to the previous year.

The Group's senior management are active participants in key policy making bodies and will continue to support and encourage the Government's efforts to bring about sustainable development and economic growth.

#### Financial exposure

Financial year	2011/12	2010/11	2009/10
Risk rating	Low	Low	Moderate

#### Status and action plan

The centralised treasury and finance functions of the JKH Group are responsible for the management of the Group's financial risks together with its liquidity and financing requirements. Treasury and finance operations are conducted within a framework of policies and guidelines approved and monitored by the GEC. The finance and treasury framework is reviewed regularly and is fine tuned to meet the Group's current and anticipated operating needs. This framework also facilitates the execution of Board approved strategies for interest, currency and liquidity management. Whilst the financial markets were somewhat volatile towards the end of the financial year, the proactive strategies adopted during the year coupled with the Group's strong balance sheet and availability of adequate funding sources, warrant continuation of the risk rating at 'low'.

## Risk Management

### Reputation and brand image

Financial year	2011/12	2010/11	2009/10
Risk rating	Low	Low	Moderate

### Status and action plan

JKH's continuing focus on sustainable development has resulted in the Group receiving positive media exposure through its extensive community engagement and social infrastructure projects through the John Keells Foundation. In addition, the Group is also focused on product stewardship and tracks its performance via product responsibility indicators under the GRI framework and a stringent quality assurance process. The Group also abides by the ICC Code of Advertising in all its marketing and communication material.

### Environment, health and safety

Financial year	2011/12	2010/11	2009/10
Risk rating	Low	Low	Moderate

### Status and action plan

With the further entrenchment of sustainability, the Group has increased its focus on environment, health and safety aspects pertaining to operations of the Group. Processes have been set in place to capture such concerns on quarterly basis through the sustainability reporting process. The Group OHS Task Force has successfully implemented ISO18001 in the majority of Group companies not operating in an office or IT environment. With the opening of new hotel properties during the year, the OHS Task Force will ensure that the OHSAS certification will be obtained for these properties as well.

During the year, the Group set in place a Disaster Management policy, encompassing all disaster recovery plans of business units and office locations. Within this policy, the Group identified business continuity teams, communication structures, alternate locations and alternative business processes in the event of any significant disruption to business operations.

### Information technology dependency

Financial year	2011/12	2010/11	2009/10
Risk rating	Low	Low	Moderate

### Status and action plan

While the Group's operations are reliant on information technology stringent security measures, disaster recovery procedures and business continuity plans implemented Group-wide ensure the mitigation of significant IT risks. This is enabled through the increased centralisation of IT systems throughout the Group, allowing for a uniform approach to IT security and enforcement.

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# Purpose Driven

**An ongoing determination to exceed our own achievements, goals and expectations is the force that drives us on and upward.**

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**MANAGEMENT  
DISCUSSION & ANALYSIS**

# Consolidated Group Performance

In keeping with the integrated nature of this year's report, the Management Discussion and Analysis section (MD&A) will not only explain how the Group's strategies and actions have transpired into results, but will also cover the sustainability impacts in achieving these results. Accordingly, the management discussion will include analysis of the performance of the Group within the context of a dynamic economy as well as analysis and discussion of the primary sustainability indicators within the reporting boundaries of the Group. The boundaries for sustainability reporting include companies within the sphere of influence as outlined in the Introduction to the Report. The MD&A will also cover the financial and key sustainability indicators impacting each of the businesses and also the key factors affecting the business, outlook and the sustainability agenda for the ensuing year.

## The economy

From a macro-economic perspective, the year under review from April 2011 to March 2012, was largely a tale of two halves. In the first half of the year, the country continued to record significant growth while the fiscal and monetary policy was stable. Interest rates remained relatively static and the Rupee traded within a fairly narrow range of Rs. 109.50 to Rs. 110.50. However, in the second half of the year, as a result of increased consumption driven by high credit growth, and a high trade deficit driven by increases

in oil prices and growth of imports, both interest rates and exchange rates experienced significant volatility. Notwithstanding the fact that the impact of these changes maybe more fully witnessed in the ensuing year, a discussion of the macro-economic variables is relevant in enabling a deeper understanding of the Group's performance during the year under review.

The following table discusses the major variables that had, and continue to have, where applicable, a material impact on the performance of each industry group, and resultantly the Group, viewed as a whole. Detailed discussions of Group strategies are also covered in the Chairman's Message and the Industry Group Analysis section of the Report. The study of external risks and impacts is comprehensively covered under a structured framework within the Sustainability Integration and Risk Management section of the Report.

Macro variable	Movement	Cause	Impact to JKH
GDP growth	GDP growth was 8.3% for 2011 compared to 8.0% in 2010.	The industry and service sectors posted 10.3% and 8.6% growth rates respectively during 2011. However, the agricultural sector witnessed a growth of 1.5% during 2011 vis-à-vis 7.0% growth during the preceding year mainly on the account of floods occurring in agriculturally important areas of the country during 2011. The growth of the industry sector of the economy was driven by improved levels of production catering to amplified levels of domestic and export oriented demand. The services sector of the country too marked a considerable growth on account of improved performance of the wholesale and retail spheres.	The growth in GDP enhanced the sentiments of both businesses and consumers alike, which positively impacted the Group's businesses as a result of high consumer spending, increased tourist arrivals and higher trade activity.
Inflation	The annual average CCPI was 5.9% in March compared to 6.2% in the previous year.	Overall inflation remained modest throughout the year. However, supply side shocks pertaining to the harvest of main crops as a result of unfavourable rainfall caused the CCPI to increase during October 2011, although this trend reversed during the latter portion of the year where food prices fell considerably on account of high output. The increase in global oil prices and the impact of the devaluation of the Rupee in November 2011, and subsequently from February 2012 onwards, directly impacted key components of the CCPI.	The price hikes in all categories of refined fuel and electricity rates during the latter portion of the year, primarily had an impact on the Consumer Foods and Retail business and Sri Lankan based hotels, although these impacts were only seen towards the end of the financial year. The second wave of impacts of these rate hikes in terms of wage inflation and other impacts is yet to be seen.

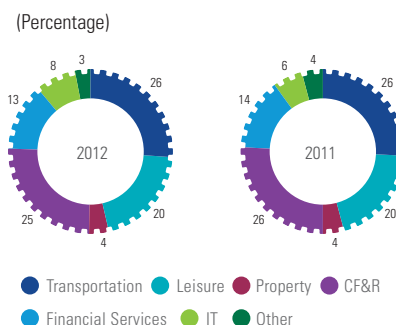
Macro variable	Movement	Cause	Impact to JKH
Interest rates – Sri Lanka	AWPLR increased to 12.8% in March 2012 from 8.98% in the previous year. The three month Government treasury bill rate increased to 11.0% by March 2012 vis-à-vis 6.98% in the previous year.	The continued growth in bank credit resulting in high consumer spending and a growing trade deficit necessitated an increase in policy rates and also resulted in higher secondary market interest rates.	Whilst the increase in local currency borrowing costs had an impact on earnings, this was adequately offset by the interest income generated from the Group’s significant cash reserves and short term investments which also benefited from the upward movement in rates. From a borrowing perspective, the Group’s risk exposure to rising Rupee interest rates is somewhat mitigated as a result of relatively large borrowings having ‘capped’ interest rates.
Interest rates - global	3 month LIBOR increased to 0.4682% in March 2012 from 0.3045% in the corresponding period of the preceding year. Swap costs for a five year interest rate swap fell to 1.25% levels from 2.31% levels last year	The impact of the European sovereign debt crisis was felt across the globe resulting in lower growth forecasts and a delay in the global recovery process. Renewed uncertainty and increased default risk in the Euro zone resulted in higher interest rates. However, the firm commitment of the FOMC to maintain interest rates at an exceptionally low level till 2013 ensured moderation of the yield curve and lower rates on interest rate swaps.	The increase in US dollar LIBOR resulted in marginally higher finance costs on the IFC loan and dollar denominated debt in the Maldives. Given the views of the market and the FOMC, the Group did not enter into arrangements in fixing its interest rates through swaps as it was believed that floating interest rates would be more beneficial.
Exchange rate	The Sri Lankan Rupee (LKR) depreciated to Rs. 128.10 as at 31st March 2012 against the US dollar compared to Rs. 110.40 seen last year.	The widening trade deficit as a result of high import demand and an increased petroleum import bill resulted in the LKR experiencing pressure towards the latter half of the year. In February 2012, the CBSL allowed a free float of the LKR to protect foreign currency reserves and to ensure competitiveness of the currency against regional peers.	The depreciation of the LKR had a positive impact on businesses with foreign currency denominated revenue streams. Leisure benefited from the depreciation, while Property also had a positive impact due to a portion of The Emperor inflows emanating in US dollars. The Consumer Foods and Office Automation sectors were negatively impacted as a result of the depreciation and had to take necessary steps to ensure protection of margins. The Group took proactive steps, wherever and whenever possible, to manage the volatility in the forex market.

Note: AWPLR - average weighted prime lending rate; CBSL - Central Bank of Sri Lanka; CCPI - Colombo consumer price index; FOMC - Federal open market committee  
 GDP - gross domestic product; IFC - International Finance Corporation; LIBOR - London inter bank offer rate; LKR - Sri Lankan Rupee

## Management discussion

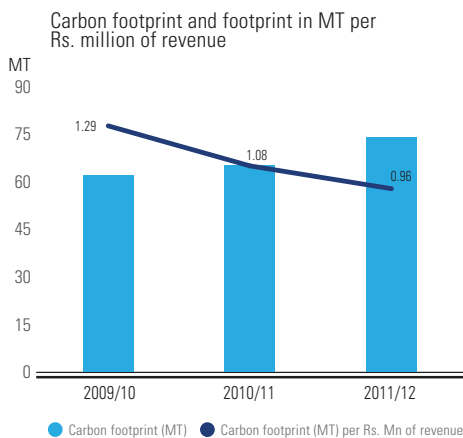
### Revenue

In the year under review, Group revenue increased by 27 per cent to Rs. 76.70 billion [2010/11: Rs. 60.50 billion] primarily due to increases in Transportation, Leisure and Consumer Foods & Retail (CF&R). Transportation and CF&R continue to dominate the contribution to Group revenue, accounting for over a half of Group revenue. Revenues emanating from domestic sources were Rs. 66.40 billion. Whilst the Group will continue to explore growth opportunities in the region, the primary focus of the businesses would be to capitalise on the growth prospects in Sri Lanka, where the JKH knowledge base and competitive advantage is greater. Group revenue, inclusive of associate company revenue, increased by 24 per cent to Rs. 86.39 billion [2010/11: Rs. 69.82 billion].



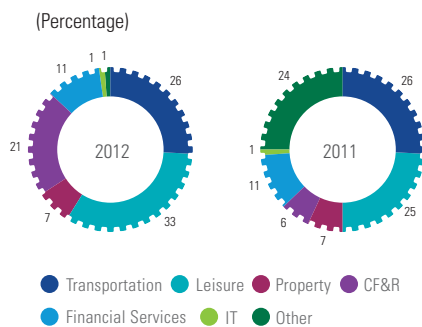
## Consolidated Group Performance

While Group revenue increased 27 per cent, the carbon footprint of the Group increased only 13 per cent to 73,753 metric tons. As a result, the carbon footprint (MT) per million Rupees of revenue reduced from 1.08 to 0.96 times, demonstrating the improved efficiency in generating revenue and the success of the various sustainability initiatives across the Group, further details of which can be found in the Environmental Impact section of the Annual Report.



## Earnings before interest and tax

During the year under review, the earnings before interest and tax (EBIT) increased by 19 per cent to Rs. 13.58 billion [2010/11: Rs. 11.43 billion]. In terms of the composition of EBIT, Leisure was the primary contributor with a 33 per cent contribution, followed by Transportation and CF&R respectively.

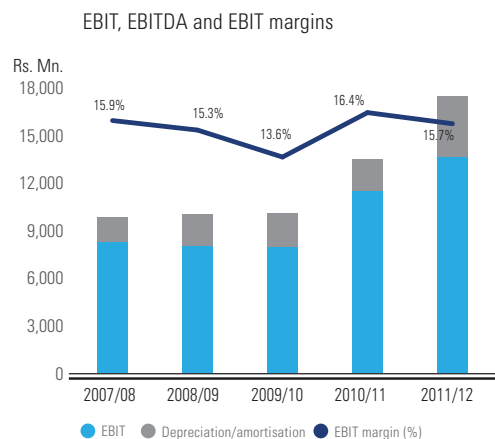


All industry groups achieved growth in EBIT, with the exception of Other, including Plantation Services, which included a capital gain of Rs. 1.79 billion last year as a result of sale of shares of Asian Hotels & Properties PLC (AHPL) and John Keells Hotels PLC (KHL). While the current year EBIT of CF&R was boosted by the fair value gain on investment property of Rs. 1.11 billion, the performance from the normal operations of the Consumer Foods sector was strong resulting in an EBIT of Rs. 1.72 billion as against an EBIT of Rs. 683 million in the previous year.

In absolute terms, EBIT grew by Rs. 2.16 billion. The growth in EBIT was largely through a growth in gross profits by Rs. 4.52 billion (a 33 per cent increase over the previous year) and an increase in the fair value of investment property by Rs. 946 million (over the previous year). The

growth in gross profits was driven by increases in Leisure, as a result of improved hotel profitability and by Ceylon Cold Stores on account of higher revenues. Whilst gross profit growth was driven by revenue growth, the gross margins did not suffer, showcasing the efficiency in achieving such revenues. The gross margin of the Group improved to 23.7 per cent from 22.6 per cent in the previous year. Of the main contributors to gross profits, a majority recorded improved margins – some fairly significantly. Other operating income declined by Rs. 1.96 billion, largely on account of the capital gain in the previous year.

During the year under review, the combined administrative, distribution and other operating expenses were Rs. 13.12 billion as against Rs. 11.50 billion in the previous year, an increase of 14 per cent. The main increases were from the Insurance sector and Leisure. Energy costs across the Group amounted to approximately 10 per cent of total costs. The Group is conscious of the need to continuously reduce its carbon footprint and has many initiatives in place. The increases in fuel prices and electricity tariffs have further amplified the need to optimise energy consumption across the Group. The total energy saved from heating, ventilation and air conditioning (HVAC) improvements and other energy initiatives amounts to approximately 1.03 million kWh, which is approximately equal to a saving of 1 per cent of total energy costs.



## Industry group EBIT margins

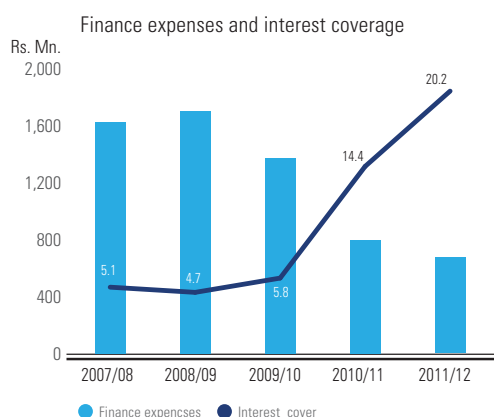
The Group EBIT margin reduced to 15.7 per cent from 16.4 per cent in the previous year - the primary reason being the capital gain as discussed before. Eliminating the capital gain and the gain in fair value in both years, the EBIT margins were 14.1 per cent and 13.1 per cent in 2011/12 and 2010/11 respectively.

The EBIT margin of certain industry groups were lower on account of a higher contribution of revenues emanating from relatively lower margin businesses. EBIT margins of all sectors within Leisure improved. The EBIT margin of Property was negatively impacted as a result of the recognition of revenues and profits from 'Onthre20', where the margins were relatively lower than 'The Emperor'. The EBIT margin of CF&R was positively impacted by the fair value gain on investment property. Excluding this gain in the current year, the comparable EBIT margin would be approximately 8 per cent in 2011/12.

EBIT margins (%)	2011/12	2010/11	2009/10
Transportation	15.4%	16.1%	16.9%
Leisure	25.5%	20.3%	12.9%
Property	26.7%	34.1%	24.0%
Consumer Foods & Retail	12.8%	3.7%	2.6%
Financial Services	13.1%	13.8%	9.0%
Information Technology	2.6%	2.9%	0.6%
Other	7.4%	87.1%	83.6%
Overall Group	15.7%	16.4%	13.6%

## Finance expenses

The finance expenses of the Group declined to Rs. 671 million [2010/11: Rs. 796 million], a reduction of Rs. 125 million. Leisure and the holding company account for 62 per cent of total finance expenses. Driven by rising interest rates in the second half of the year, the interest rates on Rupee denominated debt, which accounted for approximately half of total debt, increased. Whilst finance expenses decreased compared with the previous year, total debt increased as at the year end. This increase in debt occurred largely on account of the increase in debt in the fourth quarter, whilst the impact of the translation of the dollar denominated debt also increased the Rupee equivalent of debt. The interest cover of the Group increased to 20.2 times driven by a significant growth in EBIT coupled with a reduction in the finance expense.



## Taxation

Group tax expense increased by 18 per cent to Rs. 1.84 billion [2010/11: Rs. 1.57 billion]. Leisure, CF&R and Financial Services were the largest contributors to the Group tax expense with Rs. 464 million, Rs. 361 million and Rs. 321 million respectively. The effective tax rate on Group profits reduced marginally to 14.3 per cent in 2011/12 as against 14.7 per cent in the previous year. The reduction in the effective tax rate was primarily driven by the reduction in corporate taxes with effect from 1st April 2011. Resultantly, the effective tax rate in CF&R and Financial Services – two industry groups with high effective tax rates, reduced significantly. The effective tax rate of Leisure increased as a result of a relatively higher proportion of income emanating from taxable hotel operations, including the impact as a result of the imposition of a business profit tax in the Maldives which was effective from mid last year. For further details on tax impacts of the Group, refer the Notes to the Financial Statements of the Annual Report.

## Profit after taxation

Group profit after taxation (PAT) increased by 22 per cent to Rs. 11.07 billion [2010/11: Rs. 9.06 billion], with all industry groups, with the exception of Other, including Plantation Services, making a positive contribution to PAT. Other, including Plantation Services, made a negative contribution to PAT largely as a result of a higher withholding tax charge of Rs. 240 million on intercompany dividends, as against Rs. 97 million in the previous year, coupled with a reduced contribution to PAT from Plantation Services. Of the industry groups, Leisure and Transportation were the highest contributors with PATs of Rs. 3.71 billion [2010/11: Rs. 2.32 billion] and Rs. 3.27 billion [2010/11: Rs. 2.78 billion] respectively. The CF&R contribution to PAT increased to Rs. 2.38 billion [2010/11: Rs. 230 million]. Excluding the impact of the fair value gain on investment property at Ceylon Cold Stores of Rs. 1.11 billion, the CF&R contribution to PAT was Rs. 1.27 billion – a five-fold growth over the previous year.

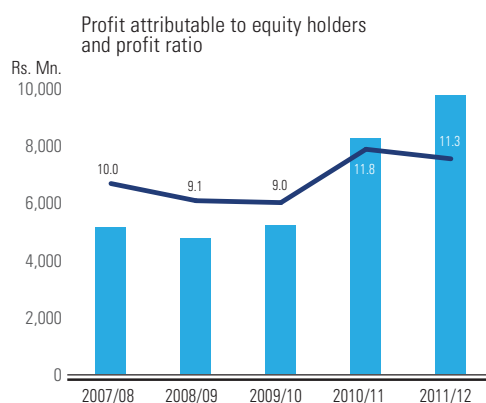
Excluding the impacts of non recurring items such as the capital gain from the previous year and the fair value gain on investment property, in both the current and previous years, the PAT would be Rs. 8.36 billion for 2011/12 and Rs. 5.98 billion for 2010/11 – a growth of 40 per cent.

## Minority interest

Minority interest (MI) increased to Rs. 1.29 billion [2010/11: Rs. 818 million] largely due to the increased contribution to PAT from Ceylon Cold Stores where the minority holding is relatively higher. The MI share of profits through the hotel operations in Leisure also increased on account of higher profits recorded by the respective companies.

## Profit attributable to equity holders of the parent

The profit attributable to equity holders of the parent increased by 19 per cent to Rs. 9.78 billion [2010/11: Rs. 8.25 billion]. The net profit margin of the Group decreased to 11.3 per cent as against 11.8 per cent in the previous year as a result of the impact of the capital gain discussed above. Excluding the capital gain and the gain in fair value in both years, net profit margins were 9.7 per cent and 8.6 per cent in 2011/12 and 2010/11 respectively.



## Consolidated Group Performance

Rs. million	FY 2011/12				
	Q1	Q2	Q3	Q4	Total
Revenue	15,692	17,441	21,137	22,429	76,700
PBT	1,883	2,121	3,418	5,489	12,910
Transportation	742	724	879	1,121	3,467
Leisure	374	667	1,002	2,133	4,176
Property	85	(11)	319	582	975
CF&R	207	326	532	1,672	2,736
Financial Services	422	260	606	142	1,429
IT	(20)	47	65	42	134
Other	74	108	15	(203)	(7)
Profit attributable to shareholders	1,368	1,557	2,733	4,117	9,775
Total assets	112,120	114,066	119,112	133,938	133,938
Total equity	67,818	69,655	72,521	80,040	80,040
Total debt	14,724	14,668	15,817	20,068	20,068

## IFRS convergence

The Institute of Chartered Accountants of Sri Lanka (ICASL) made a commitment to converge with International Financial Reporting Standards (IFRS) by January 2012. Accordingly, the ICASL has published the Sri Lankan version of IFRSs and IASs (International Accounting Standards) as SLFRSs and LKASs. These have been gazetted as at 30th December 2011 and are effective for entities with financial reporting periods beginning on or after 1st January 2012.

As mentioned in the Chairman's Message, the Group is well prepared to meet the IFRS convergence requirements. The Group embarked on a special IFRS project as early as in the fourth quarter of 2009 and outlined a convergence approach which entailed the creation of IFRS awareness teams, development of technical competencies across the Group, establishing expert support where necessary, drawing up a clear timetable for implementation and aligning systems and processes to facilitate convergence. Further details on the process and methodology adopted can be found in the Corporate Governance section of the Annual Report.

## Impact to financial statements

All Group companies have reconstructed SLFRS/LKAS opening balance sheets as at 1st April 2011 and have also identified and constructed SLFRS/LKAS provisional income statements for the financial year ended 31st March 2012.

(Rs. billion)	SLAS (current)	SLFRS/LKAS (provisional)	Variance
Revenue	76.72	77.32	0.60
Profit before tax	12.91	12.92	0.01

As shown above, the adoption of IFRS does not have a material impact to the revenue or profit of the Group. The most significant impact to the Group would have been the revenue recognition policy on the sale of apartments. However, the adoption of the standard has been deferred

till 2015. A more detailed discussion on the individual impacts to the respective businesses is found in the Industry Group Analysis section of the Annual Report.

## Contribution to the Sri Lankan economy

The economic value statement depicts the generation of wealth and its distribution among the stakeholders by acting responsibly in all of our businesses/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. Further information pertaining to the economic value as per the Global Reporting Initiative (GRI) Indicator EC1 is available in the Economic section of the Annual Report.

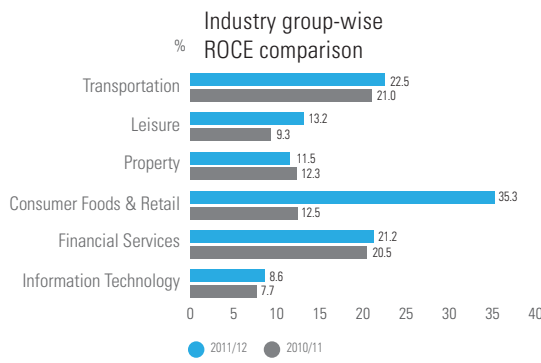
### Economic value statement

For the year ended 31 March	2012 Rs. Mn	2011 Rs. Mn
<b>Direct economic value generated</b>		
Revenue	76,700	60,500
Interest income	2,771	2,748
Dividend income	104	63
Share of results of associates	2,860	2,641
Profit on sale of assets & other income	1,386	3,367
Valuation gain on IP	1,413	468
	<b>85,234</b>	<b>69,787</b>
<b>Economic value distributed</b>		
Operating costs	59,116	47,506
Employee wages & benefits	8,091	6,873
Payments to providers of funds	4,278	3,482
Payments to Government	3,595	3,194
Community investments	59	46
	<b>75,139</b>	<b>61,101</b>
<b>Economic value retained</b>		
Depreciation	1,863	1,700
Amortisation	771	609
Profit after dividends	7,461	6,377
	<b>10,095</b>	<b>8,686</b>

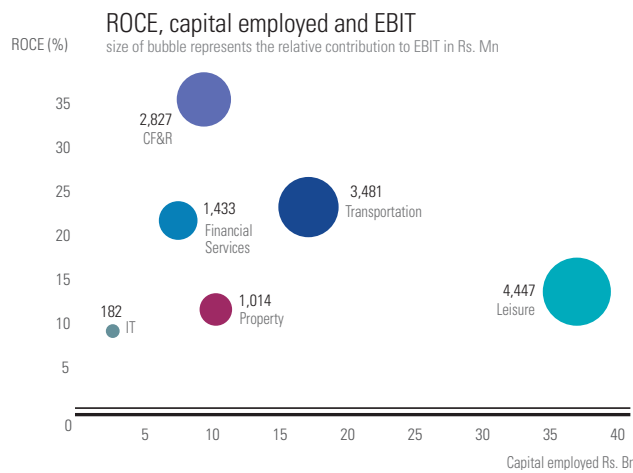
## Return on capital employed and return on equity

The Group return on capital employed (ROCE) increased to 14.9 per cent as against 14.7 per cent in the previous year. The increase in ROCE was achieved through the improvement of the Group's asset utilisation efficiency, whilst EBIT margins were lower compared to the previous year due to reasons discussed before. Group capital employed increased to Rs. 100.12 billion in the current year as against Rs. 81.84 billion in the previous year. For further details on the ROCE of each of the industry group refer the Portfolio Movement and Evaluation and the Industry Group Analysis sections of the Annual Report.

	ROCE	=	EBIT margin	x	Asset turnover	x	Assets/(debt+equity)
2011/12	14.9%	=	15.7%	x	0.71	x	1.34
2010/11	14.7%	=	16.4%	x	0.67	x	1.34



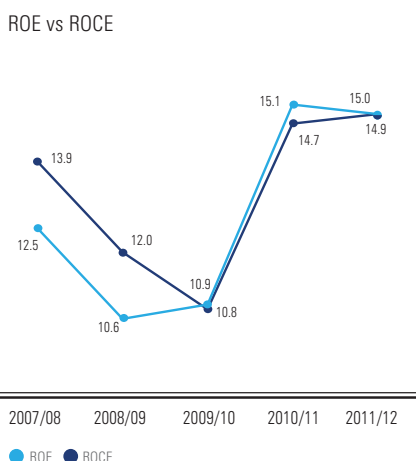
The following graph illustrates the ROCE and capital employed of each industry group and their relative EBIT contribution.



The return on equity (ROE) of the Group reduced to 15.0 per cent as against 15.1 per cent in the previous year. The ROE decrease was partly attributable to the decrease in the common earnings leverage where as discussed above, a relatively higher proportion of profits were generated by businesses with higher minority interest.

	ROE	=	ROA	x	CEL*	x	CSL**
2011/12	15.0%	=	9.1%	x	0.88	x	1.87
2010/11	15.1%	=	8.7%	x	0.91	x	1.91

\* CEL - common earnings leverage; \*\* CSL - capital structure leverage



## Outlook

The Sri Lankan economy will continue its growth momentum in the ensuing year, albeit at a slower pace than in 2011, as a result of the increase in interest rates, depreciation of the Rupee and possible reduction in discretionary incomes. The measures taken by the policy makers are beginning to take effect and as a result the trade deficit is likely to improve, thereby reducing the pressure on the currency. Considering the lag effect of these measures, the inflationary impacts caused by high oil prices globally and the secondary impacts of fuel price revisions, consumer spending could witness a relative stabilisation in the ensuing year. The increase in interest rates, and the possibility that interest rates could rise further before stabilising, is likely to impact discretionary spending. Following is a high level overview and rating of the possible impacts to our businesses, taking into account all things equal, impacts of macro-economic factors, notwithstanding aspects such as competitive forces. The ratings would reflect the level of negative impact as a result of the macro-economic factors discussed.

- **Transportation** – Trans-shipment volumes are unlikely to be significantly affected. Considering the high weightage towards trans-shipment, a possible fall in domestic trade volume is unlikely to hurt revenues materially, although margins will be affected if domestic volumes drop significantly. The bunkering business is also unlikely to be affected, although it will be exposed to global market volatility in crude oil prices and competitive forces regionally and locally. Considering the higher weightage of earnings from Ports & Shipping and the bunkering business, the rating is **Low**.
- **Leisure** – The volatility in the domestic economy will place pressure on the margins of the Sri Lanka based hotels as a result of the increase in input costs, in addition to increased financing costs. Whilst events in key generating markets can impact arrivals, our view is that revenue generation should be strong, particularly due to some pricing flexibility on account of a more competitive Rupee. Barring significant political turmoil in the Maldives, the operations are expected to continue their growth momentum, although profitability will be affected due to the imposition of a tax on business profits. Considering the likelihood for continued revenue growth the overall rating is **Low**.
- **Property** – While the increase in interest rates and the depreciation of the Rupee would usually negatively impact property development, the impact to the Property group in the ensuing year is likely to be limited as the key project 'OnThree20' is largely pre-sold. The pricing of apartments in Rupees ensured that customers are not exposed to the impact of a depreciating Rupee, and hence the possibility of cancellations is remote. Whilst there is an exposure to the Property group as a result of the depreciation of the Rupee, certain mitigatory measures have been evaluated, and where possible, implemented. In any event, the impact in the context of the project is relatively immaterial. From a longer term perspective, if the macro-economic conditions do worsen and remain protracted, the ability to start new projects could be hampered. Considering the relatively low volatility of earnings, the impact is rated **Low**.
- **Consumer Foods & Retail** – As discussed the possibility of reduced discretionary consumer spending can potentially have a negative impact on the Beverages, Frozen Confectionary and Convenience Foods businesses. Production costs are also likely to rise as a result of the reasons discussed before. The ability to pass on these cost increases to the customers will need to be studied based on market conditions, affordability and comparatives of substitute products

## Consolidated Group Performance

available to consumers. The significant investments in upgrading the manufacturing capabilities in the beverage bottling plant and impulse ice creams range will improve productivity and efficiency and are expected to reduce pressures on margins. The anticipated growth in the hospitality industry will however have a positive impact. Whilst the overall trend of growth in modern trade will positively impact the Retail sector, the possible reduction in discretionary spending in the ensuing year could impact basket values and margins. Overall impact is **Medium**.

- Financial Services – The under penetration of life insurance and other socio-economic factors will continue to positively impact the insurance industry. Whilst a possible reduction in disposable incomes could impact the life insurance segment, we do not anticipate this to be significant. The increase in interest rates will also have a positive impact on the life and general investment portfolios. The banking sector is likely to be impacted with the imposition of a ceiling on credit growth rates as well as a squeeze on margins. Whilst equity markets have come off from previous highs, uncertainty in corporate earnings may dampen equity investments in the ensuing year and hence growth prospects maybe somewhat curtailed. In spite of a higher contribution to earnings from Insurance, the impact is rated **Medium**.
- Information Technology – Coupled with the increase in prices due to the depreciation of the Rupee, reduced

consumer spending and possible rationalisation of corporate spending budgets, the growth prospects of the Office Automation and mobile phone businesses could be impacted in the shorter term. The BPO operations based out of India and the US are expected to grow considering the investments in the back end infrastructure and the marketing capability and track record that is being developed. Considering the higher weightage of earnings from Office Automation, the impact is rated **Medium**.

While the discussion above highlights the potential impacts to the Group, we continue to be positive on the prospects of the country and the economy. The focus of the Group will be to continue our expansion in the growth areas of the economy. Further details on the outlook and plans of each industry group can be found in the Industry Group Analysis section of the Report. From an overall perspective, the focus on managing working capital will be given further prominence considering the higher financing costs and possible liquidity constraints that may impact the broad market. Whilst the leverage ratios of the Group are comfortable, the debt level increased in Q4 of 2011/12, with total debt at Rs. 20.07 billion. Increases in interest rates will have an impact on the total financing expense of the Group, although certain mitigatory factors such as having interest rate caps on certain facilities will reduce the exposure. The efforts of the Group, particularly in the last few years, where there was a relentless focus on improving processes, reducing waste and enhancing productivity, should stand in good stead relative to competition. Whilst the Group has adequate cash reserves and funding, we will continue to engage with banking and non-banking sources for our future funding requirements, particularly considering the possible

constraints of borrowing limits in relation to the scale and nature of projects under consideration.

Our 'purpose driven' and integrated approach to management is reflected in the operational and financial strategies as well as the sustainability agenda for the ensuing year.

Whilst the Group has made vast strides in its sustainability initiatives and reporting, we are conscious of the need to further entrench the spirit of sustainability at all levels of staff across the Group. With this in mind, the Group will endeavor to implement an enterprise wide sustainability system to facilitate sustainability performance tracking and continue with awareness sessions and necessary training. The importance of talent management and the initiatives taken in this regard are discussed in detail under the Our People section of the Annual Report. The Group will endeavour to extend its E-learning platform to cover all Group companies with a view to making training more accessible and delivery efficient. With increased scale in operations, the need to develop staff for higher management roles is ever more critical and we will continue the manager development programmes to meet this requirement.

The triple bottom line focus of the Group ensures we look at all aspects of performance. Whilst environmental conservation is one of the key pillars of sustainability, the need to focus on energy consumption is further exacerbated by the increase in fuel and electricity prices. The following key initiatives will be conducted in the ensuing year:

- Continue to implement energy conservation initiatives and stimulate behavioural changes in staff through awareness campaigns with a view to optimising energy consumption
- Explore areas that could be powered through renewable

energy sources and cogeneration projects

- Identify and install divisional water meters with a view to reducing the consumption of water usage
- Assess feasibility and commission sewerage treatment plants at locations with high water usage
- Identify and evaluate initiatives with a view to partially offsetting our carbon footprint
- Explore avenues through which e-waste may be efficiently managed
- Broad base the methodology of waste sorting with a view to minimising its impact on landfill and other forms of waste disposal
- Initiate biodiversity conservation projects with partner organisations with a view to safeguarding the country's natural biodiversity resources

Considering the scale and complexity of the Group's operations and the dynamic changes to the business environment, the Group will augment the risk review process to capture the full spectrum of risk mitigation actions. Whilst sustainability is the cornerstone of corporate actions, the Group will continue to focus on its social responsibility initiatives under the auspices of the John Keells Foundation. Some of the key initiatives under the agenda for 2012/13 are to:

- Provide rainwater harvesting facilities to selected homes, through the village adoption programme, in a bid to improve access to water
- Provide solar powered lighting in selected homes through its village adoption programme
- Continue and extend recycling projects based on feasibility

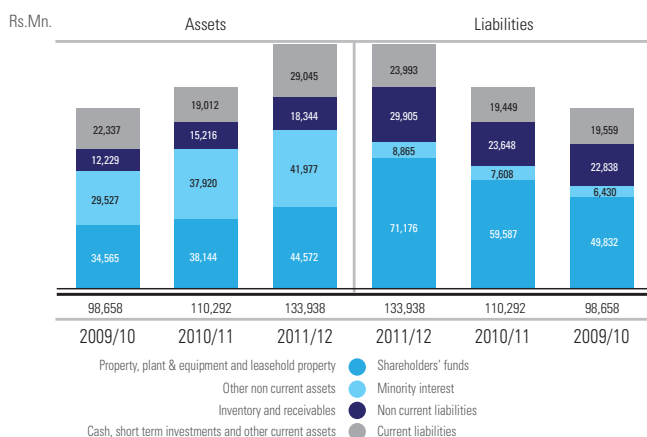
# Capital Resources and Liquidity

## Summary of key balance sheet items

Item	2012 Rs. Mn	2011 Rs. Mn	Change Rs. Mn	Change %	Explanatory highlights for YoY changes
Property plant & equipment	34,290	28,628	5,662	20%	<ul style="list-style-type: none"> <li>Addition of Rs. 2.04 billion due to the refurbishments of Cinnamon Lakeside, Chaaya Wild and Chaaya Tranz</li> <li>Addition of Rs. 1.54 billion due to the construction of Chaaya Bey</li> <li>Rs. 585 million gain arising from the revaluation of PPE of John Keells PLC</li> <li>Consolidation of the assets of JK BPO amounting to Rs. 337 million due to the company being consolidated as a subsidiary</li> <li>Increase offset by depreciation charge of Rs. 1.86 billion</li> </ul>
Leasehold property	10,282	9,516	766	8%	<ul style="list-style-type: none"> <li>Increase of Rs. 783 million due to the exchange gain on the conversion of lease values of Dhonveli and Elaidhoo</li> </ul>
Investment property	7,631	5,386	2,245	42%	<ul style="list-style-type: none"> <li>Fair value gain on IP of Rs. 1.11 billion at CCS and Rs. 100 million at TransAsia</li> <li>Addition of the 6 acre property at Kapuwatte, Ja-ela valued at Rs. 528 million</li> <li>Fair value gain of Rs. 207 million at AHP (Crescat Boulevard)</li> </ul>
Investments in associates	15,693	14,670	1,022	7%	<ul style="list-style-type: none"> <li>Associate company profits of Rs.2.64 billion, offset by dividends of Rs. 2.49 billion</li> <li>Exchange gain of Rs. 1.18 billion on translation of the share of net assets of SAGT</li> <li>Investment of Rs. 228 million in Sancity Hotels &amp; Properties</li> <li>Transfer of the associate investment in AuxiCogent BPO Solutions Private Limited due to the company becoming a subsidiary</li> </ul>
Other investments	12,379	11,792	586	5%	<ul style="list-style-type: none"> <li>Investment of Rs. 1.00 billion in the private placement of Access Engineering Limited</li> <li>Decrease in investments of UA amounting to Rs. 414 million</li> </ul>
Other non current assets	3,500	3,231	269	8%	<ul style="list-style-type: none"> <li>Rs. 386 million relating to construction advance payments for OnThree20</li> <li>Addition of Rs. 1.02 billion pertaining to the apartment project of BOCP</li> <li>Decrease of Rs. 1.87 billion due to the transfer of the work in progress of The Emperor apartments to cost of sales</li> </ul>
Inventories	4,372	3,144	1,229	39%	<ul style="list-style-type: none"> <li>LMS - higher global oil prices and the depreciation of the Rupee resulting in an increase in the value of inventory and arrival of stocks at the end of the month</li> <li>JKOA – inventory of mobile phone stocks and other products for the season</li> </ul>
Trade and other receivables	13,972	12,072	1,900	16%	<ul style="list-style-type: none"> <li>Primarily from LMS, CCS and JKOA due to higher operating volumes</li> <li>Consolidation of the receivables of JK BPO</li> </ul>
Short term investments and cash in hand	29,034	18,994	10,041	53%	<ul style="list-style-type: none"> <li>LMS – due to increased profitability</li> <li>UA – due to a higher allocation of funds in short term investments</li> <li>AHP - due to the receipt of the final tranche of payments for The Emperor apartments which were handed over and the cash generation due to the better performance of Cinnamon Grand</li> </ul>
Shareholders' equity	71,176	59,587	11,589	19%	<ul style="list-style-type: none"> <li>Profit for the year of Rs. 9.78 billion, surplus on revaluation of Rs. 1.41 billion and net exchange gain on associate company share of net assets of Rs 1.21 billion, offset by dividends of Rs. 2.31 billion</li> </ul>
Insurance provision	14,745	12,663	2,082	16%	<ul style="list-style-type: none"> <li>Net increase in UA's life funds</li> </ul>
Non current interest bearing borrowings	12,284	8,353	3,932	47%	<ul style="list-style-type: none"> <li>Loans obtained for the refurbishments of Chaaya Tranz and Chaaya Wild and the constructions of Chaaya Bey</li> <li>Consolidation of the borrowings of BOCP</li> <li>Increase in the Rupee value of the IFC loan due to the translation effect offset by repayment of the two scheduled repayments for the year</li> </ul>
Trade and other payables	15,398	12,380	3,018	24%	<ul style="list-style-type: none"> <li>LMS on higher volumes similar to receivables</li> <li>Consolidation of trade and other payables of JK BPO</li> </ul>
Current portion of interest bearing borrowings	2,409	2,134	275	13%	<ul style="list-style-type: none"> <li>Increase of the IFC loan portion of JKH due to the depreciation of the Rupee</li> </ul>
Bank overdraft	4,347	3,904	443	11%	<ul style="list-style-type: none"> <li>Increase at LMS and JKOA due to higher working capital requirements</li> </ul>

Note: AEL – Access Engineering Limited; AHP – Asian Hotels & Properties; BOCP - British Overseas Colombo Private Limited; CCS – Ceylon Cold Stores; IFC – International Finance Corporation; IP – investment property; JKMR – John Keells Maldivian Resorts; JMSL – Jaykay Marketing Services; JKOA – John Keells Office Automation; JKRP – John Keells Residential Properties; JKSB - John Keells Stock Brokers; KFP – Keells Foods Products; KHL – John Keells Hotels; LMS – Lanka Marine Services; NTB – Nations Trust Bank; UA – Union Assurance

## Balance sheet structure



## Balance sheet structure

Total assets increased by Rs. 23.65 billion to Rs. 133.94 billion [2010/11: Rs. 110.29 billion] primarily due to increases in property plant & equipment (PPE), investment property and investments in associates as described in the summary table.

### Non-current assets

Non-current assets of the Group were Rs. 86.55 billion [2010/11: Rs. 76.06 billion], an increase of Rs. 10.49 billion. Non-current assets increased primarily as a result of increases in PPE, investment property and investments in associates. Refurbishments to Cinnamon Lakeside, Chaaya Tranz and Chaaya Wild were the main reasons for the increase in PPE. Investment

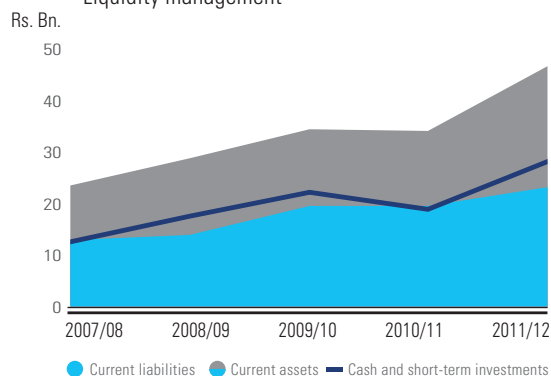
property increased mainly due to a fair value gain of Rs. 1.11 billion at CCS. The investments in associates increased mainly due to an exchange gain of Rs. 1.18 billion on translation of the share of net assets of SAGT.

### Working capital

Net working capital of the Group increased to Rs. 23.40 billion [2010/11: Rs. 14.78 billion] due to an increase in short term investments and cash. The overall working capital requirements of the Group pertaining to inventory and trade and other receivables increased in tandem with the growth in volumes, although this was offset by an increase in trade and other payables. The nature of some of the consumer related businesses are such that working capital requirements have increased significantly.

	2011/12	2010/11
Current ratio (times)	2.0	1.8
Quick ratio (times)	1.8	1.6
Net working capital (Rs. Mn)	23,396	14,779
Asset turnover (times)	0.7	0.7
Capital employed (Rs. Mn)	100,108	81,836
Total debt (Rs. Mn)	20,068	14,641
Net debt (cash) (Rs. Mn)	(8,548)	(4,168)
Debt/equity ratio (%)	25.1	21.8
Net debt (cash)/equity ratio (%)	(10.7)	(6.2)
Long-term debt to total debt (%)	61.3	57.2
Debt/total assets (%)	15.0	13.3
Debt/EBITDA (times)	1.2	1.1

## Liquidity management



## Cash flow

Cash and cash equivalents increased by Rs. 7.97 billion to Rs. 19.81 billion by the end of the year [2010/11 restated: Rs. 11.84 billion]. Net cash from operating activities increased to Rs. 16.48 billion as against Rs. 8.50 billion due to increased profit before working capital changes, thus significantly increasing the cash generated from operations. Net cash used in investing activities was Rs. 9.00 billion [2010/11: Rs. 4.47 billion]. In the current year, cash invested for the purchase of property, plant and equipment was Rs. 5.49 billion [2010/11: Rs. 4.98 billion] which is a 10 percent increase from the previous year. This capital expenditure was largely in the Leisure and Consumer Foods & Retail industry groups which accounted for Rs. 4.16 billion and Rs. 1.02 billion respectively. Net cash used in financing activities was Rs. 496 million [2010/11: Rs. 6.79 billion]. This decrease was mainly due to the proceeds from borrowings obtained for refurbishments of Chaaya Tranz and Chaaya Wild and for the ongoing construction of Chaaya Bey.

## Leverage and capital structure

### Capital structure

Total assets of Rs. 133.94 billion were funded by shareholders' funds (53 per cent), minority interest (7 per cent), long term creditors (22 per cent) and short term creditors (18 per cent). Thus, the long term funding of assets was Rs. 109.94 billion – 82 per cent of total assets.

### Debt

The total debt of the Group was Rs. 20.07 billion [2010/11: Rs. 14.64 billion], an increase of Rs. 5.43 billion from last year. The catalyst for the increase in debt was the borrowings on account of refurbishments in Leisure. While total debt levels did increase, the depreciation of the Rupee resulted in a translation loss on foreign currency denominated borrowings at the holding company and Maldivian Resorts. These impacts were offset to a large extent by the intentional strategy of maintaining dollar denominated cash reserves as a 'natural hedge'. Given the possible upward movement of interest rates, the Group will continuously monitor its borrowings and will look to rationalise any borrowings if it is financially prudent, given the interest rate differentials between investment and borrowing rates.

During the year, Maldivian Resorts repaid a portion of its short term debts utilising its cash reserves built up as a result of the improved cash inflows from operations.

The debt to equity ratio of the Group was 25.1 per cent as against 21.8 per cent in the previous year. The net debt (cash) to equity ratio was (10.7) per cent as against (6.2) per cent in the previous year – leaving much headroom considering the Group's target net debt to equity net debt ratio of 50 per cent. Considering volatile liquidity conditions in the market, it is considered prudent to continue maintaining relatively lower leverage ratios at present. The low leverage ratios demonstrate the borrowing capacity of the Group to fund its next phase of growth. Reinforcing this position, the debt to EBITDA cover remained at 1.2 times, which was a marginal increase from the previous year. Long term debt to total debt increased to 61.3 per cent from 57.2 per cent in the previous year mainly on account of the increased borrowing obtained to fund the refurbishments and for the construction of Chaaya Bey. The Leisure industry group and the holding company continue to have the largest share of the overall debt.

## Statement of changes in equity

Total equity increased by Rs. 12.85 billion to Rs. 80.04 billion [2010/11: Rs. 67.19 billion]. The increase was primarily due to a profit contribution of Rs. 11.07 billion, surplus revaluation of Rs. 1.41 billion, although offset by dividends paid of Rs. 2.31 billion.

## Treasury management

The depreciation of the Rupee commencing from November 2011 had an adverse impact on a handful of businesses within the Group. However, businesses with foreign currency denominated revenue streams benefitted although this benefit will accrue over a period of time. Certain export businesses were negatively impacted as a result of mark to market losses on forward contracts, although these were more than offset by existing cash reserves and the benefit through the un-hedged component of cash inflows.

Whilst businesses which were funded with US dollar debt were impacted by translation losses, these were offset to a large extent through maintaining a 'natural hedge' as discussed above. Dollar denominated debt continues to carry a yield advantage against Rupee borrowings. However, the Group has always been conscious of the need to match such liabilities with corresponding inflows in order to manage exposures, and hence will evaluate such alternatives very closely. As the outlook for the Rupee continues to be somewhat uncertain, the Group will continue its conservative and prudent approach in managing its foreign currency exposure.

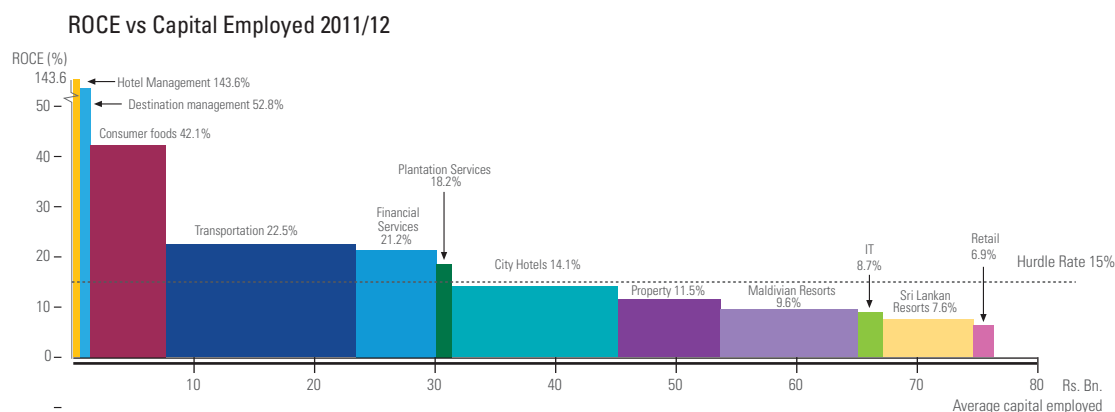
The adjustment in monetary policy rates and market forces led to an increase in interest rates. Whilst the increase in interest rates does impact the cost of

finance in certain businesses, from an overall perspective the Group benefitted as a result of the enhanced yield on its short term investment and cash balances. In any event, of the total debt across the Group, approximately half is foreign currency denominated and not impacted by the rise in local interest rates. The Group was also successful in negotiating satisfactory 'caps' on some of the new long term debt facilities which will further mitigate interest rate risk.

## Credit facilities

JKH retained its AAA(Ika) rating from Fitch Ratings Lanka Limited on account of its strong balance sheet and steady performance. In addition to its sizeable cash reserves, the Group continues to have significant credit facilities available with banks in Sri Lanka. The utilisation of a majority of the funding lines available, particularly at a holding company level has not been necessitated due to the availability of cash reserves. However, the company is looking to proactively manage potential funding requirements and we will continue to have a few large stand-by loan facilities with some large banks. The current cash position of the Group and leverage ratios demonstrate its ability to leverage its balance sheet further if the requirement arises.

# Portfolio Movement and Evaluation



Portfolio management and evaluation is a continuous process at John Keells Holdings and has been the foundation for the creation of shareholder wealth over the years. Whilst the Group is presented with many opportunities in varying industries, the Group continues to follow the successful methodology in evaluating its portfolio, which also helps guide its investment evaluation and strategies. The evaluation and review process undertaken for this purpose comprises of four filters which critically evaluate the investment or divestment decisions as explained below.

- Financial filter – cornerstone of the decision criteria based on the JKH hurdle rate
- Growth filter – evaluates the industry attractiveness and the growth opportunities
- Strategic fit – evaluates the long term competitive advantage of a business/industry by evaluating the strength of competitive forces, specific industry/business risks, ability to control value drivers and the competencies and critical success factors already inherent to the Group company
- Complexity filter – considers factors such as senior management time and the risk

to brand, image and reputation in conjunction with the anticipated returns

JKH's hurdle rate (or required rate of return) is a function of the weighted average cost of capital (WACC), derived from the Group's cost of equity, cost of debt, target leverage, tax rates and the value creation premium required over and above the WACC. Strategic business units are assessed for risk under headings such as customer orientation, suppliers/JV partner dependence, risk of international entrants, labour dependence, cyclicity, dependence on the Sri Lankan economy and regulatory dependence. The present hurdle rate of the Group is 15 per cent. While the cost of debt has increased significantly over the last few months, 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 mentioned indicators are expected to change over the long term as well.

The Transportation industry group improved its ROCE to 22.5 percent compared to 21.0 per cent achieved last year. The increase was due to the increased earnings achieved particularly by the Transportation sector which saw an increase in EBIT of 52

per cent over the previous year. The bunkering business, which was the primary contributor to the Transportation sector, also improved its margins compared to the previous year.

Fuelled by the overall growth in the tourism industry, all four sectors within the Leisure industry group saw a significant growth in ROCE, resulting in the industry group reaching a ROCE of 13.2 per cent in the current year against the 9.3 per cent ROCE achieved in 2010/11. The ROCE of City Hotels increased to 14.1 per cent from 10.8 per cent recorded in the previous year, mainly driven by higher revenue generation from its asset base coupled with improved EBIT margins. Sri Lankan Resorts improved its ROCE to 7.6 per cent from 3.8 per cent in the previous year. EBIT margins increased significantly on account of higher operating revenues and margins. However, whilst revenues did increase considerably, given the large investments in the refurbishment of Chaaya Wild, Chaaya Tranz and the ongoing construction costs of Chaaya Bey resulting in an increase in capital employed, the asset utilisation was similar to last year. The ROCE of Maldivian Resorts increased to 9.6 per cent from 6.3 per cent in the previous year, primarily as a result of an improvement in EBIT

margins. Destination Management recorded a ROCE of 52.8 per cent due to improved volumes, price revisions and exchange gains resulting in higher EBIT margins. As depicted in the portfolio evaluation graph above, Hotel Management and Destination Management are the highest in terms of the ROCE, given the service providing nature of the two businesses.

The ROCE of Property industry group reduced marginally to 11.5 per cent from 12.3 per cent in the previous year. During the year, a greater portion of revenue was recognised on account of the relatively lower margin 'OnThree20' project as opposed to the high margin up market residential project 'The Emperor'. This was the primary reason for the reduction in EBIT and hence ROCE.

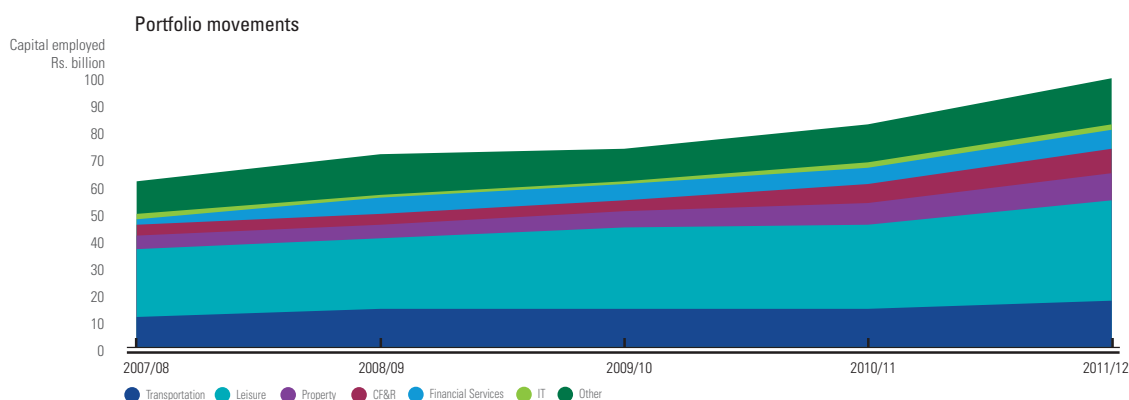
The Consumer Foods & Retail industry group saw an increase in ROCE from 12.5 per cent to 35.3 per cent. In the current year, the Consumer Foods sector improved its ROCE to 42.1 per cent as against 15.3 per cent in the previous year. Whilst the ROCE was positively impacted by the fair value gain on revaluation of investment property at Ceylon Cold Stores, the ROCE excluding this

impact was still well above the hurdle rate of the Group as a result of higher operating EBIT margins. While revenues did increase considerably, the increase in capital employed on account of the revaluation as well as capital expenditure at Ceylon Cold Stores, meant the asset turnover in consumer foods declined marginally. The ROCE of Retail improved to 6.8 per cent from 3.2 per cent mainly due to the increase in EBIT margins. The capital employed increased on account of the equity infusion to fund the outlet expansion and increased working capital requirements.

The ROCE of the Financial Services industry group increased to 21.2 per cent, marginally above the ROCE of 20.5 per cent in 2010/11. The overall industry group EBIT margin fell to 13.1 per cent from 13.8 per cent mainly as a result of the reduction in profitability of Stockbrokers due to the low activity in the stock market.

Information Technology improved its ROCE to 8.6 per cent compared with 7.7 per cent recorded last year. The IT group saw strong revenue growth from Office Automation and the BPO operations, resulting in better asset utilisation in spite of the increase in capital employed in both these businesses. However, overall EBIT margins were impacted by the reduction of EBIT margins in Office Automation as a result of the increased share of revenues emanating from the relatively lower margin mobile phone business.

Plantation Services recorded a ROCE of 18.2 per cent, much lower than the ROCE of 34.8 per cent achieved in 2010/11 as a result of shrinking margins and a fall in revenues.



	2008/09	2009/10	2010/11	2011/12
Investments	Rs. 2.73 billion in South Asia Gateway Terminals and increased stake to 42.2 per cent	Acquired a 24.6 stake in Central Hospital (Pvt) Ltd for Rs. 900 million	Acquired 5.604 million (14.9 per cent) in Union Assurance PLC for Rs. 841 million	Invested Rs. 515 million by subscribing to the Ceylon Cold Stores PLC rights issue. A portion of the proceeds was infused as equity into JayKay Marketing Services Limited to fund the expansion of its supermarkets.
	Rs. 170 million in Keells Food Products and increased stake to 83.2 per cent	Gained full control of Mackinnons American Express Travel (Pvt) Ltd with the purchase of a 30 per cent stake for Rs. 14 million	Invested Rs. 600 million by subscribing to the rights issue of its fully owned subsidiary Beruwala Holiday Resorts (Pvt) Ltd for the purpose of funding the construction of Chaaya Bey	International Tourist and Hoteliers Limited invested Rs. 350 million in its fully owned subsidiary Beruwala Holiday Resorts Private Limited for the purpose of funding the ongoing construction of Chaaya Bey Beruwala
	Rs. 598 million in Ceylon Cold Stores and increased stake to 80.5 per cent	Additional equity infusion of Rs. 40 million to John Keells Logistics Lanka (Pvt) Ltd	Purchase of shares in John Keells Residential Properties for Rs. 925 million in exchange for the Union Place Land	Invested Rs. 522 million for the acquisition of a 6 acre land in Ja Ela
	Rs. 101 million in John Keells PLC and increased the stake to 86.9 per cent	Beruwala Holiday Resorts (Pvt) Ltd purchased a 4.6 acre block of land for Rs. 232 million	Invested Rs. 219.4 million to convert Nations Trust Bank warrants to shares	Invested Rs.228 million in Sancity Hotels - a joint venture project with Sanken Lanka (Private) Limited to construct a business hotel in Colombo
	Rs. 1.12 billion investment in Union Assurance and increased stake to 80.6 per cent	Invested Rs. 251.6 million to convert NTB warrants to shares.	Additional equity infusion of Rs. 65 million to John Keells Logistics Lanka (Pvt) Ltd	
	USD 0.5 million for remaining 49 per cent of Mackinnons Keells Enterprises and Mackinnons Keells Air Services	Subscribed to 195 million shares from the John Keells Hotels PLC rights issue investing Rs. 1.95 billion	Invested Rs. 947 million by participating in a rights issue of its subsidiary International Tourists and Hoteliers Ltd thereby increasing its effective share holding to 98.39 per cent	
	USD 5.72 million for 44 per cent equity stake in Quattro Finance & Accounting Solutions		Purchased the head lease of Dhonveli Island for a period of 18 years	
			Invested Rs. 485 million by participating in a rights issue of its subsidiary Ceylon Holiday Resorts Ltd and thereby increased its effective share holding to 98.65 per cent. Ceylon Holiday Resorts Ltd thereafter invested Rs 485 million in Hikkaduwa Holiday Resorts (Pvt) Ltd for the purpose of funding the refurbishment and upgrading of Coral Gardens Hotel	

## Portfolio Movement and Evaluation

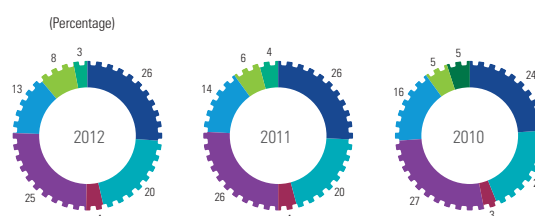
	2008/09	2009/10	2010/11	2011/12
Mergers and restructuring		Walkers Air Services Ltd was amalgamated with Mack Air (Pvt) Ltd with the surviving entity being Mack Air (Pvt) Ltd		
		Stake in Information Systems Associates divested to John Keells Computer Services for Rs. 47 million		
		Trinco Holiday Resorts purchased the Club Oceanic hotel for a net consideration of Rs. 301 million		
Divestments	20 per cent stake in AMW for a consideration of Rs. 1.92 billion	150 million shares from the John Keells Hotels PLC 1:3 rights issue for Rs. 751 million	Divested 11.62 million shares (5.25 per cent) of Asian Hotels and Properties PLC for Rs. 1.98 billion	
	Remaining 26 per cent of Keells Restaurants for a consideration of Rs. 49 million	Remaining 26 per cent stake in KBSL for Rs. 23 million	Divested 37.5 million shares (2.58 per cent) of John Keells Hotels PLC for Rs. 787.5 million	
	Remaining 22 per cent of Crescat Restaurants for a consideration of Rs. 12 million		Divested the head lease of Alidhoo Island in Maldives	
Changes in capital	Repurchase of 25.5 million shares amounting to Rs. 2.30 billion		Repayment of Rs. 2 billion of JKH debentures	
	USD 75 million loan from the International Finance Corporation			

# Industry Group Analysis

## Industry Group Financial Highlights

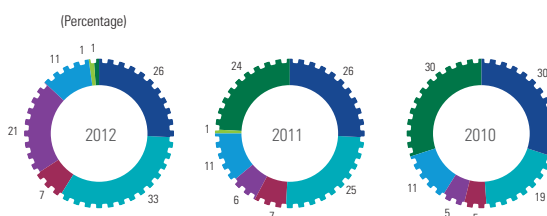
### REVENUE \* *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2011/12	22.60	17.42	3.79	22.02	10.91	6.95	2.68
2010/11	18.31	13.81	2.49	18.36	9.50	4.23	3.12
2009/10	14.18	11.50	1.62	15.84	9.43	2.59	2.82



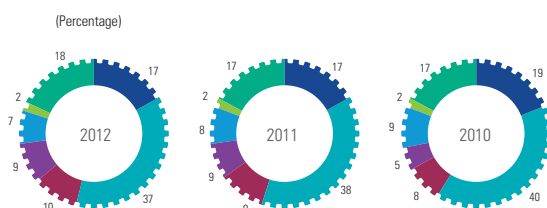
### EBIT *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2011/12	3.48	4.45	1.01	2.83	1.43	0.18	0.20
2010/11	2.94	2.80	0.85	0.68	1.31	0.12	2.72
2009/10	2.39	1.49	0.39	0.42	0.85	0.02	2.36



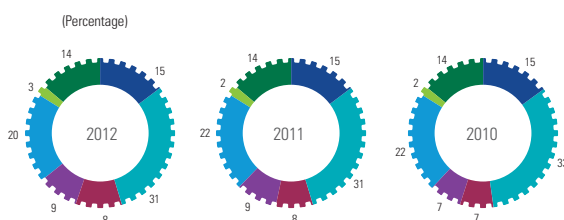
### CAPITAL EMPLOYED *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2011/12	16.81	36.71	9.95	9.06	7.11	2.43	18.03
2010/11	14.17	30.69	7.73	6.97	6.39	1.77	14.10
2009/10	13.80	29.57	6.13	4.00	6.40	1.39	12.43



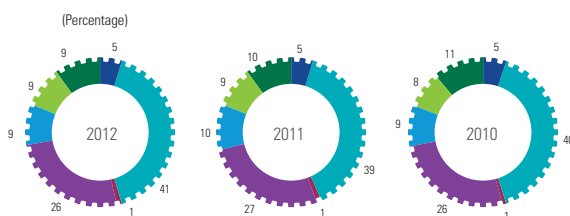
### TOTAL ASSETS *Rs. billion*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2011/12	20.35	41.24	10.35	12.69	26.81	3.34	19.16
2010/11	16.19	33.71	8.67	10.26	23.96	2.42	15.09
2009/10	14.83	32.54	6.99	7.02	21.46	1.74	14.08



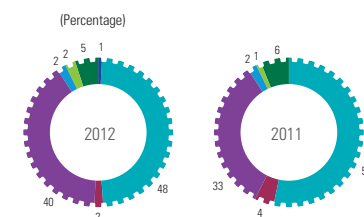
### EMPLOYEES *Number*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2011/12	594	4,843	99	3,147	1,047	1,114	1,112
2010/11	572	4,459	99	3,029	1,121	979	1,130
2009/10	543	4,319	104	2,878	996	818	1,227



### CARBON FOOTPRINT *MT*

	TRP	LEISURE	PROP	CF&R	FIN SER	IT	OTHER
2011/12	906	35,162	1,449	29,477	1,610	1,406	3,743
2010/11	319	34,926	2,407	21,938	1,412	614	3,907
2009/10	N/A	N/A	N/A	N/A	N/A	N/A	N/A



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

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

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

# Transportation

> Ports & Shipping

> Transportation

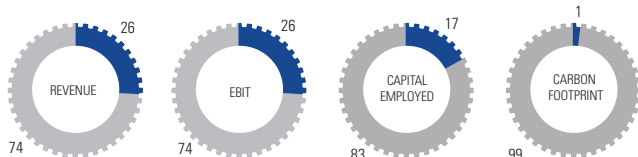


South Asia Gateway Terminals continued its strong performance by handling 1.94 million TEUs during the year

## Vision and scope

The Transportation industry group carries the vision to be recognised as a leading provider of transportation solutions and related services through a balanced portfolio of businesses in selected markets. Businesses of the industry group offer an array of transportation related services in Sri Lanka and the region and these operations comprise of South Asia Gateway Terminals in the port of Colombo, a marine bunkering business, joint venture / associations with leading shipping and air transportation multinationals and logistics, travel and airline services in Sri Lanka, India and the Maldives.

## Contribution to JKH Group



## Key indicators

(Rs. million)	2011/12	2010/11	Chg %	2009/10
Revenue <sup>1</sup>	22,604	18,314	23.4%	14,177
EBIT	3,481	2,941	18.4%	2,391
PBT	3,467	2,929	18.3%	2,366
PAT	3,271	2,781	17.6%	2,282
Total assets	20,352	16,185	25.7%	14,831
Total equity	15,304	13,954	9.7%	13,498
Total debt	1,509	218	593.3%	298
Capital employed <sup>2</sup>	16,813	14,172	18.6%	13,796
No. of employees <sup>3</sup>	594	572	3.8%	543
EBIT per employee <sup>3</sup>	5.9	5.1	14.0%	4.4
Carbon footprint (MT) <sup>4</sup>	906	319	183.7%	N/A

<sup>1</sup> Revenue is inclusive of the Group's share of associate company revenue

<sup>2</sup> For associate companies the capital employed is representative of the Group's equity investment in these companies

<sup>3</sup> No of employees and EBIT per employee are excluding the employees of associate companies

<sup>4</sup> Carbon footprint is calculated excluding associate companies and DHL Keells (Private) Ltd

## Sector highlights

	Ports & Shipping	Transportation
Businesses within the sector	Operations of a private container terminal in the port of Colombo on a BOT basis under South Asia Gateway Terminals (SAGT)	Logistics services which include operations of DHL Air Express in Sri Lanka in a JV with Deutsche Post, third party logistics and freight forwarding solutions under the John Keells Logistics brand, bunkering services under Lanka Marine Services (LMS)
	Associate company stake in Maersk Lanka	Representation of airlines as general sales agents through Mack Air in Sri Lanka and through its subsidiary in Maldives – on-line operations by Jet Airways and Gulf Air and off-line representation of number of airlines. Travel agency business through Mackinnons Travels
Revenue and growth	Rs. 5.23 billion, increase of 7%	Rs. 17.38 billion, increase of 29%
EBIT and growth	Rs. 2.27 billion, increase of 6%	Rs. 1.21 billion, increase of 52%
Carbon Footprint	Not within the boundary of sustainability reporting	906 MT
Key developments during the year	<ul style="list-style-type: none"> <li>SAGT installed two new Super Post Panamax cranes enabling it to better handle the larger, newer container vessels</li> </ul>	<ul style="list-style-type: none"> <li>Airline SBU launched the B2C internet booking engine which is the first end-to-end internet engine launched by a Sri Lankan outbound travel agent</li> <li>LMS became the first bunkering company to supply bunkers to vessels calling at the port of Kankasanthurai in the North of the country</li> <li>LMS launched a B2B web portal for their key customers, becoming one of the few suppliers in the world to do so</li> </ul>
Key external/internal variables affecting business	<ul style="list-style-type: none"> <li>Disruptions at key Indian ports that are origins/destinations for trans-shipment cargo over Colombo</li> </ul>	<ul style="list-style-type: none"> <li>Differentiation of product offering by medium to large scale players through building an asset based business model with the intention of providing a total logistics solution</li> <li>Continuous rise in international petroleum prices</li> <li>Expansion of storage capacity at the JCT run Bloemendhal Oil terminal by adding a new 5000 MT tank during the year</li> </ul>

Note: B2B - Business to Business; B2C - Business to Consumer; BOT - Build Operate and Transfer; JCT - Jaya Container Terminal; SBU - Strategic Business Unit

### Integrated operational review and discussion

During the year under review, South Asia Gateway Terminals (SAGT) handled 1.94 million twenty foot equivalent units (TEUs), with trans-shipment volumes being the largest contributor (78.9 per cent) as in the past. However, the domestic volumes handled increased by 14 per cent against the previous year driven mainly by the growth in the country's import trade volumes in the first half of the year. SAGT installed two new 'Super Post Panamax' ship to shore cranes, in addition to the new crane purchased last year. The new equipment is expected

to handle a higher load capacity and have a wider reach, enabling it to service large vessels more efficiently. This augmentation will also contribute towards enhancing the productivity, and thus capacity, of the terminal.

The bunkering business experienced growth driven primarily by the increase in volume and the continued upward movement in global oil prices. Introduction of the Business to Business (B2B) web portal – one of the few of its kind in the world, enabled customers to access various types of services

and information about their transactions online. During the year, the bunkering business faced increased competition from Indian ports on account of India being a net exporter of fuel oil and also due to the favourable changes in Indian bunker tax regulations. This enabled some suppliers in the leading Indian ports to sell bunkers at prices close to Singapore prices although service issues at these locations remained a challenge.

During the year, John Keells Logistics Limited (JKLL) further expanded its business as a key third party logistics (3PL)

operator in the country by adding to its portfolio of customers and service offering. One of the bigger challenges faced by the Logistics segment was the increased cost of material handling equipment as a result of the depreciation of the Rupee, thus directly impacting the competitiveness of newly built logistics facilities. John Keells Logistics in partnership with USAID implemented a cold chain for agricultural and fisheries products in the North and East of Sri Lanka at a joint investment of more than Rs. 400 million in September 2011. Under the first phase of the project, transportation

## Transportation



SAGT installed two new Super Post Panamax cranes enabling it to better handle the larger, newer container vessels

of goods from the North and East is carried out by the logistics arm and in the second phase, cold and ambient storage and processing facilities will be established in identified locations.

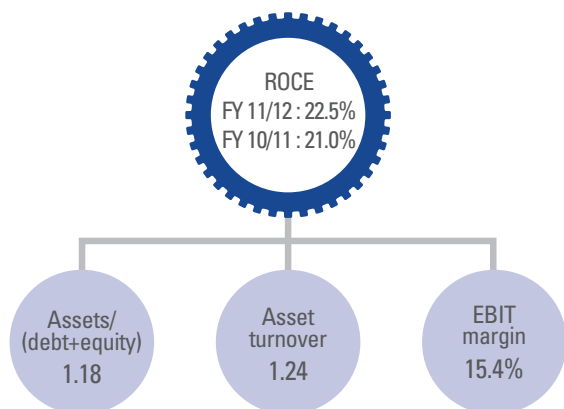
The Airlines segment performed reasonably well during the year with the travel agency business securing several awards including 'Top Travel Agent' awards from many airlines including Cathay Pacific, Jet Airways, Malaysia Airlines and Singapore Airlines.

The airline representation business will continue to be affected by the vagaries of frequent re-evaluation of routes and frequencies by their principal airlines, with the resultant effect on revenues and performance. Operations of this segment in India were ceased during the year.

The Transportation group, excluding SAGT and DHL as these two entities are beyond the sustainability reporting boundaries of the Group, has a total carbon footprint of 906 MT, amounting to 1 per cent of the Group's carbon footprint. This amounts to a carbon foot print of 0.22kg per Rs. 1,000 of revenue. The Transportation group places great emphasis on health and safety and towards this end John Keells Logistics obtained ISO18000 and OHSAS certification. During the year, only one occupational injury was reported with just 2 lost days due to such injury on average. The Transportation sector provided 8.3 hours of training per employee.

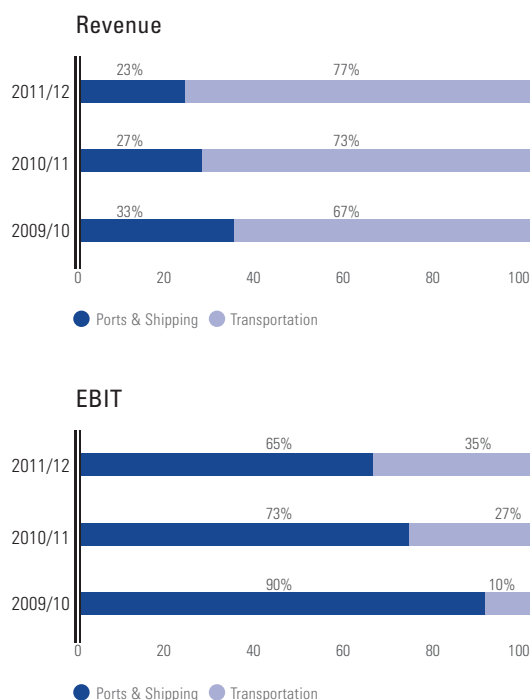
## Return on capital employed

- ROCE increased to 22.5 per cent against 21.0 per cent in the last year
- EBIT margins fell to 15.4 per cent from 16.1 per cent as a result of revenue growth which was largely driven by the bunkering business
- Asset utilisation improved to 1.24 as against 1.18 offsetting the negative impact on ROCE due to reduction in EBIT margins



## Financial review

The Transportation industry group witnessed an overall growth during the financial year 2011/12 with both sectors performing better than the previous year. Revenues grew by 29 per cent to Rs. 17.38 billion [2010/11: Rs. 13.43 billion]. Revenues, including associate company revenues, grew by 29 per cent to Rs. 22.60 billion [2010/11: Rs. 18.31 billion]. The Transportation industry group EBIT increased by 18 per cent to Rs. 3.48 billion [2010/11: Rs. 2.94 billion].



## Outlook

The overall shipping and logistics Industry is gearing to gather greater momentum with the completion of mega industry specific investment projects. We believe the Group's ports and bunkering businesses will benefit from these developments in the future. Bunker volumes are also expected to grow due to the anticipated increases in the number of fishing crafts calling at the Colombo port and due to special projects such as the Colombo South Harbour Development project and petroleum exploration projects.

Whilst the 3PL business of John Keells Logistics will add to its portfolio by constructing and managing state of the art warehousing complexes and diversifying its service offering further, the freight forwarding businesses in India and Sri Lanka plan to enter into a strategic alliance with a global freight forwarding partner to expand their operations in the region.

## Convergence to IFRS

The convergence to International Financial Reporting Standards (IFRS) is expected to have a minimal impact on the Transportation industry group. Whilst immaterial, the main impacts are in the freight forwarding and a portion of the air travel segments, where it is required that gross revenues are recognised instead of the current practice of recognising the net revenue. Despite this having a substantial positive impact on the top line, there is no impact to the bottom line as a result of this treatment.

# Leisure

- > City Hotels
- > Sri Lankan Resorts
- > Maldivian Resorts
- > Destination Management
- > Hotel Management

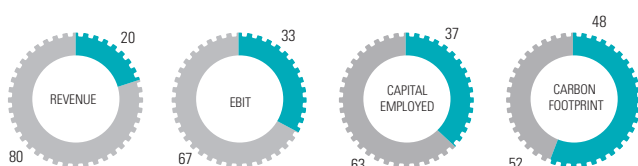


An interior illustration of Chaaya Bey Beruwala which is scheduled to open in August 2012

## Vision and scope

Representing JKH's single largest net asset exposure, the Leisure industry group encompasses two city hotels that offer 40 per cent of the five star room capacity in Colombo and seven resort hotels spread in prime tourist locations all over Sri Lanka and three resorts in the Maldives offering beaches, mountains, wildlife and cultural splendour under the two brands 'Cinnamon Hotels and Resorts' and 'Chaaya Hotels and Resorts'. The Leisure industry group also has destination management businesses in Sri Lanka and India.

## Contribution to JKH Group



## Key indicators

(Rs. million)	2011/12	2010/11	Chg %	2009/10
Revenue	17,422	13,810	26.2%	11,500
EBIT	4,447	2,799	58.9%	1,485
PBT	4,176	2,492	67.6%	1,011
PAT	3,712	2,319	60.1%	973
Total assets	41,243	33,711	22.3%	32,539
Total equity	28,636	25,317	13.1%	23,535
Total debt	8,077	5,377	50.2%	6,040
Capital employed <sup>1</sup>	36,713	30,694	19.6%	29,574
No. of employees <sup>2</sup>	4,843	4,459	8.6%	4,319
EBIT per employee <sup>2</sup>	0.9	0.6	46.3%	0.3
Carbon footprint (MT) <sup>3</sup>	35,162	34,926	0.7%	N/A

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

<sup>2</sup> No of employees and EBIT per employee are excluding the employees of associate companies

<sup>3</sup> Carbon footprint is calculated excluding associate companies

## Leisure

### Sector highlights

	City Hotels	Sri Lankan Resorts	Maldivian Resorts	Destination Management
The businesses within the sector	Cinnamon Grand – 501 rooms Cinnamon Lakeside (CLS) – 340 rooms	7 resort hotels in Sri Lanka- 798 rooms	3 resort hotels in the Maldives – 340 rooms	Walkers Tours & Whittal Boustead inbound tour operations Inbound tour operations in India
Revenue & growth	Rs. 5.99 billion, growth of 25%	Rs. 2.31 billion, growth of 60%	Rs. 4.54 billion, growth of 12%	Rs. 4.58 billion, growth of 30%
EBIT & growth	Rs. 1.94 billion, growth of 36%	Rs. 587 million, growth of 270%	Rs. 1.09 billion, growth of 70%	Rs. 403 million, growth of 112%
Carbon footprint	18,517 MT	8,722 MT	7,312 MT	610 MT
Key developments during the year	<ul style="list-style-type: none"> <li>Completed the refurbishment of 216 rooms at CLS in September</li> <li>Joint venture with Sanken Lanka (Private) Limited to construct a 240 room business hotel in Colombo</li> </ul>	<ul style="list-style-type: none"> <li>Reopened Chaaya Wild Yala in November following a Rs. 440 million refurbishment</li> <li>Reopened Chaaya Tranz Hikkaduwa in November following a Rs. 1.34 billion refurbishment</li> <li>Construction work on Chaaya Bey Beruwala progressing as scheduled</li> </ul>	<ul style="list-style-type: none"> <li>Head lease of Hakura Island extended by a further 25 years from 2022.</li> </ul>	<ul style="list-style-type: none"> <li>Developed new products to cater to niche segments</li> </ul>
Key external/ internal variables affecting the businesses	<ul style="list-style-type: none"> <li>Depreciation of the Rupee</li> <li>Increase in electricity tariffs and fuel costs</li> <li>Possible shortage of experienced / trained staff in the future</li> </ul>	<ul style="list-style-type: none"> <li>Depreciation of the Rupee</li> <li>Increase in electricity tariffs and fuel costs</li> <li>Possible shortage of experienced/trained staff in the future</li> <li>Increasing interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Long haul travel being affected by high cost of air travel coupled with economic issues in traditional European markets</li> <li>Political unrest witnessed in Maldives</li> <li>Increase in Goods and services tax from 3.5% to 6% during the year, with a further increase to 8% from 1 January 2013</li> </ul>	<ul style="list-style-type: none"> <li>A number of hotels under part / full refurbishment</li> <li>Depreciation of the Rupee</li> <li>Increased transportation cost due to fuel price increases</li> </ul>

### Hotel Management sector

In addition to the sectors referred to in the above table, the Hotel Management sector, which includes Keells Hotel Management Services Limited (KHMS), functions as the hotel management arm of the Leisure industry group. The sector achieved an EBIT of Rs. 430 million – a growth of 11 per cent on the back of an improvement in the performance of hotels under management. The carbon footprint of the sector is 224 MT.

### Integrated operational review and discussion

The Leisure industry group benefitted from the increased arrivals to the country and the continued focus on enhancing efficiency and effectiveness of its operations. During the calendar year 2011, foreign arrivals to Sri Lanka were 855,975 [2010: 654,477] which is a 31 per cent increase over last year, with arrivals from all the major generating markets recording an increase. Of the high growth markets, the Middle East recorded the highest YOY growth with a

53 per cent increase over 2010 followed by East Asia (41 per cent), Eastern Europe (39 per cent) and South Asia (35 per cent), albeit off a small base. The growth in arrivals from traditionally strong Western Europe was 23 per cent, indicating a shift to new markets. India accounted for 171,374 arrivals which is 35 per cent higher than last year.

Due to the higher cost of air travel and continuing economic challenges experienced in some of the traditional tourism generating markets such as the UK and Italy,

Sri Lanka as well as the Maldives have seen a slowdown in the growth of arrivals from these countries, although increased arrivals from the Asian region has more than compensated for this impact.

The depreciation of the Rupee had a positive impact on revenue of City Hotels since the rates are generally quoted in US dollars. While several new hotel projects have commenced in the city, construction is expected to take a couple of years to reach

completion. Currently, both the Group's city properties have been fully refurbished and are fully geared to meet the anticipated increase in demand for rooms in Colombo.

Leveraging on its unique location beside the Beira lake, Cinnamon Lakeside launched '8° on the Lake', a floating restaurant on a two-storey catamaran-based boat. With a capacity to accommodate one hundred guests across an open upper and air conditioned lower deck, this one-of-a-kind restaurant in the city provides guests a refreshingly new perspective of the city of Colombo. The refurbishment of 216 rooms which commenced in 2009 was completed in September 2011, enabling Cinnamon Lakeside to command higher average room rates.

Cinnamon Grand continued to lead and significantly out perform its competition. With the recent refurbishment of the 'Taprobane' and 'Breeze' restaurants, the hotel has now been completely refurbished and its market share penetration has been well above its fair share in the city.

JKH has partnered with Sanken Lanka (Private) Limited to build and manage a 240 room select service business hotel in Colombo, for which construction has commenced. This project is one of the first major hotel projects in Colombo to get off the ground following the end of the conflict.

As planned, both Chaaya Wild Yala (formerly known as Yala Village)

## Leisure provides employment to over 4,500 staff across its businesses and strives to provide employment to people in areas of such operations. It places emphasis on continuous training and development, with an average of 38 hours of training provided per employee per annum

and Chaaya Tranz Hikkaduwa (formerly known as Coral Gardens Hotel) reopened in November after undergoing an extensive refurbishment with a collective investment of approximately Rs. 1.78 billion. During the five month period since commencing operations, both resorts have enjoyed high occupancies and are commanding relatively higher average room rates.

The construction of the 200 room hotel in Beruwala – 'Chaaya Bey', on the southern coast of Sri Lanka is progressing as scheduled and is expected to be operational in August 2012.

During the 2011 calendar year, 931,333 tourists visited Maldives in comparison to 791,917 during 2010. The highest growth was from the Chinese market with 198,655 arrivals during 2011 in comparison to 118,961 in 2010. Due to its growing importance, there was greater focus on marketing the Maldivian Resorts in the Chinese market during the year.

Consequent to the second amendment to the Maldives Tourism Law, Fantasea World Investments Private Limited (100 per cent owned subsidiary of John Keells Maldivian Resorts



Private Limited) took the necessary steps to obtain an extension of the head lease of Hakuraa Huraa for a period of twenty five years commencing from 27th August 2022.

Demonstrating the results of our pursuit of skills development pertaining to service, the Group's Maldivian resorts were the only hotels in the Maldives to receive gold medals for their service excellence from TUI, the parent company of many leading tour operators.

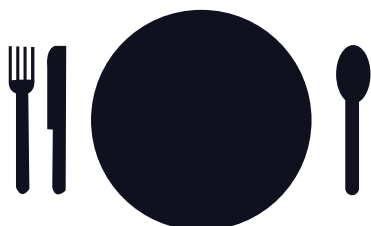
The Destination Management sector continued to focus on specialist market segments and promoting inbound tourism from the emerging markets such as India, China and the Middle East.

The carbon footprint of the Leisure industry group was 35,162 MT for the year, which has increased by approximately 1 per cent despite the re-launching of Chaaya Tranz in the third quarter of the year (this resort was closed for refurbishment for 11 months in the previous year). In the year under review, the hotels within the Leisure group commenced a process of benchmarking their

carbon footprint per guest night with international hotel chains, and this was 40 kg per guest night across all our hotels. Similarly, the Destination Management sector recorded a carbon footprint of 7.45 kg per client serviced. Both carbon foot prints were calculated under scope 2 of the 'GHG protocol' – the internationally accepted practice in such computations.

In spite of increased operations, the total electricity consumed and generated during the year decreased by 1.4 per cent to 44.06 million kWh, primarily attributable to the many energy saving initiatives carried out across the hotels such as generation of heated water using cogeneration, eco-gen systems, replacement of incandescent bulbs with LED and CFL lighting, installation of variable speed drives and the replacement of conventional air conditioners with hybrid air conditioners.

In keeping with the Group's water policy, Leisure began the installation of meters to track its water consumption and set in place management processes to control usage. The water withdrawal by the Leisure industry group constitutes 55 per



**Cinnamon Lakeside launched '8° on the Lake', a floating restaurant on a two-storey catamaran-based boat**

## Leisure

cent of the Group's total water withdrawal, amounting to 1.02 million cubic meters during the year. The hotels consumed on average 1.2 cubic meters (1,200 liters) of water per guest night. All waste water discharged is currently being treated, either through on-site treatment facilities or discharged into public sewer systems. Several hotels are in the process of augmenting their existing treatment facilities and installing new facilities where required.

Waste management systems are being gradually improved across the hotel properties under the tenets of 'Reduce, Reuse and Recycle'. The total waste sent to landfill was 2.17 kg per guest night across our hotels, with the larger portion of waste being generated from the City and Maldivian properties. The Leisure industry group as a whole recycled 41 per cent of its waste generated using methods such as composting, manufacture of by-products and recovery.

Leisure provides employment to over 4,500 staff across its businesses and strives to provide employment to people in areas of operations. It places emphasis on continuous training and development, with an average of 38 hours of training per employee provided to its staff. Many of the hotels are ISO 18000 OHSAS certified and continue to track the number of lost days due to occupational injuries which has seen a reduction during the year, even though the total number of injuries has seen an increase. This indicates that Leisure has managed to reduce the incidence of serious injuries although the occurrence of less serious injuries has risen. The hotels provide training and awareness to its employees, their families and the community on serious diseases

such as HIV and AIDS with over 19,000 people benefitting from this campaign.

The Leisure group carried out several community engagement projects in addition to supporting the activities of the John Keells Foundation. Some of the projects carried out include 'Project Leopard', a unique method of safeguarding the livestock of farmers which in turn protects the leopard population in and around the Yala National Park. Further, jeep drivers providing excursions into the Yala National Park have also been provided training on environmental responsibility. All hotels strive to source their fresh produce from local suppliers in a bid to enhance the economic activity in their areas of operation and in addition have also carried out medical camps and local infrastructure development during the year.

### Financial review

The Leisure industry group continued its strong performance during the year with all sectors witnessing significant growth in revenue and EBIT. Overall revenue grew by 26 per cent to Rs. 17.42 billion [2010/11: Rs. 13.81 billion] and EBIT grew by 59 per cent to Rs. 4.45 billion [2010/11: Rs. 2.80 billion]. Higher occupancies and average room rates contributed to the increase in both revenue and EBIT.

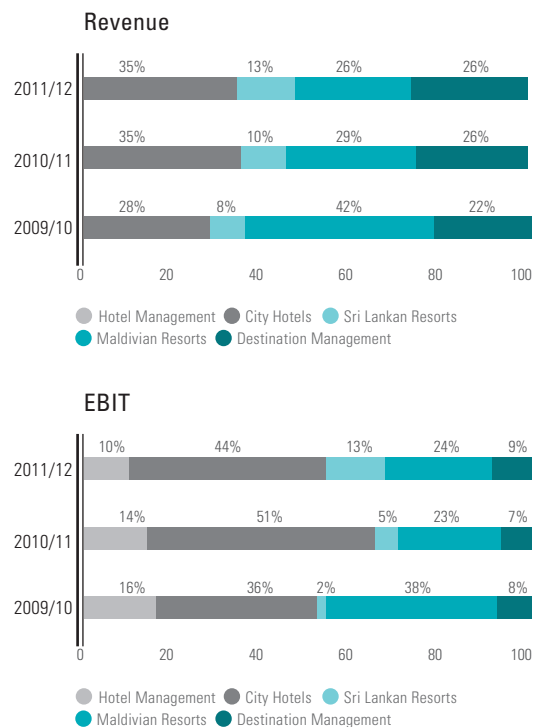
These results were achieved in spite of the closure of the Coral Gardens hotel (now branded as Chaaya Tranz Hikkaduwa) and Yala Village hotel (now branded as Chaaya Wild Yala) till October and part of the rooms of Cinnamon Lakeside being closed till September due to refurbishment.

Out of the investment in hotel refurbishment, a majority of capital was debt funded with a view to enhancing returns. While the financing cost of foreign currency denominated debt was lower, such borrowings were intentionally

Rupee denominated to avoid creating exposure to exchange rates fluctuations and were considered only to the extent where there was a 'natural hedge'.

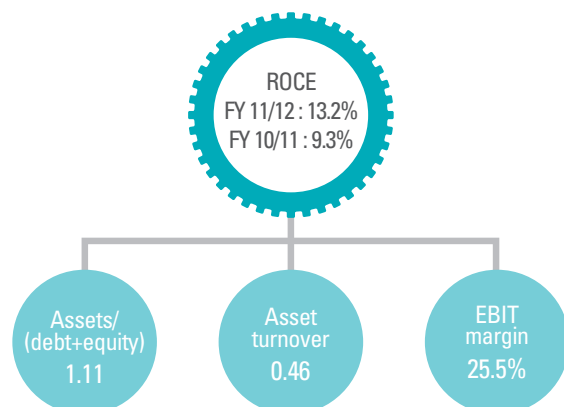
The reduction of the tax rate on profit from operations from 15 per cent to 12 per cent with effect from 1st April 2011 had a positive impact on the bottom line of Sri Lankan Resorts and Cinnamon Lakeside.

In the Maldives, a business profit tax of 15 per cent was introduced during the year which affected all three resorts within the sector. Further, effective from September 2011, the Goods & Services tax was increased from 3.5 per cent to 6 per cent.



### Return on capital employed

ROCE increased to 13.2 per cent as against 9.3 per cent mainly on account of the growth in EBIT margins. All the sectors saw an increase in EBIT margins. The asset turnover increased only marginally from 0.42 to 0.46 as a result of relatively lower revenue growth due to closure of some hotels for refurbishment.



Waste management systems are being gradually improved across the hotel properties under the tenets of 'Reduce, Reuse and Recycle'. The Leisure industry group as a whole recycled 41 per cent of its waste generated using methods such as composting, manufacture of by-products and recovery

### Outlook

If Sri Lanka's anticipated arrival target of 2.5 million tourists by 2016 is achieved, there will be a shortage of room inventory in the medium to long term. With both hotels in the city and most of our Sri Lankan resorts hotels having undergone refurbishments in the recent past, our properties are well placed to benefit from an upsurge in arrivals.

All sectors will be investing further in training and developing their human resources and further extending their IT advantage by unifying systems and processes and by enhancing our web presence. All businesses will continue to embark on energy saving initiatives and green practices to reduce their carbon foot print.

A soft refurbishment of rooms at Chaaya Island Dhonveli is being planned for 2012. Chaaya Citadel will undergo refurbishment and will be re-opened in November 2012.

The volatility in exchange rates will have a direct impact on revenues since contracts are entered into in US dollars. The movements will be continuously monitored and proactive risk mitigation strategies will continue

to be adopted. The increase in interest rates in Sri Lanka will result in increased financing cost for the Sri Lankan resorts since recent refurbishments were financed through Rupee denominated debt.

The Maldivian Resorts sector will continue to actively market the resorts in the traditional European markets and the newly emerging Chinese market and focus on developing selected market segments such as surfers, divers and honeymooners. The Goods & Services tax which is currently 6 per cent, is likely to be increased to 8 per cent.

With the growth of the tourism sector in Sri Lanka, the inbound tour operation industry has seen a number of new entrants. Thus, in order to further differentiate itself, the group's Destination Management sector plans to introduce novel concepts such as offering unique experiences for visitors including the 'Live like a local' concept with community participation and introducing a 'green vehicle' fleet using hybrid cars for tourist transport.

The outlook for Hotel Management continues to be positive, with the portfolio of hotels under management expected to increase with the addition of Chaaya Bey in August 2012, and other new



hotel ventures. The strategy will be to expand the inventory of hotels under management, not necessarily owned by the Group.

The Leisure group is committed to sustainable tourism and will continue to improve our processes and strive to reduce our impact on the environment and community we operate in through ongoing efficiency improvement initiatives and by obtaining of certifications such as Green Globe and ISO 18000.

### Convergence to IFRS

An industry group wide analysis was conducted to ascertain the impact of adopting IFRS guidelines on future financial reporting. This study identified a few areas where corrective actions, amended processes and disclosure requirements were required. Some of the specific aspects which were identified included inter-company borrowings, provision of financial guarantees, recognition of tour income and accounting for complementary offers. However, it is expected that there will not be a material impact on the businesses with the adoption of IFRS.

# Property

> Property Development

> Real Estate



Construction of 'The Emperor' apartment project was completed during the year

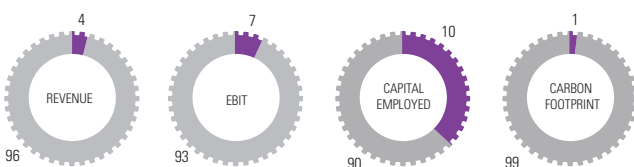
## Vision and scope

Owning a significant land bank in prime areas of Colombo, the Property industry group is one of the largest private sector proprietors of real estate in Colombo.

The Property Development sector concentrates primarily on development and sale of residential apartments such as the ongoing 'OnThree20' project. This sector includes Asian Hotels and Properties PLC – the developers of 'The Crescat Residencies', 'The Monarch', the newly completed 35-story luxury apartment complex 'The Emperor' and the up-market shopping mall 'The Crescat Boulevard'.

Management and operation of office sites within the city are handled under the Real Estate arm.

## Contribution to JKH Group



## Key indicators

(Rs. million)	2011/12	2010/11	Chg %	2009/10
Revenue	3,790	2,494	52.0%	1,620
EBIT	1,014	851	19.2%	388
PBT	975	831	17.3%	378
PAT	930	780	19.2%	342
Total assets	10,354	8,671	19.4%	6,986
Total equity	8,961	7,856	14.1%	6,119
Total debt	990	(125)	(894.3%)	14
Capital employed	9,951	7,732	28.7%	6,134
No. of employees	99	99	0.0%	104
EBIT per employee	10.2	8.6	19.2%	3.7
Carbon footprint (MT)	1,449	2,407	(39.8%)	N/A

## Sector highlights

	Property Development	Real Estate
The businesses within the sector	Development and sale of residential apartments Owning and operating the Crescat Boulevard mall	Renting of the commercial office sites and the management of the Group's real estate within the city.
Revenue and growth	Rs. 3.76 billion, growth of 54%	Rs. 34 million, reduction of 31%
EBIT and growth	Rs. 912 million, growth of 17% Fair value gain on revaluation of the Crescat Boulevard of Rs. 207 million	Rs. 102 million, growth of 43%
Carbon footprint	1,353 MT	95 MT
Key developments during the year	<ul style="list-style-type: none"> <li>• Completion and handing over of 'The Emperor' apartment units to the owners</li> <li>• Acquisition of a 6 acre land in Ja-ela for development of a retail mall</li> <li>• Construction work on the new 475 unit 'OnThree20' apartment complex is progressing as per schedule</li> <li>• Entered into a joint venture to construct a luxury residential apartment project in Colombo</li> </ul>	<ul style="list-style-type: none"> <li>• Upward revision of rental rates and achievement of over 90 per cent occupancy across the sites</li> </ul>
Key external/internal variables affecting business	<ul style="list-style-type: none"> <li>• Interest shown by many regional and international players reflecting the industry growth potential</li> <li>• Government progressively making available the land bank for commercial development in and outside Colombo</li> <li>• Increase in overall construction costs as a result of higher cost of construction materials, devaluation of the Rupee and the increase in borrowing costs</li> </ul>	<ul style="list-style-type: none"> <li>• Value of real estate which remained static for a few years has moved up in the backdrop of overall economic development</li> <li>• General improvement in the economy has seen a surge in the demand for quality office space</li> </ul>

## Integrated operational review and discussion

During the year, construction of 'The Emperor' residential apartment project was successfully completed. Out of the 163 units, 160 units were fully paid for, whilst 112 units were handed over to the respective owners as at the end of the financial year. The development work of 'OnThree20' is on course with the completion of piling and substructure work and construction work on the towers has already commenced. Approximately 70 per cent out of the 475 residential units were sold as at 31st March 2012. The Property Development sector also commenced the development of a

140,000 square foot retail mall in Ja-ela, a densely populated suburb of Colombo.

Having achieved higher footfall subsequent to the partial refurbishment and higher demand for space, the Crescat Boulevard saw its occupancy increasing to 98 per cent. Growth in tourist arrivals and its location within 'Crescat City' augurs well for the future of the mall.

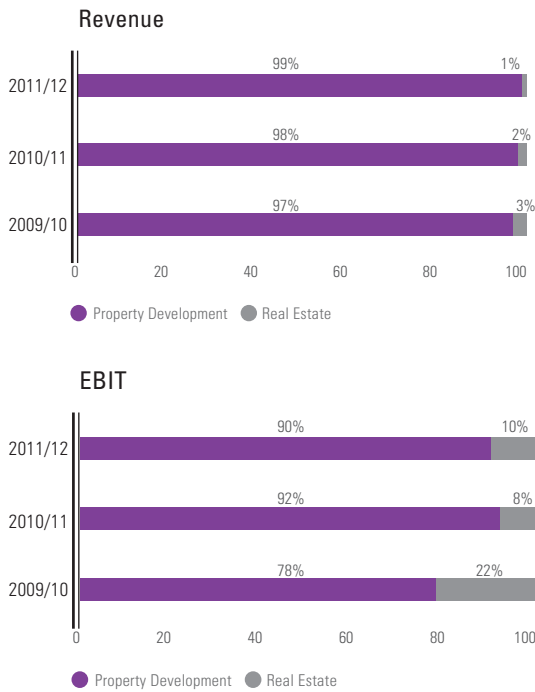
The Carbon footprint of the Property group was 1,449 MT, a reduction of 40 per cent from the

previous year as a result of the decreased electricity consumption due to the partial closure of the Crescat Boulevard for refurbishment and the continuing energy conservation methods employed. During the year, no occupational health and safety incidents were reported involving our own workforce, either at construction sites or at Real Estate properties. The Property group increased its focus on health and safety and provided employees with required training with an average of 11.5 hours of training per employee.

## Financial review

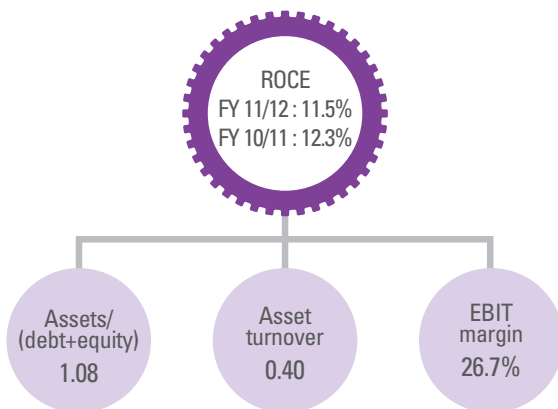
The Property industry group witnessed significant growth during the year with revenues growing by 52 per cent to Rs. 3.79 billion [2010/11: Rs. 2.49 billion], primarily due to the revenue recognition of both 'The Emperor' and 'OnThree20' projects. EBIT increased by 19 per cent to Rs. 1.01 billion [2010/11: Rs. 851 million] due to the aforesaid revenue recognition cycles.

## Property



### Return on capital employed

- ROCE marginally reduced to 11.5 per cent as against 12.3 per cent in the previous year.
- EBIT margins reduced to 26.7 per cent from 34.1 per cent as the margins of the 'OnThree20' are relatively lower than the high end 'The Emperor' project.



“The Property Development sector will continue to work on revenue maximisation by way of optimising space utilisation and effective pricing”

### Outlook

Despite the short term pressure on account of the currency depreciation and interest rate hikes, the Property group is positive about the future and is working towards the successful completion of the projects in the pipeline. Accordingly, Property is continuously striving towards identifying and executing projects which yield superior returns and also taking necessary steps towards realising a 'first mover' advantage, a critical component in acquiring lands with strategic development potential. Property will also develop and expand opportunities in the retail shopping space in the growing suburbs of Colombo, making use of the favourable shifts in socio-cultural behaviors of the fast growing urban population. The cornerstone of these developments will be the continuous focus on driving efficiencies and managing costs.

Considering the growth in the rental market, population growth, changing lifestyles and affordability, the housing market is shifting towards a rapid growth phase. Therefore, the Property Development sector will continue to work on revenue maximisation by way of optimising space utilisation and effective pricing to capitalise on these market dynamics.

Whilst striving to achieve our financial and operational goals, the Property group has various plans in place to continue implementing energy conservation initiatives and to create awareness of the importance of energy conservation, encapsulating our 'Purpose Driven' approach towards meeting all our stakeholder needs.

### Convergence to IFRS

The most significant impact on the adherence to International Financial Reporting Standards (IFRS) is the treatment for revenue recognition of the property development business, where it is required to recognise the apartment sale revenue only upon the completion of the construction. However, the Institute of Chartered Accountants of Sri Lanka has deferred the adoption of this standard till 2015 and revenue recognition will continue on the current basis. The impact on revenue recognition of the Real Estate sector will be minimal as the current accounting treatment is in line with IFRS.

# Consumer Foods & Retail

> Consumer Foods

> Retail



The newly installed machine for impulse frozen confectionary range

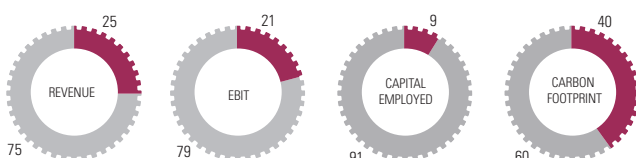
## Vision and scope

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

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

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

## Contribution to JKH Group



## Key indicators

(Rs. million)	2011/12	2010/11	Chg %	2009/10
Revenue	22,022	18,358	20.0%	15,843
EBIT	2,827	683	313.8%	420
PBT	2,736	579	372.8%	288
PAT	2,375	230	932.4%	88
Total assets	12,688	10,259	23.7%	7,025
Total equity	7,892	5,055	56.1%	3,181
Total debt	1,167	1,919	(39.1)%	816
Capital employed	9,060	6,973	29.9%	3,997
No. of employees	3,147	3,029	3.9%	2,878
EBIT per employee	0.9	0.2	298.3%	0.1
Carbon footprint (MT)	29,477	21,938	34.4%	N/A

## Consumer Foods & Retail

### Sector highlights

	Consumer Foods	Retail
The businesses within the sector	Ceylon Cold Stores (CCS) – produces and markets a portfolio of carbonated soft drinks under the 'Elephant House' and 'KIK' brand, an energy drink under the 'Wild Elephant' brand and 'Elephant House' brand ice creams and related frozen confectionary products Keells Food Products (KFP) – produces and markets a range of processed meat products under the 'Keells' and 'Krest' brands	JayKay Marketing Services (JMSL) – operates the 'Keells Super' chain of modern retail outlets Nexus Network – operates the Nexus loyalty programme in collaboration with Nations Trust Bank (NTB)
Revenue & growth	Rs. 10.16 billion, growth of 25%	Rs. 11.86 billion, growth of 16%
EBIT & growth	Rs. 2.72 billion, growth of 324%	Rs. 106 million, growth of 156%
Carbon footprint	13,293 MT	16,184 MT
Key developments during the year	<ul style="list-style-type: none"> <li>Commissioned a dedicated full bottle storage facility for soft drinks</li> <li>Augmented the ice cream processing capacity by investing in machinery</li> <li>Re-launched Elephant House Lemonade</li> <li>Introduced two new ice cream flavours</li> <li>Launched KIK Light</li> <li>KFP introduced three new sausage variants</li> </ul>	<ul style="list-style-type: none"> <li>Opened 2 outlets in Rajagiriya and Kalubowila</li> <li>Private label products under the 'KChoice' brand expanded to cover 100 categories</li> <li>Opened two new 'Keko' departmental stores</li> <li>Cardholder base of Nexus grew by 50 % during the year</li> </ul>
Key external/internal variables affecting the businesses	<ul style="list-style-type: none"> <li>Increase in raw material inputs as a result of the depreciation of the Rupee and taxes</li> <li>Growth in per capita income, although disposable income may reduce in the shorter term with increasing inflation</li> <li>Weather conditions</li> <li>Growth in tourism</li> </ul>	<ul style="list-style-type: none"> <li>Growth in per capita income will have a positive long term impact on modern retailing</li> <li>Higher inflation through depreciation of the Rupee and other factors can impact discretionary spending in the short term</li> </ul>

### Integrated operational review and discussion

Driven by a growth in volumes, the Beverage, Frozen Confectionary and Convenience Foods segments continued to perform exceptionally well in the year under review. The Frozen Confectionary segment recorded an above average growth while the Beverage and Convenience Foods segments enjoyed growth in line with the market. The Retail sector also witnessed an improved performance driven by higher basket values, footfalls and better margins.

A new full bottle storage facility for soft drinks was commissioned during the year at a cost of Rs.

175 million. Located in close proximity to the current production facility, the warehouse overcame bottlenecks in storage of finished goods as a result of the increase in production at the factory.

Signifying the trust and loyalty to the brand, 'Elephant House' Cream Soda won the 'People's most popular FMCG Beverage Brand' award for the 6th consecutive year at the People's Awards, jointly organised by Sri Lanka Institute of Marketing (SLIM) and The Neilsen company. A further affirmation of the 'Elephant House' brand was the inclusion of Ceylon Cold Stores PLC as the 7th 'Most Respected Business Entity' in 2011 as selected by LMD.

Continuing with the revitalisation strategy of the 'Elephant House' brand, a new shape and design of the 400 ml returnable glass bottle was introduced in April 2011. This new design will be progressively rolled out across the range of returnable glass bottles. Based on consumer research, Elephant House Lemonade was re-launched with a refreshing taste and in the new bottle. 'KIK' cola, which was introduced last year, consolidated its position in the cola segment and managed to gain market share even with the presence of leading international cola brands in the market. Furthermore, 'KIK light' was launched to address the growing demand from the lifestyle conscious consumer segment.

An investment of Rs. 200 million was made to augment the existing ice cream processing capacity with the purchase of machinery and extension of factory space to cater to increased volumes. Two new premium ice cream flavours, Butter Crunch and French Vanilla were launched during the year, with the latter flavour being produced using extracts from locally grown vanilla seeds. Whilst extending its dominant position in the Sri Lankan market, 'Elephant House' ice creams continued to enjoy over 50 per cent market share in the Maldives. During the year, Kuwait became the second international destination the brand has ventured into.

The one for ten rights issue of Ceylon Cold Stores (CCS) was successfully concluded in July 2011 with the company raising Rs. 648 million by issuing 2,160,000 shares at Rs. 300 per share. The proceeds were used mainly to infuse equity into Jaykay Marketing Services (JMSL) to support its expansion and additional working capital requirements and to partly fund the capital expenditure requirement of CCS.

In the Convenience Foods segment, Keells Foods (KFP) introduced three new innovative sausage variants – Cheesy Bites, Spicy Bites and Power Snack.

The Keells Super website - [www.keellssuper.com](http://www.keellssuper.com) which was launched in 2002 is the first and only on-line supermarket in Sri Lanka. Following on from the success of this site, Keells Super has now expanded its web presence into social media networks such as Facebook, Youtube and Twitter.

In order to promote the Nexus loyalty programme several initiatives such as the launching of special offers for Nexus card holders, a focussed advertising campaign and a revamp of the Nexus website were undertaken during the year. These initiatives resulted in the number of Nexus card holders increasing by 50 per cent during the year.

The recent hike in electricity tariffs and fuel prices and the sharp depreciation of the Rupee have had a direct negative impact on the financial performance of the businesses of CF&R. The increase in electricity and fuel costs will raise the manufacturing and distribution costs of the Consumer Foods businesses and impact the operating costs of supermarket outlets, where electricity consumption is significant. The depreciation of the Rupee has



**CCS launched 'KIK Light' for the lifestyle conscious consumer segment**

impacted the cost of imported raw materials such as sugar used in the manufacture of soft drinks and ice creams, and casings used in the manufacture of sausages. The businesses are taking mitigatory action wherever possible and feasible, to reduce the negative effect of these impacts through measures such as hedging the prices of imported raw materials, entering into forward contracts and installing energy efficient equipment and lighting. In order to sustain margins, steps will be taken to increase the prices of products wherever production costs have increased, giving due consideration to the price elasticity of demand and increase in per capita incomes.

In keeping with its commitment to protect and enhance the environment, Keells Super partnered and initiated a project to encourage its customers to recycle their used plastic containers. This initiative, which is an 'industry first' in Sri Lanka, commenced at its outlet in Union Place, Colombo where collection bins were made available to drop off plastic bottles, which are subsequently sent to a recycling facility. Keells Super consistently has given leadership and taken concrete action to create environmental awareness and to support conservation. Prior to this latest initiative, it has set other industry first's, such as introducing a reusable cloth shopping bag and the promotion of cardboard boxes to carry customers' purchases.

The carbon footprint of the Consumer Foods & Retail industry group was 29,477 metric tons, up by 34 per cent from the previous year attributable to the increased operational activity at CCS and KFP as well as the opening of two new supermarket outlets. CF&R consumed 38 million kWh of electricity during the year, up by 31 per cent compared to the previous year. The carbon foot print per liter of carbonated soft drinks and ice creams produced by CCS was 0.11 kg. KFP recorded a carbon foot print of 0.56 kg per kilogram of processed meat manufactured. JMSL has a carbon foot print of 50.39 kg per square foot of retail space.

As expected, CCS, which produces carbonated soft drinks, is the single largest consumer of water within the Group, drawing 5.86 liters of water per liter of carbonated soft drinks produced. The entire industry group withdrew 0.7 million cubic meters of water from the ground and pipe borne water. As part of its ongoing

commitment to the community, CCS provides free water to several households in the vicinity of its factory, the quantity of which is also included in the above mentioned water consumption figures.

Waste management in the industry group comprises mainly of recycling, reuse, incineration as per regulatory guidelines and through landfill carried out by the respective local authorities. The industry group recycles / reuses 34 per cent of the waste it generates.

The Consumer Foods & Retail industry group provides employment to approximately 3,000 employees. Consumer Foods provided training of an average of 3.32 hours per employee, while Retail carried out an average of 97 hours of training per employee.

In keeping with our sustainable sourcing drive, CF&R engages approximately 11,000 local community farmers who cultivate vegetables, spices and other raw

**Most of the low country and up country vegetables sold at our retail chain Keells Super, are sourced from farming families in Thambuttegama (North Central Province), Suriyawewa (Southern Province) and Nuwara Eliya (Central Province), benefitting hundreds of farmer families**



## Consumer Foods & Retail

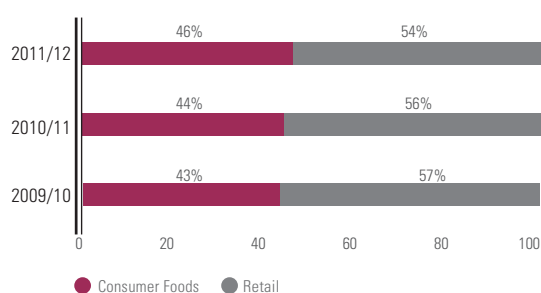
material such as ginger, cashew, treacle and vanilla required for the manufacturing process.

### Financial review

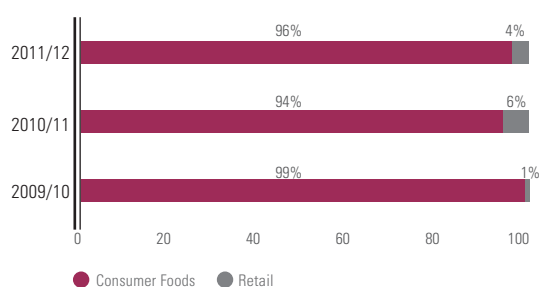
Revenue of the industry group increased by 20 per cent to Rs. 22.02 billion [2010/11: Rs. 18.36 billion] with the Consumer Foods and the Retail sector's recording a growth of 25 per cent and 16 per cent respectively. The growth in the Consumer Foods sector was primarily driven by volume increases in soft drinks and ice creams, while the revenue growth in Retail was mainly due to higher footfalls.

The EBIT of the industry group increased to Rs. 2.83 billion [2010/11: Rs. 683 million] primarily as a result of the significant growth in revenue and EBIT margins of CCS, JMSL and the contribution from the fair value gain of Rs. 1.11 billion arising from the revaluation of investment property of CCS. Excluding this fair value gain, the EBIT of the industry group was Rs. 1.72 billion which is a 152 per cent increase from the previous year.

#### Revenue



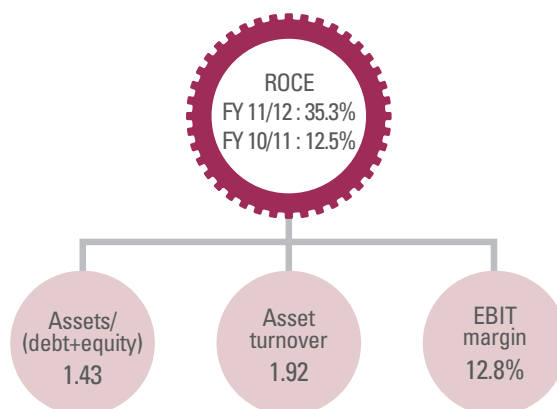
#### EBIT



### Return on capital employed

The ROCE increased to 35.3 per cent against 12.5 per cent in the previous year.

This increase in ROCE was mainly due to the increase in EBIT margin to 12.8 per cent as against 3.7 per cent in the previous year. The EBIT margin of CCS and JMSL more than doubled during the year compared to the previous year. The fair value gain on investment property of Rs. 1.11 billion also contributed to increase the EBIT margin. Excluding this gain, the EBIT margin was 7.8 per cent during the year.



### Outlook

Both CCS and KFP expect the growth momentum to continue in all the categories they are presently engaged in. Due to the anticipated growth in demand for ice creams and processed meats, both CCS and KFP intend making significant investments amounting to a total of approximately Rs. 1.5 billion during 2012/13 to expand production and storage capacity. The Beverages business is unlikely to require significant investment as the expansion of capacity recently is expected to cater to market demand in the next few years other than for investment in returnable bottles and crates to cater for growth in volumes.

CCS and KFP are making investments in research and development and will continuously explore the feasibility of introducing new products across all categories.

The Retail sector continues to scout for strategic locations and has identified several sites to have large format stores and malls. It will also seek to introduce the Keko departmental stores at appropriate locations. As part of the continuous drive to manage working capital and increase internal efficiencies, Retail will continue to focus on better inventory management to reduce the stock holding days.

The 'KZone' mall, opened last year at Moratuwa, has seen encouraging results and the sector is now keen to expand this concept with stores of a similar format. As part of this strategy, plans are being finalised to develop a similar mall at the Kapuwatte site in Ja-Ela, which was acquired last year.

Based on the success of the plastic bottle recycling pilot project launched at the Union Place outlet, Keells Super will be rolling this out to other outlets of the supermarket chain.

### Convergence to IFRS

CF&R does not have any material impact arising from the adoption of IFRS from 2012/13. However, in the identification process, a few areas were highlighted such as revenue recognition of loyalty points awarded and recognising inbuilt incentives in operating leases, where a different accounting basis will need to be considered to fall in line with the IFRS guidelines. These impacts are not material in the context of the businesses.

# Financial Services

- > Insurance
- > Banking & Leasing
- > Stock Broking

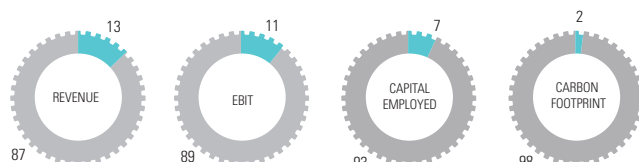


Launched Union Family Health Net, providing comprehensive surgical and hospitalisation insurance cover, during the year

## Vision and scope

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

## Contribution to JKH Group



## Key indicators

(Rs. million)	2011/12	2010/11	Chg %	2009/10
Revenue <sup>1</sup>	10,909	9,501	14.8%	9,435
EBIT	1,433	1,313	9.1%	848
PBT	1,429	1,333	7.1%	868
PAT	1,108	860	28.8%	530
Total assets	26,805	23,961	11.9%	21,461
Total equity	6,782	6,287	7.9%	6,270
Total debt	328	103	217.0%	126
Capital employed <sup>2</sup>	7,110	6,390	11.3%	6,396
No. of employees <sup>3</sup>	1,047	1,121	(6.6)%	996
EBIT per employee <sup>3</sup>	1.4	1.2	16.8%	0.9
Carbon footprint (MT) <sup>4</sup>	1,610	1,412	14.0%	N/A

<sup>1</sup> Revenue is inclusive of the Group's share of associate company revenue

<sup>2</sup> For associate companies the capital employed is representative of the Group's equity investment in these companies

<sup>3</sup> No of employees and EBIT per employee are excluding the employees of associate companies

<sup>4</sup> Carbon footprint is calculated excluding associate companies

## Financial Services

### Sector highlights

	Insurance	Banking & Leasing	Stock Broking
The businesses within the sector	Union Assurance (UA) offers comprehensive insurance solutions in general and life insurance segments	Nations Trust Bank (NTB) offers complete banking solutions through its network of branches for corporate, retail and SME clients and is the franchise holder for American Express credit cards in Sri Lanka. Nations Leasing is the leasing arm of NTB	John Keells Stock Brokers (JKSB) is one of the leading stockbroking companies in Sri Lanka and has a number of trading tie ups with leading foreign securities houses
Revenue and growth	Rs. 7.63 billion, growth of 27%	Rs. 2.98 billion, decrease of 1%	Rs. 307 million, decrease of 36%
EBIT and growth	Rs. 596 million, growth of 54%	Rs. 661 million, growth of 9%	Rs. 176 million a decrease of 45%
Carbon footprint	1,548 MT	Not within the boundary of sustainability reporting	62 MT
Key developments during the year	<ul style="list-style-type: none"> <li>• Successfully re-launched 'Union Advantage' a health related insurance rider</li> <li>• Implemented a claims tracking system to monitor and manage selected classes of non-motor claims</li> <li>• Re-launched e-based motor insurance solution with enhanced features/functionality</li> </ul>	<ul style="list-style-type: none"> <li>• 8 new branches were opened during the year which included 5 branches outside the western province</li> <li>• Launch of Nations Car Loans</li> <li>• Launch of Green Lease</li> </ul>	<ul style="list-style-type: none"> <li>• JKSB migrated to Direct FN Platform, a comprehensive trading solution system</li> <li>• Strategic collaboration with CIMB to execute trades and produce co-branded research</li> </ul>
Key external/internal variables affecting business	<ul style="list-style-type: none"> <li>• Rising income levels, availability of unit linked products and increased awareness are likely to increase the demand for life insurance</li> <li>• New business generated mainly through the increased registration of vehicles was mainly captured by the new entrants rather than incumbent insurers</li> <li>• Changes in regulation leading to the separation of general and life insurance divisions</li> </ul>	<ul style="list-style-type: none"> <li>• The interest rate cap on credit cards which came into full force during the year had a negative impact on net interest margins</li> <li>• With the post war economic development, rapid expansion of the branch network primarily outside the western province</li> <li>• During the year, interest margins were under pressure as a result of lower lending rates whilst funding costs trended upwards due to increased competition for deposits</li> <li>• Directive issued by the Central Bank, requesting Commercial banks to ensure the overall credit growth in 2012 will not exceed 18% of banks' loan book outstanding at the end of 2011</li> <li>• Credit growth of up to 23% will be allowed for those banks, which finance the excess of up to 5% of the credit growth from funds mobilised from overseas</li> </ul>	<ul style="list-style-type: none"> <li>• Modest performance of the Colombo Stock Exchange impacted the performance of JKSB</li> <li>• New regulations issued by the Securities &amp; Exchange Commission pertaining to broker credit</li> </ul>

## Integrated operational review and discussion

General insurance gross written premiums of Union Assurance (UA) grew by 16 per cent from Rs. 3.70 billion to Rs. 4.30 billion with most classes of general insurance business contributing to growth, while both the retail and corporate distribution channels expanded their business volumes. Life business maintained its growth momentum, reporting an impressive growth rate of 29 per cent. Based on an independent actuarial valuation, Rs. 429 million was transferred as surplus from the life fund which was 32 per cent higher than the surplus recorded in the year 2010. The drop in interest rates as well as the negative fluctuation of market prices of equity investments resulted in a 27 per cent decrease in investment income in 2011. Union Assurance was awarded the Gold Award in the insurance sector and the award for Excellence in Performance Management Practices at National Business Excellence Awards conducted by National Chamber of Commerce of Sri Lanka in recognition of its consistently improving service standards and staff management practices.

Nations Trust Bank (NTB) reported a growth in deposits and advances of 38 per cent and 39 per cent respectively, outpacing the growth of the market. A sound risk management framework alongside favourable economic conditions resulted in the bank recording a healthy reduction in the non-performing loan ratio (NPL) to 2.8 per cent for 2011 compared to 4.8 per cent reported in the previous year. The bank witnessed narrowing net interest margins during the year, and in response, to this the asset mix was shifted to high yielding assets, softening the impact of falling margins. NTB was the recipient of many awards during the financial year 2011 including the Joint Runner-Up award in the Banking sector

for National Business Excellence and also the Most Innovative Bank Award presented by World Finance.

Remittances through the banks' channels grew during the year. With a view to providing more effective remittance channels, the Bank entered into various partnerships with global brands. In 2011, the pawning portfolio of the bank grew by Rs. 200 million a year on year growth of 80 per cent off a low base. Nevertheless, the pawning business is under constant review due to recent volatility in gold prices. American Express credit cards entered into agreements with several leading companies in the leisure, food and beverage industries to offer a variety of benefits to regular card users with the intention of enhancing its share of the credit card market. The bank undertook several initiatives on productivity and efficiency improvement to put in place a well-structured reporting and monitoring process.

The JKH Group currently holds 29.9 per cent in Nations Trust Bank PLC. The Monetary Board has directed that the Group reduces its share holdings in NTB to 15 per cent or below, on or before the 23rd of April 2012. JKH has written to the Central Bank requesting an extension of the deadline and a formal response is awaited.

## Life business of Union Assurance recorded a growth of

# 29%



**JKSB entered into a strategic collaboration with CIMB to execute trades and produce co-branded research**

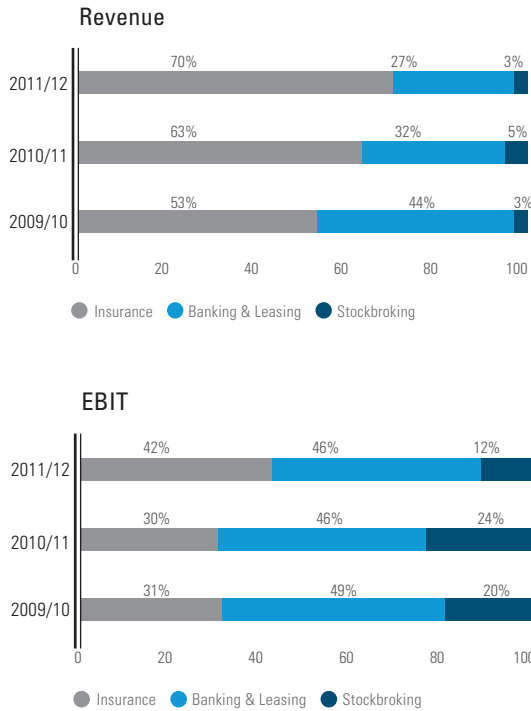
John Keells Stock Brokers (JKSB) was affected by the performance of the Colombo Stock Exchange where the benchmark All Share Price Index (ASPI) declined by 25 per cent over the last financial year and the Milanka Price Index (MPI) declined by 29 per cent, giving back some of the gains made after the end of the conflict. Trading volume was significantly lower than the previous year. JKSB however recorded a healthy improvement in market share with strong growth in the foreign segment. The company's distribution in the foreign segment was strengthened in early 2012 with a tie-up with CIMB, a leading financial services group in the South East Asian region with an enhanced regional foot print. This partnership also involves the distribution of co-branded research to the CIMB clientele. JKSB implemented the Direct FN trading platform during the year. In addition to the standard online trading facility, the system is equipped with several other capabilities such as back office functions, risk management, investor account maintenance and broker front end, platforms which will be implemented in a phased out manner in line with the road map of the Colombo Stock Exchange.

The carbon footprint of the Financial Services industry group was 1,610 MT for the year which was a 14 per cent increase in comparison to the previous year. This translates to 15.32 kg of carbon emissions per 100 employees. The electricity consumption was 2.1 million kWh which was only a 1.91 per cent increase compared to the previous year. Being a financial service oriented business largely having office based operations, the Financial Services industry group consumed 19,782 cubic meters of water. The industry group provides employment to over 1,000 staff. In addition, Unions Assurance has also engaged over 5,000 insurance agents across the country. The Financial Services group provided an average of 22 hours of training per employee during the year.

## Financial review

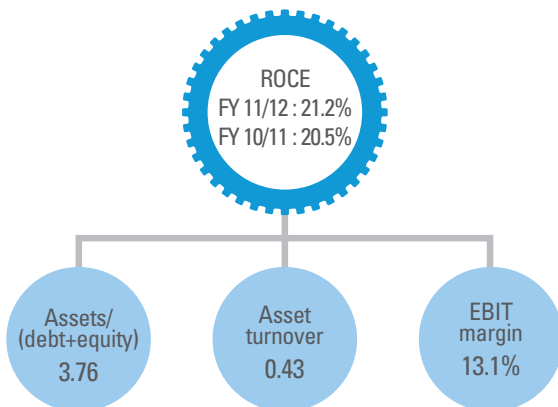
The revenue of the industry group increased by 22 per cent to Rs. 7.93 billion [2010/11: Rs. 6.48 billion] with a significant contribution coming from Union Assurance. Revenue, inclusive of associate company revenue, increased by 15 per cent to Rs. 10.91 billion [2010/11: Rs. 9.50 billion]. EBIT increased by 9 per cent to Rs. 1.43 billion [2010/11: Rs. 1.31 billion].

## Financial Services



## Return on capital employed

- ROCE increased to 21.2 per cent against 20.5 per cent in the last year.
- EBIT margins fell to 13.1 per cent from 13.8 per cent during the last year. The banking sector saw a decrease in net interest income and an increase in the cost-income ratio, which drove EBIT margins lower. The Stock Broking segment’s EBIT margins fell as a result of the capital market taking a bearish turn. The Insurance sector’s EBIT margins fell as a consequence of returns from investments made by the insurance funds generating lower yields due to lower interest rates and a decline in the value of equity investments.
- Asset turnover marginally improved to 0.43 times from 0.42 times seen last year.



## Outlook

Union Assurance is planning to build scale in a cost effective manner, ensuring fixed costs are minimised through the use of technology and also by engaging a majority of non-permanent sales force. UA will also invest in traditional distribution channels and consolidate its position in the ‘Bancassurance’ distribution space whilst leveraging on IT platforms, organisational structure and other resources as well as through the strength of the brand. The medium term outlook for general insurance remains positive due to the growth prospects in the economy. Insurance rates are expected to harden, as insurers attempt to maintain or grow profitability by focussing on generating positive results from underwriting operations. Relatively low penetration levels, ageing population with retirement and health insurance needs, and growing affluence across most segments of the market are set to make life insurance an attractive business proposition. Opening up of the North and East has renewed economic activity across the country and a general upturn in business confidence will enhance the positive outlook for the sector. This outlook is not negated by the threat of new entrants given the significant under penetration levels, especially in the life insurance segment.

Global and local developments for the banking sector are likely to be challenging in the shorter term with the recently mandated credit ceiling hampering growth prospects of the banking industry. Although economic activity across the country is likely to slow down in the short term, it is envisaged that the domestic economic engine will prove resilient, with growth underpinned by structural factors such as the unlocking of previously war-torn areas, the rebuilding of infrastructure and rising income levels. Towards unleashing its true

potential, efforts are underway to transform Nations Trust Bank into a nationwide bank while continuing to embrace innovative banking, robust risk management and effective governance.

John Keells Stock Brokers is confident of consolidating its position despite the modest performance of the Colombo Bourse, whilst continuing to strengthen its portfolio of foreign institutional investors. JKSB is also taking necessary steps to introduce and implement the required systems and processes to modernise its operations and prepare for the implementation of the CSE roadmap.

## Convergence to IFRS

The convergence to International Financial Reporting Standards (IFRS) will not have any material impact on John Keells Stock Brokers. Significant impacts for Union Assurance could arise from the classification and measurement of its investment portfolio either as fair value through profit and loss (FVTPL), available for sale through equity statement (AFS), loans and receivables (LR) or held to maturity (HTM). Significant impacts for NTB could arise from the impairment of its loans and receivables portfolio, whereby, the time based provisioning methodology will be replaced by individually significant loans with objective evidence being individually tested and other loans being collectively tested for impairment. The need to recognise interest income and interest expenses pertaining to longer maturity assets and liabilities on the basis of effective interest rate rather than on straight line basis will also have an impact on UA and NTB.

# Information Technology

- > IT Services
- > Office Automation
- > IT Enabled Services

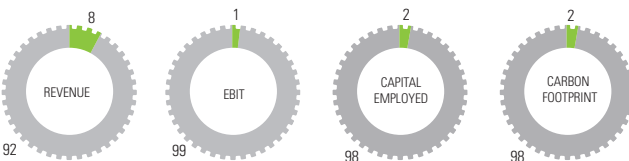


John Keells Office Automation, national distributor for Samsung phones in Sri Lanka, launched the Smart phone showroom in Colombo

## Vision and scope

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

## Contribution to JKH Group



## Key indicators

(Rs. million)	2011/12	2010/11	Chg %	2009/10
Revenue <sup>1</sup>	6,947	4,229	64.3%	2,590
EBIT	182	122	48.6%	16
PBT	134	114	17.3%	14
PAT	64	(22)	390.4%	18
Total assets	3,338	2,419	38.0%	1,736
Total equity	1,871	1,651	13.4%	1,360
Total debt	560	124	352.9%	25
Capital employed <sup>2</sup>	2,432	1,774	37.0%	1,386
No. of employees <sup>3</sup>	1,114	979	13.8%	818
EBIT per employee <sup>3</sup>	0.2	0.1	30.6%	N/A
Carbon footprint (MT) <sup>4</sup>	1,406	614	128.9%	N/A

<sup>1</sup> Revenue is inclusive of the Group's share of associate company revenue

<sup>2</sup> For associate companies the capital employed is representative of the Group's equity investment in these companies

<sup>3</sup> EBIT per employee is calculated excluding the employees of associate companies

<sup>4</sup> Carbon footprint is calculated excluding associate companies

## Sector highlights

	IT Services	Office Automation	IT Enabled Services
The businesses within the sector	Operations of John Keells Computer Services offer software services to a wide range of clients in Sri Lanka and overseas	Operations of John Keells Office Automation, agents for Toshiba office equipment in Sri Lanka command a dominant market position	Business Process Outsourcing (BPO) operations, primarily in the Voice vertical through JK BPO and the Finance & Accounting (F & A) vertical through Quattro Finance & Accounting (QF & A)
	Operation of Information Systems Associates (ISA) in partnership with Air Arabia		Currently operates approximately 1,000 seats with operations in India and the US
	Core focus areas are in development of aviation related software and hotel reservation management systems	National distributor for Samsung mobile phones and other office automation products such as printers and RISO duplicating solutions	Shared service function of the Group as well as for external clientele under InfoMate in the F & A payroll verticals
Revenue and growth	Rs. 469 million, growth of 17%	Rs. 4.45 billion, growth of 73%	Rs. 2.03 billion, growth of 62%
EBIT and growth	Rs. 14 million, growth of 167% from negative Rs. 21 million	Rs. 253 million, growth of 20%	Negative of Rs. 86 million, reduction of 27%
Carbon footprint	296 MT	410 MT	701 MT
Key developments during the year	<ul style="list-style-type: none"> <li>ISA added new customers to its portfolio of low cost carriers in the Middle East and African regions</li> </ul>	<ul style="list-style-type: none"> <li>Samsung mobile handset business achieved a more than five fold improvement in market share in line with the global positioning of the brand</li> </ul>	<ul style="list-style-type: none"> <li>A satellite BPO initiated in Seenigama, the second under the rural BPO concept pioneered by Infomate</li> <li>BPO business in India acquired a number of high profile customers mainly from USA and Canada</li> </ul>
Key external/internal variables affecting business	<ul style="list-style-type: none"> <li>Global distress among key aviation clients caused some set-backs</li> <li>Growth of the tourism industry in Sri Lanka propelled the fully web-based Zhara Hospitality Suite to gain increasing acceptance among start-ups and newly refurbished properties</li> </ul>	<ul style="list-style-type: none"> <li>Sharp depreciation of the Sri Lankan Rupee in the second half of the year dampened demand</li> <li>Policy initiatives to increase ICT penetration locally as well as boosting the IT/ITES export industry with particular emphasis on mobile applications lead to greater demand for laptops and other mobile devices</li> </ul>	<ul style="list-style-type: none"> <li>Sri Lanka's large pool of qualified accountants and the country's target to achieve US \$ 1 billion in ICT exports is contributing to the growth of Sri Lankan BPO operations</li> <li>John Keells BPO Solutions India is well positioned to participate in India's enhanced share of 58 per cent in the global outsourcing market share</li> </ul>

Note: ICT - Information and Communication Technology; IT - Information Technology; ITES - Information Technology Enabled Services

## Integrated operational review and discussion

The Software Services business continued to grow above industry rates with new customer acquisitions in geographies such as Scandinavia and Australasia, along with the repeat business from long-standing customers in the traditional Middle Eastern markets. During the year, new low cost carriers were added to the customer portfolio from the traditional Middle Eastern market as well as from the African market. With the inclusion of these new

entrants, the flagship online reservation system 'Accelaero' now supports approximately 10 million passenger bookings worldwide annually.

Continued growth in the tourism industry in Sri Lanka propelled the fully web-enabled 'Zhara Hospitality Suite' to gain increasing acceptance among start-ups and newly refurbished properties throughout the country. Plans are afoot to step up marketing efforts targeting emerging regional tourist

destinations. The cost-effective Software-as-a-Service (SaaS) based pricing model, coupled with the rapid spread of reliable internet access and connectivity is expected to further boost the prospects of this product in the future.

John Keells Office Automation (JKOA) witnessed substantial growth in both of its business lines - Office Automation and Samsung mobile phones. The depreciation of the Rupee led to the erosion of margins and signs of dampened

demand were visible towards the latter part of the year. Amongst the office automation products, the traditional Toshiba copier business maintained its dominant market position amidst the competition faced from rising parallel imports and increased competition in the lucrative consumables market arising from the availability of compatibles. Toshiba laptops enjoyed a rapid volume growth with a competitively priced new product offering targeted at the growing home and small business markets. The island-wide service capability of the Office Automation



**The flagship online reservation system 'Accelaero' annually supports 10 million passenger bookings worldwide**

business was one of the key enablers of winning the trust of the customers and attracting repeat customers. The Samsung mobile national distributorship, which was acquired by JKOA two years ago, has been making rapid progress. The smart phone segment in particular achieved excellent results in line with the global performance of the segment.

Infomate, the Sri Lankan based business process outsourcing unit which currently caters mainly to the JKH group companies benefitted from the process and productivity enhancement measures introduced during the last year. Infomate recorded improved margins while maintaining competitive pricing to key customers. The company continued to expand its external customer base during the year, with 11 per cent of total revenue being generated by serving third party customers. Infomate was re-certified as ISO 27001 compliant for information security and confidentiality and also embarked on a carbon footprint reduction programme in partnership with the 'Enhancing Environmental Performance in Key Sri Lankan Export Sectors' (EPEX) Project. The rural BPO concept pioneered by the company through its Mahavilachchiya facility has

been taken a step further with its second satellite BPO in Seenigama proving to be another success. The company is exploring the possibility of establishing similar facilities in other areas. Discussions are underway to establish the next satellite facility.

John Keells BPO Solutions launched its brand new, state of the art facility in a special economic zone located in Gurgaon, India in March 2011 to cater to rising demand from its growing customer base. The new site is a 50,000 square foot facility with 750 agent seats and is equipped with the latest technology from Cisco, Aspect, NICE, Microsoft and Dell to support the global client base made up of market leaders across a wide range of industries. This facility is envisioned to consolidate the position of the Indian BPO operation fuelled by the favourable industry landscape prevalent in India.

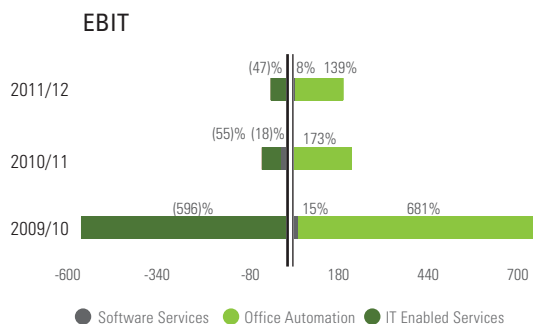
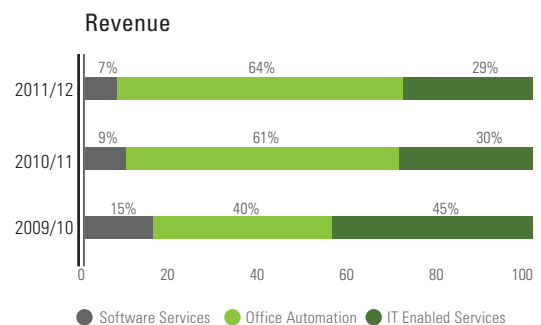
The carbon footprint of the IT group was 1,406 MT up from 614 MT primarily as a result of the increased volume of operations in Business Process Outsourcing (BPO). The electricity consumption correspondingly increased to 1.75 million kWh from 0.9 million kWh in the previous year. The IT group continues to make a difference by employing and training rural youth in the villages of Mahavilachchiya and Seenigama where BPO centers have been setup providing necessary infrastructure and technical support, creating livelihoods and endowing these youth with technical knowledge and experience.

**A satellite BPO was initiated in Seenigama, the second under the rural BPO concept pioneered by Infomate**



**Financial review**

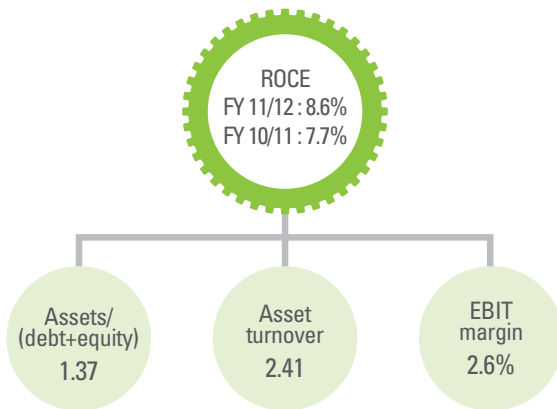
The Information Technology industry group recorded a substantial 91 per cent growth in revenues to Rs. 5.93 billion [2010/11: Rs. 3.11 billion]. Revenue was driven largely by growth in sales in the Office Automation sector which contributed 75 per cent to the IT group's topline. Revenue, inclusive of associate company revenue, increased by 64 per cent to Rs. 6.95 billion [2010/11: Rs. 4.23 billion]. EBIT increased by 49 per cent to Rs. 182 million [2010/11: Rs. 122 million] continuing the growth momentum of the business which was also primarily driven by Office Automation.



## Information Technology

### Return on capital employed

- ROCE increased to 8.6 per cent as against 7.7 per cent in the previous year.
- EBIT margins reduced marginally to 2.6 per cent as against 2.9 per cent recorded in the previous year largely as a result of the revenue growth emanating from the relatively lower margin Samsung mobile phone business.
- Asset utilisation improved during the year to 2.41 from 2.04.



### Outlook

As a result of the intense competition for scarce skilled resources as well as competition to grasp the opportunities presented in the post-war scenario, several industry and policy level initiatives have been implemented, particularly in the form of fiscal incentives to enhance the competitive advantage of the IT services business.

The depreciation of the Sri Lankan Rupee is expected to dampen demand and would erode margins in many of the office automation business offerings in the first half of the ensuing year with a gradual recovery expected in the second half, as the market adjusts to the new price levels. In the medium

term, it is expected that favourable policy initiatives will give impetus to the IT export industry, with particular emphasis on mobile applications, which will augment the growth of demand for laptops, mobile devices and other office automation products.

Infomate is planning to undertake several initiatives in the coming year, upgrading its IT platform and marketing its services to realise the full potential of the Sri Lankan BPO Industry. Towards this end, road-shows are planned in selected overseas markets in 2012/13 since countries such as Australia and United States have identified Sri Lanka's potential in the sector.

As per the statistics of 'The National Association of Software and Services Companies' of India (Nasscom), India's share in the global outsourcing market has increased from 51 per cent in 2009 to 58 per cent in 2011 with the industry forecasted to grow by an estimated 15 per cent in FY2012. John Keells BPO Solutions is well positioned to participate in this growing market, and is targeting a higher than industry growth in revenue during 2012/13.

### Convergence to IFRS

With the convergence to International Financial Reporting Standards (IFRS), the IT industry group does not foresee any material changes to its financials. Even though the treatment for warranties as per IFRS varies with current treatment, the financials are unlikely to be affected, as the costs arising due to warranty claims are passed on to the respective principals of the products.

# Other Including Plantation Services

- > Plantation Services
- > Other



Dual manufacture of orthodox and CTC teas introduced at the Hingaloda tea factory which is operated by Tea Smallholder Factories

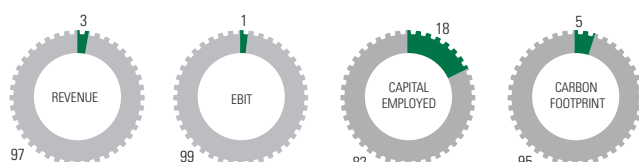
## Vision and scope

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

Tea Smallholder Factories PLC (TSF) is amongst the top manufacturers of orthodox low grown teas and is also recognised as the producer of the best 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. Our warehousing facility is the largest and one of the best state-of-the-art complexes in the country for pre-auction produce.

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

## Contribution to JKH Group



## Key indicators

(Rs. million)	2011/12	2010/11	Chg %	2009/10
Revenue <sup>1</sup>	2,684	3,119	(13.9%)	2,821
EBIT	198	2,716	(92.7%)	2,359
PBT	(7)	2,350	(100.3%)	1,612
PAT	(392)	2,115	(118.5%)	1,320
Total assets	19,159	15,085	27.0%	14,081
Total equity	10,594	7,075	49.7%	2,298
Total debt	7,436	7,025	5.8%	10,133
Capital employed <sup>2</sup>	18,030	14,101	27.9%	12,431
No. of employees <sup>3</sup>	1,112	1,130	(1.6%)	1,227
EBIT per employee <sup>3</sup>	0.2	2.4	(92.6%)	1.9
Carbon footprint (MT) <sup>4</sup>	3,743	3,907	(4.2%)	N/A

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

## Other Including Plantation Services

### Sector highlights

	Plantation Services	Other
The businesses within the sector	John Keells PLC – leading tea and rubber broker	JKH & other businesses
	John Keells Warehousing – operating a state of the art warehouse for pre auction produce	John Keells Capital (JK Capital), a division of JKH, is the private equity arm of the Group
	Tea Smallholder Factories (TSF) – operates 8 tea factories and is a leading manufacturer of low grown teas in the country, especially the CTC variety	The Strategic Group Information Technology (SGIT) division which supports the Group's IT requirements, also provides consulting services to external companies
Revenue & growth	Rs. 2.22 billion, decline of 21%	Revenues from external sources is negligible as there are no significant operating businesses under this segment
EBIT & growth	Rs. 253 million, decline of 42%	Rs. 55 million negative, decline of 102%
Carbon footprint	3,339 MT	404 MT
Key developments during the year	<ul style="list-style-type: none"> <li>• Introduction of dual manufacturing facility in a factory vis-à-vis orthodox and cut tear and curled (CTC) teas</li> <li>• Continued with the pioneering initiative to support tea small holders by providing technical and financial assistance</li> <li>• Tea Smallholder Factories obtained 67% of its energy requirement from renewable sources</li> </ul>	<ul style="list-style-type: none"> <li>• Invested Rs. 1 billion in the Access Engineering Ltd (AEL) private placement.</li> <li>• SGIT appointed first-ever SAP Services partner in Sri Lanka</li> </ul>
Key external/internal variables affecting the businesses	<ul style="list-style-type: none"> <li>• A levy of Rs. 3.50 per kg of tea was imposed at the point of export</li> <li>• Political instability in the Middle East affecting key tea consuming countries</li> <li>• Weather conditions affecting the production of quality green leaf</li> </ul>	<ul style="list-style-type: none"> <li>• Depreciation of the Rupee affecting US dollar denominated borrowings of JKH (company) and Central Hospital (Pvt) Ltd</li> </ul>

### Integrated operational review and discussion

During the year under review, the country's tea industry was affected by the political instability in the Middle East which impacted several key markets such as Syria and Libya, whilst the embargo against Iran, Sri Lanka's second largest destination for Ceylon tea, has directly affected tea exports to the region.

The performance of TSF for the year was impacted by the increase in production costs and in bought leaf costs, compounded by a decrease in prices for manufactured tea. Production

costs increased mainly due to the increase in wage costs post conclusion of the latest collective bargaining agreement, higher fuel costs which increased the transportation costs and the higher electricity costs which increased the manufacturing costs – this in spite of generating a significant portion of the power requirements via renewable sources. The green leaf production in the low grown areas decreased during the year due to unfavourable weather conditions. This intensified competition for quality leaf which resulted in the cost of green leaf increasing over and above the stipulated bought leaf price formula. The average sales price

for low grown teas at the Colombo Tea Auctions witnessed a drop of 5 per cent during the year mainly due to an increase in world production and the demand from the Middle East region which was affected by the political turmoil in the region.

As part of the product diversification strategy of TSF, a dual manufacturing facility was introduced at Hingalgoda tea factory which now manufactures orthodox and CTC teas. Hingalgoda tea factory sells at the top end of the Colombo Tea Auctions and has received industry recognition for producing teas of a consistent quality.

The regulators of the tea industry are proactively focussing on maintaining the pure Ceylon Tea image in the international market. In order to fund the marketing and promotional activities of Ceylon Tea, a levy of Rs. 3.50 per kg was imposed at the point of export as a Tea Promotional Levy.

The pioneering initiative of TSF to transfer knowledge and extend financial support to selected growers to replant their lands, entered its second year. This initiative intends to improve the yield obtained from their plantations which in turn would sustain or increase the supply of green leaf to the company's

factories, while helping to improve the income levels of the small holders.

With a view to improving process efficiency and customer convenience, the tea broking division implemented a new system where delivery orders to buyers were issued in an electronic format, thereby reducing the need for the buyer to come to its office to collect the delivery orders.

John Keells Capital, the investment banking arm of the Group completed several private equity mandates on behalf of its clients during the year. SGIT completed its first-ever SAP implementation outside the John Keells Group, where it implemented all modules of SAP at a reputed manufacturing company.

Central Hospital (Private) Limited (owning company of 'The Central' hospital in Colombo) an associate company of the Group (investment held under JK Capital, the private equity arm of the Group), managed to operationally breakeven during the year. This is a commendable achievement considering the fact that this was its first full year of operations. However, the sharp depreciation of the Rupee impacted its US Dollar denominated borrowings and the corresponding exchange loss resulted in an overall loss for the company for the year.

The carbon footprint of the Plantation Services sector was 3,339 MT for the year which was an increase of 8.2 percent over the last year. The primary consumer of electricity and energy within the sector is Tea Small Holder Factories which operates 8 factories in the Southern and Sabaragamuwa provinces of the country. TSF has recorded a carbon foot print of 0.58 kg per kilogram of tea produced and is conscious of taking steps to reduce its carbon footprint. TSF produces 67 per cent of its total energy

requirement through renewable energy sources such as biomass, which constitutes 9.1 million kWh of electricity, while it obtains 4.3 million kWh from the national grid. The company consumed 22,674 cubic meters of water in carrying out operations, which is 4.2 liters of water withdrawn per kilogram of tea produced.

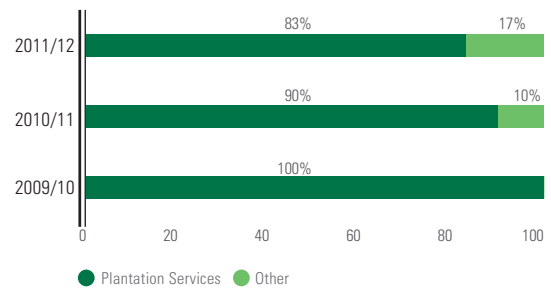
The Plantation Services sector employs over 900 staff, with TSF having the largest staff count owing to the eight factories it operates. The majority of the staff at TSF are employed as non-executives and the company voluntarily abides by the collective bargaining agreements applicable to the plantation industry, even though its operations are limited only to the manufacture of tea. During the year, the Plantation Services sector provided an average of 8.5 hours of training per employee.

### Financial review

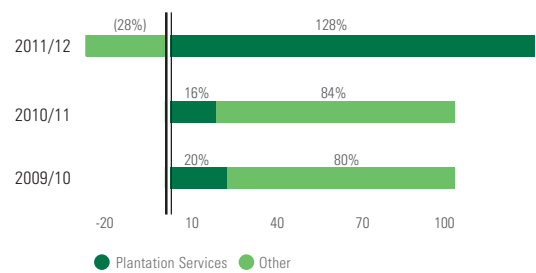
Total revenue of the other businesses of the JKH Group primarily consist of revenues from the Plantation Services sector since there are no other significant operating businesses in this cluster. The Plantation services sector recorded revenues of Rs. 2.22 billion [2010/11: Rs. 2.81 billion] which is a decline of 21 per cent from the previous year mainly on account of the 25 per cent drop in revenues of TSF.

Total EBIT (including the holding company) declined to Rs. 198 million from Rs. 2.72 billion recorded in the previous year. EBIT of the previous year included capital gains of Rs. 1.79 billion from the sale of stakes in Asian Hotels & Properties PLC and Keells Hotels PLC. There were no corresponding capital gains recorded during the current year. The EBIT was also impacted by the exchange loss on the IFC loan following the depreciation of the Rupee against the US Dollar.

### Revenue

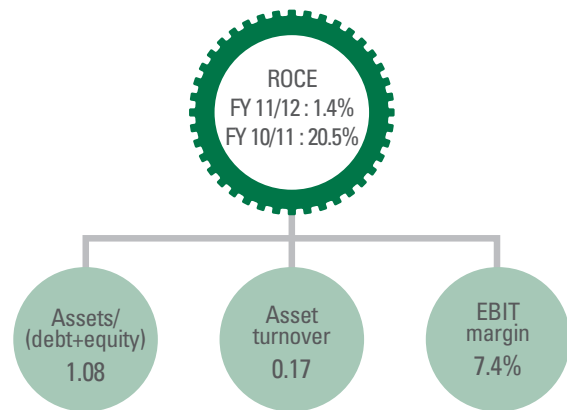


### EBIT



### Return on capital employed

ROCE decreased to 1.3 per cent against 20.5 per cent primarily due to a drop in EBIT margin. The inclusion of capital gains of Rs. 1.79 billion boosted last year's overall EBIT margin. Due to the factors discussed above, the EBIT margin of TSF decreased from 7.5 per cent to 1.2 per cent this year.



### Outlook

Political instability in the Middle East, if continued could affect tea prices at the Colombo Tea Auction. TSF will continue to ensure consistently high quality of the tea produced in its factories in order to command a higher sales premium. In this respect it will seek to invest further in upgrading and automating its production facilities. Considering the current market environment, the private equity arm of the Group will continue to explore and evaluate opportunities.

### Convergence to IFRS

The Plantations sector does not anticipate any material impact arising from the adoption of IFRS from 2012/13. However, TSF has identified a few relevant areas such as valuation of produce stocks and the treatment of operating leases where changes will be required as per the IFRS guidelines. These impacts are not material within the context of the business.

# Share Information

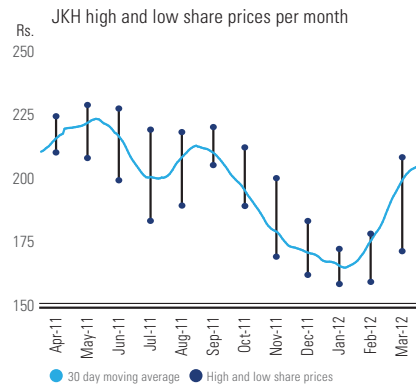
Total number shares in issue as at 31/03/2012	844,120,046
Public shareholding	76.33%
Stock symbol	JKH.N0000
News wire codes	
Bloomberg	JKH.SL
Dow Jones	P.JKH
Reuters	JKH.CM

The Colombo Stock Exchange witnessed a considerable downturn during the period 1st April 2011 to 31st March 2012. The All Share Price Index (ASPI) fell by 25 per cent in tandem with the Milanka Price Index (MPI) which dropped by 29 per cent during the same period. The performance of the stock market was impeded by undue speculation which necessitated regulatory changes.

Net foreign inflows reached Rs. 8.4 billion during the financial year compared to net foreign outflows of Rs. 26.2 billion in the previous year. This was mainly driven by the large volumes of foreign purchases during March 2012. Average daily turnover levels dropped to Rs. 1.83 billion in 2012 from Rs. 2.8 billion in 2011. The drop in volumes in the market can be partly attributed to 25 rights issues mainly by the banking sector, which drew significant levels of liquidity away from the market.

## The JKH share

The JKH share closed at Rs. 206.00 as at 31st March 2012 as against Rs. 214.20 (adjusted) in the previous year, recording a fall of 4 per cent. The closing share price of Rs. 285.60 in the previous year was adjusted for the sub division of shares in June 2011, where three existing shares were subdivided into four shares. With the market taking a bearish turn owing to the reasons mentioned above, the JKH share fell to a low of Rs. 158.20 during January 2012. However, during the last quarter, the JKH share regained most of the decline witnessed in the previous quarter's on the back of strong foreign demand. The JKH share outperformed both the ASPI and MPI. Despite the drop in ASPI of 25 per cent during the financial year, driven by the volatility in certain highly speculative counters in the



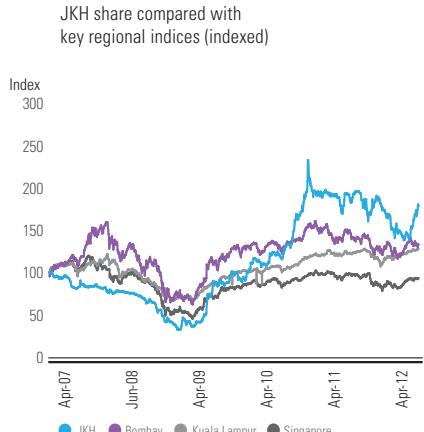
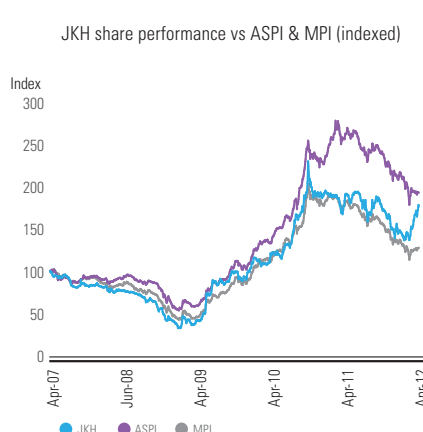
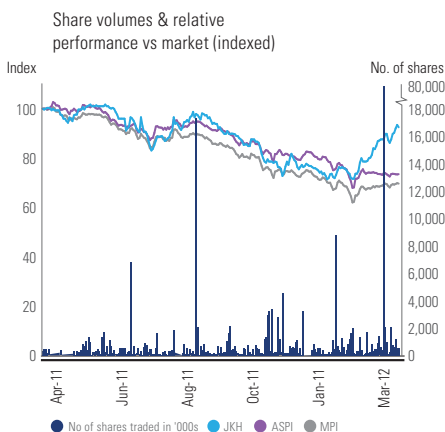
Above prices have been adjusted for the sub-division of shares

stock market, the JKH share stood resilient, only recording a drop of 4 per cent after taking into consideration the adjustment for the share sub division.

During March 2012, Malaysia's sovereign wealth fund Khazanah Nasional Berhad, acquired a 8.8 per cent stake in JKH via its special purpose vehicle Broga Hill Investments Limited highlighting the confidence placed in the JKH share as an equity instrument capable of delivering sustainable value.

The JKH share being a dynamic equity investment on the Colombo Bourse recorded a beta of 0.7 (note that the beta was calculated on daily JKH share and market movements as measured by the ASPI for the 5 year period from 1st April 2007 to 31st March 2012) as at the end of the current financial year end. The JKH share recorded a compounded annual growth rate (CAGR) of 12 per cent after adjusting for the sub division of shares compared to CAGRs of 14 per cent and 5 per cent recorded by ASPI and MPI respectively over the most recent five years. This is illustrated in the graph titled 'JKH share performance vs ASPI and MPI'.

During the year under review, the global economy witnessed the continued shift in investor confidence from developed economies to emerging economies in Asia. With the effects of the Greek sovereign debt crisis being felt across Europe, causing regional economies to cut down on consumption and savings, most Asian stock markets outperformed their western counterparts. The Jakarta Composite Index continued to post a noteworthy growth of 12 per cent during the year ended 31st



March 2012 while the Dow Jones Industrial Average and FTSE 100 recorded growth rates of 7 per cent and negative 2 per cent respectively during the same period.

In spite of the fall compared with the previous year, the ASPI was resilient from a global/regional stand point and outperformed major stock market indices including the SENSEX Index of Mumbai and SGX's STI over the last five years based on the compound annual growth rate.

## Issued share capital

The total number of JKH shares in issue at the beginning of the year was 629.7 million. On 24th June 2011, the Board recommended for consideration and approval of the shareholders, at an Extraordinary General Meeting, that subject to the approval of the Colombo Stock Exchange, the number of shares in issue be increased by way of a share sub division, whereby three (3) existing shares will be split to four (4). In addition to the shares in issue, approval was granted by way of an Extraordinary General Meeting (EGM) held on 7th December 2011 where 0.75 per cent of the shares outstanding as at that date were approved as employee share options (ESOPs). As a result during the financial year, 4.4 million shares were issued through the exercise of ESOPs and 210.05 million additional shares were issued by way of a sub division of shares, resulting in the number of shares in issue increasing to 844.1 million by the year end. Also, there are 31.2 million shares equivalent of unexercised ESOPs as at 31st March 2012. These are eligible for immediate exercise as at the date of the Report.

	2011/12	2010/11	2009/10
Market cap (Rs. billion)	173.89	179.84	113.98
Enterprise value (Rs. billion)	165.34	175.67	109.55
Market value added (Rs. billion)	102.71	120.25	64.15
EV/EBITDA (times)	9.5	13.1	10.9
Diluted EPS (Rs.)*	11.49	9.77	6.28
PER (diluted)*	17.9	21.9	22.0
Price to book (times)*	2.4	4.0	3.1
Price/cash earnings (times)*	14.7	11.3	8.6
Dividend yield (%)*	1.3	1.4	2.2
Dividend payout ratio (per cent)	44.1	32.2	39.3
TSR (%)*	(2.5)	57.4	199.6

\*Adjusted for the sub-division and repurchase of shares

The balance of Global Depository Receipts (GDRs), in ordinary share equivalents increased to 1.19 million as a result of the issuance of new GDRs arising from the share sub division as at the end of the year vis-à-vis 0.95 million at the beginning of the year.

## Dividend

The dividend policy of JKH seeks to ensure a dividend payout which mirrors the growth in profits, whilst ensuring the availability of adequate funds to facilitate investments and deliver sustainable share holder value in the short, medium and long term.

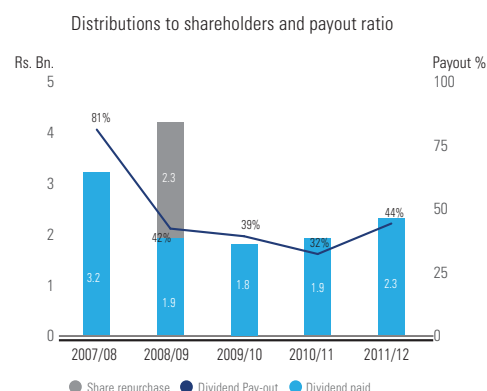
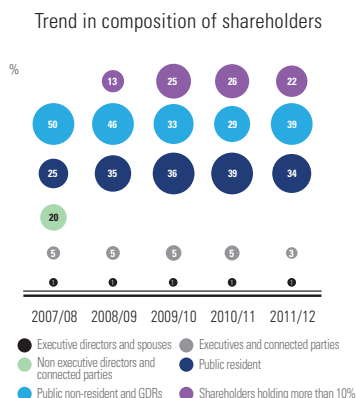
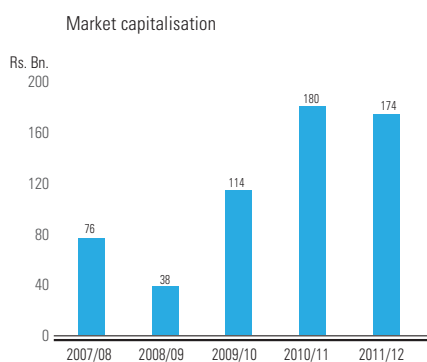
During the year, the company paid a total dividend of Rs. 3.00 per share. The dividend payout ratio increased to 44.1 per cent [2010/11: 32.2 per cent], primarily due to the increase in the number of shares in comparison to last year.

Based on the profits of 2011/12, in addition to the two interim dividends of Rs. 1.00 per share which were paid, the company also announced a final dividend of Rs. 1.50 per share payable on 15th June 2012. In absolute terms, the dividend paid and payable out of 2011/12 profits will be Rs. 2.96 billion [2010/11: Rs. 1.88 billion], an increase of 58 per cent.

## Earnings per share

The fully diluted earnings per share (EPS) for the period increased by 18 per cent to Rs. 11.49 [2010/11: Rs. 9.77] as profit after tax attributable to equity holders grew by 19 per cent. The items impacting the bottom line are discussed in the Management Discussion and Analysis section of the Annual Report. The cash EPS increased by 30 per cent to Rs. 14.68 [2010/2011: Rs. 11.27] in the current year due to the increase of cash earnings of 31 per cent from last year.

The weighted average number of shares (diluted) increased to 850.98 million in 2011/12 from 843.97 million in 2010/11.

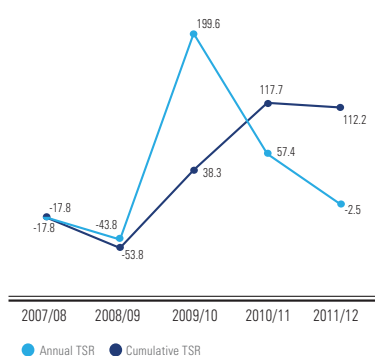


## Share Information

### Total shareholder return

The total shareholder return (TSR) of the share was -2.5 per cent during the year. This was on account of the fall of the share price of 4 per cent during the year. The 1-year treasury bill rate was at 7.3 per cent as at 01st April 2011.

Five-year total shareholder return (percentage)



### Market capitalisation and enterprise value

As at 31st March 2012, the market capitalisation of the company decreased by 3 per cent to Rs. 173.89 billion [2010/2011 Rs. 179.84 billion]. Nevertheless, the JKH market capitalisation represented 8.6 per cent of the Colombo Stock Exchange's market capitalisation as at 31st March 2012 compared to 7.4 per cent as at the previous year end. The enterprise value as at 31st March 2012 decreased by 6 per cent to Rs. 165.34 billion largely due to the reduction in the market capitalisation and net debt of the Group.

### Composition of shareholders

	31 March 2012			31 March 2011		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Executive Directors and spouses	4	11,502,416	1.4	4	8,452,015	1.3
Non Executive Directors and connected parties	3	114,680	0.0	1	4,136	0.0
Executives and connected parties	123	28,354,208	3.4	157	29,620,298	4.7
Public resident						
Institutions	621	161,705,264	19.2	694	149,983,231	23.8
Individuals	8,201	123,840,981	14.7	8,430	94,353,883	15.0
Public non-resident						
Institutions	112	321,289,175	38.1	104	178,545,941	28.4
Individuals	245	7,959,652	0.9	246	5,959,806	0.9
Global depository receipts	1	1,185,047	0.1	1	952,114	0.2
Shareholders holding more than 10%	2	188,168,623	22.3	2	161,820,943	25.7
Grand total	9,312	844,120,046	100.0	9,639	629,692,367	100.0

### Price earnings ratio

The JKH share was trading at 18.0 times earnings as at March 2012 as opposed to the 21.9 times (adjusted) posted last year. The decrease was a result of the JKH share (adjusted) declining by 4 per cent and was fuelled by the increase in fully diluted EPS of 17 per cent during the financial year.

The broad market PER of the CSE stood at 14.4 times as at the end of the year under review, while the PER of JCI of Indonesia was 21.3, SENSEX Index of Mumbai was 13.9 and Singapore's STI was 15.8 times. JKH share has historically been at a premium to the market owing to its free float and liquidity and the consistent financial performance delivered by the company.

### Price to book

At the end of the year under review the price to book value stood at 2.4 times [2010/11: 4.0 times]. The net assets per share increased by 19 per cent to Rs. 84.32 [2010/11: Rs. 70.59].

### Liquidity

During the year under review, 231.4 million shares changed hands compared to 221.7 million shares transacted during the previous year. The average daily turnover of the JKH share read at Rs. 195 million which amounted to 10.6 per cent of the daily average market turnover.

### Distribution and composition of shareholders

The total number of shareholders of JKH decreased to 9,312 from 9,639 seen last year. Out of the total number of shareholders, as at 31st March 2011, 76.3 per cent of the shares in issue were held by public, while 1.4 per cent of the shares were held by the Executive Directors and the balance 22.3 per cent by shareholders holding more than 10 per cent. In terms of the domicile of shareholders, 50.6 per cent of shares were held by residents and 49.4 per cent was held by non residents. This compares to 39.8 per cent held by non residents at the end of last year.

## Market information on ordinary shares of the company

	2011/12	Q4	Q3	Q2	Q1	2010/11
<b>Share Information</b>						
High	228.68*	210.00	212.00	220.00	228.68*	270.00*
Low	158.20	158.20	161.80	183.00	199.00	132.75*
Close	206.00	206.00	170.20	205.90	201.00	214.20*
Dividends paid (per share)	3.00	1.00	1.00	0.00	1.00	3.00
<b>Trading Statistics</b>						
Number of transactions	24,617	8,173	6,431	5,333	4,680	27,107
Number of shares traded ('000)	231,367	120,870	44,692	46,338	19,467	221,701
% of total shares in issue	27.4	14.3	5.3	5.5	2.3	35.2
Value of all shares traded (Rs.million)	46,188	22,670	8,017	9,721	5,780	56,744
Average daily turnover (Rs.million)	195	378	134	154	107	237
% of total market turnover	10.6	27.7	12.6	6.4	4.3	8.5
Market capitalisation (Rs. million)	173,889	173,889	143,211	173,065	168,877	179,840
% of total market capitalisation	8.6	8.6	6.5	7.1	7.2	7.4

\*Adjusted for the sub-division of shares

## Distribution of shareholders

	31 March 2012				31 March 2011			
	Number of shareholders	%	Number of shares held	%	Number of shareholders	%	Number of shares held	%
Less than or equal to 1,000	5,352	57.5	1,352,155	0.2	5,791	60.1	1,636,699	0.3
1,001 to 10,000	2,673	28.7	9,345,261	1.1	2,632	27.3	9,445,792	1.5
10,001 to 100,000	988	10.6	28,241,168	3.3	922	9.6	26,676,841	4.2
100,001 to 1,000,000	203	2.2	62,120,363	7.4	215	2.2	69,682,337	11.1
Over 1,000,001	96	1.0	743,061,099	88.0	79	0.8	522,250,698	82.9
Grand total	9,312	100.0	844,120,046	100.0	9,639	100.0	629,692,367	100.0

## Directors' shareholding

	31 March 2012	31 March 2011
S C Ratnayake	4,579,903	3,434,928
A D Gunewardene	5,706,654	4,279,992
J R F Peiris	1,215,859	737,095
E F G Amerasinghe	5,514	4,136
I Coomaraswamy	Nil	Nil
T Das	Nil	Nil
S Enderby	Nil	Nil
A R Gunasekara*	107,866	N/A
P D Rodrigo**	N/A	Nil
S S Tiruchelvam	1,300	Nil
Options available under the employee share option plan of John Keells Holdings PLC		
S C Ratnayake	2,631,892	1,658,609
A D Gunewardene	2,302,938	1,451,308
J R F Peiris	1,533,383	1,238,357

\*Appointed w.e.f 1 July 2011

\*\*Retired on 27 June 2011

## Employee share options\*

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

\*First exercised in FY1997

## Share Information

### Twenty largest shareholders of the company

	31 March 2012		31 March 2011	
	Number of shares	%	Number of shares	%
1 Mr S E Captain	101,632,490	12.0	96,918,843	15.4
2 Janus Overseas Fund	86,536,133	10.3	64,902,100	10.3
3 Broga Hill Investments Limited	74,591,759	8.8	Nil	Nil
4 Paints & General Industries Limited	40,325,338	4.8	20,771,633	3.3
5 Melstacorp (Private) Limited	27,846,346	3.3	Nil	Nil
6 J.P.Morgan Clearing Corporation	27,468,042	3.3	28,317,277	4.5
7 Deutsche Bank AG - London	23,129,102	2.7	18,603,279	3.0
8 Est. of Mr. A.A.N De Fonseka	19,952,358	2.4	14,964,269	2.4
9 Aberdeen Global Asia Pacific Equity Fund	19,047,737	2.3	14,885,803	2.4
10 Janus Aspen Series Overseas Portfolio	18,303,333	2.2	13,727,500	2.2
11 Aberdeen Global Emerging Markets Smaller Companies Fund	15,502,743	1.8	5,141,364	0.8
12 Rubber Investment Trust Limited A/C no.1	14,326,103	1.7	10,802,178	1.7
13 Sri Lanka Insurance Corporation Ltd - Life Fund	14,288,150	1.7	11,216,113	1.8
14 HSBC INTL NOM LTD-JPMLU-Schroder International Selection Fund	11,834,866	1.4	Nil	Nil
15 Aberdeen Global Asian Smaller Companies Fund	11,530,150	1.4	5,727,113	0.9
16 HSBC INTL NOM LTD-Bp2s London-Edinburgh Dragon Trust PLC	9,936,664	1.2	7,452,498	1.2
17 Mr K Balendra	9,587,276	1.1	7,190,457	1.1
18 RBC Dexia Investor Services Bank S A - Vontobel Fund	9,338,266	1.1	2,497,500	0.4
19 Aberdeen Asia Pacific Fund	9,074,229	1.1	6,805,672	1.1
20 Aberdeen Institutional Commingled Funds, LLC	8,859,873	1.0	3,074,905	0.5

### Employee share option plan as at 31 March 2012

	Date of grant	Shares granted	Expiry date	Option grant price (Rs.)	Shares adjusted*	Exercised	Lapsed/cancelled	Outstanding	Current price (Rs.)*
<b>PLAN 3</b>									
Award 2	10.04.2006	6,645,575	09.04.2011	157.25	10,301,859	8,953,047	1,348,812	-	120.74
Award 3	28.05.2007	10,551,062	27.05.2012	146.00	13,017,508	5,347,345	1,259,420	6,410,743	109.50
<b>PLAN 4</b>	25.03.2008	5,405,945	24.03.2013	120.00	6,806,006	1,071,188	255,550	5,479,268	90.00
<b>PLAN 5</b>	17.12.2009	6,126,960	16.12.2014	160.25	7,935,812	988,234	54,160	6,893,418	120.19
<b>PLAN 6</b>	09.12.2010	4,672,823	08.12.2015	292.00	6,214,104	9,800	108,829	6,095,475	219.00
<b>PLAN 7</b>	07.12.2011	6,306,182	06.12.2016	172.10	6,306,182	27,600	-	6,278,582	172.10
<b>Total</b>		<b>39,708,547</b>			<b>50,581,471</b>	<b>16,397,214</b>	<b>3,026,771</b>	<b>31,157,486</b>	

\*Adjusted for bonus issues/right issues and share sub-divisions

**Dividends since 1996/97**

Year ended 31 March	DPS (Rs.)	Dividends (Rs. '000)
1997	3.00	92,050
1998	4.00	155,783
1999	4.00	151,343
2000	3.00	168,150
2001	2.00	353,128
2002	2.00	329,869
2003	2.00	342,203
2004	2.50	725,783
2005	3.00	1,027,497
2006	3.00	1,199,460
2007	3.00	1,412,306
2008	5.00	3,176,302
2009	3.00	1,883,442
2010	3.00	1,843,642
2011	3.00	1,868,707
2012	3.00	2,313,519

**Share capital since 1996/97**

Year ended 31 March	Number of shares in issue (million)
1997	32.02
1998	40.21
1999	40.47
2000	61.18
2001	183.56
2002	185.35
2003	187.64
2004	300.08
2005	331.63
2006	400.00
2007	552.94
2008	635.99
2009	611.35
2010	619.47
2011	629.69
2012	844.12

**History of scrip issues and repurchases since 1996/97**

Year ended 31 March	Issue	Basis	Number of shares (million)	Ex-date
1997	Bonus	1:7	4.00	20-Jan-97
1998	Bonus	1:4	8.02	9-Jan-98
2000	Bonus	1:5	8.09	15-Jun-99
2000	Bonus	1:4	12.14	5-Jan-00
2001	Bonus	2:1	122.36	27-Jul-00
2004	Bonus	1:4	46.94	10-Jun-03
2004	Private placement	n/a	24.00	21-Oct-03
2004	Rights @ Rs. 75*	1:7	37.42	7-Nov-03
2005	Bonus	1:10	30.02	13-May-04
2006	Bonus	1:5	66.34	11-May-05
2007	Bonus	1:7	57.16	13-Jun-06
2007	Rights @ Rs. 140*	1:5	92.10	23-Jan-07
2007	Bonus	1:7	78.96	13-Mar-07
2009	Repurchase	1:25	25.50	11-Oct-08
2012	Sub division	4:3	210.05	30-Jun-11

\*unadjusted prices

## Share Information

### GDR history (in terms of ordinary shares, million)

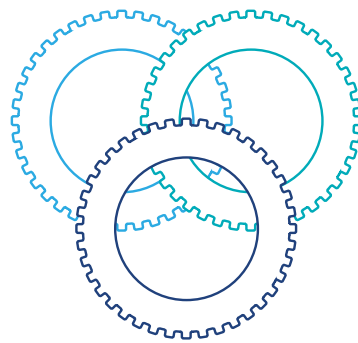
Year ended 31 March	Opening balance	Issued**	Converted/ Repurchased	Closing balance
1994	-	4.50	-	4.50
1995	4.50	-	0.21	4.29
1996	4.29	0.59	0.20	4.68
1997	4.68	0.27	2.80	2.15
1998	2.15	0.28	1.06	1.37
1999	1.37	-	0.75	0.62
2000	0.62	0.26	0.52	0.36
2001	0.36	0.72	0.23	0.85
2002	0.85	-	0.17	0.68
2003	0.68	-	0.16	0.52
2004	0.52	0.13	-	0.65
2005	0.65	0.06	-	0.71
2006	0.71	0.14	-	0.85
2007	0.85	0.12	-	0.97
2008	0.97	0.14	-	1.11
2009	1.11	-	0.12	0.99
2010	0.99	-	0.01	0.98
2011	0.98	-	0.03	0.95
2012	0.95	0.32	0.08	1.19

\*1 GDR equivalent to 2 ordinary shares

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

### Financial calendar 2011/12

Interim financial statements	
Three months ended 30 June 2011	27 July 2011
Six months ended 30 September 2011	3 November 2011
Nine months ended 31 December 2011	26 January 2011
First interim dividend paid on	
	24 November 2011
Second interim dividend paid on	
	8 March 2012
Final dividend proposed to be paid on	
	15 June 2012
Annual Report 2011/12	
	1 June 2012
33rd Annual General Meeting	
	29 June 2012
2012/13	
Interim financial statements	
Three months ended 30 June 2012	On or before 27 July 2012
Six months ended 30 September 2012	On or before 1 November 2012
Nine months ended 31 December 2012	On or before 31 January 2013
Annual Report 2012/13	
	On or before 4 June 2013
34th Annual General Meeting	
	28 June 2013



**MANAGEMENT  
DISCUSSION & ANALYSIS  
CONTINUED**

**Triple bottom line  
discussion & analysis**

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# Economic Performance

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## Economic policy

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

The John Keells Group has always strived to build strong foundations to adhere to its goal of achieving sustainable growth. The Group seeks shareholder returns and quality earnings through sound risk management and diversification. Conducting our businesses in a sustainable and socially responsible manner we provide financial and non-financial value to shareholders, business partners, employees, local communities and other stakeholders.

The Group's economic, social and environmental performance is driven by integrative management and active oversight. Pragmatic environmental spending and measuring the impact of our social programmes ensure they are targeted to the intended beneficiaries and stakeholders in a cost effective manner. As part of carrying on business across three geographical areas, the Group identifies its obligation in terms of national legislature and strives to positively impact the local markets

in the areas it operates. The Group also strives to provide services and development activities towards the community within which it operates.

The Group's commitment to delivery, ability to adapt to its environment and re-invent itself has enabled John Keells to remain competitive locally and globally. The constant review of portfolios, emphasis on growth and stringent internal controls have allowed the Group to record double digit earnings growth consistently.

Prudent financial management, a strong balance sheet, healthy cash flows and the effective utilisation of resources and capital has ensured that the Group is in a position to leapfrog competition.

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

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act No. 07 of 2007 of Sri Lanka and presented in compliance with the Sri Lanka

Accounting Standards and provides information required by the Listing Rules of the Colombo Stock Exchange.

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

## Economic Value Statement

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

for the growth and development of operations.

The direct economic value generated by the Group during the year ended 31st March 2012 amounts to Rs.85.23 billion compared to the Rs. 69.79 billion for the last financial year.

Of this, 69 per cent (FY 2010/11 – 68 per cent) was expended to business partners in terms of purchasing goods and services for operations whilst 12 per cent (2010/11 – 12 per cent) of the total economic value generated was retained for future expansion and strategic investments. Of the remainder, approximately 26 per

cent (2010/11 – 25 per cent) was paid to providers of funds; 50 per cent (FY 2010/11 – 49 per cent) was distributed to employees and 22 per cent (FY 2010/11 – 23 per cent) accrued to Government by way of taxes.

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

A detailed breakdown of the sector wise Economic Value Statement can be found in the “Financial Information” section of this report.

Projects relating to community investments and services amounted to Rs. 29.92 million and details of

such projects are specified in the section “Social Responsibility” of this report. The focus on sustainability and related efforts has increased across the Group during the reporting year; the costs associated with such efforts are reflected under separate headings in the books of the John Keells Foundation and in the books of separate business units.

## Comparative information

The presentation and classification of the Economic Value Statement of the previous year has been amended, where relevant, for better presentation and to be comparable with those of the current year.

### Economic Value Statement for 2011/12

For the year ended 31st March	Group Total					
	2012 Rs'millions	%	2011 Rs'millions	%	2010 Rs'millions	%
<b>Direct economic value generated</b>						
Revenue	76,700	89.99%	60,500	86.69%	47,980	86.29%
Interest income	2,771	3.25%	2,748	3.94%	2,947	5.30%
Dividend income	104	0.12%	63	0.09%	44	0.08%
Share of results of associates	2,860	3.36%	2,641	3.78%	2,556	4.60%
Profit on sale of assets & other income	1,386	1.63%	3,367	4.82%	2,075	3.73%
Valuation gain on IP	1,413	1.66%	468	0.67%	-	-
	<b>85,234</b>	<b>100%</b>	<b>69,787</b>	<b>100%</b>	<b>55,602</b>	<b>100%</b>
<b>Economic value distributed</b>						
Operating costs	59,116	69.36%	47,506	68.07%	37,327	67.13%
Employee wages & benefits	8,091	9.49%	6,873	9.85%	6,138	11.04%
Payments to providers of funds	4,278	5.02%	3,482	4.99%	3,565	6.41%
Payments to government*	3,595	4.22%	3,194	4.58%	2,906	5.23%
Community investments	59	0.07%	46	0.07%	30	0.05%
	<b>75,139</b>	<b>88.16%</b>	<b>61,101</b>	<b>87.55%</b>	<b>49,966</b>	<b>89.86%</b>
<b>Economic value retained</b>						
Depreciation	1,863	2.19%	1,700	2.44%	1,737	3.12%
Amortisation	771	0.90%	609	0.87%	541	0.97%
Profit after dividends	7,461	8.75%	6,377	9.14%	3,358	6.04%
	<b>10,095</b>	<b>11.84%</b>	<b>8,686</b>	<b>12.45%</b>	<b>5,636</b>	<b>10.14%</b>
* Payment to government by country						
	2012 Rs'millions		2011 Rs'millions		2010 Rs'millions	
Sri Lanka	3,041		2,690		2,221	
Maldives	534		493		685	
India	20		9.8		0.2	
Other	1.1		1.1		0.4	
	<b>3,595</b>		<b>3,194</b>		<b>2,906</b>	

## Economic Performance

### Defined contribution plan obligations

#### Sri Lanka:

Employees are eligible for Employees' Provident Fund (EPF) contributions according to the terms of the Employees' Provident Fund Act No. 15 of 1958 and its subsequent amendments and for Employees' Trust Fund (ETF) contributions according to the terms of the Employees' Trust Fund Act No. 46 of 1980 and its subsequent amendments. The companies contribute the relevant percentages of the eligible gross emoluments of employees to the respective Employee Provident Funds and to the Employees' Trust Fund respectively, both of which are externally funded.

Subject to the rules of the provident fund, to which such contributions are made, the Group contributes 12-20 per cent as the employer's contribution and the employees contribute 8-15 per cent to their respective provident funds. The contributions are directly transferred on 15th day of every month to the Employees' Provident Fund, managed by the Central Bank of Sri Lanka or to a private provident fund maintained by the Company. Furthermore, the Group also contributes 3 per cent to the Employees' Trust Fund managed by the Department of Labour.

The private provident funds are controlled and administered by management committees appointed by the members and governed by an approved set of rules. The assets of the funds available for

investment are invested from time to time in suitable income generating instruments keeping in line with the investment limits prescribed in the guidelines, and the accounts of the funds are audited every year. The committees and members meet once a year to ratify the financial statements and all members of the funds are entitled to examine the audited financial statements and the entries applicable to them made during the year in the registers.

We also abide by the country regulations for the Maldives and India which is inclusive in the figure shown.

#### Maldives:

All local (Maldivian national) Employees are eligible for Maldives Retirement Pension Scheme (MRPS) contribution according to the terms of the Maldives Pension Act Law No. 8/2009 handled by Maldives Pension Administration Office (MPAO). The companies contribute the relevant percentages of the eligible basic salary of employees to the Maldives Retirement Pension Scheme.

Subject to the rules of the Maldives Retirement Pension Scheme, to which such contribution is made, the Group companies and the employees contribute 7 percent each to the retirement pension scheme. The contribution is directly transferred on the 15th day of every month to the Maldivian Retirement Pension Scheme fund account maintained at Bank of Maldives PLC, which is managed by the Maldives Pension Administration Office.

Regulation of participation and disbursement of benefits to foreign employees under the Maldives Pension Scheme Law no 7/2011 (1st Amendment to Maldives

Pension Act) shall apply only to foreign employees employed in Maldives and their employers with effect from 1st April 2014.

#### India:

Employees are eligible for Employees' Provident Fund (EPF) contributions according to the terms of the Employees' Provident Fund and Miscellaneous Provisions Act No. 19 of 1952. Group companies and employees contribute 12 per cent each to the fund and it is managed by the Government of India. Out of the employers contribution of 12 per cent, 8.33 per cent (with a cap of INR 6,500/-) is paid towards the employees' pension scheme account and the balance is directed towards the Employees' Provident Fund account.

### Defined benefit plan obligations

Employees are entitled to retirement gratuity, payable under the Payment of Gratuity Act No. 12 of 1983 and an employee with more than 5 years of service will receive half a months' salary for every year of service on retirement or termination of service.

The liability recognised by the Group in respect of employee benefit liabilities in the balance sheet is the present value of the defined benefit obligation of the Group at the balance sheet date using the projected unit credit method.

The employee benefit liabilities of listed companies with more than 100 employees are based on an actuarial valuation. The liabilities of all other companies in the Group are based on the gratuity formula specified by Sri Lanka Accounting Standard 16, governing employee benefits.

### Proportion of spending on locally based suppliers

The Group makes its best endeavours to stimulate the Sri Lankan economy and the community around its operational sites by purchasing goods from local suppliers wherever possible (where 'local' is defined as those suppliers conducting business in Sri Lanka).

The Leisure industry group in particular plays a significant role in engaging with local suppliers, be it the fresh produce sourced from vendors located in the close surroundings of the Sri Lankan Resorts, or the local tourism services provided to the clients by the destination management services of our Destination Management sector. As always, the Group strives to maintain the highest quality standards with regards to goods and services procured locally or internationally. Currently, the Group estimates its purchases from the local suppliers through an analysis of its local versus foreign currency spend relative to total purchases. The Group's total cost of sales amount to Rs. 59.47 billion (which includes all payments made to suppliers and providers of utilities) while Rs. 17.7 billion is spent on purchases made from overseas suppliers. Thus approximately 70 per cent of the Group's payments have been made to local parties. It is noted that a proportion of imported goods may however be purchased from local agents, and as such, the Group is in the process of refining the method for establishing its local supplier total spend.

Defined contribution plan obligations			
Rs. 000s	2012	2011	2010
Employer contributions to the trust fund	100,754	87,264	76,680
Employer contributions to the provident fund	474,308	426,957	359,041

Defined benefit plan obligations			
Rs. 000s	2012	2011	2010
Employee benefit liability as at 31 March	1,372,161	1,215,597	1,041,395
Payments during the financial year	85,444	70,150	107,904

# Environmental Impact



## Environmental policy

**The John Keells Group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner. We will strive to continuously identify all potential impacts on the environment and manage such impacts whilst using our resources in a sustainable and efficient manner.**

The John Keells Group's environmental policy stems from its commitment to protect and conserve the environment for itself, the community and for future generations. The Group being the largest hotelier in the

country depends heavily upon the natural environment and the biodiversity of our country as one of the unique selling propositions of its chain of hotels. The Group realises that the environment and natural habitats are not

owned by us, but that we act as guardians of such resources for future generations. Further, the Group understands that the very sustainability of the Group and especially its Leisure industry group, greatly depends on the conservation of the environment.

With the above in mind, the Group has implemented a comprehensive environmental management system through which the Group focuses on energy conservation, controlling its carbon footprint, conservation of biodiversity, the optimisation of the usage of water and waste management. While over the past few years the Group was unable to report on the usage of water and waste management

due to the insufficiency of systems and processes, this year, the Group has been able to install and commission the necessary equipment as well as establish the necessary mechanisms to track and capture water and waste management information.

The Group has established policies and management guidelines for the conservation of the environment and its natural resources. While the management guidelines for energy, water and biodiversity are based on the reduction of usage, minimising impact and conservation, the management guideline for the Group's waste management and material usage is centered upon

## Environmental Impact

the tenets of 'Reduce, Re-use and Recycle'. Business units are encouraged to take an active role in managing the environmental impacts of their products and services and where possible to reclaim and recycle packaging material used by them. The Group as part of carrying out an efficient operation, identifies the most optimal means of transporting its raw materials and finished goods through its own and outsourced delivery network.

Business units are also encouraged to identify renewable energy sources and much importance is placed on the conservation and efficient use of energy through related investments. Many of our Group companies are involved in energy saving initiatives and use renewable energy sources such as solar power, bio-mass and cogeneration systems. Our energy management processes are constantly updated in keeping with the latest technologies and best practices.

During the year, many awareness programmes have been carried out across various Group companies. Further, the Group's Sustainability division also launched a campaign to further entrench sustainability practices within the Group. This campaign which was carried out across the Group, focussed on the conservation of energy and water among other sustainability related aspects.

## Energy Management

### Energy Management Policy

**Minimising energy related environmental impact and enhancing the Group's competitiveness through energy cost savings by embracing lean energy management practices.**

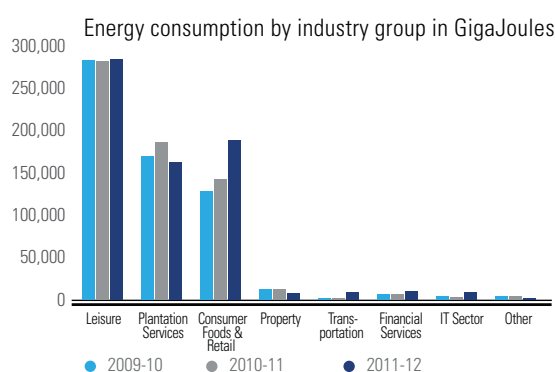
With the increase in fuel costs and the resultant increase in electricity tariffs, energy conservation has continued to be an important aspect for the Group. To this end, Group companies have focussed on various energy saving initiatives from the replacement of incandescent bulbs to CFL and LED bulbs, installation of variable speed drives, co-generation, replacement of conventional air conditioners with hybrid air conditioners, as well as innovation within the Group through the implementation of renewable energy sources for aspects such as lighting. Details of such initiatives are covered in further detail in this section.

### Group energy usage

The Group's primary energy sources from which it obtains direct energy are diesel, petrol, liquid petroleum gas and furnace oil which are used to power generators, boilers, kitchen and laundry equipment and vehicles owned by the companies, including speed boats. The Group measures its consumption based on logs maintained at each business unit, electricity bills received from the utility providers and ledger entries. Usage is computed in gigajoules for each energy source.

Description	Consumption in Giga Joules		
	2009-10	2010-11	2011-12
<b>Direct energy</b>	<b>363,480</b>	<b>360,704</b>	<b>372,932</b>
Fossil fuel	209,463	192,246	230,882
Diesel	149,270	122,979	133,410
Petrol	247	284	23,070
Furnace oil	43,251	48,094	49,657
Liquid petroleum gas	16,695	20,889	24,745
Renewable energy	154,017	168,458	142,050
Renewable energy (solar)	860	453	498
Renewable energy (biomass)	153,158	168,005	141,552
<b>Indirect energy from National Grid</b>	<b>246,259</b>	<b>271,065</b>	<b>300,181</b>
National Grid - hydro & renewable*	98,504	135,533	160,236
National Grid - thermal*	147,756	135,533	139,945
<b>Total energy consumption</b>	<b>609,740</b>	<b>631,769</b>	<b>673,113</b>

\* Based on the generation mix statistics of the Ceylon Electricity Board



The table depicts that the energy consumption of the Group has increased by 6.5 per cent, from 631,769 to 673,113 gigajoules during the year 2011/12. The increase is mainly due to the greater operational activity in our Consumer Foods and Retail industry group, the re-launch of Chaaya Tranz Hikkaduwa and Chaaya Wild Yala (which were closed for refurbishment during the previous year), increased occupancy across our hotels resulting in a greater number of room nights, and the inclusion of vehicles owned by the company. It is noted that 142,050 GJ have been generated through renewable energy sources including solar power and bio-mass.

Indirect energy for the Group is obtained through the National Grid of the Ceylon Electricity Board and the Lanka Electricity Company Ltd. During the year, the Group consumed 83.38 million kilowatt hours, which is an increase of approximately 10 per cent above the electricity consumed the previous year. The largest consumers were the Leisure and Consumer Foods and Retail industry groups. While the energy consumption of the Plantation Services industry group is relatively high due to the operation of Tea Smallholder Factories, its carbon foot print is comparatively lower due to the utilisation of bio-mass in the generation of electricity which amounts to 9.1 million kWh for the year in review.

**10%**  
electricity  
generated  
through  
renewable  
energy sources

### Energy initiatives carried out during the year

With increasing fuel costs resulting in higher fuel tariffs, the Group continued its focus on implementing energy saving measures across its operating entities. Some of the key initiatives and the estimated savings considering the energy differential and forecasted operational intensity are as follows:

Estimated Annual Savings through Energy Efficient Lighting		
Description of Initiative	Saving Per Annum	
	In Kwh	In GJ
Replacement of regular lighting with CFL bulbs	214,749	773
Replacement of regular lighting with LED bulbs	167,000	601
Other initiatives (wave energy, photo cell changes etc)	3,000	11
<b>Total from key initiatives of energy efficient lighting</b>	<b>384,749</b>	<b>1,385</b>

Estimated Annual Savings through Other Energy Conservation Initiatives		
Description of Initiative	Saving Per Annum	
	In Kwh	In GJ
Behavioural changes through awareness creation	223,000	803
Rationalisation of steam distribution system	75,000	270
<b>Total energy saved from other energy initiatives</b>	<b>298,000</b>	<b>1,073</b>

Estimated Annual Savings through HVAC improvements		
Description of Initiative	Saving Per Annum	
	In Kwh	In GJ
Installation of inverter type ACs on a replacement basis	138,000	479
Installation of variable speed drive for central ACs	24,637	89
Replacement of geysers with Ecogen heaters	47,906	172
Replaced piston type air compressor to screw type	48,000	172
Utilising waste heat from generators for water heating	94,200	339
<b>Total energy saved from HVAC improvements</b>	<b>352,743</b>	<b>1,269</b>



Ecogen water heating at Cinnamon Lodge Habarana

In addition, regular awareness campaigns were carried out to educate employees on the importance of energy conservation.



'Burning cash' lampshade to symbolise cost implication of energy wastage

### Green Globe certification

Obtaining Green Globe certification for the hotel properties operated by the Group highlights our commitment to sustainable tourism as we seek to minimise our environmental impact and positively contribute to the local communities in which we operate. The Group has opted for Green Globe certification as it presents a method of benchmarking our processes in the Leisure sector with the rest of the world. With the end of hostilities Sri Lanka now competes with other destinations for world tourism. The Green Globe certification enables the Group to represent itself through an independent certification body and highlight its credibility, transparency, corporate social responsibility and sound environmental practices, which we believe creates strategic competitive advantage to our chain of hotels.

The City Hotels, Cinnamon Lakeside Colombo and Cinnamon Grand Colombo, the Sri Lankan and Maldivian Resorts, Cinnamon Lodge Habarana, Chaaya Blu Trincomalee, Chaaya Village Habarana, Bentota Beach Hotel and Chaaya Reef Ellaidhoo, have all now obtained Green Globe certification. Of the above, Cinnamon Lakeside Colombo and Chaaya Reef Ellaidhoo have also been recertified, exhibiting the continuous improvement needed by these properties in order to retain the annually updated certification.

## Environmental Impact



Pier lighting at Chaaya Lagoon Hakuraa Huraa using wave energy

Chaaya Citadel Kandy, Chaaya Island Dhonveli and Chaaya Lagoon Hakuraa Huraa are currently in the process of obtaining Green Globe certification, while the newly re-launched Chaaya Tranz Hikkaduwa and Chaaya Wild Yala are due to obtain the certification in 2012/13.

### LEED certification

Leadership in Energy & Environmental Design (LEED) is a globally recognised, independent, third party verification that a building or community was designed and built using strategies aimed at achieving high performance levels in areas such as energy efficiency, water savings, indoor environmental quality, sustainable materials selection and sustainable site development.

Chaaya Bey Beruwala, currently under construction, is registered with the U.S. Green Building Council (USGBC), the developers of the LEED Rating system, and is on course to obtain LEED certification upon its completion by 2013.

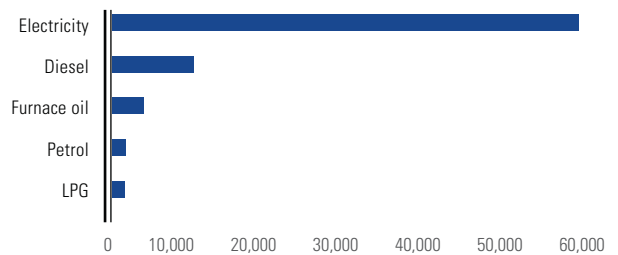
### Carbon footprint

The total carbon footprint for the Group is calculated based on Scope 1 and 2 of the Greenhouse Gas Protocol, which includes direct energy use through the burning of fossil fuels and indirect energy consumption through the use of grid based electricity (Ceylon Electricity Board and the Lanka Electricity Company).

The John Keells Group's carbon emissions have been measured using the Greenhouse Gas Protocol governed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The emission factors have been derived from IPCC Guidelines for National Greenhouse Gas Inventories.

The Group's carbon footprint was calculated based on the Carbon Emission Factor Source of the IPCC Guidelines for National Greenhouse Gas Inventories and published by the Institute for Global Environmental Strategies (IGES).

### Carbon footprint by energy type



The carbon footprint for the year is derived mainly from grid-based electricity which constitutes approximately 77 per cent of the Group's energy requirement. Diesel constitutes 13 per cent of the Group's energy requirement, while LPG, Furnace Oil and Petrol constitute the rest of the energy requirement.

The energy intensive sectors of the Group include the Consumer Foods and Retail industry group (CF&R) and the hotels operated by the Group, which in total constitute 70 per cent of the Group's energy consumption. With the increase in tourist arrivals resulting in increased room occupancy and the re-launching of Chaaya Wild Yala and Chaaya Tranz Hikkaduwa, as well as an increased level of operations in CF&R, the total carbon footprint of the Group in the reporting year was calculated at 73,753 MT, up from 65,825MT in 2010/11, an increase of 12.5 per cent compared to the previous year.

The carbon footprint of the Group has increased over the past 3 years along with the economic growth and increase in operational activity of the Group. The Group has created value not only for its shareholders but also for the communities in which it operates, through both direct and indirect employment as well as stimulating economic activity in such communities. The Group is also a significant contributor to the economic activity of the country and would continue in its efforts to create value for all its stakeholders through sustainable development.

Source of Direct Energy	Unit of Measure	Usage	Consumption in TJ	Emission Factor (Kg/TJ)	Carbon footprint (MT)
Diesel	Liters	4,395,595	133.43	74,100	9,886
Petrol	Liters	842,202	23.16	69,300	1,599
Furnace oil	Liters	1,567,639	49.66	78,000	3,873
LPG	Kg	563,345	24.77	63,100	1,561
<b>Scope 1: Direct energy</b>					<b>16,919</b>

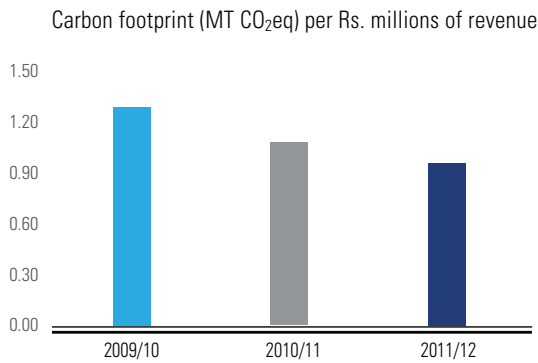
Source of Indirect Energy	Unit of Measure	Usage	Consumption in Mwh	Emission Factor (Kg/TJ)	Carbon footprint (MT)
Electricity	Kwh	83,383,725	83,383.72	0.6816	56,834
<b>Scope 2: Indirect energy</b>					<b>56,834</b>

Source of Indirect Energy	Carbon footprint (MT CO <sub>2</sub> eq) for 2011/12
Scope 1: Direct energy	16,919
Scope 2: Indirect energy	56,834
<b>Total carbon footprint (MT CO<sub>2</sub>eq)</b>	<b>73,753</b>

# 73,753<sup>MT</sup>

## Group Carbon Footprint

	2009/10	2010/11	2011/12
Carbon footprint (MT CO <sub>2</sub> eq)	62,130	65,524	73,753
Revenue (Rs. millions)	47,980	60,500	76,700
Carbon footprint (MT CO <sub>2</sub> eq) per Rs. millions of revenue	1.29	1.08	0.96



The Group's carbon footprint has shown a decline over the past three years in relation to its revenue. We believe that this illustrates the commitment of the Group towards the environment whilst meeting the needs of its other stakeholders such as shareholders, investors, employees and value chain partners.

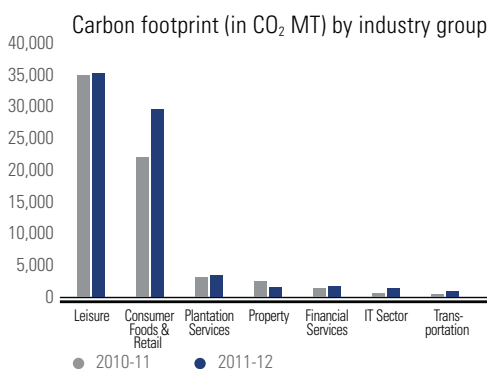
The industry group wise breakdown of the carbon footprint is shown below. With electricity consumption being the primary source for the carbon footprint within the Group, the carbon footprint corresponds to the electricity consumed. However, as the Tea Smallholder Factories (in the Plantation Services industry group) obtain 67 per cent of their electricity requirement through renewable energy sources (mainly bio-mass), the carbon footprint for this industry group is lower than its corresponding electricity consumption.

## Water Management

As a part of our ongoing commitment to sustainability, the Group set in place systems and processes to measure its water withdrawal from source during the year under review.

### Water Management Policy

The Group's water policy seeks to conserve and optimise its use of water obtained from surface and ground water sources and wherever possible shall seek to re-use waste water after treatment in



### its operations with a view to reducing the intake of fresh water.

Towards this, the Group has set out the following management guidelines with regard to the usage of water, where Group companies with significant usage of water shall establish systems and processes to:

- Measure water withdrawal at source and identify water usage at key points in its production and utilisation processes
- Conserve and reduce usage utilisation through various technologies, process improvements and through stimulating behavioural changes in staff through awareness campaigns
- Harvest and utilise rainwater for purposes such as gardening and washing
- Control the quality and quantity of effluent discharge with proper treatment through effluent treatment plants and sewerage treatment plants etc. prior to discharge into the environment and sewerage network
- Identify whether low flow fittings and other such water saving measures could be utilised in any new property development

This being the first year of tracking the Group's water withdrawal, we believe that this is the initial step towards protecting a vital natural resource which is also extremely important to the Group's operations.

Measurement of the water withdrawn has been carried out through the installation of water meters at the point of withdrawal at source in certain locations, while at other locations water usage is tracked through water meters installed at the start of the distribution. While water extracted from the ground and from natural surface water sources are measured using water meters in most locations, certain locations continue to estimate their water consumption based on the working hours of the pump. Water obtained from the National Water Supply and Drainage Board has been directly measured through the water meters installed by the utility provider.



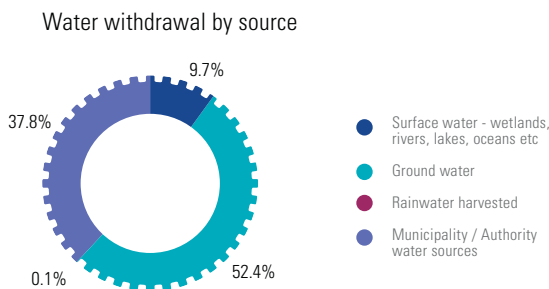
Water treatment plant at Ceylon Cold Stores

## Environmental Impact



Water treatment plant at Cinnamon Lodge Habarana

The chart below depicts the Group’s water withdrawal by source:



Water Source	Volume m <sup>3</sup>	%
Surface water - wetlands, rivers, lakes, oceans	178,085	9.7%
Ground water	961,655	52.4%
Rainwater harvested	1,330	0.1%
Municipality / Authority water sources	693,052	37.8%
<b>Total</b>	<b>1,834,122</b>	<b>100.00%</b>

As illustrated above, the Group’s water withdrawal has been mainly through the extraction of ground water and from the National Water Supply and Drainage Board (NWSDB). The utilisation of the above extracted volumes of water has been primarily by the Leisure industry group (hotels) and the Consumer Foods sector (Ceylon Cold Stores and Keells Food Products). The Leisure industry group accounts for almost 55 per cent of the total water usage of the Group, followed by the Consumer Foods sector which accounts for approximately 39 per cent, while the Plantation Services industry group consumes 2 per cent of the water withdrawn by the Group.

### Control strategies

Considering the consumption volumes, efficient water usage plays a vital role in Leisure and Consumer Foods sectors. These sectors have implemented significant changes to their operational systems in order to optimise water usage without compromising on product quality.

### Consumer Foods

The Consumer Foods sector comprising of Ceylon Cold Stores and Keells Food Products have implemented water conservation initiatives to minimise wastage and optimise consumption. Some of these include, the installation of sub metering systems to monitor and control different functions to optimise the water usage of each process, installation of Variable Speed Drives (VSD) in water pumping processes to best fit the demand conditions and thereby minimise wastage, establishing of benchmarks per operational intensity factors and setting in place strategies to achieve such benchmarks.

### Leisure

The Leisure industry group comprising of mainly the Group’s hotel properties has installed sub metering of water to monitor and review water consumption. This step has enabled the hotels to save a significant quantum of water especially in the Maldivian Resorts and is currently being implemented at the Sri Lankan Resorts.

Some noteworthy initiatives include the Sri Lankan resorts utilising treated waste water for approximately 80 per cent of the water required for gardening, thereby displacing the requirement for water withdrawal from blue water sources. In addition Bentota Beach Hotel, Cinnamon Lodge Habarana and Chaaya Tranz Hikkaduwa harvest rain water to maximise their use of green water. Variable Speed Drives (VSD) have been installed in all Resorts (except Chaaya Wild Yala) and Cinnamon Grand Colombo and Cinnamon Lakeside Colombo to optimise water consumption according to the demand. Further, wash rooms in most hotels are fitted with water efficient devices such as dual flush and low flow aerators to reduce the guest and staff washroom consumption.

**80%**  
of the water required for gardening at the Sri Lankan resorts is from treated waste water

### Other

As a Group, awareness campaigns are carried out regularly among employees of all the sectors on the importance of water saving. Wash rooms of office premises are equipped with water saving devices such as urinal sensors, dual cisterns and low flow aerators.

### Discharge of water and water quality

During the reporting year, the Group commenced tracking of its water discharge and quality of such discharge from its operations. As mentioned in our 2010/11 Sustainability Report, water discharge was identified as a material stakeholder issue through the stakeholder engagements. As stated, the Group was not in a position to report on this indicator due to the insufficiency of management processes, data collection and reporting systems in the past. This year, such systems and processes have been implemented along with the necessary sewerage treatment facilities, discharge water metering and discharge water quality testing by independent third parties.

Treated effluent is tested for quality (to ensure adherence to regulatory requirements) and also measured to ascertain the quantity prior to being discharged

into the environment. Effluent discharged into common treatment plants operated by municipalities and the National Water Supply & Drainage Board of Sri Lanka is estimated using the working hours of the pump, but is not metered due to operational practicalities.

### Discharge method

The Group treats 38 per cent of its waste water through its sewerage and effluent treatment plants prior to discharging into the environment. Waste water discharged through such sewerage treatment plants is continuously monitored to ensure that it meets regulatory levels. We are conscious not to release any chemicals or substances that would harm the environment through the discharge of waste water. Approximately 50 per cent of remaining waste water is sent to municipal sewer lines and soaked into ground through soakage pits as per regulatory guidelines.

As the discharge of waste water in suburban and urban areas is usually to the city sewerage system, in a bid to reduce the burden on public infrastructure, the Group is continuously looking at improving its systems by installing further treatment plants where necessary.

The Group utilises various forms of sewerage treatment plants as a measure to control its waste water discharge. The discharge of Keells Foods is treated by a common waste water treatment plant of the National Water Supply and Drainage Board prior to discharge while Ceylon Cold Stores currently treats its production effluents prior to discharge and intends to use such treated waste water for the purpose of gardening. During the final quarter, Ceylon Cold Stores took steps to improve their effluent treatment process and implemented internal process controls with regard to its effluent management system.

With the exception of Bentota Beach Hotel and Chaaya Tranz Hikkaduwa, which discharge effluent into a common local authority sewerage treatment plant, all other Sri Lankan Resorts have in-house waste water treatment plants which treat the waste water to well above Central Environmental Authority standards. Such water is utilised by the hotels for washing and gardening purposes. In the Maldives, Chaaya Reef Ellaidhoo has its own waste water treatment plant while Chaaya Lagoon Hakuraa Huraa and Chaaya Island Dhonveli discharge sewerage through soakage pits as approved by the Maldivian authorities.

The Group is in the process of carrying out feasibility studies for commissioning sewerage plants in these two locations while the two City Hotels, Cinnamon Grand Colombo and Cinnamon Lakeside Colombo are currently in the process of installing treatment plants.

### Waste generation and disposal

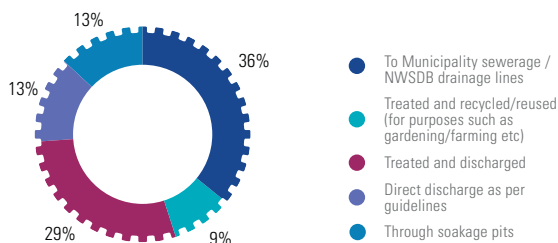
The Group's waste management was yet another area identified through the 2009 stakeholder engagement which, as mentioned in the 2010/11 Sustainability Report, the Group was unable to report on due to the lack of necessary management processes, data collection and reporting systems in the past. This year, we have set up processes to collect and report on such data. The Group policy with regard to waste management is based upon the tenets of 'Reduce, Reuse, Recycle', and we encourage our employees to be conscious in terms of reducing consumption, and reuse and recycle wherever possible. In line with this, several recycling initiatives have been implemented across the Group.

As expected, the biggest contributors to the Group's solid waste are the Leisure and Consumer Foods & Retail industry groups, contributing to approximately 96 per cent of the total waste generated by the Group. Waste collected in other locations is minimal and mainly consists of paper/office waste. As such, while

the hotels and companies of the Consumer Foods & Retail industry groups apply robust processes to measure and sort waste by type on a daily basis, other locations continue to estimate total office waste disposed by the extrapolation of periodic measurements. Through our current waste management processes we have identified that the disposal of waste occurs through the methods depicted overleaf.

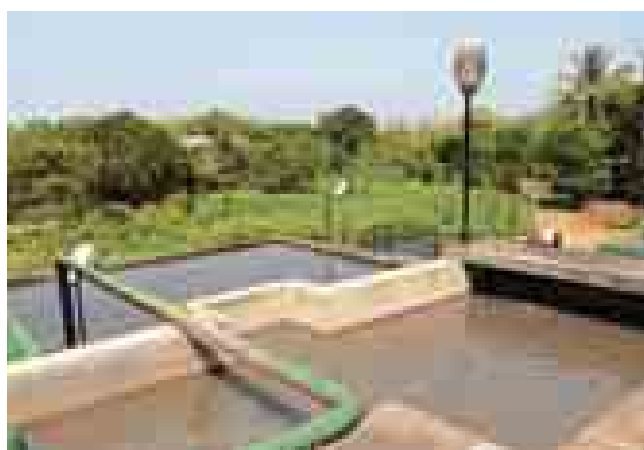
Approximately 37 per cent of total waste generated is reused, recovered or recycled which we believe to be a significant percentage given the diversity of the Group. Other forms of waste management include landfill after being collected by the municipality (37 per cent), and incineration (25 per cent). The Group is mindful of the items it sends for landfill and part of its hazardous waste is managed through specialised contractors who export for recycling while the balance is stored in-house. Further analysing the significant methods of disposal, it is noted that of the total waste that is reused, recovered or recycled, the largest contributors are the Leisure industry group accounting for 56 per cent and Consumer Foods and Retail industry group contributing 43 per cent. Of the total waste sent for landfill, the largest contributing industry group are Leisure accounting for 77 per cent, while Consumer Foods and Retail

Water discharge by method



Water Discharge in Cubic Meters

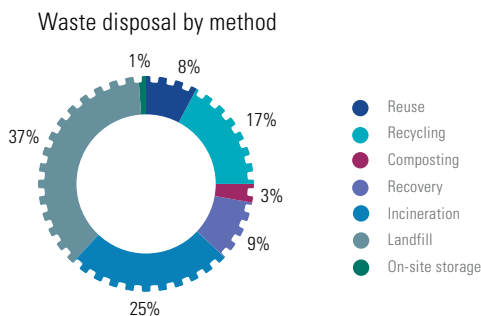
To Municipality sewerage / NWSDB drainage lines	562,366	36%
Treated and recycled/reused (for purposes such as gardening/farming etc)	136,405	9%
Treated and discharged	441,187	29%
Direct discharge as per guidelines	197,094	13%
Through soakage pits	197,719	13%
<b>Total waste water discharged</b>	<b>1,534,771</b>	<b>100%</b>



Effluent treatment plant at Cinnamon Lodge Habarana

## Environmental Impact

contributes 14 per cent and Plantation Services contribute 9 per cent (mainly Tea Smallholder Factories). The Consumer Foods and Retail sector accounts for 99 per cent of the waste that is incinerated.



Waste Disposed by Method (in Kg)		
Reuse	641,385	8%
Recycling	1,405,873	17%
Composting	257,565	3%
Recovery	778,879	9%
Incineration	2,117,421	25%
Landfill	3,106,312	37%
On-site storage	48,764	1%
<b>Total</b>	<b>8,356,199</b>	<b>100%</b>

As part of our waste management process, the following are some of the key initiatives undertaken by Group companies:

- John Keells Office Automation currently collects the used toner cartridges from its institutional customers and provides it to an E-waste collector who ensures that such waste is disposed in an environmentally responsible manner.
- Group-wide awareness campaigns to educate employees to reduce paper and other waste generated by operations.
- Ceylon Cold Stores (CCS) uses Polyethylene Terephthalate (PET) bottles for disposable packaging and CCS continuously encourages the usage of glass bottles to reduce the impact on environment by plastic containers. CCS has also started sorting of waste for reusing, recycling and recovering. Keells Food Products has sub-contracted an external company to manage its waste in an efficient and environmentally sound manner.
- Keells Super has recently launched a pilot project at its Union Place outlet to recycle plastic containers which would be rolled out to the rest of the outlets if feasible. It has also introduced a rewards system through its Nexus Loyalty card to discourage the use of polythene bags in favour of the reusable Keells Super 'Red Bag'.
- Waste is measured daily and recorded in all hotels to monitor, control and manage the waste generation and disposal. Further, initiatives have also

been carried out to sort waste generated at hotels by type such as food waste, plastics and paper, so that varying strategies could be applied in the disposal of such waste.

- All Sri Lankan Resorts send a portion of their waste to external contractors who recycle or reuse such material. Some such items include glass bottles, plastic bottles and containers, cardboard and paper, food waste to piggeries and used kitchen oil for steam boilers. In addition, more than 50 per cent of garden waste generated at the Sri Lankan Resorts is composted and used as fertilizer. Incidentally, Cinnamon Lodge Habarana, Bentota Beach and Chaaya Blu Trincomalee have started organic farming which utilises composted fertilizer made out of waste.

a noteworthy initiative in converting its kitchen waste oil to biofuel to be used in their garden tractors, thereby displacing the requirement for fossil fuels.

### Significant spillages and monetary value of significant fines and non-compliance with environmental laws and regulations

The Group defines significant spills as those spills that are financially material and are reflected in the audited financial statements as an exceptional item or in the notes to the accounts, of the companies coming under its sphere of influence. During the year, no company of the Group reported significant spillages. Risk of environmental pollution resulting as a risk of spillage is also included as a risk item in the risk reviews of the relevant Group companies, and risk mitigation strategies and preventive maintenance systems have been implemented as applicable.

For the financial year 2011/12, none of the John Keells Group companies were fined or levied monetary or non-monetary sanctions for non-compliance of environmental laws and regulations in any of the countries where operations of the Group took place.

**37%**  
of waste generated is re-used, recovered or recycled by the Group

## Biodiversity Conservation

**Biodiversity Conservation Policy**  
The Group shall seek to conserve, and where possible, enhance biodiversity of the locality through the adherence to local and Governmental laws and the implementation of best practices relating to conservation and protection of

- Chaaya Wild Yala has a bio gas plant in operation which digests the total volume of hotel food waste. The Group has already carried out a feasibility study and is planning the implementation of bio gas projects for all resorts which will be completed by the end of year 2012/13.
- Cinnamon Lodge Habarana has recently commenced

## biodiversity in areas where operations of the Group are carried out.

The Group understands and acknowledges its responsibility in conserving and protecting the biodiversity of the areas where it carries out operations in, not only for the purpose of ensuring a sustainable business, but to take care of the planet and preserve its diversity, beauty, resources and strength for future generations.

With Sri Lanka being recognised as a biodiversity hotspot of the world, the John Keells Group understanding the global and national value of this natural wealth, seeks to conserve the biodiversity of the localities in which its businesses operate in, creating a minimal footprint on the environment.

This is done through the implementation of a Group-wide policy on the conservation of biodiversity and the adherence and conforming to the standard of ISO14001 Environmental Management Systems at selected Group companies. Currently Bentota Beach Hotel, Chaaya Blu Trincomalee, Chaaya Citadel Kandy, Chaaya Village Habarana, Chaaya Reef Ellaidhoo, Chaaya Lagoon Hakuraa Huraa, Cinnamon Grand Colombo, Walkers Tours and Whittal Boustead Travels have all obtained ISO 14001 certification.

In keeping with the Group's biodiversity policy, all companies of the John Keells Group have been issued with the following management guidelines.

- All companies including new companies which may be acquired merged or formed, and in which the Group exercises management control,

shall fall within the purview of the Group's biodiversity policy.

- At a minimum, all such Group companies shall comply with all applicable local and governmental legal / regulatory obligations. In the event the Group feels that existing legal requirements are insufficient to cover the Group's operations, sound management practices and procedures will be applied to ensure that the biodiversity of the area is protected.
- The Group will share best practices with regard to the conservation of biodiversity within the Group and ensure that all relevant personnel are provided with the skills and knowledge to comply with the biodiversity policy of the Group.
- All Group companies shall monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests. The Group shall carry out and support projects that conserve and raise awareness on the importance of maintaining the integrity of essential ecosystems.
- The Group shall continue to work with the Government, academia, non-governmental organisations, business associations and other interested stakeholders in striving to develop effective and sustainable legislature and solutions to minimise the impact on the biodiversity in the areas of operation.

In line with the Group's biodiversity conservation and management guidelines, the Group companies that operate in close proximity to any protected areas, carried out their annual surveys through the Group's naturalist team Nature Trails, which recorded visible flora and fauna in the premises of each identified



Wild life in an around Chaaya Wild Yala

business unit. Comparing the changes of the diversity of species included in the survey, enables us to continuously monitor the impact of our operations on the surrounding environment. The annual survey recorded no significant deviations from the flora and fauna recorded in the previous year.

In further strengthening our conservation initiatives, the Group carried out various projects to increase awareness of the need for cohabitation between human populations and its surrounding environs. This includes the following:

### Project Leopard

Yala National Park, situated in southern Sri Lanka, is renowned for its high density of biodiversity; of which leopards are a star attraction. However, the growing population of leopards at Yala has led them to venture out of the park into the surrounding agricultural and pastoral lands where their natural prey basin shrinks. This has resulted in these cats preying on young cattle among the many cattle farms that exist on the periphery of the National Park. These leopard attacks on cattle have prompted retaliatory attacks by farmers against the leopards, resulting in an estimated 10-12 leopard deaths annually, along the boundary of the park.

'Project Leopard' is a conservation attempt that was initiated on the 31st of July 2010, by Chaaya Wild Yala (then known as Yala Village) and the John Keells Foundation, at a remote cattle farming village off Nimalawa, Kirinda, and has continued into the year 2011/12.

Under the funding of the John Keells Foundation and Exodus UK, a total of 25 steel pens (with an investment of Rs. 1.7 million) have been donated to the village folk of Rotawewa, Banduwewa, Thambarawewa, Kotigala, Julpathana, Lokugaswala, and Amaraweve since inception, replacing the traditional stick and barbed wire pen. Simultaneously, the project has assisted in preventing needless leopard deaths; thereby acting as an effective conservation effort in the Yala National Park.

Towards assessing project impact, Chaaya Wild Yala naturalists have been in contact with the beneficiaries at least once or twice a month to monitor any leopard killings following the donations of the pens and there have been no reported killings in the post-donation period. On random site visits undertaken by the naturalists, they have often observed leopard paw prints around the pen, but no cattle killings have been reported thus far.

## Environmental Impact

Chaaya Wild Yala, in collaboration with the Nature Trails team and the Sri Lanka Tourist Board, also carried out awareness programmes for the jeep drivers and wildlife trackers on ethics and behaviour within the National Parks – to complement its efforts in leopard conservation.

### Leopard Guardians

In an effort to understand the Yala’s big cats, Chaaya Wild Yala and Keells Hotel Management Services Ltd. are in the process of launching a comprehensive leopard research effort based at Yala. This will be done with the collaboration of local conservation scientists.

### Butterfly garden

Another ongoing conservation effort is the ‘butterfly garden’ set up by the Group’s naturalists at Cinnamon Lodge Habarana which is an ecologically rich plot of land that has been maintained by hosting plants to enrich the habitat and attract butterflies. The main objective of this project is to conserve and protect such species whilst simultaneously creating awareness about the significance of butterflies in protecting biodiversity amongst guests,

employees and villagers, which in turn would help to protect such species.

### Celebrating World Environment Day, World Tourism Day and World Oceans Day

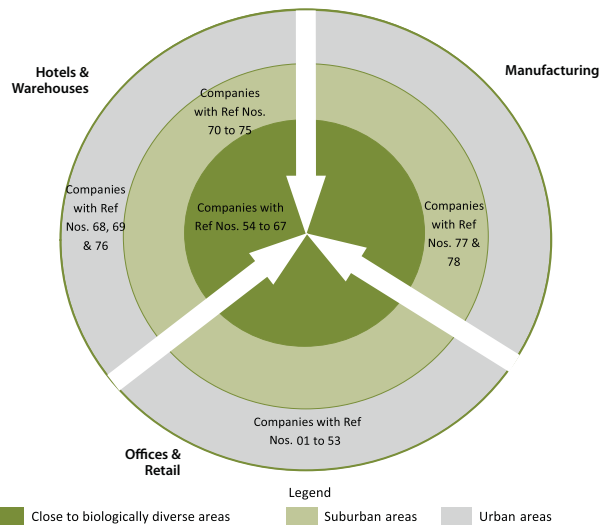
During the year several tree planting and beach/reef cleaning campaigns, as well as awareness programmes on conservation, were carried out among resort hotels (both Sri Lankan and Maldivian), commemorating the World Environment Day, World Tourism Day and World Oceans Day.

### Locations in proximity to biologically diverse areas

For the purpose of assessing its impact on biodiversity of the locality in which its operations are conducted in, the Group considers the type of its operations and the level of the area in terms of its biodiversity. The Group classifies its operations into manufacturing operations, hotels & warehousing operations and offices and retail operations based on the possible severity of impact. The localities in which these operations are situated are classified into urban areas, suburban areas and operation located close to biologically diverse areas, which takes into consideration the level of biodiversity.



Steel pens donated to village folk for Project Leopard



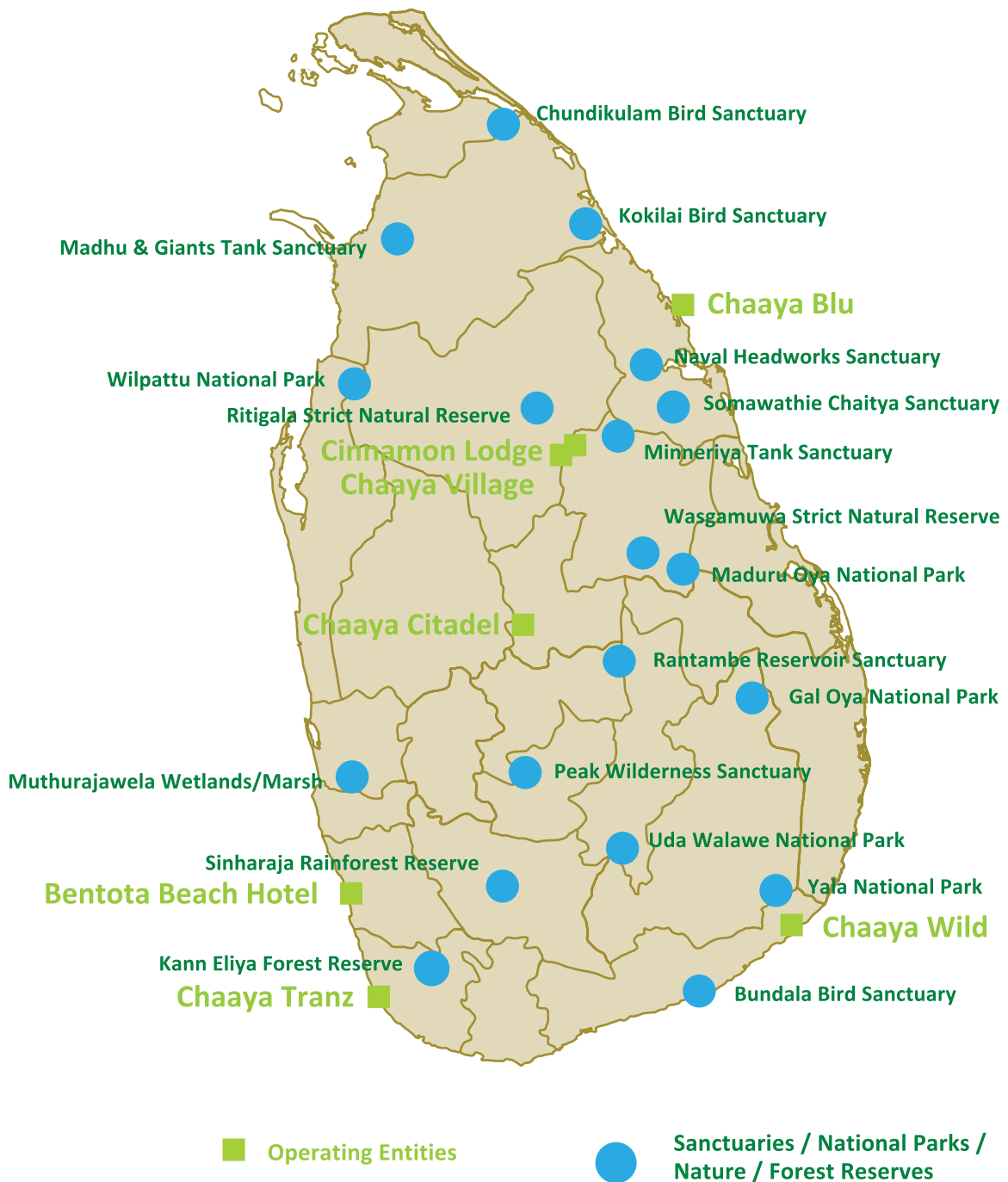
Ref	Location / Company Name
1	Auxicogent International Canada
2	Ceylon Cold Stores - Offices
3	Crescat Boulevard
4	Facets
5	Infomate
6	International Tourists & Hoteliers
7	JayKay Marketing Services
8	JK Packaging
9	JK Properties
10	John Keells
11	John Keells Air Services India
12	John Keells BPO Alpha
13	John Keells BPO Holdings
14	John Keells BPO International
15	John Keells BPO Investments
16	John Keells BPO Solutions India
17	John Keells BPO Solutions Lanka
18	John Keells BPO Solutions US
19	John Keells Holdings
20	John Keells Holdings Mauritius
21	John Keells Computer Services
22	John Keells Computer Services UK
23	John Keells Hotels
24	John Keells Hotels Mauritius
25	John Keells International
26	John Keells Logistics India
27	John Keells Maldivian Resorts
28	John Keells Office Automation
29	John Keells Properties Ja-Ela
30	John Keells Residential Properties
31	John Keells Singapore
32	John Keells Software Technologies
33	John Keells Stock Brokers
34	John Keells Teas
35	Keells Consultants
36	Keells Food India
37	Keells Hotels Management Services
38	Keells Realtors
39	Keells Shipping

Ref	Location / Company Name
40	Mack Air
41	Mack Air Services Maldives
42	Mackinnon Mackenzie & Co (Shipping)
43	Mackinnon Mackenzie & Co Ceylon
44	Mackinnons Keells Financial Services
45	Mackinnons Travels
46	Mortlake
47	Nexus Networks
48	Resort Hotels
49	Serene Holidays
50	Union Assurance
51	Walkers Tours
52	Whittal Boustead Real Estate
53	Whittal Boustead Travel
54	Rajawella Hotels (Land Only)
55	Trinco Walk Inn (Land Only)
56	Wirawila Walk Inn (Land Only)
57	Chaaya Bey Beruwella (Yet to launch)
58	Bentotal Beach Hotel
59	Chaaya Blu Trincomalee
60	Chaaya Citadel Kandy
61	Chaaya Tranz Hikkaduwa
62	Chaaya Village Habarana
63	Chaaya Wild Yala
64	Cinnamon Lodge Habarana
65	Chaaya Island Dhoraveli
66	Chaaya Reef Ellaidhoo
67	Chaaya Lagoon Hakura Huraa
68	Cinnamon Grand Colombo
69	Cinnamon Lakeside Colombo
70	John Keells Logistics
71	John Keells Logistics Lanka
72	John Keells Warehousing
73	Lanka Marine Services
74	Tea Smallholder Factories
75	Transware Logistics
76	Whittal Boustead Cargo
77	Ceylon Cold Stores - Factory
78	Keells Food Products

The Group reports on its manufacturing, hotels and warehousing operations that are located close to biologically diverse areas. The locations situated in and around protected and biologically sensitive areas have been considered for reporting. Locations where no operations take place have not been reported on.

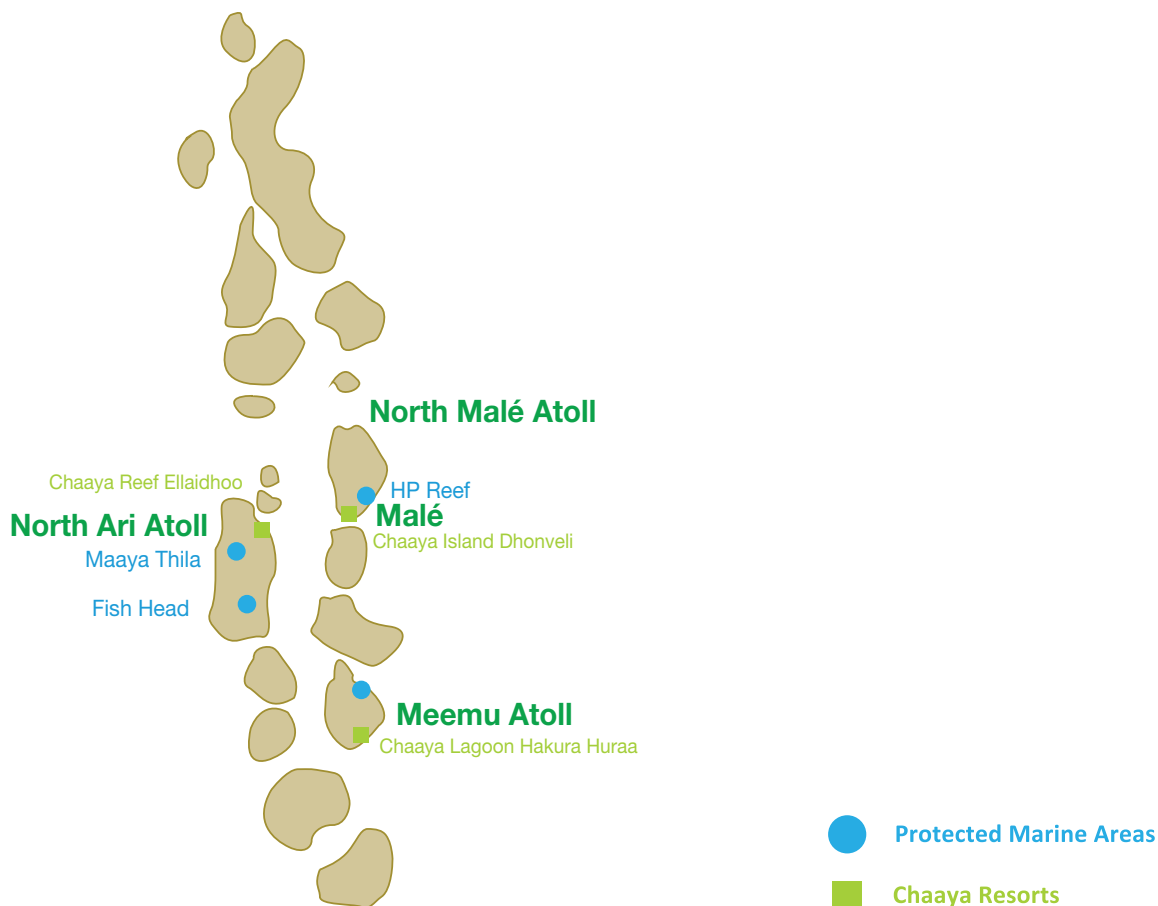
The locations and their proximity to biodiversity hotspots and protected areas in Sri Lanka and the Maldives islands are depicted below and overleaf.

### Locations in Sri Lanka



## Environmental Impact

### Locations in the Maldives



Ref	Operating Entity	Geographic Location	Subsurface Land (Sq Mtr)	Type of Operation	Size of Site in Km2
58	Bentota Beach Hotel	Bentota	Nil	Hotel	0.0446
59	Chaaya Blu Trincomalee	Trincomalee	Nil	Hotel	0.1143
60	Chaaya Citadel Kandy	Kandy	Nil	Hotel	0.0234
61	Chaaya Tranz Hikkaduwa	Hikkaduwa	3,600	Hotel	0.0176
62	Chaaya Village Habarana	Habarana	Nil	Hotel	0.0378
63	Chaaya Wild Yala	Yala	Nil	Hotel	0.0405
64	Cinnamon Lodge Habarana	Habarana	Nil	Hotel	0.1031
65	Chaaya Island Dhonveli	North Malé Atoll Maldives	Nil	Hotel	0.1496
66	Chaaya Reef Ellaidhoo	North Ari Atoll Maldives	Nil	Hotel	0.0556
67	Chaaya Lagoon Hakuraa Huraa	Meemu Atoll Maldives	Nil	Hotel	0.0543

# Our people



**Our employees are essential to our success and we believe that the greater the investment in their development, the stronger and more sustainable the returns. The culture at the John Keells Group allows our employees to question accepted norms, test new ideas, and to see mistakes as an opportunity to learn. Strong values such as Innovation, Integrity, Caring, Excellence and Trust help our employees to develop and positively contribute to our stakeholders.**

Human Resource policies, practices and operating processes play a pivotal role in human capital management. The John Keells Group leadership together with the Human Resources division constantly envisions new strategies and initiatives towards

talent acquisition and talent retention.

### **Capability building**

Enabling and empowering the future workforce ensures capability building at grassroot level. This year, enhanced focus

was given towards capability building of undergraduates in the market with a view to increasing their future employability. Two such initiatives were the Fast Track Internship Programme and the Arrow Work Readiness Programme which were in addition to the current strategies used by the Group and its sectors.

### **Fast Track Internship Programme**

Conducted in partnership with Ceylon Tobacco Company and Hong Kong & Shanghai Banking Corporation, Fast Track provided corporate exposure to Sri Lankan undergraduates pursuing their studies both in Sri Lanka and abroad whilst providing a stepping stone towards their future careers.

Selected interns were exposed to nine different industries within a six week long internship including hands-on work experience. As part of skill development, the interns were trained in business etiquette, teamwork and showcasing leadership skills through an out-bound training together with a programme on creating their personal brand. Further, the interns were required to work on a project and make their recommendations on a given topic to the senior management of the Group as part of their skill development. The programme was a success, receiving over 800 applications in the first year.

## Our People

### Arrow Work Readiness Programme

The objective of the programme was to prepare students and provide the necessary skills to enable them to successfully seek employment. The sessions included an induction to the John Keells Group, training in interviewing skills, résumé preparation, business etiquette, communication skills and finally, an internally designed out-bound training as part of experiential learning. In the first year, the Arrow received 210 applications and 130 of them were selected to be a part of the programme. Four candidates were hired during the programme by various businesses of the Group. The remaining candidates' resumes were added to the Group's candidate data base to draw upon as the need arises.

### Career guidance

The Group continues to participate in career fairs conducted by universities and professional institutes. At these sessions the undergraduates are offered an opportunity to acquire skills enabling them to successfully seek employment and receive guidance on to making an informed career choice. The Final Step programme organised by the John Keells Foundation is another initiative which allows an undergraduate to acquire the skills necessary when joining the professional work force.

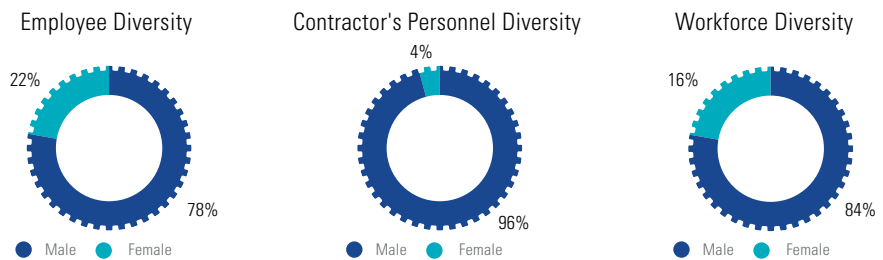
## Our employees

Information regarding employees and workforce has been obtained through the Human Resources Management (HRM) module of the Group's ERP system as well as the HRM modules of individual companies.

Our workforce as at 31st March 2012 totals 18,060 of which 11,748 are employees while 6,312 are supervised workers or workers deployed by third party contractors. Of these 6,312 workers, 85 per cent are insurance sales agents of Union Assurance PLC who are engaged on a sales and distributor arrangement with Union Assurance. The employee numbers set out in the chart comprise full time employees as per the relevant national legislation. The Group has increased its number of employees by 5 per cent during the reporting year, with the main contributing industry groups being Leisure, Consumer Foods and Retail, and IT.

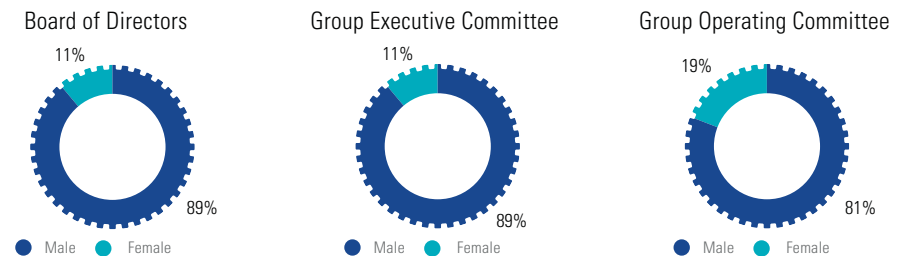
### Employee diversity

Gender and age are two of the key parameters considered by the Group in terms of tracking employee diversity. The Group has maintained its gender percentage as per the previous reporting year.



### Employee diversity in key decision making bodies in the organisation

The Group Executive Committee is the overlay structure that implements under the leadership and direction of the Chairman-CEO, the policies and strategies determined by the Board. The Group Operating Committee provides a platform to share learning on issues that cross industry groups, sectors, business units and functions while the Group Management Committees are dedicated and focussed towards designing, implementing and monitoring the best practices in their respective industry groups, sectors, functions and strategic business units. The diversity within these governance bodies is as follows:



All Board Directors are over the age of 50, while 4 members of the Group Executive Committee are between the ages of 30-50 and five members are over 50 years of age. 11 members of the Group Operating Committee (including the Group Executive Committee) are between the ages of 30-50, while 10 are over the age of 50.

Total Employee Count	Male	Female	Total
AVP & above	95	20	115
Managers	413	61	474
Assistant managers	398	99	497
Executives	1,307	520	1,827
Non-executives	6,948	1,887	8,835
<b>Total employees</b>	<b>9,161</b>	<b>2,587</b>	<b>11,748</b>
Contractor's personnel	6,085	227	6,312
<b>Total workforce</b>	<b>15,246</b>	<b>2,814</b>	<b>18,060</b>

## Our Values



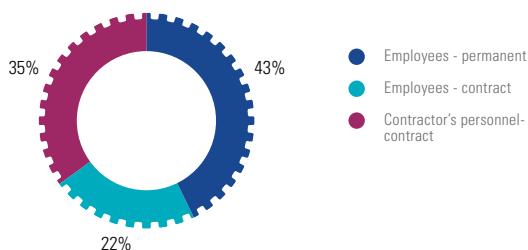
## Type of employment

The Group considers the type of employment it offers within the categories of permanent and contract employment. The following depicts the gender-wise breakdown within the said types of employment.

Given the industry and business norms governing the Leisure and Consumer Food and Retail industries, these industry groups are the highest contributors to the Group’s contract staff which accounts for 34 per cent of total employees. Initiatives have been introduced by the Retail and IT industry groups to convert contract staff to permanent status by offering learning and development opportunities and identifying high performers for permanent positions which would arise in the future to match their skills and expertise.

Workforce by Type			
	Male	Female	Total
Employees - permanent	5,886	1,856	7,742
Employees - contract	3,275	731	4,006
Contractor’s personnel - contract	6,085	227	6,312
<b>Total workforce</b>	<b>15,246</b>	<b>2,814</b>	<b>18,060</b>

Workforce by type of employment

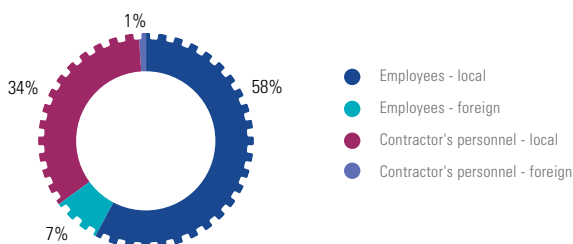


## Employment by region

While 11 per cent of our employees are employed outside the country, mainly in the Maldives and India, 89 per cent of the staff is employed within Sri Lanka.

Workforce by Region			
	Male	Female	Total
Employees - local	8,160	2,329	10,489
Employees - foreign	1,001	258	1,259
Contractor’s personnel - local	5,933	214	6,147
Contractor’s personnel - foreign	152	13	165
<b>Total</b>	<b>15,246</b>	<b>2,814</b>	<b>18,060</b>

Workforce by region



The trend of employee distribution across type, region and gender over the past three years is as follows.

	2011-12	2010-11	2009-10
<b>Employment type</b>			
Permanent	66%	67%	68%
Contract	34%	33%	32%
<b>Employment by region</b>			
Local	89%	90%	89%
Foreign	11%	10%	11%
<b>Employment by gender</b>			
Male	78%	78%	78%
Female	22%	22%	22%

Of the total new hires in the Group during the reporting period, 13.4 per cent is from the executive and above cadre. The main reason for this increase is expansions in the Leisure industry group, with the opening of refurbished properties Chaaya Tranz and Chaaya Wild, and also the increase in new retail outlets. The Leisure and Retail industry group account for the highest percentage of the total new hires of the Group at the non-executive level and on contract basis, this being the result of the nature of their operating model and industry.

The Group’s new hire attrition is at 4 per cent, excluding the Retail and Leisure industry groups where attrition is expected to be high and is considered to be an industry norm. The Group’s total executive and above attrition stands at 15.6 per cent, which includes the BPO, Retail and Leisure sectors, where high attrition is expected.

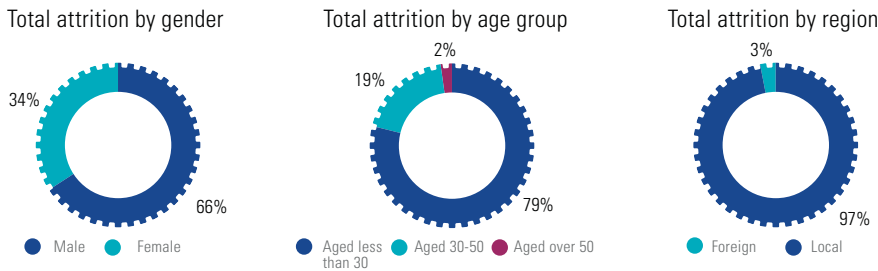
Proactive initiatives have been taken to address attrition in industries with high staff turnover. The compensation model of the Retail sector was revisited making it more attractive based on the demographics of the non-executive employees. The sector also continues to pay the joining bonus which assists employees from outstation areas to settle themselves in the appointed outlet area. Further, Retail sector employee engagement strategies have focussed on involving employees in decision making, offering employees the opportunity to share their ideas, and thus ensuring inclusivity. Initiatives taken to foster the above strategy are Young Forums in the sector, with representation from each outlet, and Supiri Hamuwa, a town hall meeting offered to all staff, encouraging participation and a sense of belonging. In addition, Keells Radio, a radio station manned by employees, broadcasts to all outlets every morning and has created excitement and engagement amongst employees. The station allows the employees at the various outlets an opportunity to get to know each other, ensures that recognition schemes reaches all employees of the sector and provides sector wide communication to reach each employee directly. The Retail Academy offers industry and job based training to staff and a familiarisation programme organised by the Human Resource team.

The Leisure sector has partnered with the Sri Lanka Institute of Hospitality Management to provide employment in its hotel properties. The sector continues to work with the Emirates Academy of Hospitality Management to offer all its employees a learning experience which will assist the sector to be amongst the best in the global market. While offering its employees great opportunities for learning and development, the Leisure sector has also focussed on upgrading accommodation facilities of staff at its properties. The Group believes that these initiatives would contribute to the reduction in attrition in these sectors.

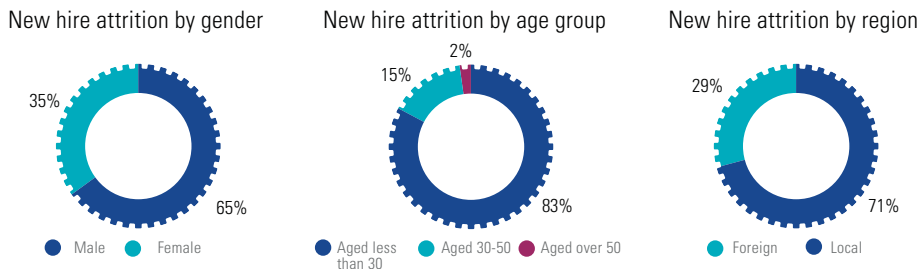
## Our People

The Group has also witnessed many returning to work in Sri Lanka from overseas, and has managed to attract them to the Group, especially in the Leisure industry group. The Group has also been able to attract specialist technical expatriate staff who in turn bring in global expertise and knowhow.

The total attrition by gender, age and region are as follows.



The attrition of new hires by gender, age and region are as follows.



## Employee engagement

The John Keells Group believes in constant dialogue with all our employees and the creation of organisation citizenship and commitment, ensuring the success of employee relations. We strongly believe in employee engagement as an enabler of positive social impacts for our organisation. We recognise the rights of our employees and provide forums, support groups and policies to hear and address their concerns and resolve issues and conflicts in a fair and transparent manner.

The following employee engagement activities are practiced within the Group:

- Open Door Policy
- Ombudsperson
- Employee direct access to the Chairman through a dedicated and secure e-mail address Chairman Direct
- Regular skip-level meetings
- Joint Consultative Committees
- Young fora at Group level and sector levels
- Welfare Committees
- Joint Operating Committees
- Business Improvement Committees
- Innovation Teams
- CSR Volunteerism
- Peer and subordinate evaluation at manager and above levels
- John Keells Group Sports Club
- JK Connect, JK Blog and other e-communication channels

responsible to maintain at 70 per cent or above. The cumulative score will represent the John Keells Group’s VOE score. The results will be captured, analysed and action plans will be drawn up to address the concerns of our employees and build on our strengths.

## Collective bargaining

Our policy on collective bargaining ensures that formal and informal types of collective bargaining are prevalent in the Group. While formal collective agreements are found in the Consumer Food sector and the Plantation Services sector, the Retail sector engages in salary negotiations and ensures that employee views are given due consideration. In addition, the Tea Smallholder Factories PLC in the Plantation Services sector is not a signatory of a collective agreement, but the company customarily follows the same structure governing the plantation industry of the country with regards to terms and conditions of employment.

### Employees Covered By Formal Collective Bargaining Agreements (CBA)

Consumer Foods and Retail	1,834
Plantation Services	887
Property	5
Percentage of employees covered by CBAs	23%

Resort hotels have entered into Memoranda of Understanding (MoU) with employee representatives covering 244 employees in limited areas.

## Voice of Employees survey

A ‘Voice of Employees’ (VOE) survey was conducted during the reporting year as a dip stick study to check the employee pulse of the employees in the organisation. The Group will use the results as a people management index and monitor its progress as a measure every year. Each business unit and sector will have an individual VOE score which the respective profit center managers and sector heads



### Performance centric culture

All employees of the Group undergo regular appraisals to receive feedback on their performance. The Group performance management policy requires bi-annual formal feedback to be provided to the executive cadre, and to all others at least once a year. While formal feedback is a scheduled occurrence, the performance-centric culture of the John Keells Group encourages and facilitates constant employee feedback at all levels.

Career Committees are the decision making bodies for decisions made with regard to employee performance for executives and above staff levels. Career Committees are convened annually at the end of the performance appraisal cycle, and are held at each business unit for executive and assistant manager level staff, at each sector for manager level staff and at Group level for assistant vice president and above level staff.

The objective of these Committees is to assess employee performance as a committee rather than by a single supervisor, thereby ensuring impartial assessments and enabling benchmarking at each level. The Committees' agenda looks at performance, learning and development, the Group talent pool, succession planning, employee promotions, lateral moves and career aspirations amongst others. The month of May is dedicated to Career Committees and the Group has in the past year, conducted 33 Career Committees

with the management spending 400 hours over 50 days.

### Learning and development

Learning and development (L&D) is a dedicated function at all business units and is also driven by the Group Human Resources division with regards to new strategies, policies and initiatives. The Group believes in business focussed training for all staff to impart expertise necessary for employees attached to different businesses and industry groups. Further, the Group focuses its training on competency development and leadership development for all employees to address current and future learning needs. The Group's employees have spent a total of 466,040 hours on training, averaging 40 hours per employee, an increase of 33 per cent compared to the previous year.

The Group has provided on average 42 hours of training to its male employees while providing 36 hours of training to its female employees. The training provided to non-executive staff was on average 45 hours per employee, while training provided to executive staff cadre was an average of 26 hours per employee.

With the Leisure industry group's focus on learning and development, the training hours provided to non executive staff has significantly increased. The Group also offers leadership training at all levels using various strategic partners. The assistant manager level

programme done in partnership with the Post Graduate Institute of Management continues for 10 days covering ten modules. The programme's in-built design allows the trainees to use their learning on the job while continuing the other modules. Harvard Business Publishing India acted as the Group's leadership training partner for manager and above levels during the year. The Learning Management System / e-learning initiative that the Group embarked on during the last financial year has allowed each business unit to upload their respective e-learning catalogues while having access to the Group's main catalogue for competency training.

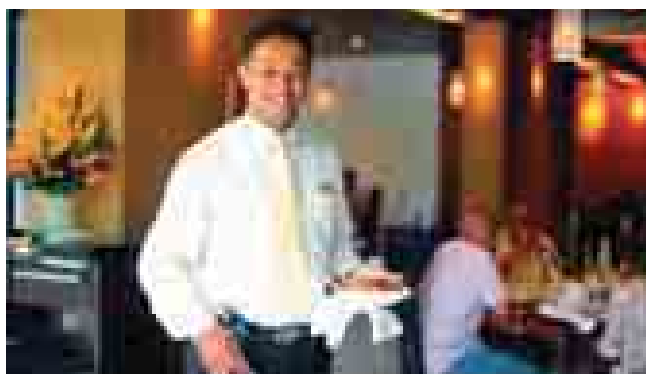
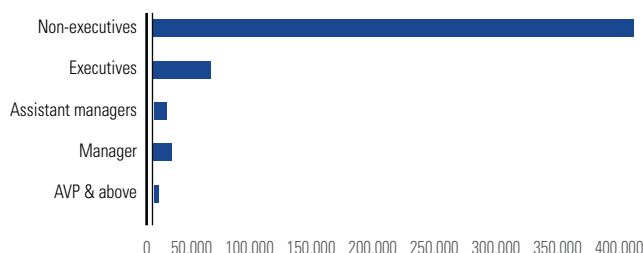
The Group's internal training faculty caters not only to the entry-level, but also offers many other complex trainings in an array of competencies. The pool of internal training faculty consists of 189 employees from multiple functions. This has also assisted in the Group offering all our employees the opportunity to go beyond their assigned role. The Group's L&D philosophy and practices are flexible and dynamic, accommodating life-long learning, crucial to building a sustainable competitive advantage.

### More than just a workplace

As an equal opportunity employer, the John Keells Group does not discriminate on the basis of gender, race, nationality, age, social origin, disability, religion, or any other basis. Employee policies from talent acquisition to talent retention are applied to employees based on their performance and merit. Employee hiring is done based on the Recruitment Policy and the Policy on Equal Opportunity, and supported by a Role Clarification document. The Group's operating structure is designed in a manner that ensures all people-related decisions are made by committees and not by individuals. Decisions relating to hiring, performance, promotion, learning and development, career development, compensation management and talent management are also made in this manner.

The Group lays emphasis on creating a favourable working environment for its employees and its human resources policies and practices enable us to attract and retain high calibre employees. The John Keells Group fosters a culture of inclusivity and trust at all times with all our employees committed to making John Keells 'More than just a Work Place'.

Total training hours by staff category



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# Health & Safety

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**John Keells Holdings PLC places paramount importance on Occupational Health and Safety (OHS). Driven by the John Keells Group’s OHS policy, all business units within the Group have been empowered to undertake any measure it may deem necessary to ensure that it is a ‘Safe Place to Work’.**

The John Keells Group in its quest to be a ‘sustainable’ organisation, began the initiative to be a more OHS friendly organisation by giving OHS priority within all its industry groups.

With the Group’s processes and employees maturing, drastic improvements were witnessed throughout all business units towards monitoring and

alleviating hazards in the working environment during the reporting year. Numerous awareness programmes were conducted Group-wide and it was seen that the employees showed a keen interest towards adopting safe practices at the work place.

In the recently concluded ‘Voice of Employee’ survey the Group was considered a ‘Safe Place to

Work’ by a majority of the work force. The overall safety of the work place and the procedures and practices in place in this regard, received one of the highest ratings by the staff during this survey.

This year, goals and targets with respect to OHS were set at the beginning of the financial year by all business units. In addition, the Group Sustainability division introduced quarterly sustainability reporting where information was collated on all indicators including OHS, in a consistent and timely manner across the financial year.

In addition to the programmes conducted by the respective business units, various actions

were undertaken by the Group’s OHS Task Force, keeping in mind its objective of obtaining the OHSAS certification for all Group companies other than those operating in an office and IT environment. Last year, a training programme was carried out for the sector and business unit representatives, on how to carry out a gap analysis to determine the current position and arrive at the improvements required towards obtaining the OHSAS certification. This programme was conducted by a lead auditor of one of the leading OHSAS certification audit firms in the country.

Following this training programme, meetings were

arranged with all relevant business units and third party consultants to assist the business units in the implementation of the OHSAS certification. Currently almost all Group companies have embarked on the process of obtaining the certification and are in varying stages along the certification process with gap analyses being completed. A few Group companies including Cinnamon Lodge Habarana, John Keells Warehousing and the Keells Super outlets at Crescat, Union Place and Rajagiriya have progressed rapidly in this sphere, with their final audits having been carried out during April 2012.

The following Group companies currently possess ISO 18001 certification: Bentota Beach Hotel, Chaaya Village Habarana, Chaaya Citadel Kandy, Chaaya Blu Trincomalee, Chaaya Lagoon Hakuraa Huraa (Maldives), Chaaya Island Dhonveli (Maldives), Chaaya Reef Ellaidhoo (Maldives), Cinnamon Grand Colombo, Cinnamon Lakeside Colombo, John Keells Logistics Limited and the Broadlands Tea Factory of Tea Smallholder Factories Ltd.

The Group monitors and reports on rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities of its employees. The Group records incidents of occupational health and safety and occupational diseases through its management processes which include accident logs, attendance registers and other records. The Group also reports on programmes carried out on education, training, counselling, prevention and risk control programmes in place to assist workers, their families and the community regarding serious diseases and other health hazards. Currently, personnel deployed by outsourced contractors such as security

and janitorial services, and the external insurance sales agents of Union Assurance have not been included in the assessment of health and safety issues. Being the first year of reporting on the health and safety issues of the total workforce the Group has not been able to finalise the necessary systems and procedures to capture occupational health and safety details of such personnel, but intends to include such outsourced employees within its assessments in the future.

During the period of assessment, one occupational fatality was recorded from the Karavita Factory of Tea Smallholder Factories Limited as a result of a road side accident. No occupational diseases were recorded from any of the Group companies.

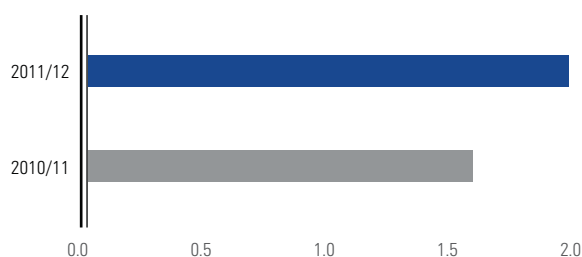
**Injury Rate** is defined under the GRI guidelines as the frequency of injuries relative to the total time worked by the total workforce in the reporting period. During the period, a total of 229 staff members were affected by occupational injuries.

**Lost Day Rate** is defined under the GRI guidelines as the impact of occupational accidents and diseases as reflected in time off work by the affected workers. The calculation of 'lost days' commences from the day after the injury takes place and such calculation entails calendar days. To this extent, minor occupational injuries/diseases that occur causing an employee to be unable to report to work for less than one day have been excluded. The total person days lost for the Group for the reporting period was 1,853.

The charts illustrate that while the number of occupational injuries have increased compared to the previous reporting period, the number of person days lost

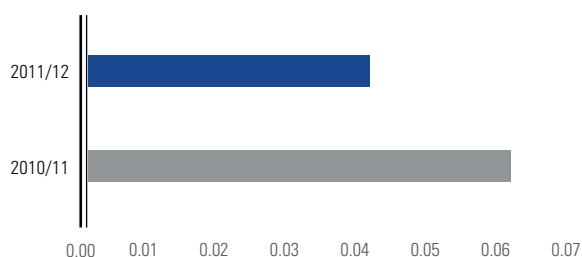
has reduced indicating that the majority of injuries occurring this year had been on average relatively minor in nature.

**Occupational injury rate  
(No. of injuries per 100 employees)**



	2010/11	2011/12
No. of staff affected by occupational injuries	180	229
Total number of employees	11,562	11,748
Occupational injury rate (number of injuries per 100 employees)	1.56	1.95

**TPDL as a % of total person days in the period**



	2010/11	2011/12
Total Person Days Lost (TPDL)	2,403	1,853
Total number of Person Days in the period	4,082,890	4,091,542
TPDL as a % of total Person Days in the period	0.06%	0.04%

This year a new definition for an 'Absentee' was defined for the John Keells Group, with the term being defined as an employee absent from work without authorisation from the management.

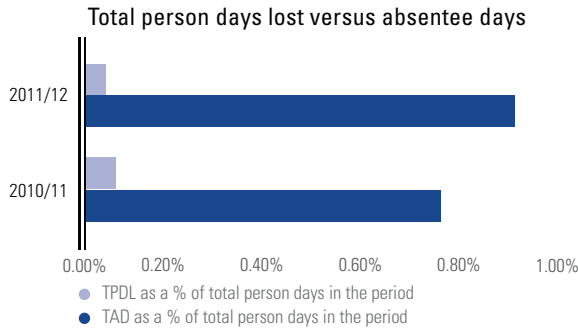
**Absentee Rate** refers to a measure of actual absentee days lost as defined above, expressed as a percentage of total days scheduled to be worked by the workforce for the same period. Here the Group took these days as the total number of days in the period for purpose of calculation.

The table below depicts the percentage of the Absentee Days in respect of the total person days in the period.

	2010/11	2011/12
Total Absentee Days (TAD)	29,268	35,772
Total number of Person Days in the period	4,082,890	4,091,542
TAD as a % of total Person Days in the period	0.72%	0.87%

## Health & Safety

The graph below depicts the contribution of the Total Person Days Lost due to occupational injuries and diseases to the Total Absentee Days of staff in the Group.



Employees using protective gear

### Training and awareness on serious diseases

During the year in concern, many programmes on education and awareness, counselling, prevention and risk control and treatment were carried out by the business units of the John Keells Group. A total of approximately 20,279 personnel consisting of staff members, their families and the community were trained and made aware on pre and post actions that need to be carried out in terms of mitigation and treatment with regard to serious diseases and injuries. In particular, during the year in concern, most of the Group companies conducted awareness programmes relating to HIV / AIDS for their employees and in some cases for the community.

The Cinnamon Lodge Habarana team conducted a medical camp at the Isuru School Habarana for the community where 1,212 people were attended to by a team of prominent consultant physicians of different disciplines. Support was obtained from the regional army medical detachment which provided pharmacists and nurses. Doctors and nurses from the Habarana Hospital were also present and assisted the consultant physicians. Medication received as donations from pharmaceutical companies was also provided to those who attended the

**20,279**

**Employees  
Families  
Communities  
trained on  
serious diseases**

camp. As medical attention of this nature is a facility not available for people of the area, some had even walked over 10km to attend the camp.

In addition, training programmes on Cardiac Pulmonary Resuscitation (CPR), Typhoid prevention, chemicals and their impact to the environment and on general occupational health and safety were conducted for the employees of the hotel.

Tea Smallholder Factories Ltd., conducted eye camps and eye clinics at the Neluwa, Hingalgoda and Halwitigala tea factories and these were attended by over 600 small holders and their families. Two tea smallholders also underwent cataract operations which were facilitated through the John Keells Foundation.

A health camp was also held for the members of the Halgolle and Welihentenne societies in Ginigathhena which belongs to the Broadlands Tea Smallholders Society and this was attended by over 200 members and their families.

The Vendor Management team of Walkers Tours and Whittals Boustead conducted educational programmes and periodic inspections of their suppliers throughout the year. This included health and safety measurements

implemented or adapted by vendors, fire safety and emergency plans, hygiene controls/ programmes and conforming to safety and hygiene practices. In addition to this, the Vendor Management Team conducted periodic audits on the jeep and boat suppliers on emergency measures and safety systems and practices.

Training programmes on first aid and fire safety were carried out across almost all Group companies including office premises where fire drills were also conducted on a periodic basis.

None of the Group companies or industry groups reported workers involved in activities that would expose them to a high risk or incidents of specific diseases. Further to this, it is the Group mandate that precautionary measures be implemented in any such areas identified as high risk.

The final goal is for all Group companies (other than the IT/office industry groups) to obtain the OHSAS certification by the end of the 2012/13 financial year. To this extent, great strides have been made by the group companies supported by the Group OHS Task Force where pre audits have been completed in most of the business units under consideration. Drawing personnel from group companies already OHSAS certified, to assist companies yet to obtain the certification, is yet another avenue being explored.

Further, the importance of conducting basic OHS awareness and prevention programmes for staff, their families and the surrounding community where possible will also be communicated to all companies and they will be encouraged to conduct same and continue the positive trend seen in this regard within all the Group companies.

# Ethical business



**A strong commitment to upholding the universal human rights of all individuals has been inherent in the John Keells Group throughout its existence. We have imbued the values of Integrity, Caring and Trust and setting a zero tolerance policy towards anti-competitive behavior and corruption, by which we demonstrate our commitment and respect for all our stakeholders. This commitment has translated into the management systems and processes which govern our businesses.**

As part of our ongoing commitment to ethical business practices, the Group's Learning & Development Division carries a separate module with regard to decent work practices and human

rights to all new inductees to the Group. During this session, remedial actions available to employees and the process of disciplinary action with regard to any contraventions are clearly explained.

## Child labour

The John Keells Group continues to maintain a voluntarily higher standard on the minimum age for admission to employment than the applicable statutory definitions<sup>1</sup> as well as the ILO conventions.

**Policy on Child Labour**  
**John Keells Group does not engage children in employment. As a general practice, the Group does not employ**

**any person below the age of 18 (eighteen) years at the workplace.**

The respective goals and targets set by the Human Rights Task Force in consultation with the Group's business units in the previous reporting year were consolidated and verified during the year under review through a quarterly sustainability performance managing mechanism rolled out by the Group's Sustainability division. The related reporting template also attached the provisions of Hazardous Occupations Regulations of 2010 promulgated under the

<sup>1</sup> Under Sri Lankan law, "Child" means a person who is under the age of fourteen years while "Young Worker" means a person who has attained the age of fourteen years, but is under the age of eighteen years.

## Ethical Business

Employment of Women, Young Persons and Children Act, No. 47 of 1956 and made applicable to the employment of persons under eighteen years of age.

The above process confirmed that the incidents of child labour continue to be very remote in the John Keells Group, with best practices relating to observing and verifying the minimum age of employment having been firmly entrenched in the recruitment and selection processes in companies within the Group. In addition, in the Consumer Foods sector, where outsourced labour is used in certain instances such as to meet seasonal requirements or cover absenteeism of factory workers, multiple controls were in place to ensure strict compliance by labour suppliers. As part of the continuous improvement process adopted by Ceylon Cold Stores in monitoring the deployment of outsourced labour in its factories, the company automated registration of outsourced labour at the security entrance through the introduction of a computer software which uses the National Identity Card number as the primary field and does not allow the registration of outsourced labour if they are below eighteen years of age.

Meanwhile, steps were taken during the year under review to extend the Group's monitoring mechanism regarding minimum age to include significant suppliers of the Group's businesses whose operations are identified as having significant risk for incidents of child labour. 'Significant' was defined to refer to suppliers who are:

- The primary providers of a given type of good/service and overall comprise the majority of a company's purchases
- Identified as having a high risk of incidents of violations related to human rights.

As per the responses submitted by the Group companies, no case of non-conformity has been reported in regard to child labour or the exposure of persons under the age of eighteen to hazardous occupations either in the John Keells Group or the significant suppliers of its subsidiary companies.

As regards employment of young workers as disclosed in the 2010/11 Sustainability Report, in keeping with the Group policy on child labour:

- Jaykay Marketing Services has confirmed that it has no employees below the age of 18.
- It has been verified that the Leisure industry group (including the resorts managed by John Keells in the Maldives) also does not employ any person including trainees<sup>2</sup>, below the age of 18 years.

Meanwhile, Tea Smallholder Factories reported the engagement of three young workers aged 17 in one of its operational units during the year on a casual basis, necessitated by the extreme shortage of workers. These workers were employed subject to the policy guidelines given by the Employers' Federation of Ceylon on employment of persons in the said age category. One of the said young workers reached the age of 18 years in January 2012, while the other two young workers were in employment during the fourth quarter.

## Forced or compulsory labour

### Policy on Forced or Compulsory labour No employee of the John Keells Group is made to work against his/her will, or subject to corporal punishment or coercion of any type related to work.

The respective goals and targets set by the Human Rights Task Force in consultation with the Group's business units in the previous reporting year were consolidated and verified during the year under review, through a quarterly sustainability performance managing mechanism rolled out by the Group's Sustainability division. This mechanism also included the checklist developed by the task force to guide the Group's business units in responding to the questionnaire on forced or compulsory labour (adapted from ILO's handbook for Employers & Business).

Meanwhile, steps were taken during the year under review, to extend the Group's monitoring mechanism regarding forced or compulsory labour to include significant suppliers of the Group's businesses whose operations are identified as having significant risk for incidents of forced or compulsory labour. The word 'Significant' refers to suppliers who are:

- The primary providers of a given type of good/service and overall comprise the majority of a company's purchases.
- Identified as having a high risk of incidents of violations related to human rights.

The processes confirmed that the risk of forced or compulsory labour is insignificant in the John Keells Group and the significant suppliers of its subsidiary companies. So far, no case of non-conformity has been reported by companies within the Group.

With regard to training, especially where the training cost is significant, companies within the Group also ensure that employees are required to understand and agree that they will work an adequate duration which would not exceed the value of the training.

Employees who work beyond normal hours are compensated by means of overtime or variable pay as appropriate and are also supported with meals and transport facilities in compliance with applicable law and industry best practices.

## Non-discrimination

### Policy on Equal Opportunities

**The John Keells Group is an equal opportunity employer. Accordingly, the Group is committed to hiring, developing and promoting individuals who best meet the requirements of available positions, possess the required competencies, experience and qualifications to carry out assigned tasks and have the potential for growth within the organisation; and has implemented processes and systems that ensure the same.**

In keeping with its policy on equal opportunities for all, the Group remains committed to maintaining

<sup>2</sup> This is with reference to the disclosure in the 2010/11 Report of the engagement of trainees below the ages of 18 in some of the resorts managed by John Keells in the Maldives who fell within the scope of interns, with the duration of such internship lasting no more than a maximum of three months.

workplaces that are free from physical or verbal harassment or discrimination on the basis of race, religion, gender, age, nationality, social origin, disability, political affiliation or opinion. The Group Policy on Equal Opportunity is adhered to in advertising vacancies as well as recruitment and promotion processes.

Meanwhile, John Keells Holdings continues to be a member of the Employer Network on Disability of the Employers' Federation of Ceylon and as such promotes the employment of differently-abled persons within the Group. A total of twenty differently-abled individuals are employed in the Group.

The Group also has a comprehensive process in place regarding the prevention of sexual harassment. The Group's Policy on Ombudsperson provides employees the choice of referring a matter relating to sexual harassment either to the ombudsperson or to the internal committee appointed for the purpose in the first instance.

## Anti-corruption

**Anti-corruption Policy**  
The John Keells Group places the highest value on ethical practices and has promulgated a zero tolerance policy towards corruption and bribery in all its transactions.

The Group upholds the distinction of being identified by its peers as Sri Lanka's most respected entity for the fifth consecutive year, in the annual nationwide survey, conducted by 'Lanka Monthly Digest' (LMD).

The Group has also defined a three-pronged approach which further mandates the policy through a transparent control and prevention mechanism:

### 1. Educate

The John Keells Code of Conduct (Code) encompasses rules regarding bribery and corruption and is made available to employees at the time of their induction. Each employee signs off on his/her Letter of Appointment which refers to compliance at all times with the rules, regulations, policies and procedures that shall be in force. The Code of Conduct and the John Keells value statement is available on the 'JK Portal' and it is flashed on the home page of the employee portal every Monday as a reminder. Compliance with this Code forms part of the John Keells values and furthermore, each employee is assessed on whether he/she embraces these values. This is an integral part of the employees' performance appraisal and evaluation which is considered for their compensation and benefits, recognition schemes as well as career development. Non conformity to the code of conduct would lead to disciplinary action and could even involve dismissal.

### 2. Enforce

- The Group expects and encourages employees to bring to attention any breach of the Code and it is guaranteed that no employee would suffer as a consequence of reporting such a breach.
- A multi-channel formal process of communication has been established. This includes Chairman Direct, business unit specific grievance handling process, ombudsperson service and an anti-sexual harassment committee.
- All companies and functions have a process to prevent / reduce the risk of corruption for example, procurement process, authority levels as per the Group operating model (February 2005), and reporting requirements etc.

- All business units carry out a risk evaluation matrix for their business in the form of a risk register and corruption is included as a specific section in the risk register.

### 3. Evaluate

The above stated policies and their implementation and review, are taken up formally on a regular basis at Sector Committee meetings or Group Management Committee meetings as relevant. In addition independent internal audit reviews are undertaken to ensure compliance with the processes. The findings of these committees are documented for analysis.

Thus, it is evident that the companies of the Group are analysed for risk resulting from the potential areas of corruption through the above mentioned mechanisms which are subjected to independent audit reviews. The Group is also fully compliant when considering the percentage of business units analysed for risk related corruption within the reporting boundary.

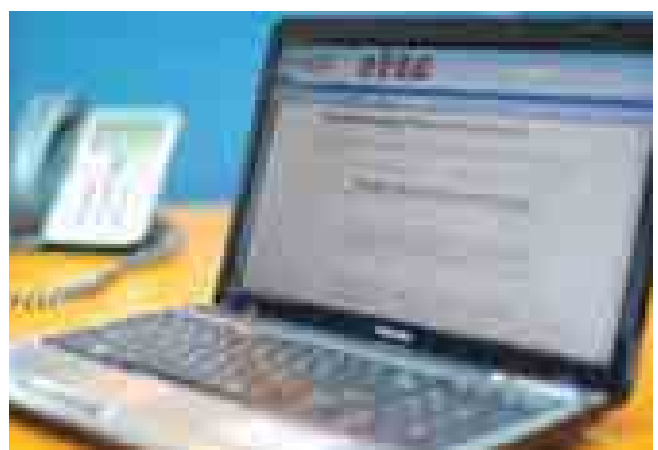
In addition to analysis and mitigation of risks from internal sources, the Group has also established transparent and fair practices in all our dealings, and has been able to establish mutually beneficial relations with our suppliers, customers and business partners. Through

continued communication, engagement and ethical business practices we strive to encourage our partners to adhere to business principles consistent with our own.

In terms of procurement, the Group sources a majority of high valued items, which are required commonly across the Group, through its centralised sourcing division. The Group Initiatives division has established the following process and mechanisms to ensure that supplier selection for the high valued items it sources occur in a transparent and fair manner.

The Group Initiatives division process for sourcing of high valued items include the following

- Each sourcing category is manned by cross functional teams (user groups), and headed by a category manager at AVP or higher level. The category manager is chosen on the basis of not being an employee of the Group company that purchases the most within the selected category, to eliminate biases.
- Defined roles within the user groups such as key users (who represent the Group company with the largest requirement within the category), other users (who represent other companies that require the products/services of the category), and independent



*Policies available on Group Human Resources portal*

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## Ethical Business

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users from the legal and financial functions of the Group to ensure complete transparency of the need assessment, evaluation, negotiation and selection.

- Robust Request For Proposals (RFP) process with necessary financial, legal terms and conditions to cover both the companies and supplier interests.
- Documented and audited evaluation process wherein technical evaluations are carried prior to opening the financial bids.
- Structured negotiation process headed by the category manager carried out under the ethical guidelines, formulated by the Group Initiatives division when dealing/negotiating with suppliers.
- A periodic supplier review and engagement to ascertain areas of strength, areas for improvement and to understand supplier concerns in general.

During the year, risk assessments were conducted across all Group companies with quarterly reviews being carried out to capture changes in the risk profile of each company. This is described in detail under the section of "Risk Management" of this report.

During such reviews, business units identify, monitor and mitigate significant structural, operational, financial and strategic risks that may prevent it from meeting its objectives, with each division of every business being assessed for its specific risks. Corruption has been included as a risk item in the Group company risk registers which are monitored during the quarterly reviews to ensure that there is no increase in the risk rating. Internal corruption has not been identified as a significant risk by any of the Group companies during the reporting year.

During the reporting year, none of the John Keells Group companies were fined or levied significant monetary or non-monetary sanctions (the Group defines 'significant' as any fines that are payable over Rs. 1 million) for non-compliance under the laws and regulations in any of the countries that operations take place.

# Product Responsibility



## Products and Services Policy

**The John Keells Group will strive to maintain products and services at the highest standards through embracing industry and corporate best practice and compliance with all relevant local and international statutory and regulatory requirements in the markets we serve. All products and services will be assessed for any environmental and social impact through communications, services, operations and supply chain.**

The management approach of the Group has been to develop and market products and services that meet the highest product quality standards which ensure customer health and safety, relevant product and service labelling, ethical marketing communications and

ensuring privacy of customer information obtained through the sale of the product or service and products stewardship and compliance.

Towards this, the Group adheres to the Food Act No. 26 of 1980

and the regulations contained in the Food (Labelling and Advertising) Regulations 2005 and the Consumer Affairs Authority Act No. 9 of 2003, the ICC code of Advertising and Marketing Communications, while our food and beverage manufacturing companies have obtained ISO 9001 and ISO 22000 certification.

### Product stewardship

During the year, the Group has taken steps to achieve our vision of constantly exceeding customer expectations, product excellence and sustainable innovation with respect to our brands and businesses.

In the Consumer Foods sector, the Group has introduced several new ranges of products during the year in review. Keells Food Products, the manufacturer of Keells, Krest and Elephant House range of processed meats introduced the 'Spicy Bite', the 'Cheesy Blast' and the 'Power Snack' range of sausages. 'Spicy Bite' is targeted towards the adult market and is a spicy form of sausage product containing real and natural chillie flakes. 'Cheesy Blast' which targets the young consumer is a chicken sausage combined with cheese. The 'Power Snack' is an innovative product launched with the objective of providing the consumer with a complete meal

## Product Responsibility

which includes chicken, spinach, dhal, red country rice, carrot and spices. What is noteworthy is that this product is completely free of nitrites, and is thus a healthier option of convenience foods. Ceylon Cold Stores also launched two new ice cream products during the year, namely, 'French Vanilla' and the 'Winter Slice' which is a seasonal product. The company also launched 'KIK lite' the low calorie version of its cola product and also re-launched 'Lemonade' with a modification in the recipe. Further, as a part of our commitment to continuous improvement with regard to product labelling, Ceylon Cold Stores improved product labelling

of its 'KIK Cola' brand to indicate to consumers that the product contains caffeine.

The Retail sector launched over 60 products of the 'K Choice' range at the Keells Super supermarkets during the year in review, ranging from household detergents to washing powder, spices and soft paper products. This private labelling initiative provides consumers with no-frills products at economical prices.

The Property industry group commenced the development of 'OnThree20', a residential apartment tower located in the heart of the city of Colombo. The complex will consist of 475 units on three 37-storey towers. The residential complex has been designed with special emphasis on the common areas which boasts of swimming pools, a squash court

and a large gymnasium spread over half an acre of landscaped garden.

In the Leisure industry group, Chaaya Reef Ellaidhoo introduced a hydroponics garden, which is a method of cultivating produce using water as the elementary media instead of soil. Vegetables such as mint leaves, pak choi and lettuce are cultivated without the use of chemical fertilizer at the hotel and this initiative was well received by the guests at the hotel who participated in the harvesting and preparation of meals using such produce. The hotel also introduced several innovative products using this produce.

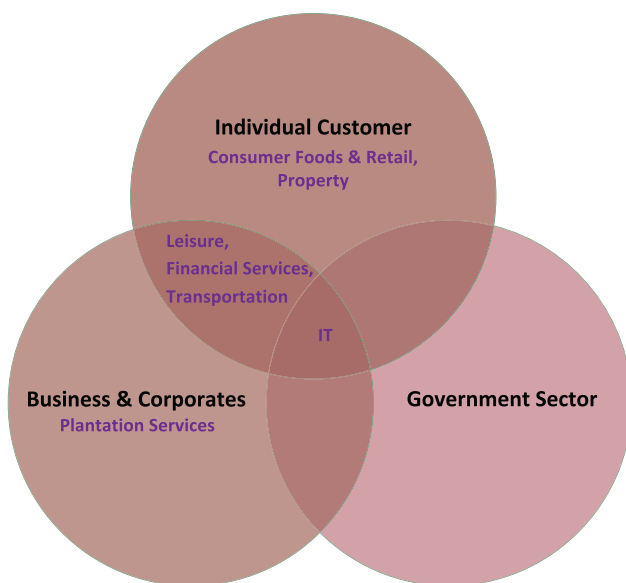
Cinnamon Lakeside Colombo has been able to implement a Halal kitchen when required, through the utilisation of a Halal freezer truck, specified utensils, and sanitisation of the kitchen with ritual water including the use of Halal Certified ingredients. The Halal kitchen meets the standards of the Jamayathul Ulama. Further, all hotels in the John Keells Group continue to educate and train staff on health and food safety and all hotels continue to maintain its accreditations from OHSAS & HACCP.

Cinnamon Lodge Habarana has been able to obtain certification from Sri Cert, an official company representing the Organic Foundation. This innovative initiative was driven passionately by the staff, and at present, many farmers have formed partnerships with the hotel to supply vegetables, herbs, free-range meats and eggs. The produce will be prepared as per guest preferences or pre-defined recipes at the Organic Restaurant. With this initiative Cinnamon Lodge Habarana has created a benchmark for the rest of the industry.

The labelling information on the guest amenities and soap has been improved with the launch of Chaaya Tranz Hikkaduwa and Chaaya Wild Yala which informs guests of ingredients used and expiry details. The rest of the hotels in the Group are to follow suit in the near future. Another trendsetting initiative that is currently being pursued is the bio-degradable amenity bottles for Chaaya Hotels and Resorts.



'K Choice' range





Product labelling

The Group continuously reviews its products and services for safe use by consumers, through the assessment of its systems and procedures during the entire manufacturing and service delivery process. Towards this, the Group companies engaged in the manufacture of consumer foods have obtained ISO 9001 and ISO 22000 as initial steps in achieving process excellence. In the Leisure sector, Walkers Tours have obtained ISO 9001 while most of our hotels have obtained ISO18001 which we believe establishes a process and culture of health and safety which permeates through to the end product or service.

# ISO 9001 ISO 22000

**Certifications  
obtained by  
Consumer  
Foods sector**

### Product labelling

The John Keells Group is committed to inform and engage our customers as we continue to adhere to labelling requirements specified. The Group will continue to maintain and enhance consumer confidence through consistent high standards in the quality and safety of products or services purchased and through accreditation memberships from various standard bodies.

The Group has considered its primary brands of products and services that are offered to individual customers – that is, on a Business to Customer (B2C) basis – as the significant range of products and services reported under product labelling. Products and services offered by the Group on a Business to Business (B2B) or Business to Government basis have not been considered, as such products would be sold by the Group mainly through the acceptance of a product or service proposal made by the Group in response to a tender document of the purchaser. As such, in the sale of products and services to such entities, product labelling requirements would not arise as all information regarding such products or services would be provided as part of the bid proposal.

The products and services offered by the industry groups to the

individual customers, businesses, corporates and the Government sectors are depicted in the previous page.

Thus, the Group has identified the products and services marketed by the Leisure, Financial Services, the Property Group and the Consumer Foods & Retail industry groups as significant areas for product labelling. The products and services marketed by these industry groups are identified below.

- Consumer Foods & Retail – Elephant House Ice Creams, Elephant House Carbonated Soft Drinks, Keells range of processed meat, Krest range of processed meat and Elephant House range of processed meats
- Financial Services – Insurance products and related services, stock broking services
- Property – Residential apartments
- Leisure – Hotels and Inbound Tours

### Product & service labelling requirements

We believe that the Sri Lankan laws governing food item labelling as per the Food Act Number 26 of 1980 and the regulations contained in the Food (Labelling and Advertising) Regulations 2005 and the Consumer Affairs Authority Act Number 9 of 2003 cover the necessary information required by a reasonable

consumer, and the Group strictly adheres to these laws.

Products of Ceylon Cold Stores, Keells Foods and the 'K Choice' brand adhere to the above mentioned statutes and regulations. While 100 per cent of food products sold specify the ingredients used, it is currently not specified from where such ingredients are sourced. However, 20 per cent of the products of the above mentioned companies carry information with regard to the impact on the environment while 54 per cent specifically mention storage and preparation methods for the safe use of the products. Of the 184 items identified as not having information with regard to the safe use of the product, it should be noted that certain 'K Choice' items such as stationary and paper serviettes are also included in this list. Currently, approximately 10 per cent of the products sold by the Group also carry information with regard to the responsible disposal of the product.

In terms of labelling and brochures relating to residential apartments, insurance, stock broking, leisure services including hotels and inbound travel, the Group follows a prudent approach where the information provided is as per the Group policy which is modelled on the Code of Advertising and Marketing Communications of the International Chamber of Commerce. Further, the Group adheres to the Intellectual Property

Consumer Foods & Retail Group				
	Sourcing of components	Content or substances with environmental and social impact	Safe use of product or service	Disposal of the product
Yes	0	80	215	38
No	399	319	184	361
Total products	399	399	399	399
Percentage of products	0%	20%	54%	10%

## Product Responsibility

Act and all service oriented products offered by the Group are checked for infringements prior to being released into the market.

The table on the previous page illustrates the type of product labelling carried out by the Consumer Foods and Retail industry group. While the Financial Services, Leisure, Transportation, IT and the Property industry groups adhere to all statutory requirements, they do not, however, provide information with regard to the sourcing of components used, content of environmental or social impact, safe-use or product disposal as such information is not applicable in the context of their offerings.

The Financial Services, Leisure and Property industry groups have approximately 35 brochures which conform to the above mentioned Intellectual Property Act No. 36 of 2003, relevant industry to regulatory requirements and internal processes.

### Guidelines with regard to marketing communications & service brochures

The Group policy with regard to advertising and marketing communications require that all companies in the Group adhere to the guidelines laid down by the Group which is modeled on the Code of Advertising and Marketing Communications by the International Chamber of Commerce (ICC).

The ICC Code is intended primarily as an instrument of self-regulation for commercial communications and is intended to achieve the following objectives amongst others to:

- i. Demonstrate responsibility and good practice in advertising;
- ii. Enhance overall public confidence in marketing communications;
- iii. Respect privacy and consumer preferences;
- iv. Ensure special responsibility with regard to marketing communication and children/young people.

A special Group committee monitors and evaluates advertising campaigns based on the Group policy for socially insensitive/unethical/irresponsible advertising. The committee also evaluates policies and procedures laid down by the internal committee on advertising. As in previous years the committee evaluated various communications and full compliance to the code was noted.

### Compliance with rules and regulations on products and services

All business units have closely monitored whether any fines were imposed on them, as per compliance with rules and regulations on the Group's products and services setting a zero figure as their target.

The overall performance of each company in this regard is measured by mandating the business units to disclose occurrences of fines that are significant. The businesses are also required to maintain a list of all fines within a financial year. The Group has not identified any significant instance of non-compliance with laws and

regulations and no significant fines (over Rs. 1 million) with regard to product responsibility have been identified during the reporting year.



Fresh fruit and vegetable counter at Keells Super, Union Place



Bottling plant at Ceylon Cold Stores

# Social Responsibility



## Policy on Social Responsibility

**The John Keells Group believes in wider societal needs than our own and meaningfully enriching the lives of communities of which we are an integral part. We abide by the values of Caring, Trust and Integrity by ensuring that through our actions we demonstrate our commitment to and respect for all our stakeholders, including the communities and the environment in which our businesses operate.**

The Group constantly works to maximise the positive impacts of our business on society, aspires to contribute to causes affecting the social development of our nation and aims to be good neighbours in the communities we operate in. This is more than

running our operations cleanly and safely. It means working with communities to address their concerns and help them benefit from our operations. Our aim is to foster great relationships with those communities and manage responsibly the impact our

operations have on the community and the environment.

The Group's commitment to social responsibility has translated into our community investment programmes and sponsorships, our staff engagement with the wider community through voluntary service as well as our ongoing dialogue with our stakeholders to better understand their needs. The Group is mindful of not engaging in any community engagement activity which to its knowledge has any adverse impact on the environment.

### **Needs assessment of local community engagement projects**

The community policy accentuates our respect for the rights and

interests of the people among whom we live and work. It articulates our commitment to understand and assess the impacts on the communities affected by our operations, our determination to respect their interests and our aspiration to ensure they derive meaningful benefits from our operations.

To be comprehensive, we assess the impacts when a business enters, operates or exits a community. An integral part of this process is a mandatory questionnaire that has to be completed and signed off by each business unit head. The questionnaire which was introduced to all Group companies last year was further refined

## Social Responsibility

to capture the impacts that result from conducting business in the community and incorporated into the composite template covering all aspects of sustainability performance management and monitoring. This is used to measure and identify high risk areas. We will continue to ensure that necessary measures are taken to manage and mitigate any negative impacts.

The identification and management of community impacts pose both challenges and opportunities and are key to successful risk assessment, decision-making, project development and promotion of social well-being.




The above stated policies and their implementation and review will be taken up on a formal basis. It will be made mandatory for Group companies to carry out this assessment, whether through formal or informal means, when entering and exiting from an area. In addition, a review of the impacts of the operations of each business unit will be conducted annually, and where applicable, action plans to manage impacts will be formulated at Sector Committee or Group Management Committee meetings.

<b>Research</b>	Understand where we have come from, where we are presently and what the future environment would look like
<b>Engage</b>	Understand the commercial aspects and stakeholder perspectives of our community impacts
<b>Evaluate</b>	Analyse the research and evaluate the strengths, opportunities, weaknesses and threats
<b>Plan</b>	Develop a framework for planning and managing these threats and opportunities
<b>Action</b>	Deploy the framework and assess its outcome

Impact Parameters of Community Engagement Activities		
<p><b>Earnings:</b></p> <p>Impact on the earning potential – both supporting and competing</p> <ul style="list-style-type: none"> <li>• Positive impacts                             <ul style="list-style-type: none"> <li>• Improvement in quality of life due to wage injections</li> <li>• Increased entrepreneurial activity</li> </ul> </li> <li>• Potentially negative impacts                             <ul style="list-style-type: none"> <li>• Social inequality</li> <li>• Vices such as drug and alcohol abuse due to increase in discretionary income</li> </ul> </li> </ul>	<p><b>Employment:</b></p> <p>Impact of direct and indirect employment and people made employable</p> <ul style="list-style-type: none"> <li>• Positive impacts                             <ul style="list-style-type: none"> <li>• Income generation</li> <li>• Opportunities for local sourcing for the Group</li> </ul> </li> <li>• Potentially negative impacts                             <ul style="list-style-type: none"> <li>• Labour migration</li> </ul> </li> </ul>	<p><b>Environment:</b></p> <p>The impact on the environment including</p> <ul style="list-style-type: none"> <li>• Positive impacts                             <ul style="list-style-type: none"> <li>• Conservation of environment and education</li> </ul> </li> <li>• Potentially negative impacts                             <ul style="list-style-type: none"> <li>• Emissions, discharges and waste disposal.</li> </ul> </li> </ul>
<p><b>Health and safety:</b></p> <p>Impact on community health and safety including injury and disease</p> <ul style="list-style-type: none"> <li>• Positive impacts                             <ul style="list-style-type: none"> <li>• Awareness creation and introduction of best practices and technologies with regard to health and safety into the area</li> </ul> </li> <li>• Potentially negative impacts                             <ul style="list-style-type: none"> <li>• An influx of newcomers seeking opportunities can introduce health risks, such as the exposure of the local population to transmittable diseases</li> <li>• Environmental impacts such as dust and noise may cause health problems</li> </ul> </li> </ul>	<p><b>Infrastructure:</b></p> <p>Impact of infrastructure development on the social fabric</p> <ul style="list-style-type: none"> <li>• Positive impacts                             <ul style="list-style-type: none"> <li>• The development of a project can bring new infrastructure and services to an area such as roads and health services</li> </ul> </li> <li>• Potentially negative impacts                             <ul style="list-style-type: none"> <li>• Demand on infrastructure and services exceeding the built capacity due to a sudden increase in population</li> </ul> </li> </ul>	<p><b>Other impacts:</b></p> <p>Impact on local culture, gender and cultural heritage</p> <ul style="list-style-type: none"> <li>• Positive impacts                             <ul style="list-style-type: none"> <li>• The development of segments of society such as women, elders and children</li> </ul> </li> <li>• Potentially negative impacts                             <ul style="list-style-type: none"> <li>• Impacts to traditional cultures and way of life</li> </ul> </li> </ul>

## Corporate Social Responsibility – our approach

At John Keells, Corporate Social Responsibility (CSR) represents how our values, corporate culture, and operations intrinsically involve and reflect social, economic and environment concerns. Our focus continues to be on six key areas – namely, Education, Health, Environment, Community and Livelihood Development, Arts & Culture and Disaster Relief, with each area being aligned to the Millennium Development Goals (MDGs) as well as the United Nations Global Compact (UNGC) of which JKH PLC is a pioneer participant. Our goal in each of these areas is set out below:

					
Education	Health	Environment	Community & Livelihood Development	Arts & Culture	Disaster Relief
JKH is committed to providing educational opportunities to disadvantaged groups of the community as we believe that education is the foundation for an enlightened and civilized society.	JKH is committed to ensuring productivity via a healthy society.	JKH is committed to minimising the impact of the Group’s operations on the environment and carries out a conscious and collective effort in this regard.	JKH is committed to reaching out to communities surrounding its operations through constructive dialogue with stakeholders and staff volunteerism. Fostering the spirit of entrepreneurship as a key to sustainable development is the primary objective of such projects.	JKH is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of Sri Lanka as well as boosting the livelihoods of those engaged in arts and culture	JKH is committed to carrying out collective relief efforts in times of natural and man-made disasters, through staff volunteerism.



John Keells Foundation (“Foundation”) is a company duly incorporated under the law and also registered as a ‘Voluntary Social Service Organisation’ with the Ministry of Social Welfare to drive the Group’s social responsibility initiatives from the centre, while individual companies of the Group also engage in community service activities

under the broad focus areas of the Foundation through donations and sponsorships of cash and kind. The Foundation does not charge for human resources, planning and administration and overhead costs attributable to any of its projects.

Social responsibility has the highest commitment of the senior management with the Chairman, and the other Executive Directors of John Keells Holdings PLC (JKH) comprising the Executive Committee of the Foundation. While the Foundation has a Management Committee (MC), the Foundation’s initiatives and activities continued to be handled by the Manager of the Foundation under the guidance and direction of JKH’s Head of CSR and with

the support of a cross-functional team of 18 senior executives drawn from various industry groups within the company. Each project is championed by a member of the MC and implemented by a project sub-committee comprising

volunteers from across the Group. The MC meets monthly, the Foundation’s activities are reported to the Executive Committee on a quarterly basis and its accounts and operations are audited annually.



John Keells Foundation Management Committee

## Social Responsibility

### Projects undertaken by the John Keells Foundation (JKF)

The following projects undertaken by the John Keells Foundation are carried out under the principles espoused by the Millennium Development Goals and United Nations Global Compact.

- Village Adoption Project in Mangalagama
- Mahavilachchiya BPO Project
- Seenigama BPO Project
- English Language Scholarship Programme
- Neighbourhood Schools Development Project
- Employment of differently-abled persons
- John Keells Vision Project
- John Keells HIV and AIDS Awareness Campaign
- Nature Field Centre at Rumassala, Galle
- Paper Conservation / Recycling Project
- Keells Super Red Bag Initiative to reduce the use of polythene bags
- Keells Super Plastic Recycling Initiative (launched this year)
- Project Leopard – a conservation drive to protect the Leopard population in Yala
- Biodiversity Conference (launched this year)
- Elephant Conservation (launched this year)
- Solar Power initiative in Halmillawe (launched this year)
- Rainwater harvesting initiative in Mangalagama (launched this year)
- University Soft Skills Programme
- Sponsorship of scholarships for the Transport & Logistics Management Degree Programme
- Kala Pola – an open-air art gallery cum art fair

### Contribution to infrastructure development, public services and local community engagement

The following section describes the manner in which the Group has contributed towards the development of society through both infrastructure and public services as well as through local community engagement initiatives.

### Development and impact of infrastructure investments

The table below provides a breakdown of our projects, their cost, the number of personnel of the Group that participated in such projects, and the manner in which such projects were carried out.

Project	Infrastructure Investment			Service		
	Cost (Rs)	Volunteers	Type	Cost (Rs)	Volunteers	Type
English Language Scholarship Programme	-	-	-	11,102,760	36	Pro bono
The Final Step – University Soft Skills Programme	-	-	-	785,576	6	Pro bono
Neighbourhood Schools Development Project	1,906,997	36	Pro bono	-	-	-
John Keells HIV and AIDS Awareness Campaign	-	-	-	416,150	94	Pro bono
John Keells Vision Project	-	-	-	6,026,371	105	Pro bono
Project Leopard	597,480	5	Pro bono	-	-	-
Solar Power initiative in Halmillawe	2,317,272	7	Pro bono	-	-	-
Rain Water Harvesting initiative in Mangalagama	2,900,000	-	Pro bono	-	-	-
Plastic Recycling Project	129,130	2	Pro bono	-	-	-
Nature Field Centre at Rumassala, Galle	-	-	-	26,000	1	Pro bono
Butterfly Garden at Cinnamon Lodge, Habarana	165,000	3	Pro bono	-	-	-
Village Adoption Project – Mangalagama	420,384	2	Pro bono	-	-	-
Halmillawa Dam Repair	53,350	1	Pro bono	-	-	-
Slave Island Railway Station	672,375	4	Pro bono	263,201	4	Pro bono
Slave Island Rail Track Reservation (maintenance)	-	-	-	103,000	4	Pro bono
Mahavilachchiya BPO Project	116,300	20	In kind	313,450	8	Pro bono
Seenigama BPO Project	99,852	10	In kind	9,200	2	Pro bono
Sustainable Sourcing Initiatives of CF&R	-	-	-	36,000	15	In kind
Kala Pola	-	-	-	1,459,047	39	Pro bono
<b>Total</b>	<b>9,378,140</b>	<b>90</b>	<b>-</b>	<b>20,540,755</b>	<b>314</b>	<b>-</b>

## Local community engagement projects

Local community engagement projects carried out by the John Keells Group are structured based on an social impact assessment which includes a stakeholder engagement, selection criteria for identifying participants and an evaluation process at the end of the year/project. In certain projects this evaluation process has been carried out by independent third parties.

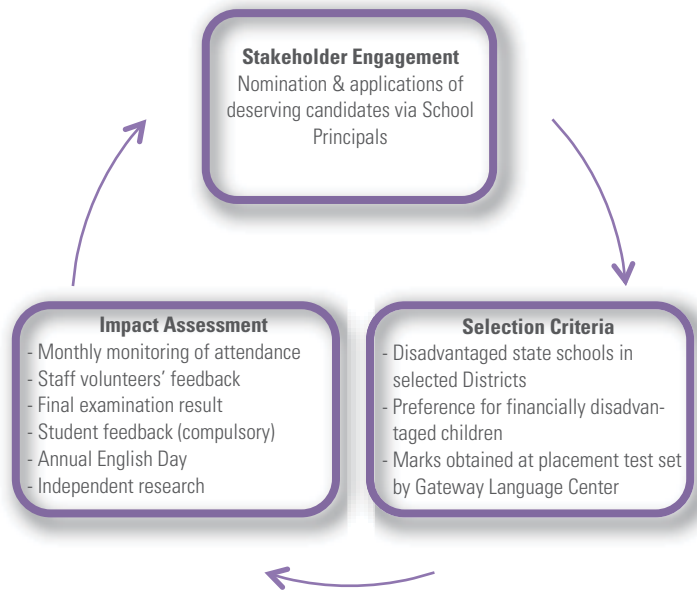


## Education

### English language scholarship programme

During the year in review, the Foundation continued with its English Language Scholarship Programme via the foundation-level programme for school children within the age limits of 12 to 14 years branded as ‘English for Teens’. The programme was rolled out in two intakes via Gateway Language Centre branches in 19 districts of the country. Meanwhile, the Foundation also introduced a pre-intermediate level scholarship programme open to all the students who obtained an honours pass in the English for Teens programme conducted in 2010/11. Out of the 144 students eligible, 62 students registered themselves for the programme in five centres.

### English Language Scholarship Programme



Project	Overall Objective	Focus Area in 2011/12	Project Objective	Project Scope in 2011/12	Project Impact	JKH Volunteers
<b>English Language Scholarship Programme</b>	Enhancing English language skills of deserving, disadvantaged or needy school children and youth across the island towards improving their opportunities for higher learning and sustainable employment.	<b>(1) English for Teens</b> A four-month course for school children within the age limits of 12 to 14 years	English for daily use and basic interactions, helping students understand and use familiar everyday expressions, such as introducing oneself and others and asking or answering simple questions.	<b>English for Teens Batch 1</b> Locations: Ambalangoda, Kegalle, Kurunegala, Matara, Mullaitivu, Negombo, Tangalle, Trincomalee (8)  <b>English for Teens Batch 2</b> Locations: Ampara, Bandarawela, Batticaloa, Chilaw, Colombo (including Neighbourhood Schools), Jaffna, Killinochchi, Matale, Panadura, Polonnaruwa, Ratnapura (11)	Applications - 1463 Registered - 1126 Completed - 1102 Eligible to sit for final exam (on basis of minimum attendance) - 969 Final Examination - completed; results pending	28
		<b>(2) Pre-intermediate level programme</b> A 4-month post-foundation course for English for Teens scholarship students of 2010/11 who obtained an Honours Pass	Make candidates understand grammar structures for practical purposes in everyday situations and to use them efficiently with confidence.	<b>Pre-intermediate level locations:</b> Bandarawela, Colombo, Galle, Kandy, Panadura	Registered - 62 Course completed - 62 Final Examination - scheduled for May 2012	

## Social Responsibility

'English for Teens' is another initiative under the English Language Scholarship Programme of John Keells Foundation, an 'Approved Charity' under the Inland Revenue Act, No. 10 of 2006. Launched in 2004 in collaboration with Gateway Educational Services, this long-term project has to date empowered the lives of over 4,400 individuals.

As part of our engagement process which covers entry, ongoing and exit, an independent survey was carried out during the year in review to ascertain the impact of the English for Teens programme. The survey's initial findings established that the students and parents found the programme to be practical and had a great impact in improving students' standard of English.

### The Final Step

A series of five-day workshops designed for the benefit of university undergraduates towards grooming them for employment was conducted for the second successive year at the University of Sri Jayawardenepura in collaboration with the Career Guidance Unit (CGU) of the University.

Aimed at enhancing the employability of local graduates, The Final Step seeks to attune their perspectives regarding employment in Sri Lanka's

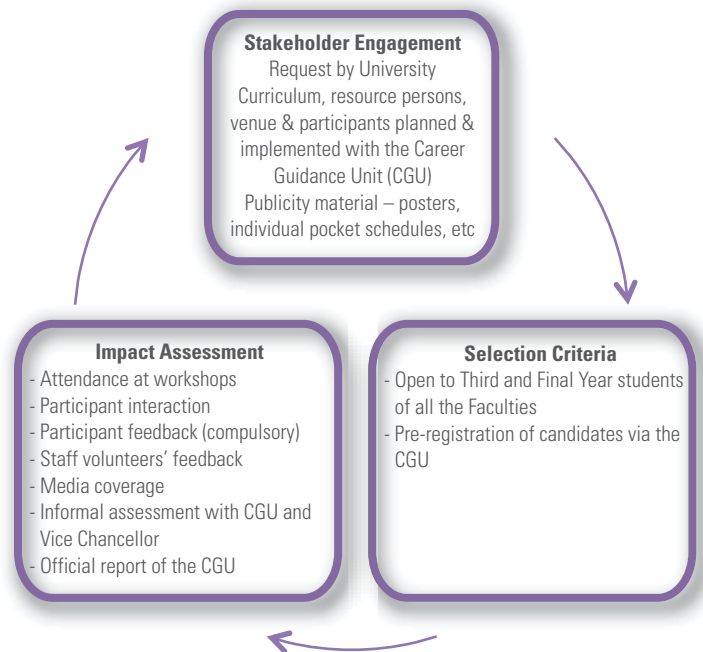
private sector which is acknowledged as the primary employer accounting for over 70% of the local job market. Therefore, the sessions include in-depth discussions on employer expectations, leadership and team building, CV writing and interview facing, developing confidence and personality, working in a corporate environment, corporate hospitality (including social etiquette) and personal grooming.

The programme saw an enthusiastic response from graduating batches of students from the Arts, Management, Applied Sciences and Medical Sciences Faculties of the University with each day's workshop attracting a capacity audience averaging at 430 undergraduates per each day's workshop.

**"Through this workshop, I have gained motivational ideas about the private sector. I found out about the vast areas in which I can work in the private sector, and this has changed my outlook on the private sector."**

- M M W B Manthilake

### The Final Step



Final Step University Soft Skills Project in progress

Project	Overall Objective	Focus Area in 2011/12	Project Objective	Project Scope in 2011/12	Project Impact	JKH Volunteers
The Final Step-University Soft Skills Project	Enhancing employability of undergraduates by providing soft skills	University of Sri Jayawardenepura, Sri Lanka	To enhance the employability of local graduates by changing their perspectives of employment in Sri Lanka, particularly in the private sector, and increasing their adaptability to the requirements of the workplace	5-day series of workshops involving: Panel discussions on employer expectations and team building & leadership skills; Interactive workshops on: Personality development and confidence building; adapting to the corporate environment; personal grooming; and corporate hospitality	Average of 430 undergraduates each day	6 (with preference given to university alumni)

This was the sixth such soft skills programme presented by the Foundation since its launch in 2006, comprising two programmes each at the University of Kelaniya, the University of Moratuwa, and the University of Sri Jayawardenepura. During the year in review, the Foundation commenced discussions with the University Grants Commission towards increasing the reach and optimising the benefits of this programme in relation to all the universities of the country.

### Neighbourhood schools development project

The Foundation continues to support the development and maintenance of infrastructure and facilities of five disadvantaged Government schools in Colombo 2 (the location of the Head Office and several businesses of the John Keells Group), towards creating an environment more conducive for learning. The project is implemented through the CSR teams of Cinnamon Grand Colombo and Cinnamon Lakeside Colombo.

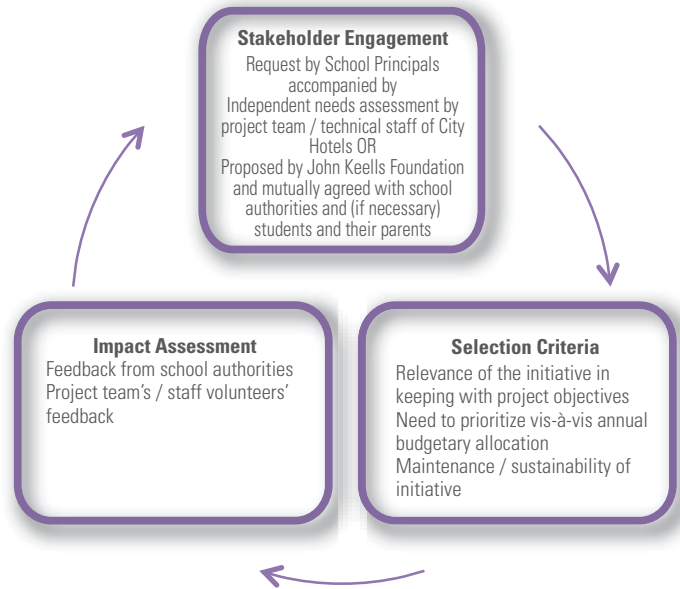
This year 1,671 students and teachers from the Holy Rosary

Sinhala Vidyalaya, Holy Rosary Tamil Vidyalayam, Al Iqbal Muslim Balika Vidyalaya, Sri Sariputta Maha Vidyalaya and T. B. Jayah Maha Vidyalaya were directly impacted. 32 volunteers of the Group participated in the improvements, refurbishments and infrastructure developments at the above schools. As in previous years, eligible students of the five schools could also apply for scholarships under the English language scholarship programme of the Foundation. A total of 33 students were registered for the programme under the second intake and followed classes conducted weekly in one of the schools of which a total of 29 students sat for the final examination.

In the next financial year, the Foundation plans to extend the scope of this project to upper-secondary students as well.

The Foundation has also commenced discussions with the Zonal Educational Office of the Ministry of Education towards exploring the possibility of linking the project plans with relevant state initiatives and optimising the benefits of this project.

### Neighbourhood schools development project



Staff volunteers at neighbourhood school

Project	Overall Objective	Project Location/s in 2011/12	Focus Area in 2011/12	Direct Impact	JKH Volunteers
<b>Neighbourhood Schools Development Project</b>	Improving the overall educational facilities of 5 disadvantaged Government schools located near John Keells head office in Colombo 2	<b>Holy Rosary Sinhala Vidyalaya</b>	Providing raw material for the roof renovation (4th floor) Installing 4.6" x 5.6" x 18" steel cupboards (02 nos.) Extending classroom outside main hall and painting the outer and inner walls Installing ceiling fan and two windows 2' x 4' for the principal's office	206 students 16 teachers	32
		<b>Holy Rosary Tamil Vidyalaya</b>	Repairing the main gate Fixing of ceiling fans in three classrooms (03 nos.) and the computer room (02 nos) Fixing a new water motor Fixing an iron fence on the wall Renovating the computer room Fixing of grill gate in front of the stairs	160 students 16 teachers	
		<b>Al Iqbal Muslim Balika Vidyalaya</b>	Renovation of vacant / old building of the school Conducting a shramadhana with the help of JKH Volunteers/ students/parents of the students to start up an agriculture project in 2012 to develop garden plots	430 students 29 teachers	
		<b>Sri Sariputta Maha Vidyalaya</b>	Fixing aluminium windows for 03rd floor classrooms New name board for school	242 students 18 teachers	
		<b>T. B. Jayah Maha Vidyalaya</b>	Renovation / colour washing of the outer parts of the school building wall Repairing old furniture of the school	527 students 27 teachers	

## Social Responsibility

### University of Moratuwa Transport & Logistics Degree Programme

The Transportation Sector of John Keells Holdings PLC continued its sponsorship of the scholarship programme for the students reading for an Honours degree of Bachelor of Science in Transport & Logistics Management (BSc (T&LM) Hons.) at the University of Moratuwa. This 4-year programme, which commenced in 2006, is a strategic CSR project designed to develop the knowledge, skills and attitudes necessary to equip the undergraduates to face the modern day challenges in transportation and logistics. It also helps develop a much needed resource base of professionals for the country's growing transportation industry. The scholarship programme consists of an aggregate of 26 scholarships awarded on a both need- and merit-based scheme. The T&LM degree syllabus also includes a 6-month industrial placement. Three students were selected for internship in the Transportation sector during the year under review.

### Supporting of Siduhath Vidyalaya by Whittall Boustead

Whittall Boustead (Travel) Limited sponsored the school requirements of the students of Siduhath Vidyalaya in Gallala, Ratnapura for the 11th successive year. Each year, since 2001, the staff, tour leaders and suppliers of the company and its principals Kuoni, and their staff, have voluntarily contributed to the purchase of stationary and other educational equipment. 38 staff volunteers and tour leaders participated in the project.



## Health

### John Keells HIV and AIDS awareness campaign

John Keells Foundation pioneered a HIV and AIDS awareness programme in 2005 and through

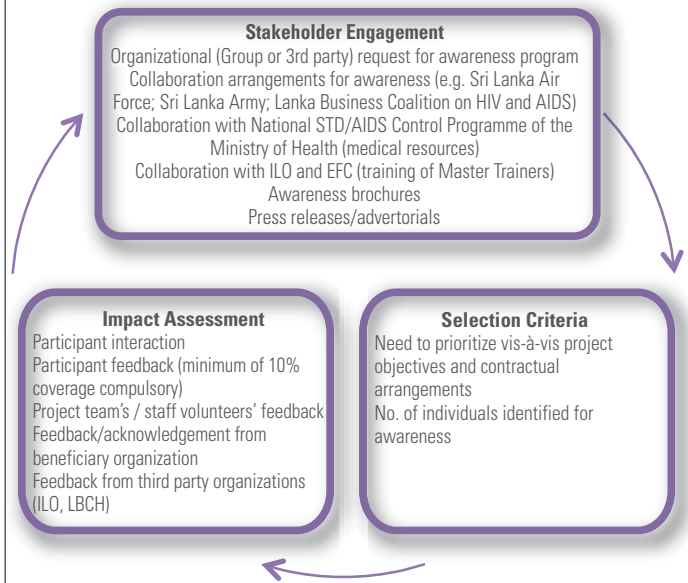
**“John Keells’ efforts in conducting awareness programmes to prevent the spread of a deadly disease such as AIDS could only be second to saving the country from terrorists.”**

- Brigadier Kariyakarawana, Commander of the 61st Division of Mannar

this project, has targeted the employees of the John Keells Group, the communities around its business locations, other corporate entities, most at-risk persons (MARPs) and the general public. In the reporting period, the programme continued with its dual objectives of creating awareness amongst MARPs as well as workplace education. The Group is committed to combating HIV and AIDS to ensure that its status in Sri Lanka remains ‘low prevalent’. In this regard, the Group supports prevention through education and access to correct information. 60 sessions were carried out during the year, educating over 9,927 persons as detailed in the table overleaf. Accordingly, the cumulative total of persons educated under the campaign since its launch in 2005 is 42,280.

World AIDS Day falling on 1st December 2011 was commemorated by the Foundation via a Group-wide plan including a

### The John Keells HIV/AIDS awareness campaign



message from the Chairman/CEO to all staff of the John Keells Group, a poster campaign, video campaign and staff quiz competition on HIV and AIDS, in the week leading up to World Aids Day.

In addition to activities planned and implemented by the Foundation, the enterprise-based workplace committees (established across all John Keells companies in Sri Lanka following the Group-wide adoption of an HIV and AIDS Workplace Policy in 2010/11) continued to organise their own activities during the year under review, for the benefit of both staff as well as communities surrounding their businesses.

A highlight during the reporting year was the recording by the HIV and AIDS Workplace Committee at Cinnamon Lodge Habarana, of its 50th and 51st awareness programmes on 4th August 2011 at Army Training School in Pompemadu, Mannar. The event also marked the double milestone of a total of 10,000 persons educated by the committee since the establishment of the Workplace Committee at Cinnamon Lodge in 2009.

Mr. Ivan Perera, Security Manager at the Habarana hotels complex,

a Master Trainer on HIV and AIDS since December 2009 and a former member of the Sri Lankan army, recognised the general ignorance on HIV and AIDS within the army. He initiated the idea of extending awareness programmes to the military – including commanding officers, soldiers, doctors and nurses, and ambitiously set the goal of reaching 10,000 people within the course of one year. Just one and a half years into the program, Ivan and his team succeeded in educating 10,521 members through 51 awareness sessions.

The team is committed to contribute to the prevention of the spread of HIV and AIDS through awareness programmes conducted among employees of the hotel, as well as community outreach programmes including the Armed Forces. They firmly believe that education and the access to correct information are the best forms of defense against the disease, which can reach epidemic proportions if left unchecked.

### John Keells Vision project

In 2011/12, the Project continued to give sight to vision-impaired persons, with a reported 777

Project	Overall Objective	Project Location/s in 2011/12	Focus Area in 2011/12	Direct Impact	JKH Volunteers
<b>John Keells HIV &amp; AIDS Awareness Campaign</b>	To prevent the spread of HIV through education and awareness among the staff, surrounding communities (including high risk environments) and the general public 2011/12 <b>Target - Total of 10,000 persons</b>	SLAF - Ratmalana SLAF - Ekala SLAF - Katukurunda SLAF - Colombo SLAF - BIA SLAF - China Bay SLAF - Palavi SLAF - Vavuniya SLAF - Anuradhapura SLAF - Koggala SLAF - Hingurakgoda SLAF - Diyatalawa SLAF - Ampara SLAF - Batticaloa SLAF - Jaffna Army Training school, Pompemadu Army Camp, Thallady Army Training school, Habarana Army Division, Welioya LTTE Rehabilitation Centres - Pompemadu & Nelumkulam LTTE Rehabilitation Centres - Senapura & Kandakadu Katukeliyawa (Army Jungle Training School) Pooneryn - Army Training School Army Training School in Maduruoya Cinnamon Grand - Staff awareness Walkers Tours - Chauffeur Training Peliyagoda DC - Staff awareness JKH Auditorium (New Inductees) Bentota Beach Hotel - Staff awareness Chaaya Wild, Yala - Staff awareness Cinnamon Lodge & Cinnamon Village, Habarana - Staff awareness Habarana Hospital Nurses TSFL Factories in Karawita & New Panawenna Public Bank - Staff awareness ABC Computers - Staff awareness	Sri Lanka Air Force Bases & Sri Lanka Army Rehabilitation & Training Centres  Creating awareness among John Keells Group staff and other corporates	9,927	94



HIV/AIDS awareness training session

cataract operations being carried out island wide, bringing the total number of operations since the launch of the initiative in 2004 to 4,760. In addition, 2,120 spectacles were provided to adults and children during the year under review.

The Foundation during the year under review commenced collaboration with HelpAge Sri Lanka (a non-governmental charity engaged in supporting needy elders including the provision of eye care services) with the objective of enhancing access to medical resources, particularly

ophthalmologists to perform surgeries of patients screened for cataract in a timely manner.

The Foundation also commenced collaboration with the Vision 2020 Secretariat of the Ministry of Health, during the year in review. This has proven to be a promising collaboration, facilitating not only access to the State medical resources, but also to areas of the country rendered inaccessible previously due to the 30-year conflict. So far three cataract clinics have been held in the Northern Province – in Kilinochchi, Mullaitivu and Jaffna benefitting a total of 421 needy individuals.

A highlight of this collaboration between John Keells Foundation with the Vision 2020 Secretariat of the Ministry of Health was the first ever eye camp to be conducted at the District General Hospital,

Kilinochchi. 227 patients were identified for surgery out of which a record 197 cataract operations were completed on 14th and 15th June 2012. Six volunteers represented John Keells at this historic eye camp.

**“This eye camp has truly made me understand the value of life and made me appreciate every little thing that we take for granted. Seeing people live in such hardship made me want to visit this place every day and help them more and more”**

- Ridha Al-Ayad (MackAir), Volunteer at Mullaitivu Eye Camp 2012

## Social Responsibility

Project	Overall Objective	Project Location/s in 2011/12	Focus Area in 2011/12	Direct Impact	JKH Volunteers
<b>Vision project</b>	To assist deserving individuals regain their vision and thereby their social and economic independence	Kahataruppa, Neluwa, Kilinochchi (Vision 2020), Halwitigala, Agalawatta (Lions), Padaviya (including SOMS Eye Glass Clinic), Kegalle, Maha Induruwa (Lions), Elpitiya (Lions), Dehitattakandiya, Mullaitivu (Vision 2020), Jaffna (Vision 2020), Mullaitivu (SOMS-Eye Glass Clinic), Bandarawela	Cataract surgeries in collaboration with Vision 2020 Secretariat of the Ministry of Health, Government Hospitals, Lions Gift of Sight Hospital and HelpAge Eye Care Centre	Completed surgeries -777 Pending surgeries - 20	105
			Donation of spectacles to children and adults - at John Keells eye camps and SOMS Eye Glass Clinics	2,120	

The eye camps held under the project continued to attract volunteers from across the Group, in spite of being generally held during weekends and holidays in distant parts of the country. 2011/12 saw a record number of 105 volunteer engagements at eye camps, (some of them involving repeat volunteers at multiple camps), with many sharing their deep sense of fulfilment at being part of this initiative.

**Cinnamon Lodge conducts a Health Camp in Habarana**  
Cinnamon Lodge Habarana conducted a medical camp at

a school in Habarana on 17th February 2012 which was a resounding success.

A total of 1212 patients were attended to by a team of prominent consultant physicians of different disciplines with the support of the Habarana hospital and the regional army medical detachment which provided pharmacists, doctors and nurses to assist the consultant physicians.

Medication provided was donated by pharmaceutical companies. Walkers Tours, supported the initiative by providing transport for the doctors.



Eye Camp 2012

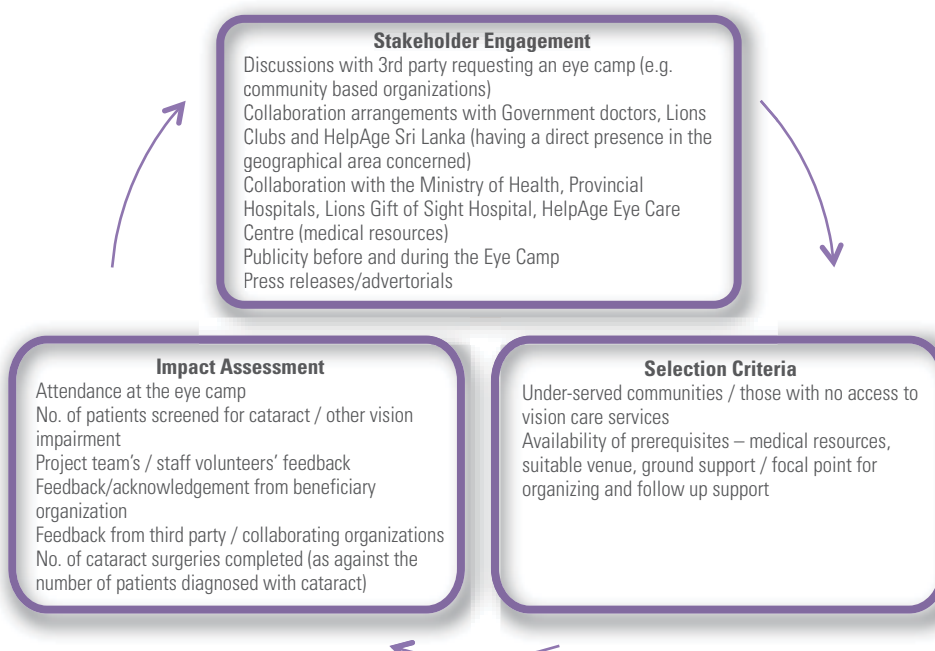
Chief priest of the Habarana Temple and Government officials graced the opening ceremony.

Medical attention of this nature is not readily available for people of the area, hence some had walked over 10 km to attend the camp from remote areas.

The overall feedback received was one of immense gratitude and was in line with one of the five pledges of John Keells Hotels: "I WILL CARE".

The Foundation has agreed to provide spectacles to those who have been prescribed eye glasses at this camp.

### John Keells Vision Project





## Environment

### Wildlife conservation

During 2011/12, the Foundation continued its collaborative initiative with Chaaya Wild Yala named 'Project Leopard' aimed at mitigating the human-leopard conflict in the villages adjacent to Yala National Park. This initiative is further detailed under the conservation of biodiversity in the section "Environmental Impact" of this report. In addition, the John Keells Foundation contributed financially to the National Elephant Census which was carried out by the Department of Wildlife Conservation from 11th to 13th of August 2011.

### Nature field centre – Rumassala

In 2011/12, the Foundation continued to consolidate the activities at the Nature Field Centre (NFC) at Rumassala, in Galle. A collaboration of the Foundation with the Central Environment Authority (CEA) aimed at facilitating experiential learning about the environment and biodiversity, primarily among

schoolchildren, the NFC has given impetus to the conservation efforts of John Keells whilst also creating an opportunity for a successful public-private partnership with the CEA. The NFC continued to attract a healthy number of visitors per month, mostly schoolchildren, recording a total coverage of a reported 1,825 during the year in review.

### Sustainable biodiversity and economic development conference

The John Keells Foundation hosted a two-day conference on the sustainable use of biodiversity for economic development on the 12th and 13th of July 2011 in collaboration with the International Union for the Conservation of Nature (IUCN) and the Ceylon Chamber of Commerce. Its objective was to create a forum for highlighting the importance of the sustainable use of biodiversity for economic development and poverty alleviation in Sri Lanka. The conference brought together various stakeholders including prominent environmentalists, biodiversity experts, academics and relevant personnel from state and private sector and highlighted



Awareness on paper conservation

a host of issues relating to biodiversity conservation and its sustainable use. The report on the findings and recommendations arising from the conference was published for handover to government authorities.

### Paper conservation

The John Keells Group's Paper conservation project, involving the collection of waste paper from the Group's business locations for shredding and recycling, has gained momentum during the year under review. The project's main objectives are the saving of trees and reducing the amount of waste paper otherwise ending up as landfill.

The contractor for collection and onward transmission for recycling of the Group's waste paper since 2006, which has rebranded itself as Neptune Recyclers (Pvt) Ltd, has reported the following estimated direct and indirect impact of the project during the reporting year in the table below.

Meanwhile, the Group continued with its paper recycling project in collaboration with the National Paper Company (successor to National Paper Corporation).

During the year in review, the Foundation embarked on specific initiatives relating to environmental sustainability for the benefit of

Waste paper collected by Neptune Recyclers (Pvt) Ltd			Indirect Impact - Savings				
1st April 2011 - 31st March 2012							
Month	Collection (Kg)	Direct Impact - Payment (Rs)	Trees (Nos)	Water (Ltrs)	Electricity (Kwh)	Oil (Ltrs)	Landfill (m <sup>3</sup> )
April	902	4,510	15	28,666	3,608	1,583	3
May	1,976	9,880	34	62,797	7,904	3,468	6
June	22,988	114,940	391	730,559	91,952	40,344	69
July	1,101	5,505	19	34,990	4,404	1,932	3
August	5,058	25,290	86	160,743	20,232	8,877	15
September	1,033	5,165	18	32,829	4,132	1,813	3
October	2,123	10,615	36	67,469	8,492	3,726	6
November	1,765	8,825	30	56,092	7,060	3,098	5
December	2,525	12,625	43	80,245	10,100	4,431	8
January	3,518	17,590	60	111,802	14,072	6,174	11
February	3,035	15,175	52	96,452	12,140	5,326	9
March	1,843	9,215	31	58,571	7,372	3,234	6
<b>Total</b>	<b>47,867</b>	<b>239,335</b>	<b>813</b>	<b>1,521,213</b>	<b>191,468</b>	<b>84,007</b>	<b>143</b>

## Social Responsibility

deserving communities - namely, the provision of solar power, rainwater harvesting and plastic recycling facilities.

### Solar power to Halmillawe

Halmillawe in the Anuradhapura District was the first beneficiary of John Keells Foundation's solar power initiative. The village was selected on the basis of the number of permanent houses which did not have access to grid electricity, the fact that the entire village had no street lamps in spite of being vulnerable to the human-elephant conflict and the Foundation's established links with the village through the village adoption project.

Following a feasibility and technical assessment commissioned by the Foundation, 15 domestic solar systems and 11 street lamps were installed in Halmillawe during the year in review. Sites for consideration were proposed by the development committee of the village under the patronage of Ven. Meegoda Athulasiri Thero, the head priest of the village temple in consultation with the technical manager of the solar power supplier, whilst the Divisional Secretary coordinated necessary Government approvals

for the installation of street lamps. Cinnamon Lodge Habarana, provided ground support to the Foundation in planning and implementing this initiative.

### Rain water harvesting

During the year in review, the Foundation commissioned field surveys to assess the suitability of setting up of rain water harvesting facilities for the people living in Mangalagama with the help of community representatives.

It was noted that the majority of the village's population of 750 families are farmers and Samurdhi

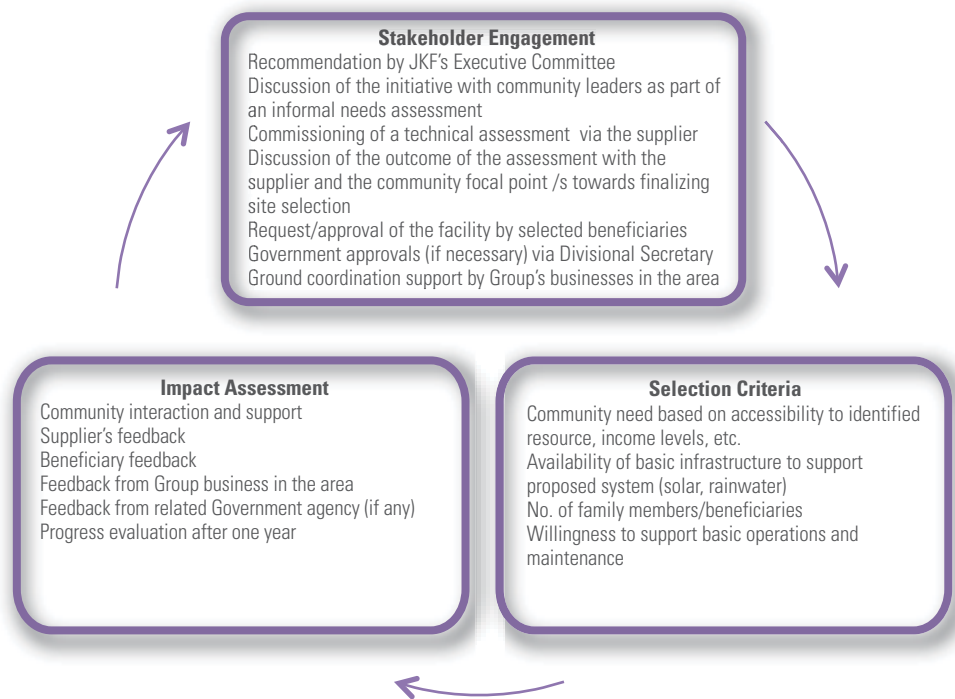
holders. Most of the families have no permanent income throughout the year and water scarcity is severe in this village. Hence it was concluded that this village was found to have the need, suitability and feasibility and was provided three 20,000 litres rainwater harvesting tanks (community units) – for the village school, temple and dispensary, and twenty 5,000 litres rainwater harvesting tanks (domestic units).

### Plastic recycling initiative

Recognising the importance of promoting responsible consumer

use and disposal of plastic, the Foundation collaborated with the Keells Super supermarket chain, and Neptune Recyclers (Pvt) Ltd to launch the collection and recycling of plastic bottles. Neptune will collect the plastic bottles from the bins which would then be converted into pellets and reused in a variety of ways. This will help minimise the dumping of plastic waste into landfills and arrest its negative impact on the environment.

### Rainwater harvesting for Mangalagama



Solar powered street lighting



Plastic recycling initiative at Union Place Keells Super

### Polythene reduction

During 2011/12 Keells Super supermarkets continued with its efforts at reducing the use of polythene. Whilst continuing to provide consumers with the alternative of a reusable cloth bag known as the 'Red Bag', the

supermarket chain also introduced another alternative to polythene in the reporting year - cardboard boxes being offered free of charge to its customers to carry their purchases. Hence, as the below table indicates, whilst the sales and reuse of the Red Bag have

reflected a decline, there has been a good response by the customers of Keells supermarkets to the offer of free cardboard boxes, resulting in a healthy decline in the overall use of polythene.

### Red bag and cardboard box usage

Fiscal Year	Total Red Bag Sale	Total Red Bag Re-use	Cardboard Box Usage	Total Re-Use	Per Customer Re-use	Re-usage Increase % Per Customer
2010/2011	97,621	200,665	Nil	298,286	0.032	-24%
2011/2012	72,592	130,525	322,882	525,999	0.047	31%

### Polythene usage

Fiscal Year	Polythene Usage (kg)	Polythene Usage Per Visit (g)	Per Customer Reduction
2008/2009	77,966	10.12	
2009/2010	90,193	9.71	4.3%
2010/2011	94,830	10.20	-4.85%
2011/2012	112,282	9.98	2.26%



### Community/livelihood development

#### Village adoption project – Halmillawe

During the year under review, the Foundation sponsored a repair to the wall of the dam constructed as part of the infrastructure development work previously undertaken in Halmillawe. This was in response to an appeal by the Halmillawe Farmer Organisation.

#### Village adoption project – Mangalagama

During the year under review, John Keells Foundation completed the infrastructure development work commenced in 2010/11 in Mangalagama.

Mangalagama in the Ampara District of the Eastern Province of Sri Lanka is the second village to be selected for development under

this project. The selection was made taking into account the need to develop what was previously a 'border village' affected by the long-drawn ethnic conflict, whilst also complimenting the Group subsidiary, Ceylon Cold Stores PLC (CCS), which has undertaken a strategic business drive to develop the cashew farmers of the village to supply a substantial part of its cashew requirement for its ice cream products.

#### Infrastructure development

Following meetings with community leaders and village representatives and a preliminary assessment carried out in June 2010 by the Foundation's project team together with CCS representatives, it was mutually agreed to prioritise infrastructure development aimed at increasing the availability of water for basic needs and irrigation and augmenting the facilities available at the village school. Some of the infrastructure developments carried out were the rehabilitation of the Mangalagama Tank and the refurbishment of the AM/Managalarama Maha Vidyalaya.

The civil work was carried out by a government-approved sub-contractor appointed by the School Development Society under the direction and supervision of the Zonal Education Office, Ampara. Contracts in this regard were signed with the School Development Society and the Director, Zonal Education Office, Ampara.

The development work undertaken in AM/Managalarama Maha Vidyalaya, Mangalagama comprised of:

- Construction of a new foundation for, and restoration of, a derelict school building and rehabilitation of the classrooms in the said building
- Repair and reconstruction of 2 existing teachers' quarters
- Construction of 1 new Teachers Quarters
- Construction of 5 toilets
- Provision of equipment for the pre school children's playground



Assistance provided to AM/Managalarama Maha Vidyalaya, Mangalagama

## Social Responsibility

### Livelihood development

During the year under review, CCS was able to enhance the livelihood development and capacity building program initiated among cashew farmers in the village in 2010/11, by arranging a finance facility for the purchase of raw cashew from farmers in the area via a commercial bank in Ampara. The main objective of this initiative is to enable the Cashew Farmers Organisation to grow, collect, process and deliver cashew directly to CCS at market prices, eliminating the middleman, in the mutual interest of both parties. CCS purchased a total of 2,030 kg of cashew amounting to Rs. 3.72 million during the year in review. The bank provided loan facilities aggregating to Rs. 2.25 million to facilitate the purchase of raw cashew by members of the Cashew Farmers Organisation which is intended to be increased to Rs. 3 million in 2012/13.

### Women's empowerment

The plan for Mangalagama in the reporting year included initiating women's empowerment activities in consultation with women of the village. Through several community engagements, knowledge sharing on home garden cultivation and a village-based saving scheme were identified as projects catering towards women's empowerment. It is further expected that the provision of rainwater harvesting units to 20 households during the year will promote home garden cultivation, both for domestic consumption and for purposes of supplementing the family income, whilst enhancing the quality of life of the families concerned through access to clean drinking water. Presently, plans are under way to expand this initiative to include one or two villages in the North and East as well.

### Taking city jobs to the village

OnTime Technologies (Pvt.) Limited in Mahavilachchiya in the North Central Province - Sri Lanka's first recorded rural BPO - is flourishing, five years into its operations. The company works as a service

provider to InfoMate Private Limited (a subsidiary of John Keells Holdings PLC) and carries out transaction processing, as an extension of InfoMate's role of captive finance and accounting service provider for the John Keells Group.

The immediate objective of the project was to create employment for talented rural youth, enabling them to work from the familiar environment of their own village which we believe to be a sustainable business model. The long-term vision of the initiative is to create BPO capacity for Sri Lanka's future outsourcing growth.

Training continues to be provided at InfoMate's premises and new functions are continually migrated including quality related processes, customer invoicing and customer receipting. During the year, InfoMate provided four computers to OnTime and was able to leverage on its relationship with a leading telecom provider to extend cost effective broadband coverage to Mahavilachchiya thereby reducing the connectivity charges for OnTime. A full day training session conducted by

senior Human Resources personnel of the Group was also facilitated by the Foundation for the 19 youth employed.

The year under review saw the expansion of the second BPO, Seenigama BPO Technologies (Pvt) Ltd, to 15 seats. Seenigama is a tsunami-affected village in the Southern Province of Sri Lanka and is a tripartite collaboration between John Keells Holdings, FARO and the Foundation of Goodness (FOG). Training is provided in InfoMate's office in Colombo. The rapid progress and the supply of trained resources during the reporting year have been encouraging, and plans are underway to expand to 20 seats in the near future. InfoMate and the Foundation assisted by providing equipment and merchandise for the youth.

### Sustainable sourcing initiatives

The Consumer Foods and Retail industry group continues to boost agricultural activity in villages and raise the standard of living in diverse communities. It is one of our largest and most successful sustainable projects

## Ceylon Cold Stores

### Sustainable Sourcing Projects of Ceylon Cold Stores PLC 2011/12

Product	Location	Primary Suppliers/ Project Partners	Number of farmers			Total Annual Supply (KG/LTRS)			Total Payment (Rs.)		
			2009/10	2010/11	2011/12	2009/10	2010/2011	2011/2012	2009/10	2010/2011	2011/2012
Ginger	Aludeniya Galabawa Poojapitiya Uduwa all of Hataraliyadda in Kandy District	CCS, Ginger Growers and the Kandurata Development Bank supported by Central Bank of Sri Lanka	125	253	253	14,514	14,760	46,723	7,257,300	8,856,000	28,033,800
Vanilla	Meegammana West Wategama, Kandy	Kandy Vanilla Growers Association	2,500	2,500	2,500	438	925	534	2,762,049	6,937,500	3,672,500
Treacle	Waralla Deniyaya	Nilwala Food Products	12	12	12	39,000	42,000	37,569	5,070,000	5,460,000	4,884,087
Milk	Maskeliya Hatton Dikoya Dimbulla Lakshapana	Seven Hills Farms	1,100	1,100	Discontinued	948,761	900,094	Discontinued	46,241,976	69,586,858	Discontinued
Kithul Jaggery	Neluwa	Dakshina Kithul Nishpadana	N/A	N/A	25	N/A	N/A	9,871	N/A	N/A	3,701,625
Cashew Nuts	Mangalagama	Mangalagama Cashew Producers	N/A	N/A	30	N/A	N/A	2,030	N/A	N/A	3,726,000

## Keells Food Products

### Sustainable Sourcing Projects of Keells Food Products PLC 2011/12

Product	Location	Primary Suppliers/ Project Partners	No. of farmers			Total Annual Supply			Total Payment (Rs.)		
			2009/10	2010/11	2011/12	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Pork	Kaluaggala, Divulapitiya, Bujjampola, Giriulla, Weliweriya, Katana, Kosgama, Pamunugama Dambulla, Kandy	Kaypro Farms, Maxies Livestock SN Brothers Farm, Pussalla Farm, Dilini Farms CIC Farms Sanjeeva Farms St. Anthony's Farm DSD Perera WG Fernando	25	25	25	577,197kg	537,625kg	806,385kg	134,792,727	149,479,543	240,415,544
Chicken	Wennappuwa, Hanwella, Kosgama Meethirigala Kosgama, Hanwella Meethirigala	Maxies & Company  Pussalla Farms  New Anthony's Farm  Nelna Farms	2,200	2,200	2,200	1,475,583kg	1,507,959kg	1,319,433kg	393,816,674	379,751,094	337,880,411
Spices	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	N/A	2,300	2,500	N/A	5,430kg	36,979kg	N/A	4,296,102	32,025,127
Vegetable	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers Association	N/A	2,300	2,500	N/A	71,971kg	174,352kg	N/A	5,353,536	11,843,323

with many sub-projects such as the ginger and vanilla out-grower programmes, treacle and cashew projects, purchase guarantees of pork, chicken and assistance in the expansion of local, mechanised de-boned meat. The retail chain, Keells Super, sources a variety of low country and up country vegetables from farming families in Thambuttegama (North Central Province), Suriyawewa (Southern Province) and Nuwara Eliya (Central Province), benefitting hundreds of farmer families.

In each case, the value provided to the farmers was to increase their levels of income, provide an assured market for quality produce, provide technical assistance, provide exposure to developed markets, improve their quality of life and the creation of a quality focussed farming community, which we believe to be a sustainable business model.

The performance of the sustainable sourcing initiatives of CCS and Keells Food Products is shown in the previous page and above respectively.

### Keells Super Supermarkets

#### Thambuttegama vegetable collection center

The Vegetable Collection Centre at Thambuttegama is owned and operated by Jaykay Marketing Services (Pvt.) Limited (JMSL) the operator of the Keells Super supermarket chain. During the financial year 2010/2011, JMSL procured 575,000 kgs of vegetables and fruits for a total value of Rs. 38.5 million. This entire volume was purchased direct from farmers in Mahaweli 'H' region in Thambuttegama. The Centre worked with approximately 75 farming families whilst at any given time approximately 50 farmers supplied produce to the Collection Centre.

In this financial year too, Thambuttegama Collection Centre, and Connecting Regional Economies (CORE) program of USAID – Sri Lanka, were involved with farmer associations in Kebithigollawa and Galenbindunuwewa, two villages in the North Central

Province. JMSL continued to work with these villagers and procured vegetables from July to December 2011.

#### Suriyawewa collection centre

Suriyawewa Collection Centre started operations in January 2011 in the Walawe Mahaweli Area in the Southern Province. This Collection Centre was set up to procure low country vegetables and fruits. JMSL has started working with approximately 125

farming families and procured around 590,000 kg of vegetables and fruits at an aggregate value of Rs. 36.9 million during the final quarter of 2010/11. This is a well irrigated area which has high potential and JMSL hopes to expand its operations in the area in the future.

#### Nuwara Eliya collection centre

The Nuwara Eliya Agricultural Cooperative Society (AGCO) at Meepilimana, Nuwara Eliya operates



Sustainable sourcing in Thambuttegama

## Social Responsibility

the vegetable collection centre on behalf of JMSL. This organisation has a membership of more than 1,000 farmers from in and around Nuwara Eliya and they procure all produce from the membership. During 2010/2011, JMSL procured just over 850,000,000 kg of up country vegetables for a total value of Rs. 97.8 million.

### Leisure

The Group's resorts and hotels seek to purchase most of their fresh supplies such as fish, fruits, vegetables, flowers, etc. from their surrounding communities whilst local entrepreneurship is fostered through the patronage of local delicacies and sweet meats of acceptable quality.

Cinnamon Grand Colombo continued its support of SMEs through its Nuga Gama Kade (boutique) which showcases a range of local handicrafts produced by small-scale rural craftsmen. The suppliers numbering more than 30, have been in the industry for generations but have minimal exposure to an urban market. As they cannot supply on a large scale, the items at Nuga Gama are tailor made and exclusive to Nuga Gama. By supporting these craftsmen, the hotel not only develops livelihoods, but

also supports the sustenance of indigenous artistry and crafts.

Walkers Tours continued its ongoing partnership with drivers in a project that assisted them to purchase modern vehicles on a self-financed model. Having negotiated preferred rates on their behalf with both the vehicle seller and the leasing company, Walkers Tours also provided a guaranteed minimum income each month. The initiative has been very successful, with all the drivers completing the lease and assuming full ownership of the vehicles, resulting in the introduction on 106 brand new

Nissan Bluebird Sylphy vehicles into the tour operations of the John Keells Leisure industry group in early 2011. In the reporting year, Walkers Tours has continued and expanded the partnerships based on self-financed model by introducing 16 new Hyundai Santa Fe SUV's (Sport Utility Vehicles) to their fleet. The scheme was aimed at recognising and rewarding seniority and professionalism of dedicated chauffeur guides, thereby ensuring the finest value added service to clients of Walkers Tours.

Walkers Tours places great emphasis on ensuring that members of the communities in which tours are conducted are given opportunities for sustainable employment. The company hires, for example, site guides in Bandarawela; it is a "win-win" situation with the company providing them with a means of employment whilst these members of the local community can share their extensive knowledge with the company's clients. Catamaran rides conducted in Dambulla and Pelwehera undertaken by local fishermen who in turn have now begun to hire more people from the community to support the growing demand.

Walkers Tours has also become one of the first Destination Management Companies in Sri Lanka to conduct awareness programmes with its jeep and boat suppliers. It has, thus far, conducted these programmes in Yala, Udawalawe, Mirissa, Trincomalee and Habarana. The programme is related to environmental implications, conducting tours in a sustainable manner and first aid. Whittall Boustead (Travel) also supports micro entrepreneurs through various initiatives such as handicrafts and safari operations.

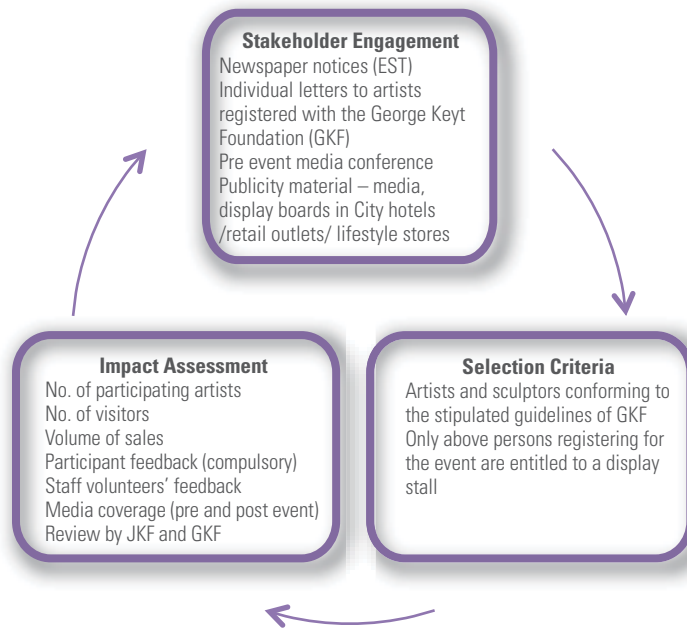
### Other initiatives

Other community development initiatives of the Group include the ongoing refurbishment and maintenance of the Slave Island Railway Station - a historic colonial building and iconic landmark in Colombo 2 - under the patronage of John Keells PLC in collaboration with the General Manager, Railways since 2002. During 2011/12 several renovations and infrastructure improvements were carried out at the location.



Local entrepreneurship encouraged

## Kala Pola



Four staff volunteers of the Group are engaged in carrying out monthly inspections and the project is expected to have benefited over 720,000 commuters during the year. The collaboration also permits companies of the John Keells Group to advertise their products and services in the station premises.

As an equal opportunity employer, the John Keells Group actively supports the gainful employment of differently-abled members of the community. As a member of the Employers' Network on Disability of the Employers' Federation of Ceylon (EFC), John Keells Holdings PLC (JKH) has been actively supporting the initiatives of the Network. The John Keells Group had 20 differently-abled employees in its cadre during 2011/12 and will continue to facilitate the social and economic integration of the differently-abled through employment opportunities and other means in the ensuing year.



## Arts and Culture Kala Pola

Sri Lanka's popular open-air art gallery cum art fair, 'Kala Pola', came alive on Sunday, 29th January 2012 on the sidewalks of Nelum Pokuna Mawatha,



Kala Pola 2012

Colombo 07 and was ceremonially inaugurated by H. E. John Rankin, High Commissioner for the United Kingdom in Sri Lanka. Conceptualised by the George Keyt Foundation, the Kala Pola 2011 enjoyed the unbroken patronage of the John Keells Group for the 18th consecutive year. 315 artists and sculptors, displayed their creativity on canvas and other media to an increasingly appreciative clientele in a fun-filled atmosphere of music, refreshments and entertainment, accounting for total sales of approximately Rs. 5.7 million (excluding what was commissioned by potential buyers). The event drew over 15,000 visitors and was supported by 39 volunteers from the John Keells Group. Kala Pola 2012 also featured a stall operated by artists from the Eastern Province, food art done by the staff of Cinnamon Grand Colombo and a puppet show.

Kala Pola is a valuable forum to launch and sustain the careers of talented artists and sculptors, foster the development of a client base, and thereby promote art as a lucrative and professional career. Many Kala Pola artists have been successful and have gone onto launch careers in the international arena.

In addition, all resort hotels of the Group continue to support local art and culture by engaging local artists in entertainment provided

to guests. Hotels such as Bentota Beach Hotel further foster local art by licensing artists to exhibit and sell their creations in the hotel premises.

## Pasalen Karaliyata – A CSR initiative by Union Assurance

Pasalen Karaliyata is Union Assurance's attempt to foster and help nurture local talent, and is a unique CSR initiative which has been conducted over the years with the assistance of the Ministry of Education. The project provides students with a platform to showcase their talents and all Island inter school aesthetic contests are conducted under the program which includes dancing, singing and art competitions and also provides extra marks for the university entrance qualification.

During the reporting year, Union Assurance concluded the final round of the competition held in 2011. More than 800 students took part in the final competition representing more than 3,000 schools from 22 districts. These programmes were conducted in both Sinhala and Tamil mediums.

## Sunera Foundation's workshop for differently-abled young persons

During the year, the Foundation also sponsored the Sunera Foundation's workshop for differently-abled young persons in Welimada, which was started in 2007 with the objective of improving the quality of life of differently-abled young persons and integrating them into mainstream society through performing arts.

During the reporting year, the workshop had 25 registered participants with an average of about 18 members participating at each session held at the Mencafep Institute in Erabedda Junior School in Keppetipola. Three Sunera trainers oversee the activities of this workshop. John Keells

Foundation supports and oversees the activities of the workshop through a designated volunteer attached to John Keells PLC. The workshop activities are supported by the Welimada Divisional Secretariat and the Zonal Education Office. The year-end concert of the workshop members was held in May 2012.



## Disaster Relief

In 2011/12, the Foundation and Ceylon Cold Stores collaborated in providing a house to a low-income family in Mangalagama who had lost their house and their 4-year old child due to a cyclone in the village.

## Staff volunteerism and corporate support at John Keells

Staff volunteerism has become an integral part of the Group's community engagement strategy. This not only connects the John Keells family more closely with one another and the community, but also enables employees to develop skills such as confidence, communication, leadership, teamwork, whilst giving them pride in the organisation and a sense of personal fulfilment.

The Group encourages its employees to volunteer their services in CSR activities.

The Foundation encourages volunteers from each new batch of inductees to the Group through a presentation on CSR. Employees whose involvement is required in CSR activities are released with minimum restraint and the senior management exercises a flexible policy toward the time devoted by staff to such projects. The John Keells Group does not account or charge for time spent by employees on CSR voluntarism.

## Social Responsibility

In addition to the ongoing projects of the Foundation which are implemented with the support of staff volunteers, the Foundation planned and implemented two shramadana's (community service):

- Kanneliya Forest Reserve – Removing the invasive species known as Nylon Bovitia (*Clidemia hirta*) which disturbs the soil and prevents native species of plants from regenerating. 43 volunteers successfully cleared an estimated 3 km stretch including the clearing of the path and drains. This is the second successive year in which a shramadana at the Kanneliya Forest Reserve was organised by the John Keells Foundation
- Al Iqbal Muslim Balika Vidyalaya, Colombo 2 – Clearing garden space and developing plots for an Agriculture project. A total of 29 employees volunteered for this project together with 17 students and 5 parents representing the stakeholders

The Foundation recorded the engagement of 256 employee volunteers from the John Keells Group in 389 volunteer activities relating to various projects

implemented or overseen by the Foundation, including several repeat volunteers in different projects.

During the reporting period, the Foundation also initiated various steps to recognise and reward volunteers. The participation of volunteers in various projects of the Foundation was acknowledged through notes of appreciation and news items posted on the intranet and published in the Group newsletter. The Foundation also nominated for V-SPARC (Values-Superior Performance And Recognition Creation) awards a Master Trainer and member of the HIV & AIDS Workplace Committee at Cinnamon Lodge Habarana in recognition of his superlative performance and contribution. Meanwhile, under the comprehensive Reward and Recognition Process for CSR Volunteers of the Group adopted in 2011, a Chairman's Award for CSR was introduced during the reporting period and in December 2011 was awarded to the Project Champion of the John Keells HIV and AIDS Awareness Campaign.

The John Keells Group will continue to explore new opportunities to bring together community investment and engagement initiatives which are aligned with the Foundation's focus areas, with the aim of strengthening the sustainability of the communities and environment in which our businesses operate.



Staff volunteerism at Kanneliya Forest Reserve

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# Purpose Reflected

A set of numbers that show  
our purposeful approach  
translated into results

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FINANCIAL  
INFORMATION

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 33rd annual report of your company together with the audited financial statements of John Keells Holdings PLC (JKH), and the audited consolidated financial statements of the group for the year ended 31 March 2012.

## PRINCIPAL ACTIVITIES

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

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

## REVIEW OF BUSINESS SEGMENTS

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

Segment wise contribution to group revenue, results, assets and liabilities is provided in note 33 to the financial statements.

In July 2011, the company participated in the 10:1 rights issue of Ceylon Cold Stores PLC for a consideration of Rs.515 million, thus increasing its stake from 69.73% to 70.61%.

In August 2011, Fitch Ratings affirmed John Keells Holdings PLC's (JKH) National Long-Term rating at 'AAA (Ika)' with the outlook remaining 'Stable'. The affirmation reflects JKH's resilience of dividend inflows to, and resultant low financial leverage (net debt/EBITDA excluding non-recurring items) at the holding company. The rating also reflects JKH's strong liquidity position, well-spread-out debt maturities, and its exceptionally strong access to local banks and capital markets.

In September 2011, John Keells Holdings PLC took a 20% stake in Sancity Hotels, a 240 room business hotel project in Colombo for Rs.228 million and also obtained the management rights.

As initially planned, the Group converted its compulsorily convertible preference shares held in John Keells BPO Solutions India (Pvt) Limited (JK BPO), formerly known as Auxicogent BPO Solutions (Pvt) Limited, to ordinary shares in June 2011, thus changing the status of JK BPO from an associate to a fully owned subsidiary in the group accounts. Arising from this, the assets and liabilities of JK BPO have now been consolidated in the group accounts and the goodwill arising from this transaction has been included under intangible assets (Refer Note B in the consolidated cash flow statement).

The JKH Group currently holds 29.9% in Nations Trust Bank PLC. The Monetary Board has directed that the Group reduces its share holdings in NTB to 15% or below, on or before the 23rd of April 2012. JKH has

written to the Central Bank of Sri Lanka requesting an extension of the deadline and a formal response is awaited.

## REVENUE

Revenue generated by the company amounted to Rs.576 million (2011 - Rs.554 million), whilst group revenue amounted to Rs.76,700 million (2011 - Rs.60,500million). Contribution to group revenue, from the different business segments is provided in note 24 to the financial statements.

## RESULTS AND APPROPRIATIONS

The profit after tax of the holding company was Rs.4,268 million (2011 - Rs.5,963 million) whilst the group profit attributable to equity holders of the parent for the year was Rs.9,775 million (2011 - Rs.8,246 million).

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

The final dividend of Rs.1.00 per share for the financial year 2010/11 (2010 - Rs.1.00) was paid on 9 June 2011. First interim

dividend of Rs.1.00 per share for the year 2011/12 (2011 - Rs.1.00) was paid on 24 November 2011. A second interim dividend for 2011/12 of Rs.1.00 per share was paid on 8 March 2012 (2011 - Rs.1.00). This results in a total dividend pay-out of Rs.3.00 per share (2011 - Rs.3.00) amounting to Rs.2,314 mn (2011 - Rs.1,869 mn).

Dividend per share has been computed for all periods based on the number of shares in issue at the time of dividend payout.

As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained a certificate from the auditors, prior to declaring a final dividend of Rs.1.50 per share for this year. The final dividend will be paid on 15 June 2012 to those shareholders on the register as on 6 June 2012.

Detailed description of the results and appropriations are given below.

For the year ended 31 March In Rs. '000s	2012	2011
Profit earned before interest after providing for all known liabilities, bad and doubtful debts and depreciation on property, plant and equipment	9,307,805	6,521,291
Interest paid	(670,918)	(796,074)
	8,636,887	5,725,217
Profit on sale of investments	-	1,795,069
Change in fair value of investment property	1,413,474	467,764
Profit accruing to the company and subsidiaries	10,050,361	7,988,050
Share of results of associates	2,860,115	2,640,911
<b>Profit before tax</b>	12,910,476	10,628,961
Provision for taxation including deferred tax	(1,841,879)	(1,565,801)
<b>Profit after tax</b>	11,068,597	9,063,160
Profit attributable to minority shareholders	(1,293,590)	(817,575)
Amount available to the group's shareholders	9,775,007	8,245,585
Other adjustments	284,679	101,258
Balance brought forward from the previous year	19,237,133	12,768,823
Amount available for appropriation	29,296,819	21,115,666
1st interim dividend of Rs.1.00 per share (2011 - Rs.1.00) paid out of dividend received.	(840,799)	(623,037)
2nd interim dividend of Rs.1.00 per share (2011 - Rs.1.00) paid out of dividend received.	(842,887)	(625,803)
	27,613,133	19,866,826
Final dividend declared of Rs.1.50 per share (2011 - Rs.1.00) to be paid out of dividend received. *	(1,275,968)	(629,693)
Balance to be carried forward next year	26,337,165	19,237,133

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

## ACCOUNTING POLICIES

Details of accounting policies have been discussed in note 1.3 of the financial statements. There have been no changes in the accounting policies adopted by the group during the year under review.

## DONATIONS

Total donations made by the company and group during the year amounted to Rs.11.5 million (2011 - Rs.6 million) and Rs.22.7 million (2011 - Rs.16 million), respectively. Of these, the donations to approved charities were none

(2011 - Rs.5.6 million) at company and Rs.4.7 million (2011 - Rs.13 million) at group. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

The John Keells Foundation, which is funded by group companies handles most of the group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development. The CSR initiatives, including completed and on-going projects, are detailed in the Sustainability and Enterprise Risk Management section in the Annual Report.

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

## PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant and equipment as at the balance sheet date amounted to Rs.90 million (2011 - Rs.74 million) and Rs.34,290 million (2011 - Rs.28,628 million) for the company and group respectively.

Capital expenditure for the company and group amounted to Rs.53.2 million (2011 - Rs.4.8 million) and Rs.5,486 million (2011 - Rs.4,978 million), respectively.

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

## MARKET VALUE OF PROPERTY, PLANT AND EQUIPMENT

All land and buildings owned by group companies were revalued in financial year 2007/08, with the following exceptions.

Wirawila Walk Inn Ltd was revalued in financial year 2008/09.

Trinco Walk Inn Ltd, International Tourist and Hoteliers Ltd and Trinco Holiday Resorts (Pvt) Ltd, were revalued in the financial year 2009/10.

Yala Village (Pvt) Ltd and Ceylon Holiday Resorts Ltd were revalued in the financial year 2010/11.

John Keells PLC, Mackinnons and Keells Financial Services Ltd, Keells Realtors Ltd, Whittall Boustead Ltd, JK Properties (Pvt) Ltd, Transware Logistics (Pvt) Ltd and Union Assurance PLC were revalued in the financial year 2011/12.

Valuations were carried out by P B Kalugalgedera, Chartered Valuation Surveyor, G J Sumanasena, Incorporated Valuer, M/s A Y Daniel & Son, Incorporated Valuer, R G Wijesinghe, Consultant Valuer and Assessor and J M J Fernando, Incorporated Valuer.

## 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 SLAS 40 (2005).

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

All properties classified as investment property were valued in accordance with the requirements of SLAS 40 (2005). The group revalued all its investment properties as at 31 March 2012. The carrying value of investment property of the group is Rs.7,631 million (2011 - Rs.5,386 million).

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

Details of group properties as at 31 March 2012 are disclosed in the Group Real Estate Portfolio section of the Annual Report.

### INVESTMENTS

Investments of the company and the group in subsidiaries, associates, joint ventures and other external equity investments amounted to Rs.35,732 million (2011 - Rs.33,321 million) and Rs.63,415 million (2011 - Rs.58,206 million), respectively.

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

### STATED CAPITAL

At an extraordinary General Meeting held on 24 June 2011, the shareholders approved a sub division of the company shares, whereby three (3) existing shares were sub divided to four (4), thereby increasing the ordinary shares in issue from 630,137,152 to 840,182,869 ordinary shares.

The total stated capital of the company as at 31 March 2012 was Rs.25,110 million (2011 - Rs.24,611 million), as given in note 12 to the financial statements.

Options in respect of 4,381,962 shares (2011 - 10,218,735 shares) were exercised during the year under the employee share option plan, for a total consideration of Rs.499 million (2011 - Rs.1,289 million).

### SHARE INFORMATION

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

Given below, as additional disclosure, are the John Keells Holding's Board of Directors' shareholdings in group companies as at 31 March 2012.

#### John Keells Holdings PLC (JKH)

S C Ratnayake - 4,579,903 (2011 - 3,434,928)  
A D Gunewardene - 5,706,654 (2011 - 4,279,992)  
J R F Peiris - 1,215,859 (2011 - 737,095)  
E F G Amerasinghe - 5,514 (2011 - 4,136)  
T Das - Nil (2011 - Nil)  
S Enderby - Nil (2011 - Nil)  
S S Tiruchelvam - 1,300 (2011 - Nil)  
I Coomaraswamy - Nil (2011 - Nil)  
A R Gunasekara - 107,866 (2011 - N/A)

Options available under the employee share option plan of JKH.

S C Ratnayake - 2,631,892  
(2011 - 1,658,609)

A D Gunewardene - 2,302,938  
(2011 - 1,451,308)

J R F Peiris - 1,533,383  
(2011 - 1,238,357)

#### Asian Hotels and Properties PLC

S C Ratnayake - 20,000  
(2011 - 10,000)

#### Ceylon Cold Stores PLC

S C Ratnayake - 3,344 (2011 - 760)  
A D Gunewardene - 30,800  
(2011 - 7,000)

J R F Peiris - 668 (2010 - 150)

#### John Keells Hotels PLC

S C Ratnayake - 550,311  
(2011 - 550,311)

A D Gunewardene - 74,806  
(2011 - 74,806)

#### Keells Food Products PLC

S C Ratnayake - 4,250  
(2011 - 4,250)

#### Nations Trust Bank PLC

A D Gunewardene - 5,756,249  
(2011 - 5,756,249)

#### Trans Asia Hotels PLC

S C Ratnayake - 400 (2011 - 200)  
A D Gunewardene - 400  
(2011 - 200)

J R F Peiris - 400 (2011 - 200)

#### Union Assurance PLC

A D Gunewardene - 7,492  
(2011 - 3,746)

### MAJOR SHAREHOLDERS

Details of the twenty largest shareholders of the company and the percentages held by each of them are disclosed in the Share Information section of the Annual Report.

### RESERVES

Total reserves as at 31 March 2012 for the company and group amounted to Rs.15,394 million (2011 - Rs.13,439 million) and Rs.46,065 million (2011 - Rs.34,975 million), respectively.

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

### DIRECTORS

The Board of Directors of the company as at 31 March 2012 and their brief profiles are given in the Board of Directors section of the Annual Report.

In accordance with Article 84 of the Articles of Association of the company, J R F Peiris and S Tiruchelvam retire by rotation and being eligible offer themselves for re-election.

The Company has also received notice of the resolution to propose the re-election of T Das, who is over 70 years of age, and who retires in terms of section 210 of the Companies Act. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act No 7 of 2007 shall not apply to T Das who is over 70 years and that he be re-elected a director of the company.

A R Gunasekara was appointed to the board as an independent director on 1 July 2011.

In accordance with Article 91 of the Articles of Association of the company, A R Gunasekara retires by rotation and, being eligible, offers himself for re-election.

The group directory details the names of persons holding office as Directors of the company and all its subsidiary and associate companies, as at 31 March 2012

and the names of persons who were appointed or who ceased to hold office as Directors during the period.

**BOARD COMMITTEES**

The following members serve on the Board, Audit, Human Resources and Compensation (formerly the Remuneration Committee) and Nominations Committees;

In May 2011, the Chairman recommended and the Board approved the reconstitution of the Human Resources and Compensation and the Audit Committee.

**Audit Committee**

A R Gunasekara - Chairman (appointed w.e.f 1 July 2011)  
 E F G Amerasinghe  
 I Coomaraswamy (appointed w.e.f 20 May 2011)  
 S Enderby  
 P D Rodrigo - Chairman (resigned w.e.f 27 June 2011)  
 S S Tiruchelvam (resigned w.e.f 20 May 2011)

The report of the Audit Committee is given under the Corporate Governance section of the Annual Report.

**Human Resources and Compensation Committee**

E F G Amerasinghe - Chairman  
 I Coomaraswamy (appointed w.e.f. 20 May 2011)  
 P D Rodrigo (resigned w.e.f. 27 June 2011)  
 S S Tiruchelvam  
 A R Gunasekara (appointed w.e.f. 1 July 2011)

The report of the Human Resources and Compensation Committee and the remuneration policy is given in the corporate governance section of the Annual Report.

**Nominations Committee**

T Das - Chairman  
 S Enderby  
 S C Ratnayake  
 S S Tiruchelvam

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

**INTERESTS REGISTER**

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

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

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

**Interests in contracts**

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

**a) Share dealings:**

NAME OF DIRECTOR	NATURE OF SHARE DEALING
J R F Peiris	433,066 share options exercised under ESOP Sale of 200,000 shares
Mrs. S Tiruchelvam	Purchase of 1,300 shares

**b) Indemnities and remuneration**

1. The board approved the payment of remuneration of the executive Directors of the company, namely, S C Ratnayake, Chairman/CEO, A D Gunewardene, Deputy Chairman/President, and J R F Peiris, Group Finance Director for the period 1 April 2011 to 31 March 2012 comprising of:

- An increment from 1 July 2011 based on the individual performance rating obtained by the executive Directors in terms of the performance management system of the John Keells Group
- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2010/2011 paid in July 2011; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC dependant on the aforesaid performance rating, organisational rating and role responsibility, granted in December 2011.

as 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.

2. Further to the appointment of Mr. A R Gunasekara as a non executive director of John Keells Holdings PLC from 1st July 2011, the Board approved the payment to Mr. A R Gunasekara of the standard Non Executive fees approved by the Board for Non Executive Directors which fees are commensurate with the market complexities of the Company.

**Particulars of entries in interests register of subsidiaries**

**Asian Hotels & Properties PLC**

**Interests in contracts**

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

**Indemnities and remuneration**

1. The board approved the payment to R J Karunarahaj and Mr S Rajendra, executive Directors of Asian Hotels & Properties PLC, a remuneration comprising of:

- An increment from 1st July 2011 based on the individual performance rating obtained by the executive Directors in terms of the performance management system of the John Keells Group; and
- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2010/2011, paid in July 2011; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC dependant on the aforesaid performance rating, organisational rating and role responsibility, granted in December 2011.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC the holding company of Asian Hotels & Properties PLC in keeping with the group remuneration policy.

2. Further to the appointment of Mr. C J L Pinto as a Non-executive director of Asian Hotels & Properties PLC with effect from 1st July 2011 the Board approved the payment to Mr. C J L Pinto of the standard Non Executive fees approved by the Board for Non Executive Directors which fees are commensurate with the market complexities of the Company.

3. The Board approved the payment to the Non Executive Directors of Asian Hotels & Properties PLC an increment with effect from 1st August 2011, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC (being its holding company) and as permitted by the Rules of the Colombo Stock Exchange which increase is commensurate with the market and complexities of the business of the Company.

The fees payable to Non Executive nominees of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual directors.

### Ceylon Cold Stores PLC Indemnities and remuneration

1. The Board approved the payment to J R Gunaratne executive director of Ceylon Cold Stores PLC, a remuneration, comprising of:

- An increment from 1st July 2011 based on the individual performance rating obtained by the executive Directors in terms of the performance management system of the John Keells Group;
- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2010/2011, paid in July 2011; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC dependant on the aforesaid performance rating, organisational rating and role responsibility, granted in December 2011

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC the holding company of Ceylon Cold Stores PLC in keeping with the group remuneration policy.

2. The Non-Executive Directors of Ceylon Cold Stores PLC received an increment in fees with effect from 1st August 2011, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC (being its holding company) and as permitted by the Rules of the Colombo Stock Exchange which increase is commensurate with the market and complexities of the business of the Company.

The fees payable to non-executive nominees of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual directors.

### John Keells PLC. Indemnities and remuneration

1. The board approved payment to the executive director of John Keells PLC, L D Ramanayake, a remuneration comprising of:

- An increment from 1st July 2011 based on the individual performance rating obtained by the executive Directors in terms of the performance management system of the John Keells Group
- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2010/2011 paid in July 2010; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC dependant on the aforesaid performance rating, organisational rating and role responsibility, granted in December 2011

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, the holding company of John Keells PLC, in keeping with the group remuneration policy.

2. The Non Executive Directors of John Keells PLC received an increment in fees with effect from 1st August 2011, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC (being its holding company) and as permitted by the Rules of the Colombo Stock Exchange which increase is commensurate with the market and complexities of the business of the Company.

The fees payable to non-executive nominees of John Keells Holdings

PLC are paid to John Keells Holdings PLC and not to individual directors.

### John Keells Hotels PLC Indemnities and remuneration

The Non Executive Directors of John Keells Hotels PLC received an increment in fees with effect from 1st August 2011, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC (being its holding company) and as permitted by the Rules of the Colombo Stock Exchange which is commensurate with the market and complexities of the business of the Company.

The fees payable to non-executive nominees of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual directors.

### Keells Food Products PLC Indemnities and remuneration

The Board approved the payment to the Non Executive Directors of Keells Food Products PLC an increment with effect from 1st August 2011, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC (being its holding company) and as permitted by the Rules of the Colombo Stock Exchange which increase is commensurate with the market and complexities of the business of the Company.

The fees payable to Non Executive nominees of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual directors.

### Tea Smallholder Factories PLC Indemnities and remuneration

The Board approved the payment to the Non Executive Directors of Tea Smallholder Factories PLC an increment with effect from 1st August 2011, as recommended

by the Human Resources and Compensation Committee of John Keells Holdings PLC (being its holding company) and as permitted by the Rules of the Colombo Stock Exchange which increase is commensurate with the market and complexities of the business of the Company.

The fees payable to Non Executive nominees of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual directors.

#### Keells Hotel Management Services Ltd.

##### Indemnities and remuneration

The board approved the payment to J E P Kehelpannala executive director of Keells Hotel Management Services Ltd, a remuneration, comprising of;

- An increment from 1st July 2011 based on the individual performance rating obtained by the executive Directors in terms of the performance management system of the John Keells Group
- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2010/2011 paid in July 2011; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC dependant on the aforesaid performance rating, organisational rating and role responsibility, granted in December 2011.

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC the holding company of Keells Hotel Management Services Limited in keeping with the group remuneration policy.

#### Trans Asia Hotels PLC

##### a) Share dealings

NAME OF DIRECTOR	NATURE OF SHARE DEALING
N L Gooneratne	Sale of 40,400 shares

##### b) Indemnities and remuneration

1. Further to the appointment of Mr. C J L Pinto as a Non Executive director of Trans Asia Hotels PLC with effect from 1st July 2011 the Board approved the payment to Mr. C J L Pinto of the standard Non Executive fees approved by the Board for Non Executive Directors which fees are commensurate with the market complexities of the Company.

2. The Board approved the payment to the Non Executive Directors of Trans Asia Hotels PLC an increment with effect from 1st August 2011, as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC (being its holding company) and as permitted by the Rules of the Colombo Stock Exchange which increase is commensurate with the market and complexities of the business of the Company.

The fees payable to non executive nominees of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual directors.

##### Union Assurance PLC.

Directors' remuneration is established within a framework approved by the Board's Remuneration Committee. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The remuneration of the Non Executive Directors is determined according to scales of payment decided upon by the Board previously.

#### Walkers Tours Ltd.

##### Indemnities and remuneration

The board approved payment to V Leelananda, executive director of Walkers Tours Ltd, a remuneration comprising of:

- An increment from 1st July 2011 based on the individual performance rating obtained by the executive Directors in terms of the performance management system of the John Keells Group.
- Short term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2010/2011 paid in July 2011; and
- Long Term Incentive in the nature of ESOP in John Keells Holdings PLC dependant on the aforesaid performance rating, organisational rating and role responsibility, granted in December 2011

as recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, the holding company of Walkers Tours Limited, in keeping with the group remuneration policy.

##### DIRECTORS' REMUNERATION

Details of the remuneration and other benefits received by the Directors are set out in note 29 of the financial statements.

##### EMPLOYEE SHARE OPTION PLAN (ESOP)

At the beginning of the year, the employee share option plan consisted of the third, fourth, fifth and sixth plans approved by the shareholders on 28 June 2004, 13 December 2007, 2 December 2009 and 6 December 2010 respectively.

Under the third plan, the company was authorized to issue up to 5% of the issued share capital within an annual limit of up to 2% of non-transferable call share options and the options granted under this plan have to be exercised within five years of such grant. Under the fourth plan, the company was authorised to issue non-transferable call share options, not exceeding in aggregate 0.85% of the shares in issue of the company as at the date of granting the award and have to be exercised within five years of such grant. Under the fifth plan, the company was authorized to issue non-transferable call share options, not exceeding 1% of the shares in issue of the company as at the date of granting the award and have to be exercised within five years of such grant. Under the sixth plan, the company was authorized to issue non-transferable call share options, not exceeding in aggregate 0.75% of shares in issue of the company as at the date of granting the award and have to be exercised within five years of such grant. On 7 December 2011, the shareholders approved a seventh plan, whereby the company could issue non transferable call share options not exceeding 0.75% of the share in issue of the company as at the date of granting the award and have to be exercised within five years of such grant.

The options outstanding under the 3rd award of plan 3 and under plans 4, 5, 6 and 7 were valid for exercise as at 31 March 2012.

The highest, lowest and the closing prices of the share recorded during the year were Rs 304.90, Rs 158.20 and Rs.206.00 respectively.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## EMPLOYEE SHARE OPTION PLAN

EMPLOYEE SHARE OPTION PLAN AS AT 31ST MARCH 2012									
	Date of Grant	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares ** Adjusted	Exercised	Lapsed/ Cancelled	Outstanding	Current ** Price (Rs.)
Award 2	10.04.2006	6,645,575	09.04.2011	157.25	10,301,859	8,953,047	1,348,812	-	120.74
Award 3	28.05.2007	10,551,062	27.05.2012	146.00	13,017,508	5,347,345	1,259,420	6,410,743	109.50
PLAN 3		17,196,637			23,319,367	14,300,392	2,608,232	6,410,743	
PLAN 4	25.03.2008	5,405,945	24.03.2013	120.00	6,806,006	1,071,188	255,550	5,479,268	90.00
PLAN 5	17.12.2009	6,126,960	16.12.2014	160.25	7,935,812	988,234	54,160	6,893,418	120.19
PLAN 6	09.12.2010	4,672,823	08.12.2015	292.00	6,214,104	9,800	108,829	6,095,475	219.00
PLAN 7	07.12.2011	6,306,182	06.12.2016	172.10	6,306,182	27,600	-	6,278,582	172.10
Total		39,708,547			50,581,471	16,397,214	3,026,771	31,157,486	

\*\* Adjusted for bonus issues/rights issues and share sub-divisions

The company has not granted any funding to employees to exercise options.

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

## CORPORATE GOVERNANCE

### Directors' declarations

The Directors declare that;

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

The Corporate Governance report is given under the Governance section of the Annual Report

## SUSTAINABILITY

The Group pursues its business goals under a stakeholder model of business governance. As per this model, the Group has taken specific steps, particularly, in ensuring the conservation of its natural resources and environment as well as addressing material issues highlighted by its stakeholders. These steps have been encapsulated in a group-wide sustainability programme which was launched 3 years ago and has since progressed significantly. This year, the Group published its Annual

Report in an integrated format, combining financial information with sustainability information in a bid to provide its stakeholders with more holistic information. Det Norske Veritas AS (DNV) has confirmed that the information on sustainability meets the general content and quality requirements of the Global Reporting Initiative (GRI) G3.1.

GRI has concluded that the Report fulfills the requirements of Application level B+ and has received a 'GRI level 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.

The number of persons employed by the company and group as at 31 March 2012 was 141 (2011 - 127) and 11,956 (2011 - 11,389), respectively.

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

### SUPPLIER POLICY

The Group applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers, and endeavors to pay for all items properly charged in accordance with these agreed terms. As at 31 March 2012 the trade and other payables of the company and group amounted to Rs.332 million (2011 - Rs.221 million) and Rs.15,398 million (2011 - Rs.12,379 million), respectively.

### ENVIRONMENTAL PROTECTION

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

## RESEARCH AND DEVELOPMENT

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

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the company and its subsidiaries, and all other known statutory dues as were due and payable by the company and its subsidiaries as at the balance sheet date have been paid or, where relevant provided for, except as specified in note 35 to the financial statements, covering contingent liabilities.

## ENTERPRISE RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the group, where annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by each business unit. The headline risks of each listed company is presented to its respective Board Audit Committee for review by the Business Unit and in the case of John Keells Holdings, by the Enterprise Risk Management Division to the John Keells Board Audit Committee.

## INTERNAL CONTROL

The Board, through the involvement of the Group Business Process Review Division, takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal control in the group, compliance with laws and regulations and established policies and procedures of the group. The head of the Group Business Process Review Division has direct access to the chairman of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee on matters pertaining to the company.

The risk management report is given under the Governance section of the comprehensive Annual Report

## EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date, which would have any material effect on the company or on the group other than those disclosed in note 38 to the financial statements.

## GOING CONCERN

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

## AUDITORS

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

The Auditors Report is found in the Financial Information section of the Annual Report.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, its independence and its relationship with the group, including the level of audit and non-audit fees paid to the Auditor.

The group works with 4 firms of Chartered Accountants across the group, namely, Ernst & Young, KPMG, PricewaterhouseCoopers, and Deloitte Haskins & Sells. Details of audit fees are set out in note 29 of the financial statements. The Auditors do not have any relationship (other than that of an Auditor) with the company or any of its subsidiaries.

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

## ANNUAL REPORT

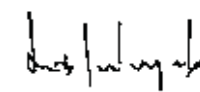
The Board of Directors approved the consolidated financial statements on 25 May 2012. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 1 June 2012.

## ANNUAL GENERAL MEETING

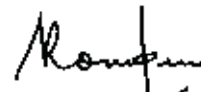
The annual general meeting will be held at the Institute of Chartered Accountants of Sri Lanka, 30, Malalasekera Mawatha, Colombo 7, on Friday, 29 June 2012 at 11.00 a.m. The notice of meeting appears in the Supplementary Information section of the integrated Annual Report.

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

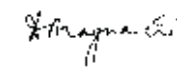
By Order of the Board



Director



Director



Keells Consultants (Pvt) Ltd.

Secretaries

25 May 2012

# 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:

- a balance sheet, which presents a true and fair view of the state of affairs of the company and its subsidiaries as at the end of the financial year: and
- an income statement 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.

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; and that
- reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the company and of the group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the company and of the group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

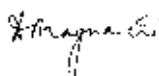
Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring a final dividend of Rs.1.50 per share for this year, to be paid on 15 June 2012.

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 35 to the financial statements covering contingent liabilities.

By order of the Board



**Keells Consultants (Pvt) Ltd**

Secretaries  
25 May 2012

# REPORT OF THE AUDITORS



## Chartered Accountants

201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : (0) 11 2463500  
Fax Gen : (0) 11 2697369  
Tax : (0) 11 5578180  
eysl@lk.ey.com

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JOHN KEELLS HOLDINGS PLC Report on the Financial Statements

We have audited the accompanying financial statements of John Keells Holdings PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at 31 March 2012, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

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

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

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

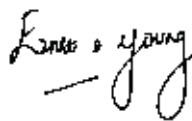
### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

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

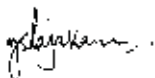


25 May 2012  
Colombo.

# BALANCE SHEET

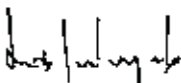
As at 31st March In Rs.'000s	Note	Group		Company	
		2012	2011	2012	2011
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2	34,290,012	28,627,982	89,559	73,543
Leasehold property	3	10,281,853	9,515,621	-	-
Investment property	4	7,631,494	5,386,166	-	-
Intangible assets	5	2,639,671	2,631,950	48,141	43,724
Investments in subsidiaries and joint ventures	6	5,115	5,115	24,664,271	23,482,112
Investments in associates	6	15,692,608	14,670,235	9,485,530	9,257,569
Other investments	6	12,378,883	11,792,453	1,582,506	581,806
Deferred tax assets	7	129,478	202,850	-	54,198
Other non-current assets	8	3,499,915	3,231,401	228,845	258,539
		86,549,029	76,063,773	36,098,852	33,751,491
<b>Current assets</b>					
Inventories	9	4,372,348	3,143,630	-	760
Trade and other receivables	10	13,971,848	12,072,147	865,031	589,015
Amounts due from related parties	34	10,715	18,520	532,981	612,073
Short term investments	11	24,767,025	16,881,036	10,102,198	10,071,249
Cash in hand and at bank		4,267,175	2,112,626	454,495	19,382
		47,389,111	34,227,959	11,954,705	11,292,479
<b>Total assets</b>		133,938,140	110,291,732	48,053,557	45,043,970
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Stated capital	12	25,110,528	24,611,507	25,110,528	24,611,507
Capital reserves	13	12,903,984	9,560,417	-	-
Revenue reserves	14	33,161,096	25,414,789	15,393,677	13,439,260
		71,175,608	59,586,713	40,504,205	38,050,767
<b>Minority interest</b>		8,864,609	7,608,220	-	-
<b>Total equity</b>		80,040,217	67,194,933	40,504,205	38,050,767
<b>Non-current liabilities</b>					
Insurance provisions	15	14,744,712	12,662,500	-	-
Non-interest bearing borrowings	16	18,000	18,000	-	-
Interest bearing borrowings	17	12,284,414	8,352,587	5,124,000	5,520,000
Deferred tax liabilities	7	707,970	647,960	-	-
Employee benefit liabilities	18	1,372,161	1,215,597	126,864	104,752
Other deferred liabilities	19	3,631	4,143	-	-
Other non-current liabilities	20	773,884	746,938	-	-
		29,904,772	23,647,725	5,250,864	5,624,752
<b>Current liabilities</b>					
Trade and other payables	21	15,398,047	12,379,589	331,525	220,667
Amounts due to related parties	34	1,650	2,237	6,926	9,274
Income tax liabilities	22	828,303	796,714	-	-
Short term borrowings	23	1,009,057	232,000	-	-
Current portion of interest bearing borrowings	17	2,408,740	2,134,418	1,281,000	1,104,000
Bank overdrafts		4,347,354	3,904,116	679,037	34,510
		23,993,151	19,449,074	2,298,488	1,368,451
<b>Total equity and liabilities</b>		133,938,140	110,291,732	48,053,557	45,043,970

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

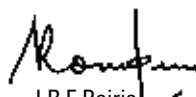


**M J S Rajakariar**  
Group Financial Controller

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 174 to 227 form an integral part of these financial statements.

25 May 2012

# INCOME STATEMENT

For the year ended 31st March In Rs. '000s	Note	Group		Company	
		2012	2011	2012	2011
<b>Revenue</b>	24	76,699,683	60,500,068	576,239	554,627
Cost of sales		(58,536,524)	(46,856,982)	(290,941)	(232,598)
<b>Gross profit</b>		18,163,159	13,643,086	285,298	322,029
Dividend income	25	104,360	62,599	4,529,888	3,500,955
Other operating income	26	4,156,410	6,114,821	783,760	3,188,221
Distribution expenses		(2,631,622)	(2,410,865)	-	-
Administrative expenses		(7,876,566)	(7,180,337)	(694,619)	(603,524)
Other operating expenses	27	(2,607,936)	(1,912,944)	(336,772)	(42,870)
Finance expenses	28	(670,918)	(796,074)	(205,743)	(379,499)
Change in fair value of investment property	4	1,413,474	467,764	-	-
Share of results of associates	6.7	2,860,115	2,640,911	-	-
<b>Profit before tax</b>	29	12,910,476	10,628,961	4,361,812	5,985,312
Tax expense	30	(1,841,879)	(1,565,801)	(93,876)	(22,409)
<b>Profit for the year</b>		11,068,597	9,063,160	4,267,936	5,962,903
<b>Attributable to:</b>					
Equity holders of the parent		9,775,007	8,245,585		
Minority interest		1,293,590	817,575		
		11,068,597	9,063,160		
		<b>Rs.</b>	<b>Rs.</b>		
<b>Earnings per share</b>					
Basic	31	11.62	9.90		
Diluted	31	11.49	9.77		
<b>Dividend per share</b>	32	3.00	3.00		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 174 to 227 form an integral part of these financial statements.

# CASH FLOW STATEMENT

For the year ended 31st March In Rs. '000s	Note	Group		Company	
		2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before working capital changes	A	10,863,959	5,601,971	419,508	(255,719)
(Increase) / Decrease in inventories		1,945,996	(869,848)	760	18
(Increase) / Decrease in receivables and prepayments		(1,885,017)	(1,915,530)	(213,464)	155,635
(Increase) / Decrease in other non-current assets		(2,489,228)	(952,598)	29,694	(198,460)
Increase / (Decrease) in creditors and accruals		2,786,209	1,255,259	103,012	(116,589)
Increase in insurance provision		2,082,212	2,426,383	-	-
<b>Cash generated from operations</b>		<b>13,304,131</b>	<b>5,545,637</b>	<b>339,510</b>	<b>(415,115)</b>
Interest received		2,770,000	2,747,650	591,151	757,847
Finance expenses paid		(670,918)	(796,074)	(205,743)	(379,499)
Dividend received		2,572,353	2,244,783	4,529,887	3,500,955
Tax paid		(1,413,937)	(1,170,569)	(18,634)	(54,216)
Gratuity paid		(85,444)	(70,150)	(7,411)	(3,598)
<b>Net cash flow from operating activities</b>		<b>16,476,185</b>	<b>8,501,277</b>	<b>5,228,760</b>	<b>3,406,374</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>					
Purchase and construction of property, plant and equipment		(5,486,248)	(4,977,752)	(53,236)	(4,764)
Addition to intangible assets		(35,431)	(114,754)	(19,344)	(17,444)
Addition to lease rights		-	(317,654)	-	-
Addition to investment property		(620,364)	(1,732)	-	-
Acquisition of subsidiary	B	126,719	-	-	-
Acquisition of associates		(227,961)	-	-	-
Increase in interest in subsidiaries		-	(844,217)	(1,182,158)	(1,360,795)
Increase in interest in associates		(76,755)	(441,192)	(227,961)	(146,750)
Proceeds from sale of property, plant and equipment		145,462	441,747	7,722	1,459
Proceeds from sale of non-current investments		-	2,754,030	-	2,748,505
Proceeds from sale of quoted investments held for sale		247,798	396,639	-	-
Acquisition of quoted investments held for sale		(780,097)	(650,719)	-	-
Proceeds from / (Purchase of) short term investments (net)		(1,709,334)	2,664,055	(295,546)	(663,010)
(Purchase) / Disposal of other investments (net)		(586,430)	(3,377,237)	(1,000,700)	(502,299)
<b>Net cash flow from/(used in) investing activities</b>		<b>(9,002,641)</b>	<b>(4,468,786)</b>	<b>(2,771,223)</b>	<b>54,902</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		499,021	1,289,107	499,021	1,289,107
Proceeds from minority on issue of rights in subsidiaries		63,405	3,176	-	-
Direct cost on issue of shares		(12,742)	(24,557)	-	-
Dividend paid to equity holders of parent		(2,313,519)	(2,488,162)	(2,313,519)	(2,488,162)
Dividend paid to minority shareholders		(264,356)	(281,323)	-	-
Proceeds from long term borrowings		4,156,113	227,330	-	-
Repayment of long term borrowings		(2,408,745)	(5,598,409)	(1,117,050)	(3,118,042)
Proceeds from short term borrowings (net)		777,057	82,000	-	-
<b>Net cash flow from / (used in) financing activities</b>		<b>496,234</b>	<b>(6,790,838)</b>	<b>(2,931,548)</b>	<b>(4,317,097)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>7,969,778</b>	<b>(2,758,347)</b>	<b>(474,011)</b>	<b>(855,821)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING</b>		<b>11,840,951</b>	<b>14,775,191</b>	<b>9,393,111</b>	<b>10,248,932</b>
<b>CASH AND CASH EQUIVALENTS AT THE END</b>		<b>19,810,729</b>	<b>12,016,844</b>	<b>8,919,100</b>	<b>9,393,111</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
<b>Favourable balances</b>					
Short term investments	11	19,890,908	13,808,334	9,143,642	9,408,239
Cash in hand and at bank		4,267,175	2,112,626	454,495	19,382
<b>Unfavourable balances</b>					
Bank overdrafts		(4,347,354)	(3,904,116)	(679,037)	(34,510)
<b>Total cash and cash equivalents as previously reported</b>		<b>19,810,729</b>	<b>12,016,844</b>	<b>8,919,100</b>	<b>9,393,111</b>
Effect of exchange rate changes		-	(175,893)	-	-
<b>Cash and cash equivalents restated</b>		<b>19,810,729</b>	<b>11,840,951</b>	<b>8,919,100</b>	<b>9,393,111</b>

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 174 to 227 form an integral part of these financial statements.

For the year ended 31st March In Rs. '000s	Group		Company	
	2012	2011	2012	2011
<b>A Profit before working capital changes</b>				
Profit before tax	12,910,476	10,628,961	4,361,812	5,985,312
<b>Adjustments for:</b>				
Interest income	(2,770,000)	(2,747,650)	(591,151)	(757,847)
Dividend income	(104,360)	(62,599)	(4,529,887)	(3,500,955)
Finance expenses	670,918	796,074	205,743	379,499
Change in fair value of investment property	(1,413,474)	(467,764)	-	-
Share of results of associates	(2,860,115)	(2,640,911)	-	-
Profit on sale of non current investments	-	(1,795,069)	-	(2,172,441)
Depreciation of property, plant and equipment	1,863,077	1,700,095	32,913	42,391
Derecognition and impairment losses	22,304	49,689	-	-
(Profit) / Loss on sale of property, plant and equipment	(2,371)	57,929	(3,415)	(1,014)
Profit on sale of investment property	-	-	-	(26,200)
Amortisation of leasehold property	524,671	375,171	-	-
Amortisation of intangible assets	246,830	234,023	14,927	11,170
Amortisation of other deferred liabilities	(512)	(512)	-	-
Gratuity provision and related costs	236,860	244,668	29,523	15,720
(Gain) / Loss on disposal of quoted investments held for sale	15,713	(297,268)	-	-
(Increase) / Decrease in market value of quoted investments held for sale	422,505	(186,042)	-	-
Unrealised (gain) / loss on foreign exchange (net)	1,101,748	(286,925)	899,043	(231,354)
Unrealised (profit) / loss	(311)	101	-	-
	10,863,959	5,601,971	419,508	(255,719)

**B Obtaining control of subsidiary**

During the period the Group obtained control of John Keells BPO solution India (Pvt) limited (formerly known as Auxicogent BPO Solutions (Pvt) Limited). The fair value of assets acquired and liabilities assumed were as follows:

<b>ASSETS</b>	
Cash in hand and at bank	114,471
Short term investments	49,204
Trade and other receivables	431,915
Property, plant and equipment	181,207
<b>LIABILITIES</b>	
Bank overdrafts	(36,956)
Employee benefit liabilities	(4,726)
Trade and other payables	(292,133)
Income tax liabilities	(4,791)
Total identifiable net assets	438,191
Preference shares converted to ordinary shares	(854,442)
Total identifiable net assets excluding preference shares	(416,251)
	51%
Share of net assets acquired	(212,288)
Goodwill	212,288
<b>Total purchase price paid</b>	
Paid in cash	-
Cash and cash equivalents of subsidiary acquired	126,719
Net cash inflow	126,719

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

# STATEMENT OF CHANGES IN EQUITY

GROUP In Rs. '000s	Attributable to equity holders of parent						Minority interest	Total equity
	Stated capital	Revaluation reserve	Exchange translation reserve	Other capital reserves	Other revenue reserves	Accumulated profit		
<b>As at 1 April 2010</b>	23,322,400	5,727,326	1,417,921	428,365	5,547,963	13,388,296	49,832,271	56,261,783
Share options exercised	1,289,107	-	-	-	-	-	1,289,107	1,289,107
Direct cost on issue of shares	-	-	-	-	-	(20,861)	(20,861)	(24,557)
Currency translation differences	-	-	(171,339)	-	-	-	(171,339)	(204,751)
Net gain / (loss) recognised directly in equity	-	-	-	-	-	-	-	-
Surplus on revaluation	-	2,445,660	-	-	-	-	2,445,660	2,866,997
Acquisitions, disposals and changes in holding	-	-	-	-	-	-	-	306,934
Associate company share of net assets	-	-	(225,521)	-	-	-	(225,521)	(225,521)
Write off / transfers	-	(106,101)	-	-	-	61,209	(44,892)	(45,692)
Deferred tax impact due to reduction in tax rate	-	44,106	-	-	-	-	44,106	57,503
Profit for the year	-	-	-	-	-	8,245,585	8,245,585	9,063,160
Final dividend paid - 2009/10	-	-	-	-	-	(619,867)	(619,867)	(619,867)
Interim dividend paid - 2010/11	-	-	-	-	-	(1,248,840)	(1,248,840)	(1,248,840)
Subsidiary dividend to minority shareholders	-	-	-	-	-	61,304	61,304	(281,323)
<b>As at 31 March 2011</b>	24,611,507	8,110,991	1,021,061	428,365	5,547,963	19,866,826	59,586,713	67,194,933
Share options exercised	499,021	-	-	-	-	-	499,021	499,021
Direct cost on issue of shares	-	-	-	-	-	(10,986)	(10,986)	(12,742)
Currency translation differences	-	-	844,451	-	-	-	844,451	1,060,558
Net gain / (loss) recognised directly in equity	-	-	-	-	-	-	-	-
Surplus on revaluation	-	1,413,025	-	-	-	-	1,413,025	1,522,748
Acquisitions, disposals and changes in holding	-	-	-	-	-	-	-	80,928
Associate company share of net assets	-	-	1,121,964	-	-	89,728	1,211,692	1,211,692
Write off / transfers	-	(35,873)	-	-	-	29,496	(6,377)	(7,643)
Profit for the year	-	-	-	-	-	9,775,007	9,775,007	11,068,597
Final dividend paid - 2010/11	-	-	-	-	-	(629,833)	(629,833)	(629,833)
Interim dividend paid - 2011/12	-	-	-	-	-	(1,683,686)	(1,683,686)	(1,683,686)
Subsidiary dividend to minority shareholders	-	-	-	-	-	176,581	176,581	(440,937)
<b>As at 31 March 2012</b>	25,110,528	9,488,143	2,987,476	428,365	5,547,963	27,613,133	71,175,608	80,040,217

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 174 to 227 form an integral part of these financial statements.

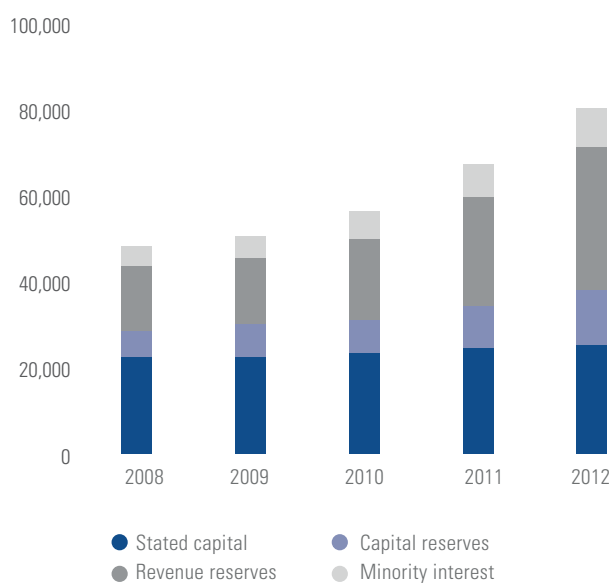
**COMPANY**

In Rs. '000s	Stated capital	General reserve	Accumulated profit	Total equity
<b>As at 1 April 2010</b>	23,322,400	4,194,322	5,150,742	32,667,464
Share options exercised	1,289,107	-	-	1,289,107
Profit for the year	-	-	5,962,903	5,962,903
Final dividend paid - 2009/10	-	-	(619,867)	(619,867)
Interim dividend paid - 2010/11	-	-	(1,248,840)	(1,248,840)
<b>As at 31 March 2011</b>	24,611,507	4,194,322	9,244,938	38,050,767
Share options exercised	499,021	-	-	499,021
Profit for the year	-	-	4,267,936	4,267,936
Final dividend paid - 2010/11	-	-	(629,833)	(629,833)
Interim dividend paid - 2011/12	-	-	(1,683,686)	(1,683,686)
<b>As at 31 March 2012</b>	25,110,528	4,194,322	11,199,355	40,504,205

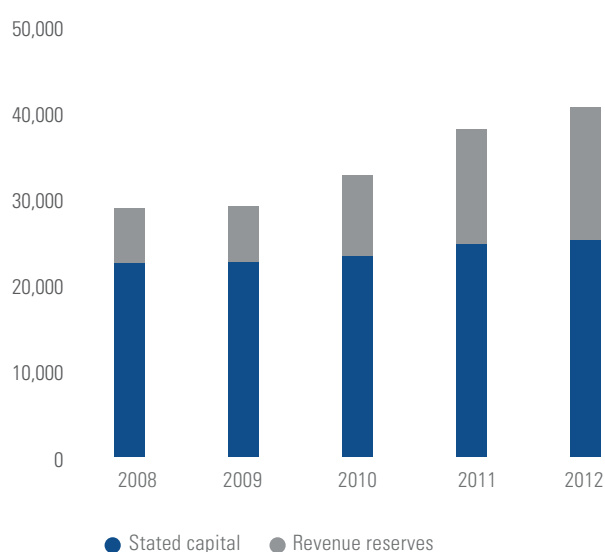
Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 174 to 227 form an integral part of these financial statements.

**Equity - Group**  
(Rs Mn)



**Equity - Company**  
(Rs Mn)



# NOTES TO THE FINANCIAL STATEMENTS

## 1.1 CORPORATE INFORMATION

### Reporting Entity

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

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

John Keells Holdings PLC became the holding company of the group during the financial year ended 31 March 1986.

### Consolidated Financial Statements

The financial statements for the year ended 31 March 2012, comprise "the company" referring to John Keells Holdings PLC. as the holding company and "the group" referring to the companies whose accounts have been consolidated therein.

### Approval of Financial Statements

The Financial statements for the year ended 31 March 2012 were authorised for issue by the Directors on 25 May 2012.

### Principal Activities and Nature of Operations

#### Holding company

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

### Subsidiaries, Associates and Joint Ventures

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

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

### Responsibility for Financial Statements

The responsibility of the Directors in relation to the financial statements is set out in 'The statement of director's responsibility'.

### Statement of Compliance

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

## 1.2 BASIS OF PREPARATION

### Bases of Measurement

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

These financial statements are prepared in Sri Lankan Rupees, the Group's functional currency unless stated otherwise.

### Presentation and Functional Currency

The consolidated financial statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

All values are rounded to the nearest rupees thousand (Rs. '000) except when otherwise indicated.

The significant accounting policies are discussed in Note 1.3 below.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31st March 2012. The financial statements of the subsidiaries are prepared in compliance with the group's accounting policies unless otherwise stated.

All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, which is 12 months ending 31 March, using consistent accounting policies.

### Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

Subsidiaries consolidated have been listed in the group directory.

The following companies, with equity control less than 50%, have been consolidated as subsidiaries based on the power to govern the financial and operating policies of those entities.

	% Holding
DHL Keells (Pvt) Ltd	50.00
Trans-ware Logistics (Pvt) Ltd	50.00
Mack Air Services Maldives (Pte) Ltd	49.00
Tea Smallholder Factories PLC	37.62

The following subsidiaries have been incorporated outside Sri Lanka:

<b>India</b>
John Keells Air Services India (Pvt) Ltd
John Keells BPO Solutions India (Pvt) Ltd
John Keells Foods India (Pvt) Ltd
John Keells Logistics India (Pvt) Ltd
Serene Holidays (Pvt) Ltd
<b>Mauritius</b>
John Keells BPO Alpha (Pvt) Ltd
John Keells BPO Holdings (Pvt) Ltd
John Keells BPO International (Pvt) Ltd
John Keells BPO Investments (Pvt) Ltd
John Keells Hotels Mauritius (Pvt) Ltd
John Keells Holdings Mauritius (Pvt) Ltd
Keells Food Products Mauritius (Pvt) Ltd
<b>Republic of Maldives</b>
Fantasea World Investments (Pte) Ltd
John Keells Maldivian Resorts (Pte) Ltd
Mack Air Services Maldives (Pte) Ltd
Tranquility (Pte) Ltd
Travel Club (Pte) Ltd
<b>Singapore</b>
John Keells Singapore (Pte) Ltd
<b>United Kingdom</b>
John Keells Computer Services (UK) Ltd
<b>USA</b>
John Keells BPO Solutions US inc.
<b>Canada</b>
John Keells BPO Solutions Canada inc.

The total profits and losses for the year of the company and of its subsidiaries included in consolidation and all assets and liabilities of the company and of its subsidiaries included in consolidation are shown in the consolidated income statement and balance sheet respectively.

Minority 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 income statement and as a component of equity in the consolidated balance sheet, separately from parent's shareholders' equity.

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

### 1.3. ACCOUNTING POLICIES

#### 1.3.1 CHANGES IN ACCOUNTING POLICIES

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

#### Comparative information

Previous year's figures and phrases have been re-arranged, wherever necessary, to conform to the current year in order to provide a better presentation.

#### 1.3.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements of the group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Revaluation of property, plant and equipment and investment properties

The group measures land and buildings classified under property, plant and equipment at revalued amounts with changes in fair value being recognised in the statement of equity. In addition, it carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The group engaged independent valuation specialists to determine fair value of investment properties and certain identified land and buildings as at 31 March 2012.

The valuers have used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate. The methods used to determine the fair value of the investment properties, are further explained in Note 4.

#### Impairment of non-financial assets

An 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

## NOTES TO THE FINANCIAL STATEMENTS

restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are further explained in Note 5.

### Taxes

Uncertainties 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. Accordingly, based on such reasonable estimates the group establishes the provisions to be made during the financial year.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant

management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The group has tax losses carry forward amounting to Rs.6,546 million (2011 - Rs.5,287 million). These losses relate to subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities and where the subsidiary has no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

Further details on taxes are disclosed in Note 30.

### Deferred tax for tax holiday companies

Deferred tax during the tax holiday period for group companies under BOI tax holidays, has been recognised for temporary differences, where reversals of such differences extend beyond the tax exemption period, taking into account the requirements of SLAS 14 and the council ruling on deferred tax issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

### Employee Benefit Liability

The employee benefit liability of listed companies with more than 100 employees and Jaykay Marketing Services (Pvt)

Ltd. is based on the actuarial valuation carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries. The actuarial valuations involve making assumptions about discount rates and future salary increases. Due to 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. The employee benefit liability of all other companies in the group is based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 18 in the financial statements.

### Deposits on Returnable Containers - Ceylon Cold Stores PLC

The company has introduced a new methodology to assess the deposit liability arising out of deposits for Bottles and Crates. Deposit liability is calculated at each quarterly balance sheet date by a predetermined formula and difference between the calculated liability and book balance is taken to the Income Statement.

### Valuation of insurance contract liabilities and investment contract liabilities - Union Assurance PLC

**Life insurance contracts**  
The liability for life insurance contracts is based on current assumptions or on assumptions established

at inception of the contract, incorporating regulator recommended minimum requirements.

The main assumptions used relate to mortality, morbidity, investment returns and discount rates.

Industry and company experience on mortality and morbidity is considered, adjusted when appropriate to reflect the product characteristics, target markets and own claims severity and frequency experiences.

Discount rates are based on current and historical rates, adjusted for regulator recommended basis.

The carrying value at the balance sheet date of life insurance contract liabilities is Rs.14.74 billion (2011 - Rs.12.66 billion).

### Non-life insurance (which comprises general insurance and healthcare) contract liabilities

For non-life insurance contracts, estimates have to be made for the expected ultimate cost of claims reported at the balance sheet date and consequently for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date (IBNR). It can take a significant period of time before the reported values near the ultimate claims cost, and so for some type of policies, IBNR claims form the majority of the balance sheet liability.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience is representative of the projected future claims development and hence the ultimate claims costs. As such, these methods extrapolate the development of paid and reported losses, average costs per claim and numbers of claims based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by accident years, for each significant business line and claim type. Large claims are usually separately addressed, either by being reserved based on the loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios, instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes

to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures). This judgment is used in order to arrive at the estimated ultimate cost of claims that presents the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The carrying value at the balance sheet date of non-life insurance contract liabilities is Rs.3 billion (2011 - Rs.2.82 billion).

Details of key assumptions are given in Note 15 in the financial statements.

## 1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.4.1. Business combination & goodwill

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

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.

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement as negative goodwill.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value maybe impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount

of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 1.4.2 Interest in Joint venture

A joint venture is a jointly controlled entity, whereby the group and other parties have a contractual arrangement that establishes joint control over the economic activities of the entity.

The group recognises its interest in the joint venture using the proportionate consolidation method until the date on which the group ceases to have joint control. The group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with similar items, line by line, in the consolidated

## NOTES TO THE FINANCIAL STATEMENTS

financial statements. The financial statements of the joint venture are aligned to the group accounting policies.

The gains or losses arising from transactions between group and the joint venture are recognised based on the substance of the transactions. The group's share of unrealised gain on asset purchases is not recognised until such assets are resold to a third party.

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

Financial statements of joint ventures are proportionately consolidated using their respective 12 month financial reporting period.

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

### 1.4.3. Investment in an associate

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

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

All associates are incorporated in Sri Lanka, except for Quattro FPO Solutions (Pvt) Limited which is incorporated in India.

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

Maersk Lanka (Pvt) Ltd  
Nations Trust Bank PLC  
South Asia Gateway Terminals (Pvt) Ltd  
Quattro FPO Solutions (Pvt) Limited  
Central Hospital (Pvt) Ltd  
Sancity Hotels (Pvt) Ltd

The investments in associates are carried in the balance sheet at cost plus post acquisition changes in the group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

The income statement reflects the share of the results of operations of the associate. Changes, if any, recognised directly in the

equity of the associate, the group recognises its share and discloses this, when applicable in the statement of changes in equity. Unrealised gains and losses

resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The group ceases to recognise further losses when the group's share of losses in an associate equals or exceeds the interest in the undertaking, unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the group. Accounting policies that are specific to the business of associate companies are discussed in Note 1.5.

Equity method of accounting has been applied for associate financial statements using their respective 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 upto 31 March.

### 1.4.4 Foreign currency translation Foreign currency transactions and balances

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

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

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

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

### Foreign exchange forward contracts

Foreign exchange forward contracts are fair valued at each reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

**Foreign operations**

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

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

**1.4.5 Tax**

**Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date in the countries where the group operates and generates taxable income.

**Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the

temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and-
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

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.

The exchange rates applicable during the period.

	Balance Sheet		Income Statement	
	2011/12	2010/11	Average rate	
	Rs.	Rs.	2011/12	2010/11
			Rs.	Rs.
Singapore dollar	101.92	87.54	89.78	84.21
Pound sterling	204.64	177.83	179.58	174.39
US dollar	128.10	110.40	112.56	112.13
Canadian dollar	128.61	113.67	113.42	110.30
Indian rupee	2.49	2.48	2.36	2.47
UAE dirham	34.88	30.06	30.64	30.53

## NOTES TO THE FINANCIAL STATEMENTS

### Sales tax

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

- where the sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 1.4.6 Property, plant and equipment

#### Basis of recognition

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

#### Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The group has adopted a policy of revaluing assets every 5 years, except for properties held for rental and occupied mainly by group companies, which are revalued every 3 years.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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.

### Derecognition

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

### Depreciation

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

### 1.4.7 Leases

#### Finance Lease

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

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease

#### The estimated useful life of assets.

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 - 18
Laboratory equipment	10
Returnable Containers	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Where major machinery overhauls are carried out, the cost is recognised in the carrying amount of the plant and equipment if the recognition criteria is satisfied.

liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the income statement over the period of lease.

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

#### Operating leases

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

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

#### 1.4.8 Leasehold property

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided.

Details of the Leasehold Property are given in Note 3 to the Financial Statements.

#### 1.4.9 Investment properties

Investment properties are measured initially at cost. 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 balance sheet date.

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

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Where group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using group accounting policy for property, plant and equipment.

#### 1.4.10 Intangible assets

##### Basis of recognition

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

##### Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

##### Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

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

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

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

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

##### Purchased software

Purchased software is recognised as intangible assets and is amortised on a straight line basis over its useful life.

## NOTES TO THE FINANCIAL STATEMENTS

### Software license

Software licenses cost is recognised as an intangible asset and amortised over the period of expected future usage of related ERP systems.

### Research & Development Costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized as an intangible asset when the group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete and its ability to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the asset,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

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

Intangible	Useful life	Acquired / Internally generated	Impairment testing
Present Value of Inforce Business (PVIb)	12	Acquired	When indicators of impairment arise. The amortization method is reviewed at each financial year end.
Purchased Software	05		
Software License	05		
Developed Software	05	Internally generated	Annually for assets not yet in use and more frequently when indicators of impairment arise. Assets in use, when indicators of impairment arise. The amortisation method is reviewed at each financial year end.

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

### 1.4.11 Equity investments

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

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

### 1.4.12 Impairment of assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment

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

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment are recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. 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, in which 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. Impairment loss on goodwill is not reversed.

**1.4.14 Inventories**

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

Raw materials and Produce inventories	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
Other inventories	At actual cost

The costs incurred in bringing inventories to its present location and condition, are accounted for as given below.

**1.4.15 Trade and other receivables**

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

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

**Reinsurance Receivable**

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the consolidated balance sheet unless a right to offset exists.

If a reinsurance asset is impaired, the company

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

**Premiums Receivable**

Collectability of premiums and other debts are reviewed on an ongoing basis. Policies issued on debt basis and that are known to be uncollectible are cancelled and respective gross written premium is reversed. A provision for doubtful debts is raised when some doubt as to collection exists.

**1.4.16 Short-term investments**

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

**1.4.17 Cash and cash equivalents**

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

**1.4.18 Defined benefit plan - gratuity**

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the income statement.

**1.4.19 Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund**

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

**1.4.20 Insurance provision - 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

### 1.4.21 Insurance - 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 where as the IBNR reserve is decided by an independent external actuary to estimate the outstanding liabilities as of reporting date.

### 1.4.22 Government grants

Government grants are recognised only when they are received and all attaching conditions are 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.

### 1.4.23 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

### 1.4.24 Revenue recognition

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

eliminating sales within the group.

The following specific criteria are used for recognition of revenue:

#### Sale of goods

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

#### Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion.

#### General Insurance Business - Gross Written Premium

Gross written premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

#### Life Insurance Business - Gross Written Premium

Premiums from traditional life insurance contracts, including participating contracts and non participating contracts, are recognised as revenue when cash is received from the policy holder.

#### Turnover based taxes

Turnover based taxes include value added tax, economic service charge, turnover tax and tourism development levy. Companies in the group pay such taxes in accordance with the respective statutes.

#### Dividend

Dividend income is recognised on a cash basis.

#### Interest income

Interest income is recognised as interest accrues.

#### Rental income

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

#### Gains and losses

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

Gains and losses arising from activities incidental to the main revenue generating activities and

those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

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

#### Other income

Other income is recognised on an accrual basis.

#### 1.4.25 Expenditure recognition

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

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

#### Borrowing costs

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

### 1.5 SIGNIFICANT ACCOUNTING POLICIES THAT ARE SPECIFIC TO THE BUSINESS OF ASSOCIATE COMPANIES

#### 1.5.1 Nations Trust Bank PLC

##### Revenue recognition

##### Interest income from customer advances

In terms of the provisions of the Sri Lanka Accounting Standard No. 23 on Revenue Recognition and Disclosures in the financial statements of banks and the guidelines issued by the Central Bank of Sri Lanka, interest receivable is recognised on an accrual basis. Interest ceases to be taken into revenue when loans and advances are classified as non-performing, as specific provisions for possible loan losses are made on the basis of a continuous review of all advances to customers, including consumer advances and credit cards. Thereafter, interest income on these loans and advances are recognised on cash basis. Interest falling due on non-performing advances is credited to interest suspense account which is netted in the balance sheet.

Interest accrued until such advances being classified as non-performing are also eliminated from interest income and transferred to interest in suspense.

##### Income on discounting of bills of exchange

Income from discounting of bills of exchange is recognised on a cash basis.

##### Income from Government and Securities purchased under resale agreements and other securities

Discounts/premium on treasury bills, treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased under resale agreement and other securities are recognised in the income statement on a straight-line basis.

##### Fees and commission income

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

##### Profit or loss on sale of securities

Profit or loss arising from the sale of marketable securities is accounted for on the date of transaction

##### Lease income

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

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

##### Revenue recognition

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

#### 1.6 EMPLOYEE SHARE OPTION PLAN

On 28 June 2004, shareholders approved a third plan, whereby the company could issue annually nontransferable call share options, not exceeding in aggregate 2% of the total issued capital of the company as at the date of granting every award under this plan, to a total of 5% of the total issued share capital as at the date of the last award. Approvals of the CSE and SEC have been obtained for this plan. As at 31 March 2012, the total number of options granted under this plan, after allowing for bonus issues, rights issues and the share split, was 33,066,190 of which 23,376,824 had been exercised, 3,278,623 had lapsed and 6,410,743 remain unexercised.

On 13 December 2007, shareholders approved a fourth plan, whereby the company could issue non-transferable call share options, not exceeding in aggregate 0.85% of the shares in issue of the company as at the date of granting the award. Approvals of the CSE and SEC have been obtained for this plan.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2012, after allowing for the share split, the total number of options granted under this plan, was 6,806,006 of which 1,071,188 had been exercised, 255,550 had lapsed and 5,479,268 remain unexercised.

On 2 December 2009, shareholders approved a fifth plan, whereby the company could issue non-transferable call share options, not exceeding in aggregate 1% of shares in issue of the company as at the date of granting the award. Approvals of the CSE and SEC have been obtained for this plan. As at 31 March 2012, after allowing for the share split, the total number of options granted under this plan was 7,935,812 of which 988,234 had been exercised, 54,160 had lapsed and 6,893,418 remain unexercised.

On 6 December 2010, shareholders approved a sixth plan, whereby the company could issue non-transferable call share options, not exceeding in aggregate 0.75% of shares in issue of the company as at the date of granting the award. Approvals of the CSE and SEC have been obtained for this plan. As at 31 March 2012, after allowing for the share split, the total number of options granted under this plan was 6,214,104 of which 9,800 had been exercised, 108,829 had lapsed and 6,095,475 remain unexercised.

On 7 December 2011, shareholders approved a seventh plan, whereby the company could issue non-transferable call share options, not exceeding in aggregate 0.75% of shares in issue of the company as at the date of granting the award. Approvals of the CSE and SEC have been obtained for this plan. As at 31 March 2012, the total number of options granted under this plan was 6,306,182 of which 27,600 had been exercised and 6,278,582 remain unexercised.

Of the 31,157,486 options unexercised and outstanding as at 31 March 2012 (2011 - 22,300,605), 6,410,743 are exercisable before 27 May 2012, 5,479,268 are exercisable before 24 March 2013, 6,893,418 are exercisable before 16 December 2014, 6,095,475 are exercisable before 8 December 2015 and 6,278,582 are exercisable before 6 December 2016.

### 1.7 SRI LANKA ACCOUNTING STANDARDS (SLAS) ISSUED BUT NOT YET EFFECTIVE

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting

policies and financial reporting in readiness for the transition. As the Group has a 31 March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2011. This will form the basis of accounting for the new SLASs in the future, and is required when the Group prepares its first new SLAS compliant financial statements for the year ending 31 March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Group.

- a) SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards requires the Group to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Group shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements.
- b) LKAS 1 - Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of

comprehensive income). This standard also requires the Group to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

- c) LKAS 16 - Property Plant and Equipment requires a company to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

<p>d) LKAS 32 - Financial Instruments: Presentation, LKAS 39 - Financial Instruments: Recognition and Measurement and SLFRS 7 - Disclosures will result in changes to the current method of recognising financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.</p> <p>Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or group of financial assets . As such the current method of assessing for impairment will have to be changed to meet the requirements of these new standards.</p>	<p>Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the company/group does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and also does not recognise certain derivative instruments on the balance sheet.</p> <p>e) SLFRS 2 - Share Based Payments, will require the company to reflect in its profit or loss and financial position the effects of share based payment transactions, including expenses associated with share options granted to employees. An entity is required to recognize share based payment transactions when goods are received or services obtained based on the fair value of goods or services or the fair value of equity instruments granted. Hence the company will be required to determine the fair value of options issued to employees as remuneration and recognize an expense in the statement of financial performance. This standard is not limited to options and extends to all forms of equity based remuneration and payments.</p> <p>f) SLFRS 3 - Business combinations will require the company to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets (inputs) and activities( processes)</p>	<p>which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognising and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquiree and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.</p> <p>g) LKAS 12 - Income Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.</p> <p>h) LKAS 18 - Revenue requires the company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the company/group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.</p>	<p>i) SLFRS 4 -Insurance Contracts has scoped in only products which fall within the definition of insurance contracts or financial instruments issued with discretionary participation features as defined in SLFRS 4. Any contract which is recorded at present as an insurance contract but does not meet the definitions of SLFRS 4 is required to be measured and accounted as financial instruments which will impact the recognition of Gross Written Premium and deferred acquisition costs.</p> <p>j) IFRIC 15 Agreements for Construction of Real Estate - This interpretation clarifies whether LKAS 18, 'Revenue' or LKAS 11 'Construction contracts' should be applied to particular transactions. It also explains the point at which revenue and related expenses from a sale of real estate unit should be recognized, if an agreement between a developer and a buyer is reached before the construction of the real estate unit is completed. Considering the latest developments in revenue recognition - the five step model, which will bring more clarity on revenue recognition, the Institute of Chartered Accountants of Sri Lanka has decided to grant an option for entities to defer application of IFRIC 15 until the new five step model comes into effect.</p>
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## NOTES TO THE FINANCIAL STATEMENTS

The Institute of Chartered Accountants of Sri Lanka has issued an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 - Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

However, the Group has made a preliminary impact quantification of the transition to new SLAS which is described in Management Discussion and Analysis of the Annual Report. Such analysis together with its estimated impact is made on a best effort basis and is subject to audit.

### **1.8 SEGMENT INFORMATION**

#### **Reporting segments**

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

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

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

#### **Segment information**

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

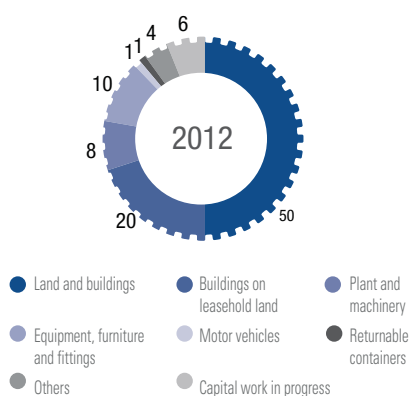
In Rs. '000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Returnable containers	Others	Capital work in progress	Total 2012	Total 2011
<b>2 PROPERTY, PLANT AND EQUIPMENT</b>										
<b>2.1 Group</b>										
<b>Cost or valuation</b>										
At the beginning of the year	15,851,272	6,059,435	4,937,436	6,412,755	545,844	581,038	3,016,423	600,596	38,035,613	38,916,552
Additions	196,739	145,442	418,001	962,897	107,110	152,952	375,025	3,532,588	5,890,754	4,977,752
Acquisition of subsidiary	-	44,168	-	179,523	-	-	-	-	223,691	-
Disposals	(1,899)	(14,414)	(121,341)	(254,633)	(31,281)	(58,479)	(202,655)	(12,022)	(706,697)	(1,038,241)
Revaluations	1,518,714	-	-	-	-	-	-	-	1,518,714	2,785,859
Impairment / derecognition	-	(25,486)	-	(4,082)	-	-	(564)	-	(30,132)	(21,682)
Transfers to investment property / others	(132,112)	1,601,387	210,003	172,383	69,045	-	55,300	(2,160,546)	(221,788)	(7,445,607)
Exchange translation difference	-	312,666	36,437	88,255	5,320	-	4,531	280	447,489	(139,020)
At the end of the year	17,432,714	8,123,198	5,480,536	7,557,098	696,038	675,511	3,248,060	1,940,896	45,157,644	38,035,613
<b>Accumulated depreciation and impairment</b>										
At the beginning of the year	(321,192)	(744,511)	(2,344,089)	(3,589,629)	(334,533)	(183,377)	(1,868,719)	-	(9,407,631)	(8,927,888)
Charge for the year	(131,234)	(257,023)	(324,742)	(713,282)	(48,192)	(67,659)	(318,537)	-	(1,863,077)	(1,700,095)
Acquisition of subsidiary	-	(6,393)	-	(36,091)	-	-	-	-	(42,484)	-
Disposals	25	264	95,970	219,046	24,087	27,169	188,402	-	563,606	538,566
Revaluations	24,854	-	-	-	-	-	-	-	24,854	67,395
Impairment / derecognition	-	412	-	510	-	-	288	-	1,210	1,155
Transfers to investment property / others	10,298	-	(3,579)	3,109	(12,648)	-	470	-	10,298	592,595
Exchange translation difference	-	(91,949)	(16,991)	(40,460)	(2,595)	-	(2,413)	-	(154,408)	20,641
At the end of the year	(417,249)	(1,099,200)	(2,593,431)	(4,156,797)	(373,881)	(223,867)	(2,000,509)	-	(10,867,632)	(9,407,631)
<b>Carrying value</b>										
As at 31 March 2012	17,015,465	7,023,998	2,887,105	3,400,301	322,157	451,644	1,247,551	1,940,896	34,290,012	34,290,012
As at 31 March 2011	15,530,080	5,314,924	2,593,347	2,823,126	211,311	397,661	1,147,704	600,596	28,627,982	28,627,982

## NOTES TO THE FINANCIAL STATEMENTS

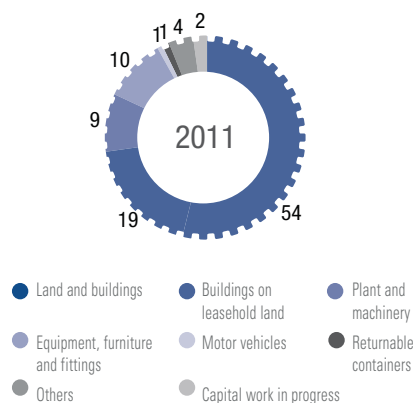
In Rs. '000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2012	Total 2011
<b>2.2 Company</b>					
<b>Cost</b>					
At the beginning of the year	31,356	544,904	57,161	633,421	683,210
Additions	-	34,236	19,000	53,236	4,764
Disposals	(28,036)	(10,883)	(81)	(39,000)	(54,553)
At the end of the year	3,320	568,257	76,080	647,657	633,421
<b>Accumulated depreciation and impairment</b>					
At the beginning of the year	(25,690)	(509,567)	(24,621)	(559,878)	(571,595)
Charge for the year	(974)	(23,644)	(8,295)	(32,913)	(42,391)
Disposals	24,086	10,571	36	34,693	54,108
At the end of the year	(2,578)	(522,640)	(32,880)	(558,098)	(559,878)
<b>Carrying value</b>					
As at 31 March 2012	742	45,617	43,200	89,559	
As at 31 March 2011	5,666	35,337	32,540	73,543	

As at 31st March In Rs. '000s	Group 2012	Group 2011	Company 2012	Company 2011
<b>2.3 Land and buildings</b>				
At cost	5,214,225	3,279,507	-	-
At valuation	18,825,238	17,565,497	-	-
	24,039,463	20,845,004	-	-
<b>2.4 Carrying value</b>				
At cost	13,584,048	11,002,149	89,559	73,543
At valuation	20,705,069	17,616,600	-	-
On finance lease	895	9,233	-	-
	34,290,012	28,627,982	89,559	73,543

Property, plant and equipment  
(Percentage - Composition)



Property, plant and equipment  
(Percentage - Composition)



Property	Method of valuation	Effective date of valuation	Property valuer
Details of group's land, buildings and other properties stated at valuation are indicated below;			
Land and buildings of Whittall Boustead (Pvt) Ltd. Keells Food Products PLC. Ceylon Cold Stores PLC.	Open market value method	31 March 2008	P B Kalugalagedara, Chartered Valuation Surveyor
Land of Resort Hotels Ltd.	Land and building method	31 March 2008	R G Wijesinghe, Consultant Valuer and Assessor
Land and buildings of Kandy Walk Inn Ltd.	Land and building method	31 March 2008	R G Wijesinghe, Consultant Valuer and Assessor
Buildings on leasehold land of Ceylon Holiday Resorts Ltd. - Bentota Beach Hotel Habarana Lodge Ltd. Habarana Walk Inn Ltd.	Land and building method	31 March 2008	R G Wijesinghe, Consultant Valuer and Assessor
Land and buildings of Tea Smallholder Factories PLC.	Land and building method	31 March 2008	G J Sumanasena, Incorporated Valuer
Plant and machinery Tea Smallholder Factories PLC.	Contractors test method		
Buildings on leasehold land of Trans Asia Hotels PLC.	Land and building method	31 March 2008	A Y Daniel & Son, Incorporated Valuer
Land and buildings of Asian Hotels and Properties PLC.	Contractors (cost) Summation basis	31 March 2008	A Y Daniel & Son, Incorporated Valuer
Land and buildings of Wirawila Walk Inn Ltd.	Land and building method	31 March 2009	R G Wijesinghe, Consultant Valuer and Assessor
Land of Beruwala Holiday Resorts (Pvt) Ltd.	Open market value method	31 December 2009	P B Kalugalagedara, Chartered Valuation Surveyor
Land and buildings of Trinco Holiday Resorts (Pvt) Ltd. Trinco Walk Inn Ltd.	Land and building method	31 December 2009	R G Wijesinghe, Consultant Valuer and Assessor
Buildings on leasehold land of Hikkaduwa Holiday Resorts (Pvt) Ltd.	Land and building method	10 June 2010	J M J Fernando, Incorporated Valuer
Buildings on leasehold land of Yala Village (Pvt) Ltd.	Land and building method	31 March 2011	A Y Daniel & Son, Incorporated Valuer
Land and buildings of Union Assurance PLC.	Investment method	31 December 2011	P B Kalugalagedara, Chartered Valuation Surveyor
Land and buildings of John Keells PLC. Mackinnons and Keells Financial Services Ltd. Keells Realtors Ltd. Ferguson Road, Colombo 15.* Whittall Boustead Ltd. JK Properties (Pvt) Ltd.	Open market value method	31 March 2012	P B Kalugalagedara, Chartered Valuation Surveyor
Land and buildings of Transware Logistics (Pvt) Ltd	Open market value method	31 March 2012	G J Sumanasena, Incorporated Valuer
Land and buildings of Ceylon Cold Stores PLC. - Trincomalee*	Open market value method	31 March 2012	P B Kalugalagedara, Chartered Valuation Surveyor

\*The freehold properties were revalued as at 31 March 2012 by qualified valuers and the surplus arising from the revaluation was transferred to the revaluation reserve and due to the change in the nature of use, the total value was reclassified as investment property.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	2012	Group 2011
The carrying amount of revalued land and buildings if they were carried at cost less depreciation, would be as follows;		
Cost	10,590,061	12,184,417
Accumulated depreciation	(1,627,958)	(2,272,805)
Carrying value	8,962,103	9,911,612

**2.5** Group land and buildings with a carrying value of Rs.4,403 mn (2011 - Rs.639 mn) have been pledged as security for term loans obtained, details of which are disclosed in Note 17.3.

**2.6** Group property, plant and equipment with a cost of Rs.3,669 mn (2011 - Rs.3,550 mn) have been fully depreciated and continue to be in use by the group. The cost of fully depreciated assets of the company amounts to Rs.493 mn (2011 - Rs.482 mn).

As at 31st March In Rs.'000s	2012	Group 2011
<b>3 LEASEHOLD PROPERTY</b>		
At the beginning of the year	9,515,621	4,576,687
Additions	-	5,535,669
Amortisation for the year	(524,671)	(373,922)
Exchange gain / (loss)	1,290,903	(222,813)
At the end of the year	10,281,853	9,515,621

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

Property In Rs.'000s	Land extent (in acres)	Lease period	2012	Amount 2011
<b>3.1 Details of leasehold property</b>				
John Keells Warehousing (Pvt) Ltd. Muthurajawela	6.00	50 years from 19-09-2001	42,379	43,468
Rajawella Hotels Ltd.	10.00	95 years and 10 months from 02-02-2000	34,593	35,006
Tea Smallholder Factories PLC. Karawita Tea Factory	4.98	50 years from 15-08-1997	10,507	10,800
Tranquility (Pte) Ltd. Chaaya Island Dhonveli, Republic of Maldives	18.62	18 years from 26-08-2010	7,936,651	7,257,887
Trans Asia Hotels PLC. Colombo	7.65	99 years from 07-08-1981	843,472	855,876
Travel Club (Pte) Ltd. Chaaya Reef Ellaidhoo, Republic of Maldives	13.75	19 years from 03-08-2006	1,340,648	1,235,990
Yala Village (Pvt) Ltd.	10.00	30 years from 27-11-1997	73,603	76,594
			10,281,853	9,515,621

As at 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>4 INVESTMENT PROPERTY</b>				
At the beginning of the year	5,386,166	2,334,475	-	899,000
Additions / transfers	831,854	2,583,927	-	-
Change in fair value during the year	1,413,474	467,764	-	-
Disposals	-	-	-	(899,000)
At the end of the year	7,631,494	5,386,166	-	-
Freehold property	6,161,954	4,016,475	-	-
Leasehold property	1,469,540	1,369,691	-	-
	7,631,494	5,386,166	-	-

#### 4.1 Valuation details of investment property

Fair value of the Investment Property as at 31-03-2012 was ascertained by annual independent valuations carried out by Messrs P B Kalugalagedara and Associates, Chartered Valuation Surveyors, a firm which has recent experience in valuing properties of akin location and category. Investment Property was appraised in accordance with SLAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The Market value has been used as the fair value.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The significant assumptions used by the valuer are as follows;

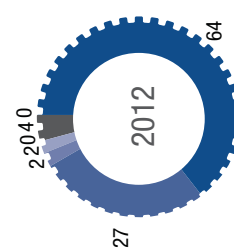
As at 31st March Property	Method of valuation	Market Value Per Perch	
		2012 Rs.'000s	2011 Rs.'000s
<b>Freehold property</b>			
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	Investment method	N/A	N/A
Ceylon Cold Stores PLC. Slave Island Complex, Colombo 2	Open market value	5,000	3,500
Ceylon Cold Stores PLC. Inner Harbour Road, Trincomalee*	Open market value	450	-
Keells Realtors Ltd.* Ferguson Road, Colombo 15.	Open market value	1,200	-
<b>Leasehold property</b>			
Tea Smallholder Factories PLC. Stores Complex, Peliyagoda	Open market value	400	400
Trans Asia Hotels PLC. Commercial Centre, Colombo 2	Open market value	4,620	4,250

\* The freehold properties were revalued as at 31 March 2012 by qualified valuers. The surplus arising from the revaluation was transferred to the revaluation reserve and due to the change in the nature of use, the total value was reclassified as investment property.

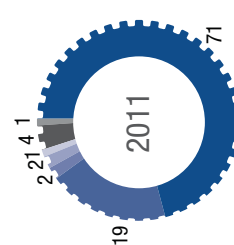
Rental income earned from investment property by the group amounts to Rs.281 mn (2011 - Rs.233 mn) and direct operating expenses incurred by the group amounted to Rs.74 mn (2011 - Rs.65 mn).

## NOTES TO THE FINANCIAL STATEMENTS

In Rs. '000s	Software			PVI/B	Goodwill	Other	Group		Company	
	Developed	Purchased	licences				WIP	2012	2011	2012
<b>5 INTANGIBLE ASSETS</b>										
<b>Cost / carrying value</b>										
At the beginning of the year	85,736	73,909	129,373	17,226	2,249,000	49,500	3,110,355	2,800,822	68,991	51,547
Additions / transfers	17,481	-	28,425	(10,475)	-	6,599	42,030	121,204	19,344	17,444
New acquisitions	-	-	-	-	-	212,288	212,288	194,341	-	-
Adjustment due to sale of non-current investments	-	-	-	-	-	-	-	(5,327)	-	-
Impairment	-	(716)	-	-	-	-	(716)	-	-	-
Exchange translation difference	1,564	-	-	214	-	-	1,778	(685)	-	-
At the end of the year	104,781	73,193	157,798	6,965	2,249,000	49,500	3,365,735	3,110,355	88,335	68,991
<b>Accumulated amortisation and impairment</b>										
At the beginning of the year	(21,841)	(53,617)	(28,115)	-	(374,832)	-	(478,405)	(244,677)	(25,267)	(14,097)
Amortisation	(18,553)	(11,798)	(29,062)	-	(187,417)	-	(246,830)	(234,023)	(14,927)	(11,170)
Exchange translation difference	(829)	-	-	-	-	-	(829)	295	-	-
At the end of the year	(41,223)	(65,415)	(57,177)	-	(562,249)	-	(726,064)	(478,405)	(40,194)	(25,267)
<b>Carrying value</b>										
As at 31 March 2012	63,558	7,778	100,621	6,965	1,686,751	49,500	2,639,671	2,639,671	48,141	48,141
As at 31 March 2011	63,895	20,292	101,258	17,226	1,874,168	49,500	2,631,950	2,631,950	43,724	43,724

Intangible assets  
(Percentage)

- Software Developed
- Software Purchased
- Software Licences
- Software WIP
- PVI/B
- Goodwill
- Other

Intangible assets  
(Percentage)

- Software Developed
- Software Purchased
- Software Licences
- Software WIP
- PVI/B
- Goodwill
- Other

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

On acquiring a controlling stake in Union Assurance PLC (UA), the group has recognised in the consolidated financial statements an intangible asset representing the present value of future profits on UA's portfolio of long term life insurance contracts, known as the present value of acquired in-force business (PVIB) at the acquisition date. Further, PVIB recognised at the acquisition date will be amortised over the life of the business acquired and reviewed annually for any impairment in value.

In Rs.'000s

Net carrying value of goodwill  
As at 31st March 2012

## 5.2 Goodwill

Goodwill acquired through business combinations have been allocated to 7 cash generating units (CGU's) for impairment testing as follows;

Airlines	5,054
Chaaya Hotels and Resorts	131,485
Cinnamon Hotels and Resorts	34,763
Consumer Foods and Retail	74,549
Financial Services	254,433
Information Technology	212,288
Logistics, Ports and Shipping	11,926
	<b>724,498</b>

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

### Key assumptions used in the VIU calculations

#### Gross margins

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

#### Discount rates

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

#### Inflation

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

#### Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of 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.

As at 31st March In Rs.'000s	Note	Group 2012	Group 2011	Company 2012	Company 2011
<b>6 INVESTMENTS</b>					
<b>6.1 Carrying value</b>					
Investments in subsidiaries					
Investments consolidated					
Quoted	6.2	-	-	18,164,123	17,649,155
Unquoted	6.3	-	-	6,495,033	5,827,842
Investments not consolidated					
Unquoted	6.4	5,115	5,115	5,115	5,115
		<b>5,115</b>	<b>5,115</b>	<b>24,664,271</b>	<b>23,482,112</b>
Investments in joint ventures	6.5	-	-	-	-
Investments in associates	6.6	15,692,608	14,670,235	9,485,530	9,257,569
Other investments					
Other equity investments					
Quoted	6.8	1,503,029	13	1,502,999	-
Unquoted	6.9	107,167	609,466	79,507	581,806
		<b>1,610,196</b>	<b>609,479</b>	<b>1,582,506</b>	<b>581,806</b>
Other non equity investments	6.11	10,768,687	11,182,974	-	-
		<b>12,378,883</b>	<b>11,792,453</b>	<b>1,582,506</b>	<b>581,806</b>
		<b>28,076,606</b>	<b>26,467,803</b>	<b>35,732,307</b>	<b>33,321,487</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	Number of shares	Group		Number of shares	Company	
		2012	2011		2012	2011
<b>6.2 Group quoted investments</b>						
Asian Hotels and Properties PLC.	347,824,190	5,216,368	5,216,368	347,824,190	5,216,367	5,216,367
Ceylon Cold Stores PLC.	77,321,208	1,373,074	788,478	67,109,128	1,290,408	775,440
Ceylon Cold Stores PLC. - Preference shares	119	2	1	118	1	1
John Keells Hotels PLC.	1,169,598,478	7,102,140	7,102,140	1,169,598,478	7,102,140	7,102,140
John Keells PLC.	52,834,784	394,830	394,830	52,834,784	394,830	394,830
Keells Food Products PLC.	7,180,063	248,439	248,439	5,581,307	202,397	202,397
Tea Smallholder Factories PLC.	11,286,000	63,466	63,466	11,286,000	63,466	63,466
Trans Asia Hotels PLC.	184,107,284	2,254,710	2,254,710	97,284,256	1,594,665	1,594,665
Union Assurance PLC.	71,740,487	2,334,522	2,334,522	63,695,530	2,299,849	2,299,849
		18,987,551	18,402,954		18,164,123	17,649,155

The market value of quoted investments amounts to Rs.72,397 mn (2011 - 96,878 mn) and Rs.64,782 mn (2011 - 85,714 mn) for the group and company respectively, the details of which are as follows;

As at 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>Market Value</b>				
<b>Group quoted investments</b>				
Asian Hotels and Properties PLC.	27,130,287	32,678,083	27,130,287	32,678,083
Ceylon Cold Stores PLC.	6,958,909	13,046,666	6,039,822	11,304,578
John Keells Hotels PLC.	14,736,941	20,117,094	14,736,941	20,117,094
John Keells PLC.	3,497,663	4,892,501	3,497,663	4,892,501
Keells Food Products PLC.	718,006	1,077,009	558,131	837,196
Tea Smallholder Factories PLC.	553,014	959,310	553,014	959,310
Trans Asia Hotels PLC.	12,316,777	18,024,103	6,508,317	9,524,129
Union Assurance PLC.	6,485,340	6,083,593	5,758,076	5,401,381
	72,396,937	96,878,359	64,782,251	85,714,272

As at 31st March In Rs.'000s	Number of shares	Group		Number of shares	Company	
		2012	2011		2012	2011
<b>6.3 Group unquoted investments</b>						
John Keells BPO Alpha (Pvt) Ltd.*	7,350	792	792	-	-	-
John Keells BPO Alpha (Pvt) Ltd.* - Preference A	57,200,000	615,358	615,358	-	-	-
John Keells BPO Solutions India (Pvt) Ltd.*	12,144,500	29,774	-	-	-	-
John Keells BPO Solutions India (Pvt) Ltd.* - Preference A	21,986,806	876,160	-	-	-	-
John Keells BPO Holdings (Pvt) Ltd.*	19,000,000	1,989,953	1,878,693	-	-	-
John Keells BPO International (Pvt) Ltd.*	1,500,000,000	1,615,203	1,615,203	-	-	-
John Keells BPO Solutions Canada (Pvt) Ltd.*	5,000	542	542	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd.*	32,843,578	-	-	-	-	-
John Keells BPO Solutions US (Pvt) Ltd.*	5,000	538	538	-	-	-
John Keells BPO Investments (Pvt) Ltd.*	14,700	1,584	1,584	-	-	-
John Keells BPO Investments (Pvt) Ltd.* - Preference A	57,200,000	615,358	615,358	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	133,815,000	1,338,150	988,000	-	-	-
British Overseas (Pvt) Ltd.	51	1	-	51	1	-
Ceylon Holiday Resorts Ltd.	12,119,739	1,052,011	1,052,011	-	-	-
DHL Keells (Pvt) Ltd.	1,000,000	10,000	10,000	1,000,000	10,000	10,000
Facets (Pvt) Ltd.	15,000	-	-	15,000	-	-
Fantasea World Investments (Pte) Ltd.	7,299	433,708	433,708	-	-	-
Habarana Lodge Ltd.	12,981,548	695,083	695,083	-	-	-
Habarana Walk Inn Ltd.	4,321,381	311,851	311,851	-	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	81,263,544	812,635	812,635	-	-	-
InfoMate (Pvt) Ltd.	2,000,000	20,000	20,000	2,000,000	20,000	20,000
International Tourists and Hoteliers Ltd.	22,998,223	1,194,741	1,194,741	-	-	-
J K Packaging (Pvt) Ltd.	1,450,000	-	-	1,450,000	-	-
J K Properties (Pvt) Ltd.	24,000,000	192,169	192,169	24,000,000	192,169	192,169
JayKay Marketing Services (Pvt) Ltd.	202,239,025	1,022,892	522,892	-	-	-
John Keells Air Services India (Pvt) Ltd.	186,120	-	-	94,921	-	-
John Keells Air Services India (Pvt) Ltd. - Redeemable non voting preference shares	650,000	-	-	-	-	-
John Keells Computer Services (Pvt) Ltd.	9,650,000	96,500	96,500	9,650,000	96,500	96,500
John Keells Computer Services (UK) Ltd.	98	9	9	98	9	9
John Keells Foods India (Pvt) Ltd.	9,000,000	6,132	6,132	-	-	-
John Keells Holdings Mauritius (Pvt) Ltd.	2,283,225	255,882	222,313	2,283,225	255,882	222,312
John Keells Hotels Mauritius (Pvt) Ltd.	34,100	3,832	3,832	-	-	-
John Keells International (Pvt) Ltd.	199,160,000	1,991,600	1,880,340	199,160,000	1,991,600	1,880,340
John Keells Logistics (Pvt) Ltd.	20,000,000	200,000	200,000	20,000,000	200,000	200,000
John Keells Logistics India (Pvt) Ltd.	8,231,371	161,902	128,037	627,999	-	-
John Keells Logistics India (Pvt) Ltd. - Redeemable non voting preference shares	4,600,000	113,359	113,359	2,600,000	41,097	41,097
John Keells Logistics Lanka (Pvt) Ltd.	13,000,000	105,069	105,069	13,000,000	105,069	105,069
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	4,739,853	4,739,853	-	-	-
John Keells Office Automation (Pvt) Ltd.	500,000	5,000	5,000	500,000	5,000	5,000
John Keells Properties Ja-ela (Pvt) Ltd.	52,236,000	522,360	-	52,236,000	522,360	-
John Keells Residential Properties (Pvt) Ltd.	92,520,000	925,200	925,200	92,520,000	925,200	925,200
John Keells Singapore (Pte) Ltd.	160,000	4,209	4,209	160,000	4,209	4,209
John Keells Software Technologies (Pvt) Ltd.	800,000	-	-	800,000	-	-
John Keells Stock Brokers (Pvt) Ltd.	750,000	500	500	180,000	120	120
John Keells Teas Ltd.	12,000	120	120	12,000	120	120
John Keells Warehousing (Pvt) Ltd.	12,000,000	120,000	120,000	-	-	-
Kandy Walk Inn Ltd.	6,165,484	409,128	409,128	-	-	-
Keells Consultants (Pvt) Ltd.	16,000	1,419	1,419	16,000	1,419	1,419
Keells Food Products Mauritius (Pvt) Ltd.	9,850	-	-	-	-	-

\* The company name was changed during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	Number of shares	Group		Number of shares	Company	
		2012	2011		2012	2011
<b>6.3 Group unquoted investments</b>						
Keells Hotel Management Services Ltd.	1,000,000	19,055	19,055	1,000,000	19,055	19,055
Keells Realtors Ltd.	7,500,000	75,000	75,000	3,000,000	30,000	30,000
Keells Shipping (Pvt) Ltd.	50,000	502	502	50,000	502	502
Lanka Marine Services (Pvt) Ltd.	34,805,470	1,325,218	1,325,218	34,805,470	1,325,218	1,325,218
Mack Air (Pvt) Ltd.	500,000	7,563	7,563	500,000	7,563	7,563
Mack Air Services Maldives (Pvt) Ltd.	4,900	2,035	2,035	4,700	2,021	2,021
Mackinnon & Keells Financial Services Ltd.	1,080,000	12,806	12,806	972,000	11,912	11,912
Mackinnon Mackenzie and Company (Shipping) Ltd.	500,000	14,200	14,200	-	-	-
Mackinnon Mackenzie and Company of (Ceylon) Ltd.	9,000	-	-	6,600	-	-
Mackinnons Travels (Pvt) Ltd.	500,000	13,901	13,901	500,000	13,901	13,901
Mortlake (Pvt) Ltd.	300	327,240	327,240	300	327,240	327,240
Nexus Networks (Pvt) Ltd.	10,000	100	100	10,000	100	100
Rajawella Hotels Company Ltd.	2,695,067	29,300	20,000	-	-	-
Resort Hotels Ltd.	79,107	6,351	750	-	-	-
Serene Holidays (Pvt) Ltd.	800,000	34,153	34,153	-	-	-
Tranquility (Pte) Ltd.	637,500	1,106,270	1,106,270	-	-	-
Trans-ware Logistics (Pvt) Ltd.	11,000,000	111,100	111,100	11,000,000	111,100	111,100
Travel Club (Pte) Ltd.	29,059	302,640	302,640	-	-	-
Trinco Holiday Resort (Pvt) Ltd	8,120,005	357,000	357,000	-	-	-
Trinco Walk Inn Ltd.	3,000,000	95,940	95,940	-	-	-
Walkers Tours Ltd.	4,925,577	128,141	128,141	4,925,577	128,141	128,141
Whittall Boustead (Travel) Ltd.	750,000	40,985	40,985	675,000	40,935	40,935
Whittall Boustead Ltd.	9,918,880	133,383	133,383	7,258,264	106,590	106,590
Wirawila Walk Inn Ltd.	1,576,750	23,497	21,885	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	300,678	300,678	-	-	-
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	100,000	100,000	-	-	-
		<b>27,057,635</b>	<b>24,472,723</b>		<b>6,495,033</b>	<b>5,827,842</b>

Directors' valuation of unquoted investments amount to Rs.27,058 mn (2011 - Rs.24,473 mn) and Rs.6,495 mn (2011 - Rs.5,828 mn) for the group and company respectively.

As at 31st March In Rs.'000s	Number of shares	Group		Number of shares	Company	
		2012	2011		2012	2011
<b>6.4 Investments in subsidiaries not consolidated</b>						
Keells Systems Integrators Ltd.	500,000	5,115	5,115	500,000	5,115	5,115
		<b>5,115</b>	<b>5,115</b>		<b>5,115</b>	<b>5,115</b>

The Directors' valuation of investments in subsidiaries not consolidated amount to Rs.5 mn (2011 - Rs.5 mn) for the group and company.

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

As at 31st March In Rs.'000s	Number of shares	Group	
		2012	2011
<b>6.5 Investments in joint ventures</b>			
Information Systems Associates.	73	46,482	46,482
Sentinel Realty (Pvt) Ltd.	1,578,800	15,788	-
		62,270	46,482

The Directors' valuation of the investment in the joint venture amounts to Rs.62 mn (2011 - Rs.46 mn).

The group has a 50% and 49% of interests in Sentinel Realty (Pvt) Ltd and Information Systems Associates (ISA), jointly controlled entities which are involved in leisure in Sri Lanka and software development services in United Arab Emirates respectively. The summarised financial information of joint ventures are given in Note 6.7.

As at 31st March In Rs.'000s	Number of shares	Group		Number of shares	Company	
		2012	2011		2012	2011
<b>6.6 Investments in associates</b>						
Quoted						
Nations Trust Bank PLC.	68,951,695	1,561,355	1,561,355	46,121,532	1,011,052	1,011,052
Unquoted						
Central Hospitals (Pvt) Ltd.	58,823,529	1,000,000	1,000,000	52,941,176	900,000	900,000
Maersk Lanka (Pvt) Ltd.	30,000	150	150	30,000	150	150
Sancity Hotels (Pvt) Ltd.	2,279,607	227,961	-	2,279,607	227,961	-
South Asia Gateway Terminals (Pvt) Ltd.	159,826,750	7,375,263	7,375,263	159,826,750	7,346,367	7,346,367
John Keells BPO Solutions India (Pvt) Ltd. (formerly known as Auxicogent BPO Solutions (Pvt) Ltd.)		-	12,689			
- Preference A		-	766,420			
Quattro FPO Solutions (Pvt) Ltd.	77,326,071	615,358	615,358			
Cumulative profit accruing to the group net of dividends		3,226,859	2,896,099			
Cumulative adjustment on account of associate company share of net assets		1,685,662	442,901			
		15,692,608	14,670,235		9,485,530	9,257,569

#### Group's shareholding in Nations Trust Bank PLC

The JKH Group currently holds 29.9% in Nations Trust Bank PLC. The Monetary Board has directed that the Group reduces its share holdings in NTB to 15% or below, on or before the 23rd of April 2012. JKH has written to the Central Bank of Sri Lanka requesting an extension of the deadline and a formal response is awaited.

#### Market Value

Quoted				
Nations Trust Bank PLC.	3,923,351	5,261,014	2,624,315	3,519,073
	3,923,351	5,261,014	2,624,315	3,519,073

The Directors' valuation of unquoted associate investments amount to Rs.13,084 mn (2011 Rs.12,391 mn) and Rs.8,474 mn (2011 Rs.8,247 mn) for the group and company respectively.

Refer group directory in the supplementary section of the annual report for effective holding percentages of group investments.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	Associates		Joint Ventures	
	2012	2011	2012	2011
<b>6.7 Summarised financial information of associates / joint ventures</b>				
<b>Group share of;</b>				
Revenue	9,762,481	9,323,780	126,987	89,573
Operating expenses	(5,556,171)	(6,570,073)	(93,981)	(85,156)
Finance expenses	(1,346,195)	(112,796)	-	-
Profit for the year	2,860,115	2,640,911	33,006	4,417
<b>Group share of;</b>				
Total assets	40,955,891	35,454,638	124,373	60,697
Total liabilities	(30,388,463)	(25,909,272)	(36,046)	(23,272)
Net assets	10,567,428	9,545,366	88,327	37,425
Goodwill	5,125,324	5,125,324	-	-
Unrealised profits	(144)	(455)	-	-
	15,692,608	14,670,235	53,157	37,425
Contingent liabilities	24,827,581	19,379,479	-	-
Capital and other commitments	80,325	104,586	-	-

The group and the company have neither contingent liabilities nor capital and other commitments in respect of its associates and joint venture.

As at 31st March In Rs.'000s	Number of shares	Group		Number of shares	Company	
		2012	2011		2012	2011
<b>6.8 Other quoted equity investments</b>						
Access Engineering PLC.	40,000,000	1,000,700	-	40,000,000	1,000,700	-
Ceylon Hotels Corporation PLC.	500	13	13	-	-	-
Expo Lanka Holdings PLC.	83,300,000	502,299	-	83,300,000	502,299	-
REA Holdings PLC.	500	17	-	-	-	-
		1,503,029	13		1,502,999	-

The market value of other quoted equity investments amount to Rs.1,584 mn (2011 - Rs.13 mn) and Rs.1,584 mn for the group and company respectively.

As at 31st March In Rs.'000s	Number of shares	Group		Number of shares	Company	
		2012	2011		2012	2011
<b>6.9 Other unquoted equity investments</b>						
ACW Insurance Co. Ltd.	450,000	1,269	1,269	-	-	-
Asia Power (Pvt) Ltd.	777,055	79,507	79,507	777,055	79,507	79,507
Expo Lanka (Pvt) Ltd.	-	-	502,299	-	-	502,299
Fitch Rating Lanka Ltd.	62,500	625	625	-	-	-
Eagle Growth and Income Fund.	310,000	-	-	-	-	-
Rainforest Ecolodge (Pvt) Ltd.	2,500,000	25,000	25,000	-	-	-
SLFFA Cargo Services Ltd.	64,642	715	715	-	-	-
Sri Lanka Hotel Tourism Training Institute.	15,004	50	50	-	-	-
The York Company Ltd.	100	1	1	-	-	-
		107,167	609,466		79,507	581,806

The director's valuation of other unquoted equity investments amount to Rs.107 mn (2011 - Rs.609 mn) and Rs.79 mn (2011 - Rs.582 mn) for the group and company respectively.

As at 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>6.10 Movement in equity investments</b>				
At the beginning of the year	15,284,829	14,421,481	33,321,487	30,962,507
Additions	1,000,717	943,491	2,410,820	2,935,044
New acquisitions	227,961	-	-	-
Disposals and transfers	(779,109)	-	-	(576,064)
Adjustment on account of associate company share of net assets	1,242,761	(225,531)	-	-
Share of results of associates net of dividends	330,760	145,388	-	-
At the end of the year	17,307,919	15,284,829	35,732,307	33,321,487
Total value of investments including subsidiaries	63,415,375	58,206,988	35,732,307	33,321,487
Group investments	(46,107,456)	(42,922,159)	-	-
Total value of investments	17,307,919	15,284,829	35,732,307	33,321,487

As at 31st March In Rs.'000s	Group	
	2012	2011
<b>6.11 Other non equity investments</b>		
Bank deposits	354,000	300,000
Commercial Paper	247,368	-
Debentures	1,906,522	1,229,300
Government securities	8,260,797	9,653,674
	10,768,687	11,182,974

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	ASSETS		Group LIABILITIES		Company ASSETS	
	2012	2011	2012	2011	2012	2011
<b>7 DEFERRED TAX</b>						
At the beginning of the year	202,850	182,252	647,960	781,742	54,198	-
Charge and release	(73,846)	50,812	60,220	8,527	(54,198)	54,198
Charge and release on rate differential	-	(33,343)	-	(145,246)	-	-
Transfers / exchange translation difference	474	3,129	(210)	2,937	-	-
At the end of the year	129,478	202,850	707,970	647,960	-	54,198
The closing deferred tax asset and liability balances relate to the following;						
Revaluation of land and buildings to fair value	(8,651)	(11,706)	192,019	240,131	-	-
Revaluation of investment properties to fair value	(934)	-	16,324	35,507	-	-
Accelerated depreciation for tax purposes	(195,636)	(166,866)	617,878	458,769	-	(24,746)
Employee benefit liability	55,757	85,490	(139,769)	(141,154)	-	29,330
Losses available for offset against future taxable income	273,452	290,513	(20,153)	(31,382)	-	49,614
Qualifying investment in property, plant and equipment	-	-	(54,007)	-	-	-
Others	5,490	5,419	95,678	86,089	-	-
	129,478	202,850	707,970	647,960	-	54,198

**7.1** The group has tax losses amounting to Rs.6,546 mn (2011 - Rs.5,287 mn) that are available indefinitely for offset against future taxable profits of the companies in which the tax losses arose.

**7.2** Deferred tax assets amounting to Rs.85 mn (2011 - Rs.53 mn) for the group and Rs.14 (2011 - Rs Nil) for the company have not been recognised for the year since the companies do not expect these assets to reverse in the foreseeable future.

### 7.3 Deferred tax for tax holiday companies

For group companies under BOI tax holidays, deferred tax during the tax holiday period has been recognised for temporary differences, when reversals of such differences extend beyond the tax exemption period, taking into account the requirements of SLAS 14 and the ICASL council ruling on deferred tax.

As at 31st March In Rs.'000s	Note	Group		Company	
		2012	2011	2012	2011
<b>8 OTHER NON - CURRENT ASSETS</b>					
Loans to executives	8.1	835,960	704,423	55,204	50,898
Loans to life policy holders		255,257	239,420	-	-
Loans to subsidiaries	34.3	-	-	173,641	207,641
Work-in-progress of apartments		2,402,739	2,265,985	-	-
Others		5,959	21,573	-	-
		3,499,915	3,231,401	228,845	258,539
<b>8.1 Loans to executives</b>					
At the beginning of the year		879,493	732,441	71,220	60,098
Loans granted / transfers		552,169	481,986	32,918	36,260
Recoveries		(372,709)	(334,934)	(28,109)	(25,138)
At the end of the year		1,058,953	879,493	76,029	71,220
Receivable within one year		222,993	175,070	20,825	20,322
Receivable between one and five years		835,960	704,423	55,204	50,898
		1,058,953	879,493	76,029	71,220

As at 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>9 INVENTORIES</b>				
Raw materials	350,977	260,263	-	-
Work-in-progress	64,392	-	-	-
Finished goods	3,152,816	2,120,337	-	-
Produce stocks	252,867	254,814	-	-
Other stocks	551,296	508,216	-	760
	4,372,348	3,143,630	-	760

As at 31st March In Rs.'000s	Note	Group		Company	
		2012	2011	2012	2011
<b>10 TRADE AND OTHER RECEIVABLES</b>					
Trade and other receivables		10,358,821	8,327,209	830,065	554,552
Reinsurance receivables	10.1	475,722	656,901	-	-
Premium receivable	10.2	875,986	992,092	-	-
Tax refunds		2,038,326	1,920,875	14,141	14,141
Loans to executives	8.1	222,993	175,070	20,825	20,322
		13,971,848	12,072,147	865,031	589,015

As at 31st March In Rs.'000s	Group	
	2012	2011
<b>10.1 Reinsurance receivables</b>		
Reinsurance receivables on outstanding claims	369,942	522,172
Reinsurance receivables on settled claims net of dues	111,813	136,430
Less: Provision for bad debts	(6,033)	(1,701)
	475,722	656,901
<b>10.2 Premium receivable</b>		
Premium receivable	884,017	1,000,123
Less: Provision for bad debts	(8,031)	(8,031)
	875,986	992,092

As at 31st March In Rs.'000s	Note	Group		Company	
		2012	2011	2012	2011
<b>11 SHORT TERM INVESTMENTS</b>					
Quoted equities at market value	11.1	1,293,372	1,199,292	-	-
Investments - unit linked		13,608	11,027	-	-
Bank deposits (more than 3 months and less than 1 year)		1,347,070	684,510	958,556	663,010
Government securities (more than 3 months and less than 1 year)		2,222,067	1,177,873	-	-
		4,876,117	3,072,702	958,556	663,010
Bank deposits (less than 3 months)		12,685,531	5,463,864	7,076,846	4,657,255
Government securities (less than 3 months)		7,205,377	8,344,470	2,066,796	4,750,984
Reported for cash flow		19,890,908	13,808,334	9,143,642	9,408,239
		24,767,025	16,881,036	10,102,198	10,071,249

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	Number of shares	Group			
		Cost	Market value	Cost	Market value
		2012	2011	2012	2011
<b>11.1 Quoted equities at market value</b>					
Aitken Spence PLC.*	323,300	42,220	-	36,436	-
Asian Hotels and Properties PLC.	-	-	9,063	-	8,925
AVIVA NDB Insurance PLC.	77,800	22,168	19,710	16,455	20,638
Brown and Company PLC.*	56,300	13,284	3,889	8,732	4,549
Central Finance Company PLC.	83,500	15,952	41,480	14,304	139,980
Ceylon Grain Elevators PLC.*	48,800	4,758	-	2,967	-
Ceylon Tobacco Company PLC.	56,300	21,910	-	29,000	-
Chemical Industries Colombo PLC.	-	-	2,211	-	2,403
Chevron Lubricants Lanka PLC.	298,300	40,184	24,921	54,261	32,896
Colombo Dockyard PLC.	313,005	69,912	38,193	71,991	45,637
Colombo Land & Development Company PLC.*	303,800	15,937	-	11,107	-
Commercial Bank of Ceylon PLC. (Non voting)	856,346	52,958	17,015	68,508	36,625
Commercial Bank of Ceylon PLC.*	713,316	78,304	19,910	69,247	20,384
DFCC Bank PLC.*	211,700	23,249	11,312	23,837	9,758
Dialog Axiata PLC.	2,500,000	17,801	58,215	17,750	72,941
Diesel and Motor Engineering PLC.	22,062	33,340	66,436	21,669	63,991
Distilleries Company of Sri Lanka PLC.*	667,600	106,495	43,592	96,802	54,108
Environmental Resources Investments PLC.*	276,800	14,007	5,787	4,650	5,249
Expolanka Holdings PLC.	7,117,700	95,829	-	44,130	-
Galadari Hotels Lanka PLC.	-	-	1,454	-	1,264
Hatton National Bank PLC.*	292,900	53,888	-	42,181	-
Hatton National Bank PLC.(Non voting)	609,050	51,943	44,971	57,555	79,464
Hemas Holdings PLC.	405,750	6,708	11,954	10,671	23,803
HNB Assurance PLC.	336,266	23,645	21,018	15,401	23,539
Janashakthi Insurance PLC.	-	-	1,262	-	1,297
John Keells Holdings PLC.*	671,333	134,138	38,439	138,295	36,985
John Keells Hotels PLC.	-	-	6,341	-	5,463
Lanka Capital Holdings PLC.*	1,086,300	3,016	-	2,173	-
Lanka Floortiles PLC.	483,700	64,543	-	31,489	-
Lanka ORIX Finance Company PLC.	378,000	25,702	-	20,412	-
Lanka Tiles PLC.	-	-	63,217	-	61,578
Laugfs Gas PLC.*	267,100	9,844	-	6,891	-
LB Finance PLC.*	55,300	8,196	1,977	7,460	2,451
Merchant Bank of Sri Lanka PLC.	-	-	1,391	-	1,391
National Development Bank PLC.	-	-	6,311	-	6,025
Nations Trust Bank PLC.*	183,600	12,217	3,775	10,447	3,472
Nawaloka Hospitals PLC.	-	-	1,226	-	1,222
Overseas Realty Ceylon PLC.	-	-	2,882	-	2,682
Pan Asia Banking Corporation PLC.	-	-	1,666	-	1,621
Piramal Glass PLC.*	2,626,700	22,589	16,585	16,023	20,803
Richard Pieris and Company PLC.*	1,541,900	15,139	4,819	11,564	5,673
Royal Ceremics Lanka PLC.*	403,070	36,392	46,806	46,353	122,601
Sampath Bank PLC.*	385,958	64,221	28,083	69,395	66,772
Seylan Bank PLC.	-	-	2,514	-	1,985
Softlogic Holdings PLC.*	3,627,149	97,289	-	40,624	-
Sri Lanka Telecom PLC.	288,200	13,844	24,933	13,344	29,651
The Lanka Hospital Corporation PLC.*	177,400	7,608	-	5,783	-
Tokyo Cement Company (Lanka) PLC.	785,175	13,528	9,878	27,025	38,577
Tokyo Cement Company (Lanka) PLC. (Non voting)	2,757,500	84,147	55,515	74,453	95,326
Union Bank of Colombo PLC.*	276,900	5,083	-	4,846	-
United Motors Lanka PLC.	302,500	52,251	53,978	32,670	47,563
Vallibel One PLC.*	866,900	18,381	-	16,471	-
		1,492,620	812,729	1,293,372	1,199,292

\* Investments made by Union Assurance PLC under the unit linked equity tracker fund, which invests in the 22 Companies that comprise the Milanka Price Index.

As at 31st March In '000s	2012		2011	
	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.
<b>12 STATED CAPITAL</b>				
Fully paid ordinary shares				
At the beginning of the year	629,693	24,611,507	619,474	23,322,400
Share options exercised	4,382	499,021	10,219	1,289,107
Increase in number of shares due to share sub division	210,046	-	-	-
At the end of the year	844,121	25,110,528	629,693	24,611,507

The number of shares in issue as at 31-03-2012, include global depository receipts (GDRs) of 1,185,047 (2011 - 952,114), whereby the number of GDRs were increased by 317,371 due to the share sub division in June 2011 and 84,438 GDRs (in terms of ordinary shares) were converted during the year into ordinary shares. Further information on the composition of shares in issue is given under the share information section of the annual report.

31,157,486 shares (2011 - 22,300,605) have been reserved to be issued under the employee share option plan as at 31 March 2012.

As at 31st March In Rs.'000s	Note	2012	Group 2011
<b>13 CAPITAL RESERVES</b>			
Revaluation reserve	13.1	9,488,143	8,110,991
Exchange translation reserve	13.2	2,987,476	1,021,061
Other capital reserves		428,365	428,365
		12,903,984	9,560,417

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

**13.2** Exchange translation reserve comprises the net exchange movement arising on the translation of net equity investments of overseas subsidiaries, joint venture and associates into Sri Lankan rupees.

As at 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>14 REVENUE RESERVES</b>				
General reserves	5,547,963	5,547,963	4,194,322	4,194,322
Accumulated profit	27,613,133	19,866,826	11,199,355	9,244,938
	33,161,096	25,414,789	15,393,677	13,439,260

As at 31st March In Rs.'000s	Group	
	2012	2011
<b>15 INSURANCE PROVISION</b>		
Provision - life	14,516,456	12,475,589
Unclaimed benefits	228,256	186,911
	14,744,712	12,662,500

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products.

The actuarial reserves have been established based on the following;

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

## NOTES TO THE FINANCIAL STATEMENTS

The amount of policy holder dividend to be paid is determined annually by the company. The dividend includes life policy holders' share of net income that is required to be allocated by the insurance contract or by insurance regulations.

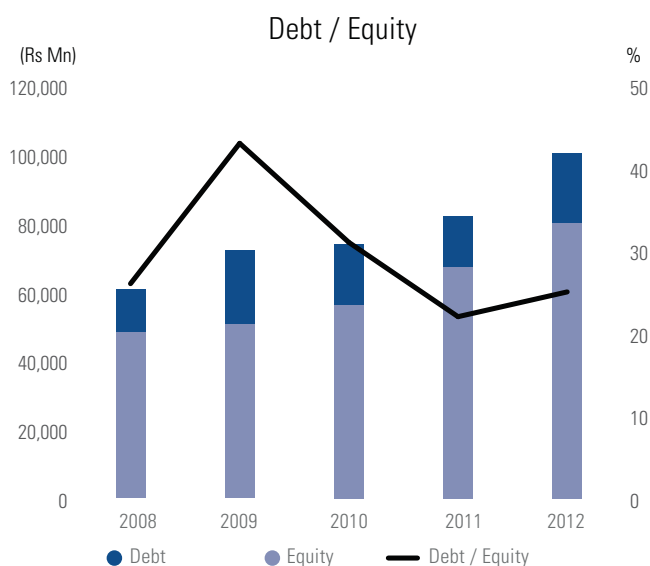
The valuation of conventional life insurance fund as at 31 December 2011 was conducted by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of Rs. 419 million to be transferred from conventional life insurance fund to the shareholders fund for the year 2011. Subsequent to the transfer the conventional life fund stands as Rs. 13,141 million, including the liability in respect of bonuses and dividends declared up to and including for the year 2011.

Similarly the non unit fund of linked long term business valuation was made by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of Rs. 10 million to be transferred from the non unit fund of the linked long term fund to shareholders fund for the year 2011. Subsequent to the transfer the fund stands at Rs. 70 million as at 31 December 2011.

As at 31 December In Rs.'000s	2011	2010
<b>Movement in life insurance fund</b>		
Life fund - conventional	13,559,952	11,900,014
Transfer to shareholders	(429,000)	(325,000)
Non unit fund of linked long term business	80,407	4,094
	13,211,359	11,579,108

As at 31st March In Rs.'000s	2012	Group 2011
<b>16 NON-INTEREST BEARING BORROWINGS</b>		
At the beginning of the year	18,000	18,000
Repayments	-	-
At the end of the year	18,000	18,000
Repayable within one year	-	-
Repayable between one and five years	18,000	18,000
	18,000	18,000

Non-interest bearing borrowings represent loans received by Transware logistics (Pvt) Limited (TWL), a subsidiary of the group, from MISC Enterprises Holdings SDN BHD and Keppel Logistics (Pvt) Ltd, joint venture partners of TWL.



As at 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>17 INTEREST BEARING BORROWINGS</b>				
<b>17.1 Movement</b>				
At the beginning of the year	10,487,005	14,708,426	6,624,000	9,975,493
Additions / transfers	5,272,726	1,731,979	-	-
Repayments	(2,408,745)	(5,598,409)	(1,117,050)	(3,118,042)
Adjustments / exchange difference	1,342,168	(354,991)	898,050	(233,451)
At the end of the year	14,693,154	10,487,005	6,405,000	6,624,000
Repayable within one year	2,408,740	2,134,418	1,281,000	1,104,000
Repayable after one year				
Repayable between one and five years	12,284,414	7,248,442	5,124,000	5,520,000
Repayable after five years	-	1,104,145	-	-
	12,284,414	8,352,587	5,124,000	5,520,000
	14,693,154	10,487,005	6,405,000	6,624,000

Group interest bearing borrowings include finance lease obligations amounting to Rs.163 mn (2011 - Rs.6 mn), details of which are disclosed in note 17.2.

As at 31st March In Rs.'000s	Group	
	2012	2011
<b>17.2 Finance leases</b>		
At the beginning of the year	5,792	20,537
Additions	162,613	-
Repayments	(5,792)	(7,583)
Adjustments / transfers	-	(7,162)
At the end of the year	162,613	5,792
Finance lease obligations repayable within one year		
Gross liability	43,651	6,697
Finance charges	(21,232)	(1,391)
Net lease obligation	22,419	5,306
Finance lease obligations repayable between one and five years		
Gross liability	185,521	495
Finance charges	(45,327)	(9)
Net lease obligation	140,194	486

## NOTES TO THE FINANCIAL STATEMENTS

In Rs. '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2012 Rs.	2011 Rs.
<b>17.3 Security and repayment terms</b>						
John Keells Holdings PLC.	International Finance Corporation	Term Loan	6 months LIBOR+2.75%, 165 mn shares of Asian Hotels & Properties PLC, 862 mn shares of John Keells Hotels PLC, 14 mn shares of Trans Asia Hotels PLC and 26 mn shares of Union Assurance PLC	Bi-annual repayments commencing December 2009	6,405,000	6,624,000
<b>Group companies</b>						
Ceylon Cold Stores PLC.	NDB	E Friendly loan	6.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing March 2008	3,169	6,626
	NDB	Project loan	10.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing August 2007	14,933	59,733
	DFCC	Project loan	10.5%, Kaduwela land, building and machinery of soft drink plant	Repayment over 5 years commencing November 2007	-	36,458
	DFCC	Term loan	AWDR + 4%, Kaduwela land, building and machinery of soft drink plant	Repayment over 4 1/2 years commencing July 2008	10,000	40,000
	DFCC	Project loan	AWPR - 0.5%, Kaduwela land, building and machinery of soft drink plant	48 monthly installments commencing August 2011	191,667	230,000
	DFCC	Project loan	AWDR + 2.5%, Kaduwela land, building and machinery of soft drink plant	60 monthly installments commencing January 2012	139,682	-
John Keells Logistics (Pvt) Ltd.	SCB	Term Loan	1 month SLIBOR+1% Letter of comfort from John Keells Holdings PLC.	12 equal quarterly installments commencing November 2010	50,000	83,333
John Keells Maldivian Resorts (Pte) Ltd.	Sampath Bank	Term loan	3 months LIBOR + 1.3% for first two years and LIBOR + 1.5% thereafter, revised quarterly. Head lease rights of Dhonveli resorts	30 quarterly installments commencing March 2008	589,260	794,880
	HSBC	Term loan	3 months LIBOR + 3.0% Letter of comfort from John Keells Hotels PLC.	48 equal monthly installments commencing November 2011	459,025	-

In Rs. '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2012 Rs.	2011 Rs.
<b>17.3 Security and repayment terms</b>						
John Keells Maldivian Resorts (Pte) Ltd.	People's Bank	Term loan	3 months LIBOR + 4.25% Corporate guarantee of John Keells Hotels PLC.	36 monthly installments commencing September 2009	-	312,102
Fantasea World Investments (Pte) Ltd.	HNB	Term Loan	3 months LIBOR + 3.25% Leasehold rights of Hakuraa Huraa Island resort	Repayment over 5 years commencing August 2011	1,377,194	1,473,943
John Keells Warehousing (Pvt) Ltd.	Deutsche Bank	Asset backed notes	21.98%, corporate guarantee of John Keells PLC.	Repayment over 10 years commencing May 2003	23,544	41,025
Tea Smallholder Factories PLC.	People's bank	Term loan	9%, mortgage of Peliyagoda warehouse and lease rights of land	83 monthly payments commencing November 2007	5,868	8,140
Travel Club (Pte) Ltd.	BOC Maldives	Term loan	LIBOR + 2%, sub lease rights and corporate guarantee of John Keells Hotels PLC.	28 quarterly installments commencing November 2009	738,862	770,828
British Overseas (Pvt) Ltd.	HNB	Term loan	AWPLR Floating mortgage bond	Quarterly Installments commencing June 2012	26,000	-
			8%, Floating mortgage bond	commencing May 2013	928,000	-
Habarana Lodge Ltd.	HNB	Term loan	AWPLR	Repayment over 5 years commencing April 2012	400,000	-
Yala Village (Pvt) Ltd.	People's bank	Term loan	AWPLR +3%	84 monthly installments commencing December 2012	425,000	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	DFCC	Term loan	AWPLR +1% Primary mortgage over lease rights of land, movable property plant and equipment	72 monthly installments commencing November 2013	1,000,000	-

## NOTES TO THE FINANCIAL STATEMENTS

In Rs. '000s	Lending institution	Nature of facility	Interest rate and security	Repayment terms	2012 Rs.	2011 Rs.
<b>17.3 Security and repayment terms</b>						
Beruwala Holiday Resorts (Pvt) Ltd	HNB	Term loan	1 month SLIBOR, Mortgage over property	72 monthly installments commencing June 2013	1,743,192	-
Whittal Boustead Ltd.		Debenture	7.5%, unsecured		145	145
					14,530,541	10,481,213
Ceylon Holiday Resorts Ltd.	NTB	Finance lease			-	672
Habarana Lodge Ltd.	NTB	Finance lease			-	555
Habarana Walk Inn Ltd.	NTB	Finance Lease			-	414
John Keells Logistics (Pvt) Ltd.	NTB	Finance lease			-	3,407
Kandy Walk Inn Ltd.	NTB	Finance lease			-	414
Trinco Walk Inn Ltd.	NTB	Finance lease			-	330
JK BPO Solution India (Pvt) Ltd.	DLF Assets (Pvt) Ltd.	Finance lease			162,613	-
					162,613	5,792
					14,693,154	10,487,005

As at 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>18 EMPLOYEE BENEFIT LIABILITIES</b>				
At the beginning of the year	1,215,597	1,041,395	104,752	92,630
Current service cost	113,052	148,093	8,334	7,074
New acquisitions	4,726	-	-	-
Transfers	-	-	1,244	1,245
Interest cost on benefit obligation	121,560	104,140	10,475	9,262
Payments	(85,444)	(70,150)	(8,655)	(4,843)
(Gain) / Loss arising from changes in assumptions or due to (over) / under provision in the previous year	2,248	(7,565)	10,714	(616)
Exchange translation difference	422	(316)	-	-
At the end of the year	1,372,161	1,215,597	126,864	104,752
The expenses are recognised in the income statement in the following line items;				
Cost of sales	90,230	104,956	8,309	6,797
Distribution expenses	9,134	13,339	-	-
Administrative expenses	137,496	126,373	21,214	8,923
	236,860	244,668	29,523	15,720

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

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

Discount rate	10%
Future salary increases	6% - 10%

As at 31st March In Rs.'000s	Group	
	2012	2011
<b>19 OTHER DEFERRED LIABILITIES</b>		
At the beginning of the year	4,143	4,655
Amortisation	(512)	(512)
At the end of the year	3,631	4,143
Amounts expected to be amortised within one year	512	512
Amounts expected to be amortised after one year	3,119	3,631
	3,631	4,143
	<b>Basis of amortisation</b>	
<b>Tea Smallholder Factories PLC.</b>		
Sri Lanka Tea Board subsidy	10% p.a.	1,708
		1,895
<b>Yala Village (Pvt) Ltd.</b>		
Ceylon Chamber of Commerce grant	10% p.a.	1,923
		2,248
		3,631
		4,143

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s		Group	
		2012	2011
<b>20</b>	<b>OTHER NON-CURRENT LIABILITIES</b>		
	Advances received	560,943	490,294
	Returnable containers and crates deposits	212,941	256,644
		773,884	746,938

As at 31st March In Rs.'000s		Note	Group		Company	
			2012	2011	2012	2011
<b>21</b>	<b>TRADE AND OTHER PAYABLES</b>					
	Trade payables		6,634,263	4,436,189	-	-
	Reinsurance payables		540,253	458,520	-	-
	Insurance provision - general	21.1	3,002,078	2,822,274	-	-
	Advances and deposits		1,192,227	370,242	-	-
	Sundry creditors including accrued expenses		3,307,509	3,849,894	331,525	220,667
	Other payables		721,717	442,470	-	-
			15,398,047	12,379,589	331,525	220,667

As at 31st March In Rs.'000s		Group	
		2012	2011
<b>21.1</b>	<b>Insurance provision - general</b>		
	Reserve for net unearned premiums	2,008,481	1,781,488
	Reserve for net deferred acquisition cost	(51,004)	(48,862)
	Reserve for gross outstanding claims	1,044,601	1,089,648
		3,002,078	2,822,274

As at 31st March In Rs.'000s		Note	Group		Company	
			2012	2011	2012	2011
<b>22</b>	<b>INCOME TAX LIABILITIES</b>					
	At the beginning of the year		796,714	454,292	-	-
	Charge for the year	30.1	1,250,605	1,207,940	39,678	76,457
	New acquisitions		4,791	-	-	-
	Payments and set off against refunds		(1,223,817)	(865,293)	(39,678)	(76,457)
	Exchange translation difference		10	(225)	-	-
	At the end of the year		828,303	796,714	-	-

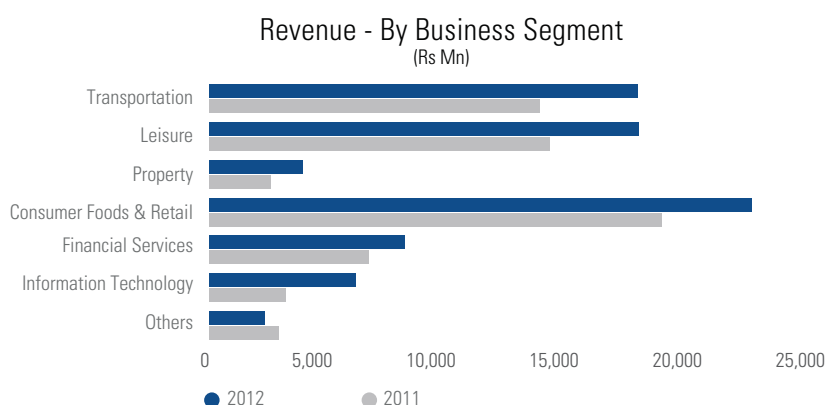
As at 31st March In Rs.'000s		Group	
		2012	2011
<b>23</b>	<b>SHORT TERM BORROWINGS</b>		
	Loans	1,009,057	232,000
		1,009,057	232,000

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>24 REVENUE</b>				
<b>24.1 Revenue</b>				
Gross revenue	76,951,541	60,862,206	576,239	554,627
Turnover tax	(251,858)	(362,138)	-	-
Net revenue	76,699,683	60,500,068	576,239	554,627

For the year ended 31st March In Rs.'000s	2012		Total revenue	2011		Total revenue
	Sale of goods	Rendering of services		Sale of goods	Rendering of services	
<b>24.2 Business segment analysis</b>						
Transportation	15,116,213	2,261,834	17,378,047	11,391,682	2,034,078	13,425,760
Leisure	-	17,421,927	17,421,927	-	13,809,589	13,809,589
Property	-	3,790,043	3,790,043	-	2,493,634	2,493,634
Consumer Foods & Retail	10,162,055	11,859,485	22,021,540	8,106,401	10,251,975	18,358,376
Financial Services	-	7,932,331	7,932,331	-	6,483,587	6,483,587
Information Technology	3,932,967	1,993,434	5,926,401	2,276,576	829,959	3,106,535
Others	-	2,229,394	2,229,394	-	2,822,587	2,822,587
Group revenue	29,211,235	47,488,448	76,699,683	21,774,659	38,725,409	60,500,068

For the year ended 31st March In Rs.'000s	Group	
	2012	2011
<b>24.3 Geographical segment analysis (by location of customers)</b>		
Sri Lanka	66,397,088	52,615,665
Asia (excluding Sri Lanka)	6,632,072	5,042,812
Europe	3,082,639	2,358,770
Others	587,884	482,821
Total group external revenue	76,699,683	60,500,068

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>25 DIVIDEND INCOME</b>				
Income from investments in related parties	-	-	4,454,001	3,458,217
Income from other investments	104,360	62,599	75,887	42,738
	104,360	62,599	4,529,888	3,500,955



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>26 OTHER OPERATING INCOME</b>				
Interest income	2,770,000	2,747,650	591,151	757,847
Gain on disposal of quoted investments held for sale	-	297,268	-	-
Increase in market value of quoted investments held for sale	-	186,042	-	-
Exchange gain	203,144	299,893	-	102,348
Profit on sale of property, plant and equipment	2,371	-	3,415	1,014
Profit on sale of non current investments	-	1,795,069	-	2,172,441
Profit on sale of investment property	-	-	-	26,200
Promotional income from consumer foods and retail group	211,010	178,419	-	-
Write back of dealer deposits	201,724	-	-	-
Income from commercial projects	181,796	124,486	181,796	124,486
Sundry income	586,365	485,994	7,398	3,885
	4,156,410	6,114,821	783,760	3,188,221

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>27 OTHER OPERATING EXPENSES</b>				
Nations Building Tax	605,000	544,000	13,037	17,136
Unrealised losses from investments	583,006	-	-	-
Heat, Light and Power	559,000	496,000	-	-
Maintenance	494,000	458,277	-	-
Exchange Loss	-	-	306,691	-
Other overheads	366,930	414,667	17,044	25,734
	2,607,936	1,912,944	336,772	42,870

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>28 FINANCE EXPENSES</b>				
Interest expense on borrowings				
Long term	466,273	595,174	203,549	376,623
Short term	204,645	200,900	2,194	2,876
	670,918	796,074	205,743	379,499

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>29 PROFIT BEFORE TAX</b>				
Profit before tax is stated after charging all expenses including the following:				
Remuneration to Executive Directors	274,689	177,255	127,155	74,611
Remuneration to Non Executive Directors	34,390	27,877	14,460	11,910
Auditors' remuneration				
Audit	33,843	30,711	5,507	5,113
Non-audit	9,074	9,802	3,914	903
Costs of defined employee benefits				
Defined benefit plan cost	236,860	244,668	29,523	15,720
Defined contribution plan cost - EPF and ETF	575,062	514,221	47,528	42,243
Staff expenses	7,143,713	6,018,930	345,314	312,125
Depreciation of property, plant and equipment	1,863,077	1,700,095	32,913	42,391
Amortisation of intangible assets	246,830	234,023	14,927	11,170
Amortisation of leasehold property	524,671	375,171	-	-
Derecognition and impairment losses	22,304	49,689	-	-
Operating lease payments	865,048	905,413	-	-
Loss on sale of property, plant and equipment	-	57,929	-	-
Donations	22,767	15,734	11,550	6,127

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>30 TAX EXPENSE</b>				
<b>Current income tax</b>				
Current tax charge	1,340,402	1,355,993	1,260	10,159
Under provision of current tax of previous years	76,788	100,312	38,418	66,448
Economic service charge	30.2 16,155	22,681	-	-
10% Withholding tax on intercompany dividends	240,469	97,382	-	-
<b>Deferred income tax</b>				
Relating to origination and reversal of temporary differences	30.3 168,065	(10,567)	54,198	(54,198)
	1,841,879	1,565,801	93,876	22,409
<b>30.1 Reconciliation between tax expense and the product of accounting profit</b>				
Profit before tax	12,910,476	10,628,961	4,361,812	5,985,312
Dividend income from group companies	5,449,601	3,874,419	-	-
Share of results of associates	(2,860,115)	(2,640,911)	-	-
Other consolidation adjustments	1,316,365	880,471	-	-
	16,816,327	12,742,940	4,361,812	5,985,312
Exempt profits	(2,537,829)	(1,855,005)	(189,640)	(193,990)
Profits not charged to income tax	(32,660)	(2,558,077)	-	(2,172,440)
Resident dividend	(5,247,329)	(3,694,297)	(4,529,887)	(3,500,955)
Accounting profit / (loss) chargeable to income taxes	8,998,509	4,635,561	(357,715)	117,927
Tax effect on chargeable profits	1,860,468	1,394,449	(100,160)	41,274
Tax effect on non deductible expenses	68,830	214,547	107,690	19,880
Tax effect on deductions claimed	(776,577)	(418,005)	(12,488)	(12,904)
Net tax effect of unrecognised deferred tax assets for the year	84,771	53,014	13,879	-
Net tax effect of unrecognised deferred tax assets for prior years	58,011	(211,976)	46,537	(92,439)
Tax effect on rate differentials	(8,387)	(5,418)	-	-
Under provision for previous years	76,788	100,312	38,418	66,448
Other income based taxes				
Economic service charge	16,155	22,681	-	-
Social responsibility levy	(619)	16,265	-	150
10% WHT on intercompany dividends	240,469	97,382	-	-
Current and deferred tax share of associates	221,970	302,550	-	-
	1,841,879	1,565,801	93,876	22,409
Income tax charged at				
Standard rate 28% / 35%	720,315	909,310	1,260	10,009
Concessionary rate of 12% / 15%	451,366	196,463	-	-
Off-Shore dividend 10%	2,136	-	-	-
Off-Shore profits at varying rates	-	1,855	-	-
Under provision for previous years	76,788	100,312	38,418	66,448
Charge for the year	1,250,605	1,207,940	39,678	76,457
Deferred tax reversal	113,299	(81,017)	54,198	(54,198)
Other income based taxes				
Economic service charge	16,155	22,681	-	-
Social responsibility levy	(619)	16,265	-	150
10% WHT on intercompany dividends	240,469	97,382	-	-
Current and deferred tax share of associates	221,970	302,550	-	-
Total income tax expense	1,841,879	1,565,801	93,876	22,409

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March In Rs.'000s	Group	
	2012	2011
<b>30.2 Economic service charge (ESC)</b>		
ESC written-off	16,155	22,681
	16,155	22,681

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>30.3 Deferred tax expense</b>				
<b>Income statement</b>				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	142,580	(96,303)	-	24,746
Revaluation of investment property to fair value	-	728	-	-
Employee benefit liabilities	(18,562)	(26,136)	-	(29,330)
Benefit arising from tax losses	33,667	5,462	54,198	(49,614)
Qualifying investment in property, plant and equipment	(54,007)	-	-	-
Others	9,621	35,232	-	-
	113,299	(81,017)	54,198	(54,198)
Share of associate company deferred tax	54,766	70,450	-	-
<b>Deferred tax charge</b>	168,065	(10,567)	54,198	(54,198)
<b>Statement of changes in equity</b>				
Deferred tax expense arising from;				
Revaluation of land and building to fair value	20,818	(73,386)	-	-
<b>Total deferred tax charge</b>	188,883	(83,953)	54,198	(54,198)

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for leisure group companies and at rates as disclosed in note 30.6 and 30.7.

Temporary differences associated with undistributed reserves in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised, amounts to Rs.1,137 mn (2011 - Rs.1,145 mn). The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

The group however has recognised the deferred tax impact pertaining to the current year on dividends proposed by subsidiaries and the undistributed reserves of associate companies amounting to Rs.110 mn.

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>30.4 Tax losses carried forward</b>				
Tax losses brought forward	5,286,904	5,286,093	1,229,909	1,258,794
Adjustments on finalization of liability	410,090	(45,729)	560	452
Tax losses arising during the year	1,267,954	423,923	-	-
Utilisation of tax losses	(418,567)	(377,383)	(26,230)	(29,337)
	6,546,381	5,286,904	1,204,239	1,229,909

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

John Keells Holdings PLC.	1999/2000	579,036	314,471	-
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The company is eligible for qualifying payment relief granted under Section 31 (2) (s) of the Inland Revenue Act No 28 of 1979 and the transitional provisions at Section 218 of the Inland Revenue Act No 10 of 2006. The company has carried forward the unclaimed investment relief for set off in future years.

Ceylon Cold Stores PLC.	2011/2012	257,174	64,293	-
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The company is eligible for qualifying payment relief granted under Section 34 (2) (s) of the Inland Revenue Act, No. 10 of 2006 duly amended by the Inland Revenue (Amendment) Act, No.8 of 2012. The company has carried forward the unclaimed investment relief for set off in future years

### 30.6 Applicable rates of income tax

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

Company / Sector	Basis	Exemptions / Concessions	Period
<b>Exemptions / concessions granted under the Inland Revenue Act</b>			
Ceylon Cold Stores PLC.	Off-Shore activities for payment in foreign currency	Exempt	Open-ended
John Keells Computer Services (Pvt) Ltd. John Keells Office Automation (Pvt) Ltd. Keells Hotel Management Services Ltd. Keells Shipping (Pvt) Ltd. Walkers Tours Ltd.			
John Keells Computer Services (Pvt) Ltd.	On-shore activities for payment in foreign currency	Exempt	Open-ended
John Keells International (Pvt) Ltd. InfoMate (Pvt) Ltd. John Keells Holdings PLC.			
Lanka Marine Services (Pvt) Ltd.	Export consignment sales of Petroleum Products	Exempt	Open-ended
Whittall Boustead (Pvt) Ltd.	Provision of any service by any undertaking with annual turnover not exceeding Rs 300 Mn	10%	One year upto 31 March 2012
Nexus Networks (Pvt) Ltd. John Keells Properties (Pvt) Ltd. Mack Air (Pvt) Ltd. Transware Logistics (Pvt) Ltd. Mackinnons Travels (Pvt) Ltd.			
John Keells Warehousing (Pvt) Ltd.	Operation and maintenance of facilities for storage	10%	Open-ended
Leisure sector	Promotion of tourism	12%	Open-ended
Consumer Foods and Retail sector	Qualified export profits	12%	Upto 31 March 2014

## NOTES TO THE FINANCIAL STATEMENTS

Company / Sector	Basis	Exemptions / Concessions	Period
<b>Exemptions / concessions granted under the Board of Investment Law</b>			
Asian Hotels and Properties PLC.	Construction and operation of office and apartment complex	Exempt	15 years from April 1996 with a 3 year extension on merger
Beruwala Holiday Resorts (Pvt) Ltd.	Construction of a tourist hotel	Exempt	8 years from 1st year of profit or 2 years from operations
Sancity Hotels and Properties Ltd.	Construction of a tourist hotel	Exempt	7 years from 1st year of profit or 2 years from operations
John Keells Logistics (Pvt) Ltd.	Integrated supply chain management	Exempt	5 years from April 2009
John Keells Residential Properties (Pvt) Ltd.	Infrastructure Development	Exempt	8 years from April 2011
Trinco Holiday Resorts (Pvt) Ltd.	For upgrading and refurbishment of a hotel in the Eastern Province	Exempt	10 years from 1st year of profit or 2 years from operations
South Asia Gateway Terminals (Pvt) Ltd.	Port Services at Queen Elizabeth Quay	Exempt	20 years from September 1999

### 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.

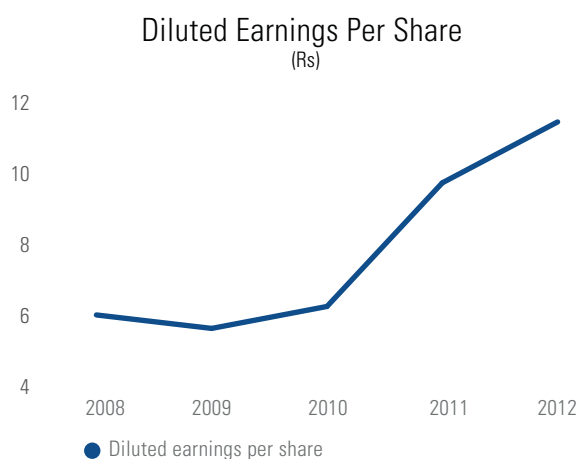
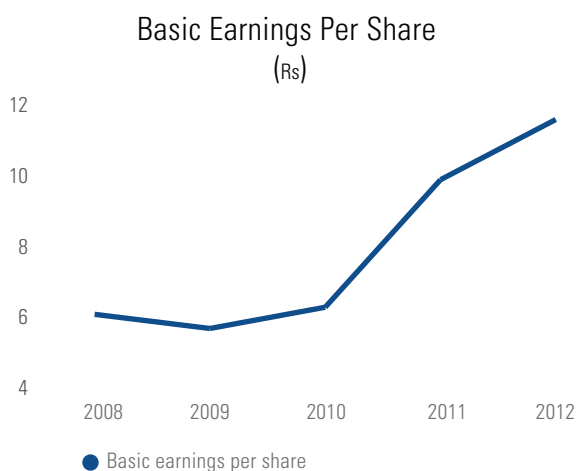
Country of incorporation	Company	Rate
<b>30.7 Income tax rates of off-shore subsidiaries</b>		
India	John Keells Foods India (Pvt) Ltd.	30.9%
	John Keells Air Services India (Pvt) Ltd.	
	John Keells Logistics India (Pvt) Ltd.	
	Serene Holidays (Pvt) Ltd.	
Mauritius	John Keells BPO Alpha (Pvt) Ltd.	3% (Effective)
	John Keells BPO Holdings (Pvt) Ltd.	
	John Keells BPO International (Pvt) Ltd.	
	John Keells BPO Investments (Pvt) Ltd.	
	John Keells Holdings Mauritius (Pvt) Ltd.	
	John Keells Hotels Mauritius (Pvt.) Ltd. Keells Food Products Mauritius (Pvt.) Ltd.	
Republic of Maldives	Fantasea World Investments (Pte) Ltd.	15%
	Tranquility (Pte) Ltd.	
	Travel Club (Pte) Ltd.	
	John Keells Maldivian Resorts (Pte) Ltd. Mack Air Services Maldives (Pte) Ltd.	
Singapore	John Keells Singapore (Pte) Ltd.	17% (Maximum)
United Arab Emirates	Information System Associates	Nil
United Kingdom	John Keells Computer Services (UK) Ltd.	30%
USA	John Keells BPO Solutions US (Pvt) Ltd.	35% (Maximum)

For the year ended 31st March In Rs. '000s	Note	Group 2012	Group 2011
<b>31 EARNINGS PER SHARE</b>			
<b>31.1 Basic earnings per share</b>			
Profit attributable to equity holders of the parent		9,775,007	8,245,585
Weighted average number of ordinary shares	31.3	841,086	832,673
Basic earnings per share		11.62	9.90
<b>31.2 Diluted earnings per share</b>			
Profit attributable to equity holders of the parent		9,775,007	8,245,585
Adjusted weighted average number of ordinary shares	31.3	850,978	843,973
Diluted earnings per share		11.49	9.77
<b>31.3 Amount used as denominator</b>			
Ordinary shares at the beginning of the year		629,692	619,474
Sub division of ordinary shares		210,046	210,046
Effect of share options exercised		1,348	3,153
Weighted average number of ordinary shares in issue before dilution		841,086	832,673
Number of shares outstanding under the share option scheme		28,815	26,318
Number of shares that would have been issued at fair value		(18,923)	(15,018)
Adjusted weighted average number of ordinary shares		850,978	843,973

For the year ended 31st March In Rs. '000s	Group		Company	
	2012	2011	2012	2011
<b>32 DIVIDEND PER SHARE</b>				
<b>Equity dividend on ordinary shares</b>				
<b>Declared and paid during the year</b>				
Final dividend*	1.00	629,833	1.00	619,867
Interim dividend	2.00	1,683,686	2.00	1,248,840
Total dividend	3.00	2,313,519	3.00	1,868,707

Dividend per share has been calculated, for all periods, based on the number of shares in issue at the time of dividend payout.

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



## NOTES TO THE FINANCIAL STATEMENTS

33 SEGMENT INFORMATION  
33.1 Primary segments (business segments)

As at 31st March In Rs. '000s	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Property, plant and equipment	296,710	657,179	21,462,470	17,965,961	739,071	805,109	4,260,982	3,863,146	1,311,684	1,125,955	466,119	67,999	843,959	784,804	29,380,995
Leasehold property	-	-	10,228,967	9,461,352	-	-	-	-	-	-	-	-	52,886	54,269	10,281,853	9,515,621
Investment properties	400,000	-	1,469,540	1,369,692	4,928,626	4,800,805	3,765,854	2,582,195	-	-	-	-	2,102,175	102,000	12,666,195	8,654,692
Intangible assets	7,775	19,574	-	-	-	-	49,728	53,558	1,736,252	1,923,668	73,276	85,814	48,142	43,725	1,915,173	2,126,339
Other investments	715	715	25,063	25,063	11,305	1,270	-	-	10,769,313	11,183,599	-	-	1,572,487	581,806	12,378,883	11,792,453
Other non-current assets	65,928	45,854	80,226	73,036	2,402,808	2,361,668	131,190	94,867	654,642	625,680	48,521	38,445	116,600	68,652	3,499,915	3,308,402
Intercompany lending	-	-	4,555,293	3,939,489	-	-	93,000	-	-	-	-	-	173,641	304,641	4,821,934	4,243,130
Segment non-current assets	771,128	723,322	37,821,559	32,833,593	8,081,810	7,968,852	8,300,754	6,593,766	14,471,891	14,859,102	587,916	192,258	4,909,890	1,939,897	74,944,948	65,110,790
Investments in associates	-	-	-	-	-	-	-	-	2,600,158	2,279,261	454,935	1,024,147	917,238	940,831	15,692,608	14,670,235
Investment in subsidiaries and joint ventures	11,492,316	10,425,996	227,961	-	-	-	-	-	-	-	-	-	-	-	5,115	5,115
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	129,478	202,850
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	724,498	505,611
Eliminations / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,947,618)	(4,430,828)
Total non-current assets	11,522,445	11,522,445	38,049,518	32,833,593	8,081,810	7,968,852	8,300,754	6,593,766	14,471,891	14,859,102	587,916	192,258	4,909,890	1,939,897	74,944,948	65,110,790
Inventories	1,152,445	388,939	296,939	247,979	68,333	4,979	2,107,180	1,901,384	13,198	6,751	482,529	341,964	279,542	271,362	4,394,167	3,163,358
Trade and other receivables	2,461,252	2,224,945	8,629,526	9,063,687	343,691	104,701	2,001,824	1,576,358	6,601,690	2,784,621	1,899,915	1,203,142	1,739,932	1,507,503	19,671,830	18,464,957
Short term investments	3,417,822	1,458,080	2,541,121	586,065	1,808,297	497,067	38,777	8,823	6,653,770	3,977,641	82,578	170,210	10,214,660	10,183,150	24,767,025	16,881,036
Cash in hand and at bank	477,695	313,697	1,926,951	1,173,495	44,086	127,653	227,349	75,403	724,963	289,434	189,630	67,415	644,230	75,149	4,234,904	2,122,246
Segment current assets	7,509,214	4,385,661	13,384,537	11,071,226	2,264,407	734,400	4,375,130	3,561,968	9,993,621	7,058,447	2,674,652	1,782,731	12,866,364	12,037,164	53,067,925	40,631,597
Tax refunds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eliminations / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,038,326	1,920,875
Total current assets	7,509,214	4,385,661	13,384,537	11,071,226	2,264,407	734,400	4,375,130	3,561,968	9,993,621	7,058,447	2,674,652	1,782,731	12,866,364	12,037,164	53,067,925	40,631,597
Total assets	19,031,659	15,908,103	51,434,055	43,904,819	10,346,217	8,703,252	12,675,884	10,155,734	24,465,512	21,917,549	3,262,568	1,974,989	17,776,254	13,977,061	128,012,873	105,742,387
Insurance provision	-	-	-	-	(397,430)	-	-	-	14,744,712	12,662,500	-	-	-	-	14,744,712	12,662,500
Non interest bearing borrowings	36,000	36,000	4,952,723	3,938,489	-	-	-	-	-	-	-	-	-	-	4,591,293	3,974,489
Interest bearing borrowings	16,667	50,467	5,809,813	2,532,773	1,099,241	189,786	283,442	316,769	-	-	140,193	-	5,129,699	5,549,412	12,479,055	8,639,227
Employee benefit liability	89,020	77,823	382,274	331,200	38,125	34,488	409,084	367,550	171,556	149,618	60,661	72,573	201,421	182,345	1,372,161	1,215,597
Other deferred liabilities	-	-	1,923	2,248	-	-	-	-	-	-	-	-	1,708	1,895	3,631	4,143
Other non current liabilities	-	-	60,244	51,687	500,699	438,606	212,941	256,645	-	-	-	-	-	-	773,884	746,938
Segment non-current liabilities	141,687	164,310	11,206,977	6,856,397	1,240,635	662,880	905,467	940,964	14,916,268	12,812,118	220,874	72,573	5,332,828	5,733,652	33,964,736	27,242,894
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	707,970	647,960
Eliminations / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,767,933)	(4,243,129)
Total non-current liabilities	141,687	164,310	11,206,977	6,856,397	1,240,635	662,880	905,467	940,964	14,916,268	12,812,118	220,874	72,573	5,332,828	5,733,652	33,964,736	27,242,894
Trade and other payables	3,339,883	1,837,564	3,391,486	3,029,657	725,141	494,747	2,979,438	2,645,913	4,652,301	4,598,084	1,399,053	1,115,141	841,292	661,563	17,328,594	14,382,869
Short term borrowings	1,041,076	1,072,271	5,736,742	5,786,213	46,000	172,953	201,000	478,066	-	-	80,695	41,227	247,533	35,074	7,353,046	6,620,760
Current portion of interest bearing borrowings	33,333	36,254	922,720	821,364	10,400	10,400	115,009	153,048	-	-	22,420	-	1,304,868	1,123,752	2,408,740	2,134,418
Bank overdrafts	497,435	112,995	1,344,054	2,022,718	36,093	45,599	807,992	1,313,714	328,111	103,492	397,717	123,714	935,952	181,884	4,347,354	3,904,116
Segment current liabilities	4,911,727	2,084,040	11,395,002	11,659,952	817,634	713,299	4,103,439	4,590,741	4,980,412	4,701,576	1,899,895	1,280,082	3,329,635	2,002,273	31,437,734	27,041,963
Income tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	828,303	796,714
Eliminations / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,272,887)	(8,389,603)
Total current liabilities	4,911,727	2,084,040	11,395,002	11,659,952	817,634	713,299	4,103,439	4,590,741	4,980,412	4,701,576	1,899,895	1,280,082	3,329,635	2,002,273	31,437,734	27,041,963
Total liabilities	5,053,414	2,258,350	22,601,979	18,516,349	2,058,269	1,376,179	5,008,906	5,531,705	19,896,680	17,513,694	2,120,759	1,352,655	8,662,463	7,735,925	65,402,470	54,284,957
Total segment assets	8,280,342	5,108,983	51,206,096	43,904,819	10,346,217	8,703,252	12,675,884	10,155,734	24,465,512	21,917,549	3,262,568	1,974,989	17,776,254	13,977,061	128,012,873	105,742,387
Total segment liabilities	5,053,414	2,258,350	22,601,979	18,516,349	2,058,269	1,376,179	5,008,906	5,531,705	19,896,680	17,513,694	2,120,759	1,352,655	8,662,463	7,735,925	65,402,470	54,284,957

**33.2 Primary segments (business segments)**

For the year ended 31 st March In Rs. '000s	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services		Information Technology		Others		Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Total revenue	17,768,095	13,774,880	19,294,567	15,295,182	4,033,472	2,707,628	22,473,305	18,868,837	8,021,837	6,580,958	6,243,841	3,335,904	2,795,274	3,341,533	80,630,391
Intra segment revenue	(1,551)	-	(1,818,577)	(1,448,820)	-	-	(373,978)	(437,877)	(6,625)	(5,698)	(17,848)	(12,944)	(30,388)	(52,041)	(2,248,967)	(1,957,380)
<b>Segment revenue</b>	17,766,544	13,774,880	17,475,990	13,846,362	4,033,472	2,707,628	22,099,327	18,430,960	8,015,212	6,583,260	6,225,993	3,322,960	2,764,886	3,289,492	78,381,424	61,955,542
Inter segment revenue	(988,497)	(349,120)	(54,063)	(36,774)	(243,429)	(213,993)	(77,787)	(72,583)	(82,881)	(99,673)	(299,592)	(216,424)	(535,492)	(466,907)	(1,681,741)	(1,455,474)
<b>Revenue</b>	17,378,047	13,425,760	17,421,927	13,809,588	3,790,043	2,493,635	22,021,540	18,358,377	7,932,331	6,483,587	5,926,401	3,106,536	2,229,394	2,822,585	76,699,683	60,500,068
Segment results	1,118,836	735,572	4,237,613	2,366,472	2,061,055	1,530,708	1,705,386	573,011	746,005	691,082	208,817	(189,338)	(370,992)	225,663	9,706,720	5,933,190
Eliminations	92,660	65,065	110,014	203,049	(1,254,351)	(895,080)	15,040	110,151	25,880	15,475	(970)	334,194	612,812	2,550,316	3,983,170	2,383,170
Finance expenses	(14,286)	(11,187)	(271,420)	(307,062)	(88,306)	(19,357)	(90,657)	(104,451)	(4,059)	20,177	(47,441)	(7,805)	(204,749)	(366,369)	(670,918)	(786,074)
Change in fair value of investment property	-	-	99,848	229,676	206,971	215,088	1,106,655	-	-	-	-	-	-	23,000	1,413,474	467,764
Share of results of associates	2,269,370	2,140,047	-	-	-	-	-	-	660,755	606,542	(26,185)	(22,584)	(43,825)	(83,094)	2,860,115	2,640,911
Profit / (loss) before tax	3,466,580	2,929,497	4,176,055	2,492,135	975,369	831,359	2,736,424	578,711	1,428,581	1,333,276	134,221	114,467	(6,754)	2,349,516	12,910,476	10,628,961
Tax expense	(195,147)	(148,431)	(463,714)	(172,884)	(45,548)	(51,151)	(361,188)	(348,634)	(320,964)	(473,499)	(69,897)	(136,616)	(385,421)	(234,586)	(1,841,879)	(1,565,801)
<b>Profit/ (loss) for the year</b>	3,271,433	2,781,066	3,712,341	2,319,251	929,821	780,208	2,375,236	230,077	1,107,617	859,777	64,324	(22,149)	(392,175)	2,114,930	11,068,597	9,063,160
<b>Attributable to:</b>																
Equity holders of the parent	3,229,029	2,726,251	3,118,642	1,952,079	771,216	614,680	1,933,084	183,097	1,072,491	775,408	64,324	(22,149)	(413,779)	2,016,219	9,775,007	8,245,585
Minority interest	42,404	54,815	593,699	367,172	158,605	165,528	442,152	46,980	35,126	84,369	-	-	21,604	98,711	1,293,590	817,575
	3,271,433	2,781,066	3,712,341	2,319,251	929,821	780,208	2,375,236	230,077	1,107,617	859,777	64,324	(22,149)	(392,175)	2,114,930	11,068,597	9,063,160
Purchase and construction of Property, plant and equipment	91,207	69,773	4,157,938	3,054,832	7,209	6,191	1,021,773	1,265,967	174,516	171,784	331,632	24,122	106,479	385,083	5,890,754	4,977,752
Addition to Intangible assets	-	-	-	-	-	-	7,218	53,590	-	-	8,820	43,720	19,393	17,444	35,431	114,754
Depreciation of Property, plant and equipment	94,213	123,839	838,355	838,452	10,075	10,411	546,585	439,717	136,021	115,512	115,175	39,589	122,653	132,575	1,863,077	1,700,095
Amortisation of Intangible assets	11,798	14,149	-	-	-	-	11,096	32	187,416	187,416	21,592	21,256	14,928	11,170	246,830	234,023
Amortisation of Leasehold property	-	-	523,290	373,790	-	-	-	-	-	-	-	-	1,381	1,381	524,671	375,171
Gratuity provision and related costs	13,906	17,610	69,846	72,201	4,089	3,597	60,708	57,539	35,631	54,065	12,243	10,397	40,437	29,259	236,860	244,668
Derecognition and impairment losses	-	-	25,575	13,105	-	33,800	-	2,784	-	-	4,063	-	-	-	29,638	49,689
Amortisation of other Deferred liabilities	-	-	325	325	-	-	-	-	-	-	-	-	187	187	512	512

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

## NOTES TO THE FINANCIAL STATEMENTS

In Rs.'000s	Sri Lanka		Asia (excluding Sri Lanka)		Others		Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>33.3 Secondary segments (geographical segments, based on the location of assets)</b>								
Segment assets	104,095,486	84,318,439	23,124,315	20,548,758	793,072	875,190	128,012,873	105,742,387
Segment liabilities	49,887,769	39,094,439	14,864,983	14,533,330	649,718	657,088	65,402,470	54,284,857
Investment in associates	15,237,673	13,646,088	454,935	1,024,147	-	-	15,692,608	14,670,235
Segment revenue	70,011,436	55,076,252	8,243,026	6,649,939	126,962	229,351	78,381,424	61,955,542
Segment results	7,966,280	4,730,717	1,771,142	1,195,937	(30,702)	6,536	9,706,720	5,933,190
Purchase and construction of property, plant and equipment	5,501,020	4,507,453	372,964	467,360	16,770	2,939	5,890,754	4,977,752
Addition to intangible assets	35,431	102,955	-	-	-	11,799	35,431	114,754
Depreciation of property, plant and equipment	1,590,930	1,385,954	268,670	312,749	3,477	1,392	1,863,077	1,700,095
Amortisation of intangible assets	246,830	222,168	-	-	-	11,855	246,830	234,023
Amortisation of leasehold property	17,192	17,192	507,479	357,979	-	-	524,671	375,171
Gratuity provision and related costs	211,389	243,045	23,045	1,209	2,426	414	236,860	244,668
Derecognition and impairment losses	29,638	46,905	-	2,784	-	-	29,638	49,689
Amortisation of other deferred liabilities	512	512	-	-	-	-	512	512

**34 RELATED PARTY TRANSACTIONS**

The 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.

For the year ended 31st March In Rs.'000s	Note	Group		Company	
		2012	2011	2012	2011
<b>34.1 Amounts due from related parties</b>					
Subsidiaries	34.3	-	-	532,451	611,884
Joint ventures		7,669	7,564	-	-
Associates		3,046	10,956	530	189
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		10,715	18,520	532,981	612,073
<b>34.2 Amounts due to related parties</b>					
Subsidiaries	34.3	-	-	6,926	9,274
Joint ventures		-	-	-	-
Associates		1,650	2,237	-	-
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		1,650	2,237	6,926	9,274

As at 31st March In Rs.'000s	Company			
	Amounts due from		Amounts due to	
	2012	2011	2012	2011
<b>34.3 Subsidiaries</b>				
Asian Hotels and Properties PLC.	528	2,235	-	-
Beruwala Holiday Resorts (Pvt) Ltd.	219	81	-	-
British Overseas ( Pvt) Ltd.	1,255	-	-	-
Ceylon Cold Stores PLC.	8,282	4,353	-	-
Ceylon Holiday Resorts Ltd.	553	539	-	-
DHL Keells (Pvt) Ltd.	4,062	21,919	-	-
Facets (Pvt) Ltd.	32	-	-	-
Fantasea World Investments (Pte) Ltd.	34	30	-	-
Habarana Lodge Ltd.	470	497	-	-
Habarana Walk Inn Ltd.	408	452	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd.	319	3,400	-	-
InfoMate (Pvt) Ltd.	1,867	5,399	-	-
JayKay Marketing Services (Pvt) Ltd.	16,262	20,038	-	-
John Keells Air Services (Pvt) Ltd.	396	396	-	-
John Keells BPO Holdings (Pvt) Ltd.	2,743	-	-	-
John Keells BPO Solutions India (Pvt) Ltd.	515	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd.	333	352	-	-
John Keells Computer Services (Pvt) Ltd.	1,275	-	-	303
John Keells Hotels PLC.	-	205	-	-
John Keells International (Pvt) Ltd.	673	3,578	-	-
John Keells Logistics (Pvt) Ltd.	735	976	-	-
John Keells Logistics India (Pvt) Ltd.	7,167	4,692	-	-
John Keells Logistics Lanka (Pvt) Ltd.	1,522	1,537	-	-
John Keells Maldivian Resorts (Pte) Ltd.	814	146	-	-
John Keells Office Automation (Pvt) Ltd.	1,999	1,729	-	-
John Keells PLC.	-	-	5,933	5,570
John Keells Properties (Pvt) Ltd.	-	59	641	-
John Keells Properties Ja - Ela (Pvt) Ltd.	729	-	-	-
John Keells Residential Properties (Pvt) Ltd.	440	-	-	3,094
John Keells Teas Ltd.	37	498	-	-
John Keells Warehousing (Pvt) Ltd.	261	263	-	-
Kandy Walk Inn Ltd.	360	419	-	-
Keells Consultants (Pvt) Ltd.	-	-	352	307
Keells Food Products PLC.	2,214	2,238	-	-
Keells Hotel Management Services Ltd.	7,286	1,406	-	-
Keells Realtors Ltd.	8	221	-	-
Lanka Marine Services Ltd.	7,195	2,857	-	-
Mack Air (Pvt) Ltd.	1,442	1,763	-	-
Mack Air Services Maldives (Pte) Ltd.	398	48	-	-
Mackinnon & Keells Financial Services Ltd.	1,921	4,104	-	-
Mackinnon Mackenzie and Company (Shipping) Ltd.	92	46	-	-
Mackinnon Mackenzie and Company of Ceylon Ltd.	31	7	-	-
Mackinnons Travels (Pvt) Ltd.	986	207	-	-
Nation Trust Bank PLC.	221	-	-	-
Nexus Networks (Pvt) Ltd.	221	15	-	-
Serene Holidays (Pvt) Ltd.	690	362	-	-
South Asia Gateway Terminal (Pvt) Ltd.	309	189	-	-
Tea Smallholder Factories PLC.	190	74	-	-
Tranquility (Pte) Ltd.	168	52	-	-
Trans Asia Hotels PLC.	2,472	1,917	-	-
Transware Logistics (Pvt) Ltd.	167	35	-	-
Travel Club (Pte) Ltd.	25	72	-	-
Trinco Holiday Resorts (Pvt) Ltd.	2,186	1,972	-	-

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	Company			
	Amounts due from		Amounts due to	
	2012	2011	2012	2011
<b>34.3 Subsidiaries</b>				
Union Assurance PLC.	8,610	915	-	-
Walkers Tours Ltd.	1,328	2,119	-	-
Whittall Boustead (Pvt) Ltd.	2,131	1,225	-	-
Whittall Boustead (Travel) Ltd.	74	13	-	-
Yala Village (Pvt) Ltd.	367	1,705	-	-
<b>Loans - Current</b>				
British Overseas ( Pvt) Ltd.	31,000	-	-	-
JayKay Marketing Services (Pvt) Ltd.	147,000	164,164	-	-
John Keells International (Pvt) Ltd.	-	15,000	-	-
John Keells Properties (Pvt) Ltd.	-	3,003	-	-
John Keells Properties Ja-ela (Pvt) Ltd.	15,000	-	-	-
Keells Food Products PLC.	-	81,902	-	-
Trinco Holiday Resorts (Pvt) Ltd.	82,500	82,500	-	-
Whittall Boustead (Pvt) Ltd.	162,459	168,149	-	-
	532,981	612,073	6,926	9,274
<b>Loans - Non-current</b>				
Mackinnon & Keells Financial Services (Pvt) Ltd.	155,641	189,641	-	-
Transware Logistics ( Pvt ) Ltd.	18,000	18,000	-	-
	173,641	207,641	-	-

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>34.4 Transactions with related parties</b>				
<b>Subsidiaries</b>				
(Purchases) / Sales of goods	-	-	(4,079)	(4,372)
(Receiving) / Rendering of services	34.5	-	(451,716)	412,761
Loans given	34.5	-	642,940	391,995
Interest received / (Interest paid)	-	-	59,883	42,970
(Rent received) / Rent paid	-	-	(49,016)	(23,907)
(Guarantees received) / Guarantees paid	-	-	-	690
<b>Joint Ventures</b>				
(Receiving) / Rendering of services	20,836	14,010	-	-
<b>Associates</b>				
(Purchases) / Sales of goods	616	3,788	-	-
(Receiving) / Rendering of services	104,945	33,346	(2,604)	(2,972)
Interest received / (Interest paid)	34.6	356,387	101,936	369,371
Loans taken	-	-	-	-
Leases taken	(3,114)	(2,921)	-	-
<b>Key management personnel</b>				
(Receiving) / Rendering of services	-	-	-	-
<b>Close family members of KMP</b>				
(Receiving) / Rendering of services	-	-	-	-
<b>Post employment benefit plan</b>				
Contributions to the provident fund	197,340	182,258	-	35,877

As at 31st March In Rs.'000s	Company	
	2012	2011
<b>34.5 Transactions with related parties - Subsidiaries</b>		
<b>(Receiving) / Rendering of services</b>		
Asian Hotels & Properties PLC.	19,241	17,875
Ceylon Cold Stores PLC.	40,278	31,291
DHL Keells (Pvt) Ltd.	111,357	112,449
InfoMate (Pvt) Ltd.	14,620	12,693
JayKay Marketing Services (Pvt) Ltd.	28,081	41,983
John Keells Office Automation (Pvt) Ltd.	15,263	11,803
John Keells PLC.	15,232	14,460
Keells Food Products PLC.	16,878	14,548
Keells Hotel Management Services Ltd.	58,019	49,305
Union Assurance PLC.	19,137	2,382
Walker Tours Ltd.	18,371	15,813
Other subsidiaries	95,239	88,159
	<b>451,716</b>	<b>412,761</b>
<b>Loans given</b>		
British Overseas ( Pvt) Ltd.	31,000	-
JK Properties Ja - Ela (Pvt) Ltd.	537,631	-
John Keells Properties (Pvt) Ltd.	5,000	3,003
Keells Food Products PLC.	-	36,902
Mackinnon & Keells Financial Services Ltd.	-	72,641
Whittall Boustead (Pvt) Ltd.	69,309	279,449
	<b>642,940</b>	<b>391,995</b>

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
<b>34.6 Transactions with related parties - Associates</b>				
Interest received / (Interest paid)				
Nations Trust Bank PLC.	140,200	356,387	101,936	369,371

The company and group held interest bearing deposits of Rs.2,430 mn and Rs.5,547 mn respectively, at Nations Trust Bank PLC as at 31 March 2012.

### 34.7 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

### 34.8 Compensation of key management personnel

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

For the year ended 31st March In Rs.'000s	Group		Company	
	2012	2011	2012	2011
Short-term employee benefits	309,079	205,132	141,615	86,521
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>309,079</b>	<b>205,132</b>	<b>141,615</b>	<b>86,521</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

As at 31 March 2012, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

1,082,666 Ordinary Shares at a price of Rs.109.50 each, exercisable before 27-5-2012

1,769,399 Ordinary Shares at a price of Rs.90.00 each, exercisable before 24-3-2013

1,422,213 Ordinary Shares at a price of Rs.120.19 each, exercisable before 16-12-2014

1,090,351 Ordinary Shares at a price of Rs.219.00 each, exercisable before 8-12-2015

1,103,584 Ordinary Shares at a price of Rs.172.10 each, exercisable before 6-12-2016

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

### 35 CONTINGENT LIABILITIES

#### 35.1 JOHN KEELLS HOLDINGS PLC (JKH)

The contingent liability of JKH as at 31 March 2012, relates to the following;

- **GST & VAT Assessments for the year of assessment 2002/03 -**

The company has filed appeals against these assessments and these are currently pending with the Board of Review of the Department of Inland Revenue and Court of Appeal respectively.

- **Income tax assessment relating to year of assessment 2006/07 -**

The company has filed an appeal against this assessment and is currently pending with the Tax Appeal Commission of Department of Inland Revenue.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2012 is estimated at Rs.123 mn.

#### 35.2 LANKA MARINE SERVICES (PVT) LIMITED (LMS)

The contingent liability of LMS as at 31 March 2012, relates to the following;

- **Post privatisation turnover tax levied by the Western Provincial Council -**

The company has disputed this on the basis that its business activity is that of an export. An appeal has been made by the company to the Western Provincial Council.

- **Income tax assessment relating to year of assessment 2001/02 -**

Assessment was received by the company based on normal tax rates. The company has appealed against this assessment on the grounds that the sale of bunker to foreign ships is an export, which is liable to concessionary rates of taxes, but this has been disputed by the Department of Inland Revenue. The appeal made by the company is currently with the Court of Appeal of Sri Lanka.

- **Income tax assessments relating to years of assessments 2005/06, 2006/07 and 2007/08 -**

Assessments were received in August 2008 and October 2009 consequent to the Supreme Court judgement, whereby the original BOI concessions granted were annulled. Although the assessments were based on normal tax rates the company computed and paid income taxes at concessionary rates of taxes, based on opinions from independent legal counsel and tax consultants, that the supply of bunkers to foreign vessels is an export and therefore eligible to concessionary rates of taxes as provided in the Inland Revenue Act. Appeals have been lodged against the balance taxes assessed and penalties charged by the Inland Revenue. The appeals made by the company for 2005/06 and 2006/07 were referred to the Board of Review and have now been transferred to the Tax Appeals Commission.

- **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 were referred to the Board of Review and will now be transferred to the Tax Appeals Commission.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2012 is estimated at Rs.727mn.

**36 CAPITAL AND OTHER COMMITMENTS**

Capital commitments approved and contracted as at the balance sheet date, but not provided for in the financial statements amounted to Rs.1,147 mn (2011 - Rs.4,391 mn) and Rs.192 mn (2011 - Rs.451 mn) for the group and company respectively.

Other commitments for the group relating to guarantees and forward exchange contracts amounted to Rs.532 mn (2011 - Rs.1,231 mn).

For the year ended 31st March In Rs.'000s	2012	Group 2011
<b>37 LEASE COMMITMENTS</b>		
Lease rentals due on non-cancellable operating leases;		
Within one year	364,865	313,263
Between one and five years	1,483,940	1,254,877
After five years	3,457,704	1,954,333
	5,306,509	3,522,473

Company	Lessor	Leased properties
<b>37.1 Details of leases</b>		
Ceylon Cold Stores PLC.	Colombo Divisional Secretariat	Land occupied.
Ceylon Holiday Resorts Ltd.	Sri Lanka Tourist board	Land occupied.
Hikkaduwa Holiday Resorts (Pvt) Ltd.	Sri Lanka Tourist board	Land occupied.
Fantasea World Investment (Pte) Ltd.	Government of Maldives	Land occupied.
Habarana Lodge Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Habarana Walk Inn Ltd.	Kekirawa Divisional Secretariat	Land occupied.
Jaykay Marketing Services (Pvt) Ltd.	R.J. S. Exports (Pvt) Ltd. / Mr. Ramesh Abeywardena	Land occupied.
Travel Club (Pte) Ltd.	Government of Maldives and a sub lease with Ellaidhoo Investments (Pte) Ltd.	Land occupied.
Tranquility (Pte) Ltd.	Government of Maldives	Land occupied.
Yala Village ( Pvt) Ltd.	Sri Lanka Tourist board	Land occupied.

**36.2** Extent of lease hold land is given in the group real estate portfolio in the supplementary section of the annual report.

**37 ASSETS PLEDGED**

Assets pledged for facilities obtained is given in note 17.3 to the financial statements.

**38 POST BALANCE SHEET EVENTS**

The Board of Directors of the company has declared a final dividend of Rs.1.50 per share for the financial year ended 31 March 2012. 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 15 June 2012.

In accordance with the Sri Lanka Accounting Standard 12 (Revised 2005), Events after the balance sheet date, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2012.

# ECONOMIC VALUE STATEMENT

For the year ended 31st March In Rs. Millions	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services		Information Technology		Others		Total Group Total		Eliminations/ Adjustments		Group Total		%	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011		2012
<b>Direct economic value generated</b>																						
Revenue	17,768	13,775	19,295	15,294	4,033	2,707	22,455	18,868	8,022	6,589	6,244	3,336	2,814	3,341	80,631	63,910	(3,931)	(3,410)	76,700	60,500	89.98	86.70
Interest income	102	72	444	488	53	29	16	10	1,898	1,712	7	6	606	775	3,126	3,092	(355)	(344)	2,771	2,748	3.25	3.94
Dividend income	1	5	741	263	93	81	-	-	25	17	-	-	4,694	3,571	5,554	3,937	(5,450)	(3,874)	104	63	0.12	0.09
Share of results of associates	2,269	2,140	-	-	-	-	-	-	661	607	(26)	(23)	(44)	(83)	2,860	2,641	-	-	2,860	2,641	3.36	3.78
Profit on sale of assets & other income	282	220	276	136	86	56	593	380	236	633	112	50	(74)	2,423	1,511	3,898	(125)	(531)	1,386	3,367	1.63	4.82
Valuation gain on IP	-	-	100	230	1,507	1,126	1,107	-	-	-	-	-	-	23	2,714	1,379	(1,301)	(911)	1,413	468	1.66	0.67
	20,422	16,212	20,856	16,411	5,772	3,999	24,171	19,258	10,842	9,558	6,337	3,369	7,996	10,050	96,396	78,857	(11,162)	(9,070)	85,234	69,787	100.00	100.00
<b>Economic value distributed</b>																						
Operating costs	16,191	12,509	10,412	8,526	3,028	1,750	17,371	15,490	7,198	6,828	4,760	3,008	2,220	2,310	61,180	50,421	(2,065)	(2,915)	59,115	47,506	69.35	68.07
Employee wages & benefits	559	509	2,378	2,266	154	140	2,088	1,891	997	921	1,191	513	724	633	8,091	6,873	-	-	8,091	6,873	9.49	9.85
Payments to providers of funds	758	157	3,021	1,734	671	315	628	238	614	578	68	10	2,851	2,708	8,611	5,740	(4,333)	(2,258)	4,278	3,462	5.02	4.99
Payments to government	225	194	1,037	837	57	67	1,241	1,149	801	558	125	127	109	262	3,595	3,194	-	-	3,595	3,194	4.22	4.58
Community investments	3	2	15	9	2	1	7	7	1	2	3	1	28	24	59	46	-	-	59	46	0.07	0.07
	17,736	13,371	16,863	13,372	3,912	2,273	21,335	18,775	9,611	8,887	6,147	3,659	5,932	5,937	81,536	66,274	(6,398)	(5,173)	75,138	61,101	88.15	87.56
<b>Economic value retained</b>																						
Depreciation	94	124	838	838	10	10	547	440	136	116	115	39	123	133	1,863	1,700	-	-	1,863	1,700	2.19	2.30
Amortisation	12	14	523	374	-	-	11	-	187	187	22	21	16	13	771	609	-	-	771	609	1	1
Profit after dividends	2,580	2,703	2,631	1,827	1,950	1,716	2,278	43	908	368	53	(350)	1,925	3,967	12,225	10,274	(4,764)	(3,897)	7,461	6,377	8.75	9.14
Retained for reinvestment / growth	2,686	2,841	3,992	3,039	1,960	1,726	2,836	483	1,231	671	190	(290)	2,064	4,113	14,859	12,583	(4,764)	(3,897)	10,095	8,686	11.94	12.44

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# Purpose Clarified

Appendices and  
supplementary information

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SUPPLEMENTARY  
INFORMATION

# HISTORY OF THE JOHN KEELLS GROUP

## 1870

The foundation was laid for the corporate journey of John Keells Holdings, when two English brothers, George and Edwin John set up E. John & Co., a firm of produce and exchange brokers.

## 1948

The firm merged with two London based tea brokers, William Jas and Hy Thompson & Co., and GeoWhite & Co., thereby evolving into a private liability company in the name of E. John, Thompson, White & Company Ltd.

## 1960

Ever more enthusiastic to expand its activities, the firm amalgamated with Keell and Waldock Ltd., another long established produce, share and freight broking company, thus changing its name to John Keell Thompson White Ltd.

## 1973

The company acquired a controlling stake in Walkers Tours and Travels (Ceylon) Ltd., one of the country's leading inbound tour operators.

## 1974

The firm became a rupee quoted public company and took the name of John Keells Ltd.

## 1986

A newly incorporated John Keells Holdings Ltd. (JKH) acquired a controlling stake in John Keells Limited and obtained a quotation on the Colombo Stock Exchange (CSE) amidst a heavily over-subscribed public share issue.

## 1991

JKH was involved in the biggest ever deal at the time, when Whittalls group of companies was acquired thus gaining controlling stakes in Ceylon Cold Stores (CCS) (the country's leading producer of carbonated soft drinks and ice cream), Ceylon Holiday Resorts

(owner of Bentota Beach Hotel and Coral Gardens Hotel) and a stake in Union Assurance (UA).

## 1994

JKH became the first Sri Lankan company to obtain a listing abroad, and issued Global Depository Receipts (GDRs) that were quoted on the Luxembourg Stock Exchange.

## 1996

Velidhu Resort Hotel, an 80-roomed island resort in the Maldives, was acquired making it JKH's first major overseas investment.

## 1999

Nations Trust Bank (NTB) was established in a joint venture with the IFC and Central Finance Co. Ltd. Fortune magazine named JKH "One of the ten best Asian stocks to buy". South Asia Gateway Terminals (SAGT), the largest private sector investment in Sri Lanka at that time commenced operations to own, operate and develop the Queen Elizabeth Quay at the port of Colombo.

## 2000

JKH was rated among the best 300 small companies in the world by Forbes Global magazine. JKH also became the first company in Sri Lanka to obtain the SL AAA rating from Fitch Rating Ltd. JKH was admitted as a full member of the World Economic Forum.

## DECADE AT A GLANCE 2003 - 2004

In the largest ever transaction on the CSE at that time, JKH acquired Asian Hotels & Properties, an acquisition that brought with it 40 per cent of the five star room capacity in Colombo. The Group sold its 50 per cent stake in RPK Management Services (Pvt) Ltd (its Plantations management company).

## 2004 - 2005

John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. JKH acquired a controlling stake in Mercantile Leasing Limited (MLL). The John Keells Social Responsibility Foundation, the Group's CSR arm, was established as a charitable company and registered as a voluntary social service organisation.

## 2005 - 2006

The Group entered into a MOU to develop a third resort in the Maldives on Alidhoo Island. JKH acquired 80 per cent of Yala Village Hotel. With the sale of Keells Plantations, the Group exited from the ownership of plantations. JKH entered into the BPO space through a joint venture with Raman Roy Associates. The Group also launched its new hotel brands 'Cinnamon Hotels & Resorts' and 'Chaaya Hotels & Resorts'. NTB merged with Mercantile Leasing Limited.

## 2006 - 2007

The Group acquired a lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives. Furthermore, JKH acquired 20 per cent of Associated Motorways PLC (AMW). JKH increased its stake in SAGT by 7.5 per cent to 33.75 per cent. The Group exited its restaurant businesses with the sale of majority stakes in Keells Restaurants (Pvt) Limited and Crescat Restaurants (Pvt) Limited. John Keells Holdings Ltd was renamed as John Keells Holdings PLC.

## 2007 - 2008

The Group's first 'Cinnamon' resort in the Maldives, 'Cinnamon Island Alidhoo', commenced operations. The lease held by the Group in the Velidhu Island of the Maldives, expired. The International Finance Corporation (IFC), a member of the World Bank group, signed a

long term funding arrangement amounting to USD 75 million to support the Group's expansion plans. 74 per cent stake Keells Business Systems Ltd was divested.

## 2008 - 2009

JKH acquired a further 8.44 per cent in SAGT and also increased stakes in UA, CCS, John Keells PLC and Keells Food Products PLC. The privatisation of LMS was declared null and void as per judgement delivered by the Supreme Court. The stake in AMW was divested. Acquired a 44 per cent stake in Quattro Finance & Accounting Solutions.

## 2009 - 2010

The market capitalization exceeded USD 1 billion. JKH was ranked first by the Business Today magazine's 'Top 10' award. TransAsia 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. Ceylon Cold Stores added "KIK" as its cola brand in its portfolio of soft drinks. JKH's property arm launched the 'Onthre20' apartment complex in Colombo.

## 2011 - 2012

Please refer the 'Operating highlights and significant events' section

# DECADE AT A GLANCE

31st March <i>Rs. Millions</i>	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>OPERATING RESULTS</b>										
Group revenue	76,700	60,500	47,980	41,023	41,805	32,855	29,463	23,232	22,285	16,784
EBIT	13,581	11,425	7,908	7,986	8,197	6,115	4,850	3,569	3,458	1,311
Finance expense	(671)	(796)	(1,370)	(1,695)	(1,618)	(1,314)	(525)	(404)	(458)	(329)
Share of results of associates	2,860	2,641	2,556	2,340	2,243	1,701	958	833	703	451
Profit before tax	12,910	10,629	6,538	6,291	6,579	4,801	4,325	3,165	2,393	937
Tax expense	(1,842)	(1,566)	(986)	(1,326)	(1,054)	(852)	(819)	(645)	(286)	(316)
Profit after tax	11,068	9,063	5,552	4,965	5,525	3,949	3,506	2,520	2,107	621
Extra-ordinary item	-	-	-	-	-	-	-	185	-	-
Profit for the year	11,068	9,063	5,552	4,965	5,525	3,949	3,506	2,705	2,107	621
Attributable to:										
Equity holders of the parent	9,775	8,245	5,201	4,733	5,119	3,540	3,064	2,291	1,905	452
Minority interest	1,293	818	351	232	406	409	442	414	202	169
	11,068	9,063	5,552	4,965	5,525	3,949	3,506	2,705	2,107	621
<b>CAPITAL EMPLOYED</b>										
Stated capital	25,111	24,612	23,322	22,525	22,464	22,246	9,205	9,095	9,005	2,794
Capital reserves	12,904	9,560	7,574	7,437	6,019	3,137	2,815	2,115	1,892	1,938
Revenue reserves	33,161	25,415	18,936	15,545	14,914	13,087	10,011	6,686	5,545	4,281
	71,176	59,587	49,832	45,507	43,397	38,470	22,031	17,896	16,442	9,013
Minority interest	8,865	7,608	6,430	4,960	4,770	3,696	3,630	3,712	4,936	2,057
Total equity	80,041	67,195	56,262	50,467	48,167	42,166	25,661	21,608	21,378	11,070
Total debt	20,068	14,641	17,453	21,596	12,667	15,363	5,327	9,105	4,056	4,121
	100,109	81,836	73,715	72,063	60,834	57,529	30,988	30,713	25,434	15,191
<b>ASSETS EMPLOYED</b>										
Property, plant and equipment (PP&E)	34,290	28,628	29,989	29,965	28,381	19,688	18,423	19,299	18,103	9,444
Non-current assets other than PP&E	52,259	47,436	34,104	33,456	19,128	17,730	8,850	6,033	3,649	3,719
Current assets	47,389	34,228	34,566	28,718	23,440	27,759	11,478	13,589	9,798	6,134
Liabilities net of debt	(33,830)	(28,456)	(24,944)	(20,076)	(10,115)	(7,648)	(7,763)	(8,208)	(6,116)	(4,106)
	100,109	81,836	73,715	72,063	60,834	57,529	30,988	30,713	25,434	15,191
<b>CASH FLOW</b>										
Net cash flows from operating activities	16,476	8,501	9,485	4,146	6,914	2,523	2,664	4,620	3,138	1,891
Net cash flows from / (used in) investing activities	(9,003)	(4,469)	(5,823)	(3,972)	(4,359)	(10,088)	(2,848)	(4,482)	(6,746)	(2,002)
Net cash flows from / (used in) financing activities	496	(6,791)	(636)	2,332	(6,262)	18,422	(1,027)	271	5,414	(31)
Net increase / (decrease) in cash and cash equivalents	7,969	(2,759)	3,026	2,506	(3,707)	10,857	(1,211)	409	1,806	(142)
<b>KEY INDICATORS</b>										
Basic earnings per share (Rs.)	11.6	9.9	6.3	5.7	6.1	4.5	4.0	3.0	2.6	0.6
Interest cover (no. of times)	20.0	14.0	5.8	4.7	5.1	4.7	9.2	8.8	7.6	4.0
Net assets per share (Rs.)	84.32	70.59	59.03	53.91	51.41	45.57	27.02	18.42	57.41	52.30
Enterprise value	165,195	175,672	109,548	42,815	76,713	95,962	64,389	47,222	33,578	15,841
EV / EBITDA	10.0	13.1	10.9	4.3	7.8	13.0	10.7	10.0	9.1	5.5
Debt / equity ratio (%)	25.1	21.8	31.0	42.8	26.3	36.4	20.8	29.0	18.3	34.7
Dividend payout (Rs. millions)	2,314	1,869	1,844	1,883	3,176	1,412	1,197	1,075	726	342
Current ratio (no. of times)	2.0	1.8	1.8	2.1	1.8	1.9	1.2	1.2	1.6	1.2
Market price per share unadjusted (Rs.)	206.0	285.6	184.0	62.8	119.8	155.0	157.8	137.5	111.0	70.8
Market price per share diluted (Rs.)	206.0	214.2	138.0	47.1	89.1	115.3	85.1	61.8	45.4	29.0

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## Balance sheet For information purposes only

As at 31st March In USD '000s	Group		Company	
	2012	2011	2012	2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	267,682	259,310	699	666
Leasehold property	80,264	86,192	-	-
Investment property	59,575	48,788	-	-
Intangible assets	20,606	23,840	376	396
Investments in subsidiaries and joint ventures	40	46	192,539	212,700
Investments in associates	122,503	132,883	74,048	83,855
Other investments	96,635	106,816	12,354	5,270
Deferred tax assets	1,011	1,837	-	491
Other non-current assets	27,322	29,270	1,786	2,342
	675,638	688,982	281,802	305,720
<b>Current assets</b>				
Inventories	34,132	28,475	-	7
Trade and other receivables	109,070	109,349	6,752	5,335
Amounts due from related parties	84	168	4,161	5,544
Short term investments	193,341	152,908	78,862	91,225
Cash in hand and at bank	33,311	19,136	3,548	176
	369,938	310,036	93,323	102,287
<b>Total assets</b>	<b>1,045,576</b>	<b>999,018</b>	<b>375,125</b>	<b>408,007</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Stated capital	196,023	222,930	196,023	222,930
Capital reserves	100,734	86,598	-	-
Revenue reserves	258,869	230,206	120,169	121,732
	555,626	539,734	316,192	344,662
<b>Minority interest</b>	69,201	68,915	-	-
<b>Total equity</b>	<b>624,827</b>	<b>608,649</b>	<b>316,192</b>	<b>344,662</b>
<b>Non-current liabilities</b>				
Insurance provisions	115,103	114,697	-	-
Non-interest bearing borrowings	141	163	-	-
Interest bearing borrowings	95,897	75,657	40,000	50,000
Deferred tax liabilities	5,527	5,869	-	-
Employee benefit liabilities	10,712	11,011	990	949
Other deferred liabilities	28	38	-	-
Other non-current liabilities	6,041	6,766	-	-
	233,449	214,201	40,990	50,949
<b>Current liabilities</b>				
Trade and other payables	120,203	112,134	2,588	1,999
Amounts due to related parties	13	20	54	84
Income tax liabilities	6,466	7,217	-	-
Short term borrowings	7,877	2,101	-	-
Current portion of interest bearing borrowings	18,804	19,333	10,000	10,000
Dividend payable	-	-	-	-
Bank overdrafts	33,937	35,363	5,301	313
	187,300	176,168	17,943	12,396
<b>Total equity and liabilities</b>	<b>1,045,576</b>	<b>999,018</b>	<b>375,125</b>	<b>408,007</b>
Exchange rate	128.10	110.40	128.10	110.40

**Income statement**  
**For information purposes only**

For the year ended 31st March In USD'000s	2012	Group 2011	2012	Company 2011
<b>Revenue</b>	598,749	548,008	4,498	5,024
Cost of sales	(456,960)	(424,429)	(2,271)	(2,107)
<b>Gross profit</b>	141,789	123,579	2,227	2,917
Dividend income	815	567	35,362	31,711
Other operating income	32,447	55,388	6,118	28,879
Distribution expenses	(20,543)	(21,838)	-	-
Administrative expenses	(61,488)	(65,039)	(5,422)	(5,467)
Other operating expenses	(20,359)	(17,328)	(2,629)	(388)
Finance expenses	(5,237)	(7,211)	(1,606)	(3,437)
Change in fair value of investment property	11,034	4,237	-	-
Share of results of associates	22,327	23,921	-	-
<b>Profit before tax</b>	100,785	96,276	34,050	54,215
Tax expense	(14,378)	(14,183)	(733)	(203)
<b>Profit for the year</b>	86,407	82,093	33,317	54,012
<b>Attributable to:</b>				
Equity holders of the parent	76,309	74,687		
Minority interest	10,098	7,406		
	86,407	82,093		
Exchange rate	128.10	110.40	128.10	110.40

This information does not constitute a full set of financial statements in compliance with SLAS. Exchange rates prevailing at each year end have been used to convert the income statement and balance sheet.

# SRI LANKAN ECONOMY

Summary indicator	Units	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP growth	Per cent	4.0	5.9	5.4	6.2	7.7	6.8	6.0	3.5	8.0	8.3
GDP (current prices)	Rs. billion	1,582	1,822	2,091	2,453	2,939	3,578	4,411	4,835	5,604	6,543
GDP (current prices)	USD billion	16.53	18.88	20.66	24.41	28.27	32.34	40.72	42.07	49.57	59.18
GDP per capita (USD) growth	Per cent	3.4	9.0	8.6	20.5	14.5	13.8	24.6	2.1	14.7	15.5
GDP per capita (market prices)	Rs '000	83.2	94.7	107.4	124.7	147.8	178.8	218.2	236.4	271.3	313.5
GDP per capita (market prices)	USD	870	948	1,030	1,241	1,421	1,617	2,014	2,057	2,400	2,836
Inflation (CCPI- 100=2006) YoY	Per cent									6.2	6.7
Current account balance	USD billion	-0.2	-0.07	-0.6	-0.7	-1.5	-1.4	-1.4	-0.2	-1.1	-4.6
Current account % of GDP	Per cent	-1.4	-0.4	-3.1	-2.7	-5.3	-4.2	-9.5	-0.5	-2.2	-7.8
Population	Million	19.0	19.3	19.5	19.7	19.9	20.0	20.2	20.5	20.7	20.9
Exchange rate (annual average)	Rs/USD	95.7	96.5	101.2	100.5	104.0	110.6	108.3	114.9	113.1	110.57
Exchange rate change (annual average)	Per cent	7.0	0.9	4.8	-0.7	3.4	6.4	-2.1	6.1	-1.6	-2.2
12m T-Bill yield (yr-end)	Per cent	9.9	8.0	7.7	10.4	13.0	20.0	19.12	9.33	7.55	9.31
Prime lending rate (yr-end)	Per cent	12.2	9.3	10.2	12.2	15.2	18.0	18.5	10.91	9.27	10.49
M2b money supply growth	Per cent	13.4	15.3	19.6	19.1	17.8	16.6	8.5	18.6	15.8	19.1
Exports	USD billion	4.7	5.1	5.8	6.3	6.7	7.7	8.1	7.1	8.6	10.6
Imports	USD billion	6.1	6.7	8.0	8.9	10.3	11.3	14.1	10.2	13.5	20.3
Balance of payments	Per cent of GDP	2.0	2.7	-1.0	2.1	0.7	1.6	-3.5	6.5	1.9	-1.9
Budget deficit	Per cent of GDP	-8.5	-7.3	-7.5	-7.0	-7.0	-6.9	-7.0	-9.9	-8.0	-6.9
Unemployment rate	Per cent	8.8	8.4	8.3	7.2	6.5	6.0	5.4	5.8	4.9	4.2
All share index (yr-end)	Points	815	1,062	1,507	1,922	2,722	2,541	1,503	3,386	6,636	6,074
Tourist arrivals	No.'000	393	501	566	549	560	494	438.5	447.9	654.5	856.0

GDP growth for 2011 came in at a strong 8.3%. However in the first few months of 2012, some major policy changes to reduce growth and aggregate demand were taken by the Central Bank. This was done due to a need to reduce imbalances in the country's balance of payments (BOP). A low interest rate environment helped accelerate imports in 2011 and this coupled with a sharp rise in oil imports led to the trade deficit widening sharply. While capital inflows were healthy, they were not sufficient to bridge the current account deficit. As a result, the year ended with an overall balance of payments deficit of US\$ 1,061 mn compared to a surplus of US\$ 921 mn earlier.

In the first few months of 2012, the Central Bank sharply reduced intervention to set the currency direction and let the Rupee float freely. This caused the Rupee to fall sharply in early 2012, but the change in policy arrested the loss in foreign reserves that had been seen as a result of the previous intervention. Monetary policy was tightened while the Government raised energy prices significantly. As a result of these actions, the Central Bank revised down its growth forecast for 2012 from a previous 8% to 7.2%. Inflation remained well contained for most of the year, responding to strong domestic supply and a drop in global commodity price levels.

While growth in 2012 will be slower, the longer term outlook for exports has

improved. This could help lead to a greater reliance on export led growth in the longer term. Some downside risks related to the uncertainty associated with oil prices exist. The global investment climate will also need to be favourable to bring in much needed long term foreign capital to the country.

The balance of payments will benefit from an expected reduction in imports of durable consumer goods, with a rise in import taxes and duties helping to contain demand for these goods. Remittances continued to improve in 2011 helping mitigate BOP pressures, and is expected that there will be a continuation of remittances growth in 2012.

Tourism income rose from Rs. 65bn in 2010 to Rs. 92bn in 2011, a 41% increase. This inflow on account of tourism will increasingly be important toward determining the overall BOP performance.

#### The year that was

The GDP growth for the full year of 2011 came in at 8.3%. The three major sub sectors of GDP; agriculture, industry and services recorded growth rates of 1.5%, 10.3% and 8.6% respectively.

The agriculture sector's growth stabilised after the spurt experienced in 2010. Production from newly cultivated areas continued. Tea exports contracted slightly (by 0.9%) while significant improvement was seen

in the fisheries sector as production increased by 15.5%. Growth in the industrial sector was driven by significant increases in mining and quarrying which increased by 18.5% in 2011. Construction also was a key contributor growing at 14.2% while the textile exports grew at 13.5%. The service sector, which accounts for the largest share of the GDP, maintained its growth, growing at 8.6%, up from last year's growth of 8%. Within the service sector, wholesale and retail trade grew at 10.3%, transport and communication grew at 11.3% and banking, insurance and real estate grew at 7.9%. The biggest contributor to growth in the service sector was the subcategory of hotels and restaurants which grew at a significant 26.4%.

With the increase in economic activity, aggregate consumption increased in real terms by 22.4% in 2011 from 14% in 2010. But growth in investment in real terms reduced to 26.7% as compared to 30.8% in 2010. While aggregate investment increased as a percentage of GDP to 29.9% in 2011 from 27.6% in 2010, domestic savings have reduced as a percentage of GDP to 15.4% in 2011 from 19.3% in the previous year.

Inflation averaged 7.4% in the first three quarters of 2011, but then dropped in the last quarter. Increased domestic supply and lower global commodity prices helped reduce price levels in the local market. Inflation for the months of October, November and

December was 5.7%, 4.7% and 4.9% respectively.

The repurchase rate (repo) was cut by 25 basis points to 7% in January 2011 and maintained until the end of the year. However, the relaxed monetary policy environment resulted in cheap credit boosting import expenditures and threatening the overall balance of payments. In February 2012, the rate was increased by a further 50 basis points to 7.5%. Rates were raised again by 25 basis points on 5th April to 7.75%.

Export earnings increased by 22.5% led by agriculture and industrial products (primarily textiles). Total imports increased by 51% with sharp increases seen in all categories. This resulted in the trade gap increasing by 101.2%.

There was an improvement in the overall fiscal situation in the country with the budget deficit reducing to 6.9% of GDP from 8% in 2010. Expenditure and net lending declined from 22.9% of GDP in 2010 to 21.4% of GDP in 2011, lower than the original target envisaged by the Central Bank for the year. Revenues reduced from 14.9% of GDP in 2010 to 14.5% in 2011.

# GROUP REAL ESTATE PORTFOLIO

Owning company and location	Buildings in (Sq. Ft)	Land in acres		Net book value	
		Freehold	Leasehold	2012 Rs.'000s	2011 Rs.'000s
<b>PROPERTIES IN COLOMBO</b>					
Ceylon Cold Stores PLC.					
Slave Island Complex, Colombo 2.	26,910	4.61	3.72	3,716,094	2,611,792
John Keells PLC.					
130, Glennie Street, Colombo 2.	122,338	1.78	0.58	1,582,311	1,011,500
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	0.08	-	1,250	1,250
John Keells Properties (Pvt) Ltd.					
125, Glennie Street, Colombo 2.	26,550	0.49	-	444,000	283,425
Keells Realtors Ltd.					
427 & 429, Ferguson Road, Colombo 15.	27,750	1.22	-	252,086	232,600
Mackinnon & Keells Financial Services Ltd.					
Leyden Bastian Road, York Street, Colombo 01.	31,656	0.45	-	404,984	333,000
Union Assurance PLC.					
No 20, St. Michaels' Road, Colombo 03.	57,916	0.58	-	782,779	654,560
Whittall Boustead (Pvt) Ltd.					
No.199, Union Place, Colombo 2.	14,014	0.50	-	347,000	247,000
148, Vauxhall Street, Colombo 2.	62,818	3.06	-	1,653,175	1,285,750
JK Office Automation					
No.90, Union Place, Colombo 2.	9,100	-	-	6,709	-
	379,052	12.77	4.30	9,190,388	6,660,877
<b>PROPERTIES OUTSIDE COLOMBO</b>					
Ceylon Cold Stores PLC.					
Kaduwela.	350,346	26.81	-	677,007	537,194
Trincomalee.	23,840	1.09	-	77,004	29,671
John Keells PLC.					
17/1, Temple Road, Ekala, Ja-Ela.	-	2.64	-	84,380	74,000
John Keells Warehousing (Pvt) Ltd.					
Muthurajawela.	141,276	-	6.00	140,222	143,675
Keells Food Products PLC.					
41, Temple Road, Ekala, Ja-Ela.	50,199	3.00	3.26	123,451	124,357
Tea Smallholder Factories PLC.					
Broadlands.	58,063	4.14	-	40,778	39,937
Halwitigala.	56,686	9.60	-	28,434	29,182
Hindul Oya.	10,500	0.88	-	-	1,697
Hingalgoda.	56,796	18.27	-	34,789	35,692
Karawita.	75,745	-	4.98	83,433	86,892
Kurupanawa.	62,401	12.26	-	41,317	37,972
Neluwa.	46,708	4.72	-	31,313	32,132
New Panawenna.	41,772	10.59	-	30,088	29,373
Pasgoda.	40,354	5.41	-	21,930	20,653
Peliyagoda.	31,629	-	0.99	102,000	102,000
Raxawa.	24,623	1.22	-	11,870	11,025

## GROUP REAL ESTATE PORTFOLIO

Owning company and location	Buildings in (Sq. Ft)	Land in acres		Net book value	
		Freehold	Leasehold	2012 Rs.'000s	2011 Rs.'000s
<b>PROPERTIES OUTSIDE COLOMBO</b>					
Trans-ware Logistics (Pvt) Ltd. Tudella, Ja-Ela.	63,670	18.67	-	400,000	363,209
Union Assurance PLC. No 06,Rajapihilla Road, Kurunegala.	27,904	0.20	-	142,000	130,442
JK Properties Ja-Ela (Pvt) Ltd No 525, Colombo Road, Kapuwatta, Ja-Ela.	-	6.60	-	527,615	-
Whittall Boustead Ltd. 150, Badulla Road, Nuwara Eliya.	4,346	0.46	-	69,615	69,711
John Keells BPO Solutions India Private Limited Floor 8, Tower B &C, Building No.6, DLF SEZ Cyber City, Phase III, Gurgaon, Haryana- 122002	48,659	-	-	77,910	-
	1,215,517	126.56	15.23	2,745,156	1,898,814
<b>HOTEL PROPERTIES</b>					
Asian Hotels and Properties PLC. Cinnamon Grand Premises, Colombo 2. Crescat Boulevard, Colombo 2.	648,813	7.82	-	8,105,310	8,170,167
	145,196	-	-	1,632,000	1,332,280
Beruwala Holiday Resorts (Pvt) Ltd. Hotel Bayroo, Beruwala. Beruwala.	-	6.55	-	230,879	230,879
	-	4.72	-	231,801	231,801
Ceylon Holiday Resorts Ltd. Bentota Beach Hotel & Club Inter-sport, Bentota.	267,649	2.10	11.02	517,818	507,304
Fantasea World Investments (Pte) Ltd. Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	150,412	-	13.42	810,843	708,624
Habarana Lodge Ltd. The Lodge, Habarana.	173,764	-	25.47	659,180	673,382
Habarana Walk Inn Ltd. Chaaya Village, Habarana.	121,767	-	9.34	192,716	190,461
Hikkaduwa Holiday Resort (Pvt) Ltd. Coral Gardens Hotel, Hikkaduwa.	233,965	-	4.68	1,275,990	319,340
Kandy Walk Inn Ltd. The Chaaya Citadel, Kandy.	157,131	5.79	-	311,348	314,989
Resort Hotels Ltd. Nilaveli.	4,485	44.37	-	107,900	107,900
Rajawella Hotels Company Ltd. Mahaberiatenna, Kandy.	3,700	-	10.00	35,192	35,585
Trans Asia Hotels PLC. Cinnamon Lake Side, Colombo 2.	426,933	-	7.65	4,230,229	4,058,392
Tranquility (Pte) Ltd. Chaaya Island Dhonveli, Republic of Maldives.	246,358	-	18.62	8,256,604	7,550,432
Travel Club (Pte) Ltd. Chaaya Reef Ellaidhoo, Republic of Maldives.	170,877	-	13.75	1,826,633	1,708,618
Trinco Holiday Resorts (Pvt) Ltd. Chaaya Blu, Trincomalee.	123,974	13.24	-	512,223	510,640
Trinco Walk Inn Ltd. Club Oceanic, Trincomalee.	89,960	14.64	-	250,586	250,586
Wirawila Walk Inn Ltd. Randunukelle Estate, Wirawila.	-	25.15	-	32,555	32,568
Yala Village (Pvt) Ltd. The Village, Yala.	67,330	-	11.00	530,643	241,594
Sentinel Realty Wakare		8.43		15,788	-
	3,032,314	132.81	124.95	29,766,238	27,175,542
Improvements to Keells Super outlets on leased hold properties				251,028	11,558
Consolidated value of Land and Buildings	4,626,883	272.14	144.48	41,952,810	35,746,791

# GROUP DIRECTORY

The holding company of the Group, John Keells Holdings PLC, has business interests spread across six industry groups: namely, Transportation, Leisure, Property, Consumer Foods & Retail, Financial Services, Information Technology and Other, including Plantation Services. The companies within the Group consist of eighty eight subsidiaries and associates, with John Keells Holdings PLC located at 130, Glennie Street, Colombo 2, Sri Lanka. The Group has significant operations and businesses across Sri Lanka, India, and the Maldives. Details of these companies are presented below under each industry group and memberships maintained, certifications and awards of these companies are described later in the Report.

The Group's customer base can be primarily classified into three sections as illustrated below.

Individuals	Businesses and Corporates	Government
Consumer Foods & Retail Property Leisure Financial Services Transportation IT	IT Transportation Leisure Financial Services Plantation Services	IT

In serving these customer segments, the use of outsourced products and services at JKH are limited to activities where it is an industry practice to do so or it has been proven to be an efficient and effective business model versus performing these functions in-house. For example, in the Transportation industry group, certain transportation and loading functions as well as the barge crew and warehousing staff are outsourced to gain maximum efficiency in the respective operations. Similarly, the production and or the packaging of certain products in the Consumer Foods and Retail industry group too are outsourced.

## TRANSPORTATION PORTS AND SHIPPING

### Keells Shipping (Pvt) Ltd (100%)

Shipping agency representation & logistics services

No. 11, York Street, Colombo 1.

☎ 2475200

*Directors:*

S C Ratnayake - Chairman

R M David, J R Gunaratne (appointed w.e.f. 08.08.2011)

J R F Peiris (resigned w.e.f. 08.08.2011)

Stated capital: Rs.500,000

### Mackinnon Mackenzie & Co (Shipping) Ltd (100%)

Shipping agency representation & logistics services

4, Leyden Bastian Road, Colombo 1

☎ 2307526

*Directors:*

S C Ratnayake - Chairman

R M David, J R Gunaratne (appointed w.e.f. 08.08.2011)

J R F Peiris (resigned w.e.f. 08.08.2011)  
Stated capital: Rs.5,000,000

### Maersk Lanka (Pvt) Ltd (30%)\*\*

Shipping agency representation & freight forwarding services  
No. 36, D. R Wijewardene Mawatha Colombo 10.

☎ 0112423700

*Directors:*

W T Ellawala, Dinesh Lal

R M David, Hariharan Iyer

Robert Janvan Trooijen

Rizwan Sultan Ali

Stated capital: Rs.10,000,000

### South Asia Gateway Terminals (Pvt) Ltd (42.19%)\*\*

Ports & shipping services  
Port of Colombo, P.O. Box 141  
Colombo 1.

☎ 2457500

*Directors:*

S C Ratnayake - Chairman

A D Gunewardene, J R F Peiris  
R M David, C Kuo Cheng, H O Madsen  
H G Wieske, Dr S Senerath  
D C Alagarathnam, Capt N Keppetipola  
K N J Balendra, P Sondergaard  
(appointed w.e.f. 01.08.2011)  
P M English (appointed w.e.f. 09.06.2011)  
C Menkhorst (resigned w.e.f. 08.07.2011)  
H M Jepsen (resigned w.e.f. 03.05.2011)  
Stated capital: Rs.3,788,485,900

## LOGISTICS

### DHL Keells (Pvt) Ltd (50%)\*\*

Express courier services  
No. 148, Vauxhall Street  
Colombo 2.

☎ 2304304 / 4798600

*Directors:*

S C Ratnayake - Chairman

R M David, M A Monteiro

G E A P Berczely

Stated capital: Rs.20,000,020

### John Keells Logistics (Pvt) Ltd (100%)

Integrated supply chain & third party logistics solutions

No. 11, York Street

Colombo 1.

☎ 2475200

*Directors:*

S C Ratnayake - Chairman

A.D. Gunawardene, R M David

J R F Peiris (resigned w.e.f. 01.08.2011)

Stated capital: Rs.200,000,000

### John Keells Logistics India (Pvt) Ltd (100%)

Shipping agency representation & freight forwarding & logistics services

No. 172, Third Floor, 2nd Main

Kasturi Nagar, East of NGEF

Bangalore - 560043, India.

☎ +91(080)42040004, 42040005

*Directors:*

S C Ratnayake - Chairman

R M David, R S Fernando

C Hewamallika, J R F Peiris (resigned w.e.f. 15.08.2011)

Stated capital: Rs.299,668,767

### John Keells Logistics Lanka (Pvt) Ltd (100%)

International freight forwarding and clearing & forwarding

No. 11, York Street

Colombo 1.

☎ 2475200

*Directors:*

S C Ratnayake - Chairman

R M David, J R Gunaratne (appointed w.e.f. 08.08.2011)

J R F Peiris (resigned w.e.f. 08.08.2011)

Stated capital: Rs.130,000,000

### Lanka Marine Services (Pvt) Ltd (99.44%)

Importer & supplier of heavy marine fuel oils & lubricants  
4, Leyden Bastian Road  
Colombo 1.

☎ 2475410-421

*Directors:*

S C Ratnayake - Chairman

A D Gunewardene, R M David

R S Fernando, J R F Peiris (resigned w.e.f. 01.08.2011)

Stated capital: Rs.350,000,000

### Mackinnon Mackenzie & Co of Ceylon Ltd (100%)\*

Foreign recruitment agents & consultants

No. 11, York Street

Colombo 1.

☎ 2475200

*Directors:*

S C Ratnayake - Chairman

R M David, J R F Peiris (resigned w.e.f. 01.08.2011)

Stated capital: Rs.90,000

### Trans-ware Logistics (Pvt) Ltd (50%)\*

Integrated container depot operations & logistics services provider

No.150,150/1, Pamunugama Road, Tudella, Ja-Ela.

☎ 2475508/2475538

*Directors:*

S C Ratnayake - Chairman

A D Gunawardene (appointed w.e.f. 01.08.11), R M David, E H Gui

A A Miskon (Alt.N A Latif), J R F Peiris (resigned w.e.f. 01.08.2011)

Stated capital: Rs.220,000,000

### Whittall Boustead (Pvt) Ltd - Cargo Division (100%)

International freight forwarder & logistics services

No.148, Vauxhall Street

Colombo 2.

☎ 2475299

*Directors:*

S C Ratnayake - Chairman

A D Gunewardene, R M David

S Rajendra

Stated capital: Rs.99,304,300

## AIR LINES

### John Keells Air Services India (Pvt) Ltd (100%)

(Formerly known as Matheson Keells Air Services (Pvt) Ltd) General sales agents for airlines in India.

No. 172, Third Floor

2nd Main Kasturi Nagar, East of NGEF

Bangalore - 560043, India.

## GROUP DIRECTORY

☎ +91(080)42040004, 42040005

*Directors:*

S C Ratnayake - Chairman  
R M David, R S Fernando  
C Hewamallika, J R F Peiris (resigned  
w.e.f. 01.08.2011)  
Stated capital: Rs.17,995,097

**Mack Air (Pvt) Ltd (100%)**

General sales agents for airlines in  
Sri Lanka  
No. 11 A, York Street, Colombo 1.  
☎ 2475375/2475335  
*Directors:*  
S C Ratnayake - Chairman  
R M David, C N Lawrence  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.12,500,000

**Mackinnons Travels (Pvt) Ltd (100%)**

IATA accredited travel agent and travel  
related services  
Ceylon Cold Stores Building  
No. 1, Justice Akbar Mawatha  
Colombo 2.  
☎ 2318600  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene (appointed w.e.f.  
01.08.2011)  
R M David, J R F Peiris (resigned w.e.f.  
01.08.2011)  
Stated capital: Rs.5,000,000

**Mack Air Services Maldives (Pte)  
Ltd (49%)\***

General sales agents for airlines in the  
Maldives  
4th Floor, STO Aifaanu Building  
Boduthakurufaanu Magu, Male 20-05  
Republic of Maldives.  
☎ +9603334708 - 09  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene (appointed w.e.f.  
01.08.2011), R M David, S Hameed  
A Shihab, J R F Peiris (resigned w.e.f.  
01.08.2011)  
Stated capital: Rs.677,892

**LEISURE**

**HOTEL MANAGEMENT**

**Keells Hotel Management Services  
Ltd (100%)**

Manager & marketer of resort hotels  
No.130, Glennie Street, Colombo 2.  
☎ 2306600, 2421101-8  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.19,520,000

**John Keells Maldivian Resorts (Pte)  
Ltd (80.32%)**

Hotel holding company in the Maldives  
2nd Floor, H.Maizan Building  
Sosun Magu, Male  
Republic of Maldives.  
☎ 00960 3329083/00960 3304601/  
00960 3313738

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene  
B J S A M Senanayake, S A S Perera  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.3,978,671,681

**John Keells Hotels PLC (80.32%)\***

Holding company of group resort hotel  
companies in Sri Lanka & Maldives  
No.130, Glennie Street, Colombo 2.  
☎ 2306600

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J R F Peiris  
J E P Kehelpannala, M A Omar  
R T Wijesinha, D A Cabraal  
B J S A M Senanayake (appointed w.e.f.  
01.07.2011), N B Weerasekera  
Stated capital: Rs.9,500,246,939

**John Keells Hotels Mauritius (Pvt)  
Ltd (80.32%)\***

Hotel holding company in the Mauritius  
IFS Court, Twenty Eight, Cybercity  
Ebene, Mauritius.  
☎ (230) 467 3000

*Directors:*

K D Joory, A D Gunewardene  
D C Alagaratnam (appointed w.e.f.  
23.09.2011) F Soreefan  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.3,832,000

**Sancity Hotels & Properties Ltd  
(20%)\*\***

Developer of City Business Hotels  
No.59, Ananda Coomaraswami  
Mawatha, Colombo 03.  
☎ 2306600

*Directors:*

A D Gunewardene  
S Rajendra, M S Weerasekera  
W K Wannigama, D A Kannangara  
Stated capital: Rs.3,832,333

**Sentinel Realty (Pvt) Ltd (50%)\*\***

Investment company for Hotel  
Development land  
No.130, Glennie Street, Colombo 2.  
☎ 2306600

*Directors:*

A D Gunewardene, S Rajendra  
B A B Goonetilleke, K Balasundaram  
Stated capital: Rs.31,576,000

**CITY HOTELS**

**Asian Hotels and Properties PLC -  
Cinnamon Grand (78.56%)**

Owner & operator of the five star city  
hotel 'Cinnamon Grand'  
77, Galle Road, Colombo 3.  
☎ 2437437 /2497442

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene - Managing Director  
J R F Peiris, R J Karunarahaj  
S Rajendra, S K G Senanayake  
S A Jayasekera, C J L Pinto (appointed  
w.e.f. 01.07.2011)  
A R Gunasekera (resigned w.e.f.  
29.06.2011)  
Stated capital: Rs.3,345,118,012

**Trans Asia Hotels PLC (82.74%)**

Owner & operator of the five star city  
hotel 'Cinnamon Lakeside'.  
No. 115, Sir Chittampalam A. Gardiner  
Mawatha, Colombo 2.

☎ 2491000

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J R F Peiris  
D S J Pelpola, N L Gooneratne  
R L Nanayakkara, C J L Pinto (appointed  
w.e.f. 01.07.2011)  
A R Gunasekera (resigned w.e.f.  
29.06.2011)  
Stated capital: Rs.1,112,879,750

**RESORT HOTELS - SRI LANKA**

**Beruwala Holiday Resorts (Pvt) Ltd  
(79.45%)**

Owner of Real Estate  
No.130, Glennie Street, Colombo 2.  
☎ 2306600, 2421101-8

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated Capital: Rs.1,338,150,000

**Ceylon Holiday Resorts Ltd-Bentota  
Beach Hotel (79.24%)**

Owner & operator of 'Bentota Beach  
Hotel' in Bentota  
Galle Road, Bentota.

☎ 034 2275176/034 2275266

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.744,517,303

**Hikkaduwa Holiday Resorts (Pvt)  
Limited (79.24%)**

Owner & operator of 'Chaaya Tranz' in  
Hikkaduwa  
130, Glennie Street, Colombo 2  
☎ 2306600, 2421101-8

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.812,635,460

**Habarana Lodge Ltd (78.99%)**

Owner & operator of 'The Cinnamon  
Lodge' in Habarana  
P.O Box 2, Habarana  
☎ 066 2270011-2/066 2270072

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.341,555,262

**Habarana Walk Inn Ltd (79.34%)**

Owner & operator of 'Chaaya Village  
Habarana'  
P.O Box 1, Habarana  
☎ 066 2270046-7/066 2270077

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.126,350,000

**International Tourists and Hoteliers  
Ltd (79.45%)\***

Owner of real estate  
No.130, Glennie Street, Colombo 2.  
☎ 2306600, 2421101-8

*Directors:*

S C Ratnayake - Chairman,  
A D Gunewardene, J E P Kehelpannala  
D C Alagaratnam, J R F Peiris (resigned  
w.e.f.01.08.2011), W M S Fernando  
(resigned w.e.f. 31.08.2011)  
Stated capital: Rs.1,039,675,925

**Kandy Walk Inn Ltd (79.03%)**

Owner & operator of 'The Chaaya  
Citadel' in Kandy  
No.124, Srimath Kuda Ratwatte  
Mawatha, Kandy.

☎ 081 2234365-6/081 2237273-4

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
R T Molligoda, J R F Peiris (resigned  
w.e.f. 01.08.2011)  
Stated capital: Rs.115,182,009

**Rajawella Hotels Ltd (80.32%)\***

Owner of real estate  
No.130, Glennie Street, Colombo 2.  
☎ 2306780, 2421101-8

*Directors:*

S C Ratnayake - Chairman  
A D Gunewardene, J R Gunaratne  
(appointed w.e.f. 08.08.2011)  
J R F Peiris (resigned w.e.f. 08.08.2011)  
Stated capital: Rs.29,300,000

**Resort Hotels Ltd (79.24%)**

Owner of real estate  
No.130, Glennie Street, Colombo 2.  
☎ 2306780, 2421101-8  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.6,350,670

**Trinco Holiday Resorts (Pte) Ltd (80.32%)**

Owner & Operator of 'Chaaya Blu' in Trincomalee  
Alles Garden, Uppuveli  
Sampathiv Post.  
☎ 2421101-8  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated Capital: Rs.357,000,000

**Trinco Walk Inn Ltd (80.32%)**

Owner of Real Estate  
Alles Garden, Uppuveli, Sampathiv Post  
Trincomalee.  
☎ 026 112421101-8, 2306600  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, J E P Kehelpannala  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.119,850,070

**Wirawila Walk Inn Ltd (80.32%)\***

Owner of real estate  
No.130, Glennie Street, Colombo 2.  
☎ 2306780, 2421101-8  
*Directors:* S C Ratnayake - Chairman  
A D Gunewardene, D C Alagaratnam  
(appointed w.e.f. 01.08.2011)  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.16,611,750

**Yala Village (Pvt) Ltd (75.33%)**

Owner and operator of 'Yala Village' in Yala  
P.O Box 1, Kirinda, Tissamaharama.  
☎ 047 2239449-52  
*Directors:*  
M A Perera - Chairman  
S C Ratnayake - Deputy Chairman  
A D Gunewardene, J A Davis  
J E P Kehelpannala, J R F Peiris  
(resigned w.e.f. 01.08.2011)  
Stated capital: Rs.419,427,600

**RESORT HOTELS - MALDIVES****Fantasea World Investments (Pte) Ltd (80.32%)**

Owner & operator of 'Chaaya Lagoon Hakuraa Huraa' in Maldives  
2nd Floor, H Maizan Building  
Sosun Magu, Male, Republic of Maldives.

☎ 00960 6720014/00960 6720064/  
00960 6720065  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene  
B J S A M Senanayake, S A S Perera  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.341,573,190

**John Keells Maldivian Resorts (Pte) Ltd (80.32%)**

Hotel holding company in the Maldives  
2nd Floor, H Maizan Building  
Sosun Magu, Male, Republic of Maldives.  
☎ 00960 3329083/00960 3304601 /  
00960 3313738  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene  
B J S A M Senanayake, S A S Perera  
Stated capital: Rs.3,978,671,681

**Tranquility (Pte) Ltd (80.32%)**

Owner and operator of 'Chaaya Island Dhonveli' in Maldives  
2nd Floor, H Maizan Building  
Sosun Magu, Male, Republic of Maldives.  
☎ 00960 6640055 / 00960 6640012  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene  
B J S A M Senanayake, S A S Perera  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.552,519,608

**Travel Club (Pte) Ltd (80.32%)**

Operator of 'Chaaya Reef Ellaidhoo' in Maldives  
2nd Floor, H Maizan Building  
Sosun Magu, Male, Republic of Maldives.  
☎ 00960 6660839/00960 6660663/  
00960 6660664  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene  
B J S A M Senanayake, S A S Perera  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.143,172,000

**DESTINATION MANAGEMENT****Serene Holidays (Pvt) Ltd (98.74%)**

Tour operators  
204, Accord Complex  
Opp. Goregaon Station  
Goregaon (East), Mumbai 400 063  
India.  
☎ 091-22 42105210  
*Directors:*  
A D Gunewardene - Chairman  
V Leelananda  
Stated capital: Rs.25,967,000

**Walkers Tours Ltd (98.51%)**

Inbound tour operators  
No.130, Glennie Street, Colombo 2.  
☎ 2306000  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, V Leelananda  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.51,374,200

**Whittall Boustead (Travel) Ltd (100%)**

Inbound tour operators  
No.130, Glennie Street Colombo 2.  
☎ 2306000  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, V Leelananda  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.7,500,000

**PROPERTY****PROPERTY DEVELOPMENT****Asian Hotels and Properties PLC - Crescat Boulevard, The Monarch, The Emperor (78.56%)**

Developer and manager of integrated properties  
No.77, Galle Road, Colombo 3.  
☎ 5540404  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene - Managing Director  
J R F Peiris, R J Karunarajah  
S Rajendra, S K G Senanayake  
S A Jayasekara, C J L Pinto  
Stated capital: Rs.3,345,118,012

**John Keells Residential Properties (Pvt) Limited (100%)**

Developer of 'OnThree20' Project  
No. 130, Glennie Street, Colombo 2.  
☎ 2300065  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, S Rajendra  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.925,200,000

**John Keells Properties Ja-Ela (Pvt) Ltd (100%)\***

Developer & Manager of Mall operations  
No. 130, Glennie Street, Colombo 2.  
☎ 2306000  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, S Rajendra  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.522,360,000

**REAL ESTATE****J K Properties (Pvt) Ltd (100%)**

Renting of office space  
No.130, Glennie Street, Colombo 2.

☎ 2306000/2397263  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, S Rajendra  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.240,000,030

**Keells Realtors Ltd (95.57%)**

Owner of Real Estate  
No.130, Glennie Street, Colombo 2.  
☎ 2306000/2397263  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, S Rajendra  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.75,000,000

**Whittall Boustead (Pvt) Ltd - Real Estate Division-(100%)**

Renting of office space  
No.148, Vauxhall Street, Colombo 2.  
☎ 2397263 /2327805  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, R M David  
S Rajendra, J R F Peiris (resigned w.e.f.01.08.2011)  
Stated capital: Rs.99,304,300

**British Overseas (Pvt) Ltd (51%)\*\***

Developer of 'The Enclave' Project  
No.130, Glennie Street, Colombo 2.  
☎ 2306000  
*Directors:*  
A D Gunewardene, K N J Balendra  
D C Alagaratnam, S Rajendra  
S P G N Rajapakse  
Stated capital: Rs.1,000

**CONSUMER FOODS AND RETAIL****CONSUMER FOODS****Ceylon Cold Stores PLC (81.36%)**

Manufacturer & distributor of beverages, frozen confectionery, and the holding company of JayKay Marketing Services (Pvt) Ltd.  
No. 1, Justice Akbar Mawatha  
Colombo 2.  
☎ 2328221/7, 2318777  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene, J R F Peiris  
J R Gunaratne, U P Liyanage  
P S Jayawardena, A R Rasiyah  
Stated capital: Rs.918,200,000

**Keells Food Products PLC (83.18%)**

Manufacturer and distributor of branded meat and convenience food products.  
P.O Box 10, No.16, Minuwangoda Road,  
Ekala, Ja-Ela.

## GROUP DIRECTORY

☎ 236317/2236364

*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.274,815,000

**John Keells Foods India (Pvt) Ltd (83.18%)\***

Marketing of branded meat and convenience food products  
Luthra and Luthra Chartered Accountants  
A 16/9 , Vasant Vihar  
New Delhi -110057, India.  
☎ 0091 1142591823, 0091 1126148048  
26151853, 26147365  
Fax: +91-11-2614 5222  
*Directors:*  
S C Ratnayake - Chairman  
J R Gunaratne, R S Fernando  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.220,294,544 (INR 90,000,000)

**RETAIL**

**JayKay Marketing Services (Pvt) Ltd (81.36%)\***

Owns and Operates the 'Keells Super' chain of supermarkets, 'KEKO' chain of clothing stores and 'KZone' Malls  
No.125, Glennie Street, Colombo 2.  
☎ 2316800  
*Directors:*  
S C Ratnayake - Chairman  
A D Gunewardene (appointed w.e.f.01.08.2011)  
M R N Jayasundera-Moraes  
K N J Balendra, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.998,000,000

**Nexus Networks (Pvt) Ltd (99.99%)\***

Operator of the 'Nexus' loyalty card programme  
No. 125, Glennie Street, Colombo 2.  
☎ 2343792/2343794-98  
*Directors:*  
S C Ratnayake - Chairman  
M R N Jayasundera - Moraes  
K N J Balendra, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.100,000

**FINANCIAL SERVICES GROUP**

**John Keells Stock Brokers (Pvt) Ltd (90.04%)\***

Share broking services  
No.130, Glennie Street, Colombo 2.

☎ 2446694-5/2338066/4710721-4  
0112306250

*Directors:*

A D Gunewardene - Chairman  
S C Ratnayake, K N J Balendra  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.7,500,000

**Nations Trust Bank PLC (29.9%)\*\***

Commercial banking and leasing operations  
No. 242, Union Place, Colombo 2.  
☎ 4313131  
*Directors:*  
J R F Peiris - Chairman  
A K Gunaratne, C H S K Piyaratna  
A R Rasiyah, D Weerakoon  
M E Wickremesinghe, K N J Balendra  
S G Rajakaruna, Murtaza Jafferjee  
Kemal de Soysa, D P De Silva (appointed w.e.f. 01.01.2012) N S Panditharatne (appointed w.e.f. 01.01.2012)  
A D Gunewardene (resigned w.e.f.31.12.2011), E H Wijenaike (resigned w.e.f. 31.12.2011)  
Stated capital: Rs.5,101,369,000

**Union Assurance PLC (95.65 %)**

Life and general insurance underwriters  
No.20, St. Michaels' Road, Colombo 3.  
☎ 2428428  
*Directors:*  
A D Gunewardene - Chairman  
D C Alagaratnam (appointed w.e.f. 16.08.2011)  
S Rajendra (appointed w.e.f. 16.08.2011)  
A S De Zoysa, G F C De Saram  
H A J De Silva Wijeyeratne (appointed w.e.f. 07.09.2011)  
J R F Peiris (resigned w.e.f. 16.08.2011)  
K N J Balendra (resigned w.e.f. 16.08.2011), A K Gunaratne (resigned w.e.f. 07.09.2011)  
Stated capital: Rs.388,433,000

**INFORMATION TECHNOLOGY**

**IT SERVICES**

**Information Systems Associates (48.99%)\*\***

Software development services  
P.O Box. 132, Sharjah, UAE.  
☎ 97165088810  
*Directors:*  
A Ali, P Suckling, A Hamdany  
J R F Peiris, G S Dewaraja  
R S Fernando  
Stated capital: Rs.97,594,274

**John Keells Computer Services (UK) Ltd (100%)\***

Software development services (UK)  
268, Bath Road, Slough, SL1 4DX

United Kingdom.

☎ 441753725283

*Directors:*

A D Gunewardene - Chairman  
G S Dewaraja, R S Fernando  
Stated capital: Rs.9,507

**John Keells Computer Services (Pvt) Ltd (100%)\***

Software services  
No. 148, Vauxhall Street, Colombo 2.  
☎ 2300770-77  
*Directors:*  
A D Gunewardene - Chairman  
S C Ratnayake, G S Dewaraja  
R S Fernando, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.96,500,000

**John Keells Software Technologies (Pvt) Ltd (100%)\***

Marketer of software packages  
No. 148, Vauxhall Street, Colombo 2.  
☎ 2300770-77  
*Directors:*  
A D Gunewardene - Chairman  
G S Dewaraja, R S Fernando  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.8,000,000

**OFFICE AUTOMATION**

**John Keells Office Automation (Pvt) Ltd (100%)\***

Distributor/reseller and services, provider in office automation (OA) retail automation (RA) and mobile devices  
Corporate Office: 90 Union Place  
Colombo - 2.  
Technical Services:148 Vauxhall Street  
Colombo - 2.  
☎ 2313000, 2431576, 2445760  
*Directors:*  
A D Gunewardene - Chairman  
G S Dewaraja, R S Fernando  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.5,000,000

**IT ENABLED SERVICES**

**John Keells BPO Alpha Private Limited (100%)\***

Investment holding company  
IFS Court, 28, Cybercity, Ebene  
Mauritius.  
☎ (230) 467 3000  
*Directors:*  
S C Ratnayake, A D Gunewardene  
R S Fernando, K N J Balendra  
K D Joory, A F Soreefan, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated Capital: Rs.617,293,783

**John Keells BPO Holdings Private Limited (100%)\***

Holding company of AuxiCogent group

companies  
IFS Court, 28, Cybercity, Ebene  
Mauritius.

☎ (230) 467 3000

*Directors:*

S C Ratnayake, A D Gunewardene  
R S Fernando, K N J Balendra  
K D Joory, A F Soreefan, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.1,988,300,000

**John Keells BPO International (Pvt) Ltd (100%)\***

Investment holding company  
IFS Court, 28, Cybercity, Ebene  
Mauritius.  
☎ (230) 467 3000

*Directors:*

S C Ratnayake, A D Gunewardene  
R S Fernando, K N J Balendra  
K D Joory, A F Soreefan, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.1,616,700,008

**John Keells BPO Solutions Lanka (Private) Limited (100%)\***

BPO operations in Sri Lanka  
No.4, Leyden Bastian Road, Colombo 1.  
☎ (94) 112479709  
*Directors:*  
S C Ratnayake, A D Gunewardene  
R S Fernando, R M David  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.328,435,800

**John Keells BPO Solutions US Inc. (100%)\***

Provides sales & marketing support for AuxiCogent in North America  
9225, Ulmerton Road, Suite H, Largo  
Florida 33771, USA.  
☎ +1 727 518 0000  
*Director:*  
Mithila Prasanna Gunaratna  
Stated capital: Rs.538,250

**AuxiCogent International Canada Inc. (100%)\***

BPO Operation in Canada  
1900, 736-6th Avenue S.W., Calgary  
Alberta T2P 3T7, Canada.  
*Directors:*  
A D Gunewardene (appointed w.e.f. 01.08.2011), Deepak Kumar Malik, K N J Balendra, R S Fernando  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.543,140

**John Keells BPO Investments Private Limited (100%)\***

Investment holding company  
IFS Court, 28, Cybercity, Ebene  
Mauritius.  
☎ (230) 467 3000

**Directors:**

S C Ratnayake, A D Gunewardene  
R S Fernando, K N J Balendra, R Roy  
R Dutta, K D Joory, A F Soreefan  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.618,085,966

**InfoMate (Pvt) Ltd (100%)**

IT enabled services  
No.4, Leyden Bastian Road, Colombo 1.  
☎(94) 112149700

**Directors:**

S C Ratnayake, M J S Rajakariar  
R S Fernando, J R F Peiris (resigned  
w.e.f. 01.08.2011)  
Stated capital: Rs.20,000,000

**John Keells BPO Solutions India Private Limited (100%)**

BPO operations in India (Formerly known as Quattro Business Support Services (Pvt) Ltd)  
Basement-24, C Block  
Community Centre, Janakpuri  
New Delhi.  
☎+91 124 4561000

**Directors:**

J R F Peiris, R S Fernando  
K N J Balendra  
Stated capital: Rs.899,836,136

**Quattro FPO Solutions Private Limited (44%)\*\***

IT based services, electronic remote processing services, e services  
Basement-24, C Block, Community Centre, Janakpuri, New Delhi.  
☎+91 124 4561000

**Directors:**

V Srinivasan, V Balakrishnan  
R S Fernando, K N J Balendra  
Stated capital: Rs.434,080,445

**OTHERS****PLANTATION SERVICES****John Keells PLC (86.90 %)**

Produce Broking and Real Estate  
Ownership  
No.130, Glennie Street, Colombo 2.  
☎2306000

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene, J R F Peiris  
R S Fernando (appointed w.e.f. 02.01.2012)  
T de Zoysa, K D W Ratnayaka  
Y A Hansen, S T Ratwatte  
L D Ramanayake (resigned w.e.f. 30.12.2011)  
Stated capital: Rs.152,000,000

**John Keells (Teas) Ltd (100%)\***

Manager of eight bought leaf tea factories

No.130, Glennie Street, Colombo 2.

☎2306518

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene (appointed w.e.f. 02.01.2012), R S Fernando (appointed 01.08.2011)  
J R F Peiris (resigned w.e.f. 01.08.2011)  
L D Ramanayake (resigned w.e.f. 30.12.2011)  
Stated capital: Rs.120,000

**John Keells Warehousing (Pvt) Ltd (86.90%)**

Warehousing of Tea and Rubber  
No.93,1st Avenue, Muturajawela  
Hendala, Wattala, Muturajawela.

☎4819560

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene (appointed w.e.f. 02.01.2012), R S Fernando (appointed w.e.f. 01.08.2011), J R F Peiris (resigned w.e.f. 01.08.2011)  
L D Ramanayake (resigned w.e.f. 30.12.2011)  
Stated capital: Rs.120,000,000

**Tea Smallholder Factories PLC (37.62%)**

Owner and operator of bought leaf factories  
No.4, Leyden Bastian Road, Colombo 1.  
☎2335870/2149994

**Directors:**

S C Ratnayake - Chairman (Alt. Mr J R Gunaratne)  
A D Gunewardene, J R F Peiris  
E H Wijenaike, R Seevaratnam  
R E Rambukwella, A S Jayatilleke  
J S Ratwatte, R S Fernando (appointed w.e.f. 02.01.2012), L D Ramanayake (resigned w.e.f. 30.12.2011)  
Stated capital: Rs.150,000,000

**CENTRE & OTHERS****Central Hospitals Ltd (27.21%)\*\***

Providers of healthcare services  
114, Norris Canal Road, Colombo 10.  
☎4666000, 4665500, 4665544

**Directors:**

A K Pathirage, S Selliah  
D S Rajapakse, D Wimalasundera  
K M P Karunaratne  
Mrs S D Nimalasuriya  
S A B Rajapaksa, A D Gunewardene  
K N J Balendra, H D I Hettiarachchi  
G L H Premaratne  
Stated capital: Rs.2,992,147,950

**Facets (Pvt) Ltd (100%)\***

Owner of real estate  
No.130, Glennie Street, Colombo 2.  
☎2306000

**Directors:**

S C Ratnayake - Chairman  
D C Alagaratnam (appointed w.e.f. 01.08.2011)  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.150,000

**John Keells Holdings PLC**

Group holding company & function based services  
No.130, Glennie Street, Colombo 2.  
☎2306000 /2421101-9

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene, J R F Peiris  
E F G Amerasinghe, Steven Enderby  
T Das, S S Thiruchelvam  
Dr I Coomaraswamy  
A R Gunasekera (appointed w.e.f. 01.07.2011)  
P D Rodrigo (resigned w.e.f. 27.06.2011)  
Stated capital: Rs.25,110,529,007

**John Keells Holdings Mauritius (Pvt) Ltd (100%)\***

Holding company of AuxiCogent group companies  
IFS Court, 28, Cybercity, Ebene  
Mauritius.  
☎2304673000

**Directors:**

S C Ratnayake, A D Gunewardene  
K D Joory, A F Soreefan, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.255,881,533

**John Keells International (Pvt) Ltd (100%)\***

Regional holding company providing administrative & function based services  
No.130, Glennie Street, Colombo 2.  
☎2306000 /2421101-9

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.1,991,600,000.00

**J K Packaging (Pvt) Ltd (100%)\***

Printing and packaging services provider for the export market  
No.130, Glennie Street, Colombo 2.  
☎2475308

**Directors:**

S C Ratnayake - Chairman  
R M David, R S Fernando  
Stated capital: Rs.14,500,000

**John Keells Singapore (Pte) Ltd (80%)\***

International trading services  
No.3, Raffles Place, #07-01

Bharat Building, Singapore-048617.

☎65 67329636

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene (appointed w.e.f. 01.08.2011)  
R M David, R Ponnampalam  
D C Alagaratnam (appointed w.e.f. 01.08.2011)  
J R F Peiris (resigned w.e.f. 31.03.2012)  
Stated capital: Rs.9,638,000

**Keells Consultants Ltd (100%)**

Company secretarial services to the group  
No.130, Glennie Street, Colombo 2.  
☎2421101-9

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene, D C Alagaratnam  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.160,000

**Mackinnon and Keells Financial Services Ltd (100%)\***

Rental of office space  
No.4, Leyden Bastian Road  
Colombo 1.  
☎2475102-3

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene, S Rajendra  
J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.10,800,000

**Mortlake Ltd (100%)\***

Investment company  
No. 148, Vauxhall Street, Colombo 2.  
☎2475308

**Directors:**

S C Ratnayake - Chairman  
A D Gunewardene, R M David (appointed w.e.f. 01.08.2011)  
D C Alagaratnam, J R F Peiris (resigned w.e.f. 01.08.2011)  
Stated capital: Rs.3,000

# MEMBERSHIPS, CERTIFICATIONS AND AWARDS

## Memberships maintained by the Industry Groups

Senior management personnel of the Group, hold positions of membership on the following professional and governance bodies and participates in various sub committees and projects initiated by such bodies. The Group views these memberships as a vital part of business, given the ability of such bodies to recommend policy changes, address industry concerns and carry out necessary lobbying for the betterment of the industry as a whole.

The Group's senior management is involved in the following bodies as active members, and in addition, members of the Group Executive Committee hold positions such as Chairman of Ceylon Chamber of Commerce, President Sri Lanka Institute of Directors, President of Chartered Institute of Logistics & Transport, Chairman Colombo Stock Exchange of Sri Lanka and Chairperson of the steering committee for HR and Education of the Ceylon Chamber of Commerce.

Industry Group	Memberships
Transportation	Bombay Chamber of Commerce
	Freight Forwarders Association of India (FFFAI)
	Sri Lanka Freight Forwarders Association (SLAFFA)
	International Air Transportation Association (IATA) Agents Association
	World Cargo Alliance (WCA) Membership
	Employers Federation of Ceylon (EFC)
	International Air Transport Association (IATA) Agents Association
	Logistics and Transportation Faculty Industry Committee of the University of Moratuwa
	Sri Lanka Ship Suppliers Association
	Association of Lanka Bunker Suppliers
	International Bunker Industry Association (IBIA)
	American Chamber of Commerce (affiliate membership)
	Sri Lanka Association of Airline Representative
	European Chamber of Commerce
	American Chamber of Commerce
	Civil Aviation Authority
	Accredited Agent of International Air Transport Association
	Travel Agents Association of Sri Lanka
	Sri Lanka Tourism Board
	Italian Business Council
	Sri Lanka France Business Council
	Certificate of Corporate Partnership with The Chartered Institute of Logistics & Transport (CILT)
	Bombay Chamber of Commerce
	Freight Forwarders Association of India (FFFAI)
	International Air Transportation Association (IATA) Agents Association
	World Cargo Alliance (WCA) Membership
	Employers' Federation of Ceylon (EFC)
	Sri Lanka Freight Forwarders Association (SLAFFA)

Industry Group	Memberships
Information Technology	Sri Lanka Association of Software and Service Companies (SLASSCOM)
	Leading Edge Alliance
	Employers' Federation of Ceylon (EFC)
	Oracle Partner Network
	Silver partnership of Microsoft
	Strategic partnership of IATA
	IBM partner - World
	Ministerial Advisory Committee on IT/BPO exports convened by the EDB
	Nordic Business Council
	American Chamber of Commerce
Consumer Food and Retail	Consumer Goods Forum
	Employers' Federation of Ceylon (EFC)
	National Chamber of Commerce
	Export Development Board
	National Chamber of Exporters
	Ceylon Chamber of Commerce
	Sri Lanka - Maldives Bilateral Business Council
	Lanka Confectionery Manufacturers Association
Leisure	SKAL International Colombo
	American Chamber of Commerce
	European Chamber of Commerce of Sri Lanka
	Dutch Burger Union
	Tourist Hotels Association
	Business with Britain
	Indian Association of Tour Operators
	Sri Lanka Association of Inbound Tour Operators
	Field Ornithology Group of Sri Lanka - Nature Trails
	Cultural Triangle Hoteliers Association
	Natural Disaster Management of Palugaswewa Division
	SWITCH-ASIA
	Compost Production Membership -Ministry of Agriculture
	Sri Lanka Conventions Bureau
	Tourist Hotel Association of Sri Lanka
	La Chaîne des Rotisseurs
	Ceylon Chamber of Commerce
	Pacific Asia Travel Association
	Indo-Lanka Chamber of Commerce
	Sri Lanka - British Business Council
	Sri Lanka - Japan Business Council
	Sri Lanka - New Zealand Business Council
	Sri Lanka - Malaysia Business Council
	Sri Lanka - German Business Council
	Sri Lanka - China Business Council
	Sri Lanka - Benelux Business Council
Sri Lanka - Canada Business Council	
Sri Lanka - Maldives Bilateral Business Council	

## MEMBERSHIPS, CERTIFICATIONS AND AWARDS

Industry Group	Memberships
	Sri Lanka - Malaysian Business Council
	Sri Lanka - Netherland Business Council
	Sri Lanka - Japan Business Council
	Sri Lanka - Poland Business Council
	Sri Lanka - France Business Council
	Sri Lanka - Singapore Business Council
	Sri Lanka - Italy Business Council
	Sri Lanka - Australia Business Council
	Sri Lanka - Germany Business Council
	Sri Lanka - Russia Business Council
	Sri Lanka - Pakistan Business Council
	Sri Lanka - Vietnam Business Council
	Sri Lanka - China Business Council
	Employers' Federation of Ceylon
	Wild Life Focus Group of the Sri Lanka Tourism Promotions Bureau
	Responsible Tourism
	Friends of Sri Lanka Association, UK
	Director Convention Bureau
	Sri Lanka Institute of Tourism and Hotel Management
	European Business Council
Leisure	Sri Lanka Tourism Promotions Bureau
	Kandy Hoteliers Association
	Maldives Association of Tourism Industry
	Field Ornithology Group of Sri Lanka - Nature Odyssey
	Tourism Development Committee of Hambantota District under Hambantota District Chamber of Commerce
	Sri Lanka Tourism Development Authority
	Bentota/Beruwela Hotelier's Association
	Tourist Hotels Association of Sri Lanka
	Ceylon Chamber of Commerce
	Ceylon Hotel School Graduates Association
	Bird Friendly Concept Network
	Wild Life and Nature Protection Society
	Travel Trade Sports Club
	Signature Travel Network
	International Association of Travel & Tourism Professionals
	Pacific Asia Travel Association
	Sri Lanka Institute of Directors
	Sri Lanka Association Of Professional Conference Exhibition & Event Organizers
	Travel Agents Association of India
	Japan Association of Travel Agents
Property	Chamber of Construction Industry of Sri Lanka
	Ceylon Chamber of Commerce
	Employers' Federation of Ceylon

Industry Group	Memberships
Financial Services	Colombo Stock Brokers Association
	Colombo Stock Exchange
	Insurance Association of Sri Lanka
	American Chamber of Commerce in Sri Lanka
	Ceylon Chamber of Commerce
Other	Employers' Federation of Ceylon
	National Chamber of Commerce of Sri Lanka
	Sri Lanka Institute of Directors
	SLASSCOM CIO Forum
	Lanka Business Coalition on HIV & AIDS
	Sri Lanka Tea Board
	Ceylon Chamber of Commerce
	National Chamber of Commerce
	Sri Lanka Tea Factory Owners Association
	Planters' Association of Ceylon
	Colombo Tea Traders' Association
	International Tea Committee
	Harvard Management Communications Ltd
	Harvard Business Review
	European Chamber of Commerce
	Sri Lanka Tea Factory Owners Association
	Tea Research Board of Sri Lanka
	Colombo Tea Traders Association
	Colombo Rubber Traders Association
	Rubber Dealers' License - Director of Rubber Development Department

## MEMBERSHIPS, CERTIFICATIONS AND AWARDS

### Certifications and awards of Group Companies 2011/12

The John Keells Group maintains a high quality in its product and service offerings through embracing industry and corporate best practice international standards. The many awards and certifications won by the Group which are specified below are testament to the high standards the Group sets itself in meeting stakeholder expectations.

### Certifications received in 2011/12

ISO 22000:2005 Kitchen and Stewarding	ISO 9001:2008 Processes	ISO 14001:2004 Environment	OHSAS 18001:2007 Occupational Health and Safety
<b>City Hotels</b> <ul style="list-style-type: none"> <li>• Cinnamon Grand Colombo</li> <li>• Cinnamon Lakeside Colombo</li> </ul> <b>Sri Lankan Resorts</b> <ul style="list-style-type: none"> <li>• Bentota Beach Hotel</li> <li>• Chaaya Blu Trincomalee</li> <li>• Chaaya Citadel Kandy</li> <li>• Chaaya Village Habarana</li> <li>• Cinnamon Lodge Habarana</li> </ul> <b>Maldivian Resorts</b> <ul style="list-style-type: none"> <li>• Chaaya Lagoon HakuraaHuraa</li> <li>• Chaaya Reef Ellaidhoo</li> <li>• Chaaya Island Dhonveli</li> </ul> <b>F&amp;B Manufacturing</b> <ul style="list-style-type: none"> <li>• Ceylon Cold Stores</li> <li>• Keells Food Products</li> </ul> <b>Others</b> <ul style="list-style-type: none"> <li>• Tea Smallholder Factories PLC - Neluwa Tea Factory</li> <li>• John Keells Warehousing</li> </ul>	<b>Transportation</b> <ul style="list-style-type: none"> <li>• Mackinnons Travel</li> <li>• Mack Air</li> </ul> <b>Destination Management</b> <ul style="list-style-type: none"> <li>• Walkers Tours</li> <li>• Whittal-Boustead</li> </ul> <b>F&amp;B Manufacturing</b> <ul style="list-style-type: none"> <li>• Ceylon Cold Stores</li> <li>• Keells Food Products</li> </ul> <b>Information Technology</b> <ul style="list-style-type: none"> <li>• John Keells Computer Services</li> <li>• John Keells Office Automation</li> </ul> <b>Others</b> <ul style="list-style-type: none"> <li>• Strategic Group IT</li> </ul>	<b>City Hotels</b> <ul style="list-style-type: none"> <li>• Cinnamon Grand, Colombo</li> </ul> <b>Sri Lankan Resorts</b> <ul style="list-style-type: none"> <li>• Bentota Beach Hotel</li> <li>• Chaaya Blu Trincomalee</li> <li>• Chaaya Citadel Kandy</li> <li>• Chaaya Village Habarana</li> </ul> <b>Maldivian Resorts</b> <ul style="list-style-type: none"> <li>• Chaaya Reef Ellaidhoo</li> <li>• Chaaya Lagoon HakuraaHuraa</li> </ul> <b>Destination Management</b> <ul style="list-style-type: none"> <li>• Walkers Tours</li> <li>• Whittal-Boustead</li> </ul>	<b>City Hotels</b> <ul style="list-style-type: none"> <li>• Cinnamon Grand Colombo</li> <li>• Cinnamon Lakeside Colombo</li> </ul> <b>Sri Lankan Resorts</b> <ul style="list-style-type: none"> <li>• Bentota Beach Hotel</li> <li>• Chaaya Blu Trincomalee</li> <li>• Chaaya Citadel Kandy</li> <li>• Chaaya Village Habarana</li> </ul> <b>Maldivian Resorts</b> <ul style="list-style-type: none"> <li>• Chaaya Lagoon HakuraaHuraa</li> <li>• Chaaya Reef Ellaidhoo</li> <li>• Chaaya Island Dhonveli</li> </ul> <b>Transportation</b> <ul style="list-style-type: none"> <li>• John Keells Logistics</li> </ul>
ISO 27001: 2005	Green Globe	STING Accountability Rating	Others
<b>Information Technology</b> <ul style="list-style-type: none"> <li>• Infomate</li> <li>• John Keells BPO</li> </ul>	<b>City Hotels</b> <ul style="list-style-type: none"> <li>• Cinnamon Lakeside Colombo</li> </ul> <b>Sri Lankan Resorts</b> <ul style="list-style-type: none"> <li>• Bentota Beach Hotel</li> <li>• Chaaya Blu Trincomalee</li> <li>• Chaaya Village Habarana</li> <li>• Chaaya Reef Ellaidhoo</li> <li>• Cinnamon Lodge Habarana</li> </ul>	<b>Platinum</b> <ul style="list-style-type: none"> <li>• John Keells Holdings</li> </ul> <b>Gold</b> <ul style="list-style-type: none"> <li>• Asian Hotels and Properties</li> <li>• John Keells Hotels</li> </ul> <b>Silver</b> <ul style="list-style-type: none"> <li>• Ceylon Cold Stores</li> </ul>	<b>Switch Asia</b> <ul style="list-style-type: none"> <li>• Cinnamon Lakeside Colombo</li> <li>• Chaaya Village Habarana</li> </ul> <b>Green Planet</b> <ul style="list-style-type: none"> <li>• Chaaya Village Habarana</li> </ul> <b>Bird Friendly Certificate</b> <ul style="list-style-type: none"> <li>• Chaaya Village Habarana</li> </ul> <b>Star Crescent</b> <ul style="list-style-type: none"> <li>• Chaaya Blu Trincomalee</li> <li>• Cinnamon Lodge Habarana</li> </ul> <b>SLSI Certificate of Conformity</b> <ul style="list-style-type: none"> <li>• Tea Smallholder Factories PLC - Neluwa Tea Factory</li> <li>• Tea Smallholder Factories PLC - Hingalgoda Tea Factory</li> </ul>

**Awards received in 2011/12**

Industry Group	Company/ Business Unit	Awards Received
<b>Leisure</b>		
City Hotels	Cinnamon Lakeside Colombo	<ul style="list-style-type: none"> <li>• The Best Five Star (City) Hotel - Sri Lanka Tourism Awards 2011</li> <li>• First hotel in Sri Lanka to be recertified for Green Globe standards</li> <li>• ICASL Awards for Excellence in Annual Reports 2011 - Hotel Sector - Bronze Award</li> <li>• 1st place at Colombo chicken curry food competition organized by Sri Lanka tourism at spice food festival 2011</li> <li>• EGB mocktail champion of the year award - World Spice Food Festival 2011</li> <li>• Awarded "A" grade at the CMC hotel hygiene classification audit</li> <li>• Awarded 2nd place for best theme stall at the World Spice Food Festival Third place in bocus d' or cooking competition.</li> </ul>
	Cinnamon Grand Colombo	<ul style="list-style-type: none"> <li>• Best Host Hotel - Culture (Cinnamon Grand's Nuga Gama) at the Sri Lanka Tourism Awards</li> <li>• All Island Marie Brizard Bartender Cocktail Competition</li> <li>• All Island Championship Award (Gold Medal) in Flaring Category</li> <li>• All Island Championship Award (Gold Medal) in Classic Cocktail Category <ul style="list-style-type: none"> <li>- Friendliest Bartender Award</li> <li>- Best Presented Cocktail Award</li> <li>- Bronze Medal (Classical Category)</li> <li>- Silver Medal - Best Creative Cocktail Award</li> </ul> </li> <li>• Gold Excellence Award at the Annual Culinary Awards 2011 (a unique award for outstanding excellence)</li> <li>• Total of 35 other Medals at the Annual Culinary Awards (5 Gold Medals/17 Silver Medals/13 bronze Medals)</li> <li>• The Best Themed Restaurant at the World Spice Food Festival Award (Sri Lanka Tourism)</li> <li>• Silver Medal in the Colombo Cooking Challenge at World Spice Festival</li> <li>• Best Five Star Kitchen in the City Award - Colombo Municipal Council (Cinnamon Grand Colombo has been made a role model kitchen for all hotels in Sri Lanka due to the hygiene standards maintained) - 2011</li> <li>• Crowns for Food Hygiene Certificate by Edex</li> <li>• Best City Hotel Award, awarded by Sri Lanka's leading Leisure publication Living Magazine</li> <li>• Cinnamon Grand's Lagoon awarded "One of Asia's Best Restaurants" in The Miele Guide</li> </ul>
Resort Hotels	John Keells Hotels PLC	<ul style="list-style-type: none"> <li>• Gold award for corporate accountability at the STING Corporate Accountability Index 2012 for the 'Hotels and Travel' sector for the third consecutive year.</li> </ul>
	Chaaya Island Dhonveli	<ul style="list-style-type: none"> <li>• First Choice Travel Company Gold Award for Chaaya Island Dhonveli for Customer Satisfaction for 2010</li> <li>• Tripadvisor - Certificate for Excellence, 2011</li> <li>• First Choice Gold Medal 2011</li> <li>• Gold Award for "Best First Choice 4 Tier Category" by TUI Travel PLC.</li> <li>• Won one Silver medal, two bronze medals and three Merit awards at "Hotel Asia Exhibition &amp; International Culinary Challenge, 2011"</li> </ul>
	Chaaya Reef Ellaidhoo	<ul style="list-style-type: none"> <li>• TUI-UK First Choice Travel Company Gold Award for Chaaya Island Ellaidhoo for Customer Satisfaction for 2010 - "Best First Choice 3 Tier Category"</li> </ul>
	Chaaya Lagoon HakuraaHuraa	<ul style="list-style-type: none"> <li>• Trip advisor certificate of excellence for 2011</li> <li>• "Bravo" rating on trip advisor for receiving "EXCELLENT": Rating from 195 reviews.</li> <li>• Gold Award for "Best Thomson 4 Tier Category" by TUI Travel PLC</li> </ul>
	Bentota Beach Hotel	<ul style="list-style-type: none"> <li>• National award in the service category - 2011;</li> <li>• Merit Certificate in Recognition in cleaner production - National Cleaner Production 2011 for the service category</li> <li>• Won a 2011 Trip Advisor Certificate of Excellence</li> <li>• Chef's Guild Culinary Art Competition - 2011 <ul style="list-style-type: none"> <li>4 Gold medals</li> <li>8 Silver medals</li> <li>9 Bronze medals</li> </ul> </li> <li>• Trip Advisor - Certificate of Excellence</li> </ul>

## MEMBERSHIPS, CERTIFICATIONS AND AWARDS

Industry Group	Company/ Business Unit	Awards Received
	Chaaya Blu Trincomalee	<ul style="list-style-type: none"> <li>• Trip Advisor - Certificate of Excellence</li> </ul>
	Cinnamon Lodge Habarana	<ul style="list-style-type: none"> <li>• Presidential Awards for Travel and Tourism</li> <li>• Gold (04 awards), Silver (06 awards) and Bronze (10 awards) - Cocktail and Mocktail Competition and Chefs' Guild of Sri Lanka 2011</li> <li>• All Island 2nd place in the "Signature Cocktail for Sri Lanka Tourism" competition</li> <li>• 1st place in the regional Cocktail competition of the Cultural Triangle "The Signature Cocktail for Sri Lanka Tourism" organized by the Sri Lanka Tourism Authority</li> <li>• 1st place in the Food Handlers test among all Resort hotels</li> <li>• 1st place and 02nd place in the Classical and Flaring Cocktail competition at 20th National Bartenders competition - Cultural Triangle region</li> <li>• Wizard of Leisure 2011 - 01st place in the Bell Desk quiz competition</li> <li>• Wizard of Leisure 2011 - 03rd place in the innovative Coffee Cocktail competition</li> <li>• Wizard of Leisure 2011 - 03rd place in the Flair Cocktail competition</li> <li>• Trip Advisor - Certificate of Excellence</li> </ul>
Destination Management	Walkers Tours (Pvt) Ltd	Presidential Awards 2011 <ul style="list-style-type: none"> <li>• Best Charter Airline (Condor Airlines)</li> <li>• Best Tourism Website</li> <li>• Best Inbound Tour Operator</li> </ul>
<b>Transportation</b>		
	Mackinnons Travels	<ul style="list-style-type: none"> <li>• Cathay Pacific Top Travel Agent Award for the period 2010/2011</li> <li>• Jet Airways Top Agent Award for the period 2010/2011</li> <li>• Malaysia Airlines Top Agent for the period 2010/2011</li> </ul>
	Mack Air (Pvt) Ltd	<ul style="list-style-type: none"> <li>• Eagle Award for 2010 - Outstanding Yield Growth</li> </ul>
<b>Consumer Foods &amp; Retail</b>		
	Ceylon Cold Stores (CCS)	<ul style="list-style-type: none"> <li>• ICASL Awards 2011 - Food and Beverages Sector - Gold Award</li> <li>• SLIM Peoples' Award for the FMCG Beverage Brand of the Year - EH Cream Soda 2012, received in Feb</li> <li>• EFFIE Awards 2011 - Ice Cream Category 2BAR launch campaign won the silver award for the packaged foods category</li> <li>• SLIM-Nielsen Peoples Awards 2011 - Most Popular FMCG Beverage Brand of the Year for Elephant House Cream Soda</li> <li>• EFFIE Awards 2011 - Advertising Effectiveness Awards - Bronze award for KIK COLA</li> </ul>
	Keells Food Products PLC (KFP)	<ul style="list-style-type: none"> <li>• ICASL Awards 2011 - Food and Beverages Sector - Silver Award</li> </ul>
<b>Information Technology</b>		
	John Keells Office Automation	<ul style="list-style-type: none"> <li>• Diamond Award - For reaching 50% market share for PPC in Sri Lanka in May 2011</li> <li>• Pinnacle Award Best TMCP for Outstanding Performance (Group B) - Note Book Computers</li> </ul>
<b>Property</b>		
		<ul style="list-style-type: none"> <li>• ICASL Annual Report Awards 2011 - Diversified Holdings (Group above 5 subsidiaries) Sector - Bronze Award</li> </ul>

Industry Group	Company/ Business Unit	Awards Received
<b>Financial Services</b>		
	Union Assurance PLC (UA)	<ul style="list-style-type: none"> <li>• ICASL Awards 2011 1st place overall corporate governance disclosure                             <ul style="list-style-type: none"> <li>1st place Insurance sector</li> <li>2nd place - overall excellence in annual financial reporting</li> <li>3rd place - overall corporate social responsibility</li> </ul> </li> <li>• SAFA Annual Reports Awards 2011                             <ul style="list-style-type: none"> <li>1st place for corporate governance disclosure</li> <li>1st place insurance category</li> </ul> </li> <li>• National Business Excellence Awards - 2011                             <ul style="list-style-type: none"> <li>1st place - insurance sector</li> <li>Runners up for performance management practices</li> </ul> </li> </ul>
<b>Others</b>		
	John Keells Holdings PLC	<ul style="list-style-type: none"> <li>• Adjudged the 'Most Respected Entity' amongst its peers for the sixth year, in a nation wide survey conducted by the Lanka Monthly Digest (LMD)</li> <li>• SGIT was appointed as SAP service partner</li> <li>• ICASL Annual Report Awards 2011 - Diversified Holdings (Group above 5 subsidiaries) Sector - Bronze Award</li> <li>• ICASL Awards 2011 - Corporate Social Responsibility Reporting Awards - Silver award</li> <li>• ACCA Awards 2011 - Winner in Sustainability Reporting</li> <li>• STING Corporate Accountability Rating - Platinum Award for 2012</li> </ul>
	Tea Smallholder Factories PLC	<ul style="list-style-type: none"> <li>• ICASL Awards 2011 - Certificate of Manufacturing Companies Sector</li> </ul>
	John Keells PLC	<ul style="list-style-type: none"> <li>• ICASL Awards 2011 - Placed second ( Silver Award) for Sector- Diversified Holdings (upto 5 subsidiaries)</li> </ul>

# GRI INDEX

G3.1 Content Index - GRI Application Level B					
	Application Level B			Assured by	
STANDARD DISCLOSURES PART I: Profile Disclosures					
REPORT FULLY ON THE BELOW SELECTION OF PROFILE DISCLOSURES OR PROVIDE A REASON FOR OMISSION					
Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
1. Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organisation.	Fully	Pages 7 - 10		
1.2	Description of key impacts, risks, and opportunities.	Fully	Pages 44 - 45		
2. Organizational Profile					
Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
2.1	Name of the organisation.	Fully	Page 3		
2.2	Primary brands, products, and/or services.	Fully	Page 4		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Page 4		
2.4	Location of organisation's headquarters.	Fully	Page 3		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Page 3		
2.6	Nature of ownership and legal form.	Fully	Page 3		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	Page 237		
2.8	Scale of the reporting organisation.	Fully	Page 6		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	Pages 5		
2.10	Awards received in the reporting period	Fully	Page 246-249		
3. Report Parameters					
Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	Page 40		
3.2	Date of most recent previous report (if any).	Fully	Page 40		
3.3	Reporting cycle (annual, biannual, etc.)	Fully	Page 2		
3.4	Contact point for questions regarding the report or its contents.	Fully	Page 40		
3.5	Process for defining report content.	Fully	Page 40, Pages 45-47, Pages 48-49		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	Page 40		

G3.1 Content Index - GRI Application Level B					
	Application Level B			Assured by	
STANDARD DISCLOSURES PART I: Profile Disclosures					
REPORT FULLY ON THE BELOW SELECTION OF PROFILE DISCLOSURES OR PROVIDE A REASON FOR OMISSION					
Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	Page 40		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	Page 40		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	Page 2		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	Page 40		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	Page 40		
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	Page 250-260		
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	Page 40, Page 54		
4. Governance, Commitments, and Engagement					
Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	Page 18, Page 28-29		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	Page 28		
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	Page 124, Page 19, Page 20, Pages 12-14		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	Pages 32-33		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	Pages 22-24, Pages 30-31		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	Pages 19-20		
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	Page 19, Page 20, Page 22, Pages 12-13		

## GRI INDEX

G3.1 Content Index - GRI Application Level B					
Application Level B				Assured by	
STANDARD DISCLOSURES PART I: Profile Disclosures					
REPORT FULLY ON THE BELOW SELECTION OF PROFILE DISCLOSURES OR PROVIDE A REASON FOR OMISSION					
Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	Page 34-35, Page 123-124		
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	Page 43, Page 29, Pages 33-34		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	Page 21, Pages 23-24		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	Page 43		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	Pages 44, Page 40		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	Page 242-245		
4.14	List of stakeholder groups engaged by the organization.	Fully	Page 47		
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	Pages 45-46		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	Pages 47-48		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	Page 48		

STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)				
REPORT ON THE DISCLOSURES ON MANAGEMENT APPROACH FOR EACH CATEGORY. YOU SHOULD BE ABLE TO DISCLOSE THIS INFORMATION ON THE ASPECT LEVEL FOR EACH PERFORMANCE INDICATOR THAT YOU HAVE REPORTED FULLY ON.				
G3.1 DMAs	Description	Reported	Cross-reference/Direct answer	IFC Sustainability Framework Performance Standard
DMA EC	Disclosure on Management Approach EC			
Aspects	Economic performance	Fully	Pages 108-110	
	Market presence	Fully	Page 108, Page 110	
	Indirect economic impacts	Fully	Pages 139-142	
DMA EN	Disclosure on Management Approach EN			
Aspects	Materials	Not		
	Energy	Fully	Pages 111-112	3
	Water	Fully	Page 111, Page 115	4
	Biodiversity	Fully	Page 111, Pages 118-119	6
	Emissions, effluents and waste	Fully	Page 111, Page 114, Pages 116 -118	3
	Products and services	Not		
	Compliance	Fully	Page 118	
	Transport	Not		
	Overall			
DMA LA	Disclosure on Management Approach LA			
Aspects	Employment	Fully	Page 123	
	Labour / management relations	Fully	Page 126	2
	Occupational health and safety	Fully	Page 128-130	
	Training and education	Fully	Page 127	
	Diversity and equal opportunity	Fully	Page 123-125, 127, 132-133	2
	Equal remuneration for women and men	Not		
DMA LA	Disclosure on Management Approach HR			
Aspects	Investment and procurement practices	Not		
	Non-discrimination	Fully	Page 127, Pages 132 - 133	2
	Freedom of association and collective bargaining	Fully	Page 126	2
	Child labor	Fully	Pages 131-132	2
	Prevention of forced and compulsory labor	Fully	Page 132	2
	Security practices	Not		
	Indigenous rights	Not		
	Assessment	Not		
	Remediation	Not		
DMA SO	Disclosure on Management Approach SO			
Aspects	Local communities	Fully	Pages 139-143	
	Corruption	Fully	Pages 133-134	
	Public policy	Not		
	Anti-competitive behavior	Not		
	Compliance	Fully	Page 134	
DMA PR	Disclosure on Management Approach PR			
Aspects	Customer health and safety	Not		
	Product and service labelling	Fully	Page 135, Pages 137-138	
	Marketing communications	Fully	Page 135, Page 138	
	Customer privacy	Not		
	Compliance	Fully	Page 135, Page 138	

## GRI INDEX

## STANDARD DISCLOSURES PART III: Performance Indicators

REPORT FULLY ON AT LEAST 20 CORE OR ADDITIONAL PERFORMANCE INDICATORS - AT LEAST 1 FROM EACH CATEGORY (ECONOMIC, ENVIRONMENT, LABOR PRACTICES & DECENT WORK, HUMAN RIGHTS, SOCIETY, PRODUCT RESPONSIBILITY)

Economic				
Performance Indicator	Description	Reported	Cross-reference/Direct answer	IFC Sustainability Framework Performance Standard
Economic performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	Pages 108-109	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not	Not Reported	
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	Page 110	
EC4	Significant financial assistance received from government.	Not	Not Reported	
Market presence				
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not	Not Reported	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	Page 110	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Not	Not Reported	
Indirect economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	Page 142, Page 150, Pages 151-154	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	Not Reported	
Environmental				
Performance Indicator	Description	Reported	Cross-reference/Direct answer	IFC Sustainability Framework Performance Standard
Materials				
EN1	Materials used by weight or volume.	Not	Not Reported	
EN2	Percentage of materials used that are recycled input materials.	Not	Not Reported	
Energy				
EN3	Direct energy consumption by primary energy source.	Fully	Page 112	3
EN4	Indirect energy consumption by primary source.	Fully	Page 112	3
EN5	Energy saved due to conservation and efficiency improvements.	Fully	Page 113	3

STANDARD DISCLOSURES PART III: Performance Indicators				
REPORT FULLY ON AT LEAST 20 CORE OR ADDITIONAL PERFORMANCE INDICATORS - AT LEAST 1 FROM EACH CATEGORY (ECONOMIC, ENVIRONMENT, LABOR PRACTICES & DECENT WORK, HUMAN RIGHTS, SOCIETY, PRODUCT RESPONSIBILITY)				
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Not	Not Reported	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	Not Reported	
Water				
EN8	Total water withdrawal by source.	Fully	Page 116	3
EN9	Water sources significantly affected by withdrawal of water.	Not	Not Reported	
EN10	Percentage and total volume of water recycled and reused.	Not	Not Reported	
Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	Pages 120-122	6
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not	Not Reported	
EN13	Habitats protected or restored.	Not	Not Reported	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not	Not Reported	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	Not Reported	
Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	Pages 114-115	3
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	Not Reported	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not	Not Reported	
EN19	Emissions of ozone-depleting substances by weight.	Not	Not Reported	
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	Not	Not Reported	
EN21	Total water discharge by quality and destination.	Fully	Pages 116-117	3
EN22	Total weight of waste by type and disposal method.	Fully	Pages 117-118	3
EN23	Total number and volume of significant spills.	Fully	Page 118	3

## GRI INDEX

## STANDARD DISCLOSURES PART III: Performance Indicators

REPORT FULLY ON AT LEAST 20 CORE OR ADDITIONAL PERFORMANCE INDICATORS - AT LEAST 1 FROM EACH CATEGORY (ECONOMIC, ENVIRONMENT, LABOR PRACTICES & DECENT WORK, HUMAN RIGHTS, SOCIETY, PRODUCT RESPONSIBILITY)

EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	Not Reported	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	Not Reported	
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not	Not Reported	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not	Not Reported	
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	Page 118	3
Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not	Not Reported	
Overall				
EN30	Total environmental protection expenditures and investments by type.	Not	Not Reported	
<b>Social: Labor Practices and Decent Work</b>				
Performance Indicator	Description	Reported	Cross-reference/Direct answer	IFC Sustainability Framework Performance Standard
Employment				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	Pages 124-125	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	Pages 125-126	2
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not	Not Reported	
LA15	Return to work and retention rates after parental leave, by gender.	Not	Not Reported	
Labor/management relations				
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	Page 126	2
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not	Not Reported	

**STANDARD DISCLOSURES PART III: Performance Indicators**
**REPORT FULLY ON AT LEAST 20 CORE OR ADDITIONAL PERFORMANCE INDICATORS - AT LEAST 1 FROM EACH CATEGORY (ECONOMIC, ENVIRONMENT, LABOR PRACTICES & DECENT WORK, HUMAN RIGHTS, SOCIETY, PRODUCT RESPONSIBILITY)**

Occupational health and safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not	Not Reported	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	Pages 128-130	2
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	Page 130	2
LA9	Health and safety topics covered in formal agreements with trade unions.	Not	Not Reported	
Training and education				
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	Page 127	2
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not	Not Reported	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	Page 127	2
Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	Page 124	2
Equal remuneration for women and men				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not	Not Reported	
Social: Human Rights				
Performance Indicator	Description	Reported	Cross-reference/Direct answer	IFC Sustainability Framework Performance Standard
Investment and procurement practices				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Not	Not Reported	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Not	Not Reported	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not	Not Reported	

## GRI INDEX

STANDARD DISCLOSURES PART III: Performance Indicators				
REPORT FULLY ON AT LEAST 20 CORE OR ADDITIONAL PERFORMANCE INDICATORS - AT LEAST 1 FROM EACH CATEGORY (ECONOMIC, ENVIRONMENT, LABOR PRACTICES & DECENT WORK, HUMAN RIGHTS, SOCIETY, PRODUCT RESPONSIBILITY)				
Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken.	Not	Not Reported	
Freedom of association and collective bargaining				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not	Not Reported	
Child labor				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	Pages 131-132	2
Forced and compulsory labor				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	Page 132	2
Security practices				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	Not Reported	
Indigenous rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	Not Reported	
Assessment				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not	Not Reported	
Remediation				
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal			
<b>Social: Society</b>				
Performance Indicator	Description	Reported	Cross-reference/Direct answer	IFC Sustainability Framework Performance Standard
Local communities				
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	Pages 139-156	
S09	Operations with significant potential or actual negative impacts on local communities.	Not	Not Reported	
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not	Not Reported	

STANDARD DISCLOSURES PART III: Performance Indicators				
REPORT FULLY ON AT LEAST 20 CORE OR ADDITIONAL PERFORMANCE INDICATORS - AT LEAST 1 FROM EACH CATEGORY (ECONOMIC, ENVIRONMENT, LABOR PRACTICES & DECENT WORK, HUMAN RIGHTS, SOCIETY, PRODUCT RESPONSIBILITY)				
Corruption				
S02	Percentage and total number of business units analyzed for risks related to corruption.	Fully	Pages 133-134	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not	Not Reported	
S04	Actions taken in response to incidents of corruption.	Not	Not Reported	
Public policy				
S05	Public policy positions and participation in public policy development and lobbying.	Not	Not Reported	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not	Not Reported	
Anti-competitive behavior				
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not	Not Reported	
Compliance				
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	Page 134	
Social: Product Responsibility				
Performance Indicator	Description	Reported	Cross-reference/Direct answer	IFC Sustainability Framework Performance Standard
Customer health and safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not	Not Reported	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not	Not Reported	
Product and service labelling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	Pages 136-138	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not	Not Reported	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not	Not Reported	

## GRI INDEX

STANDARD DISCLOSURES PART III: Performance Indicators				
REPORT FULLY ON AT LEAST 20 CORE OR ADDITIONAL PERFORMANCE INDICATORS - AT LEAST 1 FROM EACH CATEGORY (ECONOMIC, ENVIRONMENT, LABOR PRACTICES & DECENT WORK, HUMAN RIGHTS, SOCIETY, PRODUCT RESPONSIBILITY)				
Marketing communications				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	Page 138	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not	Not Reported	
Customer privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not	Not Reported	
Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	Page 138	

## UNGC ADVANCED PRINCIPLES

### Advanced Principles

### Page number in Communication on Progress / Annual Report

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Criterion 3	Pages 45-49
Criterion 4	Pages 139-156
Criterion 5	Page 131-134
Criterion 6	Pages 131-134, Pages 12-38
Criterion 7	Pages 131-134, Pages 12-38
Criterion 8	-
Criterion 9	Pages 131-134, Pages 12-38, Pages 123-127
Criterion 10	Pages 123-127, Pages 12-38
Criterion 11	Pages 131-134
Criterion 12	Page 126, Pages 131- 132
Criterion 13	Pages 111-122
Criterion 14	Pages 42-44, Pages 111-122, Pages 56-58
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Criterion 17	Pages 133-134
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Criterion 21	-
Criterion 22	Pages 108 - 109, Page 3
Criterion 23	Page 41, Page 53
Criterion 24	Pages 54-55, Page 53

# GLOSSARY OF FINANCIAL TERMS

## Accrual basis

Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

## Asset turnover

Revenue including associate company revenue divided by average total assets.

## Beta

Co-variance between daily market return and daily JKH share return divided by variance of daily JKH share return over a period of 5 years.

## Capital employed

Shareholders' funds plus minority interest and debt.

## Capital structure leverage (CSL)

Average total assets divided by average shareholders equity.

## Cash earnings per share

Profit after tax adjusted for non cash items minus share of associate company profits plus dividends from associate companies divided by the weighted average number of ordinary shares in issue during the period.

## Cash interest and tax cover

Cash flow from operations before working capital changes divided by cash interest and tax payments.

## Cash ratio

Cash plus short term investments divided by current liabilities.

## Cash to price earnings

Diluted market price per share divided by diluted cash earnings per share.

## Common earnings leverage (CEL)

Profit attributable to equity holders of the parent divided by profit after tax.

## Contingent liabilities

A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. the obligation is 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 minority interest.

## Diluted earnings per share (EPS)

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

## Dividend payable

Final dividend per share multiplied by the latest available total number of shares in issue as at the date of the report.

## Dividend payout ratio

Dividend as a percentage of company profits adjusted for non cash gains items.

## Dividend yield

Dividends adjusted for changes in number of shares in issue as a percentage of the share price at the end of the period.

## Earnings per share

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

## EBIT

Earnings before interest and tax (includes other operating income).

## EBIT margin

EBIT divided by turnover inclusive of share of associate company turnover.

## EBITDA

Earnings before interest, tax, depreciation and amortisation.

## Effective rate of taxation

Tax expense divided by profit before tax.

## EV (enterprise value)

Market capitalisation plus net debt.

## Interest cover

Consolidated profit before interest and tax over finance expenses.

## Long term debt to total debt

Long term loans as a percentage of total debt.

## Market capitalisation

Number of shares in issue at the end of period multiplied by the market price at end of period.

## Market value added

Market capitalisation minus shareholder's funds.

## Net assets

Total assets minus current liabilities minus long term liabilities minus minority interest.

## Net assets per share

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end

## Net debt (cash)

Total debt minus (cash plus short term deposits).

## Net profit margin

Profit after tax divided by turnover inclusive of share of associate company turnover.

## Net working capital

Current assets minus current liabilities.

## Price earnings ratio

Market price per share (diluted) over diluted earnings per share.

## Price to book ratio

Market price per share (diluted) over net asset value per share.

## Profit ratio

Profit after tax attributable to equity holders of the parents divided by total revenue including share of associates

## Public holding (Free float)

Public holding means shares of a listed entity held by any person other than those directly or indirectly held by;

- a) its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company; and,

b) its directors who are holding office as directors of the entity, their spouses and children under 18 years of age; and,

c) Chief Executive Officer, his/her spouse and children under 18 years of age; and,

d) any single shareholder who holds 10 per cent or more of the shares.

## Quick ratio

Cash plus short term investments plus receivables, divided by current liabilities.

## Return on assets

Profit after tax divided by the average total assets.

## Return on capital employed

Consolidated profit before interest and tax as a percentage of average capital employed.

## Return on equity

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

## Sales to assets ratio/total asset turnover

Turnover including share of associate company turnover divided by average total assets.

## Share turn ratio

Total volume of shares traded during the year divided by average number of shares in issue.

## Shareholders funds

Total of stated capital, capital reserves and revenue reserves.

## Total debt

Long term loans plus short term loans and overdrafts.

## Total equity

Shareholders funds plus minority interest.

## Total shareholder return

$(P1 - P0 + D) / P0 \times 100$   
 P1 = Market price at the end of the financial year  
 P0 = Diluted market price at the end of the previous financial year  
 D = Adjusted dividend for the year

# NOTICE OF MEETING

Notice is hereby given that the Thirty Third Annual General Meeting of John Keells Holdings PLC will be held on 29th June 2012 at 11.00 a.m at The Auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (London Place), Colombo 7.

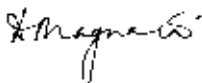
The business to be brought before the meeting will be:

- to read the notice convening the meeting.
- to receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2012 with the Report of the Auditors thereon.
- 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.
- to re-elect as Director, Mrs. S Thiruchelvam, who retires in terms of Article 84 of the Articles of Association of the Company.
- to re-elect as Director, Mr. A R Gunasekara, who retires in terms of Article 91 of the Articles of Association of the Company.
- to re-elect as Director, Mr. T Das who is over the age of 70 years and who retires in terms of section 210 of the Companies Act No. 07 of 2007, for which notice of the following ordinary resolution has been given by a member:  

“THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. T Das, who is 73 years and that he be re-elected a Director of the Company.”
- to authorise the Directors to determine and make donations.
- to re-appoint Auditors and to authorise the Directors to determine their remuneration.
- to consider any other business of which due notice has been given.

By order of the Board

**JOHN KEELLS HOLDINGS PLC**



Keells Consultants (Private) Limited

Secretaries

1 June 2012

## Notes:

- i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- ii. A Proxy need not be a member of the Company.
- iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.
- iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.

# FORM OF PROXY

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 |
| MR. STEVEN ENDERBY                       | or failing him |
| MRS. SITHIE SUBAHNIYA TIRUCHELVAM        | or failing her |
| DR. INDRAJIT COOMARASWAMY                | or failing him |
| MR. ANTHONY RANJIT GUNASEKARA            |                |

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held on 29th June 2012 at 11.00 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as Director, Mr. J R F Peiris, who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Mrs. S Thiruchelvam, who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Mr. A R Gunasekara, who retires in terms of Article 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Mr. T Das who is over the age of 70 years and who retires in terms of section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
To authorise the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... Two Thousand and Twelve.

.....  
 Signature/s of Shareholder/s

**NOTE:**  
 INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

**INSTRUCTIONS AS TO COMPLETION OF PROXY**

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 130, Glennie Street, Colombo 2, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : .....

Address : .....

.....

.....

Jointly with : .....

Share Folio No. : .....

# CORPORATE INFORMATION

## Name of Company

John Keells Holdings PLC

## Legal Form

Public Limited Liability Company  
Incorporated in Sri Lanka in 1979  
Ordinary Shares listed on the  
Colombo Stock Exchange  
GDRs listed on the Luxembourg  
Stock Exchange

## Company Registration No.

PQ 14

## Directors

S C Ratnayake – Chairman  
A D Gunewardene – Deputy Chairman  
J R F Peiris  
E F G Amerasinghe  
I Coomaraswamy  
T Das  
S Enderby  
A R Gunasekara  
S S Tiruchelvam

## Senior Independent Director

E F G Amerasinghe

## Audit Committee

A R Gunasekara – Chairman  
E F G Amerasinghe  
I Coomaraswamy  
S Enderby

## Human Resources and Compensation Committee

E F G Amerasinghe – Chairman  
I Coomaraswamy  
A R Gunasekara  
S S Tiruchelvam

## Nominations Committee

T Das – Chairman  
S Enderby  
S C Ratnayake  
S S Tiruchelvam

## Bankers

Bank of Ceylon  
Citibank N.A  
Commercial Bank  
Deutsche Bank A.G  
DFCC Bank  
DFCC Vardhana Bank  
Hatton National Bank  
Hongkong & Shanghai Banking Corporation  
ICICI Bank  
Muslim Commercial Bank  
Nations Trust Bank  
National Savings Bank  
Pan Asia Banking Corporation  
People's Bank  
Sampath Bank  
Seylan Bank  
Standard Chartered Bank

## Depository for GDRs

Citibank N.A  
New York

## Registered office of the Company

130 Glennie Street  
Colombo 2, Sri Lanka  
Internet: [www.keells.com](http://www.keells.com)  
Email: [jkh@keells.com](mailto:jkh@keells.com)

## Secretaries and Registrars

Keells Consultants (Pvt) Limited  
130 Glennie Street  
Colombo 2, Sri Lanka  
Telephone: +94 (0) 11 230 6245  
Facsimile: +94 (0) 11 243 9037

## Investor Relations

John Keells Holdings PLC  
130 Glennie Street  
Colombo 2, Sri Lanka  
Telephone: +94 (0) 11 230 6167  
+94 (0) 11 230 6000  
Facsimile: +94 (0) 11 230 6160  
Email: [investor.relations@keells.com](mailto:investor.relations@keells.com)

## Group Sustainability and Enterprise Risk Management

John Keells Holdings PLC  
130 Glennie Street  
Colombo 2, Sri Lanka  
Telephone: +94 (0) 11 230 6182  
Facsimile: +94 (0) 11 230 6249  
Email: [sustainability@keells.com](mailto:sustainability@keells.com)

## Contact for Media

Corporate Communications Division  
John Keells Holdings PLC  
130 Glennie Street  
Colombo 2, Sri Lanka  
Telephone: +94 (0) 11 230 6191  
Facsimile: +94 (0) 11 471 7706

## Auditors

Ernst & Young  
Chartered Accountants  
P.O. Box 101  
Colombo, Sri Lanka

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